



SVM UK Alpha Fund
February 2010

Hawk-eyed stockpickers



Welcome and Introduction to SVM Asset Management



- Focused business founded in 1990
- No distractions, boutique culture, nimble approach
- Independent firm wholly owned by staff
- Business managed in interests of clients
- Investment management sole business; performance critical

SVM's Investment Style



- High conviction portfolios
- Bottom up; business analysis
- Catalyst identification
- Valuation disciplined – trade value approach
- Focus on 'under researched' and/or 'under owned'

SVM UK Alpha Fund - Managers



Hector Kilpatrick - Lead Manager



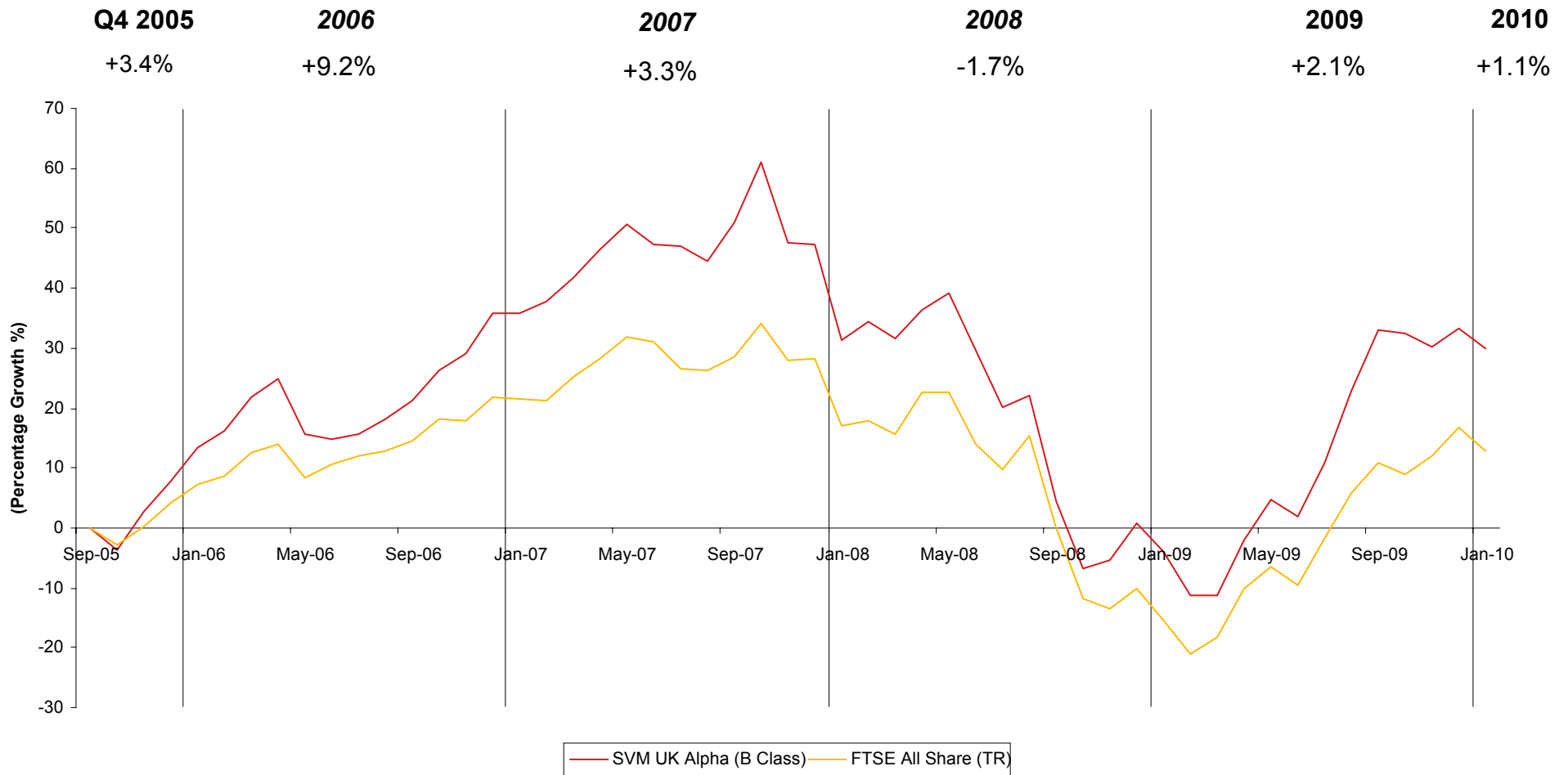
Hector joined SVM in November 2006 having worked as an Investment Director and Fund Manager within the European equities team at Standard Life Investments. He is an Associate of the Society of Investment Professionals. Hector holds a MBA in Strategic Management and a MSc in Aquatic Resource Management. Hector manages the SVM UK Alpha Fund and other institutional segregated accounts.

Colin McLean – Deputy Manager



Colin McLean has over 30 years' investment experience and is widely regarded as one of the UK's top stock-picking analysts. Prior to establishing SVM Asset Management in 1990, he held senior positions with three major financial institutions. He was Head of Investment of two UK life assurers, FS Assurance and Scottish Provident, before being Managing Director of Templeton International's European operations. Colin is manager of SVM UK Active plc and deputy manager of SVM's UK Alpha product.

SVM UK Alpha Fund – Consistent Performance



+14.2% Relative to FTSE All Share Index*

SVM UK Alpha Fund - Key Characteristics



- Focused portfolio; 35-45 stocks
- Tracking Error range 4-12%
- Conviction based approach to investment positions
 - 5%, 3% and 1.5% weights
- Minimum 40% FTSE 100 & 0-15% in 'Out of Benchmark' Stocks

