

# SVM

## Continental Europe Fund

The aim of the Fund is to achieve medium to long-term capital growth from a tightly controlled list of European stocks and other permitted securities. The Fund aims to outperform the FTSE World Europe ex UK Index.

March 2020 | Share Class B

Figures as at 29 February 2020



## Fund Managers



**Hugh Cuthbert**  
Fund Manager

Industry Experience: 25

Years at SVM: 14

Appointed: 23/01/2006



**Alasdair Birch**  
Deputy Fund Manager

Industry Experience: 11

Years at SVM: 7

Appointed: 01/01/2014

## Monthly Fund Commentary

We wrote at the end of January 2020 that the coronavirus had introduced a high degree of uncertainty into how global economic growth would develop over the course of the year. The reaction of markets in the following month demonstrated admirably just how uncertain the situation was and indeed still is. Despite the Chinese situation worsening, with both supply and production curtailments on-going as well as clear evidence of the virus spreading further afield, the FTSE World Europe ex UK hit an all-time high on the 19<sup>th</sup> February, but, from that date to the end of the month the mood turned sour and the end result was the index falling deeply into the red declining by -5.4%.

With clear evidence that the virus could no longer be contained, threatening to tip the world into recession, the surprise was perhaps why equities were so strong in the first half of the month rather than the weakness into the close. What this does demonstrate, however, is the unpredictable nature of the current situation and the inability for companies and financial participants alike to forecast the eventual outcome. Indeed, many companies, particularly those most exposed to the fall-out of the virus such as the travel and leisure sector, chose to withdraw guidance or present the market with ever widening financial forecasts. This is just the kind of uncertainty that spooks markets most and will result in volatile trading until the picture becomes clearer.

For Europe, Italy was the worst hit in terms of the number of confirmed virus cases and with the focus on the industrial heartland of Lombardy in the prosperous north of the country an already

weak economy now clearly faces challenges. These challenges will have to be met with a response from authorities and with interest rates in Europe and elsewhere hovering close to or below zero it is highly likely we will see a strong fiscal response in order to support stuttering economies.

Although the coronavirus dominated the news flow over the course of the month corporate reporting was in full flow with companies producing their full year results for 2019. Unfortunately, the most interesting part of these reports, the outlook, was too vague in most cases to provide any meaningful input to our 2020 forecasting. Few of the worst performing stocks had any news flow to explain the share price declines, indeed a number of companies reported good results and favourable outlooks. The double-digit share declines for our holdings in oil majors Royal Dutch Shell and Total were more justifiable with the oil price a clear casualty of the economic slowdown. There were few stocks posting positive returns but again those that did tended to have more defensive business models such as packaging company Aluflexpack and property owner S Immo.

As we have no meaningful insight into the potential outcome of the virus outbreak our strategy is, as always, to keep a balanced portfolio but combined with an elevated cash position to protect us from the worst market fall outs should the situation worsen while at the same time giving us some fire power as and when exceptional valuation opportunities arise.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 20 March 2000

**Benchmark Index:**  
FTSE World Europe ex UK Index

**IA Sector:** Europe ex UK

**Type of Shares:** Accumulation  
XD Date: 31 December  
Pay Date: 30 April

**Fund Size:** £16.1m

**Fund Charges:**

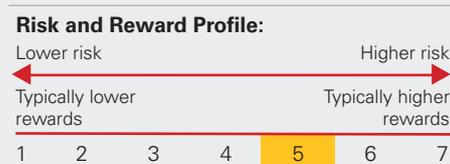
	OCF*
Share Class A	1.98%
Share Class B	1.23%

\*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



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**

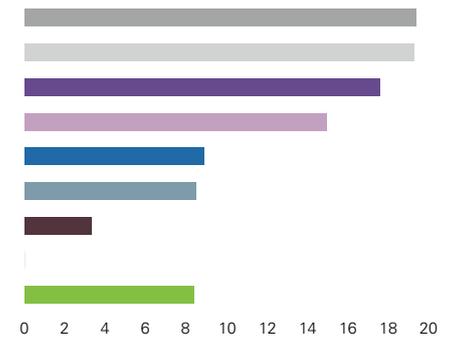
# Portfolio Analysis

## 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 %)
Defensive	19.3
Consumer Cyclical	19.2
Stable Financial	17.6
Technology	14.9
Cyclical	8.9
Unstable Financial	8.4
Oil & Gas	3.3
Mining	0.0
Cash	8.4



Defensive: 19.3% (%)	
Orange	4.0
Thales Group	3.8
Energiekontor	3.2
Roche Holdings	2.3
Veolia	2.2

Consumer Cyclical: 19.2% (%)	
Allgeier	5.3
Schibsted B	3.7
Adevinta	2.6
Aluflexpack	2.4
Pirelli	2.0

Stable Financial: 17.6% (%)	
Patrizia	5.5
S IMMO	3.4
Ringkøbing Landbobank	2.5
LEG Immobilien	2.4
Partners Group Holding	2.0

Technology: 14.9% (%)	
SESA	4.2
United Internet	3.7
Barco	1.9
Scout24	1.9
Crayon	1.7

Cyclical: 8.9% (%)	
H+H International	2.6
Capgemini	2.4
Dustin	1.9
va-Q-tec	1.1
Stef	0.9

Unstable Financial: 8.4% (%)	
AXA	5.4
Mediobanca	3.1

Oil & Gas: 3.3% (%)	
Total	2.1
Royal Dutch Shell A	1.2

Mining: 0.0% (%)	
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## This Month's Featured Stock

### Energiekontor

While growth remains hard to come by in Europe, there are underlying trends for which the continent is well positioned. This includes the renewable energy transition, which was in many cases pioneered in a number of countries with early subsidy schemes. Although leading solar technology ended up in Asia, wind power, development and service expertise generally remained in Europe and has been successfully exported abroad. In addition, subsidy free PPA regimes and auction-led pricing have become commonplace, moving

the industry onto a more cost-competitive and sustainable footing.

