

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 may invest in other permitted securities.



February 2021 | Share Class B

Factsheet as at 31 January 2021



Monthly Fund Commentary

Equity markets gained over the first part of the month only for virus concerns to re-emerge. Slower than anticipated vaccine rollouts and unease over new mutations of the virus led to a pull-back. Markets were rattled further by aggressive retail-led short squeezes in a number of heavily shorted US stocks which raised fears over the viability of a small number of hedge funds. This 'gammafication' of markets is unhealthy, impedes price discovery, and highlights the misallocation of capital created by QE. It should be noted that this does not pose a systematic risk and will not be the catalyst for a material correction. High absolute valuations in certain market segments, however, may lead to volatility. The fund returned 0.7% versus the MSCI UK IMI TR Index that returned -0.8%.

Despite stretched valuations we remain fundamentally constructive on the outlook. Outside the risk of a vaccine-evading mutation, the biggest risk to markets is the premature tightening of policy. In this regard policymakers have generally been at pains to emphasise that they are prepared to let the economy run 'hot' rather than risk choking off the recovery. Such a policy is eminently sensible when long-term interest rates are exceptionally low and the global economy is characterised by large output gaps. President Biden's proposed \$1.9 trillion stimulus plan – equivalent to 9% of GDP – epitomises this thinking. Fiscal stimulus is less explicit in the UK, but the Chancellor has indicated his desire to make any fiscal tightening back-end loaded. In Europe, however, the debate appears less clear-cut. German fiscal conservatives pushed back on suggestions by Helge Braun, a close aide of Angela Merkel, that the 'debt brake' enshrined in the constitution be formally suspended for longer than is currently envisaged.

Entain, formerly GVC, rose as the company announced that it had rejected a takeover approach from its US joint venture partner, MGM. Despite both parties being unable to conclude a deal, we think there is a strong strategic rationale for the transaction and would expect it to materialise at some point in the future. Alpha Financial Consulting rose on little newsflow. The company is hosting a capital markets day at the end of the month that will highlight the core drivers for growth within the North American business and the insurance client segment. These both offer a significant market opportunity for the group and are key drivers of its long-term growth. Despite the recent appreciation in the shares, we think there is material upside as the company begins to leverage its international footprint. RWS gained as some of the 'technical' selling that had weighed on the stock since its merger with SDL abated. The execution risks associated with the merger should not be underestimated, but equally the potential upside is significant if management can harness the value of SDL's technology with RWS's client relationships.

Ryanair and Menzies declined as concerns over the pace of vaccinations and the emergence of new, potentially more dangerous, virus variants led to nervousness around the speed of the recovery in international travel. Prudential fell as it revealed that it would no longer IPO its US subsidiary, Jackson Life, but instead would spin it off. Consequently, Prudential will now not receive a dividend from Jackson and will need to raise a small amount of capital to fund its Asian growth ambitions. If this were to be via a listing in Hong Kong or elsewhere in Asia it would facilitate easier comparisons with AIA, its main peer.

The holding in Next was exited.

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: £151.5m

Fund Managers:

Neil Veitch (Fund Manager)
Appointed: 23/01/2006
Years at SVM: 14 Industry Experience: 24
Craig Jeruzal (Deputy Fund Manager)
Appointed: 01/01/2014
Years at SVM: 14 Industry Experience: 15

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 10/07/2020



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.

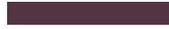
INDEPENDENT THINKING

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	33.3	
Consumer Cyclical	21.3	
Technology	12.6	
Defensive	11.9	
Unstable Financial	11.8	
Oil & Gas	10.9	
Stable Financial	0.0	
Mining	0.0	

Top 5 long holdings

Group totals net %.