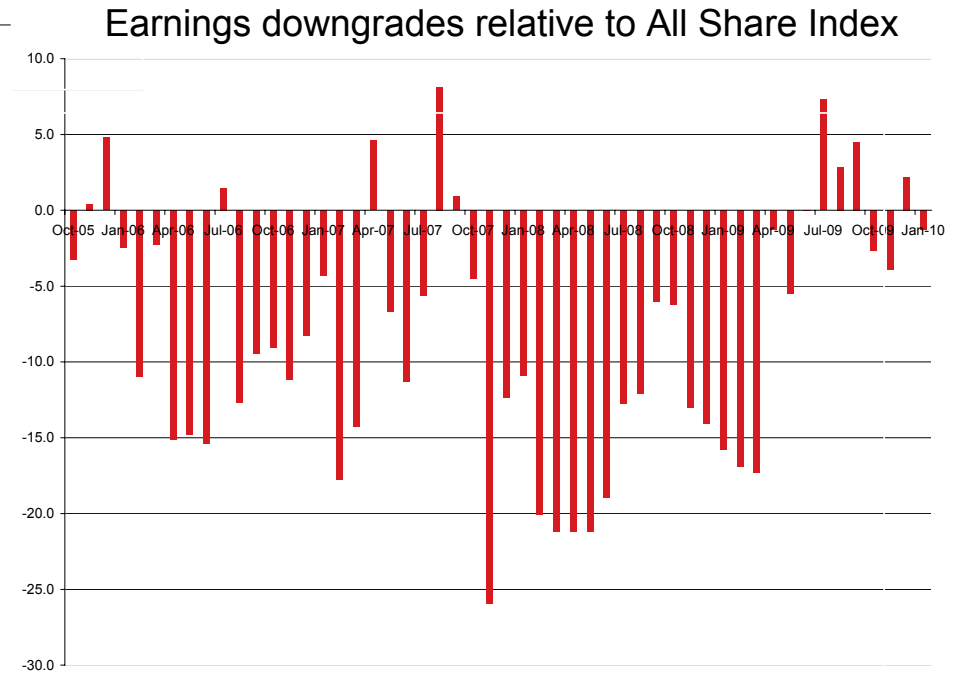
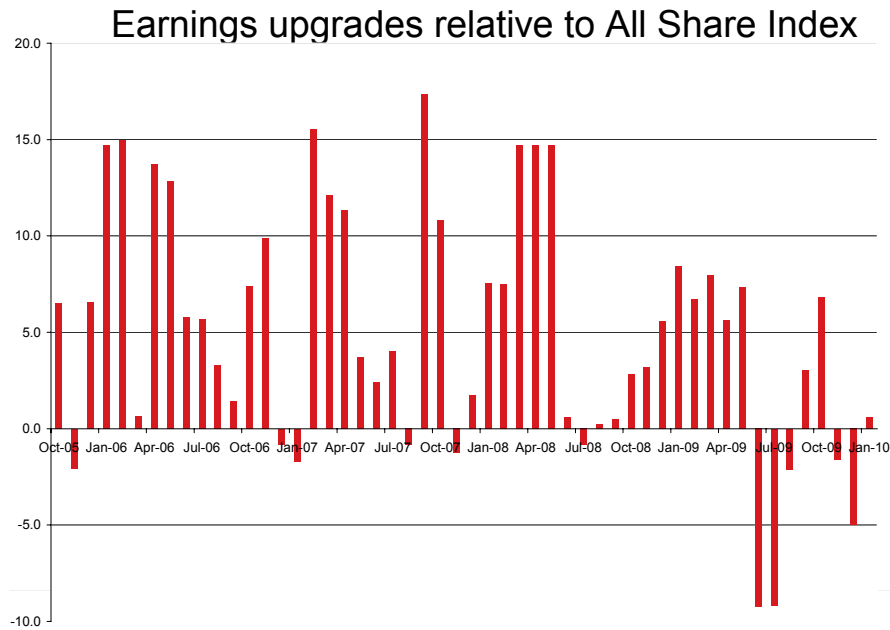
Aim: Consistent and material outperformance of the FTSE All-Share Index and the peer group

SVM UK Alpha – Fund Manager Style



- Aggressive approach to portfolio management
- Constant re-evaluation of catalysts
- Risk aware rather than risk adverse
- GARP with contrarian instinct

SVM UK Alpha – Earnings upgrades & downgrades



*Data not available for April/May 2008

Source: UBS PAS Analysis to 31.01.2010

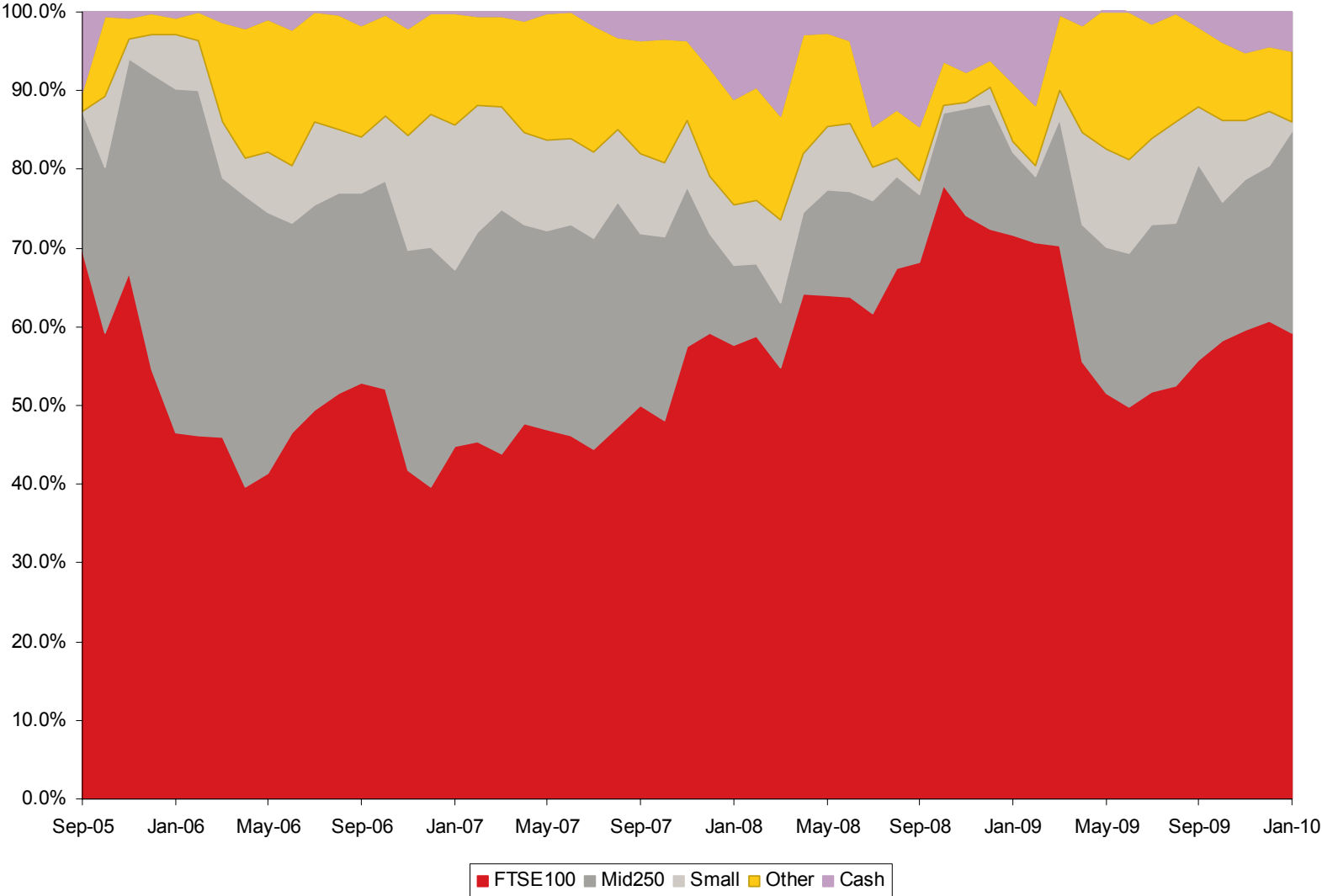


Value Creation:

Finding mispriced stock opportunities, principally where:

- Operating leverage
 - Cash dynamics
 - Sum of parts
 - Investor sentiment
- } is misunderstood

SVM UK Alpha Fund - Market Cap Analysis



'High Alpha' funds must identify best opportunities across market cap range

Business Analysis – Stock Research



- Potential for surprise versus consensus
- Meeting company management key to approach
- Focus on top line; operating margin; cash conversion; enterprise value



