

SVM Continental Europe 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 Europe ex UK Index. The Fund will identify investment opportunities in undervalued companies in European equity markets which will not necessarily be prominent in mainstream indices. The Fund will invest at least 80% in equities and equity related instruments dealt in or traded on European Eligible Securities Markets. The Fund may invest in other permitted securities.



August 2021 | Share Class B

Factsheet as at 31 July 2021



Monthly Fund Commentary

The now customary tug of war between the impact of the global pandemic and the positive economic development for Europe was once again evident in July 2021. Despite countries such as the UK appearing to announce all but the end to lockdown others, such as France and Spain, became considerably more reticent as the Delta variant took a firm hold in mainland Europe. At the same time the rebound in economic activity continued apace with expectations for the second quarter's rebound in earnings the strongest we are likely to witness in the current recovery. With overall year on year profits growth in Q2 for the STOXX 600 forecast to be greater than 100% corporates appeared to be in rude health, but, leaving the virus to one side, many other factors still tempered the market's enthusiasm. Not least the fear that this is as good as it gets.

Q2 2020 marked the low point in terms of profits for European companies as it was the period most impacted by Covid 19 and the associated lockdowns. With such an easy comparison this year simply had to be very good if the equity market were to continue its positive trajectory. The bad news is this second derivative, profit growth, will only worsen from Q2 onwards but the absolute figure should still give cause for a positive outlook. Looming inflationary pressure still had the capability of knocking the progress off track, although the ECB's shift in its target from "below but close to 2%" to 2% itself, was sufficiently dovish, or perhaps not hawkish enough, to warrant a rally in the region's bonds placing some pressure on the value rally we have witnessed over the course of

much of the year to date. And this is despite the European Commission further ramping up economic growth expectations from +4.3% to +4.8% for the full year 2021. The rosy economic outlook was the eventual winner with the MSCI Europe ex UK index rising by +1.5% over the course of the month. The result would likely have been better had it not been for some steep losses in Asian markets towards the month end as Chinese authorities tightened controls on both the technology and private education sectors.

The fund outperformed the index with an increase of +4.6%. Technology stocks such as Hexatronic, Nagarro, Crayon and Capgemini featured heavily among the winners, with all rising by more than 10% and Hexatronic by more than 30%, as the market pivoted away from the rally in value shares. The converse of this was that stocks viewed as beneficiaries of re-opening such as Barco and JDE Peets saw their shares fall over the course of the month. The worst performer was Swedish IT distributor Dustin whose shares appeared to be impacted by a downgrade from a local broker, falling by just over 12%. In some ways this was an easy short-term call as the shares, even after the fall, are still up over 50% year to date. Despite this rise we remain very positive as the company has recently announced an acquisition which will further cement its position in the Benelux market. This internationalisation of what previously was a pure Nordic play represents the next growth path for Dustin in what appears a very sensible strategy. There were no outright buys or sells in the period.

Fund and index performance source: Lipper

Fund Facts

Launch Date: 20 March 2000

Benchmark Index:
MSCI Europe ex UK Index

IA Sector: Europe ex UK

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

Fund Size: £27.8m

Fund Manager:

Hugh Cuthbert (Fund Manager)

Appointed: 23/01/2006

Years at SVM: 15 Industry Experience: 26

Fund Charges (OCF*):

Share Class A 1.98%

Share Class B 1.23%

*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:

Lower risk Higher risk

← Typically lower rewards Typically higher rewards →

1 2 3 4 5 6 7

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 09/04/2021

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

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.

Consumer Cyclical	19.8	
Technology	18.8	
Defensive	17.7	
Cyclical	16.1	
Unstable Financial	13.1	
Stable Financial	11.0	
Oil & Gas	1.1	
Mining	0.0	
Cash	2.2	

