

# SVM CONTINENTAL EUROPE FUND

## Short Report

Period to 31 December 2011



### 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

### 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	1.98%	1.22%

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.

<b>Fund Performance</b>					
Percentage growth for each year to last quarter end	31/12/06 31/12/07	31/12/07 31/12/08	31/12/08 31/12/09	31/12/09 31/12/10	31/12/10 31/12/11
Continental Europe	+18.1	-30.9	+21.6	+20.9	-21.1

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

<b>Net Asset Values</b>			
	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
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
As at 31/12/10			
Continental Europe A class	20,468	279.8	7,313,931
Continental Europe B class	4,920	296.7	1,658,360

<b>Share Price Performance</b>			
	Highest share price in pence	Lowest share price per share	Price as at period end
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
During period to 31/12/10			
Continental Europe A class	281.4	205.3	281.4
Continental Europe B class	298.3	216.6	298.3

### Top 10 Holdings: 31/12/11

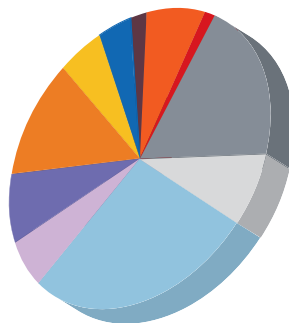
Tag Immobilien	5.6
Swedish Match AB	3.9
TDC	3.9
Intesa Sanpaolo – RSP	2.8
Nutreco	2.8
Galp Energia SGPS	2.8
Storebrand ASA	2.7
Eni SpA	2.7
AXA	2.6
Aareal Bank	2.6
Total	32.4

### Top 10 Holdings: 31/12/10

Tag Immobilien	5.4
Bertrandt	3.9
Skandinaviska Enskilda Banken	3.8
DnB NOR	3.7
Yule Catto	3.5
Salzgitter	3.5
Statoil Fuel & Retail	3.2
Compagnie De Saint-Gobain	3.2
Gruppo Coin Spa	3.2
Linde AG	3.1
Total	36.5

## Sector Analysis

	31/12/11	31/12/10
<b>Basic Materials</b>	<b>1.6%</b>	18.7%
<b>Consumer Goods</b>	<b>19.3%</b>	6.2%
<b>Consumer Services</b>	<b>7.6%</b>	17.9%
<b>Financials</b>	<b>27.6%</b>	26.5%
<b>Healthcare</b>	<b>5.9%</b>	6.1%
<b>Industrials</b>	<b>7.8%</b>	24.6%
<b>Oil &amp; Gas</b>	<b>11.9%</b>	–
<b>Technology</b>	<b>5.2%</b>	–
<b>Telecommunications</b>	<b>3.9%</b>	–
<b>Travel &amp; Leisure</b>	<b>1.8%</b>	–
<b>Net Current Assets</b>	<b>7.4%</b>	–



## Fund Managers



**Hugh Cuthbert**

Not only did European Markets start 2011 with a strong return in the first quarter of the year but sector rotation suggested that the key fears of 2010, including the problems of the periphery and the instability of the financial system, were behind us. This manifested itself in strong performances from banks and insurance stocks and shares of companies hurt most in 2010 by their peripheral exposure. Indeed the first 4 months of the year posted positive returns despite some seemingly strong headwinds including the tragic Japanese earthquake and tsunami, Middle Eastern unrest and an oil price breaching, and remaining above, \$100. The Euro proved stubbornly strong perhaps boosted by the European Central Bank's ("ECB") interest rate increase in April but certainly not spurred by relative economic optimism in comparison to other large economies such as the US and China. The ability of the market to shrug off bad news can perhaps now be viewed as the calm before the storm as equity prices deteriorated in the latter part of the year as the Euro crisis returned with a vengeance. Despite

agreement being reached on a second rescue package for Greece and a private sector involvement in a potential haircut of that stricken country's Sovereign debt the threat of contagion caused yields to soar on the debt of other larger nations such as Spain and Italy. A downgrade of US treasuries by Standard & Poor's ("S&P") and a call for a referendum on Greece's future in the EU only served to add to the turmoil. Only in December did the situation begin to normalise with the ECB's announcement of measures to support the banking system which in turn alleviated the perilous situation in the public debt market.

The fund underperformed the index over the course of the year. The dramatic geopolitical and economic events resulted in periods of extreme volatility where underlying fundamentals were often overlooked and for much of the year only a defensive stance was warranted or indeed rewarded. Reacting to these events meant a relatively high turnover for the fund. We sold investment holdings in peripheral countries such as Daniele and Mediaset and financials such as Credito Emiliano and BBVA as the whole Euro crisis developed. We do, however, view the recent measures such as the long term refinancing operation and moves by Mari Monti's technical government as positive resulting in a selected reversal of such moves towards the year end.

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## **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](http://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](mailto: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**

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