

#### Peer Group:

UK Growth Mainstream

#### Fund Manager/Adviser:

Neil Veitch (since January 2006)

#### Location:

London

**Launch Date:** March 2000

**Fund Size (September 2007):**

£99m

#### Group Contact No:

+44 845 066 1110

#### Website:

www.svmonline.co.uk

**S&P ID Number:** SB298350

#### Share class screened:

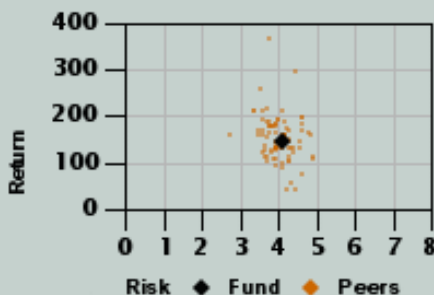
Institutional



### INVESTMENT STYLE

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

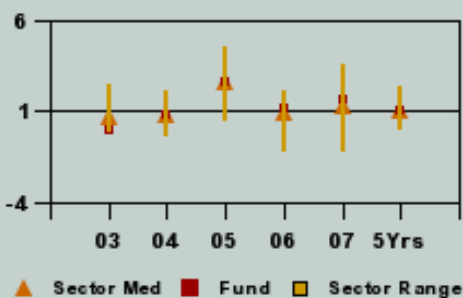
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



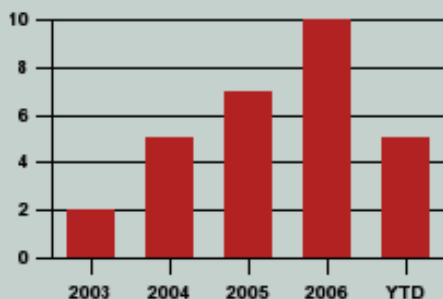
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Medium	-8.7
Volatility	High	12.5
Correlation	High	0.8
Beta	High	1.3

### 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.

Please see page 2 for required research analyst certification disclosure.

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 (NOVEMBER 2007)

Since taking over this fund in January 2006 Neil Veitch has performed well and introduced his character into the team-driven investment process.

While maintaining the SVM focus on undervalued companies - emphasising unrecognised growth in sales and operating margins - he has introduced sufficient nuance into this portfolio to make it his own. All eight members of the investment team contribute ideas for the portfolio, but the final decision always rests with Veitch. Focusing on the team's 45/55 highest conviction ideas has proved positive, as has his strict sell discipline and increased exposure to large companies; the latter reflected in the change of benchmark to the FTSE All Share index.

This confident approach belays Veitch's limited experience as a pure UK equity fund manager. When he joined SVM in late 2005 as one of three fund

managers taken on to replace senior departures, his experience was limited mainly to running a pan-European mid/small-cap SRI mandate - the Orange SeNse Fund - for Kempen Capital Management from April 2004 until year-end 2005. However, relative returns were strong.

His initial success with SVM UK Opportunities fund reflected the fund's capitalisation bias at that time being 70% mid-caps and 20% smaller companies. Since then performance has been driven by strong stock selection and an emphasis on ev:ebitda which led him to benefit from the increased m&a activity in the market. Returns in 2007 have been muted by the fund's mid/small-cap content despite the increased exposure large companies.

This fund comfortably achieves an S&P A 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.

**Team:** SVM focuses almost wholly on UK and European equity investment. Pan-European sector research responsibilities are spread across the team of eight, who have an average experience of over 15 years.

**Fund Manager:** Neil Veitch joined SVM in 2006 from Kempen Capital Management where he had

run a pan-European mid/small-cap SRI mandate, prior to which he managed a global fund for five years.

**Style:** Unconstrained stockpicking with a bias towards mid-caps and smaller companies. The approach focuses on companies whose revenues and operating margins have been underappreciated by the market.

**Performance:** Over the five years to 31/08/2007, the fund has returned 142.5%, compared with 79.7% for the sector median and 87.9% for the index, ranking 9/339.

### FUND MANAGER & TEAM

SVM focuses primarily on UK and mainstream European equity investment. The team of eight fund managers/analysts is responsible for about £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:

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.

Margaret Lawson - was a founding director of SVM in 1990 having worked as a fund manager for FS Investment Managers where she managed its UK flagship fund, FS Balanced Growth Fund. She is back up on this fund and researches UK telecoms, media/leisure, transport and general financials.

