

# SVM UK Emerging Fund plc



September 2022  
**Half Yearly Report**

## HIGHLIGHTS

- Net asset value return of -27.1% compared to a -12.8% return in the IA UK All Companies Sector Average Index.
- Over the five years to 30 September 2022, net asset value fell -23.8% and the share price -14.9%, against the IA UK All Companies Sector Average Index return of 3.2%.
- Positive contributions from 4Imprint Group, Beazley, Ideagen and Aveva Group.
- Portfolio emphasises exposure to cash generating, scalable businesses with a competitive edge that can protect margins and deliver growth.

*“Long term capital growth from investments in smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis”*

### Financial Highlights –

| Total Return Performance to 30 September 2022 | 6 months | 3 years | 5 Years | 10 Years |
|---|----------|---------|---------|----------|
| Net Asset Value                               | -27.1%   | -26.3%  | -23.8%  | 71.5%    |
| Share Price                                   | -21.7%   | -21.3%  | -14.9%  | 71.3%    |
| Comparator Index*                             | -12.8%   | -2.4%   | 3.2%    | 60.5%    |

\* The comparator index for the Fund was changed to the IA UK All Companies Sector Average Index from 1 October 2013 prior to which the FTSE AIM Index was used.

## CHAIRMAN'S STATEMENT

Over the six months to 30 September 2022, the Company's net asset value fell 27.1% to 82.0p per share, compared to a return of -12.8% in the IA UK All Companies Sector Average Index. Over the six months, the share price returned -21.7%. In the five years to 30 September 2022, net asset value returned -23.8% and the share price -14.9%, against the IA UK All Companies Sector Average return of 3.2%. The Company's net asset value increased slightly since the period under review to 86.2p at 31 October 2022.

Over the period, UK equities fell sharply, with much of that move coming in September. The share prices of smaller and medium sized companies fared worse than shares of the largest global businesses. The portfolio emphasises growth strategies and has low exposure to some of the areas in favour in the period under review, such as energy, mining and the major pharmaceutical groups.

The strongest contributions to performance over the period were 4Imprint Group, Ideagen, Beazley, Aveva Group and AB Dynamics. In July, compliance software group, Ideagen, agreed a takeover by a private equity firm. In September, industrial software business, Aveva, agreed a takeover by Schneider Electric, subject to shareholder approval. Merger and acquisition activity may point to recognition that share prices of some successful British businesses have become attractive as acquisitions, particularly when the weakness of sterling is taken into account. Negatives included Hilton Food Group, Dechra Pharmaceuticals, XP Power, Watches of Switzerland, FDM Group and Alpha FX Group. Additional investment was made in Dechra Pharmaceuticals. To fund this and reduce the effective market exposure of the portfolio, Impax Asset Management, Volex, ASOS, ITM Power and Seeing Machines were sold in part or whole.

During the period, in contrast with share price weakness, most portfolio company trading updates were encouraging. Smaller and medium sized companies typically have more flexibility to adapt and the portfolio emphasises businesses generating cash. This should reduce risks of unforeseen fundraising or profits disappointments. The Managers favour businesses that are leaders in their area or which can defend margins through innovation.

On a range of measures, the fall has brought UK equities down to a significant valuation gap with many other world markets, a relative valuation last reached in 1989. It does appear that the UK economy will move into recession over the next few months but the disparity is extreme.

The portfolio focuses on resilient growing businesses, with low exposure to commodities, oil and banks. Portfolio investments are typically scalable businesses with a competitive edge. The Fund remains fully invested with minimal gearing.

Peter Dicks  
**Chairman**  
4 November 2022

## INVESTMENT OBJECTIVE and POLICY

The investment objective of SVM UK Emerging Fund plc (the “Fund” or the “Company”) is long term capital growth from investments in medium-sized and smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis

The Fund aims to achieve its objective and to diversify risk by investing in shares and related instruments, controlled by a number of limits on exposures. Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board. This is an abridged version of the Fund’s investment policy. The full investment policy can be found in the Strategic Report within the Fund’s latest Annual Report & Accounts.

## DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Half Yearly Report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- (i) the condensed set of financial statements have been prepared in accordance with the Financial Reporting Council Statement 104 “Interim Financial Reporting” on a going concern basis, taking in to account guidance on Covid-19, and give a true and fair view of the assets, liabilities, financial position and gain or loss of the Fund;
- (ii) the Half Yearly Report includes a fair review of the information required by the Disclosure and Transparency Rules DTR 4.2.7R (an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year); and DTR 4.2.8R (disclosure of related party transactions and changes

therein that could have a material effect on the financial position or performance of the Fund during the first six months of the current financial year).

- (iii) No related party transactions have taken place during the first six months of the year that have materially affected the financial position of the Fund during the period and there have been no changes in the related party transactions as described in the Annual Report & Accounts for the year end 31 March 2022 that could do so.

The Directors consider that the Half Yearly Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Fund’s performance and strategy,

The Half Yearly Report has not been audited or reviewed by the Fund’s auditors.

By Order of the Board  
**Peter Dicks**  
Chairman  
4 November 2022

## UNAUDITED ACCOUNTS

### Income Statement

|   | Six months to 30 September<br>2022 |                  |                 | Six months to 30 September<br>2021 |                  |                |
|---|------------------------------------|------------------|-----------------|------------------------------------|------------------|----------------|
|   | Revenue<br>£'000                   | Capital<br>£'000 | Total<br>£'000  | Revenue<br>£'000                   | Capital<br>£'000 | Total<br>£'000 |
| Net (loss)/gain on investments at fair value              | -                                  | (1,787)          | (1,787)         | -                                  | 1,283            | 1,283          |
| Income  | 61                                 | -                | 61              | 56                                 | -                | 56             |
| Investment management fees                                | -                                  | (22)             | (22)            | -                                  | (32)             | (32)           |
| Other expenses  | (72)                               | -                | (72)            | (61)                               | -                | (61)           |
| <b>(Loss)/gain before finance costs and taxation</b>      | <b>(11)</b>                        | <b>(1,809)</b>   | <b>(1,820)</b>  | <b>(5)</b>                         | <b>1,251</b>     | <b>1,246</b>   |
| Finance costs   | (9)                                | -                | (9)             | (7)                                | -                | (7)            |
| <b>(Loss)/gain on ordinary activities before taxation</b> | <b>(20)</b>                        | <b>(1,809)</b>   | <b>(1,829)</b>  | <b>(12)</b>                        | <b>1,251</b>     | <b>1,239</b>   |
| Taxation  | -                                  | -                | -               | -                                  | -                | -              |
| <b>(Loss)/gain attributable to ordinary shareholders</b>  | <b>(20)</b>                        | <b>(1,809)</b>   | <b>(1,829)</b>  | <b>(12)</b>                        | <b>1,251</b>     | <b>1,239</b>   |
| <b>(Loss)/gain per Ordinary Share</b>                     | <b>(0.33)p</b>                     | <b>(30.18)p</b>  | <b>(30.51)p</b> | <b>(0.20)p</b>                     | <b>20.87p</b>    | <b>20.67p</b>  |

|  | Year ended 31 March 2022<br>(audited) |                  |                 |
|--|---------------------------------------|------------------|-----------------|
|  | Revenue<br>£'000                      | Capital<br>£'000 | Total<br>£'000  |
| Net loss on investments at fair value              | -                                     | (641)            | (641)           |
| Income   | 94                                    | -                | 94              |
| Investment management fees                         | -                                     | (61)             | (61)            |
| Other expenses                                     | (127)                                 | -                | (127)           |
| <b>Loss before finance costs and taxation</b>      | <b>(33)</b>                           | <b>(702)</b>     | <b>(735)</b>    |
| Finance costs                                      | (14)                                  | -                | (14)            |
| <b>Loss on ordinary activities before taxation</b> | <b>(47)</b>                           | <b>(702)</b>     | <b>(749)</b>    |
| Taxation   | -                                     | -                | -               |
| <b>Loss attributable to ordinary shareholders</b>  | <b>(47)</b>                           | <b>(702)</b>     | <b>(749)</b>    |
| <b>Loss per Ordinary Share</b>                     | <b>(0.78)p</b>                        | <b>(11.71)p</b>  | <b>(12.49)p</b> |

The Total column of this statement is the profit and loss account of the Fund. All revenue and capital items are derived from continuing operations. No operations were acquired or discontinued in the year. A Statement of Comprehensive Income is not required as all gains and losses of the Fund have been reflected in the above statement.

