

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 may invest in other permitted securities.



January 2021 | Share Class B

Factsheet as at 31 December 2020



Monthly Fund Commentary

The UK equity market made further gains during December. UK assets were caught in the crosscurrents of the discovery of a new, more transmissible, Covid-19 variant and the announcement of a Brexit trade deal. Despite an impressive rally from the March low, the index still finished the year in negative territory. For the month the fund returned 4.7% versus the MSCI UK Index that returned 3.7%.

UK equities enjoyed a positive start to December as investors anticipated the introduction of mass vaccinations. However, the discovery of a number of new Covid variants and the likelihood of further lockdowns led to a pullback. Markets regained their poise as the UK and the EU finally agreed a trade deal. GBP and stocks exposed to the domestic economy rallied as the tail-risk of a no-deal Brexit was removed. The agreement is centred on traded goods and excludes the UK's service sector. The performance of banks and life insurers was more muted as concerns grew over the future access of the UK's hugely important financial services sector to European markets.

The conclusion of the Brexit deal highlights the significant constraints policymakers operate under. Despite bellicose rhetoric, politicians have a strong tendency to follow the path of least resistance. This is not to say that significant policy errors cannot occur, but that they happen less frequently than many a shrill commentary suggests.

Outside of the UK many countries tightened Covid restrictions further. We continue to believe that markets will largely look through their short-term economic impact and focus on the potential for a significant recovery in the second half of the year. One of the biggest uncertainties as vaccines become available, and life begins to return to normal, will be the attitude of consumers and businesses towards

savings and investment. The household savings rate has risen substantially during the pandemic and while this will come down the quantum and timing is unclear. Perhaps we are merely projecting our own biases, but we feel it is unlikely that households will dramatically increase their level of precautionary savings in a post-pandemic world. The recent significant rise in M&A activity certainly suggests corporates see little need to save for a rainy day.

There were many large positive contributors to performance over the month. Prudential Plc rose as investors looked for reflation plays. The 'Pru' has been a notable underperformer relative to its nearest peer, AIA, over the last twelve months and with Brexit out of the way we think there is scope for this to reverse. Entain (formerly GVC) gained as the company continued to highlight the progress it was making in the US market. After something of a slow start, recent data suggests that the company is taking greater share in those states that have recently opened up. DRAM manufacturer, Micron, jumped as memory pricing continued to improve. John Menzies rose as the outlook for the aviation sector improved. The shares were buoyed further by the announcement from Signature Aviation that it had received multiple takeover approaches.

The largest detractor to performance was distributor, DCC. The shares recent underperformance was sustained as investors remained concerned over its energy transmission strategy. We believe these concerns are significantly misplaced and the stock has compelling value on a FCF yield of 8% and with its robust balance sheet.

The holdings in Associated British Foods and Micron were exited.

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: £151.7m

Fund Managers:

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

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 10/07/2020



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.

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.

Cyclical	34.3	
Consumer Cyclical	23.7	
Unstable Financial	13.0	
Oil & Gas	12.0	
Defensive	11.8	
Technology	6.0	
Stable Financial	0.0	
Mining	0.0	

Top 5 long holdings

Group totals net %.

	Cyclical	34.3%		Consumer Cyclical	23.7%		Unstable Financial	13.0%
Synthomer	4.0	Entain	4.9	Prudential	4.2			
Smurfit Kappa Group	3.9	Norcros	4.0	Legal & General	3.4			
RWS Holdings	3.3	Tesco	3.9	Lloyds Banking Group	3.3			
CRH	3.2	Ryanair	3.7	OSB Group	2.0			
Balfour Beatty	2.7	Vistry Group	1.9	Arden Partners	0.1			
	Oil & Gas	12.0%		Defensive	11.8%		Technology	6.0%
Jadestone Energy	3.9	DCC	3.0	Creo Medical Group	2.7			
Pantheon Resources	3.1	National Grid	2.9	Team17	2.0			
Energiean	1.8	Roche Holdings	2.5	Koninklijke Philips	1.7			
BP	1.1	GlaxoSmithKline	2.4	Bytes Technology Group	0.7			
Savannah Energy	0.6	AstraZeneca	1.0					
	Stable Financial	0.0%		Mining	0.0%			

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	4.9	
Prudential	4.2	
Synthomer	4.0	
Norcros	4.0	
Tesco	3.9	
Jadestone Energy	3.9	
Smurfit Kappa Group	3.9	
Ryanair	3.7	
Legal & General	3.4	
Lloyds Banking Group	3.3	
Rest of Portfolio	60.8	

Size Analysis* (Net %)

 Large Cap	41.2
 Med/Mid 250	34.9
 Small/Small Cap	23.9



*Long only positions and excludes Cash

Sector Breakdown (%)

Industrials	35.0	
Consumer Services	15.1	
Financials	15.0	
Oil & Gas	11.6	
Health Care	10.3	
Consumer Goods	6.2	
Basic Materials	4.0	
Utilities	2.9	
Technology	0.7	
Telecommunications	0.0	

This Month's Featured Stock

IMI

IMI specialises in the engineering and manufacturing of fluid control components. The group produces a wide range of valves, actuators, and controls for a diverse set of industries including healthcare, transportation, and industrial automation.

For much of the last decade, IMI appeared to be stuck in a rut. Organic growth slowed and operating profit margins, while still respectably in the mid-teens, had fallen from previous peaks. The business appeared to have become inward-looking, focused on a series of internal restructuring measures with little to excite investors in terms of innovation. Over the past 18 months, though, it appears that IMI has rediscovered some of that long-lost mojo.

A lot of the credit for this change should go to CEO, Roy Twite, who shortly after his appointment in 2019 simplified IMI's operational structure. The group is now focused on those areas which offer the fastest growth and where it can differentiate itself through either product differentiation or superior customer service. While COVID has distorted 2020's results, with disruption in some end markets offset by a surge in demand for ventilator components, IMI has shown an encouraging resilience in both revenues and earnings throughout the year.

Currently trading on an estimated 2021 PE of less than 16x, IMI trades at a discount to peers. We believe the group is well-positioned over upcoming years to deliver organic growth ahead of consensus expectations and return margins to previous peak levels and potentially beyond. With a strong balance sheet, IMI also has the option to conduct returns – enhancing M&A activity.

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Calls may be recorded

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INDEPENDENT THINKING

Fund Performance

to 31/12/2020

Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	4.7	-8.1	-8.1	6.6	32.6	626.7
MSCI United Kingdom IMI Index	3.7	-11.7	-11.7	-5.6	25.5	125.4
IA UK All Companies Sector	4.5	-6.0	-6.0	3.0	30.7	197.5

Source: Lipper, as at 31/12/2020, 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 December

	2020	2019	2018	2017	2016
SVM UK Opportunities Fund B	-8.1	31.4	-11.7	14.6	8.6
MSCI United Kingdom IMI Index	-11.7	18.5	-9.7	13.1	17.5
Performance Difference	+3.6	+12.9	-2.0	+1.5	-8.9

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 (%)



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

Source: Lipper, as at 31/12/2020, 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.

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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.