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.

July 2020 | Share Class B
Figures as at 30 June 2020

svm

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

Forecasts of the UK economy post-lockdown focus on the speed and extent of recovery. Less thought is being given to the nature of that recovery. How might it play out in individual sectors and companies? Investors need to think not just about how quickly the consumer will come back, but in what ways will behaviour change? It is tempting to focus on top down GDP forecasts but that may not tell us much about picking the winners and losers.

Specific concerns about travel and hospitality are understood, but other things might change, too. Consumers will be focused on rebuilding their own finances to provide a safety net for future risks. The prospect of business closures and unemployment will be in the minds of many. An overall dampening of discretionary expenditure seems likely.

Renewed pleasure in the home environment will replace some previous outside activities, and boost companies that support the home and home-office. It means some winners but lost demand for pubs and restaurants in city centres, and around offices. And, the retail experience in city centres at weekends may also be dampened by what may seem a more hostile environment and riskier public transport. The city centre retailers that have re-opened seem to be struggling with what it takes to entice consumers in this new world. Consumers can buy online – above all, city shopping needs to be a pleasurable experience.

Discretionary consumer services are an important part of the UK stockmarket. It would be a mistake to assume too much from an overall economic bounce. Already it is clear that many retailers and restaurants will not re-open. For a while, city centres will look different, and possibly alien, to consumers. Investors need to question some of the macro projections, and focus on individual companies with strong customer offerings and brands. Economic recovery will leave some behind and portfolios should reflect this risk. There may be safer predictions to be made by investors in other sectors such as business services, communications and technology.

In June, SVM UK Growth Fund returned -0.3%, compared to a return of +1.5% for the FTSE All-Share Index and +0.6% for the average fund in the IA UK All Companies sector. The Fund is top quartile for the 6 months to 30 June 2020. For the 5 years to 30 June, the Fund is top quartile, returning 23.9%, compared to a return of 15.2% for the FTSE All-Share Index and 13.1% for the average fund in the IA UK All Companies sector.

During the month, there were positive contributions to performance from Ceres Power, LSE, Beazley, Unite, Keystone Law and Oxford Instruments. Ocado, Kainos, JD Sports and Watkin Jones lagged. Your Fund remains fully invested, focused on resilient 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: £147.9m

Fund Charges:

	OCF*
Share Class A	1.79%
Share Class B	1.04%

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 fundinfo Crown Fund Rating

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:

Lower risk   Higher risk

Typically lower rewards   Typically higher rewards

1	2	3	4	5	6	7

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

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.

Consumer Services: 26.3%	(%)
Ocado	4.5
JD Sports Fashion	3.4
Wizz Air	2.5
Flutter Entertainment	2.3
Homeserve	2.1

Industrials: 25.3%	(%)
Experian	3.5
Keystone Law	3.2
AB Dynamics	3.0
Rentokil Initial	2.8
Johnson Service Group	2.8

Financials: 20.2%	(%)
Unite Group	3.9
London Stock Exchange	3.2
Beazley	2.7
Intermediate Capital	2.1
Segro	1.9

Consumer Goods: 13.7%	(%)
Kerry Group	3.2
Cranswick	2.8
Hilton Food Group	2.0
Games Workshop	1.6
Watkin Jones	1.6

Health Care: 8.4%	(%)
Dechra Pharmaceuticals	3.0
AstraZeneca	3.0
Hikma Pharmaceuticals	1.0
UDG Healthcare	1.0
Indivior	0.2

Technology: 4.9%	(%)
Kainos	1.8
FDM Group	1.0
Softcat	0.9
AVEVA	0.7
Blue Prism	0.5

Basic Materials: 3.1%	(%)
Croda	3.1

Telecommunications: 2.9%	(%)
Gamma Communications	2.9

Oil & Gas: 2.8%	(%)
Ceres Power	2.1
ITM Power	0.6

Utilities: 0.0%	(%)

This Month's Featured Stock

Ceres Power Holdings

Ceres is a fuel cell technology and engineering company, generating and distributing energy to businesses, homes and vehicles. It is UK listed, but serves customers globally. Ceres has technology that can make a contribution to tackling climate change and considers that it has an industry-leading position in fuel cells. It sees its mission in terms of addressing the broader market for clean energy technology. Revenue represents licensing and engineering services, with plans for a royalty income stream.

Ceres has built partnerships with some major companies; including Bosche, Weichai, Doosan, and Miura. Bosche has an 18% equity interest in Ceres, and Weichai has 20%. These partnerships allow Ceres to address markets in Germany, Japan and China for electric vehicles, fuel cell systems and hydrogen fuel based zero emission combined heat and power systems. Ceres is well placed for energy transition with class-leading energy efficiency, a competitive technology package, strong partners and fuel flexibility. Its interim results showed revenue up by one-third, with strong profit margins and a maintained pipeline of business. Management expects to sign one or two additional license agreements per year, which should add further value.

Ceres is still at a relatively early stage of development but has proven technology and is reinvesting into the business as it scales up manufacturing. There is significant market potential for hydrogen-based energy to assist air quality and Ceres has growth potential.
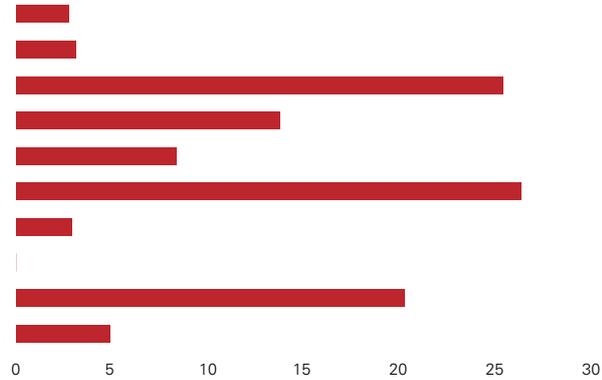
Stock Analysis

Top 10 Long Holdings	(Gross %)
Ocado	4.5
Unite Group	3.9
Experian	3.5
JD Sports Fashion	3.4
Kerry Group	3.2
London Stock Exchange	3.2
Keystone Law	3.2
Croda	3.1
AB Dynamics	3.0
Dechra Pharmaceuticals	3.0
Total	**34.0**

Size Analysis	(Gross %)
Large Cap	39.8
Med/Mid 250	44.4
Small/Small Cap	23.4

Sector Analysis

Sector Breakdown (%)

Sector	%
Oil & Gas	2.8
Basic Materials	3.1
Industrials	25.3
Consumer Goods	13.7
Health Care	8.4
Consumer Services	26.3
Telecommunications	2.9
Utilities	0.0
Financials	20.2
Technology	4.9

Enquiries

Fund Performance to 30/06/2020

Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	-0.3	-13.0	-4.3	4.5	23.9	254.4
FTSE All-Share Index	1.5	-17.5	-13.0	-4.6	15.2	116.5
IA UK All Companies Sector	0.6	-17.9	-11.1	-4.7	13.1	156.6

Source: Lipper, as at 30/06/2020, 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 30 June

	2020	2019	2018	2017	2016
SVM UK Growth Fund B	-4.3	-6.0	16.2	23.1	-3.7
FTSE All-Share Index	-13.0	0.6	9.0	18.1	2.2
Performance Difference	+8.7	-6.6	+7.2	+5.0	-5.9

Source: Lipper, as at 30/06/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)

■ SVM UK Growth Fund B   ■ FTSE All-Share Index

Source: Lipper, as at 30/06/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

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.