## UNAUDITED ACCOUNTS

### Balance Sheet

|   | As at<br>30 September<br>2022<br>(unaudited)<br>£'000 | As at<br>31 March<br>2022<br>(audited)<br>£'000 | As at<br>30 September<br>2021<br>(unaudited)<br>£'000 |
|---|---|---|---|
| <b>Fixed Assets</b>                                   |   |   |   |
| Investments at fair value through profit or loss      | 4,318   | 6,408   | 8,416   |
| <b>Total current assets</b>                           | <b>1,264</b>  | 773   | 433   |
| <b>Creditors: amounts falling due within one year</b> | <b>(666)</b>  | (436)   | (116)   |
| <b>Net current assets</b>                             | <b>598</b>  | 337   | 317   |
| <b>Total assets less current liabilities</b>          | <b>4,916</b>  | 6,745   | 8,733   |
| <b>Capital and Reserves</b>                           | <b>4,916</b>  | 6,745   | 8,733   |
| <b>Equity shareholders' funds</b>                     | <b>4,916</b>  | 6,745   | 8,733   |
| <b>Net asset value per Ordinary Share</b>             | <b>82.00p</b>   | 112.51p   | 145.67p   |

## UNAUDITED ACCOUNTS

### Statement of Changes in Equity

For the period to 30 September 2022

|                                   | Share capital<br>£'000 | Share premium<br>£'000 | Special reserve<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve<br>£'000 | Revenue reserve<br>£'000 | Total<br>£'000 |
|-----------------------------------|------------------------|------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|----------------|
| As at 1 April 2022                | 300                    | 314                    | 5,136                    | 27                                  | 1,501                    | (533)                    | 6,745          |
| Loss attributable to shareholders | -                      | -                      | -                        | -                                   | (1,809)                  | (20)                     | (1,829)        |
| <b>As at 30 September 2022</b>    | <b>300</b>             | <b>314</b>             | <b>5,136</b>             | <b>27</b>                           | <b>(308)</b>             | <b>(553)</b>             | <b>4,916</b>   |

For the year to 31 March 2022

|                                   | Share capital<br>£'000 | Share premium<br>£'000 | Special reserve<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve<br>£'000 | Revenue reserve<br>£'000 | Total<br>£'000 |
|-----------------------------------|------------------------|------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|----------------|
| As at 1 April 2021                | 300                    | 314                    | 5,136                    | 27                                  | 2,203                    | (486)                    | 7,494          |
| Loss attributable to shareholders | -                      | -                      | -                        | -                                   | (702)                    | (47)                     | (749)          |
| As at 31 March 2022               | 300                    | 314                    | 5,136                    | 27                                  | 1,501                    | (533)                    | 6,745          |

For the period to 30 September 2021

|  | Share capital<br>£'000 | Share premium<br>£'000 | Special reserve<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve<br>£'000 | Revenue reserve<br>£'000 | Total<br>£'000 |
|--|------------------------|------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|----------------|
| As at 1 April 2021                       | 300                    | 314                    | 5,136                    | 27                                  | 2,203                    | (486)                    | 7,494          |
| Gain/(loss) attributable to shareholders | -                      | -                      | -                        | -                                   | 1,251                    | (12)                     | 1,239          |
| As at 30 September 2021                  | 300                    | 314                    | 5,136                    | 27                                  | 3,454                    | (498)                    | 8,733          |

