

SVM Asset Management

independent thinking



Margaret Lawson

SVM UK Emerging Fund Plc

September 2020

For professional advisers only – not to be relied upon by retail clients



We want to help our investors provide for their financial needs, and we believe the best way to do this is to give our managers the flexibility to manage their funds in their own distinctive way.

This is underpinned by our framework of original research, ethos of responsible investing and robust processes and risk management.

We are privately owned, we are passionate about independent thinking. For us independent thinking is about our clients, our funds and our business.

- **Specialist investment boutique established 1990**
 - Privately owned – by directors and staff
 - Consistent performance track record
 - Strong balance sheet

- **Experienced stable investment team**
 - Enabling environment
 - All qualified investment professionals
 - Flat management structure

- **Founded by Colin McLean**
 - Previous role MD Templeton's European Operations
 - Past chairman and board member of CFA UK
 - Past Board of Governors of CFA Institute



Colin McLean CEO
SVM Asset Management

- We have created an environment where managers can focus on delivering returns for clients.
- We are committed to active management and use the principles of responsible investing to manage focused portfolios.
- Independent thinking means our managers can pursue their own strategies and approach to analysis while sharing ideas with the team.
- Risk management is paramount with oversight provided by an independently chaired fair value, liquidity, risk and compliance committee.
- ESG (notably in company governance) is linked to good risk management and helps deliver performance.



Lead manager **Margaret Lawson – Investment Director**

- Co-Founder of SVM Asset Management
- 40 years industry experience, 30 years at SVM
- Previously managed funds at FS Investment Managers
- BSc (Hons) Economics
- ASIP



Deputy manager **Colin McLean – Managing Director**

- Co-Founder of SVM Asset Management
- 46 years industry experience, 30 years at SVM
- Board of Governors of CFA
- Previously head of Templeton's European operations
- MBA (distinction) Economic Statistics
- MA (Hons) Political Economy
- FSIP, FIA, FCSI

We aim to identify ‘best in class’ companies that can grow faster than their peers and the wider market over the medium term.

- c. 60-80 stock portfolio of thoroughly researched stocks
- Bottom up, fundamental stock-picking with a catalyst
- Smaller and medium sized UK Companies
- Identify stocks before they become widely recognised

- Businesses that we believe are going to be substantially bigger in the future

- Portfolio businesses can be :
 - Best in class and dominant in their sector
 - Usurpers that will come to own their space
 - Hero franchises utilising fast growing channels

