

# SVM UK GROWTH FUND

## Short Report

Period to 30 June 2016

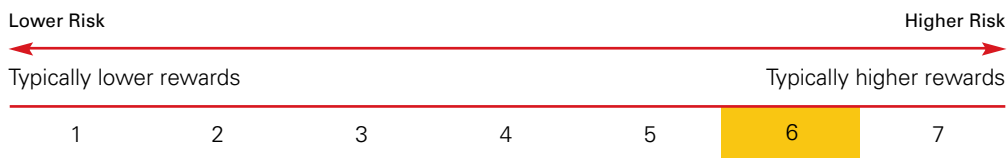


### Key Objectives

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 the FTSE All Share Index. The Fund will invest principally in securities listed on the London Stock Exchange.

### Risk Profile

Past performance should not be seen as an indication of future performance. The value of an investment may fall as well as rise and investors may not get back the amount originally invested. 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. 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.



### Distribution

XD date: 31 December Payment date: 30 April

The following distribution was accumulated over the last accounting period.

	31/12/15 pence per share	31/12/14 pence per share
UK Growth A Class	1.7690	1.9600
UK Growth B Class	5.0331	4.7562

### Ongoing Charges Figure (OCF)

The OCF shows the annualised operating expenses of the Fund.

Fund Ongoing Charges Figure (p.a.)	Class A Shares	Class B Shares UK
UK Growth Fund	1.78%	1.03%

Ongoing Charges Figure = Total Annualised Expenses/Average Net Asset Value over 12 months X 100

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2016 Report and Accounts. The figures are intended to provide an indication of the Ongoing Charges Figure and will vary from year to year.

## Fund Performance

Percentage growth for each year to last quarter end	30/06/11 30/06/12	30/06/12 30/06/13	30/06/13 30/06/14	30/06/14 30/06/15	30/06/15 30/06/16
UK Growth	-2.0	27.5	11.2	14.4	-4.5

Source: Lipper, mid to mid, UK net. Past performance should not be seen as an indication of future performance. All performance data refers to the A (retail) share class.

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## Comparative Tables

### Net Asset Values

	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/16			
UK Growth A class	14,965	349.7	4,280,090
UK Growth B class	121,368	381.2	31,835,551
As at 31/12/15			
UK Growth A class	15,780	396.8	3,976,636
UK Growth B class	124,652	430.5	28,957,132












### Share Price Performance

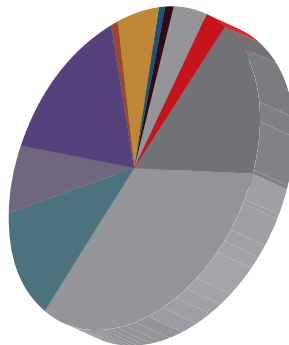
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 30/06/16			
UK Growth A class	391.6	337.5	350.9
UK Growth B class	424.4	367.0	381.7
During year to 31/12/15			
UK Growth A class	402.4	329.7	401.0
UK Growth B class	436.0	354.7	434.5

## Top 10 Holdings

30/06/16	%	31/12/15	%
Paddy Power Betfair	3.9	Ryanair	3.3
DCC	3.5	Paddy Power	2.8
Beazley	2.9	DCC	2.7
Imperial Brands	2.8	Beazley	2.7
British American Tobacco	2.8	Hutchison China MediTech	2.6
Hikma Pharmaceuticals	2.7	Hikma Pharmaceuticals	2.5
Kerry	2.6	St. James's Place	2.5
Ryanair	2.6	Ted Baker	2.5
Reckitt Benckiser	2.5	ITV	2.5
Micro Focus International	2.5	Moneysupermarket.com	2.3
<b>Total</b>	<b>28.8</b>	<b>Total</b>	<b>26.4</b>