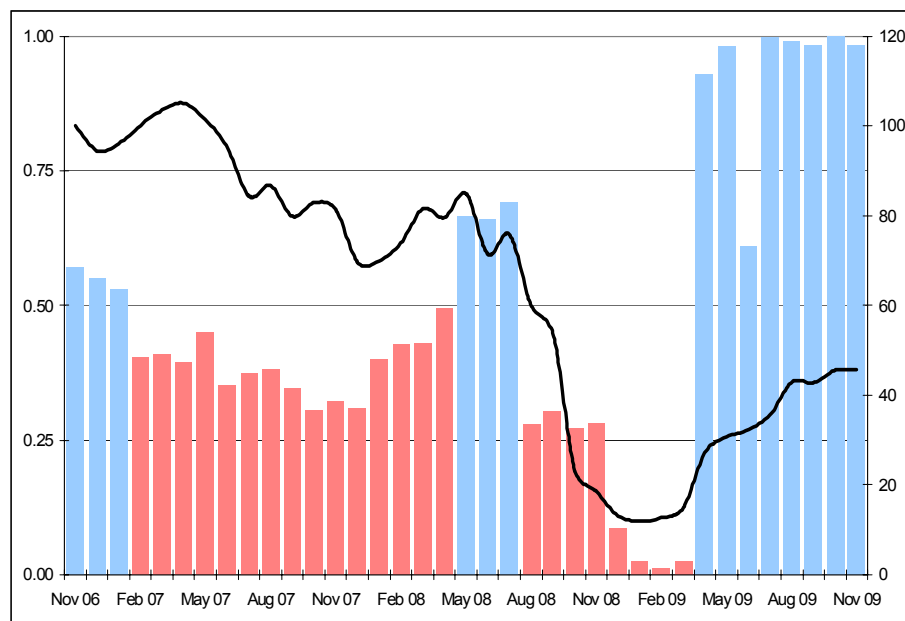


Unpopular – Inchcape

Inchcape Plc imports, distributes, and retails motor vehicles. The group conducts operations in the United Kingdom, Greece, Belgium, Australia, Hong Kong and Singapore.



- Rights issue
- After-market sales
- Geographic diversity
- Residual values



Disciplined Company Analysis - Inchcape



SVM Company Research

Date:

Company Name:

Country:

RIC:

SVM Analyst:

Current Price (GBP):

Target Price (€):

Market Cap (GBP): No. shares o/s: (mil)

Yr End:

One Line Client Summary: Inchcape is a new and used car dealership and after sales service provider. It has operators in a diverse set of countries (26) including the UK, Australia, Singapore and Russia.

Key Figures

	2006A	2007A	2008A	2009E	2010E	2011E
Sales	4842	6053	6258	5507	5304	5463
% change		25.0%	3.4%	-12.0%	-3.7%	3.0%
EBITDA	247	303	275	204	202	229
EBITDA margin	5.1%	5.0%	4.4%	3.7%	3.8%	4.2%
EBIT	213	266	238	176	175	202
% change			-10.7%	-25.9%	-0.7%	15.5%
EBIT margin	4.4%	4.4%	3.8%	3.2%	3.3%	3.7%
Net Interest/Other	-16.00	-27.00	-48.00	-27.00	-11.00	-5.00
Tax %	17.30%	24.10%	26.00%	28.00%	29.00%	29.00%
Cash Exceptional	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	163	182	140	107	116	140
% change		11.5%	-22.7%	-23.5%	8.4%	20.2%
EPS	0.04	0.04	0.03	0.02	0.03	0.03
Debt	19	19	19	19	19	19
Cash & Equivalents	0	-260	-478	-33	55	137
EBIT/Net Interest	13.3	9.9	5.0	6.5	15.9	40.4
Debt-Cash/EBITDA	0.1	0.9	1.8	0.3	-0.2	-0.5
Operating Cash Flow	197	213	171	165	138	162
Capex	54	72	125	50	50	60
Free Cashflow	143	141	46	115	88	102
Other CF (Acqns/displs/fin etc)	-143	-328	-190	330	0	0
WC	138	143	150	120	125	130
EV	1,538	1,798	2,016	1,571	1,483	1,401
P/E	21.6	8.4	10.8	14.1	13.0	10.9
Dividend	56	73	74	0	0	20
Dividend Yield	3.7%	4.8%	4.9%	0.0%	0.0%	1.3%
FCF Yield	6.9%	7.8%	2.3%	7.3%	5.9%	7.3%
OpCF / EBIT (cash conversion)	91%	85%	60%	104%	84%	81%
EV/Sales (trade value)	0.32	0.30	0.32	0.29	0.28	0.26
EV/EBITDA (trade value)	6.23	5.94	7.32	7.71	7.36	6.11
WC/Sales	3%	2%	2%	2%	2%	2%

Risks

Emerging markets. Double dip. Consumer financing. Goodwill impairments for Emerging markets. Falling car prices...

rights issue 9 for 1 at 6p raised a net £232m. Much stronger than expected balance sheet (due to good Capex and WC cuts). With weaker players exiting the industry and with used car prices stabilising the operating margin can rise significantly from here.

Catalysis

• Top Line growth

2006A	2007A	2008A	2009E	2010E	2011E
4842	6053	6258	5507	5304	5463

• Margins

2006A	2007A	2008A	2009E	2010E	2011E
4.4%	4.4%	3.8%	3.2%	3.3%	3.7%

• Cash Conversion

2006A	2007A	2008A	2009E	2010E	2011E
91%	85%	60%	104%	84%	81%

• EV/Sales

2006A	2007A	2008A	2009E	2010E	2011E
0.32	0.30	0.32	0.29	0.28	0.26

Consistency with Pooled and Segregated product



	SVM UK Alpha Fund	Segregated Mandate	FTSE All-Share Index
Q4 2005	7.7%	8.0%	4.3%
2006	26.0%	23.5%	16.8%
2007	8.6%	7.2%	5.3%
2008	-31.6%	-31.2%	-29.9%
2009	32.2%	28.6%	30.1%
2010 YTD	-2.5%	-3.5%	-3.6%

- Consistent portfolio construction and stock selection
- New segregated mandate within Skandia UK Best Ideas product

