

# SVM All Europe SRI 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 Index. It adopts a positive engagement approach toward investment and enters into meaningful dialogue with companies regarding environmental, social and corporate governance issues. The Fund will invest at least 80% in equities and equity related instruments which are dealt in or traded on all European Eligible Securities Markets. The Fund may invest in other permitted securities.



February 2022 | Share Class B

Factsheet as at 31 January 2022



## Monthly Fund Commentary

*"There must be some kind of way out of here, Said the joker to the thief. There's too much confusion, I can't get no relief"*

Central bankers would no doubt echo Jimi Hendrix's howl (or Bob Dylan's if you prefer the original version of 'All Along the Watchtower') as they struggle to decipher the signal from the noise and navigate the global economy away from a period of unprecedented policy stimulus. The Federal Reserve presaged a tightening of monetary policy as long ago as last September but the hawkish tone of its January meeting left investors fearing overkill and a policy error. Bonds sold off, volatility increased, and the rotation from 'growth' to 'value' accelerated. The fund returned -4.6% versus the MSCI Europe that delivered -3.7%.

Markets are in a state of flux. The potential for an aggressive tightening cycle has destabilised both the risk-free rate and the equity risk premium. The impact has been felt most acutely in longer duration assets whose cashflows are back-end weighted. The sharp decline in many of these stocks highlights the non-linear relationship between valuations and interest rates when the cost of capital is exceptionally low. Despite the increase in volatility, the tightening of liquidity is correct at this point in the cycle. Many commentators are focused on the squeeze on real incomes due to higher inflation and the potential for a classic wage-price spiral. Perhaps we are too sanguine, but the significant improvement in household finances over the pandemic should provide substantial mitigation.

Distortions from the pandemic have been significant and investors (and central banks) need to be careful not to draw the wrong conclusions. The secular factors impacting the

global economy are largely unchanged and generating sustained high inflation is a longer and more complex process than commonly assumed. Nonetheless, tighter policy is appropriate and investors will need to adjust their playbook accordingly. The economic outturn, however, may turn out to be more akin to Dylan's more sedate original rather than the cacophony of Hendrix's masterpiece.

At a stock level, the fund's interest rate sensitive stocks outperformed. Lloyds rose as the market priced in higher interest rates and the potential positive impact on the bank's net interest margin. Financials also benefitted from the style rotation away from growth towards value. Banks like Lloyds offer relatively low growth, but they have strong entrenched positions and much improved balance sheets with significant scope for capital returns. Rexel jumped as it revealed that trading had been ahead of expectations. DCC and Tesco rose as investors sought predictable cashflows.

Synthomer continued to drift as investors fretted over the outlook for its nitrile latex business, as well as the potential impact of higher raw material prices on its industrial applications. We continue to believe these concerns are overdone and already largely captured in analyst forecasts. Sedana Medical declined despite positive newsflow as the investors rotated away from loss making businesses. The company announced that the UK had become the latest country to approve its key product Sedaconda for use in intensive care units. Creo fell as the investors awaited an update on current trading.

Trading activity was light.

Fund and index performance source: FE fundinfo

## Fund Facts

**Launch Date:** 31 October 2006

**Benchmark Index:**  
MSCI Europe Index

**IA Sector:** Europe inc UK

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

**Fund Size:** £19.3m

### Fund Managers:

**Neil Veitch** (Co Fund Manager)

Appointed: 31/10/2006

Years at SVM: 15 Industry Experience: 24

**Hugh Cuthbert** (Co Fund Manager)

Appointed: 31/10/2006

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 31/12/2021

**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.

Cyclical	41.2	
Unstable Financial	21.8	
Consumer Cyclical	14.4	
Defensive	11.5	
Technology	6.0	
Stable Financial	0.0	
Mining	0.0	
Oil & Gas	0.0	
Cash	5.1	

### Cyclical 41.2%

Alpha FMC	7.8
Smurfit Kappa Group	5.9
Synthomer	4.9
Rexel	4.8
CRH	4.4

### Unstable Financial 21.8%

Lloyds Banking Group	4.9
AXA	4.8
OSB Group	4.7
Prudential	4.4
Legal & General	2.6

### Consumer Cyclical 14.4%

Norcros	6.9
Tesco	3.1
Jost Werke	2.3
Dalata Hotel Group	2.2

### Defensive 11.5%

Uniphar	4.1
DCC	3.2
Smith & Nephew	2.3
Sedana Medical	1.2
Apontis Pharma	0.7

### Technology 6.0%

Creo Medical Group	2.9
LungLife AI	2.1
ActiveOps	1.0

### Stable Financial 0.0%

### Mining 0.0%

### Oil & Gas 0.0%

## This Month's Featured Stock

### Rexel

Rexel is a French domiciled global distributor of electrical products. While much of the company's products are mundane in nature, including simple switches and plugs, Rexel also benefits from many growing trends such as smart homes and automation. Indeed over 50% of today's products were nascent in 2016.

Growth has however been erratic in recent years with organic sales plunging in 2020, as a result of the global pandemic, but the company still managed to increase free cashflow and reduce debt. The rebound in 2021 has been better than the market and even the company expected, and the resultant margin improvement bodes well for 2022.

