

# 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.

July 2014 | Share Class A

Figures as at 30 June 2014



## Fund Managers



**Margaret Lawson**  
Co Fund Manager

Industry Experience: 34

Years at SVM: 23

Appointed: 31/10/2005



**Colin McLean**  
Co Fund Manager

Industry Experience: 40

Years at SVM: 23

Appointed: 29/02/2008

## Monthly Fund Commentary

June saw some further weakness in UK consumer sectors, industrials and financials. Institutional investors sold cyclical to reinvest in defensive sectors, impacting medium sized companies in particular. Some shares began to recover from falls in April and May, suggesting the sell-off had been indiscriminate. Over the month, the Fund was down 3.3% against a fall in the FTSE All-Share Index of 1.3%, and in the IMA UK All Companies Sector Average of 1.8%. (Source: Lipper total return)

There were contributions during the month from Shire Pharmaceuticals, Whitbread, WANDisco and Berkeley Group. Shire has finally attracted a bid from US pharmaceutical group AbbVie in July. This highlights not only the value of Shire's drugs and pipeline, but also the potential for US companies to reduce tax by relocating. Hikma, which markets generic and in-licensed pharmaceutical products, attracted bid speculation. Whitbread reported good growth in each of its three divisions; Costa Coffee, Premier Inns and restaurants. Ashted saw profit-taking, even despite reporting strong growth. Some reduction has been made to consumer and technology exposure in the portfolio. The strong Pound is a deflationary factor on consumer spending, making real growth more challenging.

Against a background of material long term outperformance by medium sized companies over the FTSE 100, there have been periods of similar setbacks. 2011 was the last reverse,

and 2008 before that. Each time medium sized companies have returned to favour just as abruptly. Rather than trying to time sector rotation, the Managers focus on underlying earnings. Most portfolio companies are continuing to report good progress. Many of the biggest global businesses are struggling to achieve real growth, lacking the agility of medium sized and smaller companies.

The Fund remains fully invested, reflecting the potential for dividend growth, share re-ratings, and for self-help in many portfolio companies. Only when central banks conquer deflationary pressures, will there be scope to tighten policy and slow global growth. Overall, a strong UK economy, and the prospect of growth in the global economy, offers a favourable background for UK equities.

Fund and index performance source: Lipper

## Fund Facts

**Launch Date:** 20 March 2000

**Benchmark Index:**  
FTSE All-Share Index

**IMA Sector:** UK All Companies

**Type of Shares:** Accumulation  
XD Date: 31 December  
Pay Date: 30 April

**Fund Size:** £106.6m

**Fund Price:**  
Share Class A 321.10p  
Share Class B 343.90p

**Fund Charges:**

	Initial	OCF*
Share Class A	5.25%	1.88%
Share Class B	0.00%	1.13%

\* 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

**Availability:**

Direct/ISA	Cofunds
FundsNetwork	Transact
Skandia	Standard Life Wrap

### Ratings:



Source & Copyright: CITYWIRE. Margaret Lawson is A rated by Citywire for her 3 year risk adjusted performance for the period 30/06/2011 - 30/06/2014.



Source & Copyright: CITYWIRE. Citywire Bronze Medal in the UK All Companies sector for the performance period Jan 2007 - Jan 2014. Citywire information is proprietary and confidential to Citywire Financial Publishers Ltd ("Citywire"), may not be copied and Citywire excludes any liability arising out its use.

**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**

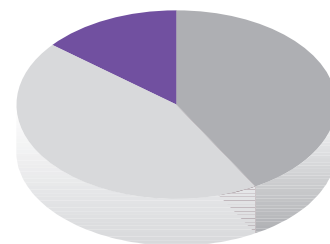
## Portfolio Analysis

### Strategies

The portfolio can be viewed as three strategies. A “core” of higher quality long term growth stocks. “Tactical” plays allowing the portfolio the ability to flex and exploit the current market conditions. Finally, the “Alpha Kicker” segment, representing special situations.

(Net %)

■ Core	40.9
■ Tactical	45.1
■ Alpha Kicker	11.8



#### Core: 40.9%

(%)

Shire Pharmaceuticals	3.9
Whitbread	2.8
Essentra	2.4
Hikma Pharmaceuticals	2.4
St James Place	2.4
Playtech	2.1
Ted Baker	2.0
Booker	2.0
Derwent London PLC	1.8
Aberdeen Asset Management	1.7

#### Tactical: 45.1%

(%)

Prudential	3.0
Ashtead	2.7
Easyjet	1.9
Supergroup	1.9
Berendsen	1.7
Hays plc	1.5
Sports Direct	1.4
Micro Focus	1.4
Britvic	1.3
St Modwen Properties	1.2

#### Alpha Kicker: 11.8%

(%)

Unite Group	1.7
ITV Television	1.7
Flybe	1.3
Thomas Cook	1.3
Photo-Me International	1.0
Workspace Group	1.0
GVC Holdings	0.8
Atkins(W.S)	0.6
Quintain Estates	0.5
Cable & Wireless Comms	0.5

### Features of Strategy

- Sustainable growth stocks
- Strong business models
- Longer term holdings

These stocks are selected for the sustainability of the business model, strong top line growth and margins.

### Features of Strategy

- Macro Trends
- Mid-term Cyclical Holdings
- Cash

Allows the portfolio to transition as the macro environment evolves.

### Features of Strategy

- Special Situations
- Management Turnaround
- Valuation anomalies

Stocks where the business is undergoing a fundamental change which we believe will lead to strong share price appreciation.