SVM UK Alpha Fund – Risk Monitoring

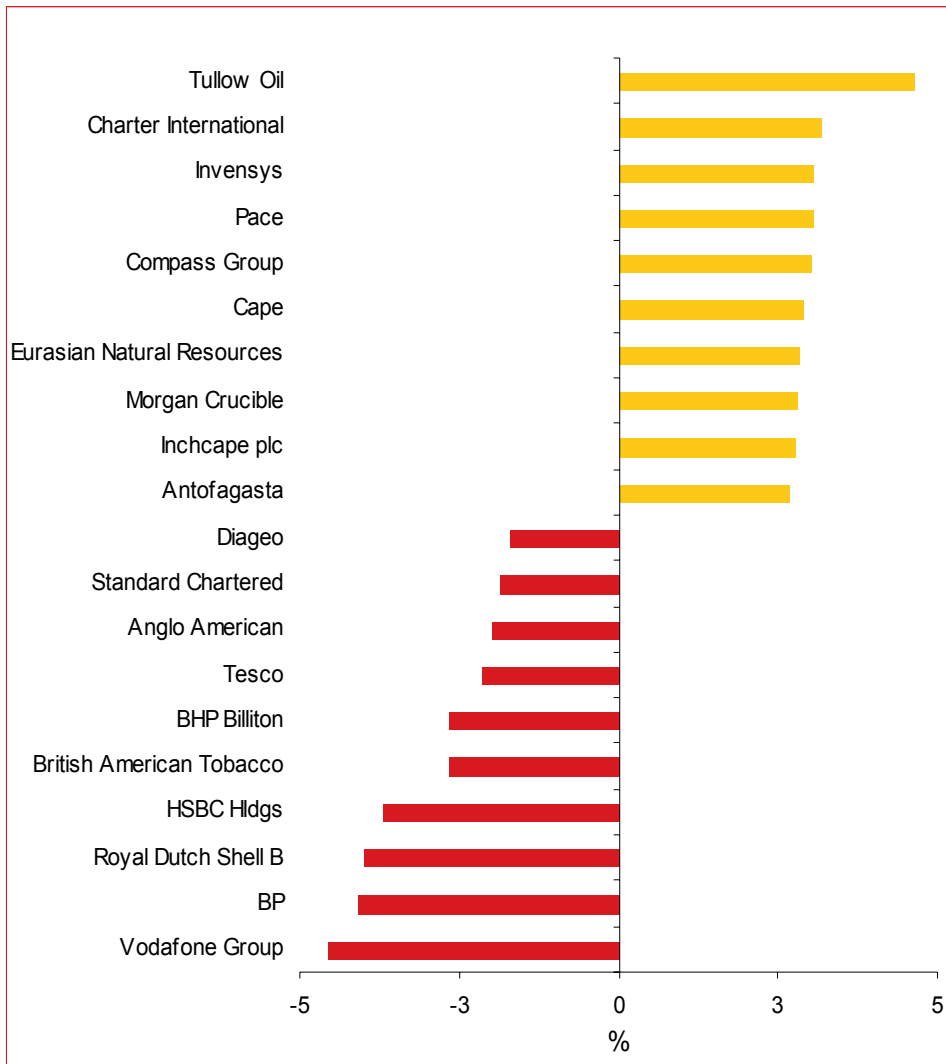


- Real time, daily performance analysis ensures consistency across portfolios
- Risk manager reports directly to CIO
- Weekly risk analysis report ensures key 'bets' are highlighted and discussed
- Large, mid and small cap positions not to exceed 5%, 4% and 3% respectively
- Investments in Top 10 FTSE 100 stocks can have positive active position up to 3%

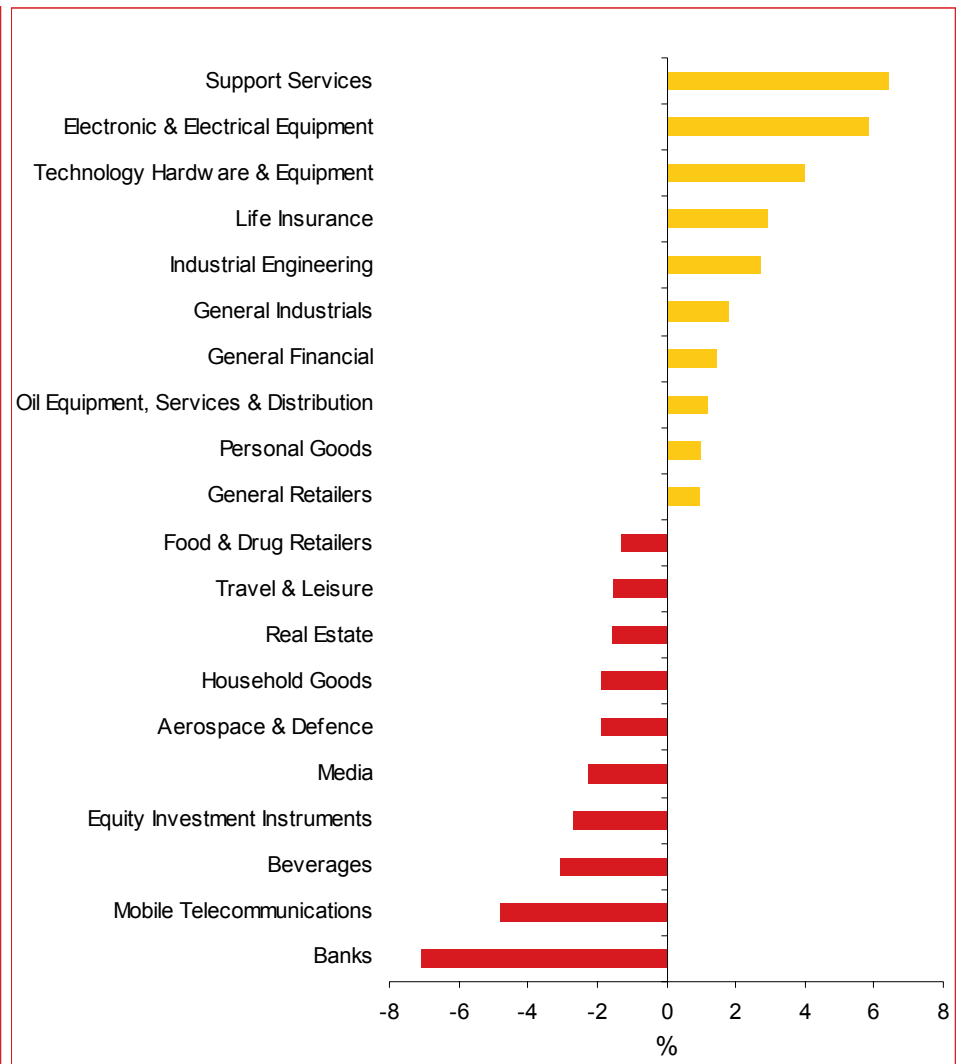
Portfolio analysis - SVM UK Alpha Fund v FTSE All-Share



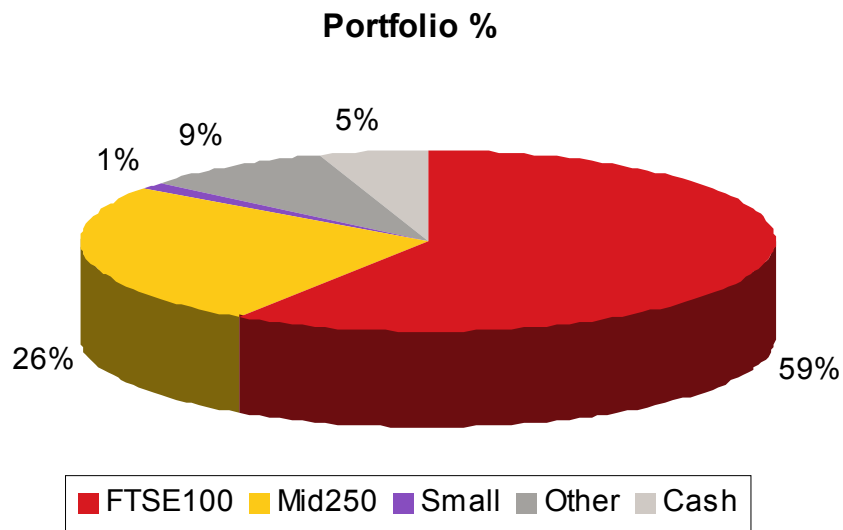
Stocks



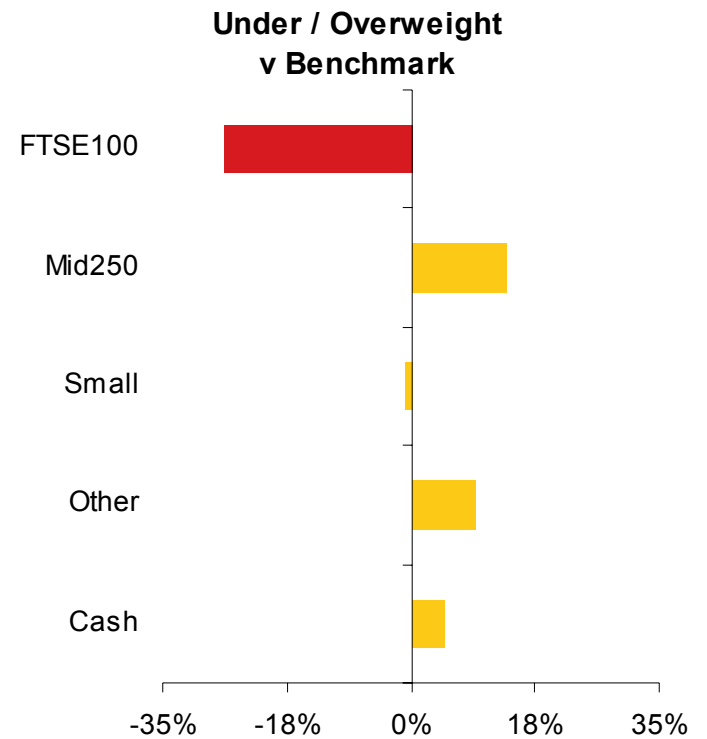
Industries



Size Analysis – Researching the Under Researched



- Portfolio permitted to own 0-15% in non-benchmark securities
- Minimum of 40% in FTSE 100 companies
- 38 holdings