Energiekontor is a leading German solar and wind developer, which we believe remains very much under the radar, but is building out an extensive pipeline. This has now reached an impressive 4.2GW of power, substantial when compared to an owned portfolio of close to 300MW. Scotland, the U.S.A. and France are the countries which in addition to Germany, will contribute to substantial mid-term growth.

We also like the conservative management approach, which focuses on selling half of developed projects but also retaining half to keep building a cash generating core. With a growing service operation and the founders continuing to own just over 50% of the share capital, there is a strong alignment on stable and predictable long-term value creation. We also believe that the current valuation is incorporating very little if anything for the vast majority of the future pipeline value, which corporate transactions in the sector are starting to reveal elsewhere.

## Stock Analysis

Top 10 Holdings	(%)
Patrizia	5.5
AXA	5.4
Allgeier	5.3
SESA	4.2
Orange	4.0
Thales Group	3.8
Schibsted B	3.7
United Internet	3.7
S IMMO	3.4
Energiekontor	3.2
<b>Total</b>	<b>42.2</b>

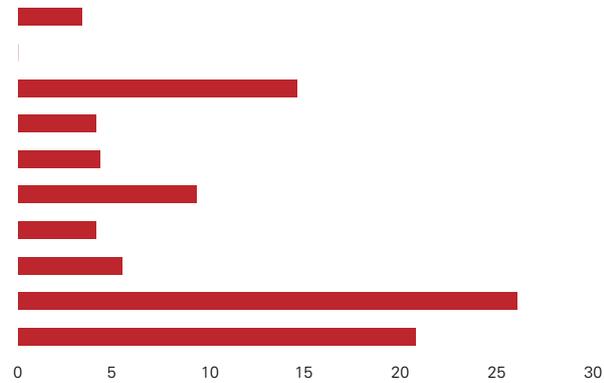
Size Analysis	(%)
Mega Cap (>€50bn)	6.6
Large Cap (<€50bn)	19.8
Mid Cap (<€10bn)	38.2
Small Cap (<€1bn)	27.1

Currency Exposure	(%)
Euro	66.4
Sterling	0.0
Norwegian Krone	8.0
Swiss Franc	7.7
Danish Krone	5.0
Swedish Krona	4.5
Other	0.0

## Sector Analysis

### Sector Breakdown (%)

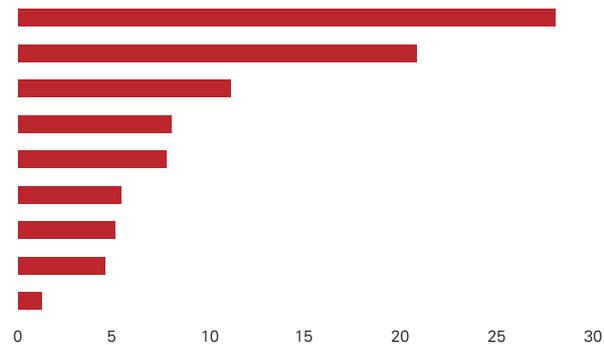
Oil & Gas	3.3
Basic Materials	0.0
Industrials	14.5
Consumer Goods	4.1
Health Care	4.3
Consumer Services	9.3
Telecommunications	4.0
Utilities	5.4
Financials	26.0
Technology	20.7



## Geographic Analysis

### Country Breakdown

	No. of Stocks	(%)
Germany	10	28.0
France	7	20.8
Italy	4	11.1
Norway	3	8.0
Switzerland	4	7.7
Other		5.4
Denmark	2	5.0
Sweden	3	4.5
Netherlands	1	1.2



Please note that figures may not add up to 100% due to Cash holding.

## Fund Performance to 29/02/2020

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#### ISIN:

Share Class A GB0032064411  
Share Class B GB0032094954

#### MEX:

Share Class A SXCER  
Share Class B SXCEI

#### SEDOL:

Share Class A 3206441  
Share Class B 3209495

#### Registered Office:

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EH2 3AH  
Registered No. 125817

#### Cumulative Performance, % change

	One month	2019 yr to date	One year	Three years	Five years	Since launch*
SVM Continental Europe Fund B	-7.3	-7.5	5.6	13.7	41.9	280.2
FTSE World Europe ex UK Index	-5.4	-6.9	6.5	16.1	40.2	163.2
IA Europe ex UK Sector	-6.2	-7.6	5.4	13.2	37.7	160.3

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 Continental Europe Fund B	19.2	-12.0	17.9	13.8	17.9
FTSE World Europe ex UK Index	20.5	-9.5	17.5	19.7	5.4
Performance Difference	-1.3	-2.5	+0.4	-5.9	+12.5

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.

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**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 may enter into derivative contracts for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. 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.