

# SVM

## All Europe SRI Fund

The Fund aims to achieve medium to long-term capital growth and to outperform the FTSE World Europe Index. It adopts a positive engagement approach toward investment and enters into meaningful dialogue with companies regarding social and environmental issues. Investments are made in European stocks and other permitted securities.

March 2020 | Share Class B

Figures as at 29 February 2020



## Fund Managers



**Neil Veitch**  
Co Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 31/10/2006



**Hugh Cuthbert**  
Co Fund Manager

Industry Experience: 25

Years at SVM: 14

Appointed: 31/10/2006

## Monthly Fund Commentary

Markets fell heavily during the month as the COVID-19 virus spread around the globe. The fund returned -10.9% versus the FTSE Europe which declined -6.4%.

As 2020 dawned, we felt that the outlook for the British economy was brighter than consensus forecasts. December's decisive general election outcome led us to believe that we would be entering a period of lower political uncertainty and increased business and consumer confidence. With the US entering a Presidential election year, we also expected a reduction in trade tensions as President Trump sought to have the economy running 'hot' to maximise his chances of re-election. As such, the fund was overweight the UK and cyclical stocks. In particular, the fund was overweight airlines. In addition to the positive macro outlook, this sector stood to benefit from a period of reduced capacity which would lead to improved yields and profit upgrades throughout the year.

COVID-19 has left this thesis in tatters. It represents a challenge to both the markets and society unlike anything we have ever faced in our lifetime. While government efforts in many Asian states appear to have stemmed the virus' spread, it remains uncertain whether the virus will remerge when restrictions on the populace are lifted. The citizenry of both Europe and US are likely to see changes to their daily life on a scale only previously seen during wartime. It is of no

consolation that for many of our holdings the year had started positively.

There were few significant outperformers during the month. Our aviation holdings (Wizz Air/John Menzies) all underperformed markedly. Demand for flights has plummeted and governments around the world have closed borders. Profit forecasts for the current year are entirely meaningless until clarity emerges on when things can begin to return to normal. Norcros, the supplier of bathroom and kitchen products, was punished for being one of the first companies to warn that COVID-19 had impacted its supply chain. The share price reaction on the day was not commensurate with the magnitude of the warning, but in a febrile environment few investors were willing to accord the business any benefit of doubt. Informa, the exhibitions and publishing company, fell as it was forced to cancel events due to the virus.

During the month new positions were initiated in Crayon and Lime Technologies. The holdings in Just Group, Melrose and IWG were exited. Since month-end, we have increased the fund's exposure to defensive large-cap stocks. For markets to recover, investors will need comfort that the pandemic has been brought under control. Failing that, sizable and globally coordinated fiscal stimulus will be needed to resuscitate an economy that has undergone cardiac arrest.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 31 October 2006

**Benchmark Index:**  
FTSE World Europe Index

**IA Sector:** Europe inc UK

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

**Fund Size:** £20.6m

**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:



This profile is a historical indication of the Fund's volatility. The higher the number, the greater the risk that the Fund will make losses as well as gains.

- This Fund has been classed as 5 because its volatility has been measured as high.
- The historical data used for this purpose may not be a reliable indication of the future risk and reward profile for this Fund.
- The risk category shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

As at 03/01/2020

**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.**

**ACTIVE STOCKPICKERS**

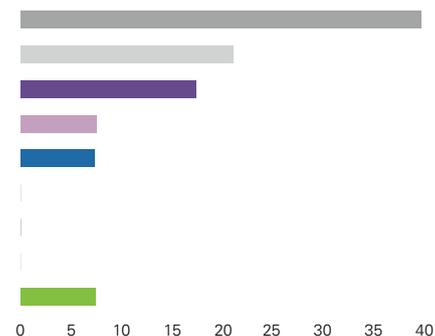
## Portfolio Analysis

### 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.

|                    | (Net %) |
|--------------------|---------|
| Cyclical           | 39.5    |
| Unstable Financial | 21.0    |
| Consumer Cyclical  | 17.3    |
| Technology         | 7.5     |
| Defensive          | 7.3     |
| Stable Financial   | 0.0     |
| Mining             | 0.0     |
| Oil & Gas          | 0.0     |
| Cash               | 7.4     |



