

# 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 may invest in other permitted securities.



March 2021 | Share Class B

Factsheet as at 28 February 2021



## Monthly Fund Commentary

How useful are indices? Passive investors may view them as an aid to low cost investment, replacing or alongside active management. But the last 12 months has shown some shortcomings. Indices themselves may not be a good representation of the economy, or of the best listed companies available.

The Hill Review of UK listings, published this month, said of the FTSE Index; "the most significant companies listed in London are either financial or more representative of the 'old economy' than the companies of the future". And the report also highlighted another concerning trend; the number of listed companies in the UK has fallen materially from its 2008 peak, as companies are acquired or go private. Investors in UK equities should note both these stockmarket patterns.

Many companies are now choosing to delay IPO, as a well-financed private equity ecosystem provides ready finance for rapid growth. Successful businesses are staying private for longer, with investor access primarily through private equity or listed funds specialising in private assets. Remarkably, the FTSE 100 itself includes management groups and funds specialising in private equity and alternatives, such as Scottish Mortgage, Intermediate Capital and Pershing Square. Passive funds replicating the FTSE 100 Index now include actively managed investments but with an additional layer of cost.

With disruption likely to continue in many sectors - irrespective of any pick-up in inflation or rotation to value - growth will remain scarce. The fastest growing businesses are more likely to remain outside the market or to be a small part of traditional indices. The Hill Review should create opportunity for a more dynamic London stockmarket, attracting listings of bigger global growth businesses. But for now, the value in the Review is in highlighting how much the world has changed since the main indices were designed. As the Report puts it; "at one point last summer, Apple alone was

worth more than the combined value of every company in the FTSE 100".

### Performance

In February, SVM UK Growth Fund returned -0.5% compared with the return of 2.2% for the MSCI UK IMI TR Index and 2.8% for the average fund in the IA UK All Companies sector. For the 5 years to 28 February, the Fund is top quartile, returning 46.3%, compared to a return of 29.8% for the MSCI UK IMI TR Index and 38.7% for the average fund in the IA UK All Companies sector. Investors are currently focusing on shares with rebound and pricing potential. But some of these are already at new 12 month highs and so caution is needed. Value rotations have been sharp in recent years but typically lasting just one or two quarters. The portfolio includes some recovery shares such as Next, Restaurant Group and Wizz Air.

### Trading and results

February was a mixed month for growth and value in UK equities, as concern continued on lockdowns. There were further hits to travel and hospitality, but higher expectations of inflation. During the month, there were positive contributions to performance from Wizz Air, JD Sports Fashion, Entain, LSE, Johnson Services and ASOS. Laggards were primarily the lockdown beneficiaries that performed well in 2020; including Ocado, Experian, Delivery Hero, and Games Workshop. Ceres also saw profit-taking. During the month additional or new investment was made in Restaurant Group, Whitbread, Smurfit Kappa and The Hut Group. To fund these, sales were made of the holdings in AstraZeneca and Manolete Partners, with part realisations of Kingspan and Kerry Group. In recent months the portfolio has seen bid approaches for Applegreen (agreed), Entain (rejected) and Arrow Global.

Your Fund remains fully invested, focused on resilient growing businesses.

Fund and index performance source: Lipper

## 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:** £174.6m

### 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 1.72%  
Share Class B 0.97%

\*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:



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 6 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.**

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.

### Consumer Services 31.1%

Ocado	3.7
JD Sports Fashion	3.6
Wizz Air	3.4
Entain	2.7
Flutter Entertainment	2.7

### Consumer Goods 12.6%

Games Workshop	2.5
Cranswick	2.2
Team17	1.7
Hilton Food Group	1.5
Watkin Jones	1.4

### Health Care 3.5%

Dechra Pharmaceuticals	3.1
Indivior	0.2
Genus	0.2

### Utilities 0.0%

### Industrials 26.1%

Keystone Law	3.4
AB Dynamics	2.5
Experian	2.4
Rentokil Initial	2.2
Diploma	2.0

### Technology 8.6%

Kainos	2.7
AVEVA	1.8
Softcat	1.3
DiscoverIE Group	1.1
First Derivatives	0.5

### Basic Materials 3.3%

Croda	3.3
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### Financials 16.9%

London Stock Exchange	2.8
Intermediate Capital	2.4
Unite Group	2.1
Beazley	1.9
Segro	1.6

### Oil & Gas 7.3%

Ceres Power	5.2
ITM Power	2.1

### Telecommunications 2.9%

Gamma Communications	2.9
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## 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 %)

Ceres Power	5.2	
Ocado	3.7	
JD Sports Fashion	3.6	
Wizz Air	3.4	
Keystone Law	3.4	
Croda	3.3	
Dechra Pharmaceuticals	3.1	
Gamma Communications	2.9	
London Stock Exchange	2.8	
Kainos	2.7	
<b>Rest of Portfolio</b>	<b>65.9</b>	

### Size Analysis (Gross %)

 Large Cap	46.4
 Med/Mid 250	48.4
 Small/Small Cap	17.5



### Sector Breakdown (%)

Consumer Services	31.1	
Industrials	26.1	
Financials	16.9	
Consumer Goods	12.6	
Technology	8.6	
Oil & Gas	7.3	
Health Care	3.5	
Basic Materials	3.3	
Telecommunications	2.9	
Utilities	0.0	

## This Month's Featured Stock

### Smurfit Kappa Group

Smurfit is a global paper packaging manufacturer, operating more than 350 mills and plants in 35 countries across Europe and the Americas. Europe accounts for three-quarters of sales and focuses on container board, typically used for corrugated boxes. Two-thirds of customers are in fast moving consumer goods and the group's strength is in having established manufacturing bases local to customers, typically needing to be within 200 miles of the customer.

The packaging market remains very tight globally, with signs that input prices are beginning to rise and will feed through in kraftliner and box pricing. Box demand also remains robust, driven by e-commerce. Box pricing is starting to improve and should be more visible in the second half. Industrial recovery and a customer focus on sustainability are still at an early stage. We see potential for further industry consolidation.

In February, there were reports that Mondi, a low cost long containerboard business, was considering an approach to DS Smith. Smurfit has net cash and has been able to grow by acquisition with some organic growth. We believe its shares are not highly rated.

## Enquiries

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**INDEPENDENT THINKING**

## Fund Performance

to 28/02/2021

### Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	-0.5	-1.4	17.0	16.3	46.3	330.0
MSCI United Kingdom IMI Index	2.2	1.4	1.7	0.9	29.8	128.4
IA UK All Companies Sector	2.8	1.9	8.2	9.0	38.7	202.9

Source: Lipper, as at 28/02/2021, 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 December

	2020	2019	2018	2017	2016
SVM UK Growth Fund B	7.0	27.1	-15.6	24.6	-2.8
MSCI United Kingdom IMI Index	-11.7	18.5	-9.7	13.1	17.5
Performance Difference	+18.7	+8.6	-5.9	+11.5	-20.3

Source: Lipper, as at 31/12/2020, 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: Lipper, as at 28/02/2021, 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.

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