

SVM

UK Growth Fund

The Fund's aim is to achieve medium to long term capital growth from an equity portfolio selected from UK listed stocks and other permitted securities. Its objective is to beat the FTSE All-Share Index.

May 2020 | Share Class B

Figures as at 30 April 2020



Fund Managers



Margaret Lawson
Co Fund Manager

Industry Experience: 20

Years at SVM: 30

Appointed: 31/10/2005



Colin McLean
Co Fund Manager

Industry Experience: 46

Years at SVM: 30

Appointed: 29/02/2008

Monthly Fund Commentary

Even at depressed share price levels, many companies are raising capital. Should investors follow their money and support these issues? That proved right for most fundraising in the aftermath of the financial crisis, but this time could it be different?

While the financial crisis was largely a credit problem, some businesses are now faced with uncertainty over demand and the timescale in which that might correct. For consumer services and hospitality – pub chains for example – prospects this year and next are very uncertain. But where consumer businesses also have an online strategy, or can use additional capital to acquire or take market share from weaker rivals, new money might genuinely improve prospects. And the purely business-serving b2b services may be best placed of all. April and May have seen very few of these types of businesses call on shareholders. Only some of the consumer offerings make sense just now.

Hardest to forecast are sectors such as international travel, but investors should not ignore the challenges in other areas. The prospect of changes in consumer behaviour, unemployment, wealth taxes and government intervention in key sectors, brings guesswork into the calculation. All the rigour of investment modelling cannot ignore that much of the global market background will be uncertain for some time.

Investors seem more focused on growth, preferring companies more focused on niches

and with better control over their own destiny. In contrast, many large FTSE 100 businesses have been forced into dividend cuts, with income having been a key reason for holding the shares previously. Despite money printing, the background is disinflationary – typically more of a challenge for global economically-sensitive businesses. And global supply chains must change – moving from a lean but risky model towards structures that are more resilient.

There are opportunities for investors to follow their money in some of the businesses currently fundraising. But a selective approach is important. Many tech and B2B businesses have seen strong demand during the current crisis and IT budgets are expected to grow to strengthen cloud and digital services.

In April, SVM UK Growth Fund returned 14.9%, compared to a return of 4.9% for the FTSE All-Share Index and 10.2% for the average fund in the IA UK All Companies sector. For the 5 years to 30 April, the Fund is top quartile, returning 15.4%, compared to a return of 4.8% for the FTSE All-Share Index and 7.9% for the average fund in the IA UK All Companies sector.

During the month, there were positive contributions to performance from AB Dynamics, Ocado, Gamma Communications and Rentokil. Laggards included Keystone Law and SSP. Your Fund remains fully invested, focused on resilient growing businesses, with low exposure to commodities, oil and banks.

Fund and index performance source: Lipper

Fund Facts

Launch Date: 20 March 2000

Benchmark Index:
FTSE All-Share Index

IA Sector: UK All Companies

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

Fund Size: £136.9m

Fund Charges:

OCF*
Share Class A 1.78%
Share Class B 1.03%

*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

Ratings:



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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

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: 25.6% (%)

AB Dynamics	3.6
Experian	3.2
Keystone Law	2.9
Rentokil Initial	2.9
Johnson Service Group	2.7

Consumer Services: 24.7% (%)

Ocado	3.5
JD Sports Fashion	3.1
Wizz Air	2.4
Flutter Entertainment	2.2
Homeserve	2.0

Financials: 20.1% (%)

Unite Group	4
London Stock Exchange	3
Beazley	3
Intermediate Capital	2
Segro	2

Consumer Goods: 13.9% (%)

Kerry Group	3.2
Cranswick	3.1
Watkin Jones	2.0
Hilton Food Group	1.9
Team17	1.7

Health Care: 8.0% (%)

AstraZeneca	3.2
Dechra Pharmaceuticals	3.1
UDG Healthcare	0.9
Hikma Pharmaceuticals	0.7
Indivior	0.1

