

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 2022 | Share Class B

Factsheet as at 31 October 2022



Monthly Fund Commentary

The lettuce lasted longer than the Prime Minister. Changes at the top of UK government heralded the reintroduction of a more conventional economic policy and stabilisation in financial markets. The improvement in sentiment was aided by signs that inflationary pressures are continuing to ease. Both equities and gilts rose, albeit small-cap stocks continued to lag. The fund rose 4.1% versus the average fund that gained 3.1%.

Central bank policy continues to shape markets. Both the Bank of England and the Federal Reserve are expected to increase rates by 75bps and signal more rises to come. The second derivative of rate increases, however, is beginning to slow. Increasing evidence of an economic slowdown alongside less hawkish commentary from the Reserve Bank of Australia and the Bank of Canada encouraged investors to focus on the potential for a 'Fed pivot' and pushed markets higher. From the Fed's perspective, though, the resultant easing in financial conditions is likely to make their job more difficult and thus reduces the prospect of a 'pivot'. Markets are therefore likely to remain volatile until there is clearer evidence that inflationary pressures are under control and the economy is slowing.

Ultimately price and/or time corrects all bear markets, be they cyclical or structural. The former type is generally accompanied by declines of 20-30% and lasts 12-18 months. More structural adjustments involve larger declines with more variable time frames. What differentiates the two, typically, are weaknesses in the financial system that can amplify a cyclical downturn into something more serious. This time the financial sector is well capitalised with both consumer and corporate balance sheets reasonably robust. Interestingly, even in the financial crisis the market decline lasted just over twelve months.

Markets peaked in October 2007 and had just about bottomed in October 2008 with a final low in March 2009. Of course, each cycle is different and what worked last time round may work less well today. Wildcards include the war in Ukraine and the impact the stronger dollar may have in accentuating any underlying weaknesses in the global financial system. The next twelve months will see further downgrades to forecasts and investors will need to see the 'whites of the eyes' of the coming recession. It is important to remember, however, that stock markets lead economies and not the other way around. And with the prospect of an economic recovery in 2024 and UK equities cheap, both historically and relatively, the upside could be material.

The current forward PE of the portfolio based on market forecasts is c.7x. Inevitably the earnings number will prove too high but by what magnitude is uncertain. Holdings exposed to the UK and European economies are vulnerable but many of these shares have been hit hard already. A majority of our UK domestic-exposed holdings have fallen 40-50% already and are discounting quite significant declines in earnings. Many of these are household names who we are confident will exit the recession in a better competitive position than when they entered. Once economies stabilise and CEO's feel more comfortable with their own businesses, we expect M&A activity to pick up.

There were few stock-specific factors driving returns. We used the sell-off in Grafton Group to initiate a position. The shares have fallen back to where they were in 2014 despite EPS having increased by c.200% and the group having £520m cash (ex-leases) on the balance sheet.

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: £149.6m

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 30/06/2022

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	34.1	
Consumer Cyclical	25.4	
Oil & Gas	17.9	
Unstable Financial	12.6	
Defensive	9.5	
Technology	4.6	
Stable Financial	0.0	
Mining	0.0	

Top 5 long holdings

Group totals net %.

Cyclical 34.1%

Alpha FMC	5.3
Smurfit Kappa Group	4.8
CRH	4.6
IMI	4.3
Balfour Beatty	3.1

Consumer Cyclical 25.4%

Norcros	4.4
Entain	4.2
Tesco	3.6
Ryanair	2.7
Marks & Spencer	2.4

Oil & Gas 17.9%

Jadestone Energy	4.9
Energean	4.4
Pantheon Resources	2.5
Savannah Energy	2.0
Longboat Energy	1.4

Unstable Financial 12.6%

Lloyds Banking Group	4.6
Legal & General	3.3
Prudential	2.7
OSB Group	2.0

Defensive 9.5%

DCC	3.5
GSK	3.2
Smith & Nephew	2.1
Haleon	0.7

Technology 4.6%

Creo Medical Group	1.3
Micron Technology	1.0
Temenos	0.9
ActiveOps	0.8
Diurnal Group	0.6












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 %)

Alpha FMC	5.3	
Jadestone Energy	4.9	
Smurfit Kappa Group	4.8	
CRH	4.6	
Lloyds Banking Group	4.6	
Energiean	4.4	
Norcros	4.4	
IMI	4.3	
Entain	4.2	
Tesco	3.6	
Rest of Portfolio	54.9	











