

# SVM

## UK Opportunities Fund

The Fund's aim is to achieve medium to long-term capital growth by investing principally in UK Companies listed on the London Stock Exchange and other permitted securities.

April 2020 | Share Class B

Figures as at 31 March 2020



## Fund Managers



**Neil Veitch**  
Fund Manager

Industry Experience: 24

Years at SVM: 14

Appointed: 23/01/2006



**Craig Jeruzal**  
Deputy Fund Manager

Industry Experience: 15

Years at SVM: 14

Appointed: 01/01/2014

## Monthly Fund Commentary

Equity markets fell precipitously in March as the spread of COVID-19 became apparent. National governments responded to the pandemic by 'locking down' their economies in an attempt to contain the spread of the virus and prevent their health systems from being overwhelmed. The placing of the majority of the global economy into a form of suspended animation is unprecedented and has created significant financial and economic stress. Policy makers responded appropriately. Central banks injected significant liquidity into the system while national governments took steps to support household and corporate balance sheets. The significant policy response led to equities recouping some of their losses. Nonetheless, the FTSE All-share declined -15.1% over the month. The fund's performance was disappointing, returning -23.7%.

Last month we commented how we were positioned for a recovery in economic growth both in the UK and elsewhere. This was detrimental to the fund's performance in both February and March. The fund also suffered due to its oil & gas weighting. In response to OPEC+ failing to agree to a production cut at its meeting in early March, Saudi Arabia, the largest producer in the group, announced it was increasing its production with the objective of flooding the global market with oil and pushing the price down. The most pernicious impact on the portfolio, however, was through those businesses who in normal circumstances should be fairly resilient. Bookmakers' revenue has been relatively stable through numerous recessions but what if there is no sport to bet on? IWG is cyclical but has traded through the financial crisis and the bursting of the TMT bubble, but does the corona crisis fundamentally alter demand for serviced offices? Building materials

businesses with strong balance sheets such as Forterra and Norcros have traded through many downturns, but how strong does a balance sheet need to be if there is no revenue? All of these stocks were significant negative contributors during the month. Team17 was the main positive as the company released another positive update.

Trading activity was significant. In response to the emerging economic threat from the coronavirus we reduced the cyclical of the portfolio in late February and very early March. During this period the holdings in Ashtead, Informa, IAG, Biffa, Legal and General and Wizz Air were exited at significantly higher prices than available today. The holdings in Ryanair and Lloyds were reduced. A number of less liquid holdings including Speedy Hire, Team 17, and Kainos were reduced or exited as we sought to increase the fund's flexibility. The significant sell-off mid-month was used to add new positions in Glaxosmithkline, Astrazeneca, National Grid, Unilever, and Diageo.

We've written before about our unscientific, but hitherto wholly accurate, 'muddle-through' philosophy. Even in the depths of the global financial crisis, when investors could have been mistaken for thinking the sky was falling, we stuck to this tenet. While times were undeniably hard, the rhythm of daily life continued much the same as before. This is different. Coronavirus' impact is not limited to the financial realm, significant as this will be, but will influence how society is structured and people behave. In recognition of this uncertainty we have retained significant flexibility in order to respond to opportunities as they evolve.

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:** £86.7m

**Fund Charges:**  
OCF\*  
Share Class A 1.80%  
Share Class B 1.05%

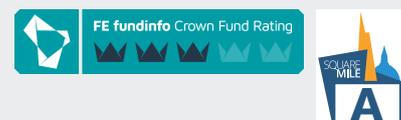
\*Ongoing Charges Figure includes Annual Management Charge and additional expenses.

**Minimum Investment:**

	Initial	Subsequent
Share Class A	£1,000	£200
Share Class B	£250,000**	£200

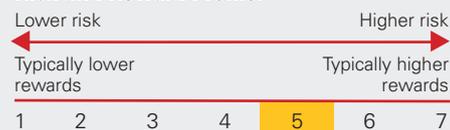
\*\*Discounted to £1,000 for Professional Advisers

### 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. Square Mile ratings are sourced from Square Mile.

### 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 03/01/2020

**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**

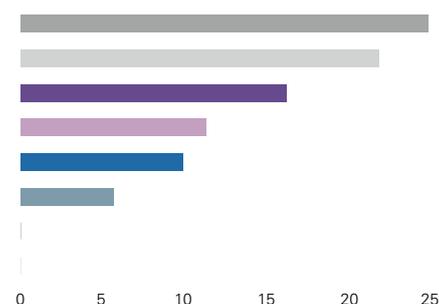
## Portfolio Analysis

### 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.

	(Net %)
Defensive	24.8
Cyclical	21.7
Consumer Cyclical	16.2
Unstable Financial	11.3
Oil & Gas	9.9
Technology	5.7
Stable Financial	0.0
Mining	0.0



### Top 5 long holdings

#### Defensive: 24.8%

	(%)
DCC	5.9
National Grid	5.5
GlaxoSmithKline	4.7
AstraZeneca	3.3
Diageo	3.0

#### Cyclical: 21.7%

	(%)
Synthomer	5.4
Balfour Beatty	3.9
Smurfit Kappa Group	3.2
Alpha FMC	3.1
Forterra	2.4

#### Consumer Cyclical: 16.2%

	(%)
Tesco	7.5
Norcros	4.2
GVC Holdings	3.7
Ryanair	2.2
Lookers	0.2

#### Unstable Financial: 11.3%

	(%)
Prudential	5.8
Onesavings Bank	2.3
Lloyds Banking Group	2.0
M&G	1.2

#### Oil & Gas: 9.9%

	(%)
Jadestone Energy	3.7
Energiean Oil & Gas	2.6
Pantheon Resources	1.5
Savannah Petroleum	0.6
Jersey Oil & Gas	0.5

#### Technology: 5.7%

	(%)
SDL	2.8
Creo Medical Group	2.4
Team17	1.8
Simec Atlantis Energy	0.4

#### Stable Financial: 0.0%

#### Mining: 0.0%

Group totals net %.

