

SVM UK Opportunities Fund

The Fund's aim is to achieve medium to long-term capital growth by investing principally in UK Companies listed on the London Stock Exchange and other permitted securities.

October 2016 | Share Class B

Figures as at 30 September 2016



Fund Managers



Neil Veitch
Fund Manager

Industry Experience: 20

Years at SVM: 11

Appointed: 23/01/2006



Craig Jeruzal
Deputy Fund Manager

Industry Experience: 11

Years at SVM: 10

Appointed: 01/01/2014

Monthly Fund Commentary

Much of the debate in the post-referendum period has focused on the eventual nature of Brexit. Will it be 'hard' or 'soft'? Such nomenclature matters little. It is the philosophical underpinning that will prove more important. Will the UK's attitude to the rest of the world be open or closed? The May government's recent rhetoric in this regard has not been promising. Of course, they may well just be playing to their 'base' and eventually deliver a completely different outcome. Nonetheless, we feel the government is putting political expediency above the country's long-term economic interests. Britain would be best served by presenting a liberal view of the world as opposed to some sort of British nativism. With the official opposition in disarray and 'bond market vigilantes' largely neutered by QE, it will be left to the forex markets to 'keep the government honest'. Currency movements will continue to play a central role in the performance of UK equities. Your fund returned -0.4% versus the FTSE All-Share that returned 1.7%.

At a stock-specific level the fund enjoyed strong performances from a number of holdings. Micro Focus celebrated its promotion to the FTSE 100 index by announcing its intention to acquire the software division of Hewlett Packard Enterprises. Over the last couple of years the market has increasingly recognised the attractiveness of legacy software businesses and the extent to which their strong cash generation can be utilised for the benefit of shareholders. Although the HPE transaction is the largest in the company's history and poses integration challenges, we believe the upside is significant. Micro Focus has an impressive track record of acquiring and integrating similar, albeit smaller, businesses. Another consolidator, RPC, also performed strongly. The company is consolidating the European plastic packaging industry. Despite making a number of acquisitions over the last few years, the company still controls less than ten percent of the market. As the largest purchaser of its raw material in Europe it has significant

purchasing power, which can then be applied to the companies it acquires. We believe RPC can continue to grow through a mixture of organic and inorganic growth for a number of years. Despite its strong performance and scope for further growth it continues to trade at a discount to its nearest comparators. Melrose Plc rose as investors sought exposure to the company following its recent acquisition of Nortek, a US industrial. Melrose has an enviable track record of acquiring businesses, improving their financial performance, selling them on and returning capital to shareholders. We see scope for significant value creation from this transaction.

As we wrote last month Pantheon Resources was the most significant disappointment. The shares declined as the company faced operational differences with its latest well. The company announced that they had been forced to abandon the horizontal component of the well due to the abrasive nature of the rock. While this is disappointing, it shouldn't affect the ultimate level of recoverable reserves but only the timing and cost of extraction. As the company's acreage is located onshore and close to existing infrastructure, the field is economic in all but the most extreme oil price environment. Despite this disappointment there remains significant upside to the stock should management's interpretation of the geology be validated by future drilling. Domestic stocks Lloyds, Norcros, Ladbroke's and Stagecoach declined as some of the recent optimism around the UK's economic performance waned.

There was little trading activity. A position was initiated in Hollywood Bowl.

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: £138.3m

Fund Price:
Share Class A 431.20p
Share Class B 478.40p

Fund Charges:

	Initial	OCF*
Share Class A	5.25%	1.80%
Share Class B	0.00%	1.05%

*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:

ELITE PROVIDER
rated for equities by FundCalibre.com



Square Mile ratings are sourced from Square Mile.