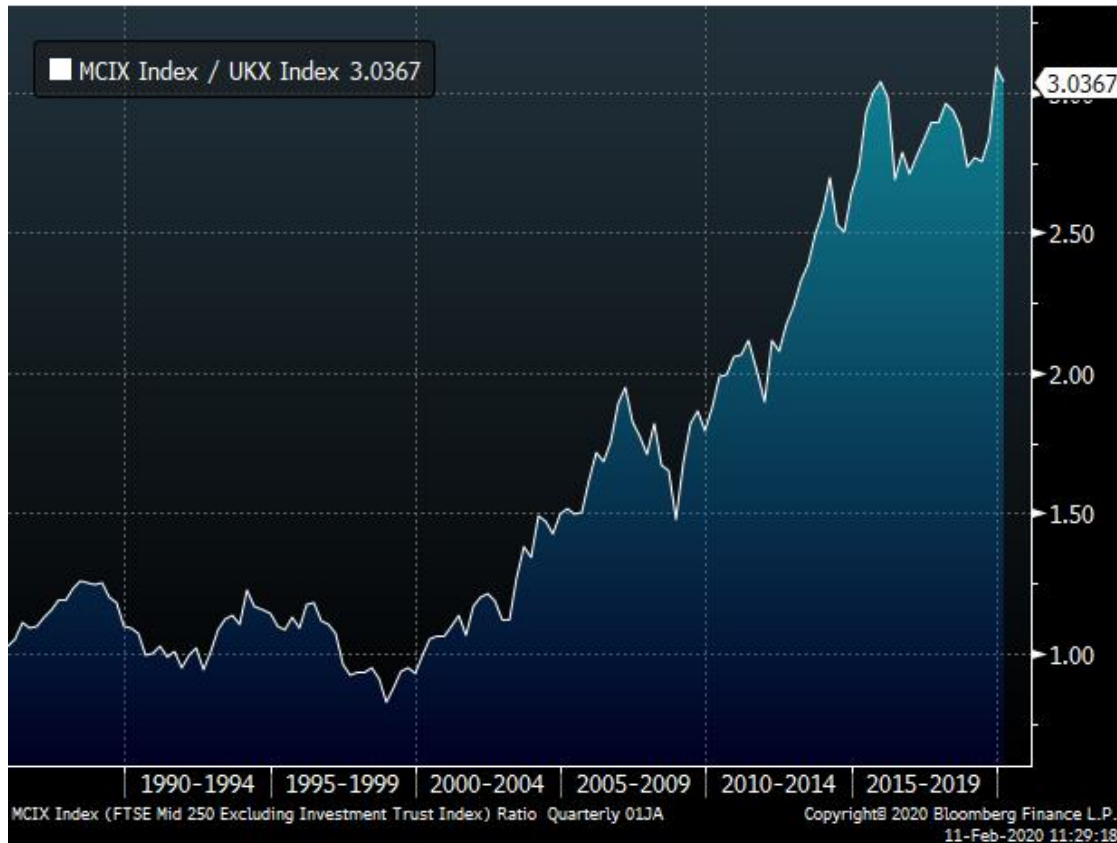
- We aim to identify those businesses earlier than our peers,
 - not at the pioneering stage but when the model is accelerating

Our ideas are based on rigorous bottom-up analysis of individual companies and an in-depth knowledge of the sectors in which they operate

- **Structural growth** – businesses that have the ability to grow revenues regardless of the underlying market environment;
- **Cash generation** – companies that convert a significant amount of profits into free cash flow;
- **Capital discipline** – companies with strong balance sheets that have the ability to deploy capital to grow business, improve returns or reward shareholders;
- **Returns-focused** – companies that generate returns well above their cost of capital

We combine these attributes with stocks that are attractively valued and that have an identifiable catalyst to reach our price targets.

FTSE Mid 250 x ITs vs FTSE 100

**Fund universe**

Mid-cap, AIM, and small-cap are the starting point. Other stocks liquidity dependent.

Largest FTSE 100 companies have slower sales growth, more global challenge (trade, competition, disinflation, disruption).

Consistently high returns on capital points to management that has proven to be effective at deploying capital and compounding superior returns

Dominant market position



Scale



Global position



High barrier to entry



Strong brand



Recurring revenue



Rare asset



Capital-lite models



- Leveraging consumer data
- Rapid Scaling
- Capital-lite
- Changing tastes, favouring experience over goods
- Network effect
- Looking at traditional businesses in a new way
- New business models

GVC Holdings

FEVER-TREE

cineworld

KEYSTONE LAW

draper esprit

applegreen

K3 capital group plc

on the Beach .co.uk

ocado

KERRY

blue prism

The FTSE 100 index captures yesterday's economy – the past winners

- **Quality growth approach**
- **Structural growth stocks**
 - strong moats
 - genuine competitive edge
 - cash generative
 - quality management
- **Dynamic portfolio construction**
 - Core
 - Tactical
 - Alpha Kicker

- Dominant market position
- Scalable
- Global position
- Barrier to entry
- Accounting quality
- Strong brand
- Recurring revenue
- Rare asset
- Capital-lite model
- Growing cashflow



