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To: Our Investors in the Chawton Global Equity Income Fund

Quarter ended 30 June 2023

Overview

The fund rose by just under 1% over the second quarter of 2023 in line with comparator global equity income funds. Global equity markets, as represented by the MSCI Word index rose 3.9% driven by the very large companies such as Apple, which now constitutes over 5% of the index. US stocks now form 70% of this index. The fund is up 38.6% (B Class GBP accumulation shares) since inception which amounts to a compound annual growth rate of 8.6% per annum.

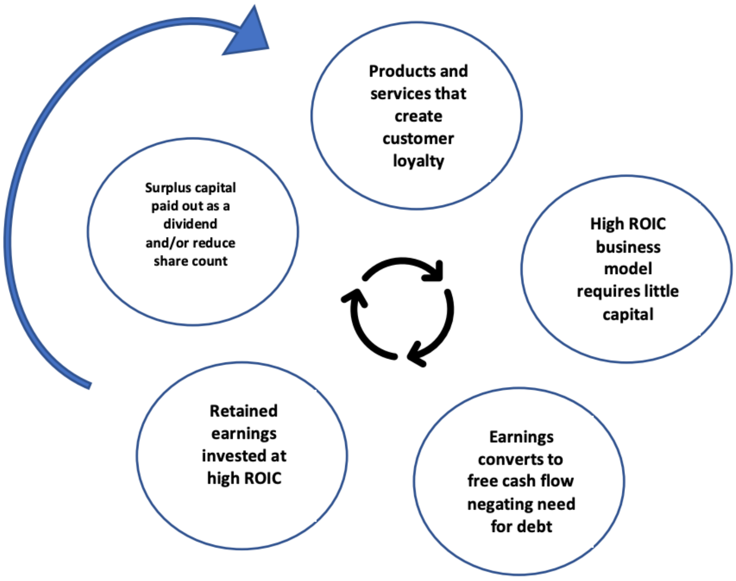
Currently a few factors are making it more difficult for companies to make progress in terms of profits caused mainly by the continued reverberations from COVID. These include disrupted supply chains, disrupted labour markets and the lagged effect of aggressive monetary policy decisions. We expect these effects to reduce soon and the economic environment to return to a more normal profile with some inflation and interest rates at a level that encourages more responsible capital allocation. The companies in the portfolio should benefit from this and the continued developments in technology facilitating greater productivity.

In the meantime, cash flow generation by companies in the portfolio remains strong leading to increased dividend receipts and share repurchase programmes. The latter means that for many of the companies in the portfolio, our investors will own a little more of each without having had to make any additional purchases.

I would like to remind investors of our philosophy fly wheel which illustrates how portfolio dividend growth and share repurchases are the outcome of each company's strategy and business model.

The starting point for identifying companies likely to be able to deliver long term sustainable capital and income growth is the excellence of the product or service it offers followed by the attractiveness of the business model and management's capital allocation skills. The latter includes reinvestment into similarly attractive projects enabling a virtuous circle.

Our Philosophy Flywheel:



ROIC = Returns on Capital

Our Partners' aim is to build the business for the long-term through steadily and constantly improving everything we do. In this context, I am very pleased to say that our application to be listed as a signatory of the UK stewardship code has been accepted by the Financial Reporting Council. I discuss this further under the stewardship section of this letter.

Investment Performance and Activity

Performance

Chawton Global Equity Income Fund performance is shown below for the second quarter 2023 and preceding periods. The Fund results are net of fees and charges and are compared to the benchmark index (MSCI World GBP) and the comparator group as represented by the Investment Association Global Equity Income sector.

	Chawton Global Equity Income Fund	MSCI World TR in GBP	IA Global Equity Income Sector
2nd Quarter 2023	0.9%	3.9%	1.0%
2023 YTD	2.8%	8.9%	3.4%
2022	-8.3%	-7.8%	-1.2%
2021	18.2%	22.9%	18.7%
2020	14.2%	12.3%	3.2%
2019 (from 19 May)	9.3%	8.6%	7.0
Since Inception 19/05/2019 – 30/06/2023	38.9%	50.5%	34.0%
Compound Annual	8.6%	10.8%	7.6%

Source: FE fundinfo as at 30 June 2023. Total return in GBP. Past performance is not a reliable indicator of future results. The value of your investments and the income derived from it can go down as well as up and you may not get back the money you invested. * Fund launch 21 May 2019

As our fund history grows, I recommend focusing on the compound annual return figure as the best representation of how well we are doing both absolutely and relatively. I would summarise this currently as solid, absolutely, at 8.6% but we are aiming for double digit total shareholder returns.

You will also have observed that our benchmark, the MSCI World Index has outperformed both us and our comparators by a significant margin. This index represents global equities listed in developed markets and is used by the (UK based) Investment Association to set the criteria to qualify for inclusion in their Global Equity Income Sector. The yield at the end of August 2023 was 1.98% and the requirement is simply to exceed this yield on a three-year rolling basis.