## PORTFOLIO CHARACTERISTICS

No. of holdings	56
Turnover ratio (%)	61
% in top 10	29

## TOP 10 HOLDINGS (01/09/07)

	%
Invensys	3.5
Hunting	3.3
Innovation Group	3.2
Tullow Oil	3.1
CRH	2.9
Pace Micro Technology	2.8
British Airways	2.6
Cable & Wireless	2.5
Morgan Sindall	2.4
Carillion	2.3

\* In top 10 holdings a year ago

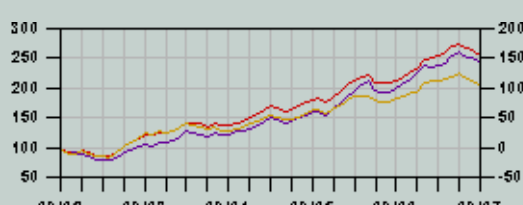
## ALLOCATION BREAKDOWN (01/09/07)

	Fund %
Financials	10
Industrials	31
Utilities	-
Telecommunications	3
Basic Materials	12
Consumer Goods	6
Consumer Services	10
Health Care	2
Investment Trusts	-
Oil & Gas	16
Technology	7
Other	-
Cash	3

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	100.4%	142.5%
Standard & Poor's Peer Median	56.7%	79.7%
Index**	62.0%	87.9%
Fund Rank	3/388	9/339
Standard Deviation	12.5	-
Relative Standard Deviation	1.4	-
Volatility Adjusted Ranking	29/388	-

## CUMULATIVE PERFORMANCE



Legend:   
■ FTSE SmallCap xITs!   
■ UK Growth Smaller Companies   
■ Fund

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

# SVM FUNDS - UK OPPORTUNITIES FUND

Peer Group: UK Growth Mainstream



## MANAGEMENT STYLE

- The fund is managed in accordance with SVM's undervalued growth approach, focusing on sales and operating margins expected to match industry norms.
- Under Veitch this has become an All-Cap portfolio, targeting outperformance of the FTSE All Share index, although to date it has often shown a strong bias towards mid-/small-cap companies.
- Veitch derives stock ideas and themes from frequent management contact as well as other members of the team. He targets intrinsically undervalued stocks relative to sales and margins rather than factors that may be distorted by accounting such as EPS.

- Debt-cash/ebitda and ev/ebitda forecasts are also key, although Veitch is willing to pay a premium for significantly underpriced growth opportunities. His preference, however, is for companies that are improving from sub-normal returns, ideally by way of a recognisable catalyst.
- Price targets are set and holdings reviewed should they underperform the market by 10% relative. Veitch will sell immediately on a profits warning.

- Risk is controlled at the stock level, with positions kept below 5% and extreme economic exposures avoided. Around 45/55 stocks are preferred. Cash is usually below 5%.

## PORTFOLIO REVIEW

Since Veitch arrived, he has cut the tail of the portfolio cutting the number of holdings from 73 to 56. In addition, he has broadening the portfolio to take on more FTSE 100 stocks, targeting a balance of around 25:40:35 between large, mid and small-caps. At review, the emphasis was towards mid-caps, at 43% of total portfolio assets.

Over 25% of the fund was off-benchmark, causing sector exposures to be well wide of index. Industrials were 31% against 8% in the All Share index, through stocks such as Invensys, CRH and Morgan Sindall.

Financials - 10% against an index weight of 32% - emphasised asset managers such as Old Mutual, New Star and Investec, at the expense of the major banks to avoid credit issues. Resources and materials were moderately overweight where Veitch favoured the stronger production growth he expected from smaller e&p oil companies like Mwana Africa and Tullow Oil over the oil majors. With IT also overweight, the portfolio had a strong cyclical tilt.

## PERFORMANCE ANALYSIS (SEPTEMBER 2007)

Neil Veitch became manager of this fund in January 2006. Previously, the fund had been managed by David Stevenson in a more diversified fashion and focused solely on mid-caps and smaller companies, including a relatively high AIM content.

On taking control, Veitch immediately concentrated the number of holdings and broadened exposure to include ideas taken from further up the capitalisation scale. This steadily benefited relative returns in 2007, although initial returns came from the m&a

activity in the mid-cap arena. Around 10 holdings were bid for including, Amec, Morgan Crucible, Hardman Resources and Enterprise. Being over 70% exposed to mid-caps was a key factor in the fund's table topping relative returns over calendar year 2006.

Over 2007 to date, performance was broadly in line with the market until July when the fund's AIM and small-cap exposure began to hurt relative returns as investors sought the perceived safety of larger companies.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2003		2004		2005		2006		YTD 31/08/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	29.8	50/370	23.4	22/386	26.1	47/402	37.0	1/415	1.7	215/411
Index**	20.9		12.8		22.1		16.7		3.7	
Median	20.5		11.7		21.1		16.2		1.8	

\*\* FTSE All Share ! (The Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use.)

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