Appendix

Characteristics & Fees

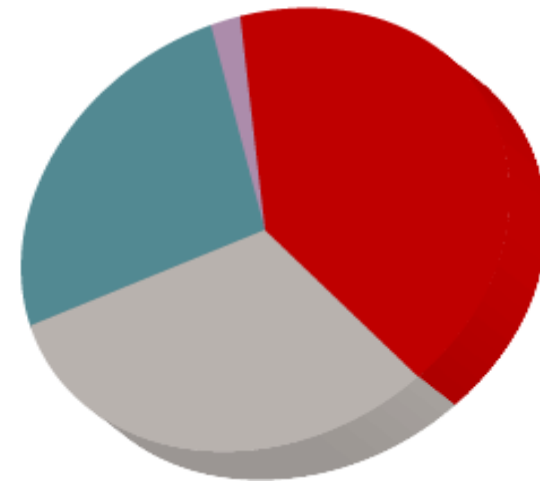
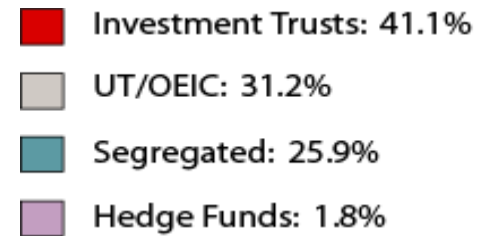


<i>Pooled Vehicle</i>	SVM UK Alpha Fund
<i>Benchmark</i>	FTSE All Share Index
<i>Institutional Share Class</i>	B Shares
<i>Legal Status</i>	Open Ended Investment Company
<i>Number of Stocks</i>	35-45
<i>Annual Fee</i>	0.75% per annum
<i>Initial Sales Charge</i>	0%
<i>Bid to Offer Spread</i>	1.00% Mid-Offer 0.50% Mid-Bid
<i>Launched</i>	30.9.2005
<i>Dealing Frequency</i>	Daily
<i>Pricing</i>	12:00 Daily

About SVM Asset Management



- 'Boutique' asset manager. Founded 1990
- Focused on UK & European Equities
- 100% owned by SVM employees
- Independent, stable business
- Investment management sole business



Investment Team



Name	Title	Academic Qualifications	Professional Qualifications	Years at SVM	Industry Experience	Sector Responsibilities
Colin McLean	CIO Managing Director	MA (Hons) Political Economy & Economic Stats MBA (distinction)	FFA, FSIP, FSII	19	35	Financials (UK), Insurance, Mining, Utilities
Donald Robertson	Finance Director		FCCA	19	26	Investment Companies, Speciality & Other Finance
Hector Kilpatrick	Investment Manager	BSc(Hons) Marine & Environmental Biology MSc Aquatic Resource Mgt MBA (Strategic Management)	ASIP	4	15	Pharmaceuticals & Biotechnology, Basic Industrials, Support Services
Hugh Cuthbert	Investment Manager	BA Public Administration	ASIP	4	15	Oil Services, Healthcare, Telecoms (Ex-UK) Banks & Insurance
Neil Veitch	Investment Manager	BA(Hons) Economics MSc Investment Management	CFA	4	13	Industrials, Technology, Oil & Gas E&P, Support Services, House Builders
Margaret Lawson	Investment Director	BSc (Hons) Economics	ASIP	19	29	Telecoms (UK), Industrials, General Financial, Media & Leisure, Transport
Craig Jeruzal	Analyst	MA (Hons) Politics	IMC CFA Level III Candidate	3	4	SRI & Corporate Governance Analyst
David Dodds	Equity Dealer	MA Economics & Accounting	IMC	4	5	Equity Dealing

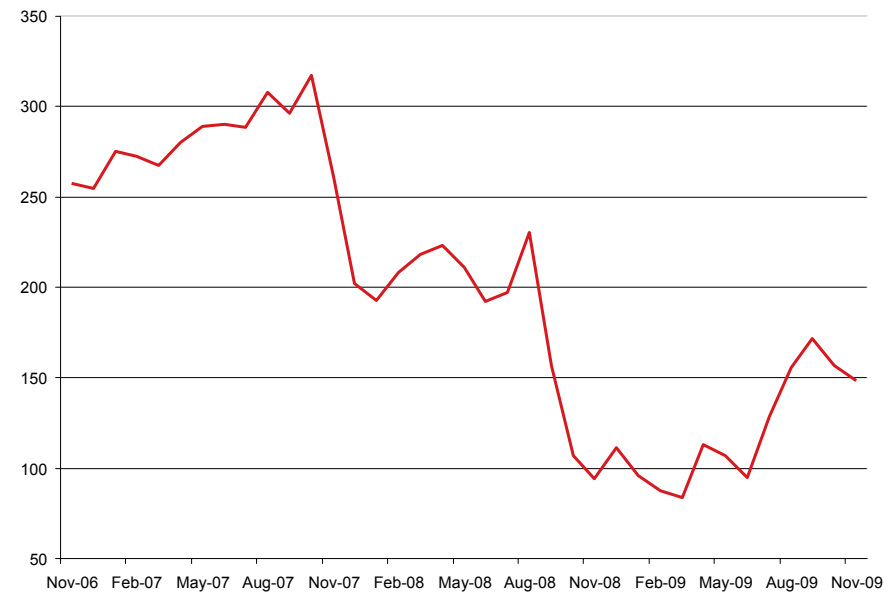
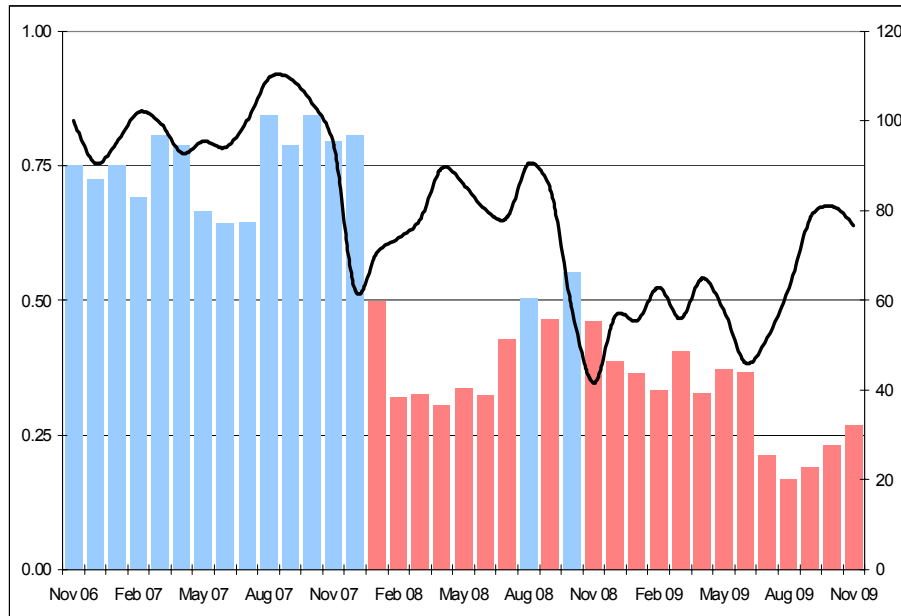
Restructuring – Morgan Crucible



Morgan Crucible Company plc, via its subsidiaries, develops, manufactures and markets technological materials and components. The Company's products include electrical and mechanical carbon items, insulating fibres, sealing components and bearings, ceramics and magnetic materials, which are used in the medical, aerospace, auto and telecommunication sectors.



