

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.



July 2022 | Share Class B

Factsheet as at 30 June 2022



Monthly Fund Commentary

June was a painful month for growth investors, with stockmarket interest focusing on perceived beneficiaries of inflation. Many growth companies delivered good results but their shares were de-rated, often indiscriminately in the face of good updates. Attention focused on Bank of England action, and weak economic data. However, while labour unrest highlights the risk of embedding inflation in wages, there are signs of unwinding of inflation pressures in key metals and energy prices. Companies are resolving supply chain problems, and improving resilience. The key to growth businesses that will emerge from these challenges is cash generation and sound funding. The stockmarket is punishing businesses that now need to raise cash, but portfolios based on cashflow analysis should be better placed.

A feature of investing this year is relatively low stockmarket turnover during the rotation from growth to value. This may not be a sign of complacency or illiquidity, as much as a maturity in investors recognising that rebounds can be rapid, and markets often run too far with a trend. There are also risks in some perceived "value" areas, not least from government intervention or cost inflation. Many businesses that are currently enjoying excess profitability due to commodity and energy price squeezes, may be hit by new taxes. The Government has a wide range of potential intervention measures that could force companies in the headlines to absorb more inflation impact themselves. For businesses to be truly able to control their own destiny, they are better placed being lower profile or mid cap. Investors want profitable businesses, but super-normal profits that catch the eye of politicians are a risk. Mid cap B2B services may be much better protected in terms of passing on inflation.

Even in downturns there remain growth sectors in the economy and business with innovative services. The need for resilience, shorter supply chains, digital transformation and software automation, is driving growth

in businesses with those specialist services. Labour market tightness works in favour of some business-to-business services that improve efficiency, as well as those that can help to manage talent and retain it. The late 1970s shared similar characteristics with the current pattern of inflation, cost of living squeeze and strikes, yet by 1980 there was a rapid return to a stable growth environment. Growth investing has earned its place in the style mix over many decades.

Performance

SVM UK Growth Fund returned -13.2% compared with the return of -5.8% for the MSCI UK IMI TR Index and -7.3% for the average fund in the IA UK All Companies sector. For the 5 years to 30 June, the Fund returned -5.6%, compared to a return of 17.0% for the MSCI UK IMI TR Index and 11.0% for the average fund in the IA UK All Companies sector.

Trading and results

Positive contributions to performance over the month were AB Dynamics, London Stock Exchange, Beazley, Instem and Cranswick. Negatives included Keystone Law, Entain, Wizz Air, Kingspan and JTC. Overall investors favoured value sectors over growth. During the month, ITM Power and Johnson Services (part) were sold.

There is potential for the Pound to come under pressure. The portfolio includes exposure to companies with US Dollar earnings, such as Ashtead, CRH and Experian. Any weakness in the Pound should be helpful to UK industrial and exporting businesses.

The Fund remains fully invested, focused on well funded resilient businesses with pricing power which should be able to pay up for their inputs and raise wages. It also includes some investments with recovery potential.

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: £140.8m

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 1.71%
Share Class B 0.96%

*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 31/12/2021

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 long term (5 years or more). 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 29.3%

Keystone Law	3.9
Experian	2.6
Diploma	2.4
Rentokil Initial	2.1
K3 Capital	1.7

Financials 9.2%

JTC	1.8
Beazley	1.8
London Stock Exchange	1.6
Intermediate Capital	1.3
Impax Asset Management	1.2

Materials 6.2%

Croda	4.0
CRH	1.1
Smurfit Kappa Group	1.0

Utilities 0.0%

Consumer Discretionary 15.6%

Entain	3.2
JD Sports Fashion	2.9
Flutter Entertainment	2.0
Games Workshop	1.7
AB Dynamics	1.3

Real Estate 8.5%

Unite Group	2.9
Segro	2.2
Watkin Jones	1.9
Londonmetric Property	1.4
Industrials REIT	0.2

