

# SVM UK Opportunities Fund

The objective of this Fund is to achieve capital growth over the long term (5 years or more) and it aims to outperform the MSCI United Kingdom IMI. The Fund will identify investment opportunities in UK companies whose future growth is not reflected in current market expectations. The Fund will invest at least 80% in equities and equity related instruments in UK companies. The Fund may invest in other permitted securities.



October 2021 | Share Class B

Factsheet as at 30 September 2021



## Monthly Fund Commentary

Global equities edged lower in September. Supply chain bottlenecks, rising energy prices, and the lingering effect of the pandemic all gave investors pause for thought. Inflation was also very much back on the agenda after being largely dismissed for the past few months. Indeed, fuel shortages in the UK led to many a comparison with the 1970's and a surge in Google searches of the term 'stagflation'. Unsurprisingly, global bond yields moved higher in response and UK 10-year breakevens reached their highest level since 2008. Value stocks, which are less sensitive to bond yields, significantly outperformed growth. In September the fund returned 1.3% versus -0.9% for the MSCI UK Index.

In last month's report we wrote that we felt the 'reflation trade' was not over, but rather had merely paused. Subsequent developments are supportive of such a view. We would caution, however, that had we been bond investors we would have been fired a long time ago. Inflation is notoriously difficult to forecast and there are cogent arguments on both sides. The only observation we would continue to make is that the median voter, both in the UK and elsewhere, has moved to the left. Fiscal policy is therefore likely to remain much looser than has historically been the case. All other things being equal, that should result in higher inflation than has been seen since the financial crisis. At the margin that should be helpful for value investing relative to growth, although we once again would caution investors not to get too hung up on 'labels'.

One of the most notable features over the last month or two has been the surge in energy prices. There are numerous factors at play but the 'energy transition', its impact on investment, and ultimately supply, is a major contributor. As the recent 'greenouts' in the UK have demonstrated the energy transition

will invariably involve a long-term reliance on fossil fuels and it is counterproductive to demonise them. The focus in the short to medium-term should be on making extraction cleaner and more efficient, while at the same time investing heavily to overcome the engineering challenges around renewables.

Given the aforementioned increase in energy prices the fund's oil & gas holdings performed strongly. There was little new company-specific information but rather investors have begun to adjust to the reality that the energy transition will result in a period of higher prices. Companies such as Jadestone Energy, with substantial unhedged production, will be material beneficiaries. Energean gained as a company update reassured investors over the timeline for first gas from their Karish project. Jersey Oil & Gas jumped as the surge in UK energy prices led investors to speculate that funding will be forthcoming for the company's Buchan project.

Entain was the largest single positive contributor to performance. DraftKings, a competitor, announced that it had made an offer to acquire the company at a significant premium. Despite the apparent attractiveness of the offer any transaction will be difficult, but not impossible, to complete. In recognition we sold a third of our position on the initial price spike.

Reach was the largest negative contributor as the stock suffered from profit-taking post a very strong run. The holdings in Entain and Pantheon were reduced and the position in 888 increased. A position was initiated in Drax in response to the higher domestic electricity prices.

Fund and index performance source: FE fundinfo

## Fund Facts

**Launch Date:** 20 March 2000

**Benchmark Index:**  
MSCI United Kingdom IMI Index

**IA Sector:** UK All Companies

**Type of Shares:** Accumulation  
**XD Date:** 31 December  
**Pay Date:** 30 April

**Fund Size:** £203.1m

### Fund Managers:

**Neil Veitch** (Fund Manager)  
Appointed: 23/01/2006  
Years at SVM: 15 Industry Experience: 24

**Craig Jeruzal** (Deputy Fund Manager)  
Appointed: 01/01/2014  
Years at SVM: 14 Industry Experience: 16

### Fund Charges (OCF\*):

Share Class A 1.74%  
Share Class B 0.99%

\*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:



The Synthetic Risk & Reward Indicator ('SRRI') may be a guide to the level of risk of the Fund compared with other funds. The SRRI is calculated based on the historical volatility of the fund over the last 5 years and it may not be a reliable indication of the future risk and reward profile of the fund.