- No.1 or 2 market position for 80% sales
- £40m cost cutting programme
- Margin resilience
- Cash generation



Source: Mirabaud Earnings Revisions November 2009

Source: Lipper 30.11.2009

Disciplined Company Analysis – Morgan Crucible



SVM Company Research

Date:

Company Name:

Country:

RIC:

SVM Analyst:

Current Price (GBP):

Target Price (€):

Market Cap (GBP): No. shares o/s:(mil)

Yr End:

Morgan Crucible is a materials technology company producing Ceramics (Technical and Thermal), Carbon based products and Molten Metals Systems. The company is exposed to industrial production growth across a wide range of sectors including steel, defense, aerospace, auto & MRO.

One Line Client Summary:

Key Figures

	2006A	2007 A	2008 A	2009 E	2010 E	2011 E
Sales	678	693	835	952	952	980
% change		2.2%	20.5%	14.0%	0.0%	3.0%
EBITDA	98	110	137	116	124	130
EBITDA margin	14.5%	15.9%	16.4%	12.2%	13.0%	13.3%
EBIT	54	75	95	78	86	92
% change			27.2%	-18.0%	9.8%	7.6%
EBIT margin	7.9%	10.8%	11.4%	8.2%	9.0%	9.4%
Net Interest/Other	-3.40	-5.50	-12.70	-29.00	-24.00	-21.00
Tax %	21.00%	21.00%	24.00%	27.00%	30.00%	30.00%
Cash Exceptional	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	40	55	63	36	43	50
% change		38.2%	14.4%	-42.9%	20.6%	15.4%
EPS	16.60	0.20	0.23	0.13	0.16	0.18
Debt	34	34	34	34	34	34
Cash & Equivalents	0	-84	-272	-263	-219	-188
EBIT/Net Interest	15.8	13.6	7.5	2.7	3.6	4.4
Debt-Cash/EBITDA	0.3	1.1	2.2	2.6	2.0	1.7
Operating Cash Flow	-6	83	63	85	90	83
Capex	34	35	33	27	27	33
Free Cashflow	-40	48	30	58	63	50
Other CF (Acqns/displs/fin etc)	-10	-113	-200	-30	0	0
WC	90	97	138	127	118	123
EV	499	582	771	762	718	687
P/E	0.1	8.5	7.4	13.0	10.8	9.3
Dividend	7	19	19	19	19	19
Dividend Yield	1.6%	4.0%	4.0%	4.1%	4.1%	4.1%
FCF Yield	-7.9%	8.3%	3.9%	7.6%	8.8%	7.3%
OpCF / EBIT (cash conversion)	120%	91%	66%	128%	123%	100%
EV/Sales (trade value)	0.74	0.84	0.92	0.80	0.75	0.70
EV/EBITDA (trade value)	5.07	5.29	5.63	6.56	5.80	5.27
WC/Sales	13%	14%	17%	13%	12%	13%

Risks

Global IP worse than currently expected. Margins show same cyclicality as last time.

Catalysts

Trading better than expected...management targetting double digit margins in downturn. We forecast 7.5%. Balance sheet robust enough to withstand 21% fall in u/l sales over 2 yrs. Leading indicators turning.

• Top Line growth

2006A	2007A	2008A	2009E	2010E	2011E
678	693	835	952	952	980

• Margins

2006A	2007A	2008A	2009E	2010E	2011E
7.9%	10.8%	11.4%	8.2%	9.0%	9.4%

• Cash Conversion

2006A	2007A	2008A	2009E	2010E	2011E
120%	91%	66%	128%	123%	100%

• EV/Sales

2006A	2007A	2008A	2009E	2010E	2011E
0.74	0.84	0.92	0.80	0.75	0.70

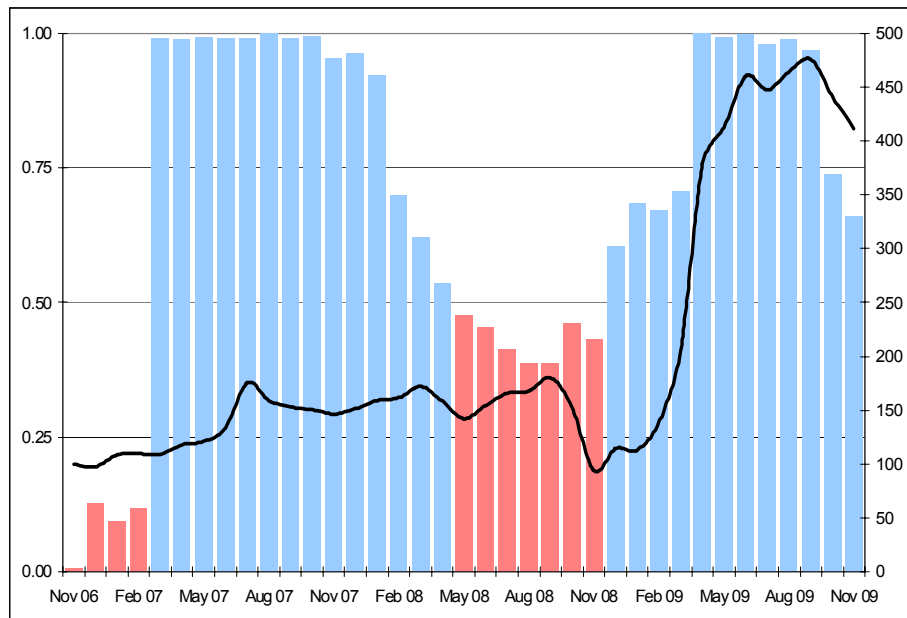
Genuine Growth – Pace



Pace Plc develops, manufactures, and distributes digital receivers and receiver decoders. The Company's products are used by broadcasters, telecommunications companies and retail markets.



- Growth market
- Restructuring
- Philips acquisition
- Innovation



Source: Mirabaud Earnings Revisions November 2009



Source: Lipper 30.11.2009

Disciplined Company Analysis – Pace



SVM Company Research

Date:

Company Name:

Country:

RIC:

SVM Analyst:

Current Price (GBP):

Target Price (€):

Market Cap(GBP): No. shares o/s:(mil)

Yr End:

Pace produces set top boxes, predominantly for the PayTV market. Products include High Definition and PVRs. The current management have executed a significant turn around program at Pace and further benefits are likely to accrue from this. The company has a 10% market share (No. 3).

