SVM CONTINENTAL EUROPE FUND
Short Report

svm
HAWK-EYED STOCKPICKERS

Period to 30 June 2012

Investment 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		
	31/12/11 pence per share	31/12/10 pence per share
Continental Europe A Class	0.9781	Nil
Continental Europe B Class	3.0275	0.9479

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	2.02%	1.27%

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 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	30/06/07 30/06/08	30/06/08 30/06/09	30/06/09 30/06/10	30/06/10 30/06/11	30/06/11 30/06/12
Continental Europe	–10.7	–24.9	+16.6	+33.2	–20.8

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.

Comparative Tables

Net Asset Values			
	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/12			
Continental Europe A class	12,593	226.6	5,557,251
Continental Europe B class	2,639	242.9	1,086,343
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

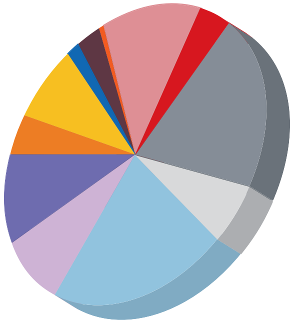
Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 30/06/12			
Continental Europe A class	261.5	219.5	226.1
Continental Europe B class	279.8	235.3	242.5
During period to 31/12/11			
Continental Europe A class	297.0	210.4	222.0
Continental Europe B class	315.7	224.6	237.1

Top 10 Holdings: 30/06/12	**%**
Tag Immobilien	5.9
Atos	3.5
Sky Deutschland	3.2
Nutreco	3.0
AXA	2.8
Ryanair Holdings	2.7
Prysmian	2.7
Aareal Bank	2.6
Essilor International	2.5
Huhtamaki	2.5
Total	31.4

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

	30/06/12	31/12/11
Basic Materials	**4.5%**	1.6%
Consumer Goods	**20.5%**	19.3%
Consumer Services	**6.1%**	7.6%
Financials	**21.3%**	27.6%
Healthcare	**9.0%**	5.9%
Industrials	**10.1%**	7.8%
Oil & Gas	**4.3%**	11.9%
Technology	**7.4%**	5.2%
Telecommunications	**1.5%**	3.9%
Travel & Leisure	**2.7%**	1.8%
Utilities	**0.5%**	–
Net Current Assets	**12.1%**	7.4%



Fund Managers

Hugh Cuthbert

In what appeared to be a delayed reaction, European equities began the year with a strong performance as the European Authorities' efforts to draw a safety net under the region's troubled banking system in the guise of the LTRO appeared to gain in credibility. Although clearly not a panacea, this mechanism appeared to buy some time allowing yields on the most troubled nations' debt to decline from their previous elevated levels. Adding to the optimism was the continued recovery of the US economy as evidenced by leading indicators such as the ISM and jobless data whilst even the housing market appeared to be at worst trundling along the bottom. Further progress was made in February when agreement was reached over the private sector's involvement the Greek bailout allowing for a further disbursement of rescue funds. An inconclusive Greek election midway through the period tempered the enthusiasm as a second round of voting was viewed as a proxy for the country's willingness to remain within the Euro framework. The successful resolution of this issue helped markets stage a strong rally in June.

The fund underperformed the index by some 30bps with all the underperformance coming in the final month of the period.

The best contributing stock was oil services company Kvaerner whose shares began the year undervalued following the spin-off from parent company Aker Solutions. Our largest holding TAG Immobilien also made a strong contribution as the company's property portfolio centers upon strong metropolitan residential areas whilst the management focuses upon an aggressive yet accretive acquisition strategy. French IT services company Atos rose in excess of 30% as earnings benefitted from both top line growth and restructuring following a major acquisition. The worst contributor was kitchen manufacturer Nobia. We had hoped this company could offset a clear downturn in demand with a major cost cutting exercise, however, sales were considerably worse than our expectations leading to a poor performance for the stock.

Notable purchases included Italian cable producer Prysmian, German microchip machinery producer Suss Microtec, Finnish packaging company Huhtamaki and German IT and Telco company United Internet. Sales included Nobia of Sweden and Galp Energia of Portugal both of which underperformed on poor corporate news. We made several changes to our financial holdings including stocks such as Intesa, UBS, BNP, Storebrand, Tryg and BBVA as we reacted to the constant and ever changing newsflow from this sector.

European equity market performance for the remainder of 2012 will continue to be dominated by two major factors. First the continuing saga of government indebtedness within the Euro zone and the ability of the ECB and nation states to keep this under control let alone resolve the underlying fundamental problems will remain center stage. Secondly the development of GDP growth in the important economies out with the Eurozone is still uncertain. China has shown clear signs of slowing whilst the US recovery remains patchy. With the continued uncertainty surrounding both these issues we will not attempt to second guess the outcome but continue to focus on the opportunities and valuation anomalies such market conditions are likely to provide.

0800 0199 440
www.svmonline.co.uk

Further Information

Further information about the share price and activities 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 Report and Accounts for the period ending 30 June 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 Services Authority

Administrator
BNP Paribas Securities Services
Block C, Western House
Peterborough Business Park
Lynchwood
Peterborough PE2 6BP
Shareholder Services: 0845 358 1108
Dealing: 0845 066 1110
Fax: 01733 285 681

Depository
National Westminster Bank Plc
Trustee & Depository Services
The Broadstone
50 South Gyle Crescent
Edinburgh EH12 9UZ

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Auditors
Ernst & Young
Ten George Street
Edinburgh EH2 2DZ