

# 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.

February 2020 | Share Class B

Figures as at 31 January 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

Stockmarkets currently seem driven by hopes and fears on trade, central bank policy and coronavirus. But underneath, getting much less attention, is a single persistent theme. Disruption is not new – so no headlines – but has a huge impact on investment returns. The threat of upheaval is often played down by the incumbents – the big FTSE 100 companies typically talk of business as usual. Challengers are seen as small and unimportant. How can investors better understand the impact of change, and what it means for portfolios?

Successful businesses can now stay private for longer- with ample private equity finance, up to the size of £5bn and more. Fewer of these big disruptive growth stories are to be found in the FTSE 100. Certainly, the UK's 20 largest listed businesses are typically oil majors, legacy banks, mining and big pharma. Much stronger sales growth is to be found in the FTSE Mid 250 and in some of tomorrow's winning strategies that are as yet unlisted. It is in these stories, outside the FTSE 100, where the future is to be found.

Investors should keep abreast of innovation; some of these new strategies can scale-up rapidly and will soon challenge big legacy businesses. Finance and retail are particularly vulnerable. But the only clear sign that a FTSE 100 business model has broken-down may be when it falls out of the Index, as with Marks & Spencer in 2019. A dividend cut and capital

raise was a delayed response to disruption. Investors need to understand the impact on established businesses of new business models and emerging technologies. The FTSE 100 does not appear to capture the dynamism of the UK economy, shown by many of its mid-cap businesses.

In January, SVM UK Growth Fund returned +0.8%, compared to a return of -3.3% for the FTSE All-Share Index and -2.5% for the average fund in the IA UK All Companies sector. For the twelve months to 31 January, the Fund returned 17.9%, compared to a return of 10.7% for the FTSE All-Share Index and 13.6% for the average fund in the IA UK All Companies sector. The Fund's performance is top quartile over 1, 3, 5 and 10 years ended 31 January.

During the month, there were good contributions to performance from Blue Prism, Keystone Law, Johnson Services, Knights Group and Wizz Air. The month saw price weakness in Manolete, K3 Capital and On The Beach. Additional investments were made in Boohoo Group, Safestore, Derwent London, IWG and Dart Group.

The UK stockmarket has been de-rated during the Brexit process, and the economy may rebound if clarity emerges on Britain's future. Your Fund remains fully invested.

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:** £167.7m

**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

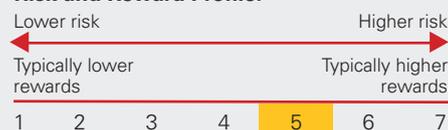
\*\*Discounted to £1,000 for Professional Advisers

**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 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

## 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: 29.6% (%)

Johnson Service Group	4.0
AB Dynamics	3.6
Keystone Law	3.3
Experian	2.9
Rentokil Initial	2.2

### Consumer Services: 25.8% (%)

JD Sports Fashion	4.0
Wizz Air	2.8
Ocado	2.5
GVC Holdings	2.5
Applegreen	2.2

### Financials: 22.6% (%)

Unite Group	4.2
London Stock Exchange	3.9
Beazley	3.1
Intermediate Capital	2.5
Segro	1.6

### Consumer Goods: 13.0% (%)

Kerry Group	3.5
Cranswick	2.5
Watkin Jones	2.3
CD Projekt	2.1
Hilton Food Group	1.5

### Health Care: 6.6% (%)

AstraZeneca	3.0
Dechra Pharmaceuticals	2.6
UDG Healthcare	0.9
Indivior	0.1

### Technology: 4.1% (%)

Kainos	1.7
AVEVA	1.5
FDM Group	0.9

### Basic Materials: 3.5% (%)

Croda	2.6
Rio Tinto	0.9

### Telecommunications: 2.8% (%)

Gamma Communications	2.8
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### Utilities: 0.0% (%)

### Oil & Gas: 0.0% (%)

## This Month's Featured Stock

### JD Sports

JD Sports is a global leading sports leisurewear company with over 2,400 stores. The group generates around 45% of sales in the UK, where it operates mainly under the JD Sports brand. In 2018, the group expanded into the US with the acquisition of Finish Line, a sports fashion retailer with a nationwide presence.

