

SVM

World Equity Fund

The objective of this Fund is to achieve above average capital growth over the medium to long term (although short-term investment opportunities will also be considered) and it aims to outperform its peers in the IA Global Sector (second quartile and above).

September 2020 | Share Class B

Figures as at 31 August 2020



Fund Manager



Neil Veitch
Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 01/12/2010

Monthly Fund Commentary

Global equities continued to make new highs led by the relentless upwards march of technology stocks. Abundant liquidity, policy stimulus, and a weakening US dollar have created the fertile conditions necessary for speculative excess. Outside of the technology sector returns were more muted and the bifurcation in returns between the perceived Covid winners and losers remains extreme. The fund returned +4.7% versus the average fund that returned +3.8%.

The disease outlook remains the key variable for both economies and markets. The economic data remains mixed. Certain segments such as retail sales and housing transactions have recovered strongly while business investment and employment remain depressed. Indeed, US new and existing home sales hit their highest levels for ten years. New home sales were especially strong. September and October are key months for many businesses, particularly those exposed to business investment, and will provide a gauge of the strength and sustainability of the recovery. Should a vaccine prove effective there is the tantalising prospect of synchronised global recovery sometime in 2021. If this materialises then the current narrow equity market leadership will broaden out significantly.

Little newsworthy came out of the minutes of the July meeting of the Federal Reserve. Investors' attention is now focused on the bank's September meeting later in the month. The focus will be on the outlook for monetary policy and specifically whether the central bank is likely to deploy yield curve control. This has become particularly sensitive for markets given the recent pick-up in inflation expectations and the associated sell-off in longer dated government bonds.

Technology stocks performed strongly. Microsoft and Alphabet gained as investors continued to seek exposure to the perceived Covid winners. The significant outperformance of technology has led to fears that the sector is overextended and ripe for a pullback. While we share some of these concerns, we would caution that it is dangerous to treat technology as one homogenous sector. Some sub-sectors such as enterprise software certainly look expensive. Stocks like Microsoft and Alphabet, however, have exceptional balance sheets and continue to grow their revenues and cashflow at double digit rates. They will not be immune to a sell-off but are well positioned for the longer term. The biggest risk for 'big tech' continues to be greater regulation. GVC rose as sentiment towards the sector was aided by the announcement that IAC, led by US billionaire Barry Diller, had taken a significant stake in US casino operator, MGM, largely because of the potential upside from online gambling. We continue to believe that the US offers significant potential upside that is not yet reflected in the current share price. Visa rose as investors responded positively to signs of an economic recovery.

Semiconductor manufacturers, Micron and SK Hynix, declined as investors worried about customers' inventory levels. These fears were confirmed when Micron cautioned that the current quarter would be back-end loaded and that visibility for the remainder of the year had declined. While we expect the shares to be volatile in the short term the positive longer-term drivers of the memory market remain intact.

There was limited trading activity. Profits were taken in CRH and CapGemini.

Fund and index performance source: Lipper

Fund Facts

Launch Date: 1 December 2010

IA Sector: Global

Type of Shares: Accumulation

XD Date: 31 December

Pay Date: 30 April

Fund Size: £12.7m

Fund Charges:

OCF*
Share Class A 1.97%
Share Class B 1.22%

*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 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 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.

ACTIVE STOCKPICKERS

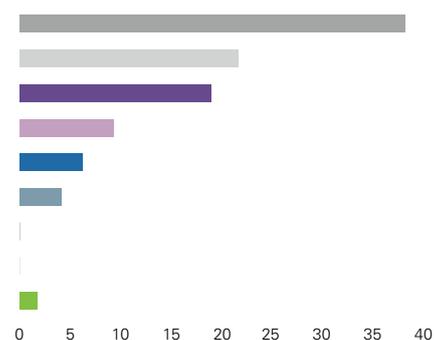
Portfolio Analysis

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 %)
Technology	38.1
Cyclical	21.6
Consumer Cyclical	19.0
Defensive	9.3
Oil & Gas	6.2
Unstable Financial	4.1
Stable Financial	0.0
Mining	0.0
Cash	1.8



Technology: 38.1%

(%)

Microsoft	9.8
Alphabet	9.8
SK Hynix	3.9

Cyclical: 21.6%

(%)

Synthomer	4.4
Hitachi	4.0
Denka	3.4

Consumer Cyclical: 19.0%

(%)

Visa	9.1
GVC Holdings	4.4
Ryanair	3.8

Defensive: 9.3%

(%)

Uniphar	5.2
Roche Holdings	4.1

Oil & Gas: 6.2%

(%)

Jadestone Energy	3.6
Energiean	2.0
Savannah Energy	0.6

Unstable Financial: 4.1%

(%)

Prudential	4.1
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Stable Financial: 0.0%

(%)

Mining: 0.0%

(%)

This Month's Featured Stock

Denka

Denka is a Japanese manufacturer and supplier of chemical products. Founded over 100 years ago, Denka makes products that serve a wide range of markets such as fertilisers, synthetic rubbers, resins used in semiconductor chips, and cement additives for the construction industry.

