

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.



June 2021 | Share Class B

Factsheet as at 31 May 2021



Monthly Fund Commentary

The first phase of market rotation is often indiscriminate. Investors can just focus on surprise, the potential for further overshoot of expectations and the sudden ability that even bad businesses get to pass on prices. Meanwhile, growth looks less special and investors discount its future more heavily.

But now more serious thought begins. Market opinion is finely balanced between transient inflation and the possibility of it becoming embedded and racing away. Few were investing in the 1960s, so the lessons of history may be forgotten. Investors should think more about the impact of supply bottlenecks, de-globalisation, sustainability and politics. There is potential for much change in the global economy but possibly in a different direction than the exceptional circumstances of the pandemic.

Indeed, the supply restrictions that have triggered sharp price increases may be solved over the next 18 months. It might take longer to address inequalities that have worsened during the pandemic, or to build on the popular mood for a sustainable economy. Disinflationary forces remain, not least within the EU.

It is surely too soon after a great economic shock to bet on supply shortages beating the powerful long term forces of technology and demographics. Indeed, these very shortages and price rises may spur increased capital investment, finally turning round weak productivity growth. And markets should not assume that the US lack of concern on inflation means inaction by all central banks. This year may bring a tightening by the Bank of England ahead of the US Federal Reserve. Brexit has triggered more bottlenecks in the UK economy and its successful vaccination programme has spurred a sharper bounce in the economy than in much of Europe. The key to whether inflation is transient or not will not be found in wage inflation. If the Bank of England acts, the Pound would likely strengthen – cooling the economy a little but favouring domestic stocks over international earnings.

The narrative of inflation and rotation has driven some moves that may prove unsustainable. A more balanced approach to investment style may now be prudent. Within the economic changes of resilience, productivity, capex and sustainability, there is good opportunity for growth businesses.

Performance

In May, SVM UK Growth Fund returned -2.0% compared with the return of 1.2% for the MSCI UK IMI TR Index and 1.6% for the average fund in the IA UK All Companies sector. For the 5 years to 31 May, the Fund returned 52.6%, compared to a return of 37.2% for the MSCI UK IMI TR Index and 46.8% for the average fund in the IA UK All Companies sector. The market pattern currently favours value, but growth businesses with good results are being recognised. A number of businesses have both value and growth characteristics; with pricing power and also growth strategies that should win market share in their sectors.

Trading and results

May saw some portfolio stocks react well to good trading updates. Gamma Communications, Games Workshop and Cranswick each hit a new all-time high. There were also good contributions to performance from Future and K3 Capital. Ceres Power, Flutter, Ocado and ITM Power lagged in the month.

In May, new investments were made in IT services specialist, Kin & Carta, financial content marketer, Dianomi, and Marks & Spencer. Additional investment was put into CRH, MPAC Group, Loungers and Genus. Inspecc, designs and produces frames for glasses. MPAC provides packaging machinery and solutions. To fund these, part sales were made of Ocado, Premier Foods, AO World, Homeserve and Rentokil.

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

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: £188.3m

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 1.72%
Share Class B 0.97%

*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 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

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 32.9%

Ceres Power	4.2
Keystone Law	3.2
Wizz Air	2.9
Experian	2.7
Diploma	2.4

Financials 9.4%

Intermediate Capital	2.7
Impax Asset Management	1.6
London Stock Exchange	1.6
Beazley	1.5
Draper Esprit	1.0

Materials 6.0%

Croda	3.5
CRH	1.5
Smurfit Kappa Group	1.0

Utilities 0.0%

Consumer Discretionary 25.4%

JD Sports Fashion	3.8
Entain	2.9
AB Dynamics	2.6
Flutter Entertainment	2.4
Games Workshop	2.3

Communication Services 7.2%

Gamma Communications	3.5
Future	1.6
Team17	1.4
4imprint Group	0.3
Kin & Carta	0.2

