

SVM

UK Opportunities Fund

The Fund's aim is to achieve medium to long-term capital growth by investing principally in UK Companies listed on the London Stock Exchange and other permitted securities.

June 2020 | Share Class B

Figures as at 31 May 2020



Fund Managers



Neil Veitch
Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 23/01/2006



Craig Jeruzal
Deputy Fund Manager

Industry Experience: 15

Years at SVM: 14

Appointed: 01/01/2014

Monthly Fund Commentary

Equities made further gains in May. Markets continue to be acutely sensitive to news flow on the spread of the disease. Confidence is fragile but progress remains positive. Those countries that have relaxed restrictions have yet to see a meaningful second wave. There will, of course, be setbacks along the way but we are more optimistic than we were six to eight weeks ago. Economic data continues to be heavily distorted by the nature of the lockdown. The severity of the slowdown has considerably reduced the utility of much of the higher frequency economic data that investors often use to identify inflection points. Nonetheless, here as well there are some signs of encouragement. The fund rose 1.7% versus the FTSE All-Share that gained 3.4%.

The most notable feature of returns over the month was the substantial outperformance of 'growth' versus 'value'. As we have commented before this is not a surprise given the current market backdrop. Economic activity has collapsed and central banks have committed to hold interest rates at abnormally low levels for the foreseeable future. Liquidity has exploded with money supply ballooning. This creates almost the perfect backdrop for 'long duration' growth stocks. Indeed, many of this year's strongest performers are companies seeking to benefit from 'disruptive' technologies whose economic payback will not be seen for many years. We aren't averse to 'growth', nor oblivious to the risk of an outdated world view, but seek to ensure that any reward is commensurate with the risk taken. In a paradigm characterised by a central bank backstop the extent to which valuation matters, however, is a legitimate debate. The pattern reversed slightly towards the end of the

month as some tentative improvements in the economic data began to emerge.

DCC was the largest positive contributor to the fund's performance. The company announced full-year results that highlighted the resilience of its business model, its financial strength, and the acquisition opportunities that might arise as a consequence of the pandemic. It also raised its dividend at a time when many payouts are under pressure. Global cyclicals such as TI Fluids, Synthomer and Ryanair performed well. The fund's energy holdings rose as the oil price continued to recover as demand rebounded. Despite the lockdown we are in active dialogue with our portfolio holdings as well as many other businesses. Considerable uncertainty is the overarching feature of most of these conversations. Relative to expectations at the outset of the crisis, however, the outcome for most companies has been better than anticipated. Business development is challenging but many see the crisis as an opportunity to right-size their operations. This has implications for employment and aggregate final demand, but hopefully will result in a more productive economy over the longer term.

Domestic cyclicals, Forterra and Norcros, were the two largest negative contributors to performance. Both stocks slumped as investors fretted over the shape of the economic recovery and how quickly construction activity will rebound.

New positions were initiated in RSA, AB Foods, JD Peet and Legal & General Plc. The fund participated in a fund raising for Dart Group. The holding in Ryanair was increased.

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: £107.1m

Fund Charges:
OCF*
Share Class A 1.80%
Share Class B 1.05%

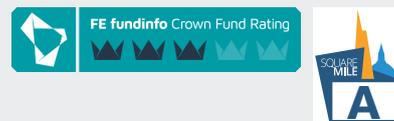
*Ongoing Charges Figure includes Annual Management Charge and additional expenses.

Minimum Investment:

	Initial	Subsequent
Share Class A	£1,000	£200
Share Class B	£250,000**	£200

**Discounted to £1,000 for Professional Advisers

Ratings:



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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 29/05/2020

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

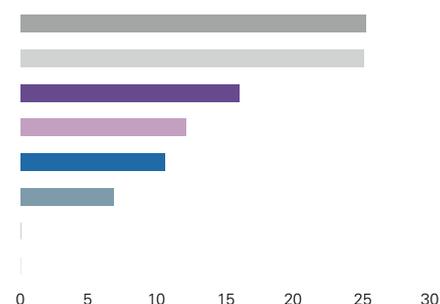
Portfolio Analysis

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.

