SVM
UK Opportunities Fund

The Fund's aim is to achieve medium to long-term capital growth by investing principally in UK Companies listed on the London Stock Exchange and other permitted securities.

May 2020 | Share Class B
Figures as at 30 April 2020

svm

Fund Managers

Neil Veitch
Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 23/01/2006

Craig Jeruzal
Deputy Fund Manager

Industry Experience: 15

Years at SVM: 14

Appointed: 01/01/2014

Monthly Fund Commentary

Equities continued their recovery from their mid-March lows. A combination of unprecedented policy responses and a flattening of the disease curve across geographies led to increased optimism and a reduction in risk aversion. This has occurred despite predictably appalling economic data and the associated negative revisions to earnings forecasts. For many companies, investors have written off the current year and are focused on the shape of the earnings recovery one or two years out. The fund returned 15.0% versus the FTSE All-Share that rose 4.9%.

There are still many things we don't understand about Covid-19 but the incremental news flow, both therapeutic and epidemiological, has been positive. Notably, those countries where lockdown has been tentatively relaxed have yet to see a spike in infections. 'Tail' risks remain but look to have been reduced. It is important to recognise, however, how much we still don't know, not only in terms of the disease but also about how economies will respond. This makes accurate forecasting exceedingly difficult, if not impossible. It has long been our contention that pattern recognition is a significant part of investment success. In this instance we are 'flying blind'. There are no historical precedents. Understandably, therefore, investors have gravitated to those stocks that offer the greatest operational and financial certainty.

Prudence is warranted but an appropriate balance between opportunity and wealth preservation must be maintained. The fund's cash position remains high but we are actively looking to reduce it when the right opportunities arise. At the outset of the crisis we had planned for capital raisings to consume a material portion of our available capital, but despite closely examining many opportunities we have participated in very few. Largely this has been due to considerable uncertainty over the outlook for many of these businesses. In most instances we felt that at the proposed issue price of the new shares the risk/reward trade-off was unattractive. This is in sharp contrast to our experience in the immediate aftermath of the financial crisis where we felt there was both greater clarity and more distress in share prices. Nonetheless, we continue to actively research situations where we feel new capital may be required. Additional opportunities may arise from the purchase of more cyclical businesses as the outlook becomes clearer.

A number of the fund's holdings rebounded strongly over the month. Positions in Jadestone Energy, Norcros, GVC and Alpha Financial Management were all material positive contributors to performance. Most of these had simply been oversold. Jadestone has taken proactive measures to reduce both costs and capital expenditure and now expects to be cash-flow neutral at a level considerably below the current oil price. The company is also in a net cash position and has significant scope to take advantage of the current low oil price. AstraZeneca delivered quarterly results that were ahead of expectations and announced further regulatory approvals. The group offers the highest earnings growth of any of the major pharma companies as well as an exceptionally strong product portfolio.

There was limited trading activity. The fund used the capital raising at Informa to retake a position. A new unit was added in Roche AG, a Swiss pharmaceutical company. The holding offers not only an exciting drug development pipeline but an exceptional diagnostics franchise and attractive yield.

Fund and index performance source: Lipper

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.

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: £101.3m

Fund Charges:

	OCF*
Share Class A	1.80%
Share Class B	1.05%

**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:

FE fundinfo Crown Fund Rating

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Square Mile ratings are sourced from Square Mile.

Risk and Reward Profile:

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

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

ACTIVE STOCKPICKERS

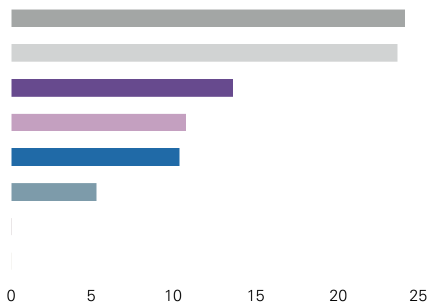
Portfolio Analysis

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 %)
Defensive	24.0
Cyclical	23.6
Consumer Cyclical	13.5
Oil & Gas	10.6
Unstable Financial	10.3
Technology	5.2
Stable Financial	0.0
Mining	0.0



Top 5 long holdings

Defensive: 24.0%	(%)
DCC	5.6
National Grid	4.6
GlaxoSmithKline	4.4
Roche Holdings	4.1
AstraZeneca	3.3

Cyclical: 23.6%	(%)
Synthomer	4.2
Smurfit Kappa Group	4.0
Balfour Beatty	3.9
CRH	3.0
Forterra	2.8

Consumer Cyclical: 13.5%	(%)
Tesco	6.6
Norcros	4.6
GVC Holdings	4.1
Ryanair	2.1
Lookers	0.2

