

# 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.



November 2023 | Share Class A

Factsheet as at 31 October 2023



## Monthly Fund Commentary

October, as is often the case, was a challenging month for equities. The prospect of higher US growth and concerns over government debt sent long-term US interest rates to 16-year highs. The surge in rates led to fears that the tightening in financial conditions would increase the downside risks to the economic outlook and increase the possibility of financial market breakdowns. The co-ordinated attacks launched by Hamas into Israel from the Gaza Strip negatively impacted sentiment further. With increased risk aversion, small and mid-cap stocks underperformed. The fund returned -7.2% versus the MSCI UK index that fell 4.0%.

The tragic events in the Middle East gave rise to concerns that additional countries would be drawn in, resulting in a wider regional conflict. It is difficult to see, though, how any of the regional powers would emerge from a broader conflict in a better position. Our base case therefore is that, like the war in Ukraine, it will eventually become more horrific background noise than something that is going to meaningfully impact financial markets. The outlook for inflation will remain the key determinant of equity market direction. Recent news flow has been encouraging. Inflationary pressures continue to ebb, and the Federal Reserve voted unanimously to leave rates unchanged at its latest meeting.

The economic outlook for 2024 has weakened and earnings in cyclical sectors may come under pressure, but financial markets are a discounting mechanism. Small and mid-cap stocks have been in a bear market since 2021 in anticipation of weaker economic growth. However, as investors begin to anticipate the turn in the interest rate cycle, and better

economic times ahead, the outlook becomes much brighter. Cyclical stocks consistently return significantly more than defensives in the twelve months after a recession is declared.

With a material increase in risk aversion few holdings were in positive territory. Jet 2 declined in response to the prospect of higher oil prices. Concerns over the 2024 demand outlook continue to weigh on shares, but that is only one side of the equation. European capacity remains below 2019 levels, and we believe pricing will remain robust. Cyclical stocks were generally weak as concerns over the economic weighed.

Rentokil fell as growth in the group's North America pest business slowed down and margins declined. Management attributed the weakness to consumer caution rather than an underlying problem with business. However, coming so soon after a large acquisition in the US the resilience of the business has been brought into question. We had reduced the position ahead of the update and lowered it further in response. The residual holding is currently under review. Croda also released a disappointing update. Its third quarter trading statement revealed that customers had continued to reduce their ingredient inventories in the consumer care, crop, and industrial end markets, due to a combination of destocking and a weaker demand environment. Again, we had significantly reduced the holding earlier in the month and sold the balance on the update.

Trading activity was higher than normal as we looked to reduce stock specific risk.

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:** £54.8m

**Fund Manager:**

**Neil Veitch** (Fund Manager)  
Appointed: 31/05/2023  
Years at SVM: 17      Industry Experience: 26

**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:**



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 31/12/2022

**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 long term (5 years or more). 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 27.1%

JET2	4.2
IMI	3.6
Volution Group	2.6
Keystone Law	2.5
Ashtead Group	2.2

#### Consumer Discretionary 17.3%

Flutter Entertainment	5.5
Games Workshop	3.0
JD Sports Fashion	2.8
Greggs	2.3
Whitbread	2.2

#### Financials 11.8%

London Stock Exchange	4.6
JTC	2.9
Beazley	2.9
Alpha Group International	0.9
Boku	0.6

#### Materials 8.0%

CRH	3.7
Smurfit Kappa Group	2.5
Glencore	1.8

#### Consumer Staples 8.0%

Diageo	4.0
Cranswick	2.8
Hilton Food Group	1.2

#### Real Estate 7.2%

Unite Group	4.1
Segro	3.1

#### Health Care 6.6%

GSK	3.2
Indivior	2.3
Creo Medical Group	1.1

#### Communication Services 4.7%

Gamma Communications	1.7
4imprint Group	1.6
Team17	1.3
Dianomi	0.1

#### Information Technology 4.2%

Kainos	1.7
Oxford Instruments	1.3
FDM Group	0.8
NCC Group	0.4












#### Utilities 0.0%

#### Energy 0.0%




## Portfolio Structure

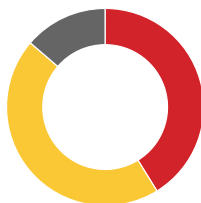
As an unconstrained fund we invest in our highest conviction ideas irrespective of market capitalisation, though there will be an emphasis on large cap holdings, or sector. As a consequence The SVM UK Growth Fund portfolio will vary considerably from the benchmark index and from other funds that are in the same IA sector.

### Top 10 Long Holdings (Gross %)










Flutter Entertainment	5.5	
London Stock Exchange	4.6	
JET2	4.2	
Unite Group	4.1	
Diageo	4.0	
CRH	3.7	
IMI	3.6	
GSK	3.2	
Segro	3.1	
Games Workshop	3.0	
<b>Rest of Portfolio</b>	<b>61.0</b>	

### Size Analysis (Gross %)

 Large Cap	39.1
 Med/Mid 250	42.8
 Small/Small Cap	13.0



### Sector Breakdown (%)

Industrials	27.1	
Consumer Discretionary	17.3	
Financials	11.8	
Materials	8.0	
Consumer Staples	8.0	
Real Estate	7.2	
Health Care	6.6	
Communication Services	4.7	
Information Technology	4.2	
Energy	0.0	
Utilities	0.0	

## This Month's Featured Stock

### Marks and Spencer

Marks and Spencer (M&S), one of the UK's most venerable brands, is a retailer of food and clothing. The group operates over 1,000 stores in the UK and has a mixture of owned and franchised stores in over 60 international markets.

