

# 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.



January 2022 | Share Class B

Factsheet as at 31 December 2021



## Monthly Fund Commentary

January is a time for forecasts and diets – both little discouraged by history. Market predictions may be well intentioned, but tend to emphasise bold scenarios rather than the subtleties that drive how events actually play out. Simply expecting more inflation or central bank intervention may not help investment analysis. Central banks are hard to call, but politicians are all too predictable. The 2021 climate rhetoric might be quickly cast aside if a full-blown energy crisis develops.

More might be gained from deeper analysis about exactly how this could impact companies, the bond market and politics. Falling real wages and negative real interest rates are powerful forces. The squeeze on real incomes should start to hit consumer demand, despite generally high levels of personal savings.

Fortunately, many well managed businesses are focused on government spend; improving efficiencies in services and investing for sustainability. Despite the headwinds on technology and growth, there are growing companies rooted in the real world with visibility on demand. Resilience in portfolios may depend on how well portfolio companies are underpinned by actual trading.

In contrast, many asset-heavy sectors may see cash flows pick-up strongly initially, but history points to the challenge of maintaining capital in the face of inflation. Negative real interest rates make bad investment projects look profitable – incentivising businesses to destroy capital. For a period, the change in inflation will cause distortion in company reporting, as leads and lags work through.

Not all growth businesses are jam tomorrow. Many provide needed services in a proven business model, enjoying a moat within their niche that helps to protect margins and profitability. But in each sector, active investors need to compare old with new. Some disruptors have inflated valuations; and there are older businesses with the cashflows to allow a pivot in their business model. For example, oil and gas majors may be best placed to implement a

green agenda and invest in alternative energy. Traditional auto companies may win out against Tesla. The finance and banking sectors offer some similar comparisons. Passive investing – with a blind faith in the supposed wisdom of market capitalisations – may be about to repeat its mistakes of 2000 and 2007. Size alone is a poor guide to value.

2022 may be a year in which investment judgement is rewarded – there is often less need to be smart on the way up. As growth slows, the dangers of trend following become clearer. Passive investing might begin to look riskier, more of a lottery.

### Performance

In December, SVM UK Growth Fund returned 4.2% (B shares) compared with the return of 4.7% for the MSCI UK IMI TR Index and 4.5% for the average fund in the IA UK All Companies sector. For the 5 years to 31 December, the Fund is top quartile, returning 65.4% (B shares), compared to a return of 26.8% for the MSCI UK IMI TR Index and 36.4% for the average fund in the IA UK All Companies sector.

### Trading and results

Over the month, there were positive contributions to performance from Flutter Entertainment, Team 17, Dechra, Impax Asset Management and Oxford Instruments. The main negatives in the month were Ceres Power, ITM Power, Kooth and Delivery Hero. The market pattern was mixed between growth and value, with some growth shares finding support and the latest pandemic restrictions cooling economic activity.

In December, additional and new investments were made in Hilton Good Group, JTC and Ideagen. To fund these, part sale was made of LSE.

Your Fund remains fully invested, including likely recovery beneficiaries and strong 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:** £204.9m

### 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 ('SRRRI') may be a guide to the level of risk of the Fund compared with other funds. The SRRRI 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 SRRRI 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 34.3%

|              |     |
|--------------|-----|
| Keystone Law | 3.9 |
| Ceres Power  | 3.1 |
| Experian     | 2.7 |
| Diploma      | 2.5 |
| Wizz Air     | 2.3 |

### Financials 10.9%

|                        |     |
|------------------------|-----|
| Intermediate Capital   | 2.6 |
| JTC                    | 2.0 |
| Impax Asset Management | 2.0 |
| Molten Ventures        | 1.3 |
| Beazley                | 1.1 |

### Health Care 7.1%

|                        |     |
|------------------------|-----|
| Dechra Pharmaceuticals | 4.1 |
| Kooth                  | 1.1 |
| Genus                  | 0.6 |
| Instem                 | 0.5 |
| Indivior               | 0.5 |

### Utilities 0.0%

### Consumer Discretionary 17.6%

|                       |     |
|-----------------------|-----|
| JD Sports Fashion     | 3.7 |
| Entain                | 3.0 |
| Flutter Entertainment | 1.9 |
| Games Workshop        | 1.7 |
| AB Dynamics           | 1.4 |

### Communication Services 7.4%

|                      |     |
|----------------------|-----|
| Gamma Communications | 2.7 |
| Future               | 1.9 |
| Team17               | 1.5 |
| Dianomi              | 1.0 |
| 4imprint Group       | 0.2 |

### Materials 6.4%

|                     |     |
|---------------------|-----|
| Croda               | 4.3 |
| CRH                 | 1.1 |
| Smurfit Kappa Group | 1.0 |

### Energy 0.0%

### Information Technology 15.6%

|                    |     |
|--------------------|-----|
| Kainos             | 3.4 |
| Oxford Instruments | 1.5 |
| AVEVA              | 1.5 |
| Softcat            | 1.3 |
| Kape Technologies  | 1.1 |

### Real Estate 7.1%

|                       |     |
|-----------------------|-----|
| Segro                 | 2.2 |
| Unite Group           | 2.0 |
| Watkin Jones          | 1.6 |
| Londonmetric Property | 1.2 |
| Industrials REIT      | 0.1 |

