



SVM UK Emerging Fund plc
Half Yearly Report
30 September 2016

HIGHLIGHTS

- Net asset value return of +4.9% compared to a +9.0% return in the IA UK All Companies Sector Average Index and +10.6% return in the FTSE All-Share Index.
- Positive contributions from 4Imprint Group, GVC Holdings, Fevertree Drinks, Johnson Service Group and ASOS.
- Since the current investment managers took on responsibility for the portfolio in September 2012, net asset value has gained 78.6% against a benchmark return of 36.7%
- The portfolio is focused on medium-sized and smaller growing businesses, where management can deliver growth via self-help.

“Long term capital growth from investments in smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis”

Financial Highlights

Total Return Performance to 30 September 2016	6 months	3 years	5 Years	10 Years
Net Asset Value	+4.9%	+33.9%	+16.5%	+68.2%
Share Price	+3.2%	+16.7%	+24.0%	+44.9%
Benchmark Index *	+9.0%	+20.7%	+38.9%	+1.4%

* The benchmark index for the Fund was changed to the IA UK All Companies Sector Average Index from 1 October 2013 prior to which the FTSE AIM Index was used.

CHAIRMAN'S STATEMENT

The UK stockmarket was volatile in the period under review; but steadily recovered after the initial setback on the Brexit vote. Over the six months to 30 September 2016, the Company's net asset value increased by 4.9% to 85.5p per share, compared to a return of 9.0% in the benchmark index, the IA UK All Companies Sector Average Index. (total return).

Investors' appetite for risk returned, and portfolio exposure to property, and businesses with more stable earnings, was less helpful during the period. With a significant proportion of overseas earnings in London-listed companies, and potential benefits to exporters from a weaker Pound, the initial impact on UK shares seemed indiscriminate and largely driven by sentiment and surprise. Portfolio changes before the Referendum and since, have been intended to reduce economic sensitivity and increase overseas earnings. New investments emphasise businesses with potential to grow against a background of low inflation.

Investments were made in Just Eat and service station operator, Applegreen. GB Group, which supplies business software and database management services was also bought. Howden Joinery was sold to fund this, and some profit was taken in Ted Baker.

A number of companies in the portfolio have overseas earnings, and company meetings have brought few reports of any significant adverse impact from Brexit. This may change as UK/EU negotiations progress, but we expect UK policy to be stimulative. The UK's trade deficit and weak foreign earnings appear the main reason for the lower value of the Pound. This currency devaluation should help to boost UK growth as well as rebalance its economy.

The strongest contributions to performance were from 4Imprint Group, Johnson Services, GVC, Fevertree Drinks and ASOS plc. Hikma results disappointed. Although it has depressed short term margins, we believe that the long term strategic investments that Hikma is making will pay off. 4Imprint supplies promotional merchandise via the internet, and is delivering strong growth. The Fund has above average investment in healthcare, technology, business services, travel and gaming. There is no portfolio exposure to resources, energy and banks.

The Fund focuses on companies where there are self-help opportunities or potential for acquisition, such as Kerry Group, RPC, Micro Focus and DCC. The portfolio also includes businesses where there are good prospects for growth in market share, such as ASOS and Fevertree.

There remains little sign that higher UK inflation will become embedded. Meetings with management of companies in the portfolio continue to be predominantly favourable. The Fund remains fully invested.

At the Annual General Meeting on 9 September 2016, shareholders approved a resolution to permit shares to be re-issued from treasury at a discount. Taken together with purchase of shares into treasury at a discount, your Board does not expect this overall to be dilutive to shareholders, but does consider it can improve liquidity. Your Board will now implement this, and will monitor the operation of share purchase and re-issuance very carefully and report on this to shareholders each year.

INVESTMENT OBJECTIVE and POLICY

The investment objective of SVM UK Emerging Fund PLC (the “Fund” or the “Company”) is long term capital growth from investments in smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis

The Fund aims to achieve its objective and to diversify risk by investing in shares and related instruments, controlled by a number of limits on exposures. Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board. This is an abridged version of the Fund’s investment policy. The full investment policy can be found in the Strategic Report within the Fund’s latest Annual Report & Accounts.

DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Half Yearly Report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- (i) the condensed set of financial statements have been prepared in accordance with the Financial Reporting Council Statement 104 ‘Interim Financial Reporting’ on a going concern basis and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund;
- (ii) the Half Yearly Report includes a fair review of the information required by the Disclosure and Transparency Rules DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and DTR 4.2.8R (disclosure of related party transactions and changes therein).

- (iii) No related party transactions have taken place during the first six months of the year that have materially affected the financial position of the Fund during the period and there have been no changes in the related party transactions described in the Annual Report & Accounts for the year end 31 March 2016 that could do so.

The Directors consider that the Half Year Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Fund’s performance and strategy,

The Half Yearly Report has not been audited or reviewed by the Fund’s auditors.

By Order of the Board
Peter Dicks
Chairman
18 November 2016

UNAUDITED ACCOUNTS

Income Statement

	Six months to 30 September 2016			Six months to 30 September 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gain on investments at fair value	-	202	202	-	234	234
Income	85	-	85	81	-	81
Investment management fees	-	-	-	-	-	-
Other expenses	(32)	(4)	(36)	(29)	(4)	(33)
Gain before finance costs and taxation	53	198	251	52	230	282
Finance costs	(9)	-	(9)	(11)	-	(11)
Gain on ordinary activities before taxation	44	198	242	41	230	271
Taxation	-	-	-	-	-	-
Gain attributable to ordinary shareholders	44	198	242	41	230	271
Gain per Ordinary Share	0.72p	3.29p	4.01p	0.68p	3.82p	4.50p

	Year ended 31 March 2016 (audited)		
	Revenue £'000	Capital £'000	Total £'000
Net gain on investments at fair value	-	317	317
Income	137	-	137
Investment management fees	-	-	-
Other expenses	(59)	(9)	(68)
Gain before finance costs and taxation	78	308	386
Finance costs	(20)	-	(20)
Gain on ordinary activities before taxation	58	308	366
Taxation	-	-	-
Gain attributable to ordinary shareholders	58	308	366
Gain per Ordinary Share	0.97p	5.13p	6.09p

The Total column of this statement is the profit and loss account of the Fund. All revenue and capital items are derived from continuing operations. No operations were acquired or discontinued in the year. A Statement of Comprehensive Income is not required as all gains and losses of the Fund have been reflected in the above statement.

UNAUDITED ACCOUNTS

Balance Sheet

	As at 30 September 2016 (unaudited) £'000	As at 31 March 2016 (audited) £'000	As at 30 September 2015 (unaudited) £'000
Fixed Assets			
Investments at fair value through profit or loss	5,001	4,628	4,517
Total Current Assets	333	401	321
Creditors: amounts falling due within one year	(200)	(137)	(41)
Net current assets	133	264	280
Total assets less current liabilities	5,134	4,892	4,797
Capital and Reserves	5,134	4,892	4,797
Equity shareholders' funds	5,134	4,892	4,797
Net asset value per Ordinary Share	85.48p	81.47p	79.88p

UNAUDITED ACCOUNTS

Statement of Changes in Equity

For the period to 30 September 2016

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2016	300	314	5,144	27	(399)	(494)
Gain attributable to shareholders	-	-	-	-	198	44
As at 30 September 2016	300	314	5,144	27	(201)	(450)

For the year to 31 March 2016

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2015	300	314	5,144	27	(707)	(552)
Gain attributable to shareholders	-	-	-	-	308	58
As at 31 March 2016	300	314	5,144	27	(399)	(494)

For the period to 30 September 2015

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2015	300	314	5,144	27	(707)	(552)
Gain attributable to shareholders	-	-	-	-	230	41
As at 30 September 2015	300	314	5,144	27	(477)	(511)

