

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.

March 2020 | Share Class B

Figures as at 29 February 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

Markets fell heavily during the month as the COVID-19 virus spread around the globe. The fund returned -15.5% versus the FTSE All-Share which declined -8.9%.

As 2020 dawned, we felt that the outlook for the British economy was brighter than consensus forecasts. December's decisive general election outcome led us to believe that we would be entering a period of lower political uncertainty and increased business and consumer confidence. With the US entering a Presidential election year, we also expected a reduction in trade tensions as President Trump sought to have the economy running 'hot' to maximise his chances of re-election. As such, the fund was overweight both domestic and global cyclical stocks. In particular, the fund was overweight airlines. In addition to the positive macro outlook, this sector stood to benefit from a period of reduced capacity which would lead to improved yields and profit upgrades throughout the year.

COVID-19 has left this thesis in tatters. It represents a challenge to both the markets and society unlike anything we have ever faced in our lifetime. While government efforts in many Asian states appear to have stemmed the virus' spread, it remains uncertain whether the virus will remerge when restrictions on the populace are lifted. The citizenry of both Europe and US are likely to see changes to their daily life on a scale only previously seen during wartime. It is of no consolation that for many of our holdings the year had started positively.

There were few significant outperformers during the month. Our aviation holdings (Ryanair/

Wizz Air/IAG/John Menzies) all underperformed markedly. Demand for flights has plummeted and governments around the world have closed borders. Profit forecasts for the current year are entirely meaningless until clarity emerges on when things can begin to return to normal. Norcros, the supplier of bathroom and kitchen products, was punished for being one of the first companies to warn that COVID-19 had impacted its supply chain. The share price reaction on the day was not commensurate with the magnitude of the warning, but in a febrile environment few investors were willing to accord the business any benefit of doubt. Informa, the exhibitions and publishing company, fell as it was forced to cancel events due to the virus.

During the month the holdings in Ashtead and BP were reduced and Melrose and Just Group were exited. Since month-end, we have increased the fund's cash weighting and exposure to defensive large-cap stocks. For markets to recover, investors will need comfort that the pandemic has been brought under control. Failing that, sizable and globally coordinated fiscal stimulus will be needed to resuscitate an economy that has undergone cardiac arrest. Following a strong fund performance in 2019, we were determined to maintain this outperformance and are hugely disappointed by the start made to 2020. We will seek to remedy this throughout the remainder of the year. Finally, we would like to thank all fund holders for their continued support and wish them, and their families, good health through these difficult times.

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: £115.7m

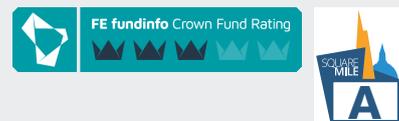
Fund Charges:
OCF*
Share Class A 1.80%
Share Class B 1.05%

*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:



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. Square Mile ratings are sourced from Square Mile.

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 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

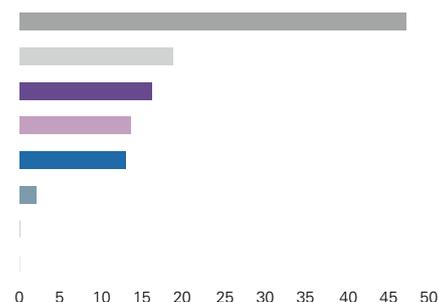
Portfolio Analysis

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 %)
Cyclical	46.9
Consumer Cyclical	18.6
Unstable Financial	16.0
Oil & Gas	13.5
Technology	12.9
Defensive	2.0
Stable Financial	0.0
Mining	0.0



Top 5 long holdings

Cyclical: 46.9%

(%)

Informa	4.7
Synthomer	4.7
Alpha FMC	4.1
IAG	4.0
Balfour Beatty	3.9

Consumer Cyclical: 18.6%

(%)

Ryanair	5.8
Wizz Air	5.6
Norcros	5.3
GVC Holdings	4.4
Marshall Motor Holdings	0.6

Unstable Financial: 16.0%

(%)

Prudential	5.3
Lloyds Banking Group	4.9
Legal & General	3.1
Onesavings Bank	2.8
M&G	1.5

Oil & Gas: 13.5%

(%)

Jadestone Energy	4.9
BP	3.0
Energean Oil & Gas	2.2
Pantheon Resources	1.0
Savannah Petroleum	0.8

Technology: 12.9%

(%)

Team17	5.3
SDL	3.1
Kainos	3.0
Creo Medical Group	2.5
Simec Atlantis Energy	0.3

Defensive: 2.0%

(%)

DCC	4.8
-----	-----

Stable Financial: 0.0%

(%)

Mining: 0.0%

(%)

Group totals net %.