	(Net %)
Cyclical	25.2
Defensive	25.0
Consumer Cyclical	15.9
Unstable Financial	12.0
Oil & Gas	10.5
Technology	6.8
Stable Financial	0.0
Mining	0.0



Top 5 long holdings

Cyclical: 25.2%

	(%)
Synthomer	4.5
Smurfit Kappa Group	3.9
CRH	3.9
Balfour Beatty	3.6
Informa	2.8

Defensive: 25.0%

	(%)
DCC	6.3
National Grid	4.3
GlaxoSmithKline	4.2
Roche Holdings	3.9
AstraZeneca	3.2

Consumer Cyclical: 15.9%

	(%)
Tesco	6.1
GVC Holdings	4.1
Norcros	3.9
Ryanair	3.6
JDE Peet's	1.5

Unstable Financial: 12.0%

	(%)
Prudential	4.8
Onesavings Bank	2.1
Lloyds Banking Group	1.5
RSA Insurance Group	1.5
M&G	1.2

Oil & Gas: 10.5%

	(%)
Jadestone Energy	5.0
Enegean	2.0
Pantheon Resources	1.5
Jersey Oil & Gas	0.7
Savannah Energy	0.5

Technology: 6.8%

	(%)
SDL	2.7
Creo Medical Group	2.5
Micron Technology	1.8
Team17	1.4
Simec Atlantis Energy	0.2

Stable Financial: 0.0%

Mining: 0.0%

Group totals net %.

This Month's Featured Stock

Marks and Spencer

Marks and Spencer (M&S), one of the UK's most venerable brands, is a retailer of food and clothing. The group operates over 1,000 stores in the UK and has a mixture of owned and franchised stores in over 60 international markets.

Having such a prominent position in the UK for over 100 years, the problems M&S has faced in recent years have been well documented. Although the group remains the UK's leading clothing retailer, it has seen its market share eroded by the rise of online fast-fashion brands and the success of Primark on the high street. Self-inflicted wounds including

a botched digital transformation programme and high levels of management turnover have not helped. Prior to the COVID lockdown, however, there were some tentative signs of improvement. Like-for-like sales trends in clothing had begun to improve, albeit against weak comparatives. Management are seeking to use the crisis to help accelerate change and are reducing SKU count and consolidating its supplier base. The food business, by contrast, has shown solid performance in recent years and has held up well during the lockdown. The group's joint venture with Ocado, launching in

September, will markedly accelerate growth in the online delivery channel.

M&S has sufficient balance sheet strength to manage through the current crisis. The group has over £1bn in liquidity, and during the first couple of months has seen cash performance outperform initial management expectations. While recognising the challenges facing M&S, the current share price reflects an overly negative outlook. The strength of the group's food business, opportunity for the Ocado JV, and potential for improvement in clothing, could all provide catalysts for the shares to outperform.

Stock Analysis

Top 10 Long Holdings	(Net %)
DCC	6.3
Tesco	6.1
Jadestone Energy	5.0
Prudential	4.8
Synthomer	4.5
National Grid	4.3
GlaxoSmithKline	4.2
GVC Holdings	4.1
Smurfit Kappa Group	3.9
Roche Holdings	3.9
Total	47.1

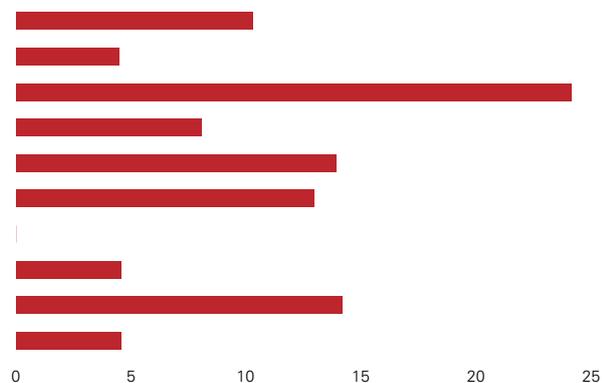
Size Analysis*	(Net %)
Large Cap	56.3
Med/Mid 250	15.2
Small/Small Cap	28.5

*Long only positions and excludes Cash

Sector Analysis

Sector Breakdown (%)

Oil & Gas	10.3
Basic Materials	4.5
Industrials	24.1
Consumer Goods	8.1
Health Care	13.9
Consumer Services	12.9
Telecommunications	0.0
Utilities	4.6
Financials	14.2
Technology	4.6



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Share Class B GB0032084815

MEX:

Share Class A SXUOR
Share Class B SXUOI

SEDOL:

Share Class A 3206430
Share Class B 3208481

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Registered No. 125817

Fund Performance to 31/05/2020

Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	1.7	-26.9	-9.9	-11.4	9.4	477.7
FTSE All-Share Index	3.4	-18.8	-11.2	-8.4	6.9	113.2
IA UK All Companies Sector	2.9	-18.4	-9.5	-7.5	7.4	156.1

Source: Lipper, as at 31/05/2020, 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 March

	2020	2019	2018	2017	2016
SVM UK Opportunities Fund B	-24.8	-0.4	8.0	14.7	8.0
FTSE All-Share Index	-18.5	6.4	1.3	22.0	-3.9
Performance Difference	-6.3	-6.8	+6.7	-7.3	+11.9

Source: Lipper, as at 31/03/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



Source: Lipper, as at 31/05/2020, 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.