Cyclical 33.3%

Synthomer	4.2
Smurfit Kappa Group	3.9
RWS Holdings	3.6
CRH	3.2
Alpha FMC	2.8

Consumer Cyclical 21.3%

Entain	6.1
Norcros	4.2
Tesco	4.0
Ryanair	3.2
Vistry Group	1.7

Technology 12.6%

Micron Technology	5.2
Creo Medical Group	2.9
Team17	2.0
Koninklijke Philips	1.7
Bytes Technology Group	1.0

Defensive 11.9%

DCC	3.2
National Grid	2.8
Roche Holdings	2.5
GlaxoSmithKline	2.4
AstraZeneca	1.0

Unstable Financial 11.8%

Prudential	3.7
Legal & General	3.1
Lloyds Banking Group	3.0
OSB Group	1.9
Arden Partners	0.1

Oil & Gas 10.9%

Jadestone Energy	4.5
Pantheon Resources	2.0
Energiean	2.0
Savannah Energy	0.6
Jersey Oil & Gas	0.6

Stable Financial 0.0%

Mining 0.0%

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	6.1	
Micron Technology	5.2	
Jadestone Energy	4.5	
Norcros	4.2	
Synthomer	4.2	
Tesco	4.0	
Smurfit Kappa Group	3.9	
Prudential	3.7	
RWS Holdings	3.6	
DCC	3.2	
Rest of Portfolio	57.4	

Size Analysis* (Net %)

Large Cap	42.5
Med/Mid 250	33.2
Small/Small Cap	24.3

*Long only positions and excludes Cash



Sector Breakdown (%)

Industrials	34.2	
Consumer Services	14.8	
Financials	12.6	
Health Care	10.5	
Oil & Gas	10.4	
Consumer Goods	6.3	
Technology	6.2	
Basic Materials	4.2	
Utilities	2.8	
Telecommunications	0.0	

This Month's Featured Stock

Volution

Volution is a designer, manufacturer, and distributor of ventilation systems for residential and commercial buildings. The company has leading positions in the UK, Nordics, New Zealand and Germany.

Since its IPO in 2014, Volution's operating performance has been mixed. While it has successfully grown the business both organically and via acquisitions, there have been a few bumps along the way. Weaker demand from social housing customers as repair and maintenance spending was diverted towards fire safety in the wake of the Grenfell tragedy hindered revenue growth. The company's new facility in Reading had logistical difficulties which impaired production rates and incurred some extra costs. With these missteps behind it, though, Volution appears to have reached an exciting point in its history.

Volution's mechanical ventilation systems stand to benefit from two key secular drivers: energy efficiency and air quality. Regulatory changes across Volution's key markets are raising standards for new buildings. As insulation levels increase, the need for mechanical ventilation to ensure a steady supply of fresh air also increases. This requires more complex systems than just a few extraction fans and plays towards Volution's strengths. Similarly, in the wake of Covid, far greater emphasis is being placed on the importance of air quality within both residential and commercial buildings. Volution's ventilation systems help ensure that airflow within buildings minimises the risks associated with stagnant air.

Currently trading on an estimated 2021 PE of c.16x, we believe that the market is only just beginning to recognise the opportunities available to Volution. Having invested in its operational footprint and with a strong balance sheet, the company is well placed to benefit from the aforementioned secular trends. With the ability to augment this growth via returns-enhancing acquisitions, we expect the stock to outperform.

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INDEPENDENT THINKING

Fund Performance

to 31/01/2021

Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	0.7	0.7	-4.6	7.5	42.0	631.8
MSCI United Kingdom IMI Index	-0.8	-0.8	-9.4	-4.5	28.2	123.6
IA UK All Companies Sector	-0.9	-0.9	-4.7	2.9	36.5	194.6

Source: Lipper, as at 31/01/2021, 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 31 December

	2020	2019	2018	2017	2016
SVM UK Opportunities Fund B	-8.1	31.4	-11.7	14.6	8.6
MSCI United Kingdom IMI Index	-11.7	18.5	-9.7	13.1	17.5
Performance Difference	+3.6	+12.9	-2.0	+1.5	-8.9

Source: Lipper, as at 31/12/2020, 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 31/01/2021, 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.