

SVM UK OPPORTUNITIES FUND

Short Report

Period to 31 December 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

This 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		
	31/12/11 pence per share	31/12/11 pence per share
UK Opportunities A Class	Nil	Nil
UK Opportunities B Class	2.0025	1.5507

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	1.84%	1.09%

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 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	31/12/06 31/12/07	31/12/07 31/12/08	31/12/08 31/12/09	31/12/09 31/12/10	31/12/10 31/12/11
UK Opportunities	-7.7	-55.2	+101.4	+29.4	-15.6

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 31/12/11			
UK Opportunities A class	48,973	226.4	21,627,210
UK Opportunities B class	30,545	242.4	12,598,607
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 share	Price as at period end
During period to 31/12/11			
UK Opportunities A class	283.5	215.2	228.8
UK Opportunities B class	301.4	230.2	245.0
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: 31/12/11

%

Nautical Petroleum	5.1
Babcock International – CFD	5.1
Yule Catto	4.9
Vodafone Group	4.6
Royal Dutch Shell b – CFD	4.2
Reed Elsevier plc	3.9
AstraZeneca	3.7
Norcros	3.5
Innovation Group	3.4
Reckitt & Benckiser	3.3
Total	41.7

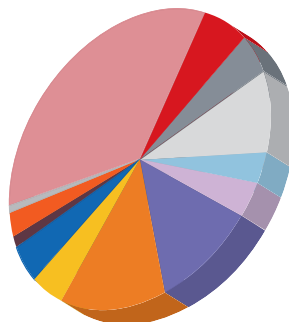
Top 10 Holdings: 31/12/10

%

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

	31/12/11	31/12/10
Basic Materials	6.5%	10.9%
Consumer Goods	5.0%	3.9%
Consumer Services	9.2%	4.8%
Financials	3.3%	7.8%
Healthcare	3.7%	1.8%
Industrials	11.1%	18.6%
Oil & Gas	13.2%	22.9%
Technology	4.8%	4.0%
Telecommunications	4.6%	–
Utilities	1.6%	0.1%
Overseas	2.8%	8.7%
Contracts for Difference	0.8%	2.2%
Net Other Assets	33.4%	14.3%



Fund Managers



Neil Veitch

As bottom-up stock pickers, 2011 has been a frustrating year. Correlations within markets have remained elevated as investors oscillate between 'risk-on' and 'risk-off' in response to macroeconomic developments. Although the trend towards increased correlations has been evident for a number of years it has recently accelerated. High correlations and increased risk aversion provide a significant headwind to bottom-up focused strategies and the fund underperformed its benchmark. Nevertheless, we believe the opportunity set in the less well researched areas of the market is significant and will deliver superior performance over the longer term.

In the context of global equity markets the UK put in a respectable performance in 2011 declining –1.6% but this was driven by the defensive nature of the 'mega-cap' stocks; both the small-cap and mid-cap indexes underperformed by more than ten per cent. While the fund has the flexibility to move up and down the market range depending on the

opportunities available, as stockpickers we retain a bias to small and mid-size companies. The dichotomy in performance between large and medium sized companies was most evident in the energy sector. While the fund was overweight oil and gas it was underweight the majors such as Royal Dutch, and instead focused on the higher growth exploration and production ("E&P") sector. Historically, the E&P space has been the best way to gain exposure to a higher oil price, but 2011 was the first year since 1992 that the price of crude has increased and the sector has underperformed.

Notable contributors to performance were Babcock Plc, Innovation Group and British Gas. The main detractors from performance were Nautical Petroleum, DNB and HSBC.

Major portfolio activity was focused on increasing the fund's net exposure to the market through selective additions to existing holdings and outright new purchases. New positions included IMI, Invensys, Pearson and Centrica. A number of holdings were exited. With recent actions from the ECB appearing to have significantly reduced the downside risks to the European economy we believe that equities should enjoy a good 2012.

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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 31 December 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 email 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.

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