

# SVM UK Growth 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 that can grow faster than the wider markets and are capable of sustained growth. The Fund may invest in other permitted securities.



February 2021 | Share Class B

Factsheet as at 31 January 2021



## Monthly Fund Commentary

What does the boom in online trading tell us? Perhaps not that there is valuable research that is accessible only to some social media pundits. Regulation and professional codes effectively limit the analysis that investment professionals can offer publicly on individual stocks. That leaves the field open to the anonymous and unregulated, letting misinformation reign. Even stocks as big as Tesla have been involved in short squeezes.

Short squeezes are just one factor contributing to greater stock volatility. With less capital in market-making, investment banks and market-makers have little incentive to intervene. And many smaller and medium-sized companies, or recent IPOs, have limited coverage from non-house brokers. There is little financial incentive to initiate negative research. Price formation seems less balanced now.

In a world of network effects and rapid scaling of platforms, it may be that the true value of a business can double or treble in a year, but it is still rare. Growth investors often face this challenge; a stock might be viewed inherently as a good long term business, but re-rating shows too much short term optimism. There is also a lot of risk as well as expense in trading, and it may in fact be difficult to repurchase the holding. In the initial market turmoil of March 2020, as pandemic fears grew, many stocks sold-off sharply. But buying into that sell-off in any meaningful way proved difficult, and a swift rebound followed.

If growth portfolios should have a bias to buy and hold, how can new research be implemented or the portfolio be refreshed? Bringing rigour to the process usually involves investing rules and a process that involves portfolio structure and step changes in position size with an upper limit. One of the signs of over-confidence is allowing excessive holding sizes, say of 10%, often with that result coming from stock performance. It is understandable that investment managers find a reflected glory

from unrealised gains and big positions, but the Woodford saga reminded us all where this can lead. Healthy management of a portfolio should involve some profit-taking in the best performing shares. That can manage risks and control average valuations across the portfolio as a whole.

### Performance

In January, SVM UK Growth Fund returned -0.9% compared with the return of -0.8% for the MSCI UK IMI TR Index and -0.9% for the average fund in the IA UK All Companies sector. For the 5 years to 31 January, the Fund is top quartile, returning 48.6%, compared to a return of 28.2% for the MSCI UK IMI TR Index and 36.5% for the average fund in the IA UK All Companies sector.

### Trading and results

January was a mixed month for growth and value in UK equities, as concern continued on lockdowns. There were further hits to travel and hospitality, but higher expectations of inflation. During the month, there were positive contributions to performance from Ceres Power, Keystone Law, Ocado, Impax and Diploma. JD Sports Fashion, AO World, Croda and Beazley lagged. Fuel cell technology group, Ceres joined the strong performance in January of hydrogen related stocks. The portfolio also holds ITM Power which is developing technology to support green hydrogen to decarbonise industry and transport. Seeing Machines supports system-on-chip imaging solutions for automotive driver and occupant monitoring.

During the month, additional or new investment was made in Ashtead, Seeing Machines, Delivery Hero, Aviva and The Hut Group. To fund these, sales were made of part of the holdings in Manolete Partners and Johnson Services. All of Spirent was sold.

Your Fund remains fully invested, focused on resilient growing businesses.

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:** £176.4m

### Fund Managers:

Margaret Lawson (Co Fund Manager)  
Appointed: 31/10/2005  
Years at SVM: 30 Industry Experience: 40  
Colin McLean (Co Fund Manager)  
Appointed: 29/02/2008  
Years at SVM: 30 Industry Experience: 46