- Structural growth
- Cash generation
- Capital discipline
- Returns focused

**Category
Champions**

**Dominate their field
Best in class**

- AJ Bell
- Experian
- Ocado

**Emerging stronger from
disruption**

**Disruptors and well adapted to
economic background**

- London Metric
- Kainos
- JD Sports
- Team 17

Home

**Entertainment, e-Commerce
Delivery, Wellness**

- Ocado
- Just Eat Takeaway
- Team 17

Office of the Future

**Enterprise support for cloud,
IT, data, virtual ops**

- Gamma Communication
- Softcat
- Keystone law

**Sustainability Health &
Resilience**

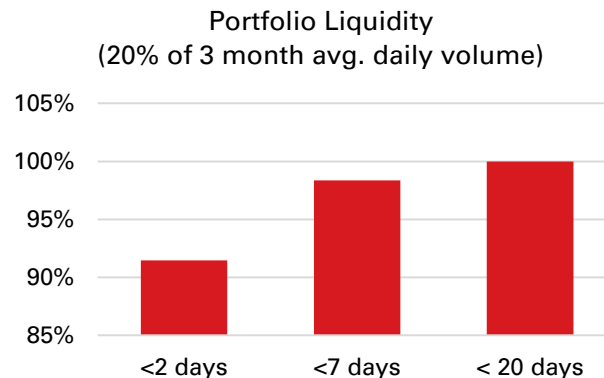
**Economic shocks drive
long term social change**

- Ceres Power
- ITM
- Discover IE

Timing is key – balancing upside with potential risks

- Have they lost, or about to lose, the reason we originally invested?
 - Are the metrics we focus on (Eg. EV/EBITDA, PE, EVIC) tailing off?
- Adverse external factors such as regulation, taxation or politics
- Technical indicators
- Are there better uses for the assets?
- Conviction and research mean low turnover

- Economic diversification
 - In-house risk function with Head of Risk (Susan Dorward)
 - Fund actively monitored for balance of risk
- Liquidity focus
 - Constant monitoring of the liquidity data of the fund
 - Focus on liquidity of each stock along with the whole firm position
 - Independent oversight committee





Unique, proprietary, end to end online grocery sales platform

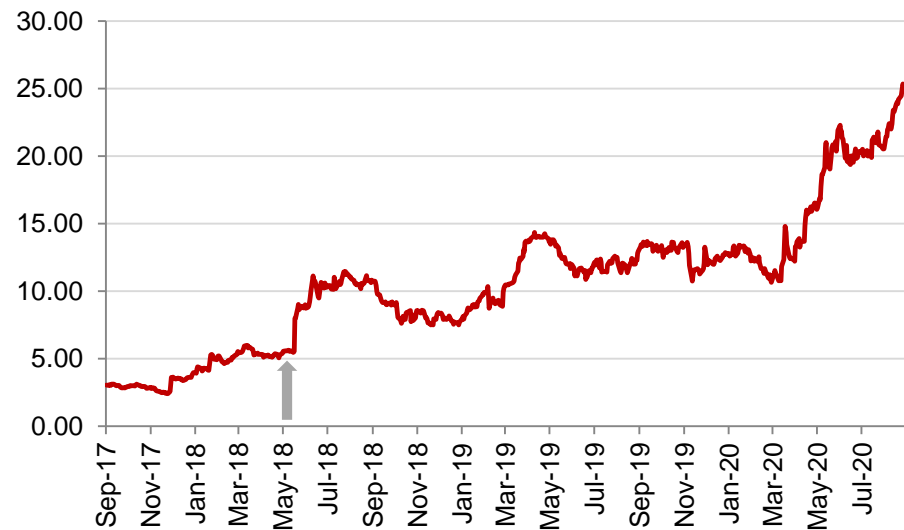
- Covid and rapidly changing consumer habits is fuelling unprecedented demand for online food delivery.
- Ocado’s technology provides profitable solution for the industry worldwide.
- Successful execution internationally will drive performance.
- Technology continues to drive innovation, scale and cost efficiencies
- Potential to become the ‘Microsoft of Food retailing’

