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Meeting the Fund Manager

SVM Global Fund PLC – Donald Robertson

The SVM Global Fund PLC is a holding in our more adventurous portfolios and will remain a holding in the next review. We spent time with Donald Robertson who is the co-fund manager working alongside Colin McLean.

What does the fund look to achieve?

The fund looks to drive growth globally by investing in specialist funds include hedge and private equity funds. Investment in the trust should be seen as long term (five years plus).

Introducing the fund manager

Donald co-founded SVM in 1990 with Colin McLean. He has managed the fund since launch and is tied to both the firm as owner and trust as his own money is invested in the fund. Prior to working at SVM Colin worked at Ivory and Sime.

How the fund is managed?

The Fund is a multi-asset fund of funds investing predominately in closed end vehicles. The portfolio comprises of a diverse range of 50-60 funds that can be categorized into six broad asset classes – specialist, property, private equity, special situations, resources and hedge.

Each of these categories will tilt between 10%-30% of the portfolio depending on the managers' macro outlook and where they are finding the best prospects for growth. The turnover in the Fund is relatively low as a great deal of research takes place on each manager before the initial investment. Changes to the portfolio will take place should one of the underlying funds experience a change of strategy or if the macro-economic outlook for a specific sector deteriorates.

As the Fund invests in closed ended vehicles, the discount to net asset value also has a place on whether an investment is topped up or reduced i.e., if there is an offer made for an investment in the portfolio which far exceeds the managers' valuation he will sell and seek a similar investment on a more attractive valuation. The aim is to provide a steadier growth profile than funds that are entirely market sensitive.

We talked to Tom in more detail around the direction of the trust and it was clear that this fund can have a recovery theme. At the moment the fund has around 60% of assets in good solid trusts and 40% in recovery stocks. These recovery funds are ones which are currently being restructured. Because of their experience in this field they can have a lot of influence with the board of these trusts to help turn around the trusts and deliver good returns to shareholders. A recovery trust can be where the discount is around 40%, in 2005 the trust was made up of mainly good stocks as there were very few recovery stocks so the play changes depending on the market.

This is an excellent fund to provide access to specialist closed ended funds but it should not be seen as a short term investment and patience is very much the name of the game.

Conclusion

We see this fund as a long term play which sits well within the higher risk portfolios. Both Donald and Colin are excellent fund managers and their commitment to both the company and fund is very clear.

The source of information in this note has been provided by SVM and is correct to the end of March 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.

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Meeting the Fund Manager

Baillie Gifford European Fund – Tom Coutts

This is going to be a new addition to our portfolios. We met with Tom Coutts who is the senior Investment Manager and the phrase “trying to do the best job for clients” was something that resonated with us.

What does the fund look to achieve?

The fund looks to drive growth by investing in companies in Continental Europe, including the Republic of Ireland, in any economic sector. The aim is to protect and grow wealth.

Introducing the fund manager

Tom has worked for Baillie Gifford for 13 years and moved to the European team five years ago. In 2008 he specialised in the Banking Sector and certainly came into it during a very interesting period. He is supported by two other investment managers and each manager has responsibility for a percentage of the fund which provides both structure and stability long term.

How the fund is managed?

The general ethos of Baillie Gifford flows through into this fund; effectively they are looking for good businesses, with good franchises and good management. They focus less on the macro side because this doesn’t tell you whether a business is good and like the American Fund they are not index huggers so they are not afraid to take big bets if they believe in a company. They are long term investors with low turnover of stock.

They will sometimes take contrarian bets where they see opportunities but these are normally only small holdings.

The discussion fell onto banks and Tom is not a great fan of banks and in particular those that are at the whims of government policy. However, he does have holdings in a Swedish Bank called Svenska Handelsbanken. Each branch is effectively a franchise with a church square approach so the managers are empowered to make decisions around lending normally to people they "know". So loans are made at a local level and responsibility is taken at a local level. The result is low loan losses.

The business is expanding with 100 new branches in England. In summary some of the highlights of the business include:

- Industry background – banking is a cyclical, capital intensive industry and most competitors are struggling. Against this backdrop Svenska Handelsbanken is growing
- Competitive advantage – they have a highly decentralised culture with a focus on customer satisfaction
- Financial characteristics – low loan losses, high returns, good through-cycle growth
- Management – stick to a clear, consistent strategy. No bonuses, no budgets and no advertising

This is a good example which shows their approach to investments, to beat the index they need to differ from it, to find growth they need to find growing, durable businesses, run by sensible people and to get growth they need to look long-term, investing is not speculation.

Conclusion

We have always liked the Baillie Gifford style to investing and this fund is no different. We think this new addition will be a good blend in the European stable.