

SVM

UK Emerging Fund plc

Figures as at 31 December 2018

The investment objective of the Fund is long-term capital growth from investments in smaller and medium sized UK companies. Its aim is to outperform the IMA UK All Companies Sector Average Index on a total return basis.

ELITE PROVIDER
rated for equities by FundCalibre.com



January 2019



Fund News



Margaret Lawson
Fund Manager

Industry Experience: 38

Years at SVM: 28

Appointed: 01/10/2012



Colin McLean
Deputy Fund Manager

Industry Experience: 44

Years at SVM: 28

Appointed: 18/10/2000

Monthly Fund Commentary

Over the quarter, the Fund returned -24.9% versus returns of -12.5% in its benchmark, the IA UK All Companies Sector average, and -10.3% in the FTSE All-Share Index. This took the Fund's 12 month performance to -16.9% versus benchmark and FTSE All-Share Index returns of -11.1% and -9.5%, respectively (to 31 December 2018). Share price return for 2018 was +14.5%. NAV has more than doubled since October 2012, when Margaret Lawson took over management of the portfolio. (NAV total return, Lipper data).

The portfolio is very different from the market, emphasising growth. However, the Fund's longer term track record demonstrates the value of the strategy and the Manager's process. The Fund has been impacted by the unique circumstances of Brexit coming at the time of a global slowdown. Market moves now are more extreme as regulation has squeezed out some of the buffers that previously cushioned moves.

During the quarter, there were positive contributions to performance from Aquis Exchange, litigation services business, Manolete, BTG, Watkin Jones and Rentokil. The main disappointments in the quarter were Fevertree, Blue Prism, ASOS, Learning Technologies and GVC. GVC was hit by the unexpected change in fixed odds betting terminals. That impacts 2019, but we expect

the market to recognise the huge potential of US deregulation. Brexit was also a negative for consumer services, travel and leisure, but many portfolio companies are now being helped by the return of real wage growth.

A new investment was made in Manolete, a litigation finance business, funded by sales of Quiz, Team 17, IMLmobile and Premier Technical Services (part). A factor in some of these sales is derating risk. The impact of change in technology and demographics is accelerating in a number of consumer and business sectors, particularly retail and finance. We aim to avoid structurally challenged businesses.

Sentiment has driven domestically-focused UK shares and the Pound itself down to low levels. Foreign investors are likely to return when there is clarity on Brexit to what is a major global economy, and a stockmarket with many companies growing internationally. The Fund remains fully invested.

Fund and index performance source: Lipper

Fund Facts

Launch Date: 18 October 2000

Benchmark Index:
IA UK All Companies Sector Average

Fund Type: Investment Trust

Registered No: SC211841

Listed:
London Stock Exchange

Total
Investments: £5.8m
Share Price: 96.75p
NAV: 96.43p

The month end published NAV is calculated on a bid price basis.

Year End: 31 March
Half Year: 30 September
RIC: SVME
ISIN: GB0000684174

Past performance is not a guide to future performance. All financial instruments involve a degree of risk. The value of your investments and the income from them can go down as well as up and you may not get back the amount originally invested.

HAWK-EYED STOCKPICKERS

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London E20 1JN

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Stock Analysis

Top 10 Holdings	(%)	Sector Analysis	Fund (%)
Burford Capital	5.5	Consumer Services	27.8
Fevertree Drinks	4.2	Financials	24.1
Unite Group	4.0	Technology	13.1
4Imprint Group	3.8	Industrials	12.0
Hilton Food Group	3.4	Consumer Goods	12.0
Workspace Group	3.2	Health Care	10.0
GVC Holdings	3.1	Telecommunications	1.1
Hutchison China Meditech	2.9		
Kerry Group (LDN)	2.8		
Beazley Group	2.7		
Total	35.6		

Portfolio Analysis	Fund (%)
Main Market	55.7
AIM	41.2
PLUS	0.0
Unquoted	0.0
Other	3.1

Fund Performance to 31/12/2018

Percentage growth year on year to 31 December

	2018	2017	2016	2015	2014
SVM UK Emerging NAV	-16.9	34.2	-2.6	30.5	-5.6
IA UK All Companies Average*	-13.2	11.4	8.7	2.9	
FTSE AIM TR				6.6	-16.5
Performance difference	-3.6	+22.8	-11.3	+23.9	-11.0

Source: SVM/Lipper, as at 31/12/2018, total return, UK net tax.

* The Benchmark changed to the IA UK All Companies Average effective 30/09/13, the figure shown is therefore a blended figure with the FTSE AIM TR used before this date.

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Calls may be recorded

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Registered No: 125817

The Fund is to be considered a long term investment option.

The Fund incurs the following key risks:

If an Investor redeems the investment shortly after investing, they may not get back the original amount due to market movements. Tax treatment can change at any time without notice and is beyond control of the Fund. The Fund is exposed to credit and settlement risk in its dealings with Counter Parties in day to day business. This may result in a loss to the Fund if a Counter Party business fails. 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. A Fund with a concentrated portfolio carries a greater risk to that of a Fund with a larger spread of investments. Investment trusts can borrow money to make investments; this can lead to greater losses if markets fall. The Fund uses Contracts for Difference (CFDs) as part of the investment strategy; this can increase the risk profile and volatility of the Fund. Some unquoted investments may become difficult to realise as prices may not be readily available or a reliable indicator of value.