

**SVM Asset Management**  
**Sub-fund of UK authorised Oeic**  
**Report Issued: May 2008**

**Peer Group:**  
 European Mainstream ex UK  
 Equities

**Group Contact No:**  
 +44 845 066 1110

**Fund Manager/Adviser:**  
 Hugh Cuthbert (since January  
 2006)

**Website:**  
 www.svmonline.co.uk

**Location:**  
 London

**S&P ID Number:** SB298348

**Launch Date:** March 2000

**Share class screened:**

Institutional



**Fund Size (February 2008):**  
 £29m

Further information on S&P's fund coverage can be found at  
[www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

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### STANDARD & POOR'S OPINION (APRIL 2008)

Hugh Cuthbert manages this as a genuine all-cap fund with a portfolio of around 34-45 names, and slightly higher in difficult markets, as currently being witnessed. Ideas are drawn from across the group's eight-strong investment team. Consistent with SVM's stockpicking approach, Cuthbert focuses on undervalued companies whose sales and operating margins are expected to rise to match the industry average. Sector and geographic deviations from the FTSE World Europe ex-UK index benchmark are largely an outcome of the stock selection and can be large. Cuthbert often takes considerable off-benchmark exposure - currently 43% of total assets - but this is balanced by strong sell disciplines.

managing mid-cap and a smaller companies funds. He settled in quickly at SVM and has managed a sustained run of strong outperformance against both the peer group and the benchmark, FTSE World Europe ex-UK index.

Relative returns in 2006 were driven by a high mid-/small-cap bias and significant Nordic exposure. But that soon changed. In 2007, a worsening investment climate required a more defensive orientation, which Cuthbert met by moving up the capitalisation scale as opportunities arose and keeping his bank exposure focused firmly on those with high savings ratios and very low debt exposure.

Cuthbert joined SVM in January 2006 to manage this fund after five years at Kempen Capital Management, where he had built a solid track record

Strong disciplines, a consistent approach and stockpicking flair - across the team - support a rise to an S&P AA rating.

### FACT FILE

**Group:** SVM is an Edinburgh-based, independent asset management company. Founded in 1990 by its current CEO and CIO Colin McLean, it focuses solely on UK and European equity investment via a range of traditional long-only funds and two long/short equity hedge portfolios.

Management, where he managed the Orange European mid- and small-cap funds. He has over 14 years' investment experience.

**Team:** SVM focuses almost wholly on pan-European equity investment. Sector research responsibilities are spread across the team of eight managers and analysts. The average experience is over 15 years.

**Style:** An unconstrained, bottom-up stockpicking approach with a mid/small-cap bias and little heed to benchmark. Focus on companies whose sales and operating margins have been underappreciated by the market.

**Performance:** Over the five years to 31/01/2008, the fund has returned 134.6%, compared with 95.9% for the sector median and 105.7% for the index, ranking 3/195.

**Fund Manager:** Hugh Cuthbert joined SVM in January 2006 after five years at Kempen Capital

### FUND MANAGER & TEAM

SVM focuses primarily on UK and mainstream European equity investment. The team of eight fund managers/analysts is responsible for around £600m in traditional long-only equity funds and a long/short equity hedge portfolio. All team members have specific pan-European sector research responsibilities. Those most involved with this fund are:

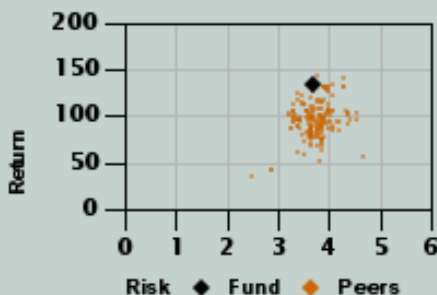
Hugh Cuthbert - public administration graduate, has 14 years' experience, beginning his career on Hendersons' global equities team before moving to Kempen Capital Management in 2001 to manage European small-/mid-cap funds. He joined SVM in 2006.

Neil Veitch - was a private client manager on the Isle of Man from 1997 to 2002, managing a global total return fund, before moving to Kempen Capital Management where he was responsible for UK and European small-/mid-cap mandates. He joined SVM in January 2006.

### INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

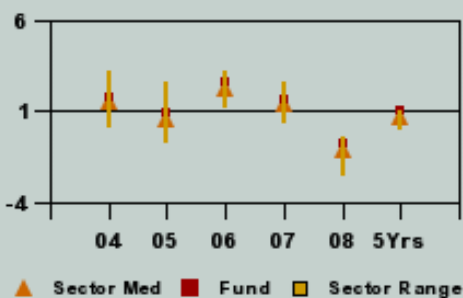
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



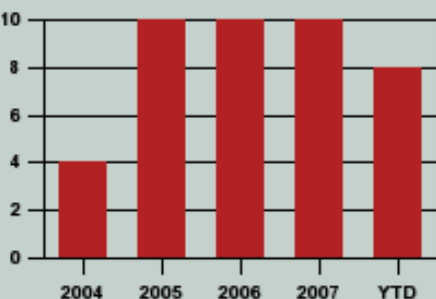
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-17.8
Volatility	High	14.4
Correlation	Low	0.8
Beta	Medium	1.0

