

# SVM UK Growth 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 that can grow faster than the wider markets and are capable of sustained growth. The Fund will invest at least 80% in equities and equity related instruments in UK companies. The Fund may invest in other permitted securities.



September 2021 | Share Class B

Factsheet as at 31 August 2021



## Monthly Fund Commentary

Inflation divides equity investors. A consensus based on four decades of disinflation has been turned on its head in just 12 months. On top of a sharp demand rebound facing supply constraints, anecdotal evidence abounds of price rises and shortages. But developed economies are in uncharted territory, with the closest parallel being the end of rationing post WW2. But it is bold indeed to extrapolate a trend of little over one year.

The pressure on the labour market may continue well into 2022. But investors and businesses need a much longer perspective. Is there any reason to believe that the pricing power of firms or bargaining strength of labour has permanently recovered? The downward pressures on prices have reasserted many times since the 1970s, even in the years before technology and global trade were such strong factors.

Thinking about inflation embeds emotion. Price rises grab attention, but there are rarely headlines for stable or falling prices. And the power of central banks now is a matter of faith. In theory, they have the tools to come down hard on inflation and frothy growth. The question is whether that is what governments want. A degree of wage inflation could help economic readjustment, tax rises, and even re-election.

The rebound, with its rapid shift to value stocks, has so far favoured short term recovery over sustained growth. But the summer has seen a more balanced picture emerge. Many manufacturers - in autos for example - are facing bottlenecks forcing production cuts. Those capacity constraints contrast with the ready scalability of digital services. Investors need to factor-in the impact of inflation on inputs and capacity, rather than just recognising the short term boost to profits that comes from output price rises. As the recovery progresses it may become harder to pass on price rises. Businesses able to cut costs and add value through product

innovation may be in a stronger position than traditional manufacturers.

The impact of inflation and higher interest rates on investment is complex. There are likely to be winners both in value and growth sectors. Businesses that support resilience and sustainability can perform well in the recovery, as governments step up to have a bigger say in the economic agenda.

### Performance

In August, SVM UK Growth Fund returned 6.0% compared with the return of 2.5% for the MSCI UK IMI TR Index and 3.3% for the average fund in the IA UK All Companies sector. For the 5 years to 31 August, the Fund is top quartile, returning 72.0%, compared to a return of 29.6% for the MSCI UK IMI TR Index and 44.6% for the average fund in the IA UK All Companies sector. In August, market performance emphasised growth as some commodity prices eased. Investor interest continues in growth businesses, given the cooling effect of the third wave on growth, and hopes that central bank intervention will dampen longer term inflation expectations. Businesses are continuing to invest in resilience and digital services, favouring growth sectors.

### Trading and results

August saw good performance in a number of the portfolio's growth businesses. Ceres Power, Kainos, JD Sports fashion, Gamma Communications and Croda all made good contributions to performance. Laggards included Avon Protection, Jet2 and Team 17.

In August, investments were made in Smart Metering Systems, Volution, Alpha FX, Genus and Kape Technologies. To fund these, part sale was made of AB Dynamics and LSE and full sale of AO World.

Your Fund remains fully invested, including likely recovery beneficiaries and strong growth businesses.

Fund and index performance source: Lipper

## 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:** £210.5m

### Fund Managers:

**Margaret Lawson** (Co Fund Manager)  
Appointed: 31/10/2005  
Years at SVM: 30 Industry Experience: 40

**Colin McLean** (Co Fund Manager)  
Appointed: 29/02/2008  
Years at SVM: 30 Industry Experience: 46

### Fund Charges (OCF\*):

Share Class A 1.72%  
Share Class B 0.97%

\*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 ('SRRRI') may be a guide to the level of risk of the Fund compared with other funds. The SRRRI 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 SRRRI 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

**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 Analysis

### Strategies

The SVM UK Growth fund aims to identify best in class companies that can grow faster than the wider market over the medium term. Portfolio businesses are drawn from those that are dominant in their sector, usurpers that will come to own their space and hero franchises utilising fast growing channels. We aim to

identify those opportunities earlier than our peers, not at the pioneering stage but when the model is accelerating.

This leads to a flexible diversified portfolio blending a core of sustainable growth stocks, tactical mid-term cyclical holdings and innovative business models focussing on future trends.

### Industrials 33.2%

Ceres Power	4.1
Keystone Law	3.6
Wizz Air	2.6
Experian	2.3
Diploma	2.2

### Financials 10.3%

Intermediate Capital	2.5
Beazley	1.8
Impax Asset Management	1.5
London Stock Exchange	1.4
Draper Esprit	1.3

### Real Estate 6.5%

Unite Group	2.2
Segro	1.9
Watkin Jones	1.4
Londonmetric Property	1.0

### Utilities 0.0%

### Consumer Discretionary 20.1%

Entain	3.4
JD Sports Fashion	3.3
Flutter Entertainment	2.3
Games Workshop	2.0
AB Dynamics	1.5

### Communication Services 8.8%

Gamma Communications	3.6
Future	1.9
Team17	1.5
Kin & Carta	0.7
Dianomi	0.6

### Health Care 6.1%

Dechra Pharmaceuticals	3.9
Kooth	0.9
Genus	0.7
Indivior	0.3
Inspecs Group	0.2

### Energy 0.0%

### Information Technology 14.1%

Kainos	3.4
AVEVA	1.8
Softcat	1.5
Oxford Instruments	1.5
Boku	1.2

### Materials 6.5%

Croda	4.1
CRH	1.4
Smurfit Kappa Group	1.0












### Consumer Staples 5.4%

Cranswick	2.2
Hilton Food Group	1.3
Kerry Group	1.0
Fevertree Drinks	0.5
Revolution Beauty	0.4




