

# SVM UK Opportunities 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 whose future growth is not reflected in current market expectations. The Fund will invest at least 80% in equities and equity related instruments in UK companies. The Fund may invest in other permitted securities.



June 2021 | Share Class B

Factsheet as at 31 May 2021



## Monthly Fund Commentary

Equity markets edged higher over the month. Growth stocks generally underperformed with the technology-heavy NASDAQ index posting a negative return. Investors remain focused on the threats of a vaccine-evading variant and the potential for tighter monetary policy to short-circuit the equity bull market. Both threats receded slightly during the month with vaccinations accelerating and bond yields stabilising. The fund returned 2.2% versus 1.2% for the MSCI UK.

The Bank of England became the second major central bank to announce it was going to slow the pace of its asset purchase program. Bank officials were at pains to emphasise that the targeted stock of purchased assets would remain the same and the stance of monetary policy was unaffected. Whether this constitutes tapering, or not, is a question of semantics. Either way, the decision represents the first stage in an eventual tightening of policy. In response, GBP rallied against both USD and the Euro.

As economies recover central banks face a delicate balancing act as they withdraw stimulus. The paradox of QE is that the more successful policymakers have been in encouraging investors to purchase riskier assets, the more difficult it is to 'normalise' policy without a significant dislocation in markets. As Gertjan Vlieghe, an external member of the Bank of England's Monetary Policy Committee noted, 'What will ultimately tell us to what extent inflation pressures need a monetary policy response is the passage of time.' Despite ongoing tension between markets and policy we feel this is more likely to be a 2022 issue for equity investors.

Alpha Financial Consulting rose as the company announced the acquisition of Lionpoint, a specialist consultant focused on the 'alternatives' marketplace. The deal

extends AFM's presence in the US market and elsewhere. Not only is Lionpoint a strong cultural fit, but it was acquired at an attractive multiple and offers significant revenue synergies. Despite the share's strong recent performance, we think considerable upside remains. St Modwen jumped as the property company announced it had received a takeover approach from private equity firm, Blackstone. The group's warehouse division is the crown jewel. The surge in online retailing is driving demand for warehouse capacity and the division has an attractive portfolio and excellent development pipeline. The housebuilding business and the group's strategic land add complexity to the transaction, but nevertheless the bid has not been pitched at a knockout level and a counter is feasible. Lloyds gained as analysts revised their profit forecasts higher in response to the group's positive 1Q21 update. The bank continues to benefit from the UK's economic recovery with net interest margins resilient and a decline in loan loss provisions. M&S leapt as the retailer delivered results that were ahead of expectations and offered a positive outlook for the next twelve months.

Computer games developer, Team17, declined as growth stocks came under pressure. While the group's recent releases haven't quite generated the same level of interest as last year we feel they are still tracking well and the company has an attractive portfolio of assets. Pantheon declined as the recent reserve update fell short of the most optimistic expectations in the market. Investors, however, are in danger of missing the wood for the trees. Pantheon is high-risk but the rewards are significant. The company's resource base is substantial and although questions remain over its producibility, a third-party may take a different view.

Trading activity was limited.

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:** £193.9m

### Fund Managers:

Neil Veitch (Fund Manager)  
Appointed: 23/01/2006  
Years at SVM: 15 Industry Experience: 24  
Craig Jeruzal (Deputy Fund Manager)  
Appointed: 01/01/2014  
Years at SVM: 14 Industry Experience: 16

### Fund Charges (OCF\*):

Share Class A 1.74%  
Share Class B 0.99%

\*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 09/04/2021



Square Mile ratings are sourced from Square Mile.

**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.**

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## 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.

Cyclical	34.9	
Consumer Cyclical	24.8	
Unstable Financial	12.7	
Technology	10.6	
Defensive	10.5	
Oil & Gas	9.9	
Stable Financial	0.0	
Mining	0.0	

### Top 5 long holdings

Group totals net %.