Rexel is in a strong position to improve the environmental credentials of both new build and renovated buildings by offering a range of products which contribute to energy saving or the provision of renewable energies. This is embedded in the company's target for a reduction in Scope 3 emissions which emanate from the use of the products it has sold. This target is in addition to a commitment to a 35% reduction of the company's own operational emissions by 2030.

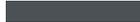
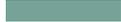
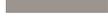
We believe this strong environmental profile should enhance what is already a low valuation applied to the company which trades on less than 10x 2022 earnings. Further improvements

can also be uncovered from our engagement with the company regarding their strategy to improve the environmental and social credentials of their supplier base, something Rexel appears to put a considerable amount of effort into. By the end of 2020, 60% of the group's purchases (€11 billion) had been assessed with regard to compliance with Rexel's supplier charter and we can expect continuous improvement on this front. Derisking the supply chain should further highlight the valuation anomaly of this interesting investment.

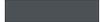
## Portfolio Structure

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

### Top 10 Holdings

	(%)	
Alpha FMC	7.8	
Norcros	6.9	
Smurfit Kappa Group	5.9	
Lloyds Banking Group	4.9	
Synthomer	4.9	
AXA	4.8	
Rexel	4.8	
OSB Group	4.7	
CRH	4.4	
Prudential	4.4	
<b>Rest of Portfolio</b>	<b>46.4</b>	

### Country Breakdown

	No. of Stocks	(%)	
UK	18	60.7	
Ireland	4	16.6	
France	3	13.5	
Germany	2	3.0	
Sweden	1	1.2	
Other	-	0.0	

### Sector Breakdown

	(%)	
Industrials	28.3	
Financials	21.8	
Materials	18.5	
Health Care	13.3	
Consumer Discretionary	5.1	
Information Technology	4.9	
Consumer Staples	3.1	
Energy	0.0	
Communication Services	0.0	
Utilities	0.0	
Real Estate	0.0	



### Size Analysis

	(%)
Mega Cap (>€50bn)	4.8
Large Cap (<€50bn)	31.4
Mid Cap (<€10bn)	26.3
Small Cap (<€1bn)	32.3



### Currency Exposure

	(%)
Euro	33.0
Sterling	60.4
Swedish Krona	1.2
Other	0.3

## Enquiries

www.svmonline.co.uk  
Calls may be recorded

### Investor Services and Dealing:

Dealing, account enquiries and valuations  
Phone: 0345 066 1110  
Fax: 0330 123 3755  
International phone: +44 (0)1268 447 417  
International fax: +44 (0)1268 457 731

### General Enquiries

Head office and fund enquiries  
Phone: +44 (0)131 226 6699  
Email: info@svmonline.co.uk  
Helpline: 0800 0199 110  
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:

Sedol GBP B1FL7S1  
Sedol GBP B1FL7V4

### Registered Office:

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

Issued by SVM Asset Management Limited who is authorised and regulated by the Financial Conduct Authority:  
12 Endeavour Square  
London E20 1JN

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## Fund Performance

to 31/01/2022

### Cumulative Performance, % change

	One month	2022 yr to date	One year	Three years	Five years	Since launch*
SVM All Europe SRI Fund B	-4.6	-4.6	21.5	43.6	51.1	319.7
MSCI Europe Index	-3.7	-3.7	15.9	35.5	46.4	166.5
IA Europe inc UK Sector**	-5.1	-5.1	13.3	38.7	47.2	171.1

Source: FE fundinfo, as at 31/01/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

\*The Fund was launched on 31 October 2006

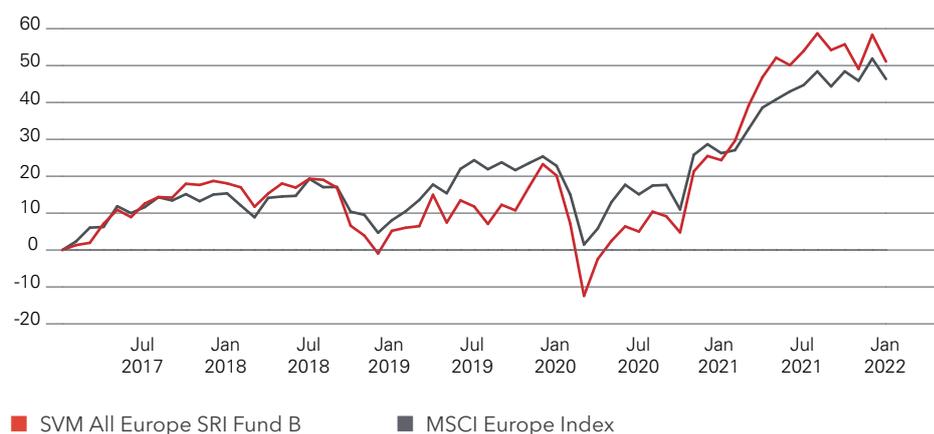
\*\*IA is provided as a comparator

### Percentage growth year on year to 31 December

	2021	2020	2019	2018	2017
SVM All Europe SRI Fund B	26.2	1.8	24.5	-16.6	19.1
MSCI Europe Index	18.1	2.7	19.8	-9.0	15.3
Performance Difference	+8.1	-0.9	+4.7	-7.6	+3.8

Source: FE fundinfo, as at 31/12/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: FE fundinfo, as at 31/01/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Data provided by FE fundinfo. Care has been taken to ensure that the information is correct but it neither warrants, represents nor guarantees the contents of the information, nor does it accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

### 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.