

# SVM

## World Equity Fund

The objective of this Fund is to achieve above average capital growth over the medium to long term (although short-term investment opportunities will also be considered) and it aims to outperform its peers in the IA Global Sector (second quartile and above).

June 2020 | Share Class B

Figures as at 31 May 2020



## Fund Manager



**Neil Veitch**  
Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 01/12/2010

## Monthly Fund Commentary

Equities made further gains in May. Markets continue to be acutely sensitive to news flow on the spread of the disease. Confidence is fragile but progress remains positive. Those countries that have relaxed restrictions have yet to see a meaningful second wave. There will, of course, be setbacks along the way but we are more optimistic than we were six to eight weeks ago. Economic data continues to be heavily distorted by the nature of the lockdown. The severity of the slowdown has considerably reduced the utility of much of the higher frequency economic data that investors often use to identify inflection points. Nonetheless, here as well there are some signs of encouragement. The fund rose 4.2% versus the average fund that gained 6.0%.

The most notable feature of returns over the month was the substantial outperformance of 'growth' versus 'value'. As we have commented before this is not a surprise given the current market backdrop. Economic activity has collapsed and central banks have committed to hold interest rates at abnormally low levels for the foreseeable future. Liquidity has exploded with money supply ballooning. This creates almost the perfect backdrop for 'long duration' growth stocks. Indeed, many of this year's strongest performers are companies seeking to benefit from 'disruptive' technologies whose economic payback will not be seen for many years. We aren't averse to 'growth', nor oblivious to the risk of an outdated world view, but seek to ensure that any reward is commensurate with the risk taken. In a paradigm characterised by a central bank backdrop the extent to which valuation matters, however, is a legitimate debate. The pattern reversed slightly towards the end of the month as some tentative improvements in the economic data began to emerge.

Irish healthcare company, Uniphar, was the largest positive contributor to the fund's performance. There was nothing specific to explain the rise in the share price but most likely it was a function of increased investor awareness. The company listed last year and has struggled to gain much traction with institutional investors. Maiden full-year results in late March were solid rather than spectacular but served to remind investors of its strong cash generation and growth opportunities. Global cyclical Visa, TI Fluids, Synthomer and Ryanair performed well. The fund's energy holdings rose as the oil price continued to recover as demand rebounded. Despite the lockdown we are in active dialogue with our portfolio holdings as well as many other businesses. Considerable uncertainty is the overarching feature of most of these conversations. Relative to expectations at the outset of the crisis, however, the outcome for most companies has been better than anticipated. Business development is challenging but many see the crisis as an opportunity to right-size their operations. This has implications for employment and aggregate final demand, but hopefully will result in a more productive economy over the longer term.

UK building materials company, Norcros, was the largest negative contributor to performance. The stock slumped as investors fretted over the shape of the economic recovery and how quickly construction activity will rebound. Energy was weak as its acquisition of Edison's E&P business was delayed further.

New positions were initiated in Micron Technology, CRH, JDE Peet and Capgemini. The holding in DCC was exited. The position in Ryanair was increased.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 1 December 2010

**IA Sector:** Global

**Type of Shares:** Accumulation

**XD Date:** 31 December

**Pay Date:** 30 April

**Fund Size:** £17.2m

**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 29/05/2020

**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**

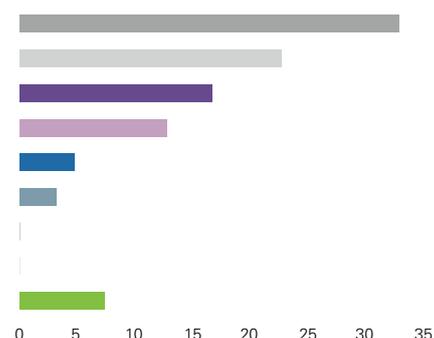
## Portfolio Analysis

### 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 %)
Technology	32.8
Cyclical	22.6
Consumer Cyclical	16.6
Defensive	12.7
Oil & Gas	4.8
Unstable Financial	3.2
Stable Financial	0.0
Mining	0.0
Cash	7.4



#### Technology: 32.8%

(%)

Alphabet	9.0
Microsoft	8.3
SK Hynix	4.2

#### Cyclical: 22.6%

(%)

Synthomer	4.2
Hitachi	4.0
CRH	3.2

#### Consumer Cyclical: 16.6%

(%)

Visa	8.3
GVC Holdings	4.0
Ryanair	2.6

#### Defensive: 12.7%

(%)

Uniphar	3.7
Roche Holdings	3.3
Merck & Co	3.0

#### Oil & Gas: 4.8%

(%)

Jadestone Energy	2.9
Energiean	1.4
Savannah Energy	0.4

#### Unstable Financial: 3.2%

(%)

Prudential	3.2
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#### Stable Financial: 0.0%

(%)

#### Mining: 0.0%

(%)

## This Month's Featured Stock

### Capgemini

Capgemini is a leading IT services provider. The company offers consulting services, digital transformation solutions, and technology and engineering services to customers in a broad range of industries worldwide.