Market cap £14.659bn*

*Source: Bloomberg 15.07.2020



Ocado Group PLC



Source: Lipper 3 years to 31.08.2020

↑ Denotes investment decision



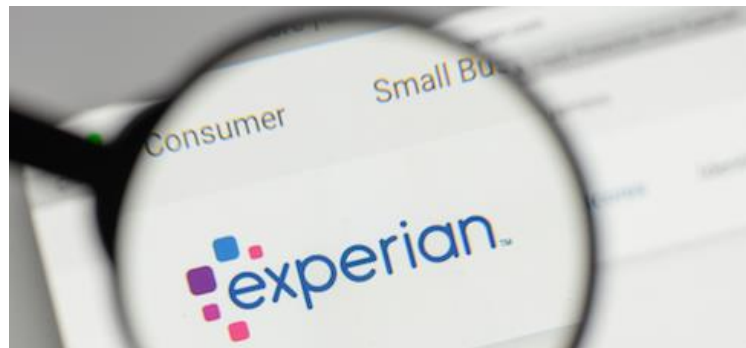


Well placed to benefit as business demand for data explodes

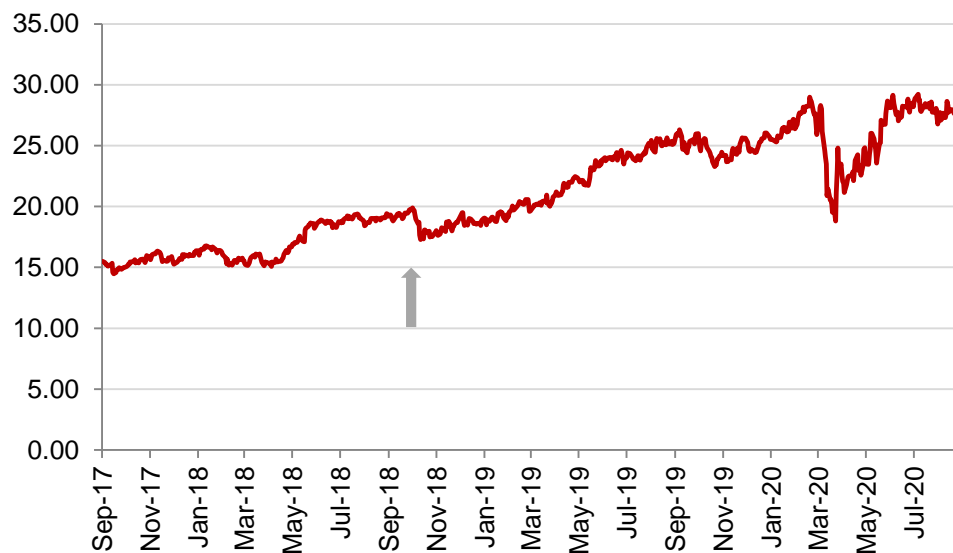
- Unique asset; powerful structural drivers
- Strong balance sheet
 - capacity for further expansion or buy-backs
- Record of robust earnings throughout economic cycle
- Growing well internationally
 - US
 - Latin America
 - EMEA
 - Asia Pacific

Market cap £25.890bn*

*Source: Bloomberg 15.07.2020



Experian PLC



Source: Lipper 3 years to 31.08.2020

↑ Denotes investment decision

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Innovative platform utilising technology to reduce costs and increase profitability

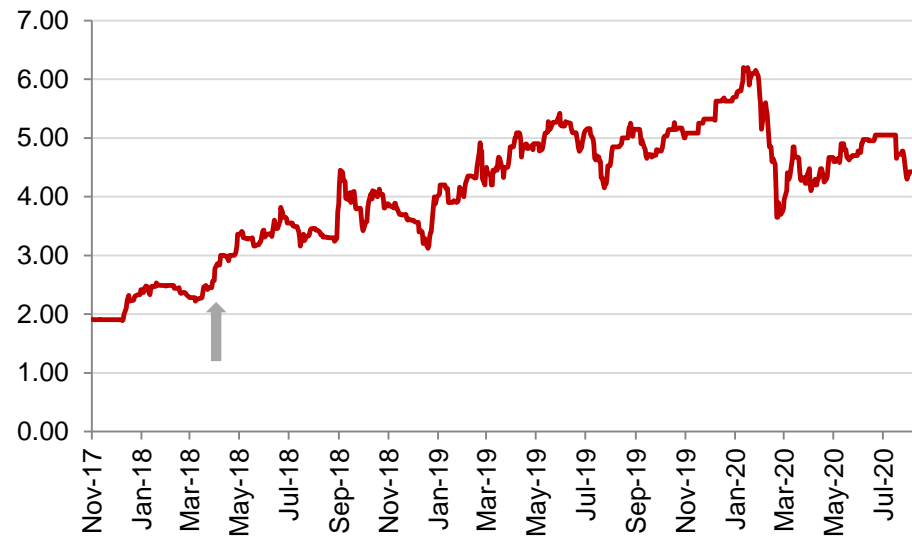
- First mover advantage in burgeoning circle of UK-listed law firms
- Scalable business model in new arena
- Attractive alternative to partnerships for high calibre lawyers
- Opportunity to leverage the increasingly well respected and successful brand
- Sector leading organic revenue growth
- Capital–lite model