## Portfolio Structure

As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation, though there will be an emphasis on large cap holdings, or sector. As a consequence The SVM UK Growth Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

### Top 10 Long Holdings (Gross %)










Croda	4.1	
Ceres Power	4.1	
Dechra Pharmaceuticals	3.9	
Gamma Communications	3.6	
Keystone Law	3.6	
Kainos	3.4	
Entain	3.4	
JD Sports Fashion	3.3	
Wizz Air	2.6	
Intermediate Capital	2.5	
<b>Rest of Portfolio</b>	<b>65.6</b>	

### Size Analysis (Gross %)

 Large Cap	47.8
 Med/Mid 250	44.1
 Small/Small Cap	19.2



### Sector Breakdown (%)

Industrials	33.2	
Consumer Discretionary	20.1	
Information Technology	14.1	
Financials	10.3	
Communication Services	8.8	
Materials	6.5	
Real Estate	6.5	
Health Care	6.1	
Consumer Staples	5.4	
Energy	0.0	
Utilities	0.0	

## This Month's Featured Stock

### Volution

Volution is a designer, manufacturer and distributor of ventilation systems for residential and commercial buildings. The company has leading positions in the UK, Nordics, New Zealand and Germany.

Since its IPO in 2014, Volution's operating performance has been mixed. While it has successfully grown the business both organically and via acquisitions, there have been a few bumps along the way. Weaker demand from social housing customers as repair and maintenance spending was diverted towards fire safety in the wake of the Grenfell tragedy hindered revenue growth. The company's new facility in Reading had logistical difficulties which impaired production rates and incurred some extra costs. With these missteps behind it, though, Volution appears to have reached an exciting point in its history.

Volution's mechanical ventilation systems stand to benefit from two key secular drivers: energy efficiency and air quality. Regulatory changes across Volution's key markets are raising standards for new buildings. As insulation levels increase, the need for mechanical ventilation to ensure a steady supply of fresh air also increases. This requires more complex systems than just a few extraction fans and plays towards Volution's strengths. Similarly, in the wake of Covid, far greater emphasis is being placed on the importance of air quality within both residential and commercial buildings. Volution's ventilation systems help ensure that airflow within buildings minimises the risks associated with stagnant air.

Currently trading on an estimated 2022 PE of c. 20x, we believe that the market is only just beginning to recognise the opportunities available to Volution. Having invested in its operational footprint and with a strong balance sheet, the company is well placed to benefit from the aforementioned secular trends. With the ability to augment this growth via returns-enhancing acquisitions, we expect the stock to outperform.

## Enquiries

[www.svmonline.co.uk](http://www.svmonline.co.uk)  
Calls may be recorded

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Share Class B GB0032084708

### MEX:

Share Class A SXSR  
Share Class B SXSI

### SEDOL:

Sedol GBP 3206463  
Sedol GBP 3208470

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## Fund Performance

to 31/08/2021

### Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	6.0	19.1	36.4	28.6	72.0	419.1
MSCI United Kingdom IMI Index	2.5	14.8	26.6	8.2	29.6	158.7
IA UK All Companies Sector	3.3	16.9	32.6	18.0	44.6	262.7

Source: Lipper, as at 31/08/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

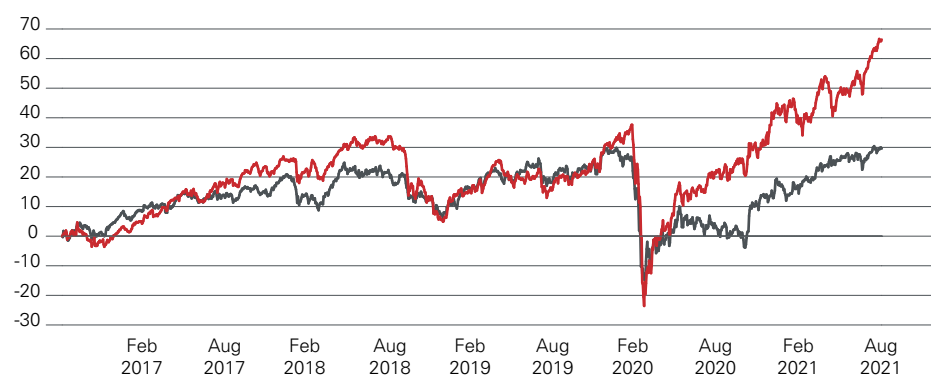
\*The Fund was launched on 20 March 2000

### Percentage growth year on year to 30 June

	2021	2020	2019	2018	2017
SVM UK Growth Fund B	33.0	-4.3	-6.0	16.2	23.1
MSCI United Kingdom IMI Index	20.3	-14.6	0.5	9.3	17.6
Performance Difference	+12.7	+10.3	-6.5	+6.9	+5.5

Source: Lipper, as at 30/06/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



■ SVM UK Growth Fund B ■ MSCI United Kingdom IMI Index

Source: Lipper, as at 31/08/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

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### 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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