## This Month's Featured Stock

### Tesco

Tesco is the UK's largest supermarket chain. The business is also a market leader in Ireland, Hungary and has a top 3 position in Poland.

The ongoing global pandemic has reiterated the defensive qualities of the supermarket sector. While other retailers saw sales fall dramatically, supermarkets received an initial surge as consumers stocked up on essentials. Sales have remained at a higher than normal rate as the lockdown continues, with people forced to eat all their meals at home. This change in consumer behaviour has not come without challenges. Supermarkets

have had to adapt their practices to ensure social distancing can be maintained and hire thousands of new staff to meet the increased demand both in-store and for deliveries. The gains supermarkets have received from unexpected volume growth have been offset to varying extents by increased operating costs.

Tesco's recent full-year results highlighted these trends. While it is difficult to look beyond the near-term disruption, over the past year Tesco has made good continued operational progress. The group has successfully disposed

of its Asian operations for an enterprise value of over £8bn and ongoing synergies from the Booker acquisition were ahead of expectations.

Currently trading on an estimated 2021 PE of c.13x and a high single digit free-cash flow yield, we feel that Tesco's valuation fails to reflect the group's defensive qualities. When the dust settles on the coronavirus pandemic, we believe those companies that demonstrated an ability to trade well and generate cash throughout will warrant a higher rating. Tesco falls into that category.

## Stock Analysis

Top 10 Long Holdings	(Net %)
Tesco	7.5
DCC	5.9
Prudential	5.8
National Grid	5.5
Synthomer	5.4
GlaxoSmithKline	4.7
Norcros	4.2
Balfour Beatty	3.9
Jadestone Energy	3.7
GVC Holdings	3.7
<b>Total</b>	<b>50.3</b>

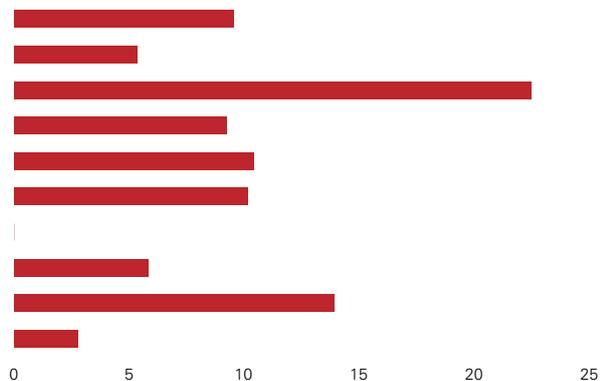
Size Analysis*	(Net %)
Large Cap	44.7
Med/Mid 250	20.8
Small/Small Cap	34.5

\*Long only positions and excludes Cash

## Sector Analysis

### Sector Breakdown (%)

Oil & Gas	9.5
Basic Materials	5.4
Industrials	22.4
Consumer Goods	9.2
Health Care	10.4
Consumer Services	10.1
Telecommunications	0.0
Utilities	5.8
Financials	13.9
Technology	2.8



## Fund Performance to 31/03/2020

Issued by SVM Asset Management Limited who is authorised and regulated by the Financial Conduct Authority:  
12 Endeavour Square  
London E20 1JN

© SVM Asset Management Limited.

## Enquiries

[www.svmonline.co.uk](http://www.svmonline.co.uk)  
Calls may be recorded

### Investor Services and Dealing:

Dealing, account enquiries and valuations  
Phone: 0345 066 1110  
Fax: 0844 620 0090  
International phone: +44 (0)1268 447 417  
International fax: +44 (0)1268 447 028

### General Enquiries

Head office and fund enquiries  
Phone: +44 (0)131 226 6699  
Email: [info@svmonline.co.uk](mailto:info@svmonline.co.uk)  
Helpline: 0800 0199 110  
Literature Request: 0800 0199 440

### ISIN:

Share Class A GB0032064304  
Share Class B GB0032084815

### MEX:

Share Class A SXUOR  
Share Class B SXUOI

### SEDOL:

Share Class A 3206430  
Share Class B 3208481

### Registered Office:

SVM Asset Management Limited  
7 Castle Street  
Edinburgh  
EH2 3AH  
Registered No. 125817

### Cumulative Performance, % change

	One month	2020 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	-23.7	-37.5	-24.8	-19.1	0.2	394.3
FTSE All-Share Index	-15.1	-25.1	-18.5	-12.2	2.9	96.5
IA UK All Companies Sector	-18.5	-27.9	-19.0	-14.0	0.0	125.4

Source: Lipper, as at 31/03/2020, 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 Opportunities Fund B	-24.8	-0.4	8.0	14.7	8.0
FTSE All-Share Index	-18.5	6.4	1.3	22.0	-3.9
Performance Difference	-6.3	-6.8	+6.7	-7.3	+11.9

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

Copyright 2020 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

### 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.