

SVM UK Growth 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 that can grow faster than the wider markets and are capable of sustained growth. The Fund will invest at least 80% in equities and equity related instruments in UK companies. The Fund may invest in other permitted securities.



November 2021 | Share Class B

Factsheet as at 31 October 2021



Monthly Fund Commentary

Tough choices lie ahead on UK economic policy. The economy has seen a strong post-Brexit bounce, supported by a pandemic response that has seen UK growth lead the G7 this year. The Government's ambition is for a high skill, high wage, high investment and high productivity economy. But what currently characterises the UK economy is high spending, taxes and inflation: the direction taken now matters for individual stock selection.

The challenge now is less on public finances than on whether the Government can unleash opportunity in the parts of the UK economy that have previously lacked support. There will be growth for businesses that can play a part in improving national resilience through stronger domestic supply chains. And businesses in the digital economy should do well. Alongside this, the Bank of England faces a particularly difficult period for monetary policy. It hoped that a gently rising oil price would cool the inflation outlook and reduce the need for interest rate rises. But, it is now dawning on policy makers and politicians that the oil price could be squeezed much higher, forcing intervention. In a world worried about carbon, higher oil prices look like part of the solution. But the pain of adjustment to this might look unpalatable to politicians.

Inflation is undoubtedly squeezing disposable incomes, and oil prices represent an external pressure that is beyond the Bank's control. Put simply, there are not policy tools to fight it. The issue is not if inflation might prove to be transitory, but whether politicians can soften the stresses and strains that some extreme price rises and shortages are producing. Undoubtedly, monetary policy will tighten, but this time central banks are not just responding to the bond market signals, but dealing with a painful carbon adjustment. A flattening yield curve is pointing to slower activity ahead.

This background may cool equities for a period until it is clear how individual

companies are coping. But the economic change favours companies in new energy areas and those working in the digital economy with little logistical or energy constraints.

Performance

In October, SVM UK Growth Fund was unchanged compared with the return of 1.8% for the MSCI UK IMI TR Index and 0.3% for the average fund in the IA UK All Companies sector. For the 5 years to 31 October, the Fund is top quartile, returning 69.5%, compared to a return of 27.7% for the MSCI UK IMI TR Index and 38.4% for the average fund in the IA UK All Companies sector.

Trading and results

October saw generally positive portfolio performance, with profit-taking in a number of the portfolio's recovery businesses, but good performance in growth companies: Ceres Power, Croda, Kingspan, Dechra and Kainos. Laggards in the month included travel and gaming businesses; Wizz Air and On The Beach, as well as Entain and Flutter Entertainment. Short term trading at Flutter matters less than its strategic position in the US. The recent results disappointed, with largely one-off negatives, but we believe long term valuation is driven by US growth and the likelihood of further market consolidation. The US business should be in profit within two years, and Flutter might later seek to IPO FanDuel.

In October, additional investments were made in Kape Technologies, Kooth, Marlowe and ITM Power. To fund these the holding in Redde Northgate was sold.

Your Fund remains fully invested, including likely recovery beneficiaries and strong growth businesses.

Fund and index performance source: FE fundinfo

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: £201.3m

Fund Managers:

Margaret Lawson (Co Fund Manager)
Appointed: 31/10/2005
Years at SVM: 30 Industry Experience: 40

Colin McLean (Co Fund Manager)
Appointed: 29/02/2008
Years at SVM: 30 Industry Experience: 46

Fund Charges (OCF*):

Share Class A 1.71%
Share Class B 0.96%

*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:



The Synthetic Risk & Reward Indicator ('SRRI') may be a guide to the level of risk of the Fund compared with other funds. The SRRI is calculated based on the historical volatility of the fund over the last 5 years and it may not be a reliable indication of the future risk and reward profile of the fund.

- This Fund has been classed as 6 because it has experienced high volatility historically.
- The SRRI category shown is not guaranteed and may change over time.
- The lowest category (1) does not mean risk free and extreme adverse market circumstances can mean you suffer losses in all cases.

As at 02/07/2021

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.

INDEPENDENT THINKING

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.