### Cyclical: 39.5%

(%)

|                     |     |
|---------------------|-----|
| Smurfit Kappa Group | 5.1 |
| Forterra            | 4.6 |
| Synthomer           | 3.8 |
| Alpha FMC           | 3.6 |
| Capgemini           | 3.5 |

### Unstable Financial: 21.0%

(%)

|                      |     |
|----------------------|-----|
| Prudential           | 5.6 |
| AXA                  | 4.4 |
| Legal & General      | 3.6 |
| Onesavings Bank      | 3.4 |
| Lloyds Banking Group | 2.9 |

### Consumer Cyclical: 17.3%

(%)

|            |     |
|------------|-----|
| Norcros    | 4.8 |
| Wizz Air   | 3.6 |
| Tesco      | 3.1 |
| Unilever   | 3.0 |
| Jost Werke | 2.9 |

### Technology: 7.5%

(%)

|                       |     |
|-----------------------|-----|
| SDL                   | 2.6 |
| Creo Medical Group    | 2.1 |
| Lime Technologies     | 1.5 |
| Crayon                | 1.0 |
| Simec Atlantis Energy | 0.4 |

### Defensive: 7.3%

(%)

|         |     |
|---------|-----|
| DCC     | 4.3 |
| Uniphar | 3.0 |

### Stable Financial: 0.0%

(%)

### Mining: 0.0%

(%)

### Oil & Gas: 0.0%

(%)

## This Month's Featured Stock

### Danone

As ESG becomes seen as an integral input of corporate performance, we are seeing more companies including ESG metrics into their remuneration formulae. While we have been supportive of this trend, we are monitoring closely and lobbying where necessary to ensure these changes are appropriate and well structured. French consumer staples company Danone is a good example.

A healthy 20% weighting is given to both societal and environmental criteria within annual variable remuneration, the latter of which also contributes to the group share

plan. The first is measured by employees providing their view on whether the company is progressing to its 2030 targets, part of a somewhat unique "One Person, One Voice, One Share" programme introduced in 2018. While this structure has a sound intention, these 2030 targets unfortunately contain 9 different statements, referencing vague corporate jargon such as "Entrust Danone's People to Create New Futures". Just how 100,000 employees are able to track that objective over 10 years is something of a mystery to us.

Although the environmental target is more understandable, measured as the ranking given by external body the Carbon Disclosure Project, this suffers from the opacity of a black box scoring regime. We prefer simple, measurable goals and outcomes, that we as shareholders can hold management to account for.

We are yet to see many investors, analysts and ESG rating agencies pick up on these kind of details. While we score Danone highly with regards to effort, we see room to improve on detail and execution.

## Stock Analysis

| Top 10 Holdings     | (%)         |
|---------------------|-------------|
| Prudential          | 5.6         |
| Smurfit Kappa Group | 5.1         |
| Norcros             | 4.8         |
| Forterra            | 4.6         |
| AXA                 | 4.4         |
| DCC                 | 4.3         |
| Synthomer           | 3.8         |
| Wizz Air            | 3.6         |
| Alpha FMC           | 3.6         |
| Legal & General     | 3.6         |
| <b>Total</b>        | <b>43.4</b> |

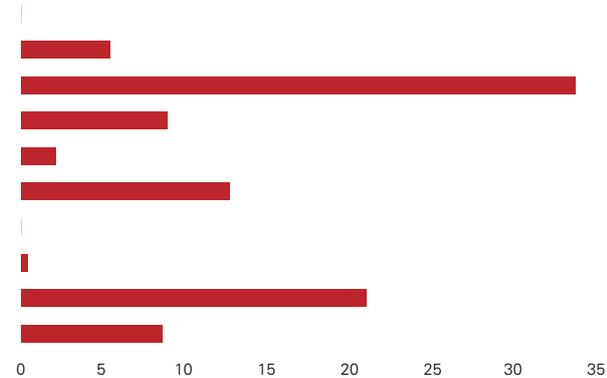
| Size Analysis      | (%)  |
|--------------------|------|
| Mega Cap (>€50bn)  | 3.0  |
| Large Cap (<€50bn) | 25.6 |
| Mid Cap (<€10bn)   | 30.7 |
| Small Cap (<€1bn)  | 33.4 |

