

# SVM

## World Equity Fund

The objective of this Fund is to achieve above average capital growth over the medium to long term (although short-term investment opportunities will also be considered) and it aims to outperform its peers in the IA Global Sector (second quartile and above).

May 2020 | Share Class B

Figures as at 30 April 2020



## Fund Manager



**Neil Veitch**  
Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 01/12/2010

## Monthly Fund Commentary

Equities continued their recovery from their mid-March lows. A combination of unprecedented policy responses and a flattening of the disease curve across geographies led to increased optimism and a reduction in risk aversion. This has occurred despite predictably appalling economic data and the associated negative revisions to earnings forecasts. For many companies, investors have written off the current year and are focused on the shape of the earnings recovery one or two years out. The fund returned 9.9% versus the average fund that rose 9.8%.

There are still many things we don't understand about Covid-19 but the incremental news flow, both therapeutic and epidemiological, has been positive. Notably, those countries where lockdown has been tentatively relaxed have yet to see a spike in infections. 'Tail' risks remain but look to have been reduced. It is important to recognise, however, how much we still don't know, not only in terms of the disease but also about how economies will respond. This makes accurate forecasting exceedingly difficult, if not impossible. It has long been our contention that pattern recognition is a significant part of investment success. In this instance we are 'flying blind'. There are no historical precedents. Understandably, therefore, investors have gravitated to those stocks that offer the greatest operational and financial certainty.

Prudence is warranted but an appropriate balance between opportunity and wealth preservation must be maintained. The fund's cash position remains high but we are actively looking to reduce it when the right opportunities arise. At the outset of the crisis we had planned for capital raisings to consume a material portion of our

available capital, but despite closely examining many opportunities we have participated in very few. Largely this has been due to considerable uncertainty over the outlook for many of these businesses. In most instances we felt that at the proposed issue price of the new shares the risk/reward trade-off was unattractive. This is in sharp contrast to our experience in the immediate aftermath of the financial crisis where we felt there was both greater clarity and more distress in share prices. Nonetheless, we continue to actively research situations where we feel new capital may be required. Additional opportunities may arise from the purchase of more cyclical businesses as the outlook becomes clearer.

A number of the fund's holdings rebounded strongly over the month. Positions in Jadestone Energy, Norcross, GVC and Alpha Financial Management were all material positive contributors to performance. Most of these had simply been oversold. Jadestone has taken proactive measures to reduce both costs and capital expenditure and now expects to be cash-flow neutral at a level considerably below the current oil price. The company is also in a net cash position and has significant scope to take advantage of the current low oil price. The fund's two largest holdings, Alphabet and Microsoft, rose as investors looked for potential beneficiaries of the crisis.

A new holding was taken in Micron Technology, a manufacturer of semiconductors. Despite some consumer related headwinds we think demand for semiconductors will remain robust and have used the pullback in the share price to initiate a position.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 1 December 2010

**IA Sector:** Global

**Type of Shares:** Accumulation

**XD Date:** 31 December

**Pay Date:** 30 April

**Fund Size:** £16.4m

**Fund Charges:**

	OCF*
Share Class A	1.98%
Share Class B	1.23%

\*Ongoing Charges Figure includes Annual Management Charge and additional expenses.

**Minimum Investment:**

	Initial	Subsequent
Share Class A	£1,000	£200
Share Class B	£250,000**	£200

\*\*Discounted to £1,000 for Professional Advisers

**Risk and Reward Profile:**



This profile is a historical indication of the Fund's volatility. The higher the number, the greater the risk that the Fund will make losses as well as gains.

- This Fund has been classed as 5 because its volatility has been measured as high.
- The historical data used for this purpose may not be a reliable indication of the future risk and reward profile for this Fund.
- The risk category shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

As at 03/01/2020

**Past Performance is not a guide to future performance. All financial instruments involve a degree of risk. The value of your investments and any income from them can go down as well as up and you may not get back the amount originally invested.**