## This Month's Featured Stock

### Greene King

Greene King is one of the UK's leading pub and brewing companies. While many will be aware of the company's many brands of beer which include Belhaven Best, Old Speckled Hen and the eponymous IPA; it is Greene King's managed pub and restaurant business which accounts for a majority of profits. Operating under a variety of fascias, including Hungry Horse, Loch Fyne Seafood & Grill and Old English Inns – the company manages over 1,000 sites. The company also has a 'Pub Partners' business where tenants operate pubs under a quasi-franchise style model.

In recent years, Greene King has sought to reduce the size of its tenanted pub business to less than 1,000 sites. Following the recent

disposal of c. 250 units, this process has largely been completed and, looking forward, tenanted pubs should be a reliable cash-cow which helps fund growth in the rest of the company. Management are clearly keen to continue the expansion of its owned pub business and are seeking to grow the estate by around 30 sites per annum. The company has a strong balance sheet, backed by its extensive property holdings, and is likely to pursue earnings-enhancing acquisitions. Elsewhere, improved benchmarking of individual unit performance and other schemes designed to increase their share of customer wallets should yield benefits.

Currently trading on an estimated 2015 PE of

only 12x and offering a dividend yield of close to 4%, we believe that Greene King represents excellent value.

## Stock Analysis

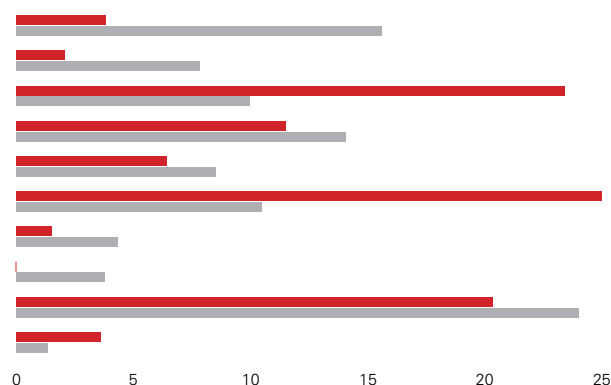
Top 10 Holdings	(%)
Shire Pharmaceuticals	3.9
Prudential	3.0
Whitbread	2.8
Ashtead	2.7
Essentra	2.4
Hikma Pharmaceuticals	2.4
St James Place	2.4
Playtech	2.1
Ted Baker	2.0
Booker	2.0
<b>Total</b>	<b>25.7</b>

Size Analysis	(%)
Large Cap	41.8
Med/Mid 250	47.7
Small/Small Cap	10.5

## Sector Analysis

### Fund vs FTSE All-Share (%)

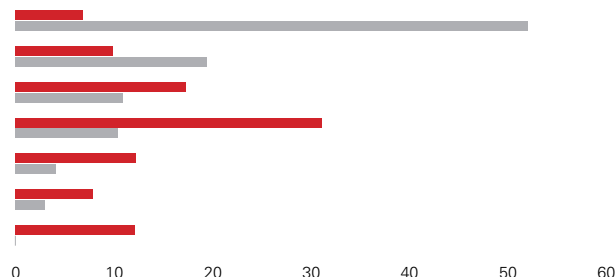
	Gross	Index
Oil & Gas	3.8	15.6
Basic Materials	2.1	7.8
Industrials	23.4	10.0
Consumer Goods	11.5	14.1
Health Care	6.4	8.5
Consumer Services	25.0	10.5
Telecommunications	1.5	4.3
Utilities	0.0	3.8
Financials	20.4	24.0
Technology	3.6	1.4



## Market Capitalisation Analysis

### Fund vs FTSE All-Share (%)

		Fund	Index
FTSE 100	Top 20	6.9	52.1
	Next 30	9.9	19.5
	Next 50	17.3	10.9
FTSE Mid 250	First 125	31.2	10.4
	Second 125	12.3	4.1
	Rest All-Share	7.9	3.0
	Non All-Share	12.1	0.0



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### ISIN:

A Share Class GB0032064635

B Share Class GB0032084708

### MEX:

A Share Class SXSX

B Share Class SXSX

### SEDOL:

A Share Class 3206463

B Share Class 3208470

### Registered Office:

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Registered No: 125817

## Fund Performance to 30/06/2014

### Cumulative Performance, % change

	One month	2014 yr to date	One year	Three years	Five years	Since launch*
SVM UK Growth Fund A	-3.3	-6.3	11.2	38.9	118.9	131.7
FTSE All-Share Index	-1.3	1.6	13.1	29.2	96.7	83.2
IMA UK All Companies Sector	-1.8	-0.3	13.7	34.2	102.7	105.9

Source: Lipper, as at 30/06/2014, 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 June

	2014	2013	2012	2011	2010
SVM UK Growth Fund A	11.2	27.5	-2.0	29.9	21.3
FTSE All-Share Index	13.1	17.9	-3.1	25.6	21.1
Performance Difference	-1.9	+9.6	+1.1	+4.3	+0.2

Source: Lipper, as at 30/06/2014, A Share Class, GBP, UK net tax with net income reinvested and no initial charges.

### Five Year Performance (%)



Source: Lipper, as at 30/06/2014, A 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.**

**All potential investors should consider the risk factors that are relevant to the Fund.**

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. 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. Due to global and UK market fluctuations trading may become difficult and the Fund may not be able to realise some of the investments it has made nor may prices be readily available that are a reliable indication of value of the investments. 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. The Fund uses Contracts for Difference (CFDs) as part of the investment strategy; this can increase the risk profile and volatility of the Fund. Further details are in the Prospectus.