The purpose of a benchmark is to provide investors with a measure that essentially represents the opportunity cost of investing in the fund. In other words what return you could typically have expected to receive by investing in equities. Whilst we are aware of the benchmark, we do not manage the fund with the express purpose of consistently exceeding it. Our objective is to generate capital growth and, importantly income growth with an equal weighting on both measures.

The issue with the MSCI World Index is that it has become increasingly driven by a small number of large technology driven companies that either do not pay a dividend or the dividend is modest. The top ten constituents include Amazon, Nvidia, Alphabet, Tesla and Meta none of whom pay a dividend and these have been big drivers of the index performance. The top ten now account for 20% of the total index and, in addition, the index is now 70% US listed. A typical US fund would be required to hold at least 80% in US stocks so if current trends persist, the MSCI World Index will soon qualify as a US fund.

My belief is that our fund should be able to outperform this index over the long term and indeed, I have outperformed it since starting to manage global equities in 2012. Taking into account the expected high revenue and cash flows growth implicit in their valuation and that they are unlikely to generate and return surplus capital for some time, it is difficult for the fund to invest in these larger companies currently. I expect their performance to start to lag at some point.

I would suggest that our investors might want to also look at some other indices that include an express dividend element to assess the fund - Morningstar use the MSCI World High Dividend Yield Index and the MSCI World Quality Dividend Index is also a good match for our strategy. We have outperformed both since inception.

Activity

Over the 3 months to the end of June 2023, we initiated, but have yet to complete, two new positions and sold a very small residual position we had not been able to scale up. We owned 34 stocks at the end of June 2023.

Major Purchases:

None completed.

Major Sales:

None completed.

Our Portfolio Companies

Bloomsbury Publishing

I had a longish car journey looming and so thought I would listen to a novel by Sarah Jane Maas, who has been hailed as the next JK Rowling and is, after Rowling, Bloomsbury Publishing's most successful children's author. I was drawn into a world of mythical characters, fantasy landscapes and moral dilemmas.

Rowling stands alone as the most successful children's author having sold 600 million copies worldwide whilst Maas so far has reached 12 million (2022). Maas has completed two series of her fantasy books which are different takes on fairy tales – the debut, Thorn of Glass, series places Cinderella as an assassin rather than a servant. I can confirm her descriptive prose and character development result in the audio equivalent of not being able to put the book down.

We hold Bloomsbury Publishing, a UK listed stock, as one of our larger positions. In June they held an investor day which provided a good opportunity to review progress. Although Children's consumer publishing is the engine room of the company, what also interested us was its progress in building an academic publishing arm based around digital technology. This was the main focus of the day.

After being founded by current CEO, Nigel Newton, in 1986, the signing of Rowling in 1996, after her rejection by 12 other publishers, was the big break for Bloomsbury. It provided the basis to challenge the dominance of the big five publishers who, together control 50% of the market. However, consumer publishing is highly volatile through being dependent on finding and breaking new authors. Newton was looking for a way to offset this volatility and following collaboration with Microsoft to develop Encarta, started to acquire small digitally focused academic publishing companies. He soon realised this could provide an equally profitable but much more stable income stream to compliment the consumer side. A separate division named Academic and Professional Publishing (A&P) was established within non-consumer publishing.

In 2016, management decided to gather all the digital technology and intellectual property into a sub-division within A&P entitled Bloomsbury Digital Resources (BDR). A state of the art technology platform was built to house this incorporating databases with video, audio and visuals as well as text. Initial verticals included drama and fashion allowing graduate and undergraduate students studying these areas to interrogate source materials and related research all through a single portal. The competitive advantage is that Bloomsbury can combine technology led aggregation with detailed subject knowledge necessary for curation. Some customers such as Royal Holloway College structure their entire course around the service.

What BDR has enabled the company to subsequently do is make in-fill acquisitions of principally subject content which, given its print distribution can be purchased at attractive prices and then digitised and incorporated into the digital portal. As a consequence, the company is now building verticals in multiple areas including classical studies, religious studies, law and sociology.

The financial result of these developments have been impressive. Over the last ten years, group revenues have grown at a compound rate of 10.3% and earnings before interest and tax at 12%. At the same time return on capital employed has improved from 8.6% to 13.7% and net cash on the balance sheet moved up from £10 million to £41 million after a similar amount, £41 million, was invested in acquisitions and a special dividend of £8 million paid in 2022. Given the reinvestment opportunities and the special, the ordinary dividend has been grown at a slightly slower level of 8.5%.

The share price has reflected Bloomsbury achievement rising at a compound average growth rate of 15.8% in the last ten years, and with a modest valuation currently, we are excited with the future potential of this group.

Ferguson plc

Moving to the more mundane but necessary industry of building and construction, we carried out an annual review of our holding in Ferguson plc. This is a leading US distributor of more complex building components including plumbing, heating, bathrooms, water supply and drainage, air conditioning and fire protection. The company was formerly known as Wolseley and listed in the UK but switched its primary listing to the USA after selling its European operations and then UK business in 2021.

