

SVM Continental Europe Fund

The objective of the Fund is to achieve capital growth over the long term (5 years or more) and it aims to outperform the MSCI Europe ex UK Index. The Fund will identify investment opportunities in undervalued companies in European equity markets which will not necessarily be prominent in mainstream indices. The Fund will invest at least 80% in equities and equity related instruments dealt in or traded on European Eligible Securities Markets. The Fund may invest in other permitted securities.



January 2022 | Share Class B

Factsheet as at 31 December 2021



Monthly Fund Commentary

A flurry of central bank meetings in mid-December 2021, including those of the UK, the US and Europe, promised some clarity concerning the trajectory for interest rates and stimulus packages in the coming quarters and years. A hefty US inflation reading of over 6% for November helped focus attention on the tightening that loomed. The Bank of England unexpectedly increased rates while the ECB and the Federal Reserve spoke of a cautious and gradual approach. In summary, there was nothing to suggest in any of the commentaries that the on-going recovery would be put at risk by over-zealous policy moves. The continued spread of the Omicron variant has presented a greater threat to economic growth globally, with daily reported cases reaching new highs in many countries. As ever, the threat for markets was the action governments were likely to take in order to combat this resurgence and the impact this in turn would have on the ability for companies to do business. While equity market volatility did increase, it became clear that the impact was likely to be short-term resulting in a healthy 3.94% increase for the MSCI Europe ex UK Index in December.

Germany heralded the end of an era as Chancellor Angela Merkel left office. Her 16 years in power have been characterized by stability and economic success despite some difficult events during her tenure, not least the financial crisis of 2008 and the threat this posed to the European Union. It is perhaps comforting then, that her successor Olaf Scholz, along with his traffic light coalition, are seen as a safe choice offering a degree of continuity from the Merkel reign.

The fund rose 3.83% in December. The best contributor to performance was German IT

services company Allgeier. This long-term holding for the fund has in recent years built a portfolio of companies with a broad range of expertise culminating in the recent spin-out of digital services specialist Nagarro. This move was extremely profitable for shareholders and a recent acquisition suggests the company may be at the start of repeating this process hence the close to 50% increase for the shares over the course of the month. The worst performer was Schibsted of Norway. While the medium term prospects for the company look good, in the short term the company's online marketplaces including Finn and Blocket have been hit by the lack of transactions in the automotive market. There were no outright buys or sells over the course of the month.

2021 has been a good year for equity markets which offered one of the few alternatives to stubbornly low bond yields. It is fair to expect decent growth in 2022 as economies return to normal following the damage inflicted by the pandemic, resultant lockdowns and government restrictions. Perhaps the greatest threat to this scenario is inflation. Supply shortages, elevated energy costs and, to a certain extent, base effects from the pandemic can all be pointed to as temporary in nature but the duration of the pressure on corporate and personal finances can still prove more permanent as wage and price increases spiral. Central banks have the wherewithal to combat such a scenario but this may be at the cost of equity market performance so a note of caution should be sounded for the months ahead.

Fund and index performance source: FE fundinfo

Fund Facts

Launch Date: 20 March 2000

Benchmark Index:
MSCI Europe ex UK Index

IA Sector: Europe ex UK

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

Fund Size: £40.3m

Fund Manager:

Hugh Cuthbert (Fund Manager)
Appointed: 23/01/2006
Years at SVM: 15 Industry Experience: 26

Fund Charges (OCF*):

Share Class A 1.92%
Share Class B 1.17%

*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 31/12/2021

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

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.

Consumer Cyclical	18.2	
Defensive	17.8	
Technology	14.3	
Cyclical	13.2	
Unstable Financial	12.9	
Stable Financial	11.6	
Oil & Gas	0.9	
Mining	0.0	
Cash	11.0	

Consumer Cyclical 18.2%

Allgeier	5.0
Ipsos	3.0
Verallia	2.7
Aluflexpack	1.7
Schibsted	1.4

Defensive 17.8%

Veolia	3.4
Thales Group	3.0
Energiekontor	2.8
Roche Holdings	2.6
PNE	1.7

Technology 14.3%

United Internet	3.5
SESA	2.7
Crayon	2.5
Barco	1.9
Nagarro	1.5

Cyclical 13.2%

Capgemini	3.1
Dustin	2.9
Rexel	2.5
H+H International	2.4
Wienerberger	2.3

Unstable Financial 12.9%

Banca Mediolanum	3.4
Allianz	3.3
AXA	3.2
Mediobanca	3.0

Stable Financial 11.6%

Patrizia	3.1
Ringkjoebing	2.9
S IMMO	2.3
LEG Immobilien	1.9
Partners Group Holding	1.5

Oil & Gas 0.9%

TotalEnergies	0.9
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Mining 0.0%

This Month's Featured Stock

Pirelli

With forecasted 2023 price earnings and EV/EBITDA ratios of 10.6x and 7.6x respectively, Italian tyre manufacturer Pirelli offers a global brand at a rock bottom price. The discount, however, is not totally unjustified. The industry in which the company operates is cyclical and is regularly impacted by a volatile cost base.

