



SVM UK Emerging Fund plc

Half Yearly Report

30 September 2011

HAWK-EYED STOCKPICKERS



HIGHLIGHTS

- Net asset value (“NAV”) per share declines but outperforms its benchmark index.
- Strong medium and long term absolute and relative outperformance with net asset value more than doubling since the remit change in September 2004.
- The Fund remains defensively positioned, retaining cash while investing in special situations.
- Small companies lag large companies as investor appetite wanes.

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

CHAIRMAN'S STATEMENT

After three years of strong markets, it is probably not surprising that markets have paused for breath and indeed they have been trading within an ever narrowing range for more than a year. Of more interest to a smaller companies fund has been the recent underperformance of smaller against larger companies. This can be starkly demonstrated over the last six months where the FTSE AIM Index, the index of small companies, declined by 22.0% compared to a fall of only 11.6% in large companies represented by the FTSE 100 Share Index. While the Fund continues to be defensively positioned, it did not stop it registering a fall of 16.0% in asset value over the six months. This represents a 6% relative outperformance which adds to the longer term position. Since the Fund changed its name and remit to invest in AIM companies in September 2004, the asset value has increased by 128% against a fall in the AIM Index of 18% and a rise of the FTSE 100 Share Index of 44%.

Generally, investors have avoided seemingly risky assets and have preferred the perceived safety of higher yielding large companies and government bonds. Globally, this has led to emerging markets suffering greater falls than mature markets and domestically smaller companies underperforming larger ones. This appears perverse given the superior growth prospects and debt dynamics within emerging markets and smaller companies.

The Fund retains a concentrated portfolio of forty companies with 86% invested in AIM companies. Of the balance, 9% is in four unquoted investments and a further 5% in

three residual PLUS quoted companies. In terms of sectors, the Fund continues to be fully exposed to resources, industrials and consumer services with little in healthcare, financials and property.

The Fund continues to be defensively positioned, generally out-performing in adverse markets while lagging in strong markets. Although managed on a comparatively low risk basis, the portfolio remains concentrated with a number of comparatively large holdings. Many of the holdings are special situations or companies on the cusp of profitability and represent an attractive area for investment.

The portfolio changes over the six months have been restricted to continuing sales in gold producer Archipelago Resources and the receipt of funds from the cash takeover of ToLuna. This has allowed for the introduction of a number of fresh holdings and additions to a number of existing holdings. New holdings in the portfolio include Beowulf Mining (iron ore exploitation) Charat Gold (gold exploration) and ILA Group (marketing) with additions have been made to Silvermere, Intellego and Nostra Terra Oil & Gas.

While the economic background remains challenging, the Managers remain cautious but continues to see opportunities particularly in smaller companies. The Board believes that the Fund is well positioned to continue to deliver its long term out-performance.

Peter Dicks
Chairman

17 November 2011

UNAUDITED ACCOUNTS

Income Statement

	Six months 30 September 2011 £000	Six months 30 September 2010 £000
Revenue return		
Income	15	8
Expenses allocated to revenue	(29)	(24)
Interest charge allocated to revenue	(2)	(1)
Net revenue loss after tax	(16)	(17)
Capital return		
Gain/(loss) on sale of investments	719	(39)
Movement in investment holding losses	(1,541)	97
Gains on investments	(822)	58
Expenses allocated to capital	-	-
Net capital return after tax	(822)	58
Total return after tax	(838)	41
Return per ordinary share		
Revenue	(0.27p)	(0.29p)
Capital	(13.69p)	0.97p
Total	(13.96p)	0.68p

Cash Flow Statement

	Six months 30 September 2011 £000	Six months 30 September 2010 £000
Net cash flow from operating activities	(32)	(26)
Returns from investment and servicing of finance	(2)	(1)
Capital expenditure and financial investment	169	23
Taxation	(2)	(2)
Movement in cash	133	(6)

UNAUDITED ACCOUNTS

Balance Sheet

	As at 30 September 2011 £000	As at 31 March 2011 £000	As at 30 September 2010 £000
Investments	4,016	4,973	3,771
Net current assets	392	273	385
Equity shareholders' funds	4,408	5,246	4,156
Net asset value per ordinary share	73.40p	87.36p	69.21p

Note

These are not full accounts in terms of Section 435 of the Companies Act 2006. Audited accounts for the year to 31 March 2011, which were unqualified, have been lodged with the Registrar of Companies.

Investment Portfolio

Company	Valuation £000	Total Assets %
1 Kirkland Lake Gold	350	7.9
2 Hydrodec	250	5.7
3 Oracle Coalfields	236	5.4
4 Silvermere Energy	229	5.2
5 Manroy	209	4.7
6 Symphony Environmental	209	4.7
7 Archipelago Resources	198	4.5
8 Spruce Aegis	184	4.2
9 Nostra Terra Oil & Gas	172	3.9
10 Nautical Petroleum	142	3.2
Ten largest investments	2,179	49.4
Other investments	1,837	41.7
Total investments	4,016	91.1

CORPORATE INFORMATION

Directors

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