

# 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.



December 2020 | Share Class B

Factsheet as at 30 November 2020



## Monthly Fund Commentary

Equities rose strongly over the month as investors digested a slew of positive vaccine data. The three groups closest to having a vaccine approved all announced encouraging results. Although the clinical trial data for each drug varied, they all appear to be highly efficacious in preventing symptoms as well as reducing the number of severe cases. This should significantly diminish Covid's impact on healthcare systems and likely herald a return to normality by the summer of 2021. In response those companies that have been most impacted by the pandemic saw their share prices rebound strongly. Challenges remain but we believe the outlook for equities is now as positive as it has been for a considerable time. The fund returned 19.3% versus the MSCI UK IMI TR that returned 13.2%.

Away from the pandemic the Brexit negotiations inched inexorably towards a conclusion. At the time of writing the outcome remains uncertain. On balance, we believe there will be some form of deal. The substance of it, however, is unlikely to be vastly different from what we might have termed 'no deal' at the outset of the process. Nonetheless, should a deal be forthcoming we would expect UK assets to rally as a source of major uncertainty is removed.

It is an unusual time when the outcome of a US Presidential election is relegated to the third paragraph of a fund manager's monthly. After a string of upsets pollsters finally regained some credibility as the long-time frontrunner, Joe Biden, won the US election – even if The Donald has yet to recognise it. The Democrats, however, failed to win a majority in the Senate. Technically, it is still possible as Georgia's two

Senate seats will be decided in a run-off but the Republicans should retain at least one. A Democratic President and a Republican-controlled Senate is a reasonable outcome for investors and markets responded accordingly.

The vaccine news dominated returns at a stock level. Many leisure and consumer-exposed businesses rose over 30% during the month. Banks and insurers were also strong. The fund's energy holdings gained as the oil price soared. Indeed, 'value' as a style enjoyed its best day versus 'growth' for many years. RSA was the largest positive individual contributor. The company announced during the month that it was to be acquired by two competitors, Intact Financial and Tryg. Following William Hill this was the second of our recent investments to be bought at a significant premium (>60%) to our entry price. With little prospect of a counterbid and an extended time to completion we exited our position. Ryanair, Legal & General, and Prudential Plc added almost 1pct each to the fund's performance. Micron gained as the outlook for the semiconductor market improved. Serco was the only notable detractor to returns. The company announced that the government was to take its Atomic Weapons contract back in-house. We do not think this signifies a change in government's attitude to outsourcing. And although this was a very profitable contract, the company is arguably lower-risk going forward.

Trading activity was high. The holdings in Unilever and RSA were sold. New units were taken in Easyjet, Vistry, and Next. Additions were made to the holdings in Legal & General, Lloyds, Inchcape, M&S and others.

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:** £141.0m

### 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.**

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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	34.4	
Consumer Cyclical	24.2	
Defensive	14.0	
Unstable Financial	12.7	
Oil & Gas	11.6	
Technology	10.3	
Stable Financial	0.0	
Mining	0.0	

### Top 5 long holdings

Group totals net %.

	<b>Cyclical</b>	<b>34.4%</b>		<b>Consumer Cyclical</b>	<b>24.2%</b>		<b>Defensive</b>	<b>14.0%</b>
Synthomer	4.2	GVC Holdings	4.4	DCC	3.6			
Smurfit Kappa Group	3.9	Norcros	4.3	National Grid	3.0			
RWS Holdings	3.7	Tesco	4.1	Roche Holdings	2.6			
CRH	3.3	Ryanair	3.7	GlaxoSmithKline	2.6			
Balfour Beatty	2.8	Associated British Foods	2.0	AstraZeneca	2.2			
	<b>Unstable Financial</b>	<b>12.7%</b>		<b>Oil &amp; Gas</b>	<b>11.6%</b>		<b>Technology</b>	<b>10.3%</b>
Prudential	4.0	Jadestone Energy	3.8	Micron Technology	4.5			
Legal & General	3.5	Pantheon Resources	2.9	Creo Medical Group	2.3			
Lloyds Banking Group	3.2	Energiean	2.0	Team17	2.2			
OSB Group	2.0	BP	1.2	Koninklijke Philips	1.8			
Arden Partners	0.1	Jersey Oil & Gas	0.5	Simec Atlantis Energy	0.5			
	<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 %)

Micron Technology	4.5	
GVC Holdings	4.4	
Norcros	4.3	
Synthomer	4.2	
Tesco	4.1	
Prudential	4.0	
Smurfit Kappa Group	3.9	
Jadestone Energy	3.8	
Ryanair	3.7	
RWS Holdings	3.7	
<b>Rest of Portfolio</b>	<b>59.4</b>	

### Size Analysis\* (Net %)

 Large Cap	47.1
 Med/Mid 250	30.9
 Small/Small Cap	22.0

\*Long only positions and excludes Cash



### Sector Breakdown (%)

Industrials	35.9	
Consumer Services	14.7	
Financials	14.6	
Health Care	11.5	
Oil & Gas	11.2	
Consumer Goods	7.0	
Technology	4.5	
Basic Materials	4.2	
Utilities	3.5	
Telecommunications	0.0	

## This Month's Featured Stock

### Speedy Hire

Speedy Hire ('Speedy') is the UK's leading tool and equipment rental company. The group supplies customers ranging from large national construction companies to small local tradesmen. Speedy also provides training and equipment testing services.

Having gained a deserved reputation for poor operational and financial performance over many years, Speedy has been transformed since the appointment of Chief Executive, Russell Down, in 2015. He has overseen the implementation of internal management systems that have helped optimise Speedy's rental asset fleet and improved both pricing and its utilisation. The group has regained market share, especially among smaller customers, thanks to a focus on improving service levels across the business. Speedy now offers 4-hour nationwide delivery on 350 of its most popular products – a service level unmatched by its peers. The group's fast-growing services business has grown to over 40% of revenues, offers diversification and is less capital intensive than hire equipment.

Despite the unprecedented levels of disruption caused by Covid, Speedy's performance during the year has proved relatively robust. Although revenues dropped by c.20% in the six months to the end of September, the group managed to reduce net debt by over £20m and ended the period with net debt to EBITDA of less than 1x. The cash generative qualities of equipment rental companies through a cyclical downturn are often underappreciated. Speedy entered 2020 with a well-invested, young rental fleet enabling them to rein in capital expenditure during the year.

We believe that the turnaround and improved quality of Speedy's business remains unappreciated. As we exit the pandemic, Speedy is well-positioned to gain market share organically and pursue returns-enhancing M&A. Currently trading on an estimated 2021 EV/EBITDA of 4x, the stock is well-placed to outperform.

## Enquiries

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Calls may be recorded

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**INDEPENDENT THINKING**

## Fund Performance

to 30/11/2020

### Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	19.3	-12.2	-4.6	3.5	31.2	594.0
MSCI United Kingdom IMI Index	13.2	-14.9	-12.2	-4.5	19.2	117.3
IA UK All Companies Sector	14.1	-10.3	-6.9	0.9	24.2	183.1

Source: Lipper, as at 30/11/2020, 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 30 September

	2020	2019	2018	2017	2016
SVM UK Opportunities Fund B	-11.0	-4.6	8.9	16.3	13.7
MSCI United Kingdom IMI Index	-18.5	2.3	6.0	11.8	17.4
Performance Difference	+7.5	-6.9	+2.9	+4.5	-3.7

Source: Lipper, as at 30/09/2020, 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 30/11/2020, 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 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.

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