

# SVM

## UK Growth Fund

The Fund's aim is to achieve medium to long term capital growth from an equity portfolio selected from UK listed stocks and other permitted securities. Its objective is to beat the FTSE All-Share Index.

August 2020 | Share Class B

Figures as at 31 July 2020



## Fund Managers



**Margaret Lawson**  
Co Fund Manager

Industry Experience: 20

Years at SVM: 30

Appointed: 31/10/2005



**Colin McLean**  
Co Fund Manager

Industry Experience: 46

Years at SVM: 30

Appointed: 29/02/2008

## Monthly Fund Commentary

Even in normal years, August can be a difficult month for investors. Volatility is unconstrained by much fundamental company news- headlines are filled with politics and currencies. And holidays typically reduce thoughtful economic and company analysis. Can we expect a rational stockmarket this year?

Initially, as shares began their rebound in late March, little analysis was needed. The market was oversold and it was clear some sectors were well placed to cope. Many challenged businesses in travel and consumer services were able to re-capitalise and investors seemed willing to accept a bad year. After the recovery in growth stocks, cyclicals and "value" joined in the rally from mid-May. All boats were lifted on a rising tide of optimism.

But now, discrimination is essential. Investors are beginning to pay attention to valuations of growth and individual company prospects in troubled sectors. Ratings of some growth businesses will not tolerate any stumbles. And confidence in a quick recovery for cyclicals is giving way to the reality of ongoing hotspots and lockdowns. The new nervous normal makes some businesses almost un-investible. Investors quickly supported cash-calls in travel, retail and leisure – but some of those follow-on investments are already looking hasty. Outside the boom in technology, investment confidence is low.

The summer seems to be bringing realism into "value". The biggest problem area seems to be traditional banking, now operating in a

world where credit assessment is very difficult. Temporary government schemes such as furlough, combined with cheap money and much short term forbearance on tax and rents, confuse credit. In personal lending and SME borrowing, bankers will find it hard to assess the true financial position of more companies and individuals. It leaves a confused outlook for the banking sector.

Prospects are clearer in other areas, particularly growth businesses, consumer staples and many traditional groups with a credible digital strategy. But investors should focus on valuation – it is time to put the stockmarket rally under the microscope. This year August could bring an opportunity for disciplined fundamental investors.

In July, SVM UK Growth Fund returned 1.4%, compared to a return of -3.6% for the FTSE All-Share Index and -2.3% for the average fund in the IA UK All Companies sector. For the 5 years to 30 July, the Fund is top quartile, returning 21.9%, compared to a return of 8.5% for the FTSE All-Share Index and 9.5% for the average fund in the IA UK All Companies sector.

During the month, there were positive contributions to performance from Kainos, Gamma Communications, Croda, Renishaw and Flutter. Johnson Services, Ceres and Dart Group lagged. Your Fund remains fully invested, focused on resilient growing businesses, with low exposure to commodities, oil and banks.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 20 March 2000

**Benchmark Index:**  
FTSE All-Share Index

**IA Sector:** UK All Companies

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

**Fund Size:** £148.6m

**Fund Charges:**  
OCF\*  
Share Class A 1.79%  
Share Class B 1.04%

\*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

### Ratings:



FE Crown Fund Ratings do not constitute investment advice offered by FE and should not be used as the sole basis for making any investment decision. All rights reserved.

### 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 5 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.**

**ACTIVE STOCKPICKERS**

# 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.

### Consumer Services: 25.1% (%)

Ocado	4.5
JD Sports Fashion	3.1
Flutter Entertainment	2.5
Wizz Air	2.4
Homeserve	2.2

### Industrials: 24.3% (%)

Keystone Law	3.3
AB Dynamics	3.2
Rentokil Initial	3.0
Experian	2.9
Johnson Service Group	2.0

### Financials: 19.3% (%)

London Stock Exchange	3.2
Unite Group	3.2
Beazley	2.7
Intermediate Capital	2.2
Segro	2.0

### Consumer Goods: 13.7% (%)

Cranswick	2.8
Kerry Group	2.2
Games Workshop	2.1
Hilton Food Group	1.8
Team17	1.7

### Health Care: 8.5% (%)

Dechra Pharmaceuticals	3.0
AstraZeneca	3.0
Hikma Pharmaceuticals	1.0
UDG Healthcare	1.0
Indivior	0.3