Although Denka's results for the quarter to June were impacted by COVID-19, the longer-term ambitions of the group as set-out in its 'Value-Up' business plan remain. Denka intends to focus on growing in a number of priority areas including the healthcare,

electric vehicle and value-added infrastructure markets. Doing this, alongside exiting more commoditised products should help the group's operating profit margins improve from current high-single digit levels towards its target of 15% by 2023.

While the global pandemic has had a negative effect on many of Denka's end markets, its healthcare business has been boosted by demand for diagnostic reagents and rapid point-of-care testing kits. In August, the company announced that it had received approval to manufacture and sell its rapid

COVID antigen test kits in Japan. These can give a result in around 15 minutes without the need for any special testing equipment. The scale of the opportunity is uncertain, but it does provide some upside potential for current-year forecasts.

Currently trading on an estimated March 2021 PE of around 12x, we believe neither Denka's growth opportunities or the potential for margin improvement are yet reflected in the valuation.

Portfolio Analysis

Top 10 Holdings	(%)
Microsoft	9.8
Alphabet	9.8
Visa	9.1
Uniphar	5.2
GVC Holdings	4.4
Synthomer	4.4
Roche Holdings	4.1
Prudential	4.1
Hitachi	4.0
SK Hynix	3.9
Total	58.8

Size Analysis	(%)
Mega Cap (>£50bn)	32.9
Large Cap (<£50bn)	24.1
Mid Cap (<£10bn)	18.6
Small Cap (<£1bn)	22.7

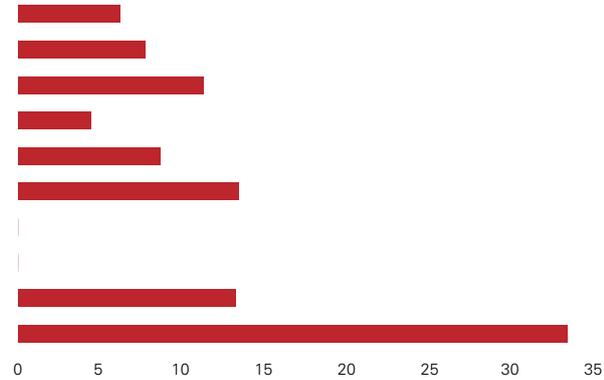
Total Number of Stocks	
Number of Holdings	26

Net Currency Exposure	(%)
Euro	13.5
Sterling	30.6
Europe non-Euro	4.1
US Dollar	37.4
Japanese Yen	7.3
Others	5.0

Sector Analysis

Sector Breakdown (%)

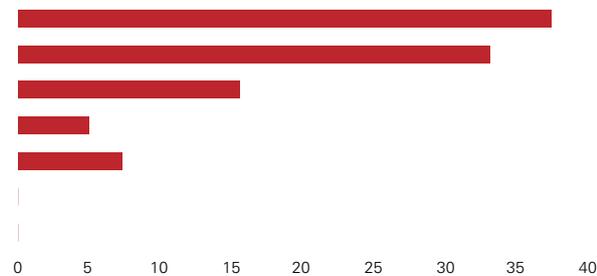
Oil & Gas	6.2
Basic Materials	7.7
Industrials	11.2
Consumer Goods	4.5
Health Care	8.7
Consumer Services	13.4
Telecommunications	0.0
Utilities	0.0
Financials	13.2
Technology	33.4



Geographic Stock Analysis

Geographic Stock Analysis (%)

North America	37.4
United Kingdom	33.1
Europe (excluding UK)	15.6
Asia Pacific (excluding Japan)	5.0
Japan	7.3
Latin America	0.0
Other	0.0



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

Fund Performance to 31/08/2020

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Share Class B GB00B0KXSK43

MEX:

Share Class A SXUAT
Share Class B SXUAB

SEDOL:

Sedol GBP B0KXRB8
Sedol GBP B0KXSK4

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Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM World Equity Fund B	4.7	-1.7	11.2	15.5	61.0	151.1
IA Global Sector	3.8	4.6	6.7	24.9	78.5	158.3

Source: Lipper, as at 31/08/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

*The Fund was launched on 01 December 2010

Percentage growth year on year to 30 June

	2020	2019	2018	2017	2016
SVM World Equity Fund B	4.9	3.1	8.1	29.3	0.7
IA Global Sector	5.4	7.9	9.8	23.6	9.2
Performance Difference	-0.5	-4.8	-1.7	+5.7	-8.5

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 (%)



Source: Lipper, as at 31/08/2020, 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 may enter into derivative contracts for efficient portfolio management (EPM) purposes. 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. The Fund is exposed to currency risk. The Fund may use currency management techniques, including hedging and entering into derivatives 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.