## Sector Analysis

	30/06/16	31/12/15
	%	%
 <b>Basic Materials</b>	<b>3.4</b>	2.3
 <b>Consumer Goods</b>	<b>17.8</b>	14.0
 <b>Consumer Services</b>	<b>32.9</b>	33.7
 <b>Financials</b>	<b>13.3</b>	20.6
 <b>Health Care</b>	<b>6.6</b>	6.9
 <b>Industrials</b>	<b>15.6</b>	15.5
 <b>Oil &amp; Gas</b>	<b>0.7</b>	0.7
 <b>Technology</b>	<b>5.4</b>	3.5
 <b>Telecommunications</b>	<b>0.9</b>	0.2
 <b>Contracts for Difference</b>	<b>(1.2)</b>	(0.7)
 <b>Net Current Assets</b>	<b>4.6</b>	3.3



## Fund Managers



**Margaret Lawson**



**Colin McLean**

The Fund has relatively low exposure to banks and insurers, where we believe the risks have risen.

During the six months review period, the strongest contributions to performance were from BAT, DCC, Kerry Group, Reckitts, and Imperial Brands. The main disappointments were in ITV, Hutchison China Meditech, and Essentra.

### Outlook

In Europe, growth is patchy, but is being supported by additional money printing by the European Central Bank (ECB) as it buys debt from banks and insurers. The ECB is committed to continuing this plan over the remainder of 2016. The UK remains close to zero inflation, but more recent weakness in the Pound combined with higher oil prices, should prevent deflation. There are attractive valuations for many shares of growing businesses. The financing background for business remains favourable, with extremely low interest rates.

The Fund has above average investment in tobacco, healthcare, technology, travel and gaming. There is very low portfolio exposure to resources, energy and banks. We believe dividend prospects remain uncertain in energy and commodities, with a risk of cuts.

The Fund focuses on companies where there are good self-help opportunities or potential for acquisition, such as Kerry Group, RPC, Micro Focus and DCC. The portfolio also includes businesses where there are good prospects for pricing improvement and volume recovery, such as Imperial Brands and BAT. Against a mixed economic background, portfolio companies are making good progress. Meetings with management of companies in the portfolio continue to be predominantly favourable.

Despite the fall in Sterling, there is little sign that UK inflation is progressing towards its 2% target. A broadening of measures for economic regeneration can be expected. Returns on cash deposits and bonds are likely to remain very low, increasing the attraction of equities that offer growth and growing dividends. The Fund remains fully invested.

### Market Review

Although the UK economy continued to grow in the six months under review, the UK stockmarket was volatile, reflecting concerns on the EU Referendum and a background of mixed global economic data. After the vote, the Pound fell sharply, but given the UK's trade deficit and weak foreign earnings, a period of currency weakness may have been an outcome irrespective of the vote. The IMF and World Bank revised down growth forecasts for the global economy. This removed concern about US Federal Reserve tightening. Relative weakness in the US Dollar helped a recovery in commodity and energy prices, assisting emerging economies. By May, it became clearer that only gradual US interest rate rises are likely.

Since the vote, approximately 10% of the portfolio has been changed, increasing the emphasis on US Dollar earnings and stable growth. The Fund's long term record has been established by retaining core holdings but applying a flexible approach to tactical and more economically-sensitive businesses.

### Portfolio Review

The best performing sectors of the UK stockmarket were pharmaceuticals, tobacco, oil and mining. The above average exposure of the portfolio to medium-sized companies was not helpful. The Brexit vote triggered sharp falls in some of the shares that had performed strongly in 2015, with investors selling domestic sectors and consumer cyclicals.

However, with a significant proportion of overseas earnings in London-listed companies, and potential benefits to exporters from a weaker Pound, the initial impact on UK shares seemed indiscriminate and largely driven by sentiment and surprise.

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## **Further Information**

Further information about the share price and activities of the Fund together with related product literature and further information on the Manager can be found on our website at [www.svmonline.co.uk](http://www.svmonline.co.uk). This document is a short report for a sub-fund of the SVM Funds ICVC taken from the Report and Accounts for the period ending 30 June 2016. The Long Form version of the Report and Accounts is available on written request to the Marketing Department, SVM Asset Management Limited, 7 Castle Street, Edinburgh EH2 3AH or by email to [info@svmonline.co.uk](mailto:info@svmonline.co.uk).

## **Important changes to SVM Funds ICVC**

There were no important changes during the period to 30 June 2016.

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