## UNAUDITED ACCOUNTS

### Investment Portfolio as at 30 September 2022

| Stock                                  | Market Exposure<br>2022<br>£000 | % of Net Assets |
|--|---------------------------------|-----------------|
| 1 4Imprint Group                       | 321                             | 6.5             |
| 2 Alpha FX Group                       | 283                             | 5.8             |
| 3 Watches Of Switzerland Group*        | 189                             | 3.8             |
| 4 Beazley Group                        | 176                             | 3.6             |
| 5 Unite Group                          | 173                             | 3.5             |
| 6 Dechra Pharmaceuticals               | 165                             | 3.4             |
| 7 Kape Technologies                    | 140                             | 2.8             |
| 8 Experian                             | 133                             | 2.7             |
| 9 Rentokil Initial                     | 132                             | 2.7             |
| 10 Kin And Carta*                      | 111                             | 2.3             |
| <b>Ten largest investments</b>         | <b>1,823</b>                    | <b>37.1</b>     |
| 11 Kainos Group                        | 111                             | 2.3             |
| 12 Keystone Law Group                  | 110                             | 2.2             |
| 13 FDM Group Holdings                  | 103                             | 2.2             |
| 14 Flutter Entertainment*              | 99                              | 2.0             |
| 15 Marlowe                             | 98                              | 2.0             |
| 16 JD Sports Fashion*                  | 94                              | 1.9             |
| 17 Oxford Instruments                  | 89                              | 1.8             |
| 18 Games Workshop Group                | 84                              | 1.7             |
| 19 Ashtead Group                       | 84                              | 1.7             |
| 20 Computacenter                       | 80                              | 1.6             |
| <b>Twenty largest investments</b>      | <b>4,327</b>                    | <b>49.5</b>     |
| 21 Renishaw*                           | 80                              | 1.6             |
| 22 Instem                              | 80                              | 1.6             |
| 23 Jet2                                | 79                              | 1.6             |
| 24 Hilton Food Group                   | 78                              | 1.6             |
| 25 Aveva Group                         | 78                              | 1.6             |
| 26 Microlise Group                     | 73                              | 1.5             |
| 27 Impax Asset Management Group        | 73                              | 1.5             |
| 28 Renew                               | 72                              | 1.5             |
| 29 Londonmteric Property               | 70                              | 1.4             |
| 30 Entain*                             | 68                              | 1.4             |
| <b>Thirty largest investments</b>      | <b>3,526</b>                    | <b>71.7</b>     |
| <b>Other investments (36 holdings)</b> | <b>1,547</b>                    | <b>31.5</b>     |
| <b>Total investments</b>               | <b>5,073</b>                    | <b>103.2</b>    |
| <b>CFD positions</b>                   | <b>(755)</b>                    | <b>(15.4)</b>   |
| <b>CFD unrealised gains</b>            | <b>-</b>                        | <b>-</b>        |
| <b>Net current assets</b>              | <b>598</b>                      | <b>12.2</b>     |
| <b>Net assets</b>                      | <b>4,916</b>                    | <b>100.0</b>    |

| Sector analysis as at 30 September 2022 | % of Gross Exposure |
|---|---------------------|
| <b>Sector</b>                           |                     |
| Consumer Discretionary                  | 23.3                |
| Industrials                             | 20.8                |
| Consumer Discretionary                  | 16.1                |
| Financials                              | 11.2                |
| Communication Services                  | 11.0                |
| Healthcare                              | 8.1                 |
| Real Estate                             | 6.0                 |
| Consumer Staples                        | 2.7                 |
| Materials                               | 0.8                 |
| <b>Total</b>                            | <b>100.0</b>        |

\*Includes Contract for Difference ("CFDs")

Market exposure for equity investments held is the same as fair value and for CFDs held is the market value of the underlying shares to which the portfolio is exposed via the contract. The investment portfolio is grossed up to include CFDs and the net CFD position is then deducted in arriving at the net asset total.

# UNAUDITED ACCOUNTS

## Risks and Uncertainties

The major risks inherent within the Fund are market risk, liquidity risk, credit risk and interest rate risk. It has an established environment for the management of these risks which are continually monitored by the Manager. Appropriate guidelines for the management of its financial instruments and gearing have been established by the Board of Directors. It has no foreign currency assets and therefore does not use currency hedging. It does not use derivatives within the portfolio with the exception of CFDs. An explanation of these risks and how they are mitigated is explained in the 2022 Annual Report, which is available on the Manager's website: [www.svmonline.co.uk](http://www.svmonline.co.uk). These principal risks and uncertainties have not changed from those disclosed in the 2022 Annual Report.

## Going Concern

The Board, having made appropriate enquiries has a reasonable expectation that the Fund has adequate resources and sufficient liquidity to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. This conclusion takes in to account the Directors' assessment of the continuing risks and impacts from the COVID-19 pandemic, the geopolitical risks relating to the conflict between Russia and Ukraine and economic factors that are influencing the current market volatility, such as rising inflation, interest rates and supply chains. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

## Notes

1. The Financial Statements have been prepared on a going concern basis in accordance with FRS 102 "Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 104 "Interim Financial Reporting" and under the Association of Investment Companies Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued in April 2021. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value. These financial statements have been prepared in accordance with the accounting policies used for the financial year ended 31 March 2022.

