

# SVM UK Opportunities Fund

The objective of this Fund is to achieve capital growth over the long term (5 years or more) and it aims to outperform the MSCI United Kingdom IMI. The Fund will identify investment opportunities in UK companies whose future growth is not reflected in current market expectations. The Fund will invest at least 80% in equities and equity related instruments in UK companies. The Fund may invest in other permitted securities.



July 2021 | Share Class B

Factsheet as at 30 June 2021



## Monthly Fund Commentary

Equities traded sideways in June. The yield curve continued to flatten, especially in the immediate aftermath of this month's meeting of the Federal Reserve. Beneath the surface both defensive and growth stocks traded much better as investors fretted over the impact of the Delta Covid variant. The variant, which first originated in India, is now the dominant strain in many countries including the UK. While there is little sign that Delta causes more serious illness, it is clearly more transmissible and has brought into the question the speed of re-openings. The fund returned -1.1% versus the MSCI United Kingdom IMI Index that delivered 0.0%.

Despite the flattening of the yield curve, we think it is premature to anticipate the end of the cycle. Fiscal and monetary policy remain extremely supportive and much of the world has still to fully open-up. In those countries where vaccinations, and therefore re-opening, are furthest advanced, economies are robust. US house price growth accelerated at its fastest pace in over 30 years for the second month in a row with strong demand and a shortage of supply leading to prices increasing 14.6% year on year. In the UK, the June Nationwide house price index rose 13.4%. In both countries 'survey' measures of economic activity are strong across the board.

For the first time in many years the political consensus is very much in favour of fiscal stimulus. The political wrangling over President Biden's infrastructure bill continues but it is highly unlikely that the US will fall short in stimulating the economy. In Europe, the German finance minister, Olaf Scholz, dismissed suggestions that German and EU fiscal rules should be tightened. Strong economic growth, stimulative policy, and low real interest rates continue to fuel debate over the inflation outlook. Substantially tighter

monetary policy remains the biggest risk for asset markets but looks unlikely in the short-term. After a period of consolidation, we expect equities to move higher in the second half.

Entain rose as analysts upgraded their estimates for the size of the US online sports betting market. Sentiment was further helped by news that the Canadian Senate had passed legislation to legalise single-event sports betting in the country. Roche gained as the unexpected US approval for Biogen's Aduhelm drug for the treatment of Alzheimer's increased interest in the potential for Roche's Gantenerumab product. The two drugs have the same mechanism of action and the upcoming results of Gantenerumab's Phase 3 trial should provide further insight. The market opportunity is significant as Alzheimer's patients are woefully underserved by current drug treatments. Newspaper publisher, Reach, jumped as impressive growth in digital revenue continued to offset the decline in print revenue. The company now has 6.2m registrations vs 5m at the end of 2020 and its December 2022 target remains 10m. As digital revenues increase as a proportion of overall revenues the group moves back onto a sustainable growth trajectory, enabling it to increase its dividend and accelerate pension payments. The fund's energy holdings moved higher alongside the increase in the oil price.

The rise of the Delta variant led to increased uncertainty over the speed of re-opening. Airlines Ryanair and Easyjet, as well as office providers IWG and Workspace, were particularly impacted. The ambiguity also fed into bond yields with a negative knock-on effect on the fund's financials holdings.

Trading activity was limited.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 20 March 2000

**Benchmark Index:**  
MSCI United Kingdom IMI Index

**IA Sector:** UK All Companies

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

**Fund Size:** £193.2m

### Fund Managers:

**Neil Veitch** (Fund Manager)  
Appointed: 23/01/2006  
Years at SVM: 15 Industry Experience: 24

**Craig Jeruzal** (Deputy Fund Manager)  
Appointed: 01/01/2014  
Years at SVM: 14 Industry Experience: 16

### Fund Charges (OCF\*):

Share Class A 1.74%  
Share Class B 0.99%

\*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 6 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 09/04/2021



Square Mile ratings are sourced from Square Mile.

**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.**

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## 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	35.9	
Consumer Cyclical	24.5	
Unstable Financial	11.9	
Oil & Gas	11.2	
Defensive	10.8	
Technology	10.7	
Stable Financial	0.0	
Mining	0.0	

### Top 5 long holdings

Group totals net %.

	<b>Cyclical</b>	<b>35.9%</b>		<b>Consumer Cyclical</b>	<b>24.5%</b>		<b>Unstable Financial</b>	<b>11.9%</b>	
Synthomer	5.5	Entain	6.8	Lloyds Banking Group	3.9	CRH	4.2	Prudential	3.6
Smurfit Kappa Group	3.9	Norcros	5.5	Legal & General	2.6	Alpha FMC	3.5	OSB Group	1.7
Balfour Beatty	2.4	Ryanair	2.7						
		Tesco	2.3						
		Reach	1.9						
	<b>Oil &amp; Gas</b>	<b>11.2%</b>		<b>Defensive</b>	<b>10.8%</b>		<b>Technology</b>	<b>10.7%</b>	
Jadestone Energy	4.2	National Grid	3.8	Micron Technology	4.4	Pantheon Resources	1.9	Creo Medical Group	2.3
Energiean	1.6	GlaxoSmithKline	2.7	Team17	1.4	Longboat Energy	1.4	ActiveOps	1.0
Jersey Oil & Gas	0.9	Roche Holdings	2.1	Diurnal Group	0.9				
		DCC	2.1						
	<b>Stable Financial</b>	<b>0.0%</b>		<b>Mining</b>	<b>0.0%</b>				