Market cap £154.806m*

*Source: Bloomberg 15.07.2020



Keystone Law Group



Source: Lipper 27.11.2017 to 31.08.2020

↑ Denotes investment decision

Current Positives

- Many companies emerging strongly from this shock
- Selective re-financing, but not needed by most quality growth businesses

Current Challenges

- Virus challenges global supply chains
- Sharp deceleration of global economy
- Changes in behaviour ahead, both corporate and consumer

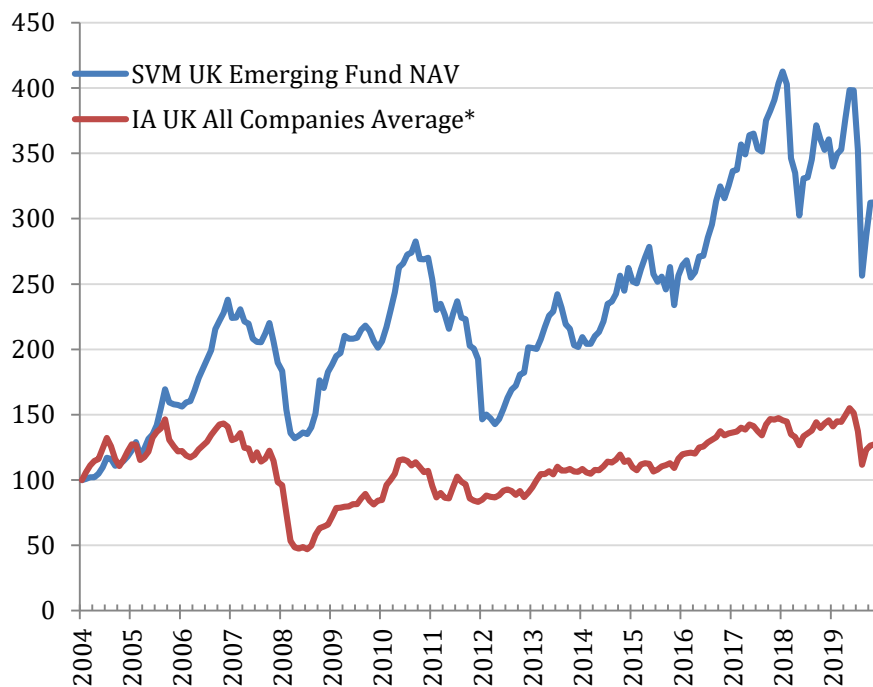
Portfolio Positioning

- Low cyclical exposure; little banks, oil or mining
- Businesses delivering sophisticated services offer resilience
- Less impacted by trade frictions in manufacturing and technology