Technology: 4.1% (%)

Kainos	1.9
Softcat	1.0
FDM Group	0.9
AVEVA	0.4

Telecommunications: 3.2% (%)

Gamma Communications	3.2
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Basic Materials: 3.1% (%)

Croda	3.1
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Oil & Gas: 0.8% (%)

Ceres Power	0.8
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Utilities: 0.0% (%)

This Month's Featured Stock

Team17 Group

Team 17 is an independent developer of game software. It serves customers worldwide and publishes games for computer, console, mobile and other digital platforms. Team17 has seen demand grow during the crisis and has been helped by a lack of debt and broad base of ongoing work. Its partnership model aligns it well with clients, and management own more than 20% of the business. Team17

is a leader in premium independent video games, and its low costs have also allowed it to capitalise successfully in industry growth. It has a back catalogue of over 100 games with 7 new game launches in the last year. In-game purchases allow the back catalogue to continue to contribute to earnings. The back catalogue contributed more than 70% of revenues in 2019. There is potential for

it to grow exposure in e-sports, which is developing rapidly, with virtual events such as Codemasters and Grand Prix. Although the shares are premium rated currently, Team17 is enjoying strong sales growth and reported good 2019 results. It has a good pipeline of 10 new game releases for 2020 and should be able to make earnings-enhancing acquisitions.

Stock Analysis

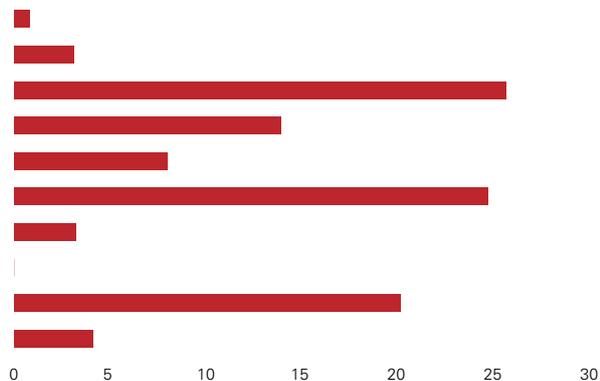
Top 10 Long Holdings	(Gross %)
AB Dynamics	3.6
Unite Group	3.6
Ocado	3.5
Gamma Communications	3.2
Experian	3.2
AstraZeneca	3.2
Kerry Group	3.2
Cranswick	3.1
JD Sports Fashion	3.1
Croda	3.1
Total	32.8

Size Analysis	(Gross %)
Large Cap	34.5
Med/Mid 250	44.7
Small/Small Cap	24.3

Sector Analysis

Sector Breakdown (%)

Oil & Gas	0.8
Basic Materials	3.1
Industrials	25.6
Consumer Goods	13.9
Health Care	8.0
Consumer Services	24.7
Telecommunications	3.2
Utilities	0.0
Financials	20.1
Technology	4.1



Fund Performance to 30/04/2020

Issued by SVM Asset Management Limited who is authorised and regulated by the Financial Conduct Authority:
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Share Class B GB0032084708

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Share Class A SXSR
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SEDOL:

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Share Class B 3208470

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Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	14.9	-19.3	-13.3	-2.6	15.4	228.8
FTSE All-Share Index	4.9	-21.5	-16.7	-7.5	4.8	106.2
IA UK All Companies Sector	10.2	-20.6	-14.6	-6.9	7.9	149.0

Source: Lipper, as at 30/04/2020, 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

	2020	2019	2018	2017	2016
SVM UK Growth Fund B	-19.2	-2.2	12.4	8.9	4.8
FTSE All-Share Index	-18.5	6.4	1.3	22.0	-3.9
Performance Difference	-0.7	-8.6	+11.1	-13.1	+8.7

Source: Lipper, as at 31/03/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



Source: Lipper, as at 30/04/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

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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.