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

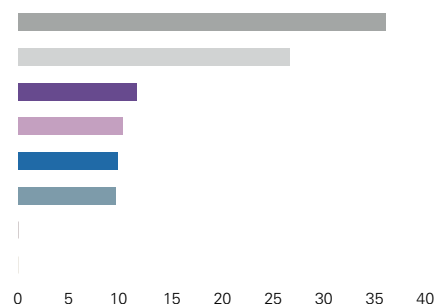
Portfolio Analysis

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.

	(Net %)
Cyclical	35.9
Defensive	26.5
Technology	11.6
Unstable Financials	10.2
Oil & Gas	9.7
Consumer Cyclical	9.5
Mining	0.0
Stable Financials	0.0



Cyclical: 35.9%	(%)
RPC Group	6.6
BAE Systems	3.6
Informa	3.3
British Land	3.0
Synthomer	2.8

Defensive: 26.5%	(%)
Imperial Brands	6.8
GlaxoSmithKline	5.5
BT	4.1
AstraZeneca	4.0
Vodafone Group	3.4

Technology: 11.6% (%)

Micro Focus	7.1
FDM Group	2.5
Gamma	0.9
Atlantis Resources	0.5
Abzena	0.3

Unstable Financials: 10.2% (%)

Prudential	3.8
Lloyds Banking Group	2.9
Legal & General	2.5
Barclays Bank	1.4

Oil & Gas: 9.7% (%)

BP	5.2
Faroe Petroleum	1.6
Ithaca Energy	1.3
Pantheon Resources	1.0
Ophir Energy	0.6

Consumer Cyclical: 9.5% (%)

Ladbrokes plc	2.2
Bellway	2.2
Norcros	2.1
Vonovia	1.6
Mitchells & Butlers	1.2

Mining: 0.0% (%)

Stable Financials: 0.0% (%)

This Month's Featured Stock

Balfour Beatty

Balfour Beatty ('Balfour') is a leading international infrastructure group. The company helps finance, develop, build and maintain a wide range of projects ranging from rail and road assets to nuclear power stations.

Although the operating environment has remained tough in recent years, Balfour's underperformance was largely self-inflicted. Poor internal controls surrounding bidding and cost resulted in the group's Construction Services division posting losses in the past couple of years. The appointment of Leo Quinn, formerly of Qinetiq, as CEO in early 2015 marked the first step on Balfour's road to rehabilitation. Arriving with a reputation as

a leader that provides a strong operational focus and tight control of costs and cash-flow, his transformation plan has been welcomed by the market. His first task was identifying those legacy contracts impacting Balfour's profits and cash. Of the 89 contracts this process identified, over 90% will have been brought to practical or financial completion by the end of 2016. The introduction of a 'gated' bidding process has brought new discipline to Balfour's bidding processes.

The change of management occurred at an opportune time for Balfour. The need for increased infrastructure spend in the UK and US, Balfour's two core markets, is

well-documented. With legacy issues now largely dealt with, Balfour is well-placed to exploit its leading positions in both rail and road. Construction Services should return to profitability over the next year as revenues begin to recover and Balfour's Support Services division will also benefit from increased maintenance spending on UK highways.

We believe that the market is yet to fully appreciate the extent of the turnaround achieved at Balfour's over the past year. As revenue and profits momentum recover, the stock is well placed to outperform.

Stock Analysis

Top 10 Long Holdings	(%)
Micro Focus	7.1
Imperial Brands	6.8
RPC Group	6.6
GlaxoSmithKline	5.5
BP	5.2
BT	4.1
AstraZeneca	4.0
Prudential	3.8
BAE Systems	3.6
Vodafone Group	3.4
Total	50.1

Size Analysis	(%)
Large Cap	71.9
Med/Mid 250	18.7
Small/Small Cap	9.4

Sector Analysis

Fund vs FTSE All-Share (%)

