

# SVM Continental Europe Fund

## Short Report



Year to 31 December 2007

### Investment Objective

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 World Europe ex UK Index.

### Risk Profile

The Fund is exposed to market and currency risk as it invests in European companies. The Fund is exposed to Sterling and a variety of European currencies as well as stockmarket fluctuations. The Fund does not actively hedge the currency risk of the portfolio.

### Distribution

XD date: 31 December

Payment date: 30 April (Accumulation shares)

The following distribution was accumulated over the last accounting period.

Income		
	31/12/07 pence per share	31/12/06 pence per share
Continental Europe A class	0.7280	0.4681
Continental Europe B class	2.6323	1.3101

### 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
Continental Europe Fund	1.76 %	1.07 %

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 2007 Report and Accounts. The figures are intended to provide an indication of the Total Expenses Ratio and will vary from year to year.

## Fund Performance

Percentage growth for each year to last quarter end	31/12/02 31/12/03	31/12/03 31/12/04	31/12/04 31/12/05	31/12/05 31/12/06	31/12/06 31/12/07
Continental Europe	+23.7	+10.5	+35.8	+24.3	+18.1

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 31/12/07			
Continental Europe A class	26,258	276.05	9,511,853
Continental Europe B class	3,500	286.10	1,223,420
As at 31/12/06			
Continental Europe A class	12,190	233.68	5,216,244
Continental Europe B class	739	240.55	307,119

### Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
During period to 31/12/07			
Continental Europe A class	287.4	233.4	277.1
Continental Europe B class	296.9	240.3	287.2
During period to 31/12/06			
Continental Europe A class	234.7	191.7	234.7
Continental Europe B class	241.6	196.2	241.6












### Top 10 Holdings: 31/12/07 %

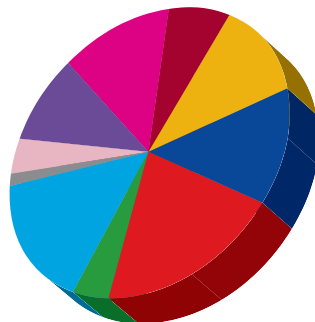
Flex	3.5
Linde	3.1
Siemens	3.0
National Bank Of Greece	2.9
Unilever	2.7
Electricite De France	2.7
Enagas	2.7
BNP Paribas	2.6
Beiersdorf	2.6
Carrefour	2.5

### Top 10 Holdings: 31/12/06 %

Kloeckner	3.3
Semapa	3.2
Ringkjoebing Landobank	3.2
BNP Paribas	3.2
CRH	3.1
Unicredito Italiano	2.9
Total	3.0
Allianz	2.9
Brisa Auto Estradas	2.9
MTU Aero Engines	2.8

## Sector Analysis

	31/12/07	31/12/06
 <b>Basic Materials</b>	<b>7.7%</b>	8.0%
 <b>Consumer Goods</b>	<b>12.5%</b>	8.2%
 <b>Consumer Services</b>	<b>12.8%</b>	7.2%
 <b>Financials</b>	<b>19.4%</b>	34.9%
 <b>Healthcare</b>	<b>4.4%</b>	0.0%
 <b>Industrials</b>	<b>16.6%</b>	21.4%
 <b>Net Current Assets</b>	<b>1.5%</b>	4.3%
 <b>Oil &amp; Gas</b>	<b>3.8%</b>	5.3%
 <b>Technology</b>	<b>0.0%</b>	2.2%
 <b>Telecommunications</b>	<b>9.1%</b>	4.0%
 <b>Utilities</b>	<b>12.2%</b>	4.5%



## Fund Manager



### Hugh Cuthbert

Despite a return of 18.1% in 2007 for the SVM Continental Europe Fund, the year will most likely be remembered more for the bad news than the healthy returns which most markets posted. There was a clear distinction between the first and second half of the year with the former characterised by buoyant markets supported by a continuing theme of mergers and acquisitions with private equity firms and European corporations emboldened by the seemingly endless supply of cheap and easily available credit. Deals included a bid for Telecom Italia, Heidelberg Cement moving on Hanson and Akzo Nobel's offer for ICI to name but a few. Indeed M&A was at its highest level since 2000. But dark clouds were looming with US earnings announcements demonstrating a clear slowdown in growth. However, this was soon to be dwarfed by concerns over the US mortgage market and the ensuing sub-prime crisis which rocked global equity markets in the second half of the year. The resultant sell-off hit financials hardest whilst small and mid-cap stocks suffered from a clear lack of liquidity as this was one of the areas of the market with the greatest potential for profit taking.

The Fund outperformed the market. Good performances were posted from some of our small and mid-cap holdings in the first half of the year such as Semapa, Baywa, TK Development and BAM Groep. In all these cases we secured profits before the year end. Large-cap names such as National Bank of Greece, France Telecom and Carrefour also served us well. In terms of disappointments Crew Gold of Norway was the worst performer due to delays in the ramp up of gold production. On a sector basis, our underweight position in financials clearly helped relative performance.

## Further Information

Further information about the share price, activities and performance of the Fund for this and previous periods, 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 Interim Report and Accounts 31 December 2007. 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. Currency movements may cause the value of your investment to fall as well as rise.

## Contacts

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Authorised and regulated by the Financial Services Authority

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