- This Fund has been classed as 6 because it has experienced high volatility historically.
- The SRRI category shown is not guaranteed and may change over time.
- The lowest category (1) does not mean risk free and extreme adverse market circumstances can mean you suffer losses in all cases.

As at 02/07/2021

INDEPENDENT THINKING



Square Mile ratings are sourced from Square Mile.

**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.**

## 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.

Cyclical	30.2	
Consumer Cyclical	29.0	
Unstable Financial	12.8	
Oil & Gas	12.5	
Defensive	11.0	
Technology	8.1	
Stable Financial	0.0	
Mining	0.0	

### Top 5 long holdings

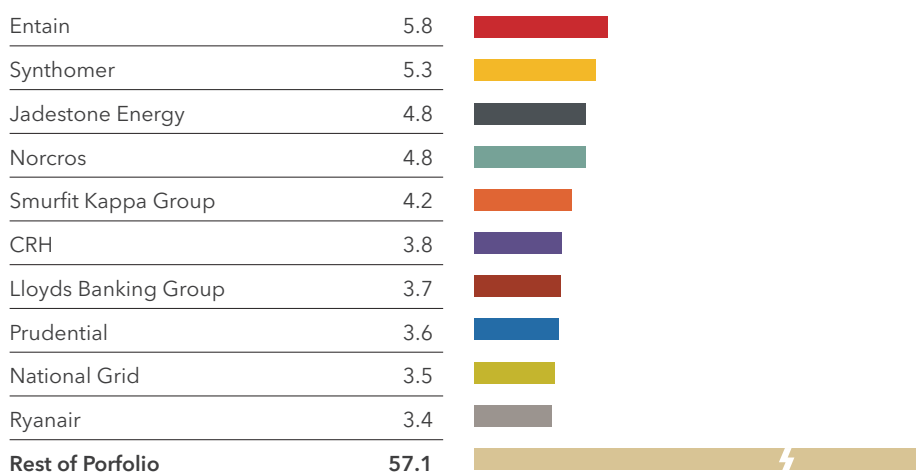
Group totals net %.

	<b>Cyclical</b>	<b>30.2%</b>		<b>Consumer Cyclical</b>	<b>29.0%</b>		<b>Unstable Financial</b>	<b>12.8%</b>
Synthomer	5.3	Entain	5.8	Lloyds Banking Group	3.7			
Smurfit Kappa Group	4.2	Norcros	4.8	Prudential	3.6			
CRH	3.8	Ryanair	3.4	Legal & General	2.7			
Alpha FMC	3.3	Tesco	3.1	OSB Group	1.8			
IMI	2.2	Reach	2.7	Bank of Ireland	0.9			
	<b>Oil &amp; Gas</b>	<b>12.5%</b>		<b>Defensive</b>	<b>11.0%</b>		<b>Technology</b>	<b>8.1%</b>
Jadestone Energy	4.8	National Grid	3.5	Creo Medical Group	2.7			
Pantheon Resources	2.1	GlaxoSmithKline	2.6	Team17	1.4			
Energiean	1.9	DCC	2.1	ActiveOps	1.3			
Longboat Energy	1.6	Smith & Nephew	1.6	Diurnal Group	1.0			
Jersey Oil & Gas	1.0	Drax Group	1.3	Micron Technology	1.0			
	<b>Stable Financial</b>	<b>0.0%</b>		<b>Mining</b>	<b>0.0%</b>			




## Portfolio Structure

As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation or sector. As a consequence the SVM UK Opportunities Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

