

# SVM UK ABSOLUTE ALPHA FUND

## Short Report



Period to 30 June 2010

### Investment Objectives

The investment objective of the Fund is to achieve positive returns for investors and seek to outperform cash (as measured by 3 month Sterling LIBOR) over rolling twelve month periods and seek to significantly outperform 3 month Sterling LIBOR over the longer term.

### Risk Profile

Typically UK ICVCs invest on a “long only” basis. This means they will rise (or fall) in value based on the market value of the assets they hold. SVM UK Absolute Alpha Fund, by employing certain derivative techniques, will establish both “long” and “short” positions. As a result, as well as holding assets that may rise or fall with market values, it will also hold positions that will rise as the market value falls, and fall as the market value rises. Therefore the Fund can be referred to as a “long/short” fund.

### Distribution

XD date: 31 December The following distribution was accumulated  
Payment date: 30 April (Accumulation shares) over the last accounting period.

Income	
	31/12/09 pence per share
UK Absolute Alpha A Class	Nil
UK Absolute Alpha B Class	Nil
UK Absolute Alpha C Class	Nil

### 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	Class C Shares
UK Absolute Alpha Fund	2.03%	1.53%	1.28%

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 6 months X 100

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2010 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	11/03/09 (launch) 30/06/09	30/06/09 30/06/10
UK Absolute Alpha	+1.5	-7.7

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.

## Comparative Tables

### Net Asset Values

	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/10			
UK Absolute Alpha A Class	7,756	92.09	8,421,978
UK Absolute Alpha B Class	10	92.78	10,842
UK Absolute Alpha C Class	5,039	93.62	5,382,302
As at 31/12/09			
UK Absolute Alpha A Class	11,744	97.72	12,016,435
UK Absolute Alpha B Class	17	97.98	16,940
UK Absolute Alpha C Class	9,565	98.42	9,717,880

### Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 30/06/10			
UK Absolute Alpha A Class	98.92	91.97	93.70
UK Absolute Alpha B Class	99.12	92.33	94.11
UK Absolute Alpha C Class	99.39	92.67	94.49
During period to 31/12/09			
UK Absolute Alpha A Class	105.6	98.25	98.69
UK Absolute Alpha B Class	105.7	98.42	98.88
UK Absolute Alpha C Class	105.9	98.68	99.16

### Top 10 Holdings: 30/06/10 %

SCXP DJS Small 200 € CFD - Short	3.2
Petropavlovsk - Long	3.0
MCXP Mid 200 € CFD - Short	2.8
Centrica Plc - Long	2.7
Hurricane Exploration- Long	2.6
Britvic - Long	2.5
Randgold Resources - Long	2.2
Gulfsands Petroleum - Long	2.2
Rolls Royce - Long	2.1
Valiant Petroleum - Long	2.1
Total	25.4

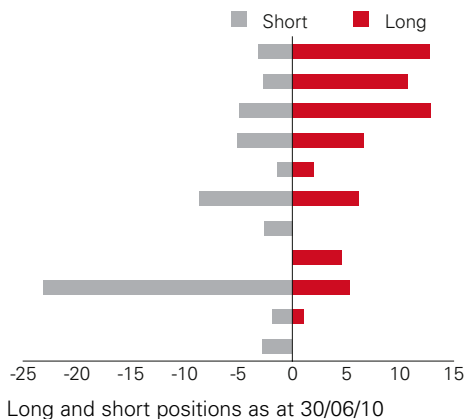
### Top 10 Holdings: 31/12/09 %

Centrica Plc - Long	3.0
BP - Long	2.1
Reckitt& Benckiser - Long	2.1
Cadbury Schweppes - Long	2.0
Medusa Mining - Long	2.0
British Telecom - Long	1.9
Randgold Resources - Long	1.9
Spirent - Long	1.8
Carrefour CFD - Short	1.7
Afren - Long	1.6
Total	20.1

