

# 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.



February 2022 | Share Class B

Factsheet as at 31 January 2022



## Monthly Fund Commentary

Does economic history help? For natural worriers, every new economic and geopolitical challenge seems unique and insurmountable. Supply shortages, price rises and war unnerve many investors. But markets climb a wall of worry and there is little that has not been seen and solved before. In the late 1970s, oil prices, inflation and upset in the world order combined to seemingly destroy any case for equities and bonds. But resolution was surprising and swift, paving the road to a new bull market.

Living through a period of central bank rate hikes seems scary at the time, but history points to equities typically coping well. Certainly, we have recently had unprecedented loose monetary policy and the US Fed may need some bigger jumps in rates. But signs are this is gradually becoming priced in, as are the risks in Ukraine. Certainly, disruption in Ukraine could trigger a squeeze in energy and food prices, but more likely is the scenario that Russia and the US work out something that they can each just about tolerate. As with the late 1970s, the Fed tightening of February 1994 set the stage for a strong bull market.

Technology has come off worst in this sell-off. Many NASDAQ companies - particularly lower capitalisation - do not yet have sufficient cashflow to avoid further funding and have unstable shareholder bases, with an overhang of locked-in shareholders. Some valuations were clearly unrealistic, creating huge unrealised gains for founders and private equity investors that may prove hard to capture. Fortunately most growth businesses are not in the technology sector.

Growth businesses, particularly if mid-cap, typically occupy niches with wide defensive moats. These range from food to legal services, representing innovation in business models for which technology may be just one factor. Some of these shares have been badly hit in the recent sell-off, but have seen no

deterioration in business prospects. Indeed, many growth and B2B businesses are well placed to cope with labour shortages, energy costs and inflation. The indiscriminate sell-off has exposed opportunity in some mid-cap businesses, little affected by rate rises or NASDAQ.

Market recovery may take time as central bank tightening becomes clearer. Meanwhile, the supply of new paper will slow as the IPO market pauses. Often, after share price falls, it is corporate buyers who first spot value. The first signs of a bottom for the market might be a pick-up in merger and acquisition activity.

### Performance

In January, SVM UK Growth Fund returned -13.4% (B shares) compared with the return of 0.1% for the MSCI UK IMI TR Index and -3.7% for the average fund in the IA UK All Companies sector. For the 5 years to 31 January, the Fund returned 42.3% (B shares), compared to a return of 27.4% for the MSCI UK IMI TR Index and 30.7% for the average fund in the IA UK All Companies sector.

### Trading and results

Over the month, there were positive contributions to performance from Jet2, Keystone Law, Beazley, LSE and Watkin Jones. The main negatives in the month were Ceres Power, Croda, Dechra, Kainos and Impax Investment. The market pattern favoured value.

In January, additional investment was made in Team17 and Marlowe. To fund these, Kerry Group was sold and Ceres Power was reduced.

Your Fund remains fully invested, including likely recovery beneficiaries and well-funded resilient growth businesses.

Fund and index performance source: FE fundinfo

## 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:** £180.0m

### 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 1.71%  
Share Class B 0.96%

\*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:



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 31/12/2021

**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 34.1%

Keystone Law	4.6
Experian	2.6
Wizz Air	2.5
Diploma	2.4
Rentokil Initial	1.8

### Financials 10.6%

Intermediate Capital	2.5
JTC	1.9
Impax Asset Management	1.7
Beazley	1.4
London Stock Exchange	1.2

### Health Care 6.6%

Dechra Pharmaceuticals	3.7
Kooth	1.1
Genus	0.5
Instem	0.5
Indivior	0.5

### Utilities 0.0%

### Consumer Discretionary 17.9%

JD Sports Fashion	3.6
Entain	3.2
Flutter Entertainment	2.1
Games Workshop	1.6
AB Dynamics	1.3

### Communication Services 7.8%

Gamma Communications	2.9
Future	1.8
Team17	1.7
Dianomi	1.1
4imprint Group	0.3

### Materials 6.2%

Croda	3.9
CRH	1.2
Smurfit Kappa Group	1.1

### Energy 0.0%

### Information Technology 15.3%

Kainos	3.1
AVEVA	1.5
Oxford Instruments	1.4
Softcat	1.4
Boku	1.2

### Real Estate 7.7%

Segro	2.3
Unite Group	2.2
Watkin Jones	1.8
Londonmetric Property	1.3
Industrials REIT	0.2

### Consumer Staples 4.1%

Cranswick	2.3
Hilton Food Group	1.5
Revolution Beauty	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 %)