Consumer Staples 5.6%

Cranswick	2.4
Hilton Food Group	1.5
Kerry Group	1.0
Fevertree Drinks	0.7

Energy 0.0%

Information Technology 12.7%

Kainos	2.7
AVEVA	1.7
Softcat	1.5
Oxford Instruments	1.3
Boku	1.2

Real Estate 6.5%

Unite Group	2.3
Segro	1.7
Watkin Jones	1.5
Londonmetric Property	1.0

Health Care 5.4%

Dechra Pharmaceuticals	3.5
Kooth	1.0
Genus	0.4
Inspects Group	0.3
Indivior	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 %)

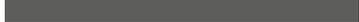
Ceres Power	4.2	
JD Sports Fashion	3.8	
Gamma Communications	3.5	
Croda	3.5	
Dechra Pharmaceuticals	3.5	
Keystone Law	3.2	
Entain	2.9	
Wizz Air	2.9	
Kainos	2.7	
Experian	2.7	
Rest of Portfolio	67.1	

Size Analysis (Gross %)

 Large Cap	49.0
 Med/Mid 250	42.4
 Small/Small Cap	19.8



Sector Breakdown (%)

Industrials	32.9	
Consumer Discretionary	25.4	
Information Technology	12.7	
Financials	9.4	
Communication Services	7.2	
Real Estate	6.5	
Materials	6.0	
Consumer Staples	5.6	
Health Care	5.4	
Energy	0.0	
Utilities	0.0	

This Month's Featured Stock

Marks & Spencer

Marks and Spencer (M&S), one of the UK's most venerable brands, is a retailer of food and clothing. The group operates over 1,000 stores in the UK and has a mixture of owned and franchised stores in over 60 international markets. While M&S' recently released full-year results were heavily impacted by the Covid pandemic, this should not detract from the improvements made in recent years.

Although the group's Clothing & Home retail stores saw revenues decline by over 50% due to enforced closures, online sales grew by over 50%. Historically, M&S' online business had been plagued by poorly designed websites and logistical problems. In 2021, the group managed to cope with an unprecedented increase in demand during a pandemic without any significant operational hiccoughs. Indeed, having added a number of third-party brands to its online offering, the group has emerged with a stronger platform than when it entered the pandemic. The group's food division proved resilient during the year, despite significant exposure to both travel and hospitality channels. M&S' joint venture with Ocado launched successfully in September and will benefit in upcoming years from increasing capacity. M&S still faces many challenges.

M&S is cash-flow positive and can reduce debt as it re-shapes its property portfolio to focus on a core of 180 stores. M&S must take more radical steps to repurpose and shrink space. The restructuring will need cash, but we believe that there is hidden value in property that can be released. The M&S brand is still relevant for the British consumer.

We feel though that legacy issues are more than adequately reflected in the current stock price. The share price reflects past problems, but M&S is becoming a winner online, powered by Ocado. With a strong Food brand that should disproportionately benefit from the reopening economy and a fast-improving Clothing & Home offering, M&S is well positioned to outperform.

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Calls may be recorded

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Share Class A SXSR
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INDEPENDENT THINKING

Fund Performance

to 31/05/2021

Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	-2.0	6.6	30.6	18.5	52.6	364.6
MSCI United Kingdom IMI Index	1.2	11.2	21.8	3.1	37.2	150.7
IA UK All Companies Sector	1.6	12.0	29.0	12.3	46.8	234.5

Source: Lipper, as at 31/05/2021, 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 31 March

	2021	2020	2019	2018	2017
SVM UK Growth Fund B	54.6	-19.2	-2.2	12.4	8.9
MSCI United Kingdom IMI Index	24.4	-19.3	6.5	1.2	22.3
Performance Difference	+30.2	+0.1	-8.7	+11.2	-13.4

Source: Lipper, as at 31/03/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



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

Source: Lipper, as at 31/05/2021, 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 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.