### Consumer Staples 4.0%

|                   |     |
|-------------------|-----|
| Cranswick         | 2.1 |
| Hilton Food Group | 1.4 |
| Revolution Beauty | 0.3 |
| Kerry Group       | 0.2 |

## 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 %)

|                          |             |   |
|--------------------------|-------------|---|
| Croda                    | 4.3         |  |
| Dechra Pharmaceuticals   | 4.1         |  |
| Keystone Law             | 3.9         |  |
| JD Sports Fashion        | 3.7         |  |
| Kainos                   | 3.4         |  |
| Ceres Power              | 3.1         |  |
| Entain                   | 3.0         |  |
| Experian                 | 2.7         |  |
| Gamma Communications     | 2.7         |  |
| Intermediate Capital     | 2.6         |  |
| <b>Rest of Portfolio</b> | <b>66.6</b> |  |

### Size Analysis (Gross %)

|   |      |
|---|------|
|  Large Cap       | 45.8 |
|  Med/Mid 250     | 44.5 |
|  Small/Small Cap | 20.1 |



### Sector Breakdown (%)

|                        |      |  |
|------------------------|------|--|
| Industrials            | 34.3 |  |
| Consumer Discretionary | 17.6 |   |
| Information Technology | 15.6 |   |
| Financials             | 10.9 |   |
| Communication Services | 7.4  |   |
| Real Estate            | 7.1  |   |
| Health Care            | 7.1  |   |
| Materials              | 6.4  |   |
| Consumer Staples       | 4.0  |   |
| Energy                 | 0.0  |  |
| Utilities              | 0.0  |  |

## This Month's Featured Stock

### JTC Group

JTC is an independent provider of fund and private wealth services, providing accounting and administration in the UK, Europe, South Africa, Asia and USA. The group has grown organically and by acquisition; it has grown revenues and been profitable every year since its formation in 1987. 20% of issued share capital is held by employees and this shared ownership is a key part of its culture. The business is strongly cash generative, with high levels of cash conversion on revenues.

The fund administration industry offers structural growth potential, and JTC appears well positioned within this. The investment industry continues to shift to an outsourcing model, driven by increasing complexity and compliance costs. As JTC rebalances from private wealth and corporate services towards an increasing proportion of funds administration, its business mix is likely to become more attractive to investors and industry consolidators.

A significant US acquisition, SALI, in October 2021 offers JTC greater US presence and could accelerate growth. SALI currently outsources fund accounting for its fund administration clients and JTC should be able to bring some of that in-house. It was JTC's fifth acquisition in the year.

JTC's employee ownership model helps in a people-based business; it enjoys below average employee turnover. No single client accounts for more than 5% of revenue and revenue streams appear well diversified. The company has medium term guidance of 8% to 10% net organic revenue growth. There is potential for technology to drive cost efficiencies, adding to the contribution from acquisitions. JTC is now capitalised at over £1bn and is gaining market opportunity with its growth and scale and increasing technology capability and broader geographical reach.

## Fund Performance

to 31/12/2021

### Cumulative Performance, % change

|                               | One month | 2021 yr to date | One year | Three years | Five years | Since launch* |
|-------------------------------|-----------|-----------------|----------|-------------|------------|---------------|
| SVM UK Growth Fund B          | 4.2       | 15.6            | 15.6     | 57.1        | 65.4       | 392.2         |
| MSCI United Kingdom IMI Index | 4.7       | 18.7            | 18.7     | 24.2        | 26.8       | 182.8         |
| IA UK All Companies Sector**  | 4.5       | 17.3            | 17.3     | 34.8        | 36.4       | 178.4         |

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

\*The Fund was launched on 20 March 2000

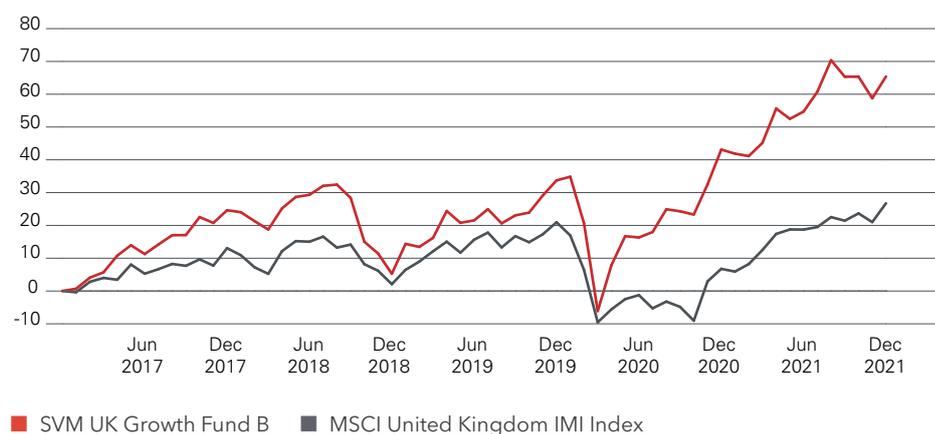
\*\*IA is provided as a comparator

### 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 (%)



Source: FE fundinfo, as at 31/12/2021, 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 A SXSR  
Share Class B SXSI

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Sedol GBP 3208470

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