**ACTIVE STOCKPICKERS**

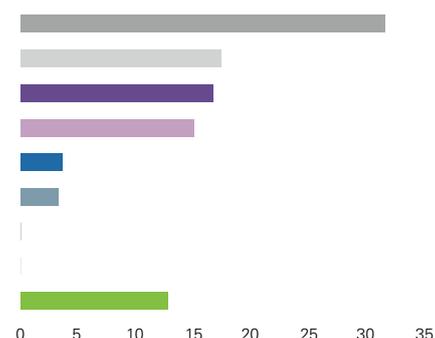
## Portfolio Analysis

### Risk Baskets

To help understand the overall balance of the portfolio, stocks are allocated to one of eight risk groups: defensive, cyclical, stable financial, unstable financial, consumer cyclical, oil & gas, mining and finally technology. Most of these groups are self explanatory but financials deserve some clarity. All financials are inherently unstable but in the main, Lloyd's underwriters and General Insurers take less balance sheet risk, so are relatively more stable than Banks or Life Assurers.

Seeing the portfolio broken down into these categories allows an understanding of how aggressive or defensive the overall portfolio is, and where risk is being taken.

	(Net %)
Technology	31.5
Defensive	17.3
Cyclical	16.6
Consumer Cyclical	14.9
Unstable Financial	3.6
Oil & Gas	3.3
Stable Financial	0.0
Mining	0.0
Cash	12.7



#### Technology: 31.5%

(%)

Alphabet	8.7
Microsoft	8.4
SK Hynix	4.5

#### Defensive: 17.3%

(%)

DCC	5.2
Roche Holdings	3.4
Merck & Co	3.1

#### Cyclical: 16.6%

(%)

Synthomer	3.9
Hitachi	3.8
Denka	3.1

#### Consumer Cyclical: 14.9%

(%)

Visa	7.8
GVC Holdings	4.0
Ryanair	1.7

#### Unstable Financial: 3.6%

(%)

Prudential	3.6
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#### Oil & Gas: 3.3%

(%)

Jadestone Energy	2.8
Savannah Energy	0.5

#### Stable Financial: 0.0%

(%)

#### Mining: 0.0%

(%)

## This Month's Featured Stock

### Magnachip

Magnachip is a South Korean, but US-listed, designer and manufacturer of semiconductor platform solutions for the communications, consumer, industrial and automotive industries. The group is the world's leading independent supplier of organic-LED ('OLED') display drivers.

Magnachip has been reshaping its portfolio of businesses to focus on higher-growth areas where it has strong market positions. In March, the group announced the sale of its Foundry business in a transaction valued at \$435m. The cash received will allow Magnachip to meaningfully deliver its balance

sheet and focus on its Display and Power Solutions businesses.

Although the COVID-19 pandemic has caused some disruption to supply-chains and demand during the year, Magnachip's first quarter results showed a continued strong performance. In the Display business, OLED revenues increased by 44% over the previous year. Demand for OLED screens has evolved over the past decade as the technology has improved. In the first quarter of 2020 alone, 8 new smartphones have launched using Magnachip's OLED display driver. Although the Power Solutions business, which serves

a wide range of industries, has been more impacted by COVID-19 in the near-term it has many secular growth drivers which give grounds for optimism. The ongoing shift away from internal combustion cars should boost demand for Magnachip's high-voltage, high-current switch product which is connected to the motor in electric or hybrid vehicles.

While the current year may see further disruption from COVID-19, Magnachip is well-positioned to continue delivering strong revenue and profit growth. With a strong balance sheet post the Foundry disposal, we expect the stock to outperform.

## Portfolio Analysis

Top 10 Holdings	(%)
Alphabet	8.7
Microsoft	8.4
Visa	7.8
DCC	5.2
SK Hynix	4.5
GVC Holdings	4.0
Synthomer	3.9
Hitachi	3.8
Prudential	3.6
Roche Holdings	3.4
<b>Total</b>	<b>53.3</b>

Size Analysis	(%)
Mega Cap (>£50bn)	31.4
Large Cap (<£50bn)	17.6
Mid Cap (<£10bn)	19.7
Small Cap (<£1bn)	18.6

