

SVM CAUTIOUS MANAGED FUND

Short Report



Year to 31 December 2009

Investment Objectives

The objective of this Fund is to achieve above average capital growth over the medium to long-term (although short-term investment opportunities will also be considered).

Risk Profile

The Fund is exposed to currency and market risks as it invests in global funds. The Fund is exposed to Sterling and a variety of global currencies as well as stockmarket fluctuations. The Fund does not actively hedge the currency risk of the portfolio.

Distribution

XD date: 31 December
Payment date: 30 April (Accumulation shares).

The following distribution was accumulated over the last accounting period.

| Income | | |
|--------------------------|--------------------------|--------------------------|
| | 31/12/09 pence per share | 31/12/08 pence per share |
| Cautious Managed A Class | Nil | Nil |
| Cautious Managed B Class | Nil | 0.1545 |

Total Expense Ratio (TER)

The TER shows the annualised operating expenses of the Fund. It does not include transaction expenses.

| Fund Total Expense Ratio (p.a.) | Class A Shares | Class B Shares |
|---------------------------------|----------------|----------------|
| Cautious Managed Fund | 1.70% | 1.15% |

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 12 months X 100

The above figures were calculated by SVM Asset Management using data sourced from the 31 December 2009 Report and Accounts. The figures are intended to provide an indication of the Total Expense Ratio and will vary from year to year.

| Fund Performance | | |
|---|-----------------------|----------------------|
| Percentage growth for each year to last quarter end | 15/05/08* 31/12/08 | 31/12/08 31/12/09 |
| Balanced Managed | -28.9 | +23.7 |

Source: Lipper Hindsight, mid to mid, UK net. Past performance should not be seen as an indication of future performance. All performance data refers to the A (retail) share class.

*Launch date.

Comparative Tables

| Net Asset Values | | | |
|--------------------------|---------------------------------|------------------------------------|-----------------|
| | Net asset value of shares £'000 | Net asset value in pence per share | Shares in issue |
| As at 31/12/09 | | | |
| Cautious Managed A class | 5,355 | 86.87 | 6,164,564 |
| Cautious Managed B class | 207 | 87.60 | 235,771 |
| As at 31/12/08 | | | |
| Cautious Managed A class | 5,994 | 69.46 | 8,629,027 |
| Cautious Managed B class | 204 | 69.67 | 292,081 |

| Share Price Performance | | | |
|--------------------------------|------------------------------|------------------------------|------------------------|
| | Highest share price in pence | Lowest share price per pence | Price as at period end |
| During period to 31/12/09 | | | |
| Cautious Managed A class | 91.14 | 68.38 | 88.03 |
| Balanced Managed B class | 91.81 | 68.57 | 88.78 |
| During period to 31/12/08 | | | |
| Cautious Managed A class | 102.4 | 70.35 | 71.14 |
| Cautious Managed B class | 102.3 | 70.55 | 71.35 |








Top 10 Holdings: 31/12/09 %

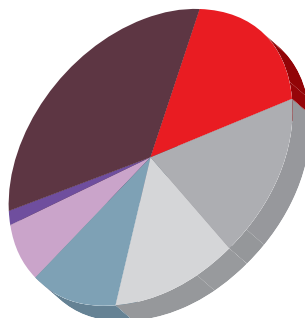
| | |
|---|------|
| UK Treasury 2.5% 17/07/24 | 9.4 |
| South African Property Opportunities | 8.8 |
| Acheron Portfolio 'A' | 7.2 |
| Allianz Dresdner Endowment Policy Trust | 6.1 |
| F&C Private Equity Trust | 5.9 |
| Blackrock Mercury World Mining Trust | 4.4 |
| JPM Russian Securities | 4.2 |
| FRM Credit Alpha Preference | 3.8 |
| Reo Securities 0% Div Preference | 3.8 |
| Oryx International Growth Fund | 3.6 |
| Total | 57.2 |

Top 10 Holdings: 31/12/08 %

| | |
|---|------|
| Acheron Portfolio Corp | 10.5 |
| Allianz Dresdner Endow. Policy Tst 2010 | 9.4 |
| South African Property Opportunities | 6.6 |
| Quorum Oil & Gas | 5.9 |
| Real Estate Opportunities ZDP | 5.4 |
| Indochina Capital Vietnam | 5.1 |
| Ecofin Water & Power Opportunities | 4.6 |
| KGR Absolute Return PCC | 3.0 |
| Utilico Emerging Markets | 2.9 |
| FRM Credit Alpha | 2.9 |
| Total | 56.3 |

Sector Analysis

| | 31/12/09 | 31/12/08 |
|--|--------------|----------|
|  Hedge | 18.2% | 31.2% |
|  Specialist Funds | 16.8% | 17.6% |
|  Resources | 13.3% | 12.8% |
|  Property | 11.3% | 9.5% |
|  Private Equity | 7.5% | 3.8% |
|  Special Situations | 1.5% | 0.9% |
|  Cash & Fixed Interest | 31.3% | 24.2% |



Fund Managers



Donald Robertson



Colin McLean

2009 could be broken up into two distinct sections. The first saw a repetition of the weakness experienced in 2008 and lasted until March. Thereafter, markets recovered strongly and pushed ahead virtually unchecked for the remainder of the year, unsurprising given that markets tend to front run the underlying economic position. What has been surprising is the strength of markets especially as the economic recovery is still relatively anaemic.

The world's stimulus packages appear to have worked to mitigate against the worst of full blown recession / depression. Investors have been encouraged by this to buy equities, principally those in the more mature markets as the low returns offered by cash, gilts and property assets are relatively unattractive. The Fund remains defensively positioned with its market sensitive funds concentrated in the higher growth markets (emerging markets). As growth resumes, it will be strongest in emerging

markets – these economies being less financially challenged with superior growth potential and priced at attractive levels when compared to mature markets.

The Fund retains its thematic approach with emphasis on funds that have a disproportionate and unjustifiably high discount level. This provides both down side protection if markets turn adverse but also gives the opportunity to benefit when discounts contract. The extremely high discount levels experienced in the last quarter of 2008 have started to reduce, albeit slower than we would have thought. While some have been driven by natural buying, there has been a marked increase in corporate activity. This will continue in 2010.

Throughout the year, the Fund has remained as fully invested as the restrictions allow. The non-equity content has been concentrated on the safety of inflation protected investments with an increased exposure on funds investing in bonds.

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Further Information

Further information about the share price and activities of the Fund together with related product literature and further information on the Manager can be found on our website at www.svmonline.co.uk

Report and Accounts

This document is a short report for a sub-fund of the SVM Funds ICVC taken from the Report and Accounts for the year ending 31 December 2009. The Long Form version of the Report and Accounts is available on written request to the Marketing Department, SVM Asset Management Limited, 7 Castle Street, Edinburgh EH2 3AH or by email to info@svmonline.co.uk

Investment Warning

Past performance should not be seen as an indication of future performance. The value of an investment may fall as well as rise and investors may not get back the amount originally invested. Currency movements may cause the value of your investment to fall as well as rise.

Contacts

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