

SVM All Europe SRI Fund

The objective of the Fund is to achieve capital growth over the long term (5 years or more) and it aims to outperform the MSCI Europe Index. It adopts a positive engagement approach toward investment and enters into meaningful dialogue with companies regarding environmental, social and corporate governance issues. The Fund will invest at least 80% in equities and equity related instruments which are dealt in or traded on all European Eligible Securities Markets. The Fund may invest in other permitted securities.



July 2022 | Share Class B

Factsheet as at 30 June 2022



Monthly Fund Commentary

The market's collective psychology dramatically shifted in June. Previously investors were uncertain as to whether the global economy would tip into recession. The Federal Reserve's decision to raise rates by 75bps at its June meeting and to signal that the path of interest rate tightening would be front-end loaded has convinced investors that the economy is facing a significant downturn. Credit spreads blew out and economically sensitive stocks sold off. Investors fear central banks are on autopilot and will only stop tightening when inflation has been wrung out of the system, even if this causes a deep recession. The fund returned -8.6% versus the MSCI Europe that returned -6.5%.

Until June the moves in economically sensitive sectors had largely been driven by idiosyncratic factors, often related to their pandemic performance. As investors moved to price in a recession, however, the sell-off in cyclical stocks was indiscriminate. Small and mid-cap stocks, which are more heavily exposed to the domestic economy and therefore more vulnerable to an economic slowdown, were particularly hard hit. Whether now is the time to buy or not likely depends on an investor's time horizon. In the short-term there is likely to be little respite. The terminal interest rate remains uncertain, central bankers are continuing to ratchet up the rhetoric, and stocks need to navigate through an interim results season where earnings are likely to be revised downwards. Market structure and liquidity played a role to the upside and are having a similar effect on the way down. Taking a longer-term view, however, the upside could be significant. The strong probability is that this is a cyclical, not structural, bear market. Should inflation cool and nominal incomes hold up, the economy

could recover sharply. Would this lead to 'growth' stocks reasserting themselves? Perhaps in the early stages but the next decade is likely to be characterised by higher inflation and higher discount rates. Investors need to adjust their playbook accordingly.

Many portfolio holdings endured a difficult month as risk aversion rose. Synthomer was the largest negative contributor to performance. The shares fell as the market shied away from cyclical businesses with financial leverage. The company operates mainly in relatively specialist niches which will prove to be more resilient than the share price currently suggests. Until there is more clarity on the economic outlook, though, the shares are unlikely to recover. Irish healthcare distributor, Uniphar, declined as small-cap stocks came under pressure. The shares were perhaps slightly ahead of themselves late last year but the medium-term potential is substantial. Smurfit Kappa slumped as the market fretted over the potential for rising input costs and declining demand to significantly impact profitability. Norcross outperformed as full-year results reassured investors over the demand outlook. Alpha Financial reported an excellent set of full-year figures with its North American operations delivering organic growth above 60%. Given the economic uncertainty management are understandably reluctant to let forecasts move up, but current expectations look very well underpinned.

A new unit was taken in Roche. The position in Rexel was exited.

Fund and index performance source: FE fundinfo

Fund Facts

Launch Date: 31 October 2006

Benchmark Index:
MSCI Europe Index

IA Sector: Europe inc UK

Type of Shares: Accumulation
XD Date: 31 December
Pay Date: 30 April

Fund Size: £15.2m

Fund Managers:

Neil Veitch (Co Fund Manager)

Appointed: 31/10/2006

Years at SVM: 15 Industry Experience: 24

Hugh Cuthbert (Co Fund Manager)

Appointed: 31/10/2006

Years at SVM: 15 Industry Experience: 26

Fund Charges (OCF*):

Share Class A 1.98%

Share Class B 1.23%

*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:

Lower risk Higher risk

← Typically lower rewards Typically higher rewards →

1 2 3 4 5 6 7

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

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.

