

SVM UK ABSOLUTE ALPHA FUND

Short Report



15 March 2009 to 31 December 2009

Investment Objectives

The investment objective of the Fund is to achieve positive returns for investors and seek to outperform cash (as measured by the 3mth LIBOR rate) over rolling twelve month periods and seek to significantly outperform 3mth LIBOR over the longer term.

Risk Profile

Typically UK ICVCs invest on a “long only” basis. This means they will rise (or fall) in value based on the market value of the assets they hold. SVM UK Absolute Alpha Fund, by employing certain derivative techniques, will establish both “long” and “short” positions. As a result, as well as holding assets that may rise or fall with market values, it will also hold positions that will rise as the market value falls, and fall as the market value rises. Therefore the Fund can be referred to as a “long/short” fund.

Distribution

XD date: 31 December The following distribution was accumulated
Payment date: 30 April (Accumulation shares) over the last accounting period.

Income	
	31/12/09 pence per share
UK Absolute Alpha A Class	Nil
UK Absolute Alpha B Class	Nil
UK Absolute Alpha C Class	Nil

Total Expense Ratio (TER)

The TER shows the annualised operating expenses of the Fund. It includes the manager's performance fee which was 0.42% for A Shares, 0.43% for B Shares and 0.44% for C Shares during the period. It does not include transaction expenses.

The SVM UK Absolute Alpha Fund was launched on 15 March 2009. As data is not available for a full 12 months the TER for the period has been estimated using data from 15 March 2008 to 31 December 2009.

Fund Total Expense Ratio (p.a.)	Class A Shares	Class B Shares	Class C Shares
UK Absolute Alpha Fund	2.45%	1.96%	1.72%

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

The SVM UK Absolute Alpha Fund was launched on 15 March 2009. The Financial Services Authority's rules on financial promotions do not permit the publication of past performance information unless it exists for the previous 12 months.

Information on share prices and monthly factsheets giving portfolio and fund information can be found at www.svmonline.co.uk

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 Absolute Alpha A Class	11,744	97.72	12,016,435
UK Absolute Alpha B Class	17	97.98	16,940
UK Absolute Alpha C Class	9,565	98.42	9,717,880
As at 31/12/08			
UK Absolute Alpha A Class	n/a	n/a	n/a
UK Absolute Alpha B Class	n/a	n/a	n/a
UK Absolute Alpha C Class	n/a	n/a	n/a

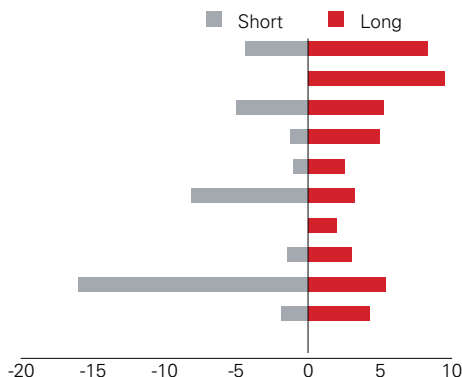
Share Price Performance			
	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 31/12/09			
UK Absolute Alpha A Class	105.6	98.25	98.69
UK Absolute Alpha B Class	105.7	98.42	98.88
UK Absolute Alpha C Class	105.9	98.68	99.16
During period to 31/12/08			
UK Absolute Alpha A Class	n/a	n/a	n/a
UK Absolute Alpha B Class	n/a	n/a	n/a
UK Absolute Alpha C Class	n/a	n/a	n/a

Top 10 Holdings: 31/12/09 %

Centrica Plc - Long	3.0
BP - Long	2.1
Reckitt& Benckiser - Long	2.1
Cadbury Schweppes - Long	2.0
Medusa Mining - Long	2.0
British Telecom - Long	1.9
Randgold Resources - Long	1.9
Spirent - Long	1.8
Carrefour CFD - Short	1.7
Afren - Long	1.6

Sector Analysis

Net Sector Exposure*	31/12/09
Oil and Gas	3.9%
Basic Materials	9.5%
Industrials	0.3%
Consumer Goods	3.7%
Health Care	1.5%
Consumer Services	-4.9%
Telecommunications	1.9%
Utilities	1.5%
Financials	-10.6%
Technology	2.4%
Cash	52.1%



*Net exposure = long exposure - short exposure

Fund Managers



Colin McLean



Neil Veitch

The Fund was launched in April 2009, with an initial subscription that allowed a diversified portfolio in line with the Fund's objectives. The Fund was fully invested by September 2009, with long investments and hedging positions (shorts) in most sectors. The strategy is to permit a degree of exposure to stockmarket direction from time to time. The Managers believe that 2010 will bring increasing evidence of economic recovery, and the Fund has a net long exposure. Over the period from launch to 31 December 2009, the Fund fell -1.3% (A class shares, source: Lipper).

The portfolio is positioned for further recovery in resources and selected industrials. The long positions focus on industrial companies where cost cutting gives the potential for margin and profits improvement this year, as activity recovers. A number of industrial businesses seem likely to continue beating expectations, with the market underestimating the degree of

margin improvement and the benefits of a weak Sterling. Typically the holdings in the long portfolio have international interests, and we believe that a number of these would be attractive to overseas buyers if Sterling remains low. In March 2010, Gulfsands Petroleum, a long position, rose 20% on a bid approach. Long positions purchased during the period include Rio Tinto, Randgold, Whitbread, Spirent and ITV.

Although confidence has improved, consumer sectors still face the challenges of rising unemployment and a need to increase savings rates. The portfolio has a number of short positions in financials and business services, and we retain our negative stance on selected businesses where the business model is challenged. Hedging (short positions) include Talvivaara Mining, Telefonica and Debenhams.

There are still some risks in the global economy, particularly for the financial sector. 2010/11 could see further losses on US mortgages even as the US economy recovers. For these reasons, we believe that a flexible fund that can implement hedging has considerable opportunity at this stage of the stockmarket cycle.

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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 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

Investment Warning

The UK Absolute Alpha Fund employs derivative strategies designed to meet the investment objective and policy of that Fund. These strategies will include creating synthetic short positions using CFDs. The use of these strategies will be subject to a risk management process which will involve reducing counterparty exposure by holding collateral and/or by netting positions with the same counterparty which are on equivalent terms. There may be a risk that a counterparty will be unable to meet its obligations with regards to the return of the collateral and may not meet other payments due to the Fund.

Contacts

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