### Fund Charges (OCF\*):

Share Class A 1.72%  
Share Class B 0.97%

\*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

**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

### 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.

<b>Consumer Services</b>	<b>28.9%</b>	<b>Industrials</b>	<b>25.0%</b>	<b>Financials</b>	<b>15.8%</b>
Ocado	4.9	Keystone Law	3.1	London Stock Exchange	2.5
JD Sports Fashion	3.2	Experian	2.7	Intermediate Capital	2.3
Wizz Air	2.8	AB Dynamics	2.6	Unite Group	2.1
Flutter Entertainment	2.6	Rentokil Initial	2.3	Segro	1.7
Entain	2.4	Diploma	2.0	Beazley	1.7
<b>Consumer Goods</b>	<b>13.1%</b>	<b>Technology</b>	<b>8.6%</b>	<b>Oil &amp; Gas</b>	<b>7.7%</b>
Games Workshop	2.7	Kainos	2.5	Ceres Power	5.5
Cranswick	2.2	AVEVA	1.9	ITM Power	2.2
Team17	1.8	Softcat	1.3		
Watkin Jones	1.4	DiscoverIE Group	1.1	<b>Telecommunications</b>	<b>3.0%</b>
Hilton Food Group	1.4	First Derivatives	0.5	Gamma Communications	3.0
<b>Health Care</b>	<b>5.2%</b>	<b>Basic Materials</b>	<b>3.3%</b>		
Dechra Pharmaceuticals	3.2	Croda	3.3		
AstraZeneca	0.9				
Hikma Pharmaceuticals	0.7				
Indivior	0.2				
Genus	0.2				
<b>Utilities</b>	<b>0.0%</b>				

## Portfolio Structure

As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation, though there will be an emphasis on large cap holdings, or sector. As a consequence the SVM UK Growth Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

### Top 10 Long Holdings (Gross %)

Ceres Power	5.5	
Ocado	4.9	
Croda	3.3	
Dechra Pharmaceuticals	3.2	
JD Sports Fashion	3.2	
Keystone Law	3.1	
Gamma Communications	3.0	
Wizz Air	2.8	
Games Workshop	2.7	
Experian	2.7	
<b>Rest of Portfolio</b>	<b>65.6</b>	

### Size Analysis (Gross %)

 Large Cap	47.7
 Med/Mid Cap	47.2
 Small/Small Cap	15.8



### Sector Breakdown (%)

Consumer Services	28.9	
Industrials	25.0	
Financials	15.8	
Consumer Goods	13.1	
Technology	8.6	
Oil & Gas	7.7	
Health Care	5.2	
Basic Materials	3.3	
Telecommunications	3.0	
Utilities	0.0	

## This Month's Featured Stock

### Draper Esprit

Draper is a £1bn investment company investing in mid and late stage private equity. Many of its holdings are in e-commerce, fintech and technology. Compared to some UK peers, Draper has greater exposure to Europe, and Germany in particular. This helps to diversify risk. Its sectors of focus are electronics, software, internet medical technologies and fintech.

It is invested in a range of emerging technologies and business models; including innovative chip business Graphcore, online banks Revolut and N26, UiPath, Cazoo, Trustpilot, and M-Files. Draper has become more proactive, aiming to lead future funding rounds in investee companies. If it finds an idea, it goes in with a view to lead the next round. Pre-empting the rounds gives Draper a greater chance of taking larger stakes and increasing its average holding overall. Draper Esprit's portfolio contains 67 companies, with 15 of those classified as core. Draper now sees a significant opportunity to invest in the growing European venture capital market, with an accelerated shift to digital, helped by Covid-19.

We believe that 2021 will bring more activity in Draper's portfolio; uplifts in funding rounds and IPOs. More growth in growing innovative businesses is now happening in private markets and Draper Esprit offers an opportunity to participate in this. While it stands at a premium to historic net asset value, there is potential for uplift and many portfolio companies are growing strongly. This position is held by SVM UK Growth Fund to give exposure to earlier stage innovative business models not available on public markets.

## Enquiries

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

### Investor Services and Dealing:

Dealing, account enquiries and valuations  
Phone: 0345 066 1110  
Fax: 0330 123 3755  
International phone: +44 (0)1268 447 417  
International fax: +44 (0)1268 457 731

### General Enquiries

Head office and fund enquiries  
Phone: +44 (0)131 226 6699  
Email: [info@svmonline.co.uk](mailto:info@svmonline.co.uk)  
Helpline: 0800 0199 110  
Literature Request: 0800 0199 440

### ISIN:

Share Class A GB0032064635  
Share Class B GB0032084708

### MEX:

Share Class A SXSR  
Share Class B SXSI

### SEDOL:

Sedol GBP 3206463  
Sedol GBP 3208470

### Registered Office:

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

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.

**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 Growth Fund B	-0.9	-0.9	5.2	14.4	48.6	332.3
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 Growth Fund B	7.0	27.1	-15.6	24.6	-2.8
MSCI United Kingdom IMI Index	-11.7	18.5	-9.7	13.1	17.5
Performance Difference	+18.7	+8.6	-5.9	+11.5	-20.3

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 Growth 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.

Copyright 2021 © 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.

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.