This Month's Featured Stock

Ryanair

Ryanair is Europe's leading low-cost airline. Over the past year the group carried over 150m passengers across its point-to-point network.

The COVID-19 pandemic has brought global air travel almost to a standstill. Countries have closed borders and implemented varying levels of societal shutdown in an attempt to slow the spread of the virus. The airline industry is one of the sectors most impacted by the crisis and this has been reflected in some extreme stock moves. While it is too early to try and predict when things will begin to return to some sort

of normality, when it does Ryanair will be a long-term beneficiary.

Ryanair's balance sheet and ownership of its fleet provides it with a resilience that is unmatched by any of its peers. The group is not encumbered by costly aircraft leases that will have to be paid even if fleets are grounded. Ryanair has the lowest fixed cost base as a percentage of total costs in the European airline sector and has ample cash to cover a prolonged (i.e. over 1 year) shutdown.

Many of Ryanair's peers are not so fortunate. Flybe has already exited the market and we expect more carriers to follow. Decreasing competition in the European airline sector should lead to higher long-term returns for the survivors. While it is impossible to provide an accurate estimate for current year profitability, we see little reason to make any significant adjustments to outer year forecasts. On these measures, Ryanair trades on a mid-single digit PE ratio and EV/EBITDA multiple. This looks cheap for a business that will emerge as the number one airline in a sector with markedly less competition.

Stock Analysis

Top 10 Long Holdings	(Net %)
Ryanair	5.8
Wizz Air	5.6
Norcros	5.3
Prudential	5.3
Team17	5.3
Lloyds Banking Group	4.9
Jadestone Energy	4.9
DCC	4.8
Informa	4.7
Synthomer	4.7
Total	51.3

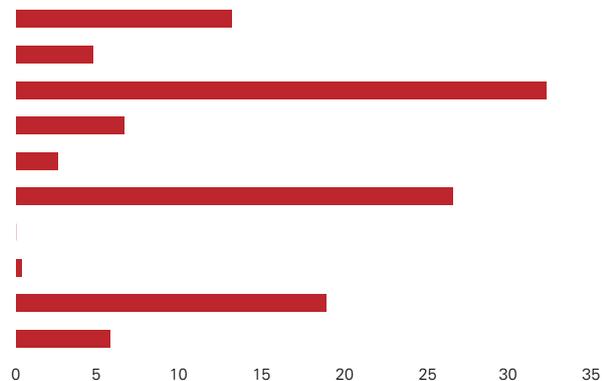
Size Analysis*	(Net %)
Large Cap	40.9
Med/Mid 250	21.0
Small/Small Cap	38.1

*Long only positions and excludes Cash

Sector Analysis

Sector Breakdown (%)

Oil & Gas	13.1
Basic Materials	4.7
Industrials	32.2
Consumer Goods	6.6
Health Care	2.5
Consumer Services	26.5
Telecommunications	0.0
Utilities	0.3
Financials	18.8
Technology	5.7



Fund Performance to 29/02/2020

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.

Enquiries

0800 0199 110

www.svmonline.co.uk
Calls may be recorded

Investor Services:

Account enquiries and valuations

Phone: 0345 066 1110
Fax: 01733 285 681
Fund Information: 0131 226 7660

Dealing: 0345 066 1110

Helpline: 0800 0199 110
info@svmonline.co.uk

Literature Request: 0800 0199 440

ISIN:

Share Class A GB0032064304
Share Class B GB0032084815

MEX:

Share Class A SXUOR
Share Class B SXUOI

SEDOL:

Share Class A 3206430
Share Class B 3208481

Registered Office:

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

Cumulative Performance, % change

	One month	2019 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	-15.5	-18.0	-1.4	6.2	33.1	547.8
FTSE All-Share Index	-8.9	-11.9	-1.4	4.7	19.1	131.3
IA UK All Companies Sector	-9.4	-11.6	1.3	7.2	22.2	181.3

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 UK Opportunities Fund B	31.4	-11.7	14.6	8.6	19.4
FTSE All-Share Index	19.2	-9.5	13.1	16.8	1.0
Performance Difference	+12.2	-2.2	+1.5	-8.2	+18.4

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.

Copyright 2020 © 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.