



SVM UK Emerging Fund plc

Half Yearly Report 30 September 2009

Highlights

- Net asset value (“NAV”) and share price rises by 39% and 71%
- NAV up 93% against a fall of 26% in AIM Index since remit change in September 2004.
- Small companies outperform large companies as investor risk appetite returns.
- Fund retains cash reserves following successful realisations.

“Long term capital growth from investments in smaller UK companies with a particular focus on the Alternative Investment Market.”

Chairman's Statement

The stockmarket rally which started in early March continued virtually unabated for the six months to 30 September 2009. What is more relevant for the Fund and shareholders is that small companies outperformed larger ones in this period with the FTSE AIM Index rising 57.8% against the FTSE 100 share Index increasing 33.7% in the six months to 30 September 2009. The Fund, being fairly defensively positioned, struggled to keep pace with the rise in the index, but still demonstrated good returns. Over the six months to 30 September 2009, the net asset value per share and share price increased by 38.9% and 71.0% respectively with the discount narrowing from a wide 31% to just over 12%. It is now five years since the Fund changed its name and remit to specialise in the AIM market. Since September 2004, the asset value is up 93% against a fall in the AIM Index of 26%.

While stockmarkets were heavily oversold in early March, the subsequent rally has more than eradicated this position. Indeed it could be argued that the pendulum has swung too far in the other direction. With this in mind, the Fund retains cash reserves together with a number of investments that are fairly insensitive to the general index movements.

The Managers have resisted the temptation to make wholesale changes to the portfolio either when the markets were adverse or recently as circumstances have improved. While a number of the holdings have bounced aggressively from the lows, the Managers believe that there is additional

value still to be extracted. However, profits have selectively been booked, principally in two of the companies specialising in gold production – Norseman and Kirkland Lake. The proceeds have been used to introduce a new holding in Ruralec, a small independent power producer in Latin America and to make a commitment to a secondary placing completed in October in a new southern African focused multi-commodity resource play.

The Fund is concentrated on a relatively small number of special situations. There are thirty five companies in the portfolio with approximately 90% invested in AIM companies. Of the balance, 7% is in three unquoted investments and 3% in three residual PLUS quoted companies. In terms of sectors, the Fund continues to be exposed to resources, industrials and consumer services with little in financials and property.

While markets have recovered their poise and the likelihood of re-testing the March lows unlikely, the economic background remains challenging. It will take time for economics to catch up with markets and as such we remain cautious. We believe that the Fund is well positioned to take advantage of a sustained stockmarket recovery while retaining cash to make selective additional investments, where appropriate.

Peter Dicks
Chairman

19 November 2009

Unaudited Accounts

Income Statement	Six months 30 September 2009 £000	Six months 30 September 2008 £000
Revenue Return		
Income	6	15
Expenses allocated to revenue	(28)	(21)
Interest charge allocated to revenue	2	(18)
Net revenue return after tax	(24)	(24)
Capital return		
Gains on sale investments	204	132
Movement in unrealised depreciation on investments	867	(1,095)
Gains on investments	1,071	(963)
Expenses allocated to capital	(2)	(1)
Net capital return after tax	1,069	(964)
Total return after tax	1,045	(988)
Return per ordinary share		
Revenue	(0.40p)	(0.40p)
Capital	17.81p	(16.05p)
Total	17.41p	(16.45p)

Cash Flow Statement	Six months 30 September 2009 £000	Six months 30 September 2008 £000
Net cash flow from operating activities	(60)	(22)
Returns from investment and servicing of finance	(2)	(18)
Capital expenditure and financial investment	340	88
Taxation	(2)	–
Movement in cash	276	48

Unaudited Accounts

Balance Sheet	As at 30 September 2009 £000	As at 31 March 2009 £000	As at 30 September 2008 £000
Investments	3,197	2,521	2,570
Net current assets	534	165	375
Shareholders' funds	3,731	2,686	2,945
Net asset value per ordinary share	62.14p	44.73p	49.05p

Note

These are not full accounts in terms of Section 240 of the Companies Act 1985. Audited accounts for the year to 31 March 2009, which were unqualified, have been lodged with the Registrar of Companies.

Investment Portfolio

Company	Valuation £000	Total Assets %
1 Norseman Resources	630	16.9
2 China Pub Company	300	8.0
3 Symphony Environmental Technologies	270	7.2
4 Hydrodec	250	6.7
5 Archipelago Resources	189	5.1
6 Kirkland Lake Gold	182	4.9
7 Mantle Diamonds	167	4.5
8 ToLuna	156	4.2
9 Borders & Southern Petroleum	121	3.2
10 Petrel Resources	106	2.8
Ten largest investments	2,371	63.5
Other investments	826	22.1
Total investments	3,197	85.6

Company Information

Directors

Peter Dicks (Chairman)
Richard Bernstein
Anthony Puckridge

Investment Managers, Secretaries and Registered Office

SVM Asset Management Limited
7 Castle Street
Edinburgh EH2 3AH
Telephone: +44 (0) 131 226 6699
Facsimile: +44 (0) 131 226 7799
E mail: info@svmonline.co.uk
Web: www.svmonline.co.uk

Registrars

Computershare Investor Services plc
Lochside House
7 Lochside Avenue
Edinburgh EH12 9DJ
Telephone: +44 (0) 870 707 1328

Stockbrokers

Daniel Stewart & Company

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Bankers

Bank of New York Mellon
One Canada Square
London E14 5AL

Registered Number

SC149809