

# SVM World Equity Fund

The objective of the Fund is to achieve capital growth over the long term (5 years or more) and it aims to outperform the MSCI ACWI IMI. The Fund will identify investment opportunities in companies globally whose future growth is not reflected in current market expectations. The Fund may invest in other permitted securities.



February 2021 | Share Class B

Factsheet as at 31 January 2021



## Monthly Fund Commentary

Equity markets gained over the first part of the month only for virus concerns to re-emerge. Slower than anticipated vaccine rollouts and unease over new mutations of the virus led to a pull-back. Markets were rattled further by aggressive retail-led short squeezes in a number of heavily shorted US stocks which raised fears over the viability of a small number of hedge funds. This 'gammafication' of markets is unhealthy, impedes price discovery, and highlights the misallocation of capital created by QE. It should be noted that this does not pose a systematic risk and will not be the catalyst for a material correction. High absolute valuations in certain market segments, however, may lead to volatility. The fund returned 2.2% versus the MSCI ACWI IMI NR Index that returned -0.6%.

Despite stretched valuations we remain fundamentally constructive on the outlook. Outside the risk of a vaccine-evading mutation, the biggest risk to markets is the premature tightening of policy. In this regard policymakers have generally been at pains to emphasise that they are prepared to let the economy run 'hot' rather than risk choking off the recovery. Such a policy is eminently sensible when long-term interest rates are exceptionally low and the global economy is characterised by large output gaps. President Biden's proposed \$1.9 trillion stimulus plan – equivalent to 9% of GDP – epitomises this thinking. Fiscal stimulus is less explicit in the UK, but the Chancellor has indicated his desire to make any fiscal tightening back-end loaded. In Europe, however, the debate appears less clear-cut. German fiscal conservatives pushed back on suggestions by Helge Braun, a close aide of Angela Merkel, that the 'debt brake' enshrined in the constitution be formally suspended for longer than is currently envisaged.

Magnachip Semiconductor was the largest positive contributor to performance. The company is the largest independent supplier of OLED display drivers. During 2020 the company divested non-core businesses for over \$350m, enabling it to reduce debt by \$224m. Post the disposals the business set out a transformation plan that aimed to grow revenue by double-digits, improve gross margin to over 30%, and reduce costs. This should help Magnachip deliver earnings per share in excess of \$2, leaving the stock on a PER of 9x. Entain, formerly GVC, rose as the company announced that it had rejected a takeover approach from its US joint venture partner, MGM. Despite both parties being unable to conclude a deal, we think there is a strong strategic rationale for the transaction and would expect it materialise at some point in the future. Oil and gas producer, Energean, gained as it announced it had purchased its partners stake in its Israeli gas assets.

Ryanair and Visa declined as concerns over the pace of vaccinations and the emergence of new, potentially more dangerous, virus variants led to nervousness around the speed of the recovery in international travel. Prudential fell as it revealed that it would no longer IPO its US subsidiary, Jackson Life, but instead would spin it off. Consequently, Prudential will now not receive a dividend from Jackson and will need to raise a small amount of capital to fund its Asian growth ambitions. If this were to be via a listing in Hong Kong or elsewhere in Asia it would facilitate easier comparisons with AIA, its main peer.

The holdings in Energean, Lundin and CRH were exited.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 1 December 2010

**Benchmark Index:**  
MSCI ACWI IMI Index

**IA Sector:** Global

**Type of Shares:** Accumulation  
**XD Date:** 31 December  
**Pay Date:** 30 April

**Fund Size:** £14.8m

### Fund Manager:

Neil Veitch (Fund Manager)  
Appointed: 01/12/2010  
Years at SVM: 14 Industry Experience: 24

### 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 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 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.**

INDEPENDENT THINKING

## 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.

Technology	38.1	
Cyclical	21.3	
Consumer Cyclical	18.8	
Defensive	8.9	
Oil & Gas	5.0	
Unstable Financial	3.4	
Stable Financial	0.0	
Mining	0.0	
Cash	4.4	

