

# SVM UK ALPHA 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) and it aims to outperform the FTSE All-Share Index.

### Risk Profile

The Fund is exposed to market risk. It invests in companies outside the FTSE 100 Index, which can be less liquid and may carry greater risk and volatility. The fund is exposed to stockmarket fluctuations

### 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
UK Alpha A class	1.2011	1.1529
UK Alpha B Class	2.0496	2.0985

### 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
UK Alpha Fund	1.80%	1.05%

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	30/09/05* 31/12/05	31/12/05 31/12/06	31/12/06 31/12/07	31/12/07 31/12/08	31/12/08 31/12/09
UK Alpha	+7.7	+25.3	+7.8	-32.1	+31.2

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			
UK Alpha A class	5,224	129.5	4,033,046
UK Alpha B class	9,485	133.1	7,128,355
As at 31/12/08			
UK Alpha A class	4,106	98.63	4,162,922
UK Alpha B class	6,908	100.7	6,862,356

### Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 31/12/09			
UK Alpha A class	136.3	81.32	129.6
UK Alpha B class	140.0	83.65	133.3
During period to 31/12/08			
UK Alpha A class	146.4	82.92	98.79
UK Alpha B class	148.3	84.52	100.8

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

%













Tullow Oil	5.2
HSBC	4.9
Barclays	4.0
Rio Tinto	3.9
Antofagasta	3.6
Compass	3.6
Charter International	3.2
Imperial Tobacco	3.2
Prudential	3.1
Inchcape	3.0
Total	37.7

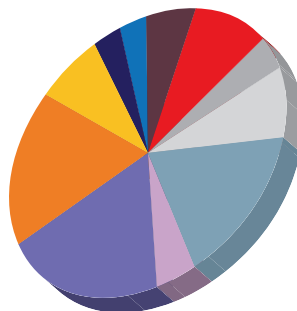
### Top 10 Holdings: 31/12/08

%

BP	6.3
BAE Systems	5.2
Royal Dutch Shell	4.9
Sercos Group	4.3
HSBC Holdings	3.9
Vodafone Group	3.8
AstraZeneca	3.8
BAT Industries	3.7
Imperial Tobacco Group	3.4
Compass Group	3.3
Total	42.7

## Sector Analysis

	31/12/09	31/12/08
 <b>Basic Materials</b>	<b>10.1%</b>	2.0%
 <b>Consumer Goods</b>	<b>4.5%</b>	9.4%
 <b>Consumer Services</b>	<b>8.2%</b>	13.5%
 <b>Financials</b>	<b>16.3%</b>	7.9%
 <b>Healthcare</b>	<b>4.4%</b>	7.0%
 <b>Industrials</b>	<b>20.2%</b>	19.1%
 <b>Oil &amp; Gas</b>	<b>17.6%</b>	17.7%
 <b>Technology</b>	<b>7.0%</b>	1.7%
 <b>Telecommunications</b>	<b>0.0%</b>	5.3%
 <b>Utilities</b>	<b>3.0%</b>	5.6%
 <b>Overseas</b>	<b>2.9%</b>	3.0%
 <b>Net Current Assets</b>	<b>5.8%</b>	7.8%



## Fund Manager



**Colin McLean**  
Manager from 09/04/10

2009 saw significant volatility within the equity markets. During the first quarter markets fell precipitously as investors fretted that policymakers remained behind the curve in terms of managing the credit crisis and the collapse of a number of financial institutions. A highly synchronised destocking cycle also ensured orderbooks contracted sharply, putting pressure on management teams to cut workforces.

By the second quarter, however, many stretched banks had raised new capital, and state guarantees were issued to ensure that the majority of banks would be able to continue to trade. Quantitative easing was introduced. Furthermore, companies (in other segments of the economy) that had overstretched themselves during the economic expansion were often able to access equity and debt markets for capital. These actions soothed nerves and with evidence emerging that western economies were stabilising (in GDP terms) investors returned to equities. Stronger

cash generation and more robust cost cutting than previously expected became features of company trading statements. Commodity prices started to rise. This led to a substantial rally in equity markets such that by year end the FTSE All-Share Index had risen 30.1% over the year (despite being down circa 20% in early March).

The Fund timed the turn fairly well and moved from a relatively defensive bias into more economically sensitive companies during the first half of the year. Thus stocks such as GlaxoSmithKline, British Aerospace and Vodafone were sold and Cookson, Morgan Crucible and Rio Tinto were bought. This stood the Fund in good stead during the second and third quarters of the year. The final quarter of the year saw the equity recovery broaden out and those stocks that had lagged began to outperform.

The equity market rally has continued into 2010. Equity markets remain cheap and earnings upgrades are coming through as operating leverage to the upside is underestimated. However, sovereign debt issues continue to be a cause for concern. With quantitative easing being withdrawn and austerity fiscal budgets yet to be implemented (in some major economies), the prospect of strong economic growth in 2011 looks remote.

**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 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](mailto: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. Investing in smaller companies may increase the volatility of your investment.

## 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