

SVM Continental Europe Fund

The objective of the Fund is to achieve capital growth over the long term (5 years or more) and it aims to outperform the MSCI Europe ex UK Index. The Fund will identify investment opportunities in undervalued companies in European equity markets which will not necessarily be prominent in mainstream indices. The Fund will invest at least 80% in equities and equity related instruments dealt in or traded on European Eligible Securities Markets. The Fund may invest in other permitted securities.



September 2021 | Share Class B

Factsheet as at 31 August 2021



Monthly Fund Commentary

Equities continued to surge in August 2021 buoyed by a first half reporting season which confirmed the on-going strength of the recovery in European corporate earnings. With many companies beating market expectations, and the underlying growth by and large faster than the rise in share prices, the jury is still out as to when markets will peak. As central banks still reticent over when to begin reducing stimulus packages, or even increase interest rates, the asset class is still likely to remain in favour for some time longer. Despite much speculation in the run up to the Jackson Hole Economic Policy Symposium in the US, including some distinctly hawkish comments from some Federal Reserve members, the eventual outcome suggested that, although the US is likely to be the first to move, the pace and cautiousness is unlikely to provoke a storm similar to that seen with the now infamous taper tantrums of 2013.

On the last day of August markets had a further wobble as European Central Governing Council member Robert Holzmann said that the strength of economic recovery merited the scaling back of some emergency bond purchases. Little of what the ECB have said and done in recent months would suggest this will happen in the short term, and certainly not without a similar degree of caution as we are likely to see in the US.

The continuing supply chain bottlenecks and component shortages that corporate Europe is currently experiencing are perhaps a more pressing concern than the pronouncements of central banks as this not only hurts company earnings, but can also result in more sustainable inflation than many currently expect. The situation appears to be exacerbated by personnel shortages in many sectors particularly where the Covid-19 delta variant is virulent and impacting the ability to work. On the last day of the month the Eurozone August CPI estimate came in at 3.0% year on year, considerably above the average

of analysts' forecasts, only adding further weight to this concern.

A further curb on the market enthusiasm came in the shape of the Chinese Government which appeared to double down on the regulatory announcements made in the previous month concerning private education provision. This time the focus was on "common prosperity" and the "spiritual opium" of online gaming which hit, amongst others, the luxury heavy French market home of companies such as LVMH and Kering who boast strong sales to the top end of the Chinese population in terms of spending power both at home and abroad.

The MSCI Europe ex UK Index posted a return of 2.8% while the fund rose by 6.4%. The largest contribution to performance came from Swedish cable and components manufacturer and supplier Hexatronic. The company posted results well above market expectations with revenues rising by 54% in the second quarter. Aker Carbon Capture also rose strongly with the shares up by more than 17%. The company bolstered its balance sheet during the course of the month by way of a rights issue which will allow it to roll out its unique technology at an even faster pace than we were originally expecting. Despite the potential short-term dilution such a move makes, this is more than offset in the long term by the value of the market share the company is likely to gain with the increased financial resources. The insurance sector was also in focus with France's Axa posting a pleasing set of results. Allianz of Germany on the other hand warned that it was likely to take a hit from a probe in the US in to the way it had managed some client money. Thankfully the company has a very strong balance sheet which appears to be able to weather a worst-case scenario as far as this issue is concerned. There were no outright buys or sells over the course of the month.

Fund and index performance source: Lipper

Fund Facts

Launch Date: 20 March 2000

Benchmark Index:
MSCI Europe ex UK Index

IA Sector: Europe ex UK

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

Fund Size: £29.7m

Fund Manager:

Hugh Cuthbert (Fund Manager)

Appointed: 23/01/2006

Years at SVM: 15 Industry Experience: 26

Fund Charges (OCF*):

Share Class A 1.98%
Share Class B 1.23%

*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

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

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.