<b>Cyclical</b>	<b>34.9%</b>
Synthomer	5.8
CRH	4.2
Smurfit Kappa Group	3.7
Alpha FMC	3.6
Balfour Beatty	2.5

<b>Consumer Cyclical</b>	<b>24.8%</b>
Entain	6.4
Norcros	5.0
Ryanair	2.9
Tesco	2.3
Marks & Spencer	1.8

<b>Unstable Financial</b>	<b>12.7%</b>
Lloyds Banking Group	4.2
Prudential	3.9
Legal & General	2.9
OSB Group	1.7
Arden Partners	0.0

<b>Technology</b>	<b>10.6%</b>
Micron Technology	4.2
Creo Medical Group	2.4
Team17	1.3
ActiveOps	1.0
Diurnal Group	1.0

<b>Defensive</b>	<b>10.5%</b>
National Grid	3.9
GlaxoSmithKline	2.6
DCC	2.1
Roche Holdings	1.9

<b>Oil &amp; Gas</b>	<b>9.9%</b>
Jadestone Energy	3.8
Energean	1.7
Pantheon Resources	1.4
Jersey Oil & Gas	0.9
Diversified Energy	0.7

<b>Stable Financial</b>	<b>0.0%</b>
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<b>Mining</b>	<b>0.0%</b>
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## Portfolio Structure

As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation or sector. As a consequence the SVM UK Opportunities Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

### Top 10 Long Holdings (Net %)

Entain	6.4	
Synthomer	5.8	
Norcros	5.0	
Micron Technology	4.2	
Lloyds Banking Group	4.2	
CRH	4.2	
Prudential	3.9	
National Grid	3.9	
Jadestone Energy	3.8	
Smurfit Kappa Group	3.7	
<b>Rest of Portfolio</b>	<b>54.8</b>	

### Size Analysis\* (Net %)

 Large Cap	43.8
 Med/Mid 250	28.0
 Small/Small Cap	28.2



\*Long only positions and excludes Cash

### Sector Breakdown (%)

Industrials	23.6	
Materials	15.7	
Consumer Discretionary	14.8	
Financials	12.7	
Energy	9.9	
Health Care	8.5	
Real Estate	4.7	
Consumer Staples	4.0	
Information Technology	3.9	
Utilities	3.9	
Communication Services	1.5	

## 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.

While M&S' recently released full-year results were heavily impacted by the Covid pandemic, this shouldn't detract from the improvements made in recent years. Although the group's Clothing & Home retail stores saw revenues decline by over 50% due to enforced closures; online sales grew by over 50%. Historically, M&S' online business had been plagued by poorly designed websites and logistical problems. In 2021, the group managed to cope with an unprecedented increase in demand during a pandemic without any significant operational hiccoughs. Indeed, having added a number of third-party brands to its online offering, the group has emerged with a stronger platform than when it entered the pandemic. The group's food division proved resilient during the year, despite significant exposure to both travel and hospitality channels. M&S' joint venture with Ocado launched successfully in September and will benefit in upcoming years from increasing capacity.

M&S still faces many challenges. While the group continues to make headway in reshaping its legacy store estate, it still has some way to go in shrinking from 254 full-line stores to the targeted 180. We feel, though, that these issues are more than adequately reflected in the current stock price. With a strong Food brand that should disproportionately benefit from the reopening economy and a fast-improving Clothing & Home offering, M&S is well positioned to outperform.

## Enquiries

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

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**INDEPENDENT THINKING**

## Fund Performance

to 31/05/2021

### Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	2.2	20.9	52.1	21.1	59.0	778.7
MSCI United Kingdom IMI Index	1.2	11.2	21.8	3.1	37.2	150.7
IA UK All Companies Sector	1.6	12.0	29.0	12.3	46.8	234.5

Source: Lipper, as at 31/05/2021, 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 March

	2021	2020	2019	2018	2017
SVM UK Opportunities Fund B	65.5	-24.8	-0.4	8.0	14.7
MSCI United Kingdom IMI Index	24.4	-19.3	6.5	1.2	22.3
Performance Difference	+41.1	-5.5	-6.9	+6.8	-7.6

Source: Lipper, as at 31/03/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



■ SVM UK Opportunities Fund B ■ MSCI United Kingdom IMI Index

Source: Lipper, as at 31/05/2021, 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.

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.