Oil & Gas: 10.6%	(%)
Jadestone Energy	4.8
Energean Oil & Gas	2.5
Pantheon Resources	1.4
Savannah Energy	0.5
Jersey Oil & Gas	0.5

Unstable Financial: 10.3%	(%)
Prudential	5.4
Onesavings Bank	1.9
Lloyds Banking Group	1.7
M&G	1.2
Arden Partners	0.1

Technology: 5.2%	(%)
SDL	2.9
Creo Medical Group	2.3
Team17	1.6
Simec Atlantis Energy	0.3

Stable Financial: 0.0%	(%)

Mining: 0.0%	(%)

Group totals net %.

This Month's Featured Stock

Synthomer

Synthomer is a diversified chemicals company. The group manufactures speciality polymers for a wide range of industries.

Like most chemical companies, Synthomer will face some short-term disruption from the coronavirus pandemic. Unlike many, however, the group has some operations that should benefit during the crisis and from changes in longer-term behaviour. Synthomer's Asian business is a global leader in the manufacture of nitrile butadiene reflex (NBR), the key raw material used in the production of nitrile rubber gloves. This industry has been in structural growth for many years, driven by increasing global hygiene standards and the substitution of traditional rubber gloves, which are not suitable for those with latex allergies. NBR production accounts for around c. 20% of Synthomer's total volumes. The coronavirus crisis has led to a surge in demand for rubber gloves, with some leading producers now quoting lead time for new orders in of over 6 months. With no new NBR capacity coming on-stream until 2021 at the earliest, manufacturing sites are running at full capacity. While these capacity limitations mean that Synthomer won't benefit from surging volumes in the near-term, it should allow them to increase unit margins.

The group's recently completed acquisition of Omnova, a US company with a similar product profile to Synthomer, gives management the opportunity to demonstrate their ability to generate cost synergies. Initial targets look modest and should be exceeded over time. Taking control of a business during a pandemic is far from ideal, but most of the savings expected in the first year of Synthomer's control related to the reduction of duplicated head office functions and listing costs.

While the combined group does face some headwinds from reduced demand in certain sectors, operational performance has been largely unimpacted so far. We expect that Synthomer should perform resiliently through the current year and are well positioned to reap the benefits of the Omnova acquisition and growth in demand for NBR in future years.

Stock Analysis

Top 10 Long Holdings	(Net %)
Tesco	6.6
DCC	5.6
Prudential	5.4
Jadestone Energy	4.8
National Grid	4.6
Norcros	4.6
GlaxoSmithKline	4.4
Synthomer	4.2
GVC Holdings	4.1
Roche Holdings	4.1
Total	**48.4**

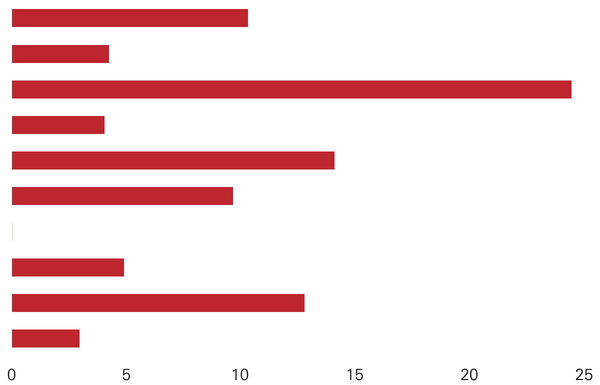
Size Analysis*	(Net %)
Large Cap	50.9
Med/Mid 250	15.2
Small/Small Cap	33.9

*Long only positions and excludes Cash

Sector Analysis

Sector Breakdown (%)

Oil & Gas	10.3
Basic Materials	4.2
Industrials	24.4
Consumer Goods	4.0
Health Care	14.1
Consumer Services	9.6
Telecommunications	0.0
Utilities	4.9
Financials	12.8
Technology	2.9



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London E20 1JN

Fund Performance to 30/04/2020

Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	15.0	-28.1	-18.3	-11.0	13.5	468.2
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 Opportunities Fund B	-24.8	-0.4	8.0	14.7	8.0
FTSE All-Share Index	-18.5	6.4	1.3	22.0	-3.9
Performance Difference	-6.3	-6.8	+6.7	-7.3	+11.9

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.

Enquiries

www.svmonline.co.uk
Calls may be recorded

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ISIN:

Share Class A	GB0032064304
Share Class B	GB0032084815

MEX:

Share Class A	SXUOR
Share Class B	SXUOI

SEDOL:

Share Class A	3206430
Share Class B	3208481

Registered Office:

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