### Top 10 Long Holdings (Net %)



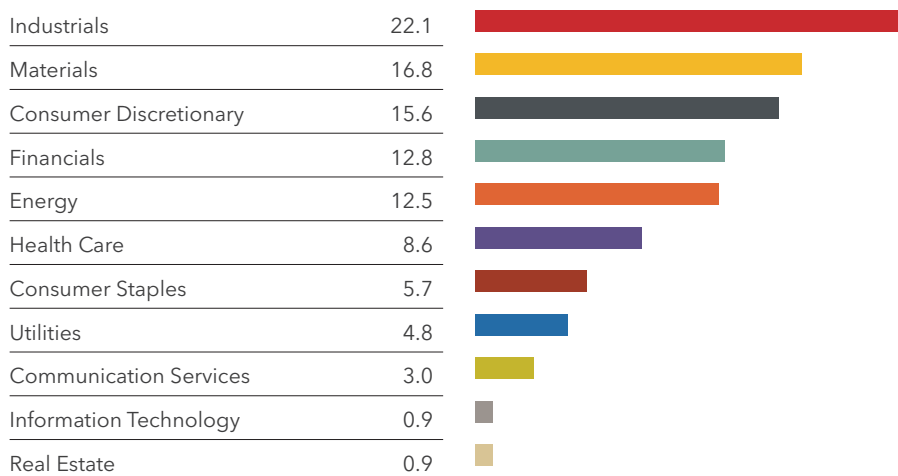
### Size Analysis\* (Net %)

 Large Cap	40.2
 Med/Mid 250	28.0
 Small/Small Cap	31.8



\*Long only positions and excludes Cash

### Sector Breakdown (%)



## This Month's Featured Stock

### Entain

Entain is a multinational sports betting and gaming company that operates through both online and retail channels. In the UK, the group operates brands such as Ladbrokes and Coral. In the US, the group has a 50% stake, alongside MGM Resorts International, in BetMGM.

When news broke during the month that Entain had received a bid approach, we were unsurprised. The sizable opportunity of the nascent US market has sparked a wave of consolidation in the sector, as large US casino operators seek to acquire the online and technological expertise of companies like Entain. The identity of Entain's suitor did, however, raise eyebrows. The assumption was that MGM Resorts would eventually return with a higher bid following the failed approach earlier in the year. Few expected DraftKings, a US leader in fantasy sports betting, to enter the fray.

DraftKings have proposed an offer of £28 per Entain share, with a cash component of £6.30 and the remainder in DraftKings equity. We believe the headline price represents a fair starting point for negotiations, reflecting the scale of opportunities available to Entain not just in the US but also in markets like Latin America and Africa. We would, however, like to see the cash component of any eventual deal raised to make the terms more attractive to Entain's shareholders, many of whom will be either reluctant or unable to hold DraftKings paper.

Comments from MGM Resorts would suggest that they appear relaxed about DraftKings' approach and are unlikely to counter with a higher offer. If DraftKings' approach is unsuccessful, though, the rationale for MGM Resorts to eventually acquire Entain remains unchanged. With the stock currently trading at a level c.25% below DraftKings' offer, we believe that Entain's share price is well underpinned by the bid activity.

## Enquiries

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Calls may be recorded

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### MEX:

Share Class A SXUOR  
Share Class B SXUOI

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## Fund Performance

to 30/09/2021

### Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	1.3	25.6	50.8	28.1	62.1	812.5
MSCI United Kingdom IMI Index	-0.9	13.7	27.6	6.4	26.1	170.9
IA UK All Companies Sector**	-1.8	14.8	32.4	15.5	38.6	172.6

Source: FE fundinfo, as at 30/09/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

\*The Fund was launched on 20 March 2000

\*\*IA is provided as a comparator

### Percentage growth year on year to 30 September

	2021	2020	2019	2018	2017
SVM UK Opportunities Fund B	50.8	-11.0	-4.6	8.9	16.3
MSCI United Kingdom IMI Index	27.6	-18.5	2.3	6.0	11.8
Performance Difference	+23.2	+7.5	-6.9	+2.9	+4.5

Source: FE fundinfo, as at 30/09/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



### ■ SVM UK Opportunities Fund B

Source: FE fundinfo, as at 30/09/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Data provided by FE fundinfo. Care has been taken to ensure that the information is correct but it neither warrants, represents nor guarantees the contents of the information, nor does it accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

### Past performance is not a guide to future performance.

**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.**

**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 long term (5 years or more) 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 uses Contracts for Difference (CFDs) for efficient portfolio management (EPM) purposes. This may create gearing and could lead to greater fluctuations in the Net Asset Value of the Fund. 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. 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.

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