While some other sportswear retailers have struggled in recent years, JD Sport has thrived. Early recognition of the importance of the 'athleisure' trend and the importance

of working with brands to protect their values have helped JD Sports outperform peers. As brands like Adidas and Nike seek to shrink their third-party retail network, they are focused on working with fewer, better retailers like JD Sport. This means JD has better access to the newest and most popular product lines. While the group's UK business is performing well, there is still considerable scope for upside in the US where its Finish Line stores are still in the relatively early stages of 'JD-fication'. Both

the US and European markets offer significant growth opportunities for JD, who will seek to replicate their UK success.

Trading on an estimated 2020 calendar year PE of 22x, JD Sports is not cheap in the context of the UK retail sector. We feel, however, that consensus has failed to factor in the potential earnings uplift as JD rolls-out across Europe and improves earnings in the US. As a consequence, we expect the group to outperform.

## Stock Analysis

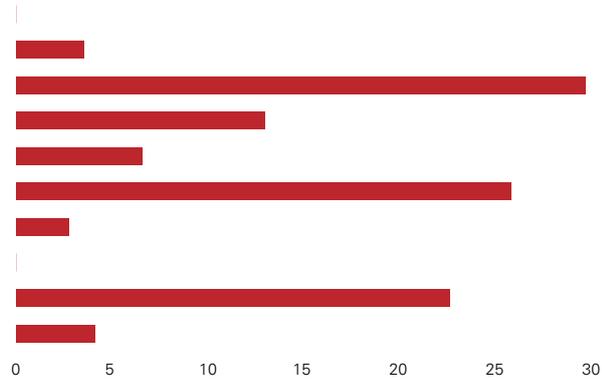
Top 10 Long Holdings	(Gross %)
Unite Group	4.2
Johnson Service Group	4.0
JD Sports Fashion	4.0
London Stock Exchange	3.9
AB Dynamics	3.6
Kerry Group	3.5
Keystone Law	3.3
Beazley	3.1
AstraZeneca	3.0
Experian	2.9
<b>Total</b>	<b>35.5</b>

Size Analysis	(Gross %)
Large Cap	53.5
Med/Mid 250	29.8
Small/Small Cap	24.6

## Sector Analysis

### Sector Breakdown (%)

Oil & Gas	0.0
Basic Materials	3.5
Industrials	29.6
Consumer Goods	13.0
Health Care	6.6
Consumer Services	25.8
Telecommunications	2.8
Utilities	0.0
Financials	22.6
Technology	4.1



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## Enquiries

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Calls may be recorded

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**Literature Request:** 0800 0199 440

### ISIN:

Share Class A GB0032064635  
Share Class B GB0032084708

### MEX:

Share Class A XSXR  
Share Class B SXSI

### SEDOL:

Share Class A 3206463  
Share Class B 3208470

### Registered Office:

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7 Castle Street  
Edinburgh  
EH2 3AH  
Registered No. 125817

## Fund Performance to 31/01/2020

### Cumulative Performance, % change

	One month	2019 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund B	0.8	0.8	17.9	33.9	52.4	310.9
FTSE All-Share Index	-3.3	-3.3	10.7	18.4	35.6	153.9
IA UK All Companies Sector	-2.5	-2.5	13.6	21.0	39.5	211.1

Source: Lipper, as at 31/01/2020, 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 December

	2019	2018	2017	2016	2015
SVM UK Growth Fund B	27.1	-15.6	24.6	-2.8	20.7
FTSE All-Share Index	19.2	-9.5	13.1	16.8	1.0
Performance Difference	+7.9	-6.1	+11.5	-19.6	+19.7

Source: Lipper, as at 31/12/2019, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 31/01/2020, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

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**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.