### SHARPE RATIO VS PEER GROUP



### CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

## PORTFOLIO CHARACTERISTICS

No. of holdings	45
Turnover ratio (%)	N/A
% in top 10	28

## TOP 10 HOLDINGS (01/02/08)

	%
Flex LNG	3.5
Roche	3.2
Casino Guichard	3.1
Linde	3.1
National Bank of Greece	2.7
Arcelormittal	2.6
Enagas	2.6
Lonza	2.6
Siemens	2.6
France Telecom	2.5

\* In top 10 holdings a year ago

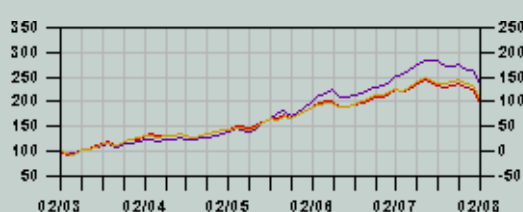
## ALLOCATION BREAKDOWN (01/02/08)

	Index %**	Fund %
Consumer Discretionary	-	8
Consumer Staples	-	10
Energy	-	4
Financials	-	21
Industrials	-	13
Materials	-	8
Utilities	-	10
Healthcare	-	8
Information Technology	-	3
Telecoms	-	10
Other	-	-
Cash	-	5

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	66.1%	134.6%
Standard & Poor's Peer Median	36.4%	95.9%
Index**	42.8%	105.7%
Fund Rank	2/221	3/195
Standard Deviation	14.4	-
Relative Standard Deviation	1.1	-
Volatility Adjusted Ranking	1/221	-

## CUMULATIVE PERFORMANCE



Legend: S&P Euro Plus EUR (Yellow), Europe Mainstream ex UK (Red), Fund (Purple)

Units III permits net fund exposure to be less or greater than 100%.

# SVM FUNDS - EUROPEAN MAINSTREAM FUND

Peer Group: European Mainstream ex UK Equities



## MANAGEMENT STYLE

- Cuthbert aims to outperform the FTSE World Europe ex-UK index using an unconstrained, stockpicking approach that seeks to identify businesses with above-average sales and margin growth potential.
- He targets stocks that are undervalued relative to their sales and margins, rather than those that seem undervalued in EPS terms or other factors that can be distorted by accounting techniques. Debt-cash/EBITDA and EV/EBITDA forecasts are also key. He often favours ex-growth stocks that have since underperformed, or whose potential growth is misunderstood.
- The portfolio is built bottom-up using the team's 35/45 highest conviction names, with

little regard to index weights. Over 70% of the fund is usually in the eurozone, but Cuthbert will take large off-benchmark positions. Peripheral European markets often feature strongly, but not Eastern Europe.

- Country and industry deviations of more than 10% from index are checked each week.
- Initial stock positions of 1.5% to 2.5% can grow to 5%, but usually stop at 3.5%. Sell disciplines are strict: a stock meeting its price target is usually sold. A fall of 15% requires reassessment, one of 25% is a mandatory sale. Turnover is usually 60-70%.

## PORTFOLIO REVIEW

Cuthbert has kept the number of holdings to 45, towards the top of his range, with a well-diversified, yet relatively focused portfolio. 16 of the 45 stocks were off-benchmark.

There remain a number of sizeable sector deviations. Exposure to industrials was the largest overweight, at +11% at the time of review, through companies such as Linde, Siemens, Brisa Auto-Estradas and Bureau Veritas. Consumer services and telecoms were also overweight.

The largest underweight was financials (-7%), although at an industry level, retail banks with strong deposit ratios, such as Banque Cantonale Vaudoise, were overweighted.

The largest active positions included a couple of plays on gas - Flex LNG and Linde - and supermarket stock Casino Guichard.

More ideas were found further up the capitalisation scale than in the previous year, with over 62% in companies capitalised above €10bn, 16.5% in mid-caps and just 18.6% in companies capitalised below €4bn.

## PERFORMANCE ANALYSIS (FEBRUARY 2008)

This fund has been one the top performers over three and five years within our sector, ranking second and third respectively.

although returns in 2006 were also helped by the fund's exposure to smaller companies.

Before January 2006, when Cuthbert took over, returns were largely influenced by his predecessor's high quality, large-cap value tilt. Since then, Cuthbert has managed a long run of sustained outperformance relative to both the peer group and the benchmark FTSE World Europe ex-UK index.

Performance in 2007 was helped by being underweight financials, but overweight selected retail banks with strong savings ratios. Banque Cantonale Vaudoise was among a number of stocks held that actually benefited from the credit crisis.

This outperformance has been achieved primarily through strong stock selection,

Casino Guichard and Fiat; industrials Linde, Siemens and Brisa Auto-Estradas; and consumer play Beiersdorf, also assisted returns, ranking the fund top decile.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/01/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	10.9	135/208	41.0	2/229	27.7	15/232	9.1	8/236	-11.4	54/241
Index**	12.3		28.3		21.5		6.2		-12.4	
Median	12.1		27.9		20.8		3.5		-12.7	

\*\* S&P Euro Plus EUR

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