

SVM UK Emerging Fund plc

The investment objective of the Fund is long-term capital growth from investments in smaller and medium sized UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis.



January 2021

Figures as at 31 December 2020



Monthly Fund Commentary

Over the quarter, the Fund returned 15.1% versus returns of 15.3% in its benchmark, the IA UK All Companies Sector average, and 12.2% in the MSCI UK Investable Market Index. This took the Fund's 12 month performance to -4.9%, versus benchmark and MSCI UK Investable Market Index returns of -11.7% and -6.0%, respectively (to 31 December 2020). Over five years to 31 December 2020 the Fund has returned 36.1% versus benchmark and MSCI UK Investable Market Index returns of 30.7% and 25.5%, respectively. (NAV total return, Lipper data).

The new year marks a change in Britain's trading relationships and potential for a fresh perspective from international investors. UK shares have been hit by uncertainty and what many saw as a messy withdrawal from the EU. Relative to other major markets, British shares have lagged materially.

Now, with potential for further Sterling recovery combined with the risk of further US Dollar weakness, domestic assets might begin to look attractive again. Cheap money is readily available to listed companies and private equity, and could drive more takeovers. UK listed with global exposure could be a target. Bids for Entain (formerly GVC, not in portfolio) and Applegreen highlight the value of overseas assets.

During the quarter, there were positive contributions to performance from Ceres Power, 4Imprint, Applegreen, Alpha FX and Unite. Applegreen, with its more recent investments in the US and potential for deploying further capital, looked in hindsight as an ideal candidate for a private equity buyer. Laggards included Ocado, Avon Rubber and Knights Group, all of which are retained.

During the quarter new or additional investment was made in Watches of Switzerland, Kin & Carta and Aveva, which has lagged as it bought US data management firm OSISOFT. The takeover offers synergies on costs and cross-selling. Aveva should benefit if IT spending by industrial clients grows. To fund these, profit was taken on part of the holdings in Applegreen and Ocado.

Your Fund remains fully invested with some additional gearing, focused on resilient growing businesses.

Fund Facts

Launch Date: 18 October 2000

Benchmark Index:
IA UK All Companies Sector Average

Fund type: Investment Trust

Registered No: SC211841

Fund Managers:

Margaret Lawson (Fund Manager)
Appointed: 01/10/2012
Years at SVM: 30 Industry Experience: 40

Colin McLean (Deputy Fund Manager)
Appointed: 18/10/2000
Years at SVM: 30 Industry Experience: 46

Listed:

London Stock Exchange

Investments: £7.3m
Share Price: 92.00p
NAV: 120.74p

The month end published NAV is calculated on a bid price basis.

Corporate Calendar

Year End: 31 March
Half Year: 30 September

Codes:

RIC: SVM E
ISIN: GB0000684174

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.

INDEPENDENT THINKING

Portfolio Structure

Top 10 Long Holdings	(Net %)	Sector Breakdown	(%)
Ceres Power	4.7	Consumer Services	24.3
Alpha FX Group	3.6	Industrials	23.3
Hilton Food Group	3.4	Financials	16.8
4imprint Group	3.3	Consumer Goods	13.6
Ocado Group	3.2	Technology	9.2
Rentokil Initial	3.1	Oil & Gas	5.9
Unite Students	2.9	Health Care	4.6
Dechra Pharmaceuticals	2.8	Telecommunications	2.2
FDM Group	2.5		
Knights Group Holdings	2.5		
Total	32.1		

Portfolio Analysis	(%)
Large Cap	21.5
Mid Cap	29.3
Small Cap	7.7
AIM	41.5

Enquiries

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Calls may be recorded

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INDEPENDENT THINKING

Fund Performance

to 31/12/2020

Percentage growth year on year to 31 December

	2020	2019	2018	2017	2016
SVM UK Emerging NAV	-4.9	31.7	-16.9	34.2	-2.6
IA UK All Companies Average	-8.3	19.0	-13.2	11.4	8.7
Performance difference	+3.4	-12.7	-3.6	+22.8	-11.3

Source: SVM/Lipper, as at 31/12/2020, total return, UK net tax.

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The value of your investments and the income from them can go down as well as up and you may not get back the amount originally invested.

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

The Fund incurs the following key risks:

If an Investor redeems the investment shortly after investing, they may not get back the original amount due to market movements. Tax treatment can change at any time without notice and is beyond control of the Fund. The Fund is exposed to credit and settlement risk in its dealings with Counter Parties in day to day business. This may result in a loss to the Fund if a Counter Party business fails. 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. A Fund with a concentrated portfolio carries a greater risk to that of a Fund with a larger spread of investments. Investment trusts can borrow money to make investments; this can lead to greater losses if markets fall. The Fund uses Contracts for Difference (CFDs) as part of the investment strategy; this can increase the risk profile and volatility of the Fund. Some unquoted investments may become difficult to realise as prices may not be readily available or a reliable indicator of value.