

SVM UK Alpha Fund Short Report

Period to 30 June 2008



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 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		
	31/12/07 pence per share	31/12/06 pence per share
UK Alpha A class	0.7522	0.8678
UK Alpha B class	1.7760	1.4720

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	1.78 %	1.03 %

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

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2008 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	30/09/05 (launch) 30/06/06	30/06/06 30/06/07	30/06/07 30/06/08
UK Alpha	+14.3	+28.2	-13.0

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 30/06/08			
UK Alpha A class	5,507	128.30	4,292,163
UK Alpha B class	10,719	128.77	8,323,695
As at 31/12/07			
UK Alpha A class	6,518	143.96	4,527,602
UK Alpha B class	14,251	145.84	9,770,835

Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
During period to 30/06/08			
UK Alpha A class	146.4	125.0	127.5
UK Alpha B class	148.3	126.8	129.7
During period to 31/12/07			
UK Alpha A class	160.1	131.5	145.4
UK Alpha B class	162.0	132.4	147.3












Top 10 Holdings: 30/06/08 %

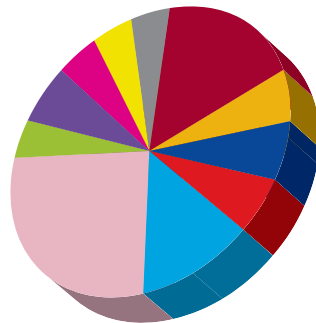
BHP Billiton	5.2%
Royal Dutch Shell	5.2%
BP	5.1%
Tullow Oil	5.1%
John Wood	3.8%
BG Group	3.8%
BAE Systems	3.6%
Anglo American	3.4%
Imperial Tobacco	3.3%
Man	3.2%

Top 10 Holdings: 31/12/07 %

BG Group	5.7%
BP	5.1%
BT	3.9%
Unilver	3.4%
Morrison (Wm) Supermarkets	3.4%
BHP Billiton	3.3%
BAE Systems	3.2%
Serco	3.2%
Cable & Wireless	3.2%
Tullow Oil	3.0%

Sector Analysis

	30/06/08	31/12/07
 Basic Materials	17.8%	10.4%
 Consumer Goods	6.2%	4.8%
 Consumer Services	6.3%	11.4%
 Financials	6.0%	11.6%
 Industrials	12.1%	17.8%
 Oil & Gas	28.2%	18.7%
 Technology	4.2%	1.2%
 Telecommunications	5.9%	10.1%
 Utilities	4.5%	3.0%
 Europe (excluding UK)	4.4%	3.0%
 Net Current Assets	4.4%	8.0%



Fund Manager



Hector Kilpatrick

Equities performed dismally during the first six months of the year, returning a negative 11.2%. The year started particularly poorly with the FTSE All-Share off 8.7% in January alone. This initial sell off was precipitated by concerns that the US economy was slowing faster than expected and conditions in the banking sector were deteriorating rapidly.

The Federal Reserve responded by cutting interest rates and this allied to continued growth in emerging markets and a weaker US dollar helped commodity related stocks to continue to perform.

However, with credit yield spreads widening and Libor rates remaining high, it became evident that the banking sector was in dire straights. Central banks were obliged to provide the sector with significant levels of liquidity and several UK banks announced substantial rights issues.

Despite being overweight commodity related stocks and underweight the banking sector, the Fund has struggled. An overweight position in the telecoms sector and an underweight position in utilities did not help performance.

Furthermore, the Fund's exposure to small and mid sized companies (which as an asset class have underperformed their larger peers) created a drag on performance. Hambledon Mining and Innovation Group were particularly disappointing. On a brighter note, a large weighting in Tullow Oil was a benefit as the company reported excellent drilling results in Africa.

The contraction in credit will persist for some time, and will have implications for real demand and therefore company profits. However, some stocks are now discounting very poor outcomes and offer opportunities for careful stock picking.

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

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 for the period ending 30 June 2008. 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 e-mail to 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

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