

SVM CONTINENTAL EUROPE FUND

Short Report

Year to 31 December 2012



Key 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 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		
	31/12/12 pence per share	31/12/11 pence per share
Continental Europe A Class	Nil	0.9781
Continental Europe B Class	1.7844	3.0275

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	2.03%	1.28%

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 31 December 2012 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	31/12/07 31/12/08	31/12/08 31/12/09	31/12/09 31/12/10	31/12/10 31/12/11	31/12/11 31/12/12
Continental Europe	-30.9	21.6	20.9	-21.1	18.7

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 per share	Shares in issue
As at 31/12/12			
Continental Europe A Class	13,647	264.0	5,169,390
Continental Europe B Class	2,741	284.1	964,615
As at 31/12/11			
Continental Europe A Class	14,681	221.9	6,617,074
Continental Europe B Class	2,757	237.0	1,163,198

Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/12			
Continental Europe A Class	267.6	217.2	263.5
Continental Europe B Class	287.9	233.0	283.6
During period to 31/12/11			
Continental Europe A Class	297.0	210.4	222.0
Continental Europe B Class	315.7	224.6	237.1

Top 10 Holdings: 31/12/12

%

Tag Immobilien	7.2
Carrefour	4.2
Atos Origin	3.7
Allianz	3.7
Societe Generale	3.5
Axa	3.4
Nutreco	3.4
Banco Espirito Santo	3.3
Total	3.1
Roche Holdings AG	3.0
Total	38.5

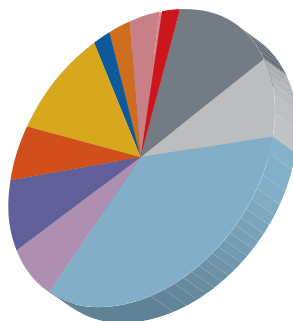
Top 10 Holdings: 31/12/11

%

Tag Immobilien	5.6
Swedish Match Ab	3.9
TDC	3.9
Intesa Sanpaolo – RSP	2.8
Nutreco	2.8
Galp Energia SGPS	2.8
Storebrand ASA	2.7
Eni SpA	2.7
AXA	2.6
Aareal Bank	2.6
Total	32.4

Sector Analysis

	31/12/12	31/12/11
Basic Materials	2.3%	1.6%
Consumer Goods	14.1%	19.3%
Consumer Services	9.0%	7.6%
Financials	34.3%	27.6%
Healthcare	7.1%	5.9%
Industrials	8.5%	7.8%
Oil & Gas	5.7%	11.9%
Technology	11.0%	5.2%
Telecommunications	1.9%	3.9%
Travel & Leisure	–	1.8%
Utilities	2.5%	–
Net Current Assets	3.7%	7.4%



Fund Managers



Hugh Cuthbert

European equity markets got off to a strong start in 2012 buoyed by the ECB's intervention in the financial system through the LTRO mechanism which effectively guaranteed liquidity to the area's cash strapped banks. US leading indicators provided further support as the world's largest economy continued to show clear signs of economic recovery. Unfortunately European economic news flow was less positive with even Germany posting negative GDP growth figures for the last quarter of 2011. But the enthusiasm came to an abrupt halt in April prompted by a number of factors including a slowdown in the all-important Chinese economy and the Greek government calling elections following failure to reach agreement over the national budget. Any weakness was short lived and when further intervention in the banking system was reinforced by ECB president Mario Draghi promising to do all it takes to ensure the survival of the European single currency there was little to stop the FTSE World Europe ex UK Index finishing the year up 17.82%.

The fund outperformed the Index returning 18.69%.

Some of our largest holdings such as Atos Origin and TAG Immobilien served us well returning 52.2% and 43.5% respectively. Other stocks such as Kvaerner and Sky Deutschland rebounded from what we considered oversold positions. Both stocks returned in excess of 50%. Mario Draghi's comments clearly had a positive impact on financials with Allianz, Banco Espirito Santo and Axa among some of the better performers.

Kitchen manufacturer Nobia of Sweden was the worst contributor hurt by a continued decline in its international markets such as the UK and Germany. Likewise Belgian windscreen repairer D'leteren was punished heavily as an expected recovery from an earlier profit warning failed to materialise.

The most significant activity centred on the rebound midway through the year when we added to our financial holdings to take advantage of the clear decline in risk aversion.

The fund will remain exposed to those companies that stand to benefit from the easing tensions in the European financial system whilst at the same time maintaining good exposure to those areas of the world economy that are likely to continue to grow. We will wherever possible gain this exposure through companies whose valuations are low and expectations dampened as a result of the continued woes in Europe.

0800 0199 440
www.svmonline.co.uk

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

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 year ending 31 December 2012. 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 Conduct Authority

Administrator

International Financial Data
Services (UK) Limited
SVM Asset Management Limited
PO Box 11967
Chelmsford CM99 2DS
Shareholder Services: 0845 358 1108
Dealing: 0845 066 1110
Fax: 01733 285 681

Depository

State Street Trustees Limited
525 Ferry Road
Edinburgh EH5 2AW

Custodian

State Street Bank and Trust Company
525 Ferry Road
Edinburgh EH5 2AW

Auditors

Ernst & Young
Ten George Street
Edinburgh EH2 2DZ