Size Analysis* (Net %)

 Large Cap	39.7
 Med/Mid 250	25.4
 Small/Small Cap	34.9



*Long only positions and excludes Cash

Sector Breakdown (%)

Industrials	28.8	
Financials	18.0	
Energy	17.9	
Consumer Discretionary	17.7	
Health Care	7.2	
Consumer Staples	6.2	
Materials	4.6	
Information Technology	2.6	
Real Estate	0.7	
Communication Services	0.3	
Utilities	0.0	

This Month's Featured Stock

Entain

Entain is a multinational sports betting and gaming company that operates through both online and retail channels. In the UK, the group operates brands such as Ladbrokes and Coral. In the US, the group has a 50% stake, alongside MGM Resorts International, in BetMGM.

In recent years Entain has evolved significantly. Having withdrawn from unregulated markets, nearly 100% of group turnover now comes from 31 regulated or regulating markets. Revenues have grown from £39m in 2011 to £3.8bn in 2021 as the business has grown both organically and inorganically. Although 9 years of consecutive double-digit online net revenue growth is likely to end in 2022, due to covid-impacted comparatives and regulatory changes in Netherlands, we still believe the business is capable of delivering strong growth. Expansion into new, faster-growing, regions such as Central and Eastern Europe will help as will regulatory changes in several markets.

BetMGM, which often dominates investor debate, continues to perform well and is the second largest sports and iGaming operator in the US with a market share of 23%. While the pace of market opening largely depends on individual states, BetMGM is now open in 23 markets. Overall, management believe that the North American market could be worth \$37bn at maturity.

Having been the subject of two bid approaches last year, we believe that logic of such a takeover remains. It makes particular commercial sense for MGM Resorts to gain total control over the BetMGM brand and benefit from Entain's international presence. Their previous offer of 0.6 MGM Resort shares for each Entain share, made in 2021, would offer considerable upside from current levels. If such a bid should fail to materialise, we still believe that the stock is undervalued.

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Share Class A SXUOR
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Fund Performance

to 31/10/2022

Cumulative Performance, % change

	One month	2022 yr to date	One year	Three years	Five years	Since launch*
SVM UK Opportunities Fund B	4.1	-24.1	-24.1	0.3	1.0	586.1
MSCI United Kingdom IMI Index	3.0	-3.8	-1.4	6.2	11.2	172.1
IA UK All Companies Sector**	3.1	-14.5	-12.9	1.2	4.2	138.1

Source: FE fundinfo, as at 31/10/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

*The Fund was launched on 20 March 2000

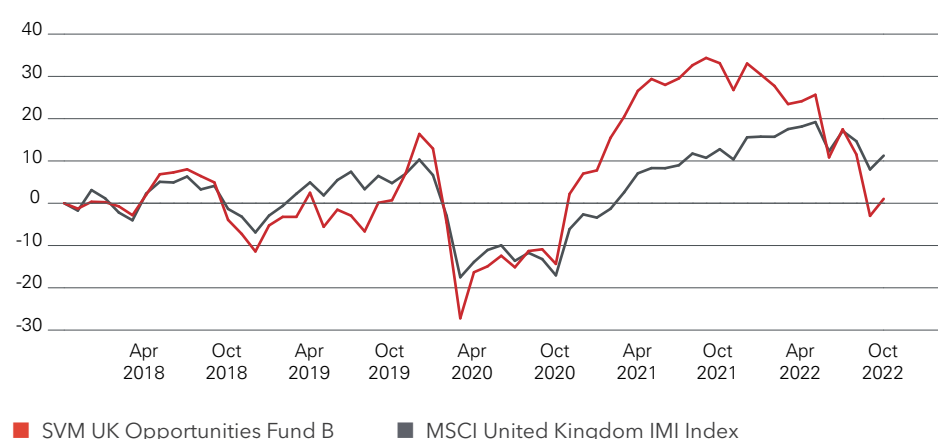
**IA is provided as a comparator

Percentage growth year on year to 30 September

	2022	2021	2020	2019	2018
SVM UK Opportunities Fund B	-27.8	50.8	-11.0	-4.6	8.9
MSCI United Kingdom IMI Index	-2.5	27.6	-18.5	2.3	6.0
Performance Difference	-25.3	+23.2	+7.5	-6.9	+2.9

Source: FE fundinfo, as at 30/09/2022, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



Source: FE fundinfo, as at 31/10/2022, 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 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 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.