Consumer Cyclical	19.3	
Defensive	17.3	
Technology	17.2	
Cyclical	16.0	
Unstable Financial	12.6	
Stable Financial	10.6	
Oil & Gas	1.1	
Mining	0.0	
Cash	5.9	

Consumer Cyclical 19.3%

Ipsos	3.0
Aluflexpack	2.7
Jost Werke	2.6
Schibsted	2.6
Verallia	2.5

Defensive 17.3%

Energiekontor	3.2
Veolia	3.0
Thales Group	2.7
PNE	2.1
Roche Holdings	2.1

Technology 17.2%

SESA	3.6
Crayon	3.0
United Internet	3.0
Aker Carbon Capture	2.2
Nagarro	2.1

Cyclical 16.0%

Capgemini	3.8
H+H International	3.4
Dustin	2.8
Rexel	2.8
Wienerberger	2.8

Unstable Financial 12.6%

Mediobanca	4.1
Banca Mediolanum	3.0
AXA	3.0
Allianz	2.6

Stable Financial 10.6%

Ringkøbing Landbobank	3.4
Partners Group Holding	2.1
Patrizia	2.0
LEG Immobilien	1.6
S IMMO	1.5

Oil & Gas 1.1%

TotalEnergies	1.1
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Mining 0.0%

This Month's Featured Stock

Orange

Like so many other incumbent telecoms companies Orange's stock market performance has been lack-lustre. Management have singularly failed on the opportunity to capitalise on their position as the providers of the infrastructure that has enabled the data revolution we have witnessed over the past few decades. Rather than seizing this opportunity and offering innovative products and services these companies have left this opportunity to the US giants and instead focussed on a downward spiral of price wars in a vain attempt to gain

market share. This strategy has left Orange languishing with a low market valuation and an unenviable market position.

While attracted to the value the shares currently represent, with an eye watering dividend in excess of 7%, we also believe we are starting to see a renewed strategy from the company, which, although late, could turnaround the fortunes of this telecom giant.

Gone are the days of meeting competition with dramatic offers and price cuts with the focus now












on quality of service and the premium pricing that attracts. A strategic international expansion also means the company is exposed to some areas of strong growth, unusual in a now largely mature industry.

The French state's large shareholding in Orange means it is unlikely to ever be the most innovative of companies but at least we are seeing some signs of an emergence from many years of slumber, and with the valuation as low as it is, it shouldn't take much for the shares to perform accordingly.











Portfolio Structure

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












Top 10 Holdings

	(%)	
Mediobanca	4.1	
Capgemini	3.8	
SESA	3.6	
Ringkøbing Landbobank	3.4	
H+H International	3.4	
Energiekontor	3.2	
Crayon	3.0	
Veolia	3.0	
Banca Mediolanum	3.0	
United Internet	3.0	
Rest of Portfolio	66.5	

Country Breakdown

	No. of Stocks	(%)	
France	9	23.1	
Germany	10	22.6	
Italy	4	12.1	
Norway	4	9.4	
Switzerland	3	6.8	
Denmark	2	6.8	
Sweden	4	6.5	
Austria	2	4.3	
Netherlands	1	1.4	
Other	1.1		

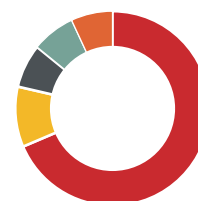
Sector Breakdown

	(%)	
Financials	18.1	
Industrials	17.7	
Information Technology	15.3	
Materials	11.4	
Communication Services	11.4	
Real Estate	5.1	
Health Care	5.1	
Consumer Discretionary	4.6	
Utilities	3.0	
Consumer Staples	1.4	
Energy	1.1	



Size Analysis

	(%)
Mega Cap (>€50bn)	8.7
Large Cap (<€50bn)	15.8
Mid Cap (<€10bn)	51.0
Small Cap (<€1bn)	18.5



Currency Exposure

	(%)
Euro	64.6
Norwegian Krone	9.4
Swiss Franc	6.8
Danish Krone	6.8
Swedish Krona	6.5

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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 Continental Europe Fund B	6.4	18.7	41.1	69.8	118.6	572.0
MSCI Europe ex UK Index	2.8	15.8	27.0	34.4	71.7	253.7
IA Europe ex UK Sector	3.6	15.6	27.2	33.3	71.7	273.7

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 Continental Europe Fund B	48.7	3.4	2.5	4.0	27.9
MSCI Europe ex UK Index	22.6	0.6	8.2	2.7	29.0
Performance Difference	+26.1	+2.8	-5.7	+1.3	-1.1

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 Continental Europe Fund B ■ MSCI Europe ex UK 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 may enter into derivative contracts for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. 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.