2. During the period no shares were bought back (2021: no shares were bought back during the period).

The number of shares in issue at 30 September 2022 was 6,005,000 (2021: 6,005,000).

Returns per share are based on a weighted average of 5,995,000 (2021: 5,995,000) ordinary shares, being the number of shares in issue during the period excluding the 10,000 shares held in Treasury.

Total return per share is based on the total loss for the period of £1,829,000 (2021: gain of £1,239,000). Capital return per share is based on the capital loss for the period of £1,809,000 (2021: gain of £1,251,000,000). Revenue return per share is based on the revenue loss after taxation for the period of £20,000 (2021: loss of £12,000).

## UNAUDITED ACCOUNTS

3. All investments are held at fair value. At 30 September 2022 no unlisted investments were held with value attributed (31 March 2022: same; 30 September 2021: same).

Investments have been classified using the fair value hierarchy:

|  | September 2022<br>£000 |             | March 2022<br>£000 |             |
|--|------------------------|-------------|--------------------|-------------|
| <i>Classification of financial instruments</i> | Assets                 | Liabilities | Assets             | Liabilities |
| Level 1  | 4,318                  |             | 6,408              | -           |
| Level 2  |                        | 621         |                    | 375         |
| Level 3 – 2 investments (March 2022: 2)        |                        | -           | -                  | -           |

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. The CFD positions are the sole Level 2 investments at 30 September 2022 and 31 March 2022.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

4. The Board has granted the Manager a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of the investment. The Board requires the Manager to operate within certain risk limits, as detailed in the Annual Report. The following table details the CFD positions:

Number of CFD holdings at 30 September 2022: 9 (31 March 2022: 11)

| CFD positions     | September 2022<br>£000 | March 2022<br>£000 |
|-------------------|------------------------|--------------------|
| Gross exposure    | 755                    | 1,136              |
| Net exposure      | 755                    | 1,136              |
| Unrealised gains  | -                      | -                  |
| Unrealised losses | 621                    | 375                |

The gearing ratio is 7.9% at 30 September 2022 (31 March 2022: 16.1%). The gearing ratio indicates the extra amount by which the shareholders' funds would change if total assets (including CFDs' position exposure and netting off cash and cash equivalents) were to rise or fall. A figure of zero per cent means that the Company has a nil geared position.

5. SVM Asset Management Limited provides investment management and secretarial services to the Fund. The Manager is entitled to a fee for these services, payable quarterly in arrears, equivalent to 0.75% per annum of the total assets of the Fund, less current liabilities.

## **UNAUDITED ACCOUNTS**

6. The above figures do not constitute full or statutory accounts in terms of Sections 434 and 435 of the Companies Act 2006. All information shown for the six months to 30 September 2022 is unaudited. The accounts for the year to 31 March 2022, on which the auditors issued an unqualified report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 of the Companies Act 2006.

## CORPORATE INFORMATION

### Directors

Peter Dicks (Chairman)  
Ian Gray  
Jeremy Harris

### Investment Manager, Secretary and Registered Office

SVM Asset Management Limited  
6<sup>th</sup> Floor  
7 Castle Street  
Edinburgh EH2 3AH  
Telephone: +44 (0) 0131 226 6699  
Facsimile: +44 (0) 131 226 7799  
Email: [info@svmonline.co.uk](mailto:info@svmonline.co.uk)  
Web: [www.svmonline.co.uk](http://www.svmonline.co.uk)

### Registrars

Computershare Investor Services plc  
Edinburgh House  
4 North St Andrew Street  
Edinburgh EH2 1HU  
Telephone: +44 (0) 370 702 0003

Authorised and regulated by the Financial  
Conduct Authority

### Auditor

Johnston Carmichael LLP  
7-11 Melville Street  
Edinburgh  
EH3 7PE

### Custodians

State Street Bank & Trust Company

Registered Office:  
20 Churchill Place  
Canary Wharf  
London EH14 5HJ

Correspondence Address:  
Quartermile 3  
10 Nightingale Way  
Edinburgh EH3 9EG

Authorised and regulated by the Financial  
Conduct Authority and a member of the  
Investment Association

### Registered Number

SC211841

### Company Website

[www.svmonline.co.uk](http://www.svmonline.co.uk)