	Gross	Long	Net	Index	
Oil & Gas	10.8	10.8	10.8	11.6	
Basic Materials	2.8	2.8	2.8	6.1	
Industrials	30.7	27.3	23.9	10.6	
Consumer Goods	12.8	12.3	11.9	17.4	
Health Care	10.0	10.0	10.0	9.9	
Consumer Services	15.8	13.0	10.1	11.5	
Telecommunications	8.4	8.4	8.4	4.4	
Utilities	0.0	0.0	0.0	3.9	
Financials	17.3	17.1	16.9	23.7	
Technology	10.2	9.7	9.3	0.9	
Total:	118.8	111.4	104.1	100.0	

Market Capitalisation Analysis

Fund vs FTSE All-Share (%)

		Net Fund	Index	
FTSE 100	Top 20	34.8	52.1	
	Next 30	7.1	17.4	
	Next 50	17.7	11.6	
FTSE Mid 250	First 125	12.9	11.4	
	Second 125	7.5	4.3	
	Rest All-Share	8.0	3.2	
	Non All-Share	16.1	0.0	

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25The North Colonnade
Canary Wharf
London E14 5HS

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Enquiries

0800 0199 110

www.svmonline.co.uk
Calls may be recorded

Dealing: 0345 066 1110

Investor Services:

Account enquiries and valuations

Phone: 0345 066 1110

Fax: 01733 285 681

Fund Information: 0131 226 7660

Helpline: 0800 0199 110
info@svmonline.co.uk

Literature Request: 0800 0199 440

ISIN:

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Share Class B GB0032084815

MEX:

Share Class A SXUOR

Share Class B SXUOI

SEDOL:

Share Class A 3206430

Share Class B 3208481

Registered Office:

SVM Asset Management Limited
7 Castle Street
Edinburgh
EH2 3AH
Registered No. 125817

Fund Performance to 30/09/2016

Cumulative Performance, % change

	One month	2016 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	-0.4	2.7	13.7	29.1	98.7	462.8
FTSE All-Share Index	1.7	12.4	16.8	21.1	68.9	107.1
IA UK All Companies Sector	0.5	7.1	12.1	22.1	79.4	138.6

Source: Lipper, as at 30/09/2016, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

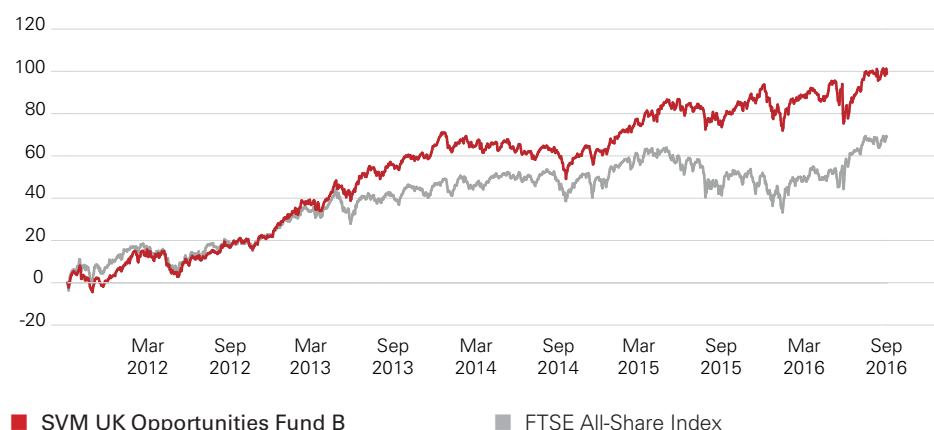
*The Fund was launched on 20 March 2000

Percentage growth year on year to 30 September

	2016	2015	2014	2013	2012
SVM UK Opportunities Fund B	13.7	8.6	4.6	31.7	16.9
FTSE All-Share Index	16.8	-2.3	6.1	18.9	17.3
Performance Difference	-3.1	+10.9	-1.5	+12.8	-0.4

Source: Lipper, as at 30/09/2016, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



Source: Lipper, as at 30/09/2016, 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 the income from them can go down as well as up and you may not get back the amount originally invested.

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. 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.