The COVID pandemic has emphasised the importance of ensuring operational resilience for all businesses. As working-from-home has become a necessary norm, Capgemini has been well placed to help its customers adapt. Digital and cloud services account for over 50% of group revenues and should benefit both from any short-term demand surge and the acceleration of longer-term trends. While the group does have some exposure to some

sectors that will face a greater impact from COVID (e.g auto, travel), much of Capgemini's revenue comes from longer-term projects designed to reduce costs and increase flexibility. While some work may be pushed to the right, we would expect these revenues to be deferred rather than cancelled.

Capgemini has also recently completed the acquisition of Altran, which had been announced last year. Altran is a global leader in engineering and R&D services, areas where Capgemini was relatively weak. The combined business can now offer both operational technology and information technology solutions in a single platform. This broader

product offering should allow Capgemini to both target new customers and grow within existing ones. Although combining two businesses during a pandemic is not ideal, to put it mildly, recent company updates suggest that integration is progressing as planned.

Although near-term earnings are difficult to forecast due to the high levels of uncertainty in the market, we would expect Capgemini's performance to prove relatively resilient. On a 'normalised' basis the group trades at a discount to peers, which we believe is not justified when Capgemini's digital strengths and opportunities from the Altran deal are taken into consideration.

## Portfolio Analysis

Top 10 Holdings	(%)
Alphabet	9.0
Microsoft	8.3
Visa	8.3
SK Hynix	4.2
Synthomer	4.2
Micron Technology	4.1
GVC Holdings	4.0
Hitachi	4.0
Uniphar	3.7
Roche Holdings	3.3
<b>Total</b>	<b>53.1</b>

Size Analysis	(%)
Mega Cap (>£50bn)	31.9
Large Cap (<£50bn)	26.8
Mid Cap (<£10bn)	14.7
Small Cap (<£1bn)	19.2

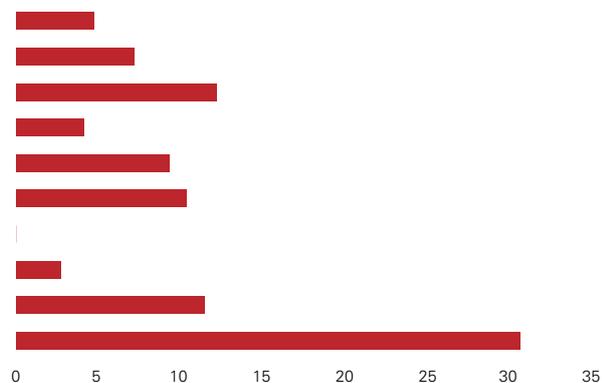
Total Number of Stocks	
Number of Holdings	29

Net Currency Exposure	(%)
Euro	12.4
Sterling	31.0
Europe non-Euro	3.3
US Dollar	41.6
Japanese Yen	7.0
Others	5.0

## Sector Analysis

### Sector Breakdown (%)

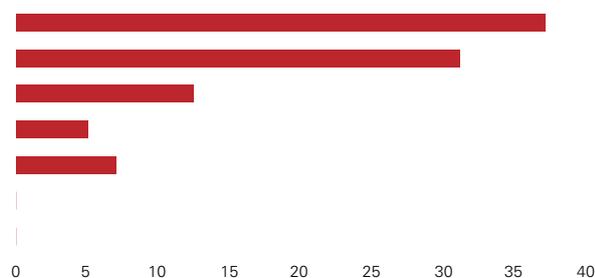
Oil & Gas	4.8
Basic Materials	7.2
Industrials	12.2
Consumer Goods	4.1
Health Care	9.3
Consumer Services	10.4
Telecommunications	0.0
Utilities	2.7
Financials	11.5
Technology	30.6



## Geographic Stock Analysis

### Geographic Stock Analysis (%)

North America	37.1
United Kingdom	31.1
Europe (excluding UK)	12.5
Asia Pacific (excluding Japan)	5.0
Japan	7.0
Latin America	0.0
Other	0.0



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

## Fund Performance to 31/05/2020

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### ISIN:

Share Class A GB00B0KXRB86  
Share Class B GB00B0KXSK43

### MEX:

Share Class A SXUAT  
Share Class B SXUAB

### SEDOL:

Share Class A B0KXRB8  
Share Class B B0KXSK4

### Registered Office:

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

### Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM World Equity Fund B	4.2	-5.8	7.7	13.7	42.5	140.7
IA Global Sector	6.0	-1.7	7.7	20.3	53.2	141.3

Source: Lipper, as at 31/05/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

\*The Fund was launched on 01 December 2010

### Percentage growth year on year to 31 March

	2020	2019	2018	2017	2016
SVM World Equity Fund B	-4.4	7.0	0.2	28.3	-2.8
IA Global Sector	-6.1	9.2	3.5	29.0	-2.2
Performance Difference	+1.7	-2.2	-3.3	-0.7	-0.6

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 31/05/2020, 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 may enter into derivative contracts for efficient portfolio management (EPM) purposes. 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. The Fund is exposed to currency risk. The Fund may use currency management techniques, including hedging and entering into derivatives 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.