

SVM UK Emerging Fund plc

The investment objective of the Fund is long-term capital growth from investments in smaller and medium sized UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis.



October 2020

Figures as at 30 September 2020



Monthly Fund Commentary

Over the quarter, the Fund returned 5.3% versus returns of -1.0% in its benchmark, the IA UK All Companies Sector average, and -3.6% in the MSCI United Kingdom IMI Index. This took the Fund's 12 month performance to -5.8% versus benchmark and MSCI United Kingdom IMI index returns of -12.7% and -18.5%, respectively (to 30 September 2020). Over five years to 30 September 2020 the Fund has returned 31.3% versus benchmark and MSCI United Kingdom IMI returns of 18.8% and 16.1%, respectively. (NAV total return, Lipper data).

Inflation has been low for decades. Technology, global competition, excess savings and lack of business investment have all been offered as explanations for low growth and stable prices. It means that growth is scarce and highly prized. While all businesses have been forced to cut costs, some have used technology to steadily improve efficiency and have a degree of pricing power.

The pain has been felt by companies with old style legacy business models on the high street, banks and heavy industry. The pandemic is by itself disinflationary, reducing demand and encouraging those who have maintained earnings to save more. The forces holding back

prices seem to be still in place.

Might it be different this time? Central banks have renewed determination to encourage higher inflation. There are some signs of physical constraints on some goods and assets. Anyone currently buying a car or moving house will have seen the strong demand and pricing in these sectors.

Many companies recognise they need to do much more to embed resilience in their online operations with relevant customer data and this will continue to drive cloud business services. But we may be heading for a more balanced economy with at least pockets of inflation.

During the quarter, there were positive contributions to performance from Ocado, JD Sports, Alpha FX, Knights Group and Gamma Communications. Beazley, 4Imprint and Manolete Partners lagged.

The portfolio focuses on resilient growing businesses, with low exposure to commodities, oil and banks. These are typically scalable businesses with a competitive edge that can deliver above average growth.

Fund Facts

Launch Date: 18 October 2000

Benchmark Index:
IA UK All Companies Sector Average

Fund type: Investment Trust

Registered No: SC211841

Fund Managers:

Margaret Lawson (Fund Manager)
Appointed: 01/10/2012
Years at SVM: 30 Industry Experience: 40

Colin McLean (Deputy Fund Manager)
Appointed: 18/10/2000
Years at SVM: 30 Industry Experience: 46

Listed:

London Stock Exchange

Investments: £6.3m
Share Price: 71.00p
NAV: 104.90p

The month end published NAV is calculated on a bid price basis.

Corporate Calendar

Year End: 31 March
Half Year: 30 September

Codes:

RIC: SVM E
ISIN: GB0000684174

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 Structure

Top 10 Long Holdings	(Net %)	Sector Breakdown	(%)
Ocado	5.4	Industrials	23.2
Hilton Food Group	4.2	Consumer Services	23.2
Rentokil Initial	3.8	Financials	16.1
Unite Students	3.7	Consumer Goods	14.2
Alpha FX Group	3.4	Technology	12.6
Knights Group Holdings	3.4	Health Care	5.8
Dechra Pharmaceuticals	3.0	Telecommunications	2.6
Gamma Communications	2.8	Oil & Gas	2.4
4imprint Group	2.8		
FDM Group	2.7		
Total	35.1		

Portfolio Analysis	(%)
Main Market	59.7
AIM	37.7
Unquoted	0.0
Other	2.6

Enquiries

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Calls may be recorded

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INDEPENDENT THINKING

Fund Performance

to 30/09/2020

Percentage growth year on year to 30 September

	2020	2019	2018	2017	2016
SVM UK Emerging NAV	-5.8	-13.3	19.3	25.9	7.0
IA UK All Companies Average	-15.2	-2.7	3.2	11.2	9.7
Performance difference	+9.4	-10.6	+16.1	+14.7	-2.7

Source: SVM/Lipper, as at 30/09/2020, total return, UK net tax.

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The value of your investments and the income from them can go down as well as up and you may not get back the amount originally invested.

The Fund is to be considered a long term investment option.

The Fund incurs the following key risks:

If an Investor redeems the investment shortly after investing, they may not get back the original amount due to market movements. Tax treatment can change at any time without notice and is beyond control of the Fund. The Fund is exposed to credit and settlement risk in its dealings with Counter Parties in day to day business. This may result in a loss to the Fund if a Counter Party business fails. 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. A Fund with a concentrated portfolio carries a greater risk to that of a Fund with a larger spread of investments. Investment trusts can borrow money to make investments; this can lead to greater losses if markets fall. The Fund uses Contracts for Difference (CFDs) as part of the investment strategy; this can increase the risk profile and volatility of the Fund. Some unquoted investments may become difficult to realise as prices may not be readily available or a reliable indicator of value.