

# SVM

## UK Growth Fund

The Fund's aim is to achieve medium to long term capital growth from an equity portfolio selected from UK listed stocks and other permitted securities. Its objective is to beat the FTSE All-Share Index.

March 2020 | Share Class B

Figures as at 29 February 2020



## Fund Managers



**Margaret Lawson**  
Co Fund Manager

Industry Experience: 40

Years at SVM: 30

Appointed: 31/10/2005



**Colin McLean**  
Co Fund Manager

Industry Experience: 46

Years at SVM: 30

Appointed: 29/02/2008

## Monthly Fund Commentary

Amidst turmoil, gaining perspective is difficult. History helps: often great events do not set the world on a new course, but highlight and magnify existing undercurrents. The virus challenges global supply chains, but this follows President Trump's trade wars and an established drift to populism and nationalism. Amidst a sharp deceleration of the global economy, stresses in the banking system have surfaced. But, an extended boom primed by easy money had already created some bad practice and excess in credit markets. It has taken the crisis for the risks in high yield bonds that were bubbling under to be recognised. Big trends are in place. These should drive not only changes in business models, but in portfolio strategy.

In terms of bank risks, deflation potential, and manufacturing export emphasis, it is not the UK but the major economies of the Eurozone that stand out. This heightens short term risks for those countries, and may point to a poor fit with the evolving global political and social landscape. Premium ratings will be merited in future for economies that are more flexible, and agile businesses within them.

Investors should recognise the value of disruptive strategies and dynamic economies with clear political leadership. Global businesses should think more about resilience; shorter supply chains and lower energy use. Brexit will drive the UK towards further internalisation of some key sectors, leading to regeneration and rebalancing

of the economy, with opportunities for domestic sectors. In a world where deflation is a real possibility, a degree of wage growth inflation in the UK may be stabilising. International investors who sold out on Brexit concerns, may begin to see the differences between the UK and Eurozone as a positive.

Stockmarkets are often driven to extremes in both directions. How a portfolio emerges from this depends on its construction and the research that underpins that. Trading amidst heightened fear rarely helps.

In February, SVM UK Growth Fund returned -10.6%, compared to a return of -8.9% for the FTSE All-Share Index and -9.4 for the average fund in the IA UK All Companies sector. For the twelve months to 29 February, the Fund returned +6.3%, compared to a return of -1.4% for the FTSE All-Share Index and +1.3% for the average fund in the IA UK All Companies sector. The Fund's performance is top quartile over 1, 3, 5 and 10 years ended 29 February.

During the month, most stocks fell but there were positive contributions to performance from Plus500, Kerry Group, Associated British Foods and Draper Esprit. The month saw sharp falls in airline and travel shares; Dart Group and Wizz Air. Your Fund remains fully invested, focused on growing businesses, with low exposure to commodities, oil and banks.

Fund and index performance source: Lipper

## 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:** £150.4m

### Fund Charges:

OCF\*  
Share Class A 1.78%  
Share Class B 1.03%

\*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 Crown Fund Ratings do not constitute investment advice offered by FE and should not be used as the sole basis for making any investment decision. All rights reserved.

### 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 03/01/2020

**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

### Strategies

The SVM UK Growth fund aims to identify best in class companies that can grow faster than the wider market over the medium term. Portfolio businesses are drawn from those that are dominant in their sector, usurpers

that will come to own their space and hero franchises utilising fast growing channels. We aim to identify those opportunities earlier than our peers, not at the pioneering stage but when the model is accelerating.

This leads to a flexible diversified portfolio blending a core of sustainable growth stocks, tactical mid-term cyclical holdings and innovative business models focussing on future trends.

#### Industrials: 30.3% (%)

Johnson Service Group	3.9
Keystone Law	3.3
Experian	3.2
AB Dynamics	3.1
Rentokil Initial	2.6

#### Consumer Services: 24.7% (%)

JD Sports Fashion	4.0
Wizz Air	2.6
Ocado	2.5
Applegreen	2.3
GVC Holdings	2.0

#### Financials: 23.1% (%)

Unite Group	4.2
London Stock Exchange	4.2
Beazley	3.4
Intermediate Capital	2.5
Derwent London	1.6

#### Consumer Goods: 13.9% (%)

Kerry Group	3.9
Watkin Jones	2.7
Cranswick	2.6
CD Projekt	2.4
Hilton Food Group	1.6

#### Health Care: 6.8% (%)

AstraZeneca	3.1
Dechra Pharmaceuticals	2.7
UDG Healthcare	0.9
Indivior	0.1

#### Technology: 4.2% (%)

Kainos	1.8
AVEVA	1.5
FDM Group	0.9

#### Telecommunications: 2.7% (%)

Gamma Communications	2.7
----------------------	-----

#### Basic Materials: 2.6% (%)

Croda	2.6
-------	-----

#### Oil & Gas: 0.3% (%)

Ceres Power	0.3
-------------	-----

#### Utilities: 0.0% (%)

## This Month's Featured Stock

### IWG

IWG plc, formerly known as Regus, is a leading global provider of flexible workspaces. The group has a portfolio of over 3,300 locations in more than 100 countries.

