

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.



May 2021 | Share Class B

Factsheet as at 30 April 2021



Monthly Fund Commentary

Inflation may be back, but it is less clear what winners and losers it creates. Money printing and lockdown savings are combining with pent-up demand, arming consumers to pay more. Many companies also need to restock. But supply has been constrained in areas ranging from lumber to semiconductors, triggering price spikes as economies re-open.

It is not clear that this inflation will actually become embedded and a long term problem. Investor assumptions about how the rotation to value plays out could also prove misplaced. Bad companies may have a good year but that need not make them good businesses or attractive long term investments.

Bottlenecks might bring trouble for some manufacturers. We can expect some initial jumps in profit in industrial areas, but that could quickly give way to disappointments from companies if supply disruption hits production. Industrials are currently in favour, but it may be that the more scalable consumer services - dependent primarily on labour supply - are actually better placed. The value rally could give way to a more balanced appreciation of business risks as economies re-start.

We can expect price rises to choke-off some of the upsurge in demand. And the next few months may bring some profit warnings from companies hit by the severe problems in semiconductor supply. Chips are vital components in many large products such as cars, but for a few months there may simply be no solution for some manufacturers other than shuttering production lines.

Even where supply can be maintained, but at a higher price, it may not be possible to pass additional costs onto customers. Many products that take months to complete involve the supplier essentially being short of inflation. That is, needing to bear unforeseen cost increases that only emerge after a project starts. Services are now so dominant in developed economies that it is easy to misunderstand the dynamics in manufacturing.

Investors need a balanced approach even as inflation picks up.

Performance

In April, SVM UK Growth Fund returned 7.2% compared with the return of 4.4% for the MSCI UK IMI TR Index and 4.2% for the average fund in the IA UK All Companies sector. For the 5 years to 30 April, the Fund is top quartile, returning 61.7%, compared to a return of 36.5% for the MSCI UK IMI TR Index and 46.4% for the average fund in the IA UK All Companies sector. The market pattern currently favours value, but growth businesses with good results are being recognised. A number of businesses have both value and growth characteristics; with strong recovery potential but also growth strategies that should win market share in their sectors.

Trading and results

April saw some portfolio stocks react well to good trading updates. Intermediate Capital and Dechra Pharmaceuticals each hit a new all-time high. There were also good contributions to performance from JD Sports Fashion, AB Dynamics and Gamma Communications. Flutter, Homeserve, Beazley, ASOS and Team 17 lagged in the month.

In April, a new investment was made in fund administrator, JTC. Additional investment was put into Restaurant Group, Kooth and ActiveOpps. ActiveOpps floated this year and provides enterprise software tools worldwide for workforce management and productivity monitoring. To fund these, part sales were made of Homeserve, Premier Foods, Just-Eat Takeaway and LSE. During the results season, SVM has been actively reviewing annual reports, engaging with companies and voting. Despite business progress over the past year, some executive pay proposals have been excessive.

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: £192.7m

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:



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 6 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 01/01/2021

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 34.9%

Ceres Power	4.9
Keystone Law	3.3
Wizz Air	2.9
Experian	2.7
Diploma	2.3

Financials 8.7%

Intermediate Capital	2.7
Beazley	1.7
London Stock Exchange	1.5
Impax Asset Management	1.4
Draper Esprit	1.0

Consumer Staples 5.6%

Cranswick	2.2
Hilton Food Group	1.5
Kerry Group	0.9
Fevertree Drinks	0.6
Premier Foods	0.3

Utilities 0.0%

Consumer Discretionary 26.7%

JD Sports Fashion	3.6
Ocado	3.1
Entain	2.9
AB Dynamics	2.7
Flutter Entertainment	2.6

Communication Services 6.5%

Gamma Communications	3.2
Team17	1.6
Future	1.3
Frontier Developments	0.2
4imprint Group	0.2

Health Care 5.2%

Dechra Pharmaceuticals	3.4
Kooth	1.0
Genus	0.4
Indivior	0.2
Inspeks Group	0.2

Energy 0.0%

Information Technology 12.8%

Kainos	2.8
AVEVA	1.6
Softcat	1.5
Oxford Instruments	1.3
Renishaw	1.3

Real Estate 6.4%

Unite Group	2.3
Segro	1.6
Watkin Jones	1.5
Londonmetric Property	0.9

Materials 4.3%

Croda	3.3
Smurfit Kappa Group	1.0

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 %)

Ceres Power	4.9	
JD Sports Fashion	3.6	
Dechra Pharmaceuticals	3.4	
Keystone Law	3.3	
Croda	3.3	
Gamma Communications	3.2	
Ocado	3.1	
Entain	2.9	
Wizz Air	2.9	
Kainos	2.8	
Rest of Portfolio	66.6	

Size Analysis (Gross %)

 Large Cap	47.4
 Med/Mid 250	44.8
 Small/Small Cap	18.7



Sector Breakdown (%)

Industrials	34.9	
Consumer Discretionary	26.7	
Information Technology	12.8	
Financials	8.7	
Communication Services	6.5	
Real Estate	6.4	
Consumer Staples	5.6	
Health Care	5.2	
Materials	4.3	
Energy	0.0	
Utilities	0.0	

This Month's Featured Stock

Keystone Law Group

Keystone Law is capitalised at £210m and provides legal services. These include services in the fields of commercial work, litigation and property. It serves a range of sectors including aviation, education, healthcare and retail.

Keystone Law is a platform model that is disrupting traditional mid-market partnerships. Senior lawyers joining the group can bring in clients whilst operating in a framework of greater autonomy, flexibility and earnings potential. These principals can recruit juniors and develop the platform. There is also potential for cross-selling of services. Investment in technology and central support, should enable the group to scale and create operating leverage over the longer-term. Cashflow is good, with principals paid only when fees come in. Keystone shows that it is the business model that matters, and not necessarily the industry.

The pandemic has accelerated Keystone's growth, as lawyers realise more work can be done from home and can benefit from the legal network that Keystone offers. Keystone adds value by collecting revenue, allowing cash conversion of more than 90%. Its brand is building and its technology can support additional lawyers. It is focused on mid-tier lawyers, and has attracted 300, with a few now joining who are of a more senior, higher calibre. The group estimates that around 30% of business is cross-referred, something that is facilitated by Keystone's model. Even so, the group estimates it has only approximately 1% of the number of solicitors in the £9bn mid-market segment.

We believe that Keystone can benefit further from network effects as it grows, with scale helping to attract more lawyers to join and assisting cross-selling. We believe Keystone has a resilient business model that can continue to disrupt the UK legal mid-market sector.

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INDEPENDENT THINKING

Fund Performance

to 30/04/2021

Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	7.2	8.7	44.2	24.3	61.7	374.1
MSCI United Kingdom IMI Index	4.4	10.0	24.4	4.7	36.5	147.8
IA UK All Companies Sector	4.2	10.2	30.9	13.7	46.4	228.5

Source: Lipper, as at 30/04/2021, 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 31 March

	2021	2020	2019	2018	2017
SVM UK Growth Fund B	54.6	-19.2	-2.2	12.4	8.9
MSCI United Kingdom IMI Index	24.4	-19.3	6.5	1.2	22.3
Performance Difference	+30.2	+0.1	-8.7	+11.2	-13.4

Source: Lipper, as at 31/03/2021, 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 30/04/2021, 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 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 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.