Consumer Cyclical 19.8%

Ipsos	3.0
Aluflexpack	2.7
Verallia	2.7
Schibsted	2.7
Jost Werke	2.6

Technology 18.8%

SESA	3.4
Nagarro	3.2
Hexatronic Group	3.1
United Internet	3.0
Crayon	2.9

Defensive 17.7%

Energiekontor	3.3
Veolia	3.1
Thales Group	3.0
PNE	2.1
Roche Holdings	2.1

Cyclical 16.1%

Capgemini	3.8
H+H International	3.2
Wienerberger	3.1
Dustin	3.0
Rexel	3.0

Unstable Financial 13.1%

Mediobanca	4.3
Banca Mediolanum	3.0
AXA	2.9
Allianz	2.9

Stable Financial 11.0%

Ringkøbing Landbobank	3.4
Patrizia	2.2
Partners Group Holding	2.1
LEG Immobilien	1.7
S IMMO	1.6

Oil & Gas 1.1%

TotalEnergies	1.1
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Mining 0.0%

This Month's Featured Stock

Apontis Pharma

Apontis Pharma is a German healthcare company that demonstrates the positive attributes of a drug development firm without the binary risk that such a profile traditionally entails. The company takes already approved medicines for a specific disease (and its associated side effects) and combines them into a single compound. Regulatory approval is required for such a process, but the cost, duration, and risk of this is far from the requirements for a novel compound.

The demand for the company's products is extremely strong despite the pricing being

well above the sum of all the constituent parts were the drugs to be purchased and taken individually. The reason Apontis can achieve this, and indeed the reason why their products are so popular, is that the result is not only life saving but when taken in totality it also saves considerable sums of money. This is because the targeted patient groups tend to be elderly and unable to stick to the dosing regimen of multiple pills. This results in a very low adherence to the therapy ranging between only 20-50%. Under a single-pill regime adherence increases dramatically to between 70-80%. A recent study












highlighted the fact that the Apontis single pill for coronary heart disease reduced the event rate of the disease by as much as 73%. The savings such a profile makes to healthcare systems is large, making the premium pricing strategy a very acceptable pay-off.

Despite the clear societal benefits of the company's products, we still see the need to engage with the company on other ESG matters and have recently been in contact with management with a request to improve their overall disclosure on this front.











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 Continental Europe Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.












Top 10 Holdings (%)

Company	(%)	
Mediobanca	4.3	
Capgemini	3.8	
Ringkøbing Landbobank	3.4	
SESA	3.4	
Energiekontor	3.3	
H+H International	3.2	
Nagarro	3.2	
Hexatronic Group	3.1	
Veolia	3.1	
Wienerberger	3.1	
Rest of Portfolio	66.1	

Country Breakdown

Country	No. of Stocks	(%)	
Germany	10	24.2	
France	9	23.9	
Italy	4	12.2	
Norway	4	9.2	
Sweden	3	7.2	
Switzerland	3	7.0	
Denmark	2	6.7	
Austria	2	4.6	
Netherlands	1	1.4	
Other	1.2		

Sector Breakdown (%)

Sector	(%)	
Industrials	19.1	
Financials	18.7	
Information Technology	16.1	
Materials	11.8	
Communication Services	11.6	
Real Estate	5.4	
Health Care	5.0	
Consumer Discretionary	4.5	
Utilities	3.1	
Consumer Staples	1.4	
Energy	1.1	



Size Analysis (%)

Mega Cap (>€50bn)	6.1
Large Cap (<€50bn)	19.3
Mid Cap (<€10bn)	50.9
Small Cap (<€1bn)	21.5



Currency Exposure (%)

Euro	67.7
Norwegian Krone	9.2
Swiss Franc	7.0
Danish Krone	6.7
Swedish Krona	7.2

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Fund Performance

to 31/07/2021

Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM Continental Europe Fund B	4.6	11.6	47.4	58.5	109.0	531.5
MSCI Europe ex UK Index	1.5	12.7	26.4	29.0	70.0	244.2
IA Europe ex UK Sector	1.8	11.6	26.0	28.2	68.9	260.1

Source: Lipper, as at 31/07/2021, 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 30 June

	2021	2020	2019	2018	2017
SVM Continental Europe Fund B	48.7	3.4	2.5	4.0	27.9
MSCI Europe ex UK Index	22.6	0.6	8.2	2.7	29.0
Performance Difference	+26.1	+2.8	-5.7	+1.3	-1.1

Source: Lipper, as at 30/06/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



■ SVM Continental Europe Fund B ■ MSCI Europe ex UK Index

Source: Lipper, as at 31/07/2021, 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 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 may enter into derivative 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.

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