The company distributes its products to small and mid-size building contractors, property developers and larger contractors serving industrial commercial and civil engineering markets. Around 46% of revenues are derived from non-residential activities and the customer base is diverse. The components distributed tend to be higher-value, lower bulk and more technically sophisticated than the broader building materials market so there is a technical input aspect and this, along with availability, tends to be as important as price for customers.

The company's origins are in the North East of the United States but its branch network is now national. The competitive environment remains stable and is characterised by numerous small and mid-sized competitors and a few larger although the largest of these is a third of the size of Ferguson. The company leverages this scale very effectively through factors such as breadth of product availability and the addition of value added services such as system design, tender preparation and pre-assembly of groups of components. The company has been particularly focused on improving its ESG credentials and scale provides the necessary resource to do this more effectively than small mom and pop operations.

Importantly, they have understood and utilised digital technology very effectively so now have the capability of integrating with contractor operations to communicate availability, purchase order and delivery information as well as optimise their own operations. Traditional branch sales staff were resistant to this but the appointment of 'digital champions' even if they started off not being especially digitally literate, acted as a great motivator for them and their associates.

Although demand is a little soft currently as the post COVID burst of activity abates and higher interest rates bite, growth prospects for the industry and company look attractive over the next decade. This is driven by factors such as undersupply of housing in the US combined with population growth, environmental drivers leading to adaption and refurbishment along with new build and investment in new industrial plant to service the green economy. An important customer segment is the civil engineering sector involved in water infrastructure products including those related to purification and desalination, storage and dam safety. Over the last five years the company has delivered 7.3% organic growth augmented by an additional 2.4% from small in-fill acquisitions, a continuing opportunity in a fragmented industry.

The company has delivered a total shareholder return of around 30% since our investment a year ago but we still see it as attractively value and with great prospects for compounding growth of capital and income.

Stewardship

We are pleased to announce that Chawton Global Investors' application to become a signatory to the UK Stewardship Code was approved by the Financial Reporting Council in August 2023. The Code sets high stewardship standards for asset managers, who are required to ensure the responsible allocation, management, and oversight of capital so as to create long-term value. We believe that our acceptance is in recognition of the fact that we have successfully delivered on our investment strategy, which requires us to act as owners of the businesses we invest in on behalf of our clients.

We have published the results of voting activities undertaken in Q2 2023 on our website. To access our Q2 2023 Voting Record and Voting Report, please click here. We participated in 19 Annual Meetings. In line with our Voting Policy, we voted against management recommendations in relation to proposals which if carried through would in our opinion negatively impact companies' efforts to sustain a high return on invested capital over the long-term.

Further, during the quarter we engaged with several companies with the aim of understanding whether management are paying sufficient regard to material risks which threaten long-term value creation. In June 2023 we attended the 2023 Capital Markets Day of a UK listed engineer where we have acquired an initial position but are still in the process of building this up. We had a productive discussion with senior directors regarding their risk management process. We were pleased to note that in late 2022 climate change had been identified as a principal risk because of its significant impact on the company's ability to achieve its strategic growth objectives, and that the company's remuneration structure had been amended to include the extent to which the company achieves sustainability goals as a non-financial performance metric in determining variable compensation levels for executive directors.

Several engagements are still on-going, and we aim to share with you the results of these efforts later on in the year.

Conclusion

The fund has delivered a modest total shareholder return in the second quarter of 2023 but both cash flow generation and surplus capital distribution is strong in underlying businesses. We continue to adhere to our philosophy of investing in companies achieving high returns on capital that have opportunities to reinvest capital and are disciplined in returning surplus capital to us. This creates a virtuous circle. Since inception in May 2019, the fund has compounded at 8.6% to the end of June 2023.

We are a little concerned our benchmark, which we use for comparison purposes, is becoming less representative of our strategy and are looking for alternatives that are a better fit.

There was very limited activity in the fund in the quarter. We took the opportunity of a capital markets day to review our holding in Bloomsbury Publishing and are pleased with the progress the company is making in developing its Academic and Professional Publishing arm. This will offset the volatility of the consumer publishing division which has achieved notable success in the children's segment.

We carried out an annual review of our holding in the US building components distributor, Ferguson and consider the company is utilising its scale and management excellence to strengthen its competitive advantage through deploying digital technology and improving its ESG credentials. This will widen its competitive advantage in a market we consider has good growth prospects.

We are pleased to that Chawton Global Investors' application to become a signatory to the UK Stewardship Code was approved by the Financial Reporting Council in August 2023. This reflects the robust stewardship framework we have put in place reinforcing our philosophy of acting as owners of the companies we invest in.

I hope this letter has provided greater insight into our process and progress. Please do not hesitate to contact me if you have questions or would like me to run through our associated presentation.

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As a concentrated equity portfolio of typically less than 50 stocks the fund may involve higher volatility and therefore higher risk for those with shorter term investment time horizons (under 5 years). The value of an investment and the income from it can fall as well as rise as a result of market and currency movements and you may not get back the amount originally invested. You should therefore regard your investment as long term. Details of the risk factors are included in the fund's prospectus available at www.tbaileyfs.co.uk/funds