

# 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.

June 2020 | Share Class B

Figures as at 31 May 2020



## Fund Managers



**Margaret Lawson**  
Co Fund Manager

Industry Experience: 40

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

Despite the challenges for the economy, some positive new trends are emerging. The way we live our lives has changed fast; work/life and home/office balances have been reset. This will combine with renewed focus on genuine growth and business resilience as the pace of change accelerates.

Remote working with closer family living has spurred interest in the home environment, wellness and exercise. Our home is now a haven. Ecommerce has proven its convenience and reliability, creating opportunities for retailers with a robust online strategy. Logistics companies and online entertainment are also gaining from this. We will be spending more time in our homes for the foreseeable future, and will invest to make them comfortable and stylish.

Businesses are likely to demand more enterprise support services; supporting cloud, data, mobile services and virtual operations. Many firms will move their existing remote work onto more robust systems, and strengthen cyber security. Suppliers of these technologies were typically already disrupters in their categories and have proven their agility in offering differentiated services in scalable ways. Many of these growth businesses work with lean capital-lite business models. There is little pressure on them now to raise new capital and they may be in a position to acquire weaker rivals.

History shows that economic shocks often drive long term social change. While the lockdown has damaged the economy, there have been identifiable benefits to wellbeing

and the environment. At the same time, in many companies the governance model has failed to deliver genuine resilience. Although the shock was unexpected, too many listed companies seemed focused on business as usual. Investment approaches that recognise the importance of good governance; dividend payouts and mis-directed executive rewards may matter more than ever.

The crisis has heightened the contrast between legacy businesses and well-adapted agile disruptors. Changes in tastes are often slow to evolve, but persistent once set. At the centre of the revolution is a shift in sentiment to the home environment. This investment theme could shape the economy for the decade ahead.

In May, SVM UK Growth Fund returned 8.2%, compared to a return of 3.4% for the FTSE All-Share Index and 2.9% for the average fund in the IA UK All Companies sector. For the 5 years to 31 May, the Fund is top quartile, returning 18.4%, compared to a return of 6.9% for the FTSE All-Share Index and 7.4% for the average fund in the IA UK All Companies sector.

During the month, there were positive contributions to performance from Unite, Beazley, Ceres Power, Flutter, Intermediate Capital and Wizz Air. Ocado and Cranswick 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:** £149.3m

### Fund Charges:

OCF\*  
Share Class A 1.78%  
Share Class B 1.03%

\*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 29/05/2020

**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: 26.2% (%)

Ocado	4.4
JD Sports Fashion	3.6
Wizz Air	2.5
Flutter Entertainment	2.2
Homeserve	2.1

### Industrials: 25.5% (%)

Experian	3.5
AB Dynamics	3.1
Keystone Law	2.9
Johnson Service Group	2.8
Rentokil Initial	2.7

### Financials: 19.3% (%)

Unite Group	3.3
London Stock Exchange	3.0
Beazley	2.5
Intermediate Capital	2.0
Segro	1.6

### Consumer Goods: 13.8% (%)

Kerry Group	3.2
Cranswick	2.9
Hilton Food Group	2.0
Watkin Jones	1.8
Games Workshop	1.6

### Health Care: 7.6% (%)

AstraZeneca	3.0
Dechra Pharmaceuticals	2.8
UDG Healthcare	1.0
Hikma Pharmaceuticals	0.7
Indivior	0.1

### Technology: 5.2% (%)

Kainos	2.0
Softcat	1.0
FDM Group	1.0
AVEVA	0.7
Blue Prism	0.6

### Basic Materials: 3.0% (%)

Croda	3.0
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### Telecommunications: 2.7% (%)

Gamma Communications	2.7
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### Oil & Gas: 2.6% (%)

Ceres Power	1.9
ITM Power	0.7

### Utilities: 0.0% (%)

## This Month's Featured Stock

### Ocado Group

Ocado is a FTSE 100 technology business with distribution partnerships in the US, Canada, Australia, UK and France. The Ocado Smart Platform (OSP) is a suite of solutions for operating online grocery businesses. Its proprietary technology has applications beyond the grocery sector. Ocado's unique and proprietary technology is specifically built for online, and its delivery technology has attracted a number of major international grocery chains to partner with it, accelerating

growth. It has packaged and licenced its technology to other retail partners globally as OSP. It could achieve further distribution partnerships in a number of other countries using its proprietary technology, taking the total to 12-15. The wider addressable market is huge. In the UK, Ocado retains a 50% share in a retail joint venture with Marks & Spencer, an important test bed. The JV gave Ocado cash to help fund its international roll-out and capture long term upside. The partnership has

improved M&S's growth prospects in the UK, but most of the future profits will still accrue to Ocado shareholders via technology fees, rather than M&S. Ocado is revolutionising global grocery through the fusion of software, hardware, and robotics. While currently lossmaking as it invests, it is developing multiple revenue sources and technology leadership.

## Stock Analysis

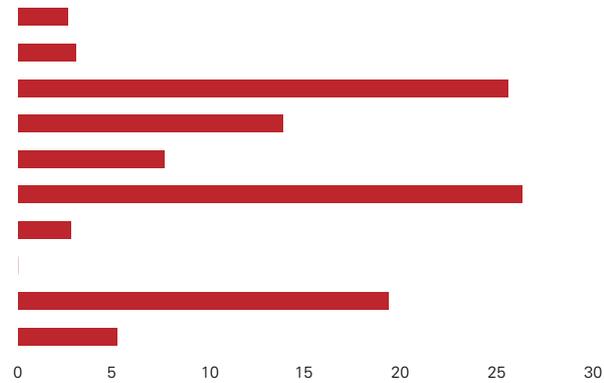
Top 10 Long Holdings	(Gross %)
Ocado	4.4
JD Sports Fashion	3.6
Experian	3.5
Unite Group	3.3
Kerry Group	3.2
AB Dynamics	3.1
London Stock Exchange	3.0
AstraZeneca	3.0
Croda	3.0
Keystone Law	2.9
<b>Total</b>	<b>33.0</b>

Size Analysis	(Gross %)
Large Cap	38.6
Med/Mid 250	44.4
Small/Small Cap	23.0

## Sector Analysis

### Sector Breakdown (%)

Oil & Gas	2.6
Basic Materials	3.0
Industrials	25.5
Consumer Goods	13.8
Health Care	7.6
Consumer Services	26.2
Telecommunications	2.7
Utilities	0.0
Financials	19.3
Technology	5.2



Issued by SVM Asset Management Limited who is authorised and regulated by the Financial Conduct Authority:  
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## Enquiries

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Share Class A GB0032064635  
Share Class B GB0032084708

### MEX:

Share Class A SXSR  
Share Class B SXSI

### SEDOL:

Share Class A 3206463  
Share Class B 3208470

### Registered Office:

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Registered No. 125817

## Fund Performance to 31/05/2020

### Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	8.2	-12.7	-3.4	2.4	18.4	255.6
FTSE All-Share Index	3.4	-18.8	-11.2	-8.4	6.9	113.2
IA UK All Companies Sector	2.9	-18.4	-9.5	-7.5	7.4	156.1

Source: Lipper, as at 31/05/2020, 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 March

	2020	2019	2018	2017	2016
SVM UK Growth Fund B	-19.2	-2.2	12.4	8.9	4.8
FTSE All-Share Index	-18.5	6.4	1.3	22.0	-3.9
Performance Difference	-0.7	-8.6	+11.1	-13.1	+8.7

Source: Lipper, as at 31/03/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 31/05/2020, 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.