## Portfolio Structure

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

### Top 10 Long Holdings (Net %)

Entain	6.8	
Norcros	5.5	
Synthomer	5.5	
Micron Technology	4.4	
Jadestone Energy	4.2	
CRH	4.2	
Lloyds Banking Group	3.9	
Smurfit Kappa Group	3.9	
National Grid	3.8	
Prudential	3.6	
<b>Rest of Portfolio</b>	<b>54.3</b>	

### Size Analysis\* (Net %)

 Large Cap	41.9
 Med/Mid 250	27.9
 Small/Small Cap	30.2



\*Long only positions and excludes Cash

### Sector Breakdown (%)

Industrials	23.5	
Materials	17.0	
Consumer Discretionary	15.1	
Financials	11.9	
Energy	11.2	
Health Care	8.8	
Real Estate	4.5	
Information Technology	4.0	
Utilities	3.8	
Consumer Staples	3.0	
Communication Services	2.3	

## This Month's Featured Stock

### Alpha Financial Markets Consulting

Alpha Financial Markets Consulting ('Alpha') provides a wide range of consulting services to the asset management, wealth management and insurance industries. The company serves over 400 clients and has operations across Europe, North America and Asia.

Since its 2017 IPO, Alpha has consistently delivered strong operational and financial performance. Despite the difficulties caused by Covid, the group has made continued progress over the past year. In the year to March 2021, net fee income increased by 10% y/y as consultation utilisation rates and fee-rates remained strong and the group navigated the difficulties of working remotely with clients. Demand for Alpha's services are driven by a combination of increasing regulation, technological changes, and the requirement to manage cost pressures. These should provide a solid platform for longer-term growth.

Having already built an impressive reputation in the asset management industry, where it works with 90% of the world's top 20 asset managers, Alpha has been broadening its footprint both organically and via M&A activity. The recent acquisition of Lionpoint, a US-based consultancy to the Alternative Investment Industry, will provide exposure to a fast-growing market and give Alpha increasing scale in North America.

Alpha currently trades on an estimated March 2022 PE of c.20x, a valuation that does not appear stretched when set against its target of doubling the size of the business over the next 4 years. With the ability to complement impressive organic growth with returns-enhancing M&A, we expect the stock to outperform.

## Enquiries

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Calls may be recorded

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**INDEPENDENT THINKING**

## Fund Performance

to 30/06/2021

### Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	-1.1	19.6	46.2	19.3	70.1	769.1
MSCI United Kingdom IMI Index	0.0	11.2	20.3	3.2	32.7	150.6
IA UK All Companies Sector	-0.2	11.7	27.8	12.1	51.3	233.1

Source: Lipper, as at 30/06/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

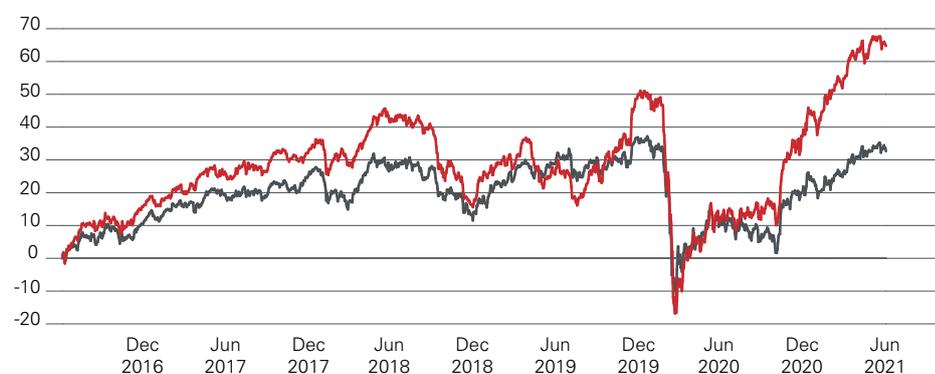
\*The Fund was launched on 20 March 2000

### Percentage growth year on year to 30 June

	2021	2020	2019	2018	2017
SVM UK Opportunities Fund B	46.2	-11.1	-8.2	14.7	24.3
MSCI United Kingdom IMI Index	20.3	-14.6	0.5	9.3	17.6
Performance Difference	+25.9	+3.5	-8.7	+5.4	+6.7

Source: Lipper, as at 30/06/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



■ SVM UK Opportunities Fund B ■ MSCI United Kingdom IMI Index

Source: Lipper, as at 30/06/2021, 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 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.

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.