### Technology

38.1%

Microsoft	8.0
Alphabet	7.9
SK Hynix	5.7

### Cyclical

21.3%

Synthomer	4.6
Hitachi	4.1
Denka	3.8

### Consumer Cyclical

18.8%

Visa	6.5
Entain	5.8
Ryanair	3.9

### Defensive

8.9%

Roche Holdings	4.8
Uniphar	4.1

### Oil & Gas

5.0%

Jadestone Energy	3.2
Pantheon Resources	1.1
Savannah Energy	0.7

### Unstable Financial

3.4%

Prudential	3.4
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### Stable Financial

0.0%

### Mining

0.0%

## This Month's Featured Stock

### Hitachi

Hitachi, the Japanese multinational conglomerate, operates in a diverse range of industries. Over the past decade Hitachi has sought to restructure its business, focusing on the five higher growth sectors of IT, Energy, Industry, Mobility and Smart Life. The group retains holdings in listed subsidiaries in the Construction Machinery and Metals sector.

Recent results demonstrated the resilience of Hitachi's business. For the quarter to the end of December, Hitachi's revenue was 5% ahead of

the prior year on a like-for-like basis despite Covid pandemic headwinds. Management is particularly bullish about the opportunities in its Energy business. Hitachi has been investing in clean energy systems and smart grid infrastructure technology and has seen increasing demand for its products. Hitachi's automotive business specialises in the development of drive-control systems and electronic powertrains and should benefit from the ongoing switch towards electric vehicles from internal combustion engines. The

group's 'Lumada' solutions business which sits across multiple industries and helps customers extract information from complex data offers an exciting long-term growth opportunity.

Currently trading on an estimated 2021 PE of c.11x, we feel that the market fails to recognise Hitachi's resilience and growth opportunities available to it. With a strong balance sheet, the company should be able to pursue returns-enhancing M&A activity.

## Portfolio Structure

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

### Top 10 Holdings

	(%)	
Microsoft	8.0	
Alphabet	7.9	
Visa	6.5	
Entain	5.8	
SK Hynix	5.7	
Micron Technology	5.4	
Roche Holdings	4.8	
Synthomer	4.6	
MagnaChip Semiconductor	4.2	
Uniphar	4.1	
<b>Rest of Portfolio</b>	<b>43.0</b>	

### Geographic Stock Analysis (%)

North America	35.1	
United Kingdom	33.2	
Europe (excluding UK)	12.8	
Asia Pacific (excluding Japan)	6.6	
Japan	7.9	
Latin America	0.0	
Other	0.0	

### Sector Breakdown

	(%)	
Technology	31.2	
Consumer Services	13.9	
Industrials	13.0	
Financials	9.9	
Health Care	9.1	
Basic Materials	8.4	
Consumer Goods	5.2	
Oil & Gas	5.0	
Telecommunications	0.0	
Utilities	0.0	



### Size Analysis

	(%)
Mega Cap (>£50bn)	38.2
Large Cap (<£50bn)	13.3
Mid Cap (<£10bn)	19.4
Small Cap (<£1bn)	24.7



### Net Currency Exposure

	(%)
Euro	8.0
Sterling	34.1
Europe non-Euro	4.8
US Dollar	39.0
Japanese Yen	7.9
Others	6.6

## Enquiries

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

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Share Class A GB00B0KXRB86  
Share Class B GB00B0KXSK43

### MEX:

Share Class A SXUAT  
Share Class B SXUAB

### SEDOL:

Sedol GBP B0KXRB8  
Sedol GBP B0KXSK4

### Registered Office:

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## Fund Performance

to 31/01/2021

### Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM World Equity Fund B	2.2	2.2	15.7	36.2	92.6	198.3
MSCI ACWI IMI Index	-0.6	-0.6	12.9	29.6	95.2	185.0

Source: Lipper, as at 31/01/2021, 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 31 December

	2020	2019	2018	2017	2016
SVM World Equity Fund B	14.2	30.6	-12.9	12.9	22.0
MSCI ACWI IMI Index	12.7	21.5	-4.5	13.2	29.3
Performance Difference	+1.5	+9.1	-8.4	-0.3	-7.3

Source: Lipper, as at 31/12/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 31/01/2021, 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 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.

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.