

SVM Continental Europe Fund

Short Report



Period to 30 June 2008

Investment Objective

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 World Europe ex UK Index.

Risk Profile

The Fund is exposed to market and currency risk 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		
	31/12/07 pence per share	31/12/06 pence per share
Continental Europe A class	0.7280	0.4681
Continental Europe B class	2.6323	1.3101

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	1.78 %	1.03 %

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 6 months

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2008 Interim Report and Accounts. The figures are intended to provide an indication of the Total Expenses Ratio and will vary from year to year.

Fund Performance

Percentage growth for each year to last quarter end	30/06/03 30/06/04	30/06/04 30/06/05	30/06/05 30/06/06	30/06/06 30/06/07	30/06/07 30/06/08
Continental Europe	+10.3	+24.7	+35.2	+31.3	-10.7

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 in pence per share	Shares in issue
As at 30/06/08			
Continental Europe A class	24,570	243.74	10,080,073
Continental Europe B class	6,720	253.47	2,651,235
As at 31/12/07			
Continental Europe A class	26,258	276.05	9,511,853
Continental Europe B class	3,500	286.10	1,223,420

Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
During period to 30/06/08			
Continental Europe A class	280.3	242.2	244.6
Continental Europe B class	291.3	251.2	254.4
During period to 31/12/07			
Continental Europe A class	287.4	233.4	277.1
Continental Europe B class	296.9	240.3	287.2











Top 10 Holdings: 30/06/08 %

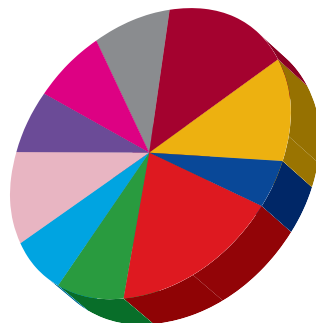
Koninklijke	3.9
Arcelormittal	3.8
Novartis	3.2
Allianz	3.1
Linde	3.1
Bayer	3.1
Orkla	3.1
Statoilhydro	3.0
Novo-Nordisk	3.0
Unione Di Banche Italiane	2.9

Top 10 Holdings: 31/12/07 %

Flex	3.5
Linde	3.1
Siemens	3.0
National Bank Of Greece	2.9
Unilever	2.7
Electricite De France	2.7
Enagas	2.7
BNP Paribas	2.6
Beiersdorf	2.6
Carrefour	2.8

Sector Analysis

	30/06/08	31/12/07
 Basic Materials	16.2%	7.7%
 Consumer Goods	12.1%	12.5%
 Consumer Services	4.9%	12.8%
 Financials	17.5%	19.4%
 Healthcare	8.3%	4.4%
 Industrials	7.4%	16.6%
 Oil & Gas	10.9%	3.8%
 Telecommunications	6.6%	9.1%
 Utilities	7.7%	12.2%
 Net Current Assets	8.4%	1.5%



Fund Manager



Hugh Cuthbert

European equity markets started dismally in 2008 with a double digit fall in January. It was clear that there were negative forces at work in the US economy threatening to lead the rest of the world down with the sub-prime crisis exacerbating what was clearly already a weak economy. However, there was a sense that the falls did not match the negative news flow; a trading scandal from French investment bank Soci t  G n rale, once made public, helped to explain why the seemingly indiscriminate sell off had occurred. This revelation did not come before what could now be viewed as a knee-jerk 75bps cut in US interest rates followed by a further 50bps one week later. Despite macro indicators deteriorating further over the remainder of the period, the following four months still managed to deliver positive returns for European Equity markets, supported in a large part by the rescue of US investment bank Bear Sterns which some observers viewed as a signal that the banking crisis was nearing an end. June brought these views to an end with a further double digit fall for the markets. Commodities continued their move upwards from the start of the year raising the spectre of slowing economies with central banks unable to respond as inflationary pressures intensified. The result for the period was a 12.3% fall for the FTSE World Europe ex UK index despite the fact that negative returns were only registered in two of the six calendar months.

Our stance going into 2008 was a defensive one and remains so. Having been heavily underweight in financial stocks, which led the market forward in March and April, we have increased our weighting in selected financials where share prices are, in some cases, beginning to reflect the bad news that has been plaguing the sector.

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 Interim Report and Accounts 30 June 2008. 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.

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