| Currency Exposure | (%)  |
|-------------------|------|
| Euro              | 26.4 |
| Sterling          | 63.8 |
| Norwegian Krone   | 1.0  |
| Swiss Franc       | 0.0  |
| Danish Krone      | 0.0  |
| Swedish Krona     | 1.5  |
| Other             | 0.0  |

## Sector Analysis

### Sector Breakdown (%)

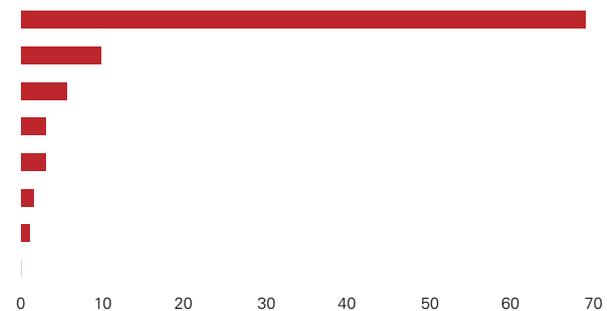
|                    |      |
|--------------------|------|
| Oil & Gas          | 0.0  |
| Basic Materials    | 5.4  |
| Industrials        | 33.6 |
| Consumer Goods     | 8.9  |
| Health Care        | 2.1  |
| Consumer Services  | 12.7 |
| Telecommunications | 0.0  |
| Utilities          | 0.4  |
| Financials         | 21.0 |
| Technology         | 8.6  |



## Geographic Analysis

### Country Breakdown

|             | No. of Stocks | (%)  |
|-------------|---------------|------|
| UK          | 21            | 68.8 |
| France      | 3             | 9.8  |
| Germany     | 3             | 5.6  |
| Netherlands | 1             | 3.0  |
| Ireland     | 1             | 3.0  |
| Sweden      | 1             | 1.5  |
| Norway      | 1             | 1.0  |
| Other       |               | 0.0  |



Please note that figures may not add up to 100% due to Cash holding.

## Fund Performance to 29/02/2020

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Calls may be recorded

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**Literature Request:** 0800 0199 440

#### ISIN:

Share Class A GB00B1FL7S17  
Share Class B GB00B1FL7V46

#### MEX:

Share Class A SXSRIA  
Share Class B SXSRI B

#### SEDOL:

Share Class A B1FL7S1  
Share Class B B1FL7V4

#### Registered Office:

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

### Cumulative Performance, % change

|                           | One month | 2019 yr to date | One year | Three years | Five years | Since launch* |
|---------------------------|-----------|-----------------|----------|-------------|------------|---------------|
| SVM All Europe SRI Fund B | -10.9     | -13.1           | 1.0      | 5.7         | 27.5       | 197.6         |
| FTSE World Europe Index   | -6.4      | -8.3            | 4.1      | 12.3        | 33.0       | 109.4         |
| IA Europe inc UK Sector   | -6.3      | -7.4            | 5.3      | 12.7        | 34.0       | 106.1         |

Source: Lipper, as at 29/02/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

\*The Fund was launched on 31 October 2006

### Percentage growth year on year to 31 December

|                           | 2019 | 2018  | 2017 | 2016 | 2015  |
|---------------------------|------|-------|------|------|-------|
| SVM All Europe SRI Fund B | 24.5 | -16.6 | 19.2 | 10.1 | 14.6  |
| FTSE World Europe Index   | 19.8 | -9.4  | 15.8 | 19.5 | 3.4   |
| Performance Difference    | +4.7 | -7.2  | +3.4 | -9.4 | +11.2 |

Source: Lipper, as at 31/12/2019, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 29/02/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

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**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 medium to long term 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.