

SVM CONTINENTAL EUROPE FUND

Short Report

Period to 30 June 2010



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 FTSE World Europe ex UK Index.

Risk Profile

The Fund is exposed to currency and market risks 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		
	31/12/09 pence per share	31/12/08 pence per share
Continental Europe A Class	1.2150	2.4260
Continental Europe B Class	2.8237	4.3234

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	1.93%	1.18%

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 2010 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	30/06/05 30/06/06	30/06/06 30/06/07	30/06/07 30/06/08	30/06/08 30/06/09	30/06/09 30/06/10
Continental Europe	+35.2	+31.3	-10.7	-24.9	+16.6

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 30/06/10			
Continental Europe A class	16,507	213.8	7,719,724
Continental Europe B class	4,468	226.5	1,972,358
As at 31/12/09			
Continental Europe A class	18,431	231.5	7,961,236
Continental Europe B class	5,306	243.6	2,178,013

Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 30/06/10			
Continental Europe class	249.2	205.3	214.2
Continental Europe class	262.8	216.6	226.2
During period to 31/12/09			
Continental Europe A class	246.6	147.5	232.8
Continental Europe B class	259.1	154.3	244.9

Top 10 Holdings: 30/06/10

%

Austriamicrosystems	4.3
Bertrandt	4.1
DnB NOR	4.0
Tag Immobilien	3.7
Cie Financiere Richemon	3.3
K+S	3.3
SEB ab	3.1
Pinault-Printemps-Redoute	3.1
Novo Nordisk A/S - B	3.0
Nestle	2.9
Total	34.8

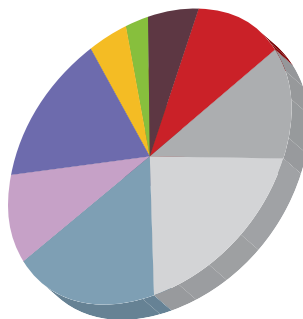
Top 10 Holdings: 31/12/09

%

Tag Immobilien	3.3
Arcelor	3.2
Clariant	3.1
Fresenius Non-Vtg Pref	3.0
Wirecard	2.8
Azimut	2.7
Daimler	2.7
Allianz	2.7
Indesit	2.6
Saras Raffinerie	2.5
Total	28.6

Sector Analysis

	30/06/10	31/12/09
Basic Materials	11.9%	10.1%
Consumer Goods	12.9%	18.4%
Consumer Services	19.3%	9.3%
Financials	17.9%	21.6%
Healthcare	10.7%	9.1%
Industrials	15.0%	14.5%
Oil & Gas	–	5.8%
Technology	4.2%	2.5%
Telecommunications	2.5%	2.2%
Utilities	–	1.9%
Net Current Assets	5.6%	4.6%



Fund Manager



Hugh Cuthbert

The first half of 2010 was characterised by two dominant themes, one positive for European equity markets, the other a clear negative. The positive was the clear recovery witnessed by European corporates as they benefitted from the restocking cycle necessitated by the dramatic economic decline witnessed in 2008 and 2009. This has translated into economic growth for the area as a whole and a clear signal that the recession is now past for many. The negative is that this cannot be said for all the economies within the Euro area and it was those that still suffer from declining GDP coupled with unsustainably high public debt levels that dominated the newsflow for the period ending with a fall for the FTSE World Europe exUK index of 11.01%. The very survival of economies such as Greece, Portugal and even Spain were called into question as the cost of their debt spiraled prompting talk of an end to the Euro currency in its current form. The ECB finally did act to calm the situation with a rescue package of close to €100 trillion which effectively underwrote the debt of the troubled nations. This at worst buys time for fiscal austerity measures to be

implemented but does not provide a clear path of growth for the underlying economies. Austerity measures will hamper growth and can potentially call a halt to the recovery.

The portfolio outperformed the index with a return of -7.99%. Despite the negative return over the period a number of stocks still managed to post good double digit returns among them were Rezidor Hotels, Novo Nordisk, Unibet and Austriamicrosystems. Our relative performance was also helped by an underweight position relative to the banks which were badly hurt by the Sovereign debt crisis.

The fund remains positioned toward a continued recovery in European economies. Indeed we increasingly believe that the whole of the region has been tarnished with the Greek brush and this opens up some extremely compelling investment ideas which we intend to capitalise upon in the second half of the year.

0800 0199 440
www.svmonline.co.uk

Further Information

Further information about the share price and activities 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 2010. 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.

Contacts

Authorised Corporate Director and Investment Manager

SVM Asset Management Limited
7 Castle Street
Edinburgh EH2 3AH
Email: info@svmonline.co.uk
Web: www.svmonline.co.uk
Authorised and regulated by the
Financial Services Authority

Administrator

BNP Paribas Fund Services UK Limited
Block C, Western House
Peterborough Business Park
Lynchwood
Peterborough PE2 6BP
Shareholder Services: 0845 358 1108
Dealing: 0845 066 1110
Fax: 01733 285 681

Depository

Royal Bank of Scotland plc
Trustee & Depository Services
The Broadstone
50 South Gyle Crescent
Edinburgh EH12 9UZ

Custodian

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Auditors

Ernst & Young
Ten George Street
Edinburgh EH2 2DZ