One Line Client Summary

Key Figures

	2007A	2008A	2009E	2010E	2011E	2012E
Sales	386	745	1110	1221	1343	1477
% change		93.0%	49.0%	10.0%	10.0%	10.0%
EBITDA	11	36	81	103	120	142
EBITDA margin	2.8%	4.8%	7.3%	8.4%	8.9%	9.6%
EBIT	7	31	72	88	103	124
% change			130.6%	21.8%	17.6%	20.0%
EBIT margin	1.7%	4.2%	6.5%	7.2%	7.7%	8.4%
Net Interest/Other	2.20	-0.70	0.30	1.00	1.70	3.00
Tax	6.00%	20.00%	30.00%	30.00%	30.00%	30.00%
Cash Exceptional	0.00	-11.00	0.00	0.00	0.00	0.00
Net Income	8	24	51	62	74	89
% change		197.1%	107.2%	22.7%	18.2%	20.9%
EPS	0.03	0.08	0.17	0.21	0.25	0.30
Debt	12	12	12	12	12	12
Cash & Equivalents	1	47	48	69	101	148
EBIT/Net Interest	-3.0	44.7	-240.5	-87.9	-60.8	-41.4
Debt-Cash/EBITDA	1.0	-1.0	-0.4	-0.6	-0.7	-1.0
Operating Cash Flow	-46	77	50	72	85	102
Capex	16	27	47	49	50	50
Free Cashflow	-62	50	3	23	35	52
Other CF (Acqns/displs/fin etc)	0	-3	0	0	0	0
WC	58	10	20	25	30	35
EV	671	625	624	603	571	524
P/E	80.2	27.0	13.0	10.6	9.0	7.4
Dividend	0	1	2	2	3	5
Dividend Yield	0.0%	0.1%	0.2%	0.3%	0.5%	0.8%
FCF Yield	-9.2%	8.0%	0.4%	3.8%	6.1%	9.9%
OpCF / EBIT (cash conversion)	-79%	146%	33%	55%	62%	70%
EV/Sales (trade value)	1.74	0.84	0.56	0.49	0.43	0.35
EV/EBITDA (trade value)	62.10	17.47	7.70	5.88	4.78	3.70
WC/Sales	15%	1%	2%	2%	2%	2%

Supply problems could materialise given growth and restructuring. Currency (production costs largely USD related, whilst sig. sales come from Europe). Poor acquisition. Competition gets act together.

Risks

Management targeting 10% operating margin and 40% growth by 2012 from 2009. Not in numbers. MultiDweller launch next year. Take ms from Comcast in US. Currency hedge comes off and boosts GM by ~100bpy.

Catalysts

• Top Line growth

2007A	2008A	2009E	2010E	2011E	2012E
386	745	1110	1221	1343	1477

• Margins

2007A	2008A	2009E	2010E	2011E	2012E
1.7%	4.2%	6.5%	7.2%	7.7%	8.4%

• Cash Conversion

2007A	2008A	2009E	2010E	2011E	2012E
-79%	146%	33%	55%	62%	70%

• EV/Sales

2007A	2008A	2009E	2010E	2011E	2012E
1.82	0.88	0.59	0.52	0.45	0.38

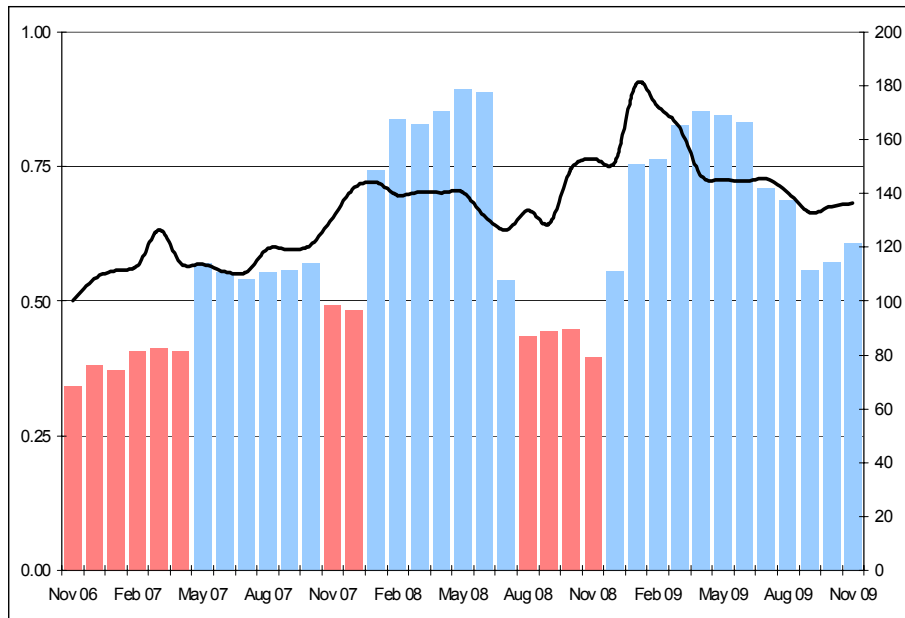
Pricing Power – Imperial Tobacco



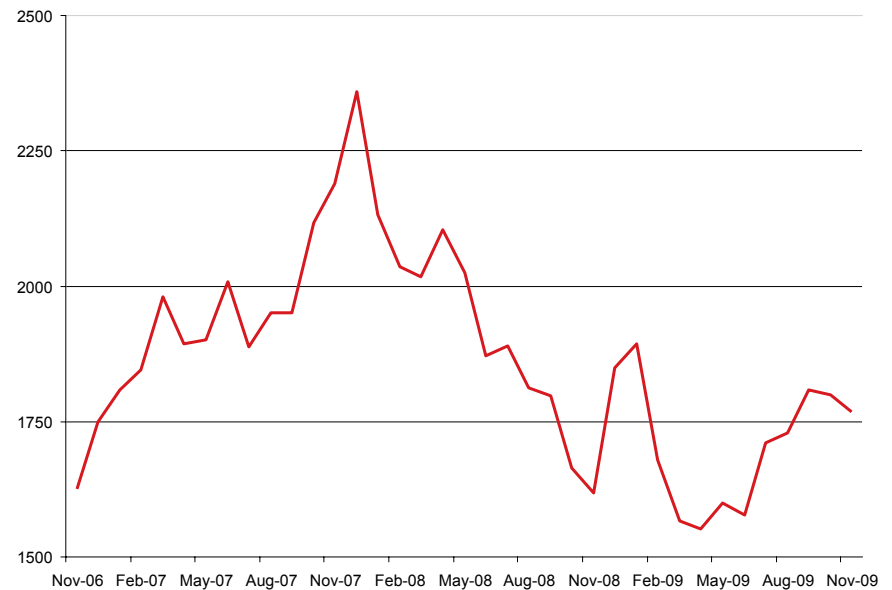
Imperial Tobacco Group plc is an international tobacco company that manufactures, markets, and sells a range of cigarettes, tobaccos, rolling papers and cigars.



- Price rises
- Altadis acquisition
- Market positions
- Debt paydown



Source: Mirabaud Earnings Revisions November 2009



Source: Lipper 30.11.2009

Disciplined Company Analysis – Imperial Tobacco



SVM Company Research

Date:

Company Name:

Country:

RIC:

SVM Analyst:

Current Price (GBP):

Target Price (GBP):

Market Cap (GBP): No. shares o/s:(mil)

Yr End:

IMT is the world's 4th largest tobacco company. 75% of sales originate in Europe and the company has leading shares in the UK, Germany, Spain and France. The company has recently entered the US market and has also bought Altadis, keeping their Logista business inhouse. Cigar market leadership.

