

SVM WORLD EQUITY FUND

Formerly SVM UK Alpha Fund

Short Report

Period to 31 December 2011



Investment Objectives

The Fund's aim is to provide medium to long term capital growth by investing in companies globally. The Fund is unconstrained and the portfolio is constructed without reference to any benchmark.

Risk Profile

The Fund invests in a portfolio of global equities and other equity related instruments such as Exchange Traded Funds.

Distribution

XD date: 31 December

Payment date: 30 April (Accumulation shares).

The following distribution was accumulated over the last accounting period.

Income		
	31/12/11 pence per share	31/12/10 pence per share
World Equity A Class	0.3109	0.5890
World Equity B Class	1.4355	1.8408

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
World Equity Fund	1.98%	1.23%

Total Expense Ratio = 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 2011 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	31/12/10 31/12/11
World Equity	-13.7

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. SVM UK Alpha Fund converted to SVM World Equity Fund on 1.12.10. Upon conversion the fund objective changed to achieve growth from a global portfolio of securities and the fund was admitted to the IMA Global Sector having previously been listed in the UK All Companies sector. Its performance prior to the conversion is no longer relevant and has been excluded from the above table.

Comparative Tables

Net Asset Values			
	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 31/12/11			
World Equity A class	1,149	130.0	884,017
World Equity B class	8,598	135.9	6,325,922
As at 31/12/10			
World Equity A class	1,515	150.5	1,007,345
World Equity B class	12,081	156.1	7,737,764

Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/11			
World Equity A class	155.6	122.2	130.3
World Equity B class	161.4	127.5	136.3
During period to 31/12/10			
World Equity A class	151.3	119.5	150.9
World Equity B class	156.8	123.3	156.4

Top 10 Holdings: 31/12/11 %

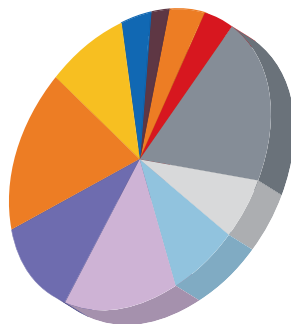
Asahi Breweries	5.4
Pfizer	5.0
Nautical Petroleum	4.8
Yule Catto	4.2
Teleflex	3.7
Vodafone Group	3.7
CIA Cervecerias Unidas	3.1
Carefusion	3.0
Salamander Energy	3.0
Western Digital Corp	2.9
Total	38.9

Top 10 Holdings: 31/12/10 %

Nautical Petroleum	6.8
CSM	5.0
Premier Oil	4.9
HSBC	4.9
DnB NOR	4.5
Virgin Media	4.2
Croda	4.0
Hyder Consulting	3.9
IMI	3.9
Teleflex	3.9
Total	46.0

Sector Analysis

	31/12/11	31/12/10
Basic Materials	4.2%	7.5%
Consumer Goods	19.6%	12.0%
Consumer Services	6.0%	7.2%
Financials	7.6%	19.2%
Healthcare	14.2%	9.0%
Industrials	12.1%	14.2%
Oil & Gas	16.9%	23.1%
Technology	8.9%	–
Telecommunications	3.7%	8.2%
Utilities	2.2%	–
Net Current Assets	4.6%	(0.4%)



Fund Managers



Neil Veitch

As bottom-up stock pickers, 2011 has been a frustrating year. Correlations within markets have remained elevated as investors oscillate between 'risk-on' and 'risk-off' in response to macroeconomic developments. Although the trend towards increased correlations has been evident for a number of years it has recently accelerated. High correlations and increased risk aversion provide a significant headwind to mid-cap biased strategies. Consequently, the fund underperformed its benchmark. Nevertheless, we believe the opportunity set in the less well researched areas of the market is significant and will deliver superior performance over the longer term.

Although asset allocation at the headline level looks to have been strongly positive, it masks some important divergences. In aggregate the UK market significantly outperformed the global index but this was driven by the defensive nature of the 'mega-cap' stocks; both the small-cap and mid-cap indexes underperformed by more than ten per cent. The benefit of our heavy UK overweight was therefore negated by the small and mid cap focus. Furthermore, while the fund was overweight

energy it was again positioned away from the outperforming oil majors such as Royal Dutch and Chevron, and instead focused on the higher growth exploration and production ("E&P") sector. Historically, the E&P space has been the best way to gain exposure to a higher oil price, but 2011 was the first year since 1992 that the price of crude has increased and the sector has underperformed.

While Japanese asset allocation looks strongly positive it is solely accounted for by one stock, Asahi Breweries, which significantly outperformed. Other than Asahi, notable contributors to performance were Pfizer, Ophir Energy and Western Digital. The main detractors from performance were Nautical Petroleum, CSM and DNB.

Major portfolio activity was focused on increasing the fund's exposure to the US. This was largely achieved by reducing the UK and European weightings during the year. Challenges for the fund over the next twelve months at the asset allocation level will be the relative exposures to developed and developing markets. Since the fund's inception we have strongly favoured the former over the latter as we believed that liquidity and positioning were supportive. However, with emerging markets having significantly underperformed over the last 18 months and signs that liquidity conditions maybe easing, now might be an opportune time to increase weightings.

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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

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 31 December 2011. 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. Investing in smaller companies may increase the volatility of your investment. Currency movements may cause the value of your investment to fall as well as rise.

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