Communication Services 6.0%

Gamma Communications	2.5
Future	1.3
Team17	1.2
Dianomi	0.7
4imprint Group	0.3

Energy 0.0%

Information Technology 15.1%

Kainos	2.8
Oxford Instruments	1.7
AVEVA	1.5
Softcat	1.4
Ideagen	1.2

Health Care 7.0%

Dechra Pharmaceuticals	3.9
Indivior	0.9
Kooth	0.8
Instem	0.7
Genus	0.6

Consumer Staples 5.1%

Cranswick	2.5
Hilton Food Group	1.9
Marks & Spencer	0.5
Revolution Beauty	0.2

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	4.0	
Dechra Pharmaceuticals	3.9	
Keystone Law	3.9	
Entain	3.2	
JD Sports Fashion	2.9	
Unite Group	2.9	
Kainos	2.8	
Experian	2.6	
Gamma Communications	2.5	
Cranswick	2.5	
Rest of Portfolio	68.8	

Size Analysis (Gross %)

 Large Cap	31.6
 Med/Mid 250	44.0
 Small/Small Cap	26.5



Sector Breakdown (%)

Industrials	29.3	
Consumer Discretionary	15.6	
Information Technology	15.1	
Financials	9.2	
Real Estate	8.5	
Health Care	7.0	
Materials	6.2	
Communication Services	6.0	
Consumer Staples	5.1	
Energy	0.0	
Utilities	0.0	

This Month's Featured Stock

Marks & Spencer

Marks and Spencer (M&S), capitalised at £2.7bn, is a retailer of food and clothing. The group operates over 600 stores in the UK and has a mixture of owned and franchised stores in international markets.

M&S's full-year results provided clear evidence of the improvements made across the business. Revenue was up 7% on the same period two years ago, with growth in cashflow, allowing the group to pay-down much more of its debt. Further progress will depend on maintaining this rate of debt reduction, but key in the current environment is that businesses need to be cashflow positive to control their own destiny. Undoubtedly there will be some pressure on sales and profitability arising from the squeeze in living standards, but the shares are lowly rated for a transforming business. The group enjoys good conversion of earnings to free cashflow.

M&S owns 50% of a retail joint venture with Ocado, estimated to be worth £2.5bn. Ocado believes it is now funded through to being cashflow positive in 2026.

M&S continues to make headway in reshaping its legacy store estate, although it still has some way to go in shrinking to the targeted 180 full-line stores. Like all retailers, M&S will face challenges in managing inflationary pressures over the upcoming year. We feel though, that management can still deploy a significant amount of self-help measures to support earnings and that these issues are more than adequately reflected in the current stock price.

Fund Performance

to 30/06/2022

Cumulative Performance, % change

	One month	2022 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	-13.2	-36.5	-32.1	-13.5	-5.6	212.7
MSCI United Kingdom IMI Index	-5.8	-2.9	3.7	6.5	17.0	174.7
IA UK All Companies Sector**	-7.3	-12.8	-8.5	4.0	11.0	142.9

Source: FE fundinfo, as at 30/06/2022, 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 June

	2022	2021	2020	2019	2018
SVM UK Growth Fund B	-32.1	33.0	-4.3	-6.0	16.2
MSCI United Kingdom IMI Index	3.7	20.3	-14.6	0.5	9.3
Performance Difference	-35.8	+12.7	+10.3	-6.5	+6.9

Source: FE fundinfo, as at 30/06/2022, 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: FE fundinfo, as at 30/06/2022, 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.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Enquiries

www.svmonline.co.uk
Calls may be recorded

Investor Services and Dealing:

Dealing, account enquiries and valuations
Phone: 0345 066 1110
Fax: 0330 123 3755
International phone: +44 (0)1268 447 417
International fax: +44 (0)1268 457 731

General Enquiries

Head office and fund enquiries
Phone: +44 (0)131 226 6699
Email: info@svmonline.co.uk
Helpline: 0800 0199 110
Literature Request: 0800 0199 440

ISIN:

Share Class A GB0032064635
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MEX:

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SEDOL:

Sedol GBP 3206463
Sedol GBP 3208470

Registered Office:

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

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12 Endeavour Square
London E20 1JN

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INDEPENDENT THINKING