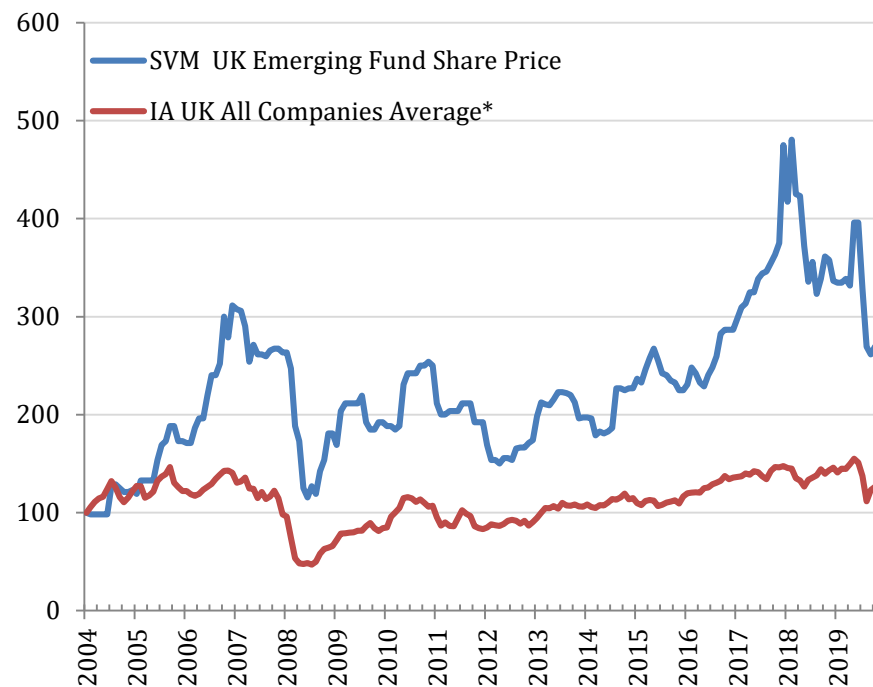
Cumulative NAV Performance

Percentage growth year on year to 30 June	2020	2019	2018	2017	2016
SVM UK Emerging NAV	-11.4	-9.8	23.8	34.9	-4.5
IA UK All Companies Average	-13.6	-4.7	6.6	19.9	
FTSE AIM TR				38.6	-5.0
Performance Difference	2.2	-5.1	17.2	-3.6	0.5

SVM UK Emerging NAV vs Benchmark



SVM UK Emerging share price vs Benchmark



*FTSE AIM TR until 30.09.13

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Peter Dicks was a founder and director of Abingworth plc which, between 1973 and 1992, specialised in making venture capital investments in the USA and the UK. He is currently a director of Private Equity Investor plc, Unicorn AIM VCT plc, Mears Group plc, Foresight VCT range of funds and a number of other quoted and unquoted companies. Mr Dicks has served on the Board for over nine years.



Jeremy Harris is a solicitor and partner at Brian Harris & Co, a member of the International Bar Association and the Law Society of England and Wales. He is a director of Gatekeeper Trustee Limited. Mr Harris was appointed to the Board on 15th August 2019 and stands for annual re-election.



Ian Gray is a Chartered Accountant (FCA), holding the Corporate Finance qualification and a Chartered Manager. He has worked for the government in strategic roles in the NHS and the Environment Agency and in a variety of businesses helping with their strategy, development and corporate governance. He is a director of DX (Group) plc and Clancy Group Ltd. Mr Gray was appointed to the Board on 6th March 2020 and stands for annual re-election.

Experienced board committed to reducing the trust's discount.

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Past performance is not a guide to future performance. Stockmarket and currency movements may cause the value of an investment to go down as well as up. Investors may not get back the amount originally invested.

The Fund incurs the following key risks: If an Investor redeems the investment shortly after investing, they may not get back the original amount due to market movements. Tax treatment can change at any time without notice and is beyond control of the Fund. The Fund is exposed to credit and settlement risk in its dealings with Counter Parties in day to day business. This may result in a loss to the Fund if a Counter Party business fails. 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. A Fund with a concentrated portfolio carries a greater risk to that of a Fund with a larger spread of investments. Investment trusts can borrow money to make investments; this can lead to greater losses if markets fall. The Fund uses Contracts for Difference (CFDs) as part of the investment strategy; this can increase the risk profile and volatility of the Fund. Some unquoted investments may become difficult to realise as prices may not be readily available or a reliable indicator of value.

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