Keystone Law	4.6	
Croda	3.9	
Dechra Pharmaceuticals	3.7	
JD Sports Fashion	3.6	
Entain	3.2	
Kainos	3.1	
Gamma Communications	2.9	
Experian	2.6	
Intermediate Capital	2.5	
Wizz Air	2.5	
<b>Rest of Portfolio</b>	<b>67.4</b>	

### Size Analysis (Gross %)

 Large Cap	42.9
 Med/Mid 250	44.4
 Small/Small Cap	23.0



### Sector Breakdown (%)

Industrials	34.1	
Consumer Discretionary	17.9	
Information Technology	15.3	
Financials	10.6	
Communication Services	7.8	
Real Estate	7.7	
Health Care	6.6	
Materials	6.2	
Consumer Staples	4.1	
Energy	0.0	
Utilities	0.0	

## This Month's Featured Stock

### Watkin Jones

Watkin Jones is a leading UK construction and development company. Historically the group largely focused on student accommodation, primarily using a forward sales model to minimise risk. This effectively allows funding of developments by institutional investors, who typically takeover ownership once completed. That may involve subcontracting management to Watkin Jones. The interesting newer part of the business is build-to-rent which aims to take skills developed in student accommodation into rental for young professionals and families. Build-to-rent is currently a minority of the business but business already secured will see this grow.

Since listing in 2016, Watkin Jones has delivered a string of impressive results demonstrating both the attractiveness of their end markets and their strong operational performance. In many ways growth in the private rented sector plays to Watkin Jones' strengths. The group seeks to forward sell the development to de-risk its own involvement, acting as a construction and development partner to a range of investors.

The development pipeline for the group is now around £1.8bn with some 4000 build-to-rent apartments and approximately 7800 student beds across 23 developments. As with many builders and developers, cladding is a potential future cost, but the group has stated it remains comfortable with its existing provision. The group is seeing strong demand for rental assets and is continuing to make sales of developed schemes and accommodation. This is likely only to affect build-to-rent work. The group has significant net cash but has yet to decide whether this offers potential for capital returns or if the affordable homes business would benefit from additional capital.

To date, Watkin Jones has managed to control build costs despite inflation in the sector. Since listing, the group has achieved a high return on capital and grown dividends. Its plans to develop affordable housing should attract ESG-focused investors. Watkin Jones has growth potential: the UK appears short of suitable housing.

## Fund Performance

to 31/01/2022

### Cumulative Performance, % change

	One month	2022 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	-13.4	-13.4	1.0	25.3	42.3	326.4
MSCI United Kingdom IMI Index	0.1	0.1	19.8	19.2	27.4	183.2
IA UK All Companies Sector**	-3.7	-3.7	13.9	23.2	30.7	168.3

Source: FE fundinfo, as at 31/01/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

\*The Fund was launched on 20 March 2000

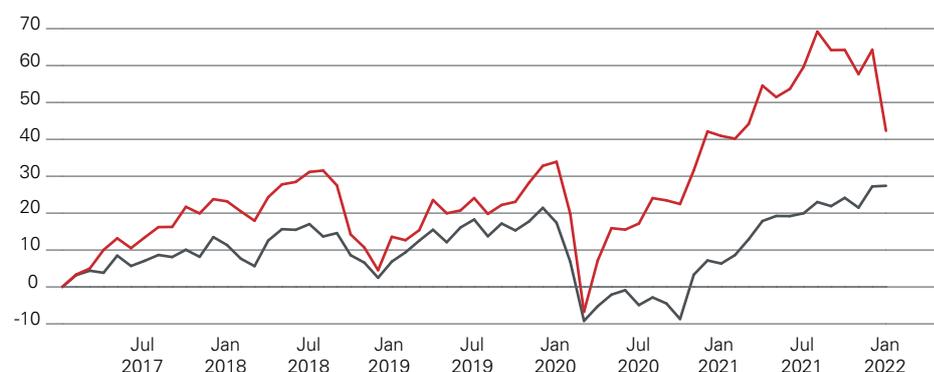
\*\*IA is provided as a comparator

### Percentage growth year on year to 31 December

	2021	2020	2019	2018	2017
SVM UK Growth Fund B	15.6	7.0	27.1	-15.5	24.6
MSCI United Kingdom IMI Index	18.7	-11.7	18.5	-9.7	13.1
Performance Difference	-3.1	+18.7	+8.6	-5.8	+11.5

Source: FE fundinfo, as at 31/12/2021, 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: FE fundinfo, as at 31/01/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Data provided by FE fundinfo. Care has been taken to ensure that the information is correct but it neither warrants, represents nor guarantees the contents of the information, nor does it accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

### 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 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.

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Share Class B GB0032084708

### MEX:

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Share Class B SXSI

### SEDOL:

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Sedol GBP 3208470

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