### Technology: 7.4% (%)

Kainos	2.7
Softcat	1.3
FDM Group	1.0
AVEVA	0.7
Avast	0.7

### Telecommunications: 3.5% (%)

Gamma Communications	3.5
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### Basic Materials: 3.4% (%)

Croda	3.4
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### Oil & Gas: 2.5% (%)

Ceres Power	1.8
ITM Power	0.7

### Utilities: 0.0% (%)

## This Month's Featured Stock

### Games Workshop Group

Games Workshop manufactures and retails table-top war-game systems and miniatures. It operates 250 stores in the UK and serves over 350 independent retailers. The company also has stores in North America, Continental Europe and Australia. It operates across 23 countries. Capitalised at £3 billion, the business is now more than just a niche retailer serving hobbyists. There is significant potential to extend its Warhammer and Middle Earth game franchises into new areas.

The pandemic has to date had relatively little impact on the business despite temporary store closures. Games Workshop has benefited from changing consumer habits during lockdown, and financial prudence with its balance sheet. It has a strong project pipeline with a first animation, plans for TV, and additional brand extensions in games. The company has signed licensing deals with a range of partners, including Sega and Frontier Developments. There is increasing interest

worldwide, with games launched by Russian Polish studios.

The careful way in which Games Workshop has nurtured its franchise has delivered consistent growth in revenue and profits. Its shares are now more highly rated, but the group is on the verge of achieving earnings streams that are based on its brand rather than manufacturing or retail operations.

## Stock Analysis

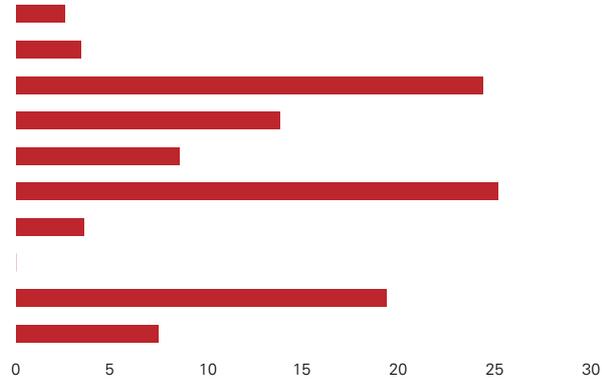
Top 10 Long Holdings	(Gross %)
Ocado	4.5
Gamma Communications	3.5
Croda	3.4
Keystone Law	3.3
London Stock Exchange	3.2
AB Dynamics	3.2
Unite Group	3.2
JD Sports Fashion	3.1
Dechra Pharmaceuticals	3.0
AstraZeneca	3.0
<b>Total</b>	<b>33.4</b>

Size Analysis	(Gross %)
Large Cap	39.5
Med/Mid 250	45.9
Small/Small Cap	22.3

## Sector Analysis

### Sector Breakdown (%)

Oil & Gas	2.5
Basic Materials	3.4
Industrials	24.3
Consumer Goods	13.7
Health Care	8.5
Consumer Services	25.1
Telecommunications	3.5
Utilities	0.0
Financials	19.3
Technology	7.4



Issued by SVM Asset Management Limited who is authorised and regulated by the Financial Conduct Authority:  
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Share Class A GB0032064635  
Share Class B GB0032084708

### MEX:

Share Class A SXSR  
Share Class B SXSI

### SEDOL:

Sedol GBP 3206463  
Sedol GBP 3208470

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Registered No. 125817

## Fund Performance to 31/07/2020

### Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	1.4	-11.8	-5.6	3.3	21.9	259.4
FTSE All-Share Index	-3.6	-20.5	-17.8	-9.1	8.5	108.7
IA UK All Companies Sector	-2.3	-19.7	-14.5	-7.7	9.5	151.7

Source: Lipper, as at 31/07/2020, 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 30 June

	2020	2019	2018	2017	2016
SVM UK Growth Fund B	-4.3	-6.0	16.2	23.1	-3.7
FTSE All-Share Index	-13.0	0.6	9.0	18.1	2.2
Performance Difference	+8.7	-6.6	+7.2	+5.0	-5.9

Source: Lipper, as at 30/06/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 31/07/2020, 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.

**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.