

SVM Continental Europe Fund

Short Report



Period to June 2009

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		
	31/12/08 pence per share	31/12/07 pence per share
Continental Europe A class	2.4260	0.7280
Continental Europe B class	4.3234	2.6323

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	1.78 %	1.03 %

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 6 months X 100

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2009 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	30/06/04 30/06/05	30/06/05 30/06/06	30/06/06 30/06/07	30/06/07 30/06/08	30/06/08 30/06/09
Continental Europe	+24.7	+35.2	+31.3	-10.7	-24.9

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 30/06/09			
Continental Europe A class	15,651	183.0	8,553,316
Continental Europe B class	4,176	191.1	2,185,091
As at 31/12/08			
Continental Europe A class	17,915	190.5	9,402,315
Continental Europe B class	5,085	199.0	2,555,564

Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
During period to 30/06/09			
Continental Europe A class	194.7	147.5	183.7
Continental Europe B class	204.0	154.3	192.6
During period to 31/12/08			
Continental Europe A class	280.3	157.1	191.4
Continental Europe B class	291.3	163.9	199.9












Top 10 Holdings: 30/06/09 %

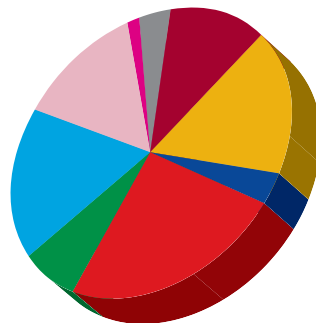
Banco Santander Central Hispano	2.9
Arcelor	2.7
Nestle	2.7
National Bank Of Greece	2.6
Total	2.6
Daniell	2.5
Mota Engil	2.5
Eni	2.5
Carlsberg	2.4
Eurasian Natural Resources	2.3
Total	25.7

Top 10 Holdings: 31/12/08 %

KPN	4.8
Roche Holdings	4.3
Swedish Match	3.8
Givaudan	3.7
Novartis	3.7
Axa-Uap	2.8
Total	2.6
Allianz	2.4
Eni SpA	2.4
Deutsche Telekom	2.4
Total	32.9

Sector Analysis

	30/06/09	31/12/08
 Basic Materials	12.4%	10.8%
 Consumer Goods	17.3%	7.6%
 Consumer Services	3.3%	11.5%
 Financials	24.0%	15.6%
 Healthcare	7.5%	9.4%
 Industrials	17.7%	13.6%
 Oil & Gas	12.8%	6.0%
 Technology	–	4.8%
 Telecommunications	–	7.0%
 Utilities	1.6	5.5%
 Net Current Assets	3.4%	8.2%



Fund Manager



Hugh Cuthbert

It looked as though European Equity markets would continue the negative trend seen in 2008 into 2009 as the FTSE Europe ex UK Index declined -13.8% and -10.1% in January and February respectively. The authorities were, however, hard at work behind the scenes with a combination of continued interest rate cuts and varying forms of quantitative easing. It is difficult to distinguish between the impact of these actions and the simple fact that economies had experienced such a sharp shock that some form of rebound was inevitable. But whatever the case, the rate of economic decline appeared to be slowing as we progressed from the first to the second quarter of 2009 and markets reacted accordingly.

The magnitude of the economic shock cannot be underestimated and its influence on future trends needs to be closely analysed. Numerous industries

have experienced a savage destocking from end customers which in many cases may prove unsustainable. The result of any restocking is an uptick in demand which will inevitably lead to a positive impact on leading indicators. It is the follow through in end demand that we must monitor most closely. In the meantime, corporate Europe appears to be embarking on a far reaching cost cutting exercise ensuring that profit numbers in the interim period before a sustainable recovery have the ability to please the market. This is the combination that has the potential to give the current market some medium term impetus. The Fund has outperformed the index over the period as we were active to shed some of our more defensive holdings as the market turned, buying assets with more cyclical exposure and therefore a higher risk profile. Whether this is a sustainable move depends on the ability of this restocking phase to turn into something more concrete in terms of long term economic recovery. Something we should have a clearer picture towards the end of 2009.

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

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 period ending 30 June 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 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. Currency movements may cause the value of your investment to fall as well as rise.

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