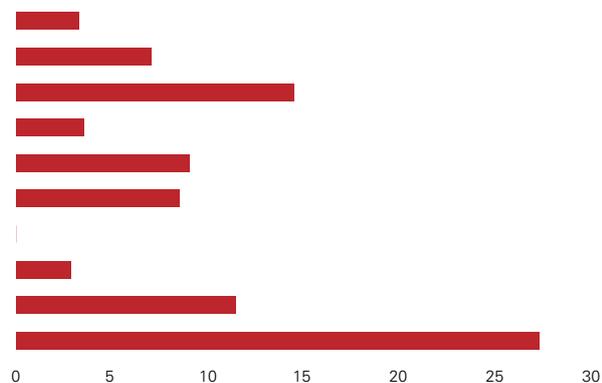
Total Number of Stocks	
Number of Holdings	26

Net Currency Exposure	(%)
Euro	4.5
Sterling	35.1
Europe non-Euro	3.4
US Dollar	44.6
Japanese Yen	6.9
Others	5.4

## Sector Analysis

### Sector Breakdown (%)

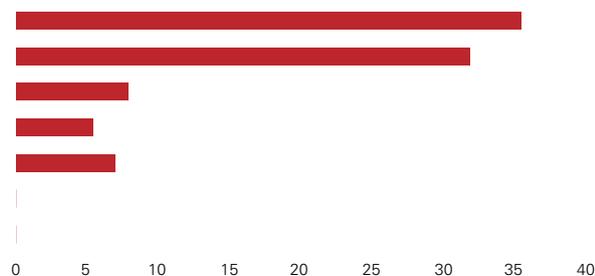
Oil & Gas	3.3
Basic Materials	7.0
Industrials	14.4
Consumer Goods	3.5
Health Care	9.0
Consumer Services	8.5
Telecommunications	0.0
Utilities	2.9
Financials	11.4
Technology	27.2



## Geographic Stock Analysis

### Geographic Stock Analysis (%)

North America	35.4
United Kingdom	31.8
Europe (excluding UK)	7.9
Asia Pacific (excluding Japan)	5.4
Japan	6.9
Latin America	0.0
Other	0.0



Please note that figures may not add up to 100% due to Cash holding.

## Fund Performance to 30/04/2020

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### ISIN:

Share Class A GB00B0KXRB86  
Share Class B GB00B0KXSK43

### MEX:

Share Class A SXUAT  
Share Class B SXUAB

### SEDOL:

Share Class A B0KXRB8  
Share Class B B0KXSK4

### Registered Office:

SVM Asset Management Limited  
7 Castle Street  
Edinburgh  
EH2 3AH  
Registered No. 125817

### Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM World Equity Fund B	9.9	-9.6	-1.0	12.5	41.4	131.0
IA Global Sector	9.8	-7.3	-0.9	16.7	46.7	127.9

Source: Lipper, as at 30/04/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

\*The Fund was launched on 01 December 2010

### Percentage growth year on year to 31 March

	2020	2019	2018	2017	2016
SVM World Equity Fund B	-4.4	7.0	0.2	28.3	-2.8
IA Global Sector	-6.2	9.0	3.5	29.0	-2.2
Performance Difference	+1.8	-2.0	-3.3	-0.7	-0.6

Source: Lipper, as at 31/03/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 30/04/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

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**This material should not be considered as advice or an investment recommendation. Investors should seek advice from an authorised financial adviser prior to making investment decisions.**

The Fund is to be considered a medium to long term investment option.

### The Fund incurs the following key risks:

In the event a preliminary charge is levied and an Investor then redeems the investment shortly after investing, they may not get back the original amount due to the initial charges; regardless of any market movements. Tax treatment can change at any time without notice and is beyond control of the Fund. Expenses incurred by the Fund that are chargeable can reduce income and restrain the capital growth of the Fund. Currency movements may cause the value of your investment to fall as well as rise. Stock market volatility may impact the Fund's ability to trade in, or obtain accurate valuations for, securities held in the Fund's portfolio. There can be no guarantee that the investment objective of a Fund will be achieved or provide the returns sought by the Fund. The Fund may enter into derivative contracts for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. The Fund is exposed to credit and settlement risk through its dealings with Counter Parties. If a Counter Party business fails, the Fund may incur losses. The Fund is exposed to currency risk. The Fund may use currency management techniques, including hedging and entering into derivatives contracts, for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. Further information about the risk factors relevant to the Fund can be found in the Prospectus and the Key Investor Information Document.

Unless otherwise stated all data is sourced to SVM.