Industrials 35.0%

Ceres Power	3.9
Keystone Law	3.8
Wizz Air	2.6
Experian	2.5
Diploma	2.3

Financials 10.0%

Intermediate Capital	2.6
Impax Asset Management	1.5
Beazley	1.3
London Stock Exchange	1.3
Draper Esprit	1.2

Health Care 6.5%

Dechra Pharmaceuticals	4.0
Kooth	1.2
Genus	0.7
Indivior	0.4
Inspeks Group	0.3

Utilities 0.0%

Consumer Discretionary 18.9%

JD Sports Fashion	3.8
Entain	3.7
Flutter Entertainment	2.3
Games Workshop	1.7
AB Dynamics	1.5

Communication Services 8.2%

Gamma Communications	3.0
Future	1.8
Team17	1.4
Dianomi	1.1
Kin & Carta	0.7

Materials 6.5%

Croda	4.1
CRH	1.4
Smurfit Kappa Group	1.0

Energy 0.0%

Information Technology 14.8%

Kainos	3.6
AVEVA	1.6
Softcat	1.4
Oxford Instruments	1.4
Boku	1.2

Real Estate 6.6%

Unite Group	2.0
Segro	2.0
Watkin Jones	1.5
LondonMetric Property	1.1

Consumer Staples 4.6%

Cranswick	2.0
Hilton Food Group	1.4
Kerry Group	1.0
Revolution Beauty	0.3

Portfolio Structure

As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation, though there will be an emphasis on large cap holdings, or sector. As a consequence The SVM UK Growth Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

Top 10 Long Holdings (Gross %)

Croda	4.1	
Dechra Pharmaceuticals	4.0	
Ceres Power	3.9	
Keystone Law	3.8	
JD Sports Fashion	3.8	
Entain	3.7	
Kainos	3.6	
Gamma Communications	3.0	
Intermediate Capital	2.6	
Wizz Air	2.6	
Rest of Portfolio	64.9	

Size Analysis (Gross %)

 Large Cap	45.3
 Med/Mid 250	45.7
 Small/Small Cap	20.1



Sector Breakdown (%)

Industrials	35.0	
Consumer Discretionary	18.9	
Information Technology	14.8	
Financials	10.0	
Communication Services	8.2	
Real Estate	6.6	
Health Care	6.5	
Materials	6.5	
Consumer Staples	4.6	
Energy	0.0	
Utilities	0.0	

This Month's Featured Stock

Entain and Flutter

Entain is a multinational sports betting and gaming company that operates through both online and retail channels. In the UK, the group operates brands such as Ladbrokes and Coral. In the US, the group has a 50% stake, alongside MGM Resorts International, in BetMGM.

News that Entain had received a bid approach was not unexpected in a consolidating US market. The sizable opportunity of the nascent US market has sparked a wave of consolidation in the sector. Large US casino operators are seeking to acquire the online and technological expertise of companies like Entain. But the identity of Entain's suitor was surprising. The assumption was that MGM Resorts would eventually return with a higher bid following the failed approach earlier in the year. Few expected DraftKings, a US leader in fantasy sports betting, to enter the fray.

DraftKings have proposed an offer of £28 per Entain share, with a cash component of £6.30 and the remainder in DraftKings equity. However, a higher cash component would have been needed by Entain's shareholders, many of whom would be either reluctant or unable to hold DraftKings paper.

MGM Resorts did not counter with a higher offer and DraftKings' approach proved unsuccessful. However, the rationale for MGM Resorts to eventually acquire Entain remains unchanged. With the stock currently trading at a level c.25% below DraftKings' offer, we believe that Entain's share price is well underpinned by the bid activity.

Flutter's recent results disappointed, due to adverse sporting results that happen from time-to-time, and Netherlands problems. An element of the US disappointment represents higher marketing costs to take advantage of the rapid opening of new markets. Flutter has taken a lead in Safer Gambling and tied some executive compensation to this. FanDuel has a 45% share of the US online sports book market. A market-leading position gives Flutter a scale advantage.

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Fund Performance

to 31/10/2021

Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	0.0	15.5	34.1	43.8	69.5	392.0
MSCI United Kingdom IMI Index	1.8	15.8	35.9	14.3	27.7	175.9
IA UK All Companies Sector**	0.3	15.1	37.2	24.2	38.4	173.4

Source: FE fundinfo, as at 31/10/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

*The Fund was launched on 20 March 2000

**IA is provided as a comparator

Percentage growth year on year to 30 September

	2021	2020	2019	2018	2017
SVM UK Growth Fund B	33.0	1.0	-4.2	9.7	17.7
MSCI United Kingdom IMI Index	27.6	-18.5	2.3	6.0	11.8
Performance Difference	+5.4	+19.5	-6.5	+3.7	+5.9

Source: FE fundinfo, as at 30/09/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



■ SVM UK Growth Fund B

Source: FE fundinfo, as at 31/10/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Data provided by FE fundinfo. Care has been taken to ensure that the information is correct but it neither warrants, represents nor guarantees the contents of the information, nor does it accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

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 long term (5 years or more) 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.