IWG's founder, largest shareholder, and CEO, Mark Dixon, had been frustrated in recent years by the lowly valuation ascribed to the business by the market. In 2018, a few private equity bidders approached IWG with a view to acquiring the company, but these discussions ultimately ended without any deal being agreed.

The failure to sell the business appears, however, to have spurred IWG's management into more creative ways of enhancing value for shareholders. The group has placed greater emphasis on franchising, wherein IWG provide a back-office platform and brand to a franchisee partner in return for an upfront fee and percentage of annual centre revenue. In April of last year, the first sizable deal was announced with TKP Corporation buying IWG's 130 co-working centres in Japan for £320m plus ongoing franchising fees. This sum represented c.10% of IWG's market capitalisation for only 4% of its centres.

Smaller deals in Taiwan and Switzerland have since followed. While it is overly simplistic to assume that such a deal can be reached for IWG's other assets, it does demonstrate that there is an appetite for the franchising model.

If IWG could sell off its assets at valuations like the Japanese deal, then its stock has significant upside. We expect the group to continue delivering franchising deals that unlock the intrinsic value within its portfolio of assets. While the multiples achieved may not be quite as impressive as the Japanese deal, these should act as ongoing catalysts for the stock.

## Stock Analysis

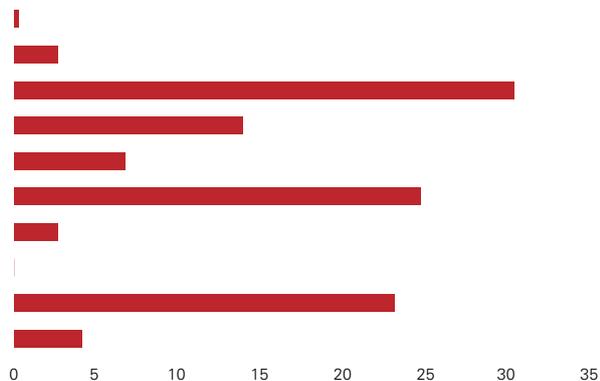
Top 10 Long Holdings	(Gross %)
Unite Group	4.2
London Stock Exchange	4.2
JD Sports Fashion	4.0
Kerry Group	3.9
Johnson Service Group	3.9
Beazley	3.4
Keystone Law	3.3
Experian	3.2
AstraZeneca	3.1
AB Dynamics	3.1
<b>Total</b>	<b>36.3</b>

Size Analysis	(Gross %)
Large Cap	50.0
Med/Mid 250	33.5
Small/Small Cap	24.9

## Sector Analysis

### Sector Breakdown (%)

Oil & Gas	0.3
Basic Materials	2.6
Industrials	30.3
Consumer Goods	13.9
Health Care	6.8
Consumer Services	24.7
Telecommunications	2.7
Utilities	0.0
Financials	23.1
Technology	4.2



## Fund Performance to 29/02/2020

Issued by SVM Asset Management Limited who is authorised and regulated by the Financial Conduct Authority:  
12 Endeavour Square  
London E20 1JN

© SVM Asset Management Limited.

### Enquiries

**0800 0199 110**

[www.svmonline.co.uk](http://www.svmonline.co.uk)  
Calls may be recorded

#### Investor Services:

Account enquiries and valuations

Phone: 0345 066 1110  
Fax: 01733 285 681  
Fund Information: 0131 226 7660

**Dealing:** 0345 066 1110

**Helpline:** 0800 0199 110  
[info@svmonline.co.uk](mailto:info@svmonline.co.uk)

**Literature Request:** 0800 0199 440

#### ISIN:

Share Class A GB0032064635  
Share Class B GB0032084708

#### MEX:

Share Class A SXSR  
Share Class B SXSI

#### SEDOL:

Share Class A 3206463  
Share Class B 3208470

#### Registered Office:

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

### Cumulative Performance, % change

	One month	2019 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	-10.6	-9.8	6.3	15.9	30.0	267.5
FTSE All-Share Index	-8.9	-11.9	-1.4	4.7	19.1	131.3
IA UK All Companies Sector	-9.4	-11.6	1.3	7.2	22.2	181.3

Source: Lipper, as at 29/02/2020, 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 December

	2019	2018	2017	2016	2015
SVM UK Growth Fund B	27.1	-15.6	24.6	-2.8	20.7
FTSE All-Share Index	19.2	-9.5	13.1	16.8	1.0
Performance Difference	+7.9	-6.1	+11.5	-19.6	+19.7

Source: Lipper, as at 31/12/2019, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 29/02/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Copyright 2020 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

**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.