One Line Client Summary:

Key Figures

	2006A	2007A	2008 A	2009 E	2010 E	2011 E
Sales (USD)	3164	3281	5840	7709	8018	8338
% change		3.7%	78.0%	32.0%	4.0%	4.0%
EBITDA	1452	1568	2365	3084	3335	3502
EBITDA margin	45.9%	47.8%	40.5%	40.0%	41.6%	42.0%
EBIT	1357	1476	2225	2914	3151	3327
% change			50.7%	31.0%	8.1%	5.6%
EBIT margin	42.9%	45.0%	38.1%	37.8%	39.3%	39.9%
Net Interest/Other	-188.0	-237.0	-630.0	-670.0	-600.0	-540.0
Tax %	0.27	0.27	0.27	0.27	0.27	0.27
Cash Exceptional	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	857	911	1164	1638	1862	2034
% change		6.3%	27.8%	40.7%	13.7%	9.3%
EPS	0.84	0.90	1.15	1.61	1.83	2.00
Debt	3614	3614	3614	3614	3614	3614
Cash & Equivalents	1	-547	-7292	-7870	-7029	-5939
EBIT/Net Interest	7.2	6.2	3.5	4.3	5.3	6.2
Debt-Cash/EBITDA	2.5	2.7	4.6	3.7	3.2	2.7
Operating Cash Flow	940	989	1300	1372	1887	2235
Capex	67	128	215	270	245	245
Free Cashflow	873	861	1085	1102	1642	1990
Other CF (Acqns/displs/fin etc)	-436	-971	-7334	-1000	0	0
WC	435.00	449.00	454.00	890.00	1050.00	1025.00
EV	20,783	21,331	28,077	28,655	27,813	26,724
P/E	20.0	18.8	14.7	10.5	9.2	8.4
Dividend	413	438	496	680	800	900
Dividend Yield	2.4%	2.6%	2.9%	4.0%	4.7%	5.2%
FCF Yield	4.2%	4.0%	3.9%	3.8%	5.9%	7.4%
OpCF / EBIT (cash conversion)	102%	97%	96%	82%	93%	99%
EV/Sales (trade value)	6.57	6.50	4.81	3.72	3.47	3.20
EV/EBITDA (trade value)	14.31	13.60	11.87	9.29	8.34	7.63
WC/Sales	14%	14%	8%	12%	13%	12%

Risks

Further onerous marketing/sales restrictions (ie. no pack design). Duty increases. Altadis employee strikes. Poor growth in core Europe. Little emerging market exposure (15% sales). FX hits debt again.

Catalysts:

Trading down generally favours IMT's strong position in value brands.
Operating profit per employee @ Altadis 40% less than at IMT
Could sell Logista. Euro exposure a positive.
Better outcome from union negotiations
Good execution. Under promise and over deliver on costs?
Revenue synergies understated. Price increases coming through in Europe.

• Top Line growth

2006A	2007A	2008A	2009E	2010E	2011E
3164	3281	5840	7709	8018	8338

• Margins

2006A	2007A	2008A	2009E	2010E	2011E
42.9%	45.0%	38.1%	37.8%	39.3%	39.9%

• Cash Conversion

2006A	2007A	2008A	2009E	2010E	2011E
102%	97%	83%	92%	93%	99%

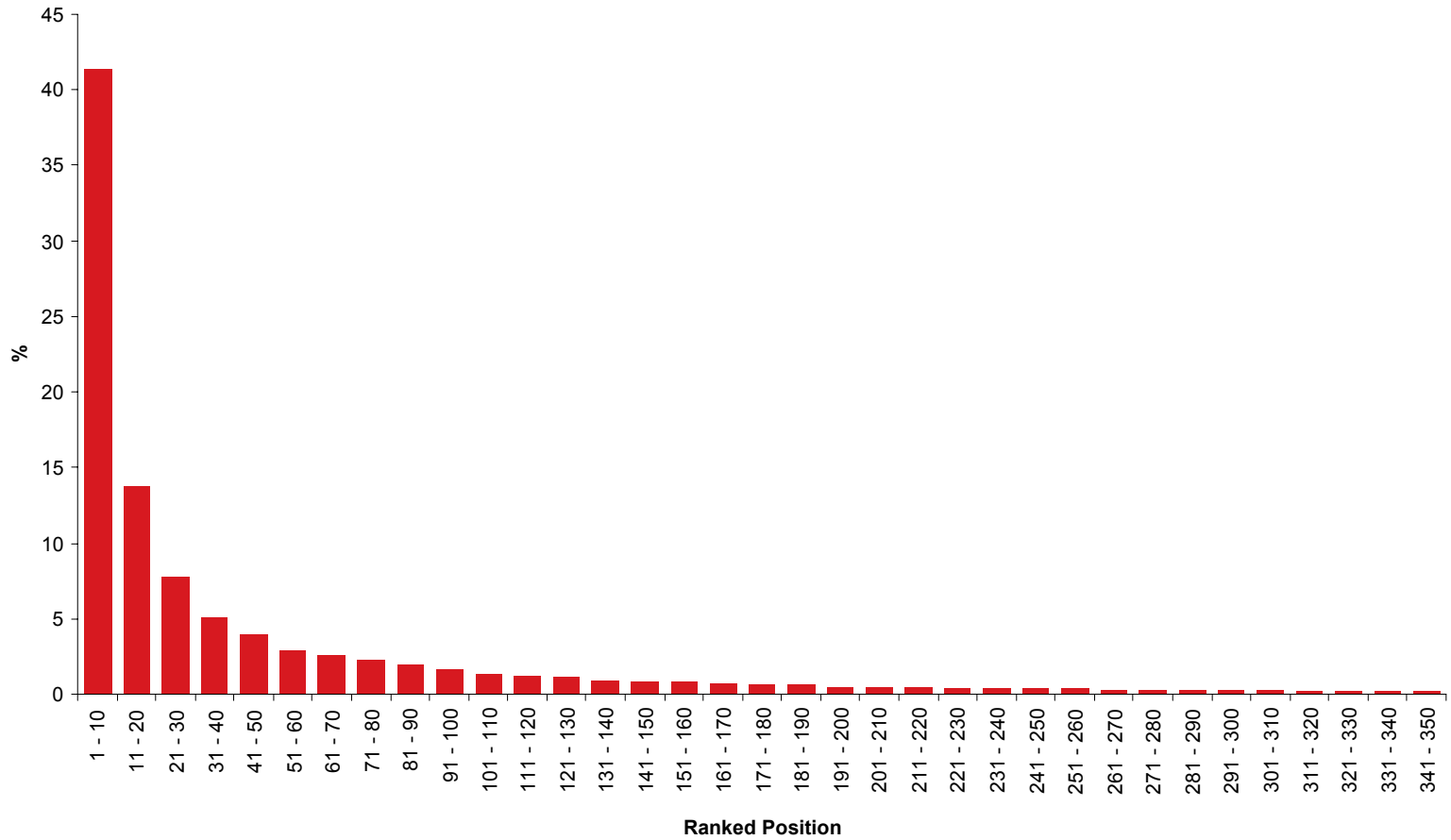
• EV/Sales

2006A	2007A	2008A	2009E	2010E	2011E
6.57	6.50	4.86	3.72	3.47	3.20

Commissions drive market inefficiency



FTSE 350 by Market Cap





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Please remember that past performance should not be seen as an indication of future performance. Stockmarkets and currency movements may cause the value of an investment to fall as well as rise and investors may not get back the amount originally invested. Investing in small companies may increase the volatility of the fund.

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