While we would not argue against such observations the reality is not as clear cut. The overall tyre market is indeed highly susceptible to the gyrations in both the new and second hand car markets but Pirelli is far from a generic representation of the underlying market. Over

recent years the focus has been on a shift away from the low-end value market toward the high end and homologations with world beating brands such as Ferrari, McLaren and Lamborghini. Not only does this reduce the cyclical nature but it also allows for increased pricing power resulting in better margins and a dampener for any cyclical nature. This, of course, also means that management have the levers to combat raw material price pressure.

The answer to the low valuation therefore can perhaps be attributed to the company's balance sheet which does remain more highly geared












than many of its peers. While this remains an on-going risk, it is one that is well recognised by management and a rigorous cost cutting programme combined with a recovery in end markets results in a clear path for a substantial improvement.

While the nature of the industry means Pirelli is unlikely to ever gain a valuation premium to the market, we believe today's levels are simply too low for a company with this heritage and industrial position.











Portfolio Structure

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












Top 10 Holdings

	(%)	
Allgeier	5.0	
United Internet	3.5	
Veolia	3.4	
Banca Mediolanum	3.4	
Allianz	3.3	
AXA	3.2	
Capgemini	3.1	
Patrizia	3.1	
Thales Group	3.0	
Ipsos	3.0	
Rest of Portfolio	66.1	

Country Breakdown

	No. of Stocks	(%)	
Germany	10	25.2	
France	9	23.4	
Italy	4	10.2	
Norway	4	6.2	
Switzerland	3	5.8	
Sweden	3	5.4	
Denmark	2	5.3	
Austria	2	4.6	
Belgium	1	1.9	
Netherlands	1	0.9	

Sector Breakdown

	(%)	
Financials	17.2	
Information Technology	16.6	
Industrials	13.6	
Communication Services	10.5	
Materials	9.2	
Real Estate	7.3	
Health Care	5.3	
Consumer Discretionary	4.1	
Utilities	3.4	
Energy	0.9	
Consumer Staples	0.9	

Please note that figures may not add up to 100% due to Cash holding.



Size Analysis

	(%)
Mega Cap (>€50bn)	10.1
Large Cap (<€50bn)	14.5
Mid Cap (<€10bn)	49.7
Small Cap (<€1bn)	14.7



Currency Exposure

	(%)
Euro	66.3
Norwegian Krone	6.2
Swiss Franc	5.8
Danish Krone	5.3
Swedish Krona	5.4

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Share Class A SXCER
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Fund Performance

to 31/12/2021

Cumulative Performance, % change

	One month	2021 yr to date	One year	Three years	Five years	Since launch*
SVM Continental Europe Fund B	3.8	23.4	23.4	102.4	110.0	598.4
MSCI Europe ex UK Index	3.9	17.6	17.6	54.0	63.4	256.4
IA Europe ex UK Sector**	3.4	15.8	15.8	53.6	58.3	212.0

Source: FE fundinfo, as at 31/12/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

*The Fund was launched on 20 March 2000

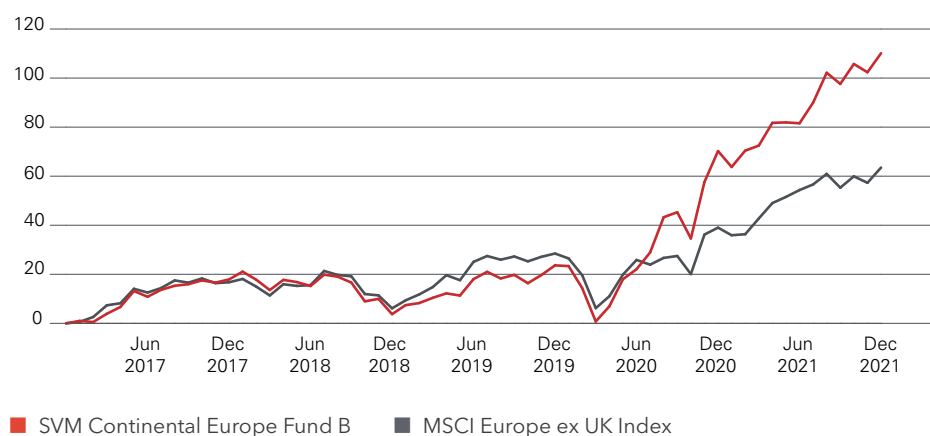
**IA is provided as a comparator

Percentage growth year on year to 31 December

	2021	2020	2019	2018	2017
SVM Continental Europe Fund B	23.4	37.7	19.2	-12.0	17.9
MSCI Europe ex UK Index	17.6	8.2	21.0	-9.1	16.8
Performance Difference	+5.8	+29.5	-1.8	-2.9	+1.1

Source: FE fundinfo, as at 31/12/2021, B Share Class, GBP, UK net tax with net income reinvested and no initial charges.

Five Year Performance (%)



Source: FE fundinfo, as at 31/12/2021, 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 may enter into derivative contracts for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. 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.