M&S' recently released interims results provided clear evidence of the improvements made across the business. Clothing & Home (C&H) sales increased by 6% with the group gaining market share. For the first time since 2019, M&S had a market-leading share in womenswear over the summer. This reflects the significant improvements that have been made in boosting M&S's style perception over recent years. Full-price sales mix of over 80% reflects a reduced need for discounting and good buying discipline. Having added a number of third-party brands to its online offering and improved its own infrastructure, M&S has built a strong platform for future growth. The group's food division had another strong period, with LFL revenue growth of 12% and grocery market share. During a period when the market saw volumes decline, M&S consistently grew volumes in each month.

M&S' management like to describe themselves as 'positively dissatisfied' and indeed there are still many areas where performance can be improved. The Ocado joint venture remains loss-making and the group's reward scheme, Sparks, is still some way short of best-in-class. Overall, though, we still think that at current levels the share price fails to reflect M&S's qualities or its potential for improvement.

## Enquiries

[www.svmonline.co.uk](http://www.svmonline.co.uk)

Calls may be recorded

### Investor Services and Dealing:

Dealing, account enquiries and valuations

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International fax: +44 (0)1268 457 731

### General Enquiries

Head office and fund enquiries

Phone: +44 (0)131 226 6699

Email: [info@svmonline.co.uk](mailto:info@svmonline.co.uk)

Fund Information: 0800 0199 110

Literature Request: 0800 0199 110

### Availability:

Direct/ISA Cofunds

FundsNetwork Transact

Old Mutual Standard Life Wrap

### ISIN:

Share Class A GB0032064635

Share Class B GB0032084708

### MEX:

Share Class A SXSR

Share Class B SXSI

### SEDOL:

Sedol GBP 3206463

Sedol GBP 3208470

### Registered Office:

SVM Asset Management Limited

7 Castle Street

Edinburgh

EH2 3AH

Registered No. 125817

SVM Asset Management Limited is authorised and regulated in the United Kingdom by the FCA with Firm Reference Number 146873. It is registered in Scotland with Company Number SC125817 and has its registered office at 7 Castle Street, Edinburgh, EH2 3AH. SVM Asset Management Limited is the Authorised Corporate Director of the SVM Funds ICVC.

SVM Asset Management Limited is a subsidiary of River and Mercantile Group Limited (together with its other subsidiaries the "Group"). River and Mercantile Group Limited is registered in England and Wales with Company Number 04035248 and has its registered office at 30 Coleman Street, London, EC2R 5AL. Other members of the Group include River and Mercantile Asset Management LLP. The Group is part of AssetCo plc.

## Fund Performance

to 31/10/2023

### Cumulative Performance, % change

	One month	2023 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund A	-7.2	-6.9	-2.3	-20.1	-15.6	167.1
MSCI United Kingdom IMI Index	-4.0	0.5	6.1	42.3	19.6	188.7

Source: FE fundinfo, as at 31/10/2023, A Share Class, GBP, UK net tax with net income reinvested and no initial charges.

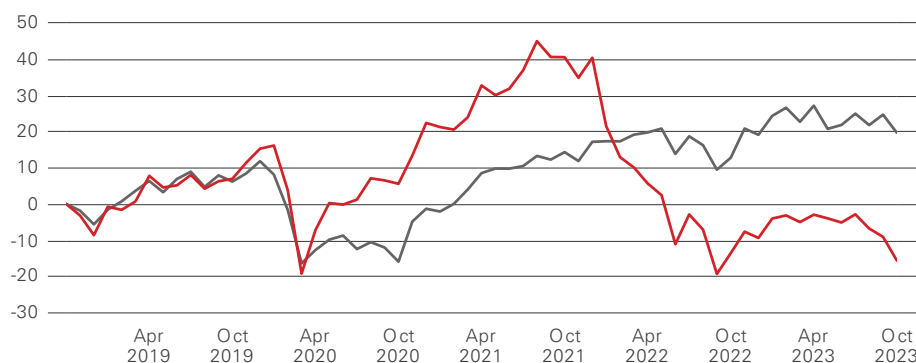
\*The Fund was launched on 20 March 2000

### Percentage growth year on year to 30 September

	2023	2022	2021	2020	2019
SVM UK Growth Fund A	12.7	-42.6	32.0	0.2	-4.9
MSCI United Kingdom IMI Index	13.9	-2.5	27.6	-18.5	2.3
Performance Difference	-1.2	-40.1	+4.4	+18.7	-7.2

Source: FE fundinfo, as at 30/09/2023, A Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



■ SVM UK Growth Fund A ■ MSCI United Kingdom IMI Index

Source: FE fundinfo, as at 31/10/2023, A 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 assurance that any appreciation in value of investments will occur. There is no guarantee that the Fund will achieve its objective. The price of shares in the Fund can go down as well as up and is not guaranteed.

The Fund uses derivatives, including Contracts for Difference (CFDs), for efficient portfolio management (EPM) purposes. There is no guarantee that the Fund will achieve the objective for which it entered into a transaction in relation to EPM, this may result in losses for Shareholders. Full details on EPM can be found in Appendix B 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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