## Sector Analysis

Net Sector Exposure*	30/06/10	31/12/09
<b>Oil and Gas</b>	<b>9.6%</b>	3.9%
<b>Basic Materials</b>	<b>8.0%</b>	9.5%
<b>Industrials</b>	<b>7.9%</b>	0.3%
<b>Consumer Goods</b>	<b>1.5%</b>	3.7%
<b>Health Care</b>	<b>0.6%</b>	1.5%
<b>Consumer Services</b>	<b>-2.5%</b>	-4.9%
<b>Telecommunications</b>	<b>-2.6%</b>	1.9%
<b>Utilities</b>	<b>4.6%</b>	1.5%
<b>Financials</b>	<b>-17.7%</b>	-10.6%
<b>Technology</b>	<b>-0.8%</b>	2.4%
<b>Cash</b>	<b>-2.8%</b>	52.1%

\*Net exposure = long exposure - short exposure



## Fund Managers



**Colin McLean**



**Neil Veitch**

The Fund was fully invested over the six months under review, with long investments and hedging positions (shorts) in most sectors.

The strategy is to focus on stock selection and to permit a degree of exposure to stockmarket direction from time to time. The period under review was a volatile one for stockmarkets, and the Fund's ability to hedge was helpful. Over the six months to 30 June 2010, the Fund returned -5.1% (A class shares, source: Lipper). The FTSE 100 Index of leading shares fell 7.4% over the period.

The portfolio is positioned for further recovery in resources and selected industrials. The long positions focus on industrial companies where cost cutting gives the potential for margin and profits improvement this year, as activity recovers. A number of industrial businesses appear likely to continue beating expectations, with the stockmarket underestimating the degree of margin improvement and the benefits of a weak Pound. Typically the holdings in the

long portfolio have international interests, and we believe a number of these would be attractive to overseas buyers if the Pound remains low. In resources, the portfolio emphasises oil and gas businesses with attractive drilling prospects. Several portfolio companies received bid or merger approaches during the period; Gulfsands Petroleum, Shanks Group and International Power. Although all rejected terms as unattractive, we believe that bid interest will return. Long positions purchased during the period include AstraZeneca, Barclays Bank, BT Group and Hyder Consulting.

Business and consumer confidence has improved, but consumer sectors still face the challenges of rising unemployment and taxes. The portfolio has a number of short positions in business services and consumer sectors, and we retain our negative stance on selected businesses where the business model is challenged. Hedging (short) positions include Debenhams, Playtech, Wellstream Holdings and Luminar.

There are still risks in the global economy, with some European banks undercapitalised in the face of sovereign debt risks. For these reasons, we believe that a flexible fund that can implement hedging has good opportunity at this stage of the stockmarket cycle.

0800 0199 440  
www.svmonline.co.uk

## 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](http://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 period ending 30 June 2010. 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](mailto:info@svmonline.co.uk)

## Investment Warning

The UK Absolute Alpha Fund employs derivative strategies designed to meet the investment objective and policy of that Fund. These strategies will include creating synthetic short positions using CFDs. The use of these strategies will be subject to a risk management process which will involve reducing counterparty exposure by holding collateral and/or by netting positions with the same counterparty which are on equivalent terms. There may be a risk that a counterparty will be unable to meet its obligations with regards to the return of the collateral and may not meet other payments due to the Fund.

## Contacts

### Authorised Corporate Director and Investment Manager

SVM Asset Management Limited  
7 Castle Street  
Edinburgh EH2 3AH  
Email: [info@svmonline.co.uk](mailto:info@svmonline.co.uk)  
Web: [www.svmonline.co.uk](http://www.svmonline.co.uk)  
Authorised and regulated by the  
Financial Services Authority

### Administrator

BNP Paribas Fund Services UK Limited  
Block C, Western House  
Peterborough Business Park  
Lynchwood  
Peterborough PE2 6BP  
Shareholder Services: 0845 358 1108  
Dealing: 0845 066 1110  
Fax: 01733 285 681

### Depository

Royal Bank of Scotland plc  
Trustee & Depository Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

### Custodian

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

### Auditors

Ernst & Young  
Ten George Street  
Edinburgh EH2 2DZ