

SVM CONTINENTAL EUROPE FUND

Short Report

Period to 30 June 2016

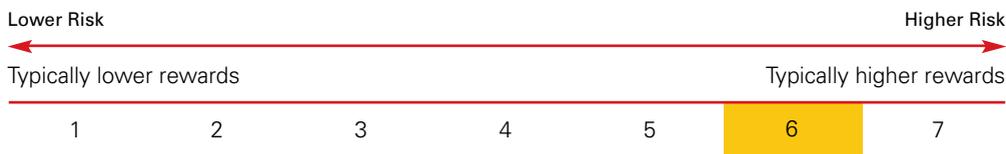


Key Objectives

The Fund aims 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. The Fund will invest principally in securities which are dealt in or traded on European Eligible Securities Markets.

Risk Profile

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. The Fund may enter into derivative contracts for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus. Stock market volatility may impact the Fund's ability to trade in, or obtain accurate valuations for, securities held in the Fund's portfolio.



Distribution

XD date: 31 December Payment date: 30 April

The following distribution was accumulated over the last accounting period.

	31/12/15 pence per share	31/12/14 pence per share
Continental Europe A Class	1.6337	Nil
Continental Europe B Class	5.0534	2.5467

Ongoing Charges Figure (OCF)

The OCF shows the annualised operating expenses of the Fund.

Fund Ongoing Charges Figure (p.a.)	Class A Shares	Class B Shares
Continental Europe Fund	1.99%	1.23%

Ongoing Charges Figure = 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 30 June 2016 Report and Accounts. The figures are intended to provide an indication of the Ongoing Charges Figure and will vary from year to year.

Fund Performance

Percentage growth for each year to last quarter end	30/06/11 30/06/12	30/06/12 30/06/13	30/06/13 30/06/14	30/06/14 30/06/15	30/06/15 30/06/16
Continental Europe	-20.8	27.0	19.4	9.3	5.4

Source: Lipper, 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.

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Comparative Tables

Net Asset Values

	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/16			
Continental Europe A class	9,890	394.6	2,506,900
Continental Europe B class	10,616	436.6	2,431,688
As at 31/12/15			
Continental Europe A class	10,652	401.2	2,654,977
Continental Europe B class	9,791	442.2	2,214,163

Share Price Performance

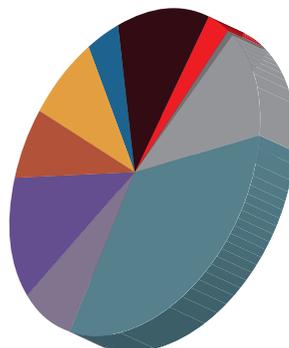
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 30/06/16			
Continental Europe A class	403.7	346.7	395.1
Continental Europe B class	445.9	382.0	436.6
During year to 31/12/15			
Continental Europe A class	403.7	339.6	402.0
Continental Europe B class	444.5	371.0	442.5

Top 10 Holdings

30/06/16	%	31/12/15	%
Huhtamaki	5.2	Patrizia Immobilien	5.7
Patrizia Immobilien	5.1	Mediobanca	5.5
United Internet	4.2	United Internet	5.1
TOTAL	4.1	AXA	5.1
AXA	4.0	NOS	4.8
Cairo Communication	4.0	DEMIRE Real Estate	4.4
DEMIRE Real Estate	3.9	Huhtamaki	4.3
Danske Bank	3.8	Danske Bank	3.5
Orange	3.7	Poste Italiane	3.5
Nokia	3.6	Orange	3.4
Total	41.6	Total	45.3

Sector Analysis

	30/06/16	31/12/15
	%	%
 Basic Materials	3.6	1.9
 Consumer Goods*	0.7	1.0
 Consumer Services*	12.3	15.1
 Financials	32.2	41.8
 Health Care	7.8	9.0
 Industrials*	13.1	11.2
 Oil & Gas	6.6	2.9
 Technology*	7.8	7.5
 Telecommunications*	3.7	3.4
 Net Current Assets	12.2	6.2



*Prior year figures have been restated.

Fund Managers



Hugh Cuthbert

Market Review

A consistent decline in Sterling against the Euro helped the FTSE World Europe ex UK post a positive performance in the first half of 2016 which masked deeply negative returns for some European equity markets such as Italy and Spain as well as a period of considerable volatility. China was the initial cause for concern as negative economic data called into question the likelihood of continued strong growth from this all important nation and the impact this may have on overall global growth. Indeed concern turned to drama as Chinese authorities chose to allow an element of devaluation for the Yuan causing both a commodity and emerging market sell-off further exacerbating the omnipresent deflationary threat. Soothing words from the European Central Bank ('ECB') did little to shield European equity markets from the emerging market risk perhaps as a result of a growing realisation that now rates were so close to, and in some cases beyond zero, there was little that could be done to combat the emerging threat. March's meeting of the ECB did result in an expansion of the already announced quantitative easing programme to include corporate bonds as well as measures to support lending within the financial system. Despite some initial euphoria banking stocks continued their slide as such measures were deemed insufficient to offset the more immediate threat of low interest rates. Paradoxically in the US the debate had turned to trajectory for rate rises rather than cuts though throughout Janet Yellen insisted such moves would be "data dependant" and, as expectations for global growth stuttered, so too did the odds for the next round of tightening. To add to this picture of uncertainty the announcement by UK Prime Minister David Cameron of a referendum on the 23rd June to decide upon

Britain's future in the European Union sparked weeks of speculation on the likely result. The eventual outcome was to leave which resulted in an initial sharp sell-off in equity markets followed by a rebound into the end of the reporting period.

Portfolio Review

The fund underperformed the Index in the first half of 2016. Much of that underperformance was a result of our financials exposure. Stocks such as insurers Delta Lloyd and Axa and banks including Intesa SanPaolo and Mediobanca fell in excess of 20% exacerbated by the Brexit announcement. We have reduced our exposure to the sector as we would not rule out a period of financial instability following the UK decision while earnings will come under further pressure as rates remain lower for even longer to combat this threat. A number of stocks such as Huhtamaki, Covestro and Partners Group saw even sharper moves but this time to the upside and largely a result of strong delivery on earnings expectations. The most significant adjustment to the portfolio was the reduction in the financials weighting while only 2 new stocks were introduced, Italian defence manufacturer Leonardo-Finmeccanica and oil major Royal Dutch Shell.

Outlook

There can be no doubt that the UK's vote to leave the European Union has introduced a large element of uncertainty regarding not only the future shape of Europe in the years to come but also the impact these events may have on global growth. We have adjusted the portfolio to better match these new conditions primarily through our reduction in financial weightings. This does not mean that we are overly negative on the prospects for global growth, the outlook for which we would describe as muted, but the trajectory over the coming months is more difficult to gauge. The resultant cash position from these moves will be used selectively to pick up stocks whose valuation has been unjustly hit by the turmoil and offer good risk adjusted upside. We are, however, in no hurry to deploy this cash as we expect much volatility in the weeks and months to come.

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Further Information

Further information about the share price and activities of the Fund together with related product literature and further information on the Manager can be found on our website at www.svmonline.co.uk. 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 2016. 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.

Important changes to SVM Funds ICVC

There were no important changes during the period to 30 June 2016.

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