Cyclical	38.8	
Unstable Financial	22.1	
Consumer Cyclical	15.4	
Defensive	14.3	
Technology	6.6	
Stable Financial	0.0	
Mining	0.0	
Oil & Gas	0.0	
Cash	2.8	

Cyclical 38.8%

Alpha FMC	8.4
Smurfit Kappa Group	5.3
CRH	4.3
Forterra	4.2
Capgemini	4.2

Unstable Financial 22.1%

OSB Group	5.2
AXA	4.9
Lloyds Banking Group	4.6
Prudential	4.6
Legal & General	2.8

Consumer Cyclical 15.4%

Norcros	7.3
Tesco	3.3
Dalata Hotel Group	2.4
Jost Werke	2.4

Defensive 14.3%

Uniphar	3.9
DCC	3.3
Roche Holdings	3.2
Smith & Nephew	2.6
Apointis Pharma	0.6

Technology 6.6%

Creo Medical Group	2.7
LungLife AI	2.1
Calnex Solutions	1.2
ActiveOps	0.6

Stable Financial 0.0%

Mining 0.0%

Oil & Gas 0.0%

This Month's Featured Stock

Smith & Nephew

Smith & Nephew offers its customer base a portfolio of medical technologies ranging from advanced wound care solutions to knee and hip replacement products. The company has a long history of bolt on acquisitions leading to the \$5.2 billion revenues it delivered in 2021.

2020 was not a good year for the company with elective surgery rates falling as hospitals diverted resources to cope with the pandemic. Sales have, however, rebounded in 2021 and are now back to pre-pandemic levels. Profits on the other hand have some way to go to reach the margins delivered in 2019 but with an experienced management team and an innovative portfolio of products we believe there is potential for strong

improvement here too.

We have been encouraged by the company's willingness to engage on ESG issues since our purchase of the shares. Despite the product portfolio making a strong contribution to UN Sustainable Goal 3 - Good Health and Well Being, there is still room for improvement with regard to other sustainability issues. We noted that the company has committed to incorporating packaging materials from sustainable sources for new packaging parts by 2025 and questioned why this policy only referred to new packaging and not their total usage. They pointed to the fact that they operate in a highly regulated industry making the move

to 100% sustainable material impossible in the short term. A further commitment has been made to incorporate at least 30% post-consumer recycled content into all non-sterile packaging materials.

While Smith & Nephew appear to be on the right track with regard to this issue their commitments remain relatively vague and difficult for a third party to assess. We will keep monitoring the issue in the hope that one day both the policy and the targets become more meaningful in terms of their contribution to this important sustainability issue.

Portfolio Structure

As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation, country or sector. As a consequence The SVM All Europe SRI Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

Top 10 Holdings

	(%)	
Alpha FMC	8.4	
Norcros	7.3	
Smurfit Kappa Group	5.3	
OSB Group	5.2	
AXA	4.9	
Lloyds Banking Group	4.6	
Prudential	4.6	
CRH	4.3	
Forterra	4.2	
Capgemini	4.2	
Rest of Portfolio	47.0	

Country Breakdown

	No. of Stocks	(%)	
UK	18	65.5	
Ireland	4	15.9	
France	2	9.1	
Switzerland	1	3.2	
Germany	2	2.9	
Sweden	1	0.6	
Other	-	0.0	

Sector Breakdown

	(%)	
Industrials	27.7	
Financials	22.1	
Materials	17.6	
Health Care	15.8	
Information Technology	6.0	
Consumer Discretionary	4.7	
Consumer Staples	3.3	
Energy	0.0	
Communication Services	0.0	
Utilities	0.0	
Real Estate	0.0	



Size Analysis

	(%)
Mega Cap (>€50bn)	3.2
Large Cap (<€50bn)	31.3
Mid Cap (<€10bn)	23.1
Small Cap (<€1bn)	39.5



Currency Exposure

	(%)
Euro	27.8
Sterling	65.5
Swiss Franc	3.2
Swedish Krona	0.6

Fund Performance

to 30/06/2022

Cumulative Performance, % change

	One month	2022 yr to date	One year	Three years	Five years	Since launch*
SVM All Europe SRI Fund B	-8.6	-19.5	-15.1	12.3	17.0	253.9
MSCI Europe Index	-6.5	-11.2	-5.6	10.6	22.6	145.6
IA Europe inc UK Sector**	-7.0	-14.2	-8.9	11.9	21.1	145.1

Source: FE fundinfo, as at 30/06/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

*The Fund was launched on 31 October 2006

**IA is provided as a comparator

Percentage growth year on year to 30 June

	2022	2021	2020	2019	2018
SVM All Europe SRI Fund B	-15.1	41.1	-6.2	-3.0	7.3
MSCI Europe Index	-5.6	21.5	-3.5	6.4	4.2
Performance Difference	-9.5	+19.6	-2.7	-9.4	+3.1

Source: FE fundinfo, as at 30/06/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



Source: FE fundinfo, as at 30/06/2022, 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 may enter into derivative contracts for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. 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.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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