

SVM UK OPPORTUNITIES FUND

Short Report



Period to 30 June 2011

Investment Objectives

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 seeks to invest in the full range of opportunities available to it, which includes shares on the Alternative Investment Market. The Fund aims to generate returns from investment into small, medium and large-cap companies. The Fund invests principally in securities of UK companies listed on the London Stock Exchange. From time to time, when particular opportunities are identified, this Fund may invest in other permitted transferable securities.

Distribution

XD date: 31 December

Payment date: 30 April (Accumulation shares)

The following distribution was accumulated over the last accounting period.

Income		
	31/12/10 pence per share	31/12/09 pence per share
UK Opportunities A class	Nil	0.5035
UK Opportunities B class	1.5507	1.7690

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 Opportunities Fund	1.83%	1.08%

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 2011 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

Percentage growth for each year to last quarter end	30/06/06 30/06/07	30/06/07 30/06/08	30/06/08 30/06/09	30/06/09 30/06/10	30/06/10 30/06/11
UK Opportunities	+29.1	-24.2	-26.4	+40.3	+29.3

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 30/06/11			
UK Opportunities A class	64,122	264.5	24,247,673
UK Opportunities B class	36,426	282.1	12,913,783
As at 31/12/10			
UK Opportunities A class	63,106	267.7	23,572,551
UK Opportunities B class	20,322	284.5	7,143,616

Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 30/06/11			
UK Opportunities A class	283.5	253.9	267.3
UK Opportunities B class	301.4	270.2	285.1
During period to 31/12/10			
UK Opportunities A class	271.0	195.8	271.0
UK Opportunities B class	287.9	207.1	287.9

Top 10 Holdings: 30/06/11

%

Yule Catto	5.2
Nautical Petroleum	5.0
Statoil Fuel & Retail	4.5
DNB	4.4
Innovation Group	4.2
Babcock International - CFD	3.9
GKN - CFD	3.9
HSBC	3.8
Norcros	3.6
Chemring	3.2
Total	41.7

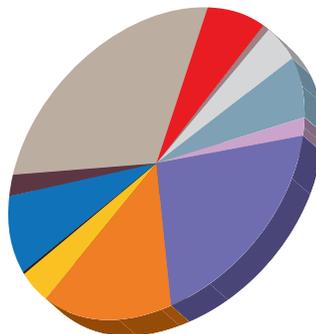
Top 10 Holdings: 31/12/10

%

Nautical Petroleum	6.7
DnB NOR	5.0
HSBC Holdings	4.6
IMI - CFD	4.2
Tate and Lyle	3.9
Yule Catto	3.8
Statoil Fuel & Retail	3.7
Gulfsands Petroleum	3.5
United Business Media	3.5
BG Group - CFD	3.4
Total	42.3

Sector Analysis

	30/06/11	31/12/10
 Basic Materials	7.3%	10.9%
 Consumer Goods	1.0%	3.9%
 Consumer Services	4.7%	4.8%
 Financials	6.8%	7.8%
 Healthcare	2.1%	1.8%
 Industrials	21.0%	18.6%
 Oil & Gas	15.1%	22.9%
 Technology	4.2%	4.0%
 Utilities	0.1%	0.1%
 Norway	8.9%	8.7%
 Contracts for Difference	2.2%	2.2%
 Net Other Assets	26.6%	14.3%



Fund Manager



Neil Veitch

The UK Opportunities fund returned -1.37% over the six month period to 30th June 2011, underperforming its benchmark which returned 2.96%. While this performance was disappointing, the fund is ahead of the index over the last twelve months and has delivered significant outperformance over the longer term.

While headline measures of volatility remained low this was not immediately evident in the behaviour of the indices, with the FTSE-100 stuck in a 500 point trading range as investors continued to fret over the direction of corporate profitability. Although optimists were encouraged by strong earnings and signs of a pick-up in take-over activity; pessimists pointed to ongoing sovereign debt issues and indications that earnings momentum was peaking. In a stance befitting the market's lack of direction, our views don't fit comfortably into either camp. While we find it difficult to rationalise some of the more bullish predictions made by market commentators, in the absence of a significant downturn in economic activity equities remain the most appealing asset class. Of course, such a downturn is precisely what pessimists

deem most likely as the economy continues to labour under the weight of private and public sector deleveraging. We feel that although economic growth is typically anaemic in the immediate aftermath of a financial and housing bust, there is growth nonetheless and this should drive adequate returns for equities. Furthermore, if the recovery does falter, policy makers are likely to respond with additional monetary stimulus. With the current levels of debt in many Western economies the deflationary alternative is unlikely to be tolerated. Consequently, while there are legitimate concerns over the outlook, we have remained reasonably fully invested but continue to lower our cyclical exposure.

Encouragingly the fund's selective short positions served not only to reduce risk but also added significant alpha. We expect this pattern to continue should markets remain near current levels. The main disappointment was the fund's position in Gulfsands Petroleum. Despite a strong balance sheet and record levels of oil production, the shares declined significantly as the political situation in Syria deteriorated. Despite our confidence that whoever is in power will honour the current contractual agreements (Gulfsands delivers much needed hard currency and the Chinese government is one of their local partners), for risk control purposes we have reduced the size of our position.

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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 2011. 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. Investing in smaller companies may increase the volatility of your investment.

Contacts

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