

# SVM UK Opportunities 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 whose future growth is not reflected in current market expectations. 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 B

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 -7.3% 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.

Energiean was the largest negative contributor to performance. The company's Karish gas field, located in the Eastern Mediterranean Sea, supplies 100% of its production to Israel. Disruption to production cannot be completely ruled out and the initial sell-off is understandable. The field, however, is capable of meeting more than 50% of Israel's domestic gas demand and is highly important to the Israeli state. Production is contracted out to 2032 and the cashflows are significant, enabling the company to pay a sizeable dividend.

Holdings in Easyjet and Ryanair 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 short-haul capacity remains below 2019 levels and we believe pricing will remain robust. UK banks were weaker as results from Natwest led to fears that increased deposit pricing would significantly impact earnings. Cyclical stocks were generally weak.

Alpha Financial Consulting rose as its interim results revealed that improved operational momentum gave it confidence for the full year. Post a previous cautious outlook statement, investors had been concerned that its full year profit guidance was unachievable. Aviva rose after ill-founded takeover speculation.

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:** £124.5m

### Fund Managers:

**Neil Veitch** (Fund Manager)  
Appointed: 23/01/2006  
Years at SVM: 17 Industry Experience: 26

**Craig Jeruzal** (Deputy Fund Manager)  
Appointed: 01/01/2014  
Years at SVM: 16 Industry Experience: 17

### Fund Charges (OCF\*):

Share Class A 1.71%  
Share Class B 0.96%

\*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

INDEPENDENT THINKING



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 any income from them can go down as well as up and you may not get back the amount originally invested.**

## 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	37.5	
Consumer Cyclical	25.5	
Unstable Financial	15.6	
Defensive	14.2	
Oil & Gas	11.2	
Technology	6.4	
Stable Financial	0.0	
Mining	0.0	

### Top 5 long holdings

Group totals net %.

#### Cyclical 37.5%

CRH	5.7
IMI	5.0
Smurfit Kappa Group	4.4
Alpha FMC	3.0
Inchcape	2.6

#### Consumer Cyclical 25.5%

Entain	4.0
Norcros	4.0
Ryanair	3.8
Marks & Spencer	3.3
Tesco	3.1

#### Unstable Financial 15.6%

Lloyds Banking Group	4.1
Prudential	3.5
Aviva	3.0
Legal & General	2.9
OSB Group	1.0

#### Defensive 14.2%

DCC	4.0
GSK	3.9
Smith & Nephew	2.3
Indivior	2.1
Diageo	1.7

#### Oil & Gas 11.2%

Jadestone Energy	3.4
Energiean	3.1
Savannah Energy	2.3
Jersey Oil & Gas	0.7
Longboat Energy	0.6

#### Technology 6.4%

Broadcom	3.1
Creo Medical Group	2.3
ActiveOps	1.0












#### Stable Financial 0.0%

#### Mining 0.0%




## Portfolio Structure

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

### Top 10 Long Holdings (Net %)

CRH	5.7	
IMI	5.0	
Smurfit Kappa Group	4.4	
Lloyds Banking Group	4.1	
Entain	4.0	
DCC	4.0	
Norcros	4.0	
GSK	3.9	
Ryanair	3.8	
Prudential	3.5	
<b>Rest of Portfolio</b>	<b>57.6</b>	











### Size Analysis\* (Net %)

 Large Cap	50.8
 Med/Mid 250	20.9
 Small/Small Cap	28.2

\*Long only positions and excludes Cash



### Sector Breakdown (%)

Industrials	29.8	
Consumer Discretionary	18.8	
Financials	18.6	
Energy	11.2	
Health Care	10.8	
Materials	8.0	
Consumer Staples	7.4	
Information Technology	4.7	
Real Estate	1.2	
Utilities	0.0	
Communication Services	-0.4	

## 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

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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

### ISIN:

Share Class A GB0032064304  
Share Class B GB0032084815

### MEX:

Share Class A SXUOR  
Share Class B SXUOI

### SEDOL:

Sedol GBP 3206430  
Sedol GBP 3208481

### Registered Office:

SVM Asset Management Limited  
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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 Opportunities Fund B	-7.3	-8.0	-3.8	13.5	1.2	559.9
MSCI United Kingdom IMI Index	-4.0	0.5	6.1	42.3	19.6	188.7
IA UK All Companies Sector**	-5.1	-2.4	3.8	24.0	12.2	147.0

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

\*The Fund was launched on 20 March 2000

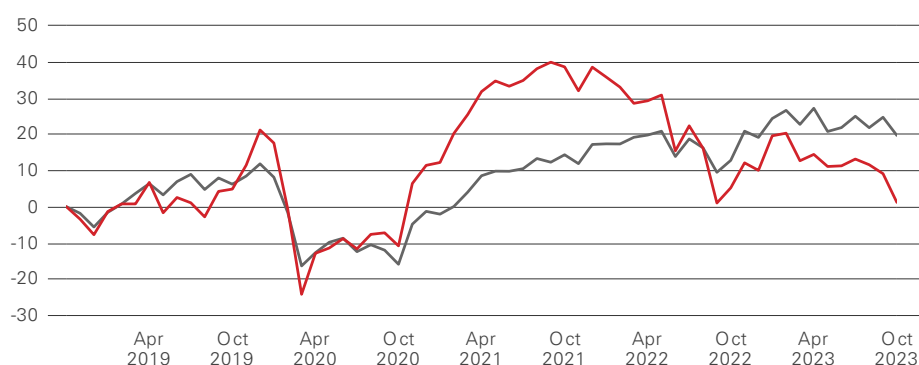
\*\*IA is provided as a comparator

### Percentage growth year on year to 30 September

	2023	2022	2021	2020	2019
SVM UK Opportunities Fund B	8.0	-27.8	50.8	-11.0	-4.6
MSCI United Kingdom IMI Index	13.9	-2.5	27.6	-18.5	2.3
Performance Difference	-5.9	-25.3	+23.2	+7.5	-6.9

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

### Five Year Performance (%)



■ SVM UK Opportunities Fund B ■ MSCI United Kingdom IMI Index

Source: FE fundinfo, as at 31/10/2023, 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 uses derivatives, including Contracts for Difference (CFDs), for efficient portfolio management (EPM) and investment purposes. This may include taking short positions. There is no guarantee that the Fund will achieve the objective for which it entered into a derivative transaction, 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. The use of derivatives may create leveraging, where the net exposure to investments is greater than the Net Asset Value of the Fund, and could increase the volatility of the Fund's share price. This may lead to greater losses for Shareholders. 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.