UNAUDITED ACCOUNTS

Condensed Cash Flow Statement

	Six months to 30 September 2016 £'000 (unaudited)	Year to 31 March 2016 £'000 (audited)	Six months to 30 September 2015 £'000 (unaudited)
Operating Activities			
Cash flow from operating activities	32	(203)	(191)
Taxation	-	-	-
Investing Activities			
Purchases and sales of fixed asset investments	(102)	194	141
Financing Activities			
Finance costs	(9)	(20)	(11)
Movement in cash and cash equivalents	(79)	(29)	(61)
Cash and cash equivalents at start of period	102	131	131
Cash and cash equivalents at end of period	23	102	70

UNAUDITED ACCOUNTS

Investment Portfolio

Thirty largest investments as at 30 September 2016	Market Exposure 2016 £000	% of Net Assets
Stock		
1 4imprint Group	272	5.3
2 Johnson Service Group	230	4.5
3 Paddy Power Betfair	225	4.4
4 GVC Holdings	199	3.9
5 Fevertree Drinks	167	3.2
6 Hikma Pharmaceuticals	155	3.0
7 Unite Group	148	2.9
8 Supergroup	143	2.8
9 Kerry Group	132	2.6
10 ASOS	130	2.5
Ten largest investments	1,801	35.1
11 Shire Pharmaceuticals	126	2.5
12 Beazley Group	121	2.4
13 Workspace Group	116	2.3
14 Redrow	112	2.2
15 GB Group	108	2.1
16 Restaurant Group	108	2.1
17 Imperial Brands	105	2.0
18 UDG Healthcare	105	2.0
19 ITV Television	105	2.0
20 Ryanair	102	2.0
Twenty largest investments	2,909	56.7
21 Hill & Smith	101	2.0
22 FDM Group	101	2.0
23 Sage	99	1.9
24 Ted Baker	98	1.9
25 Compass Group	96	1.9
26 JD Sports	94	1.8
27 Reckitt & Benckiser	91	1.8
28 Tui Travel	90	1.8
29 Whitbread	86	1.6
30 Ladbrokes	85	1.6
Thirty largest investments	3,850	75.0
Other investments (43 holdings)	2,380	46.3
Total investments	6,230	121.3
CFD positions exposure	(1,325)	(25.8)
CFD unrealised gains	96	1.9
Net current assets/(liabilities)	133	2.6
Net Assets	5,134	100.0

Sector analysis as at 30 September 2016	% of Gross Exposure
Sector	
Consumer Services	40.0
Consumer Goods	19.1
Industrials	12.8
Financials	10.7
Healthcare	10.2
Technology	7.2
Total	100.0

Market exposure for equity investments held is the same as fair value and for CFDs held is the market value of the underlying shares to which the portfolio is exposed via the contract.

UNAUDITED ACCOUNTS

Risks and Uncertainties

The principal risks facing the Fund relate to the investment in financial instruments and include market, liquidity, credit and interest rate risk. Additional risks faced by the Fund are investment strategy, share price discount, accounting, legal and regulatory, operational, corporate governance and shareholder relations, and financial. The Board seeks to mitigate and manage these risks through continuous review, policy setting and enforcement of contractual obligations. The Board receives both formal and informal reports from the Managers and third party service providers addressing these risks. An explanation of these risks and how they are mitigated is explained in the 2016 Annual Report, which is available on the Manager's website: www.svmonline.co.uk. These principal risks and uncertainties have not changed from those disclosed in the 2016 Annual Report.

Going Concern

The Board, having made appropriate enquiries, has a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Notes

- The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standards 102 and 104 ('FRS 104') and the 2014 Statement of Recommended Practice ('SORP') issued by the Association of Investment Companies, as were the interim financial statements for the period to 30 September 2015. These financial statements have been prepared in accordance with the accounting policies used for the financial year ended 31 March 2016.
- Return per share is based on a weighted average of 6,005,000 (2015 – 6,005,000) ordinary shares in issue during the period.

Total return per share is based on the total gain for the period of £242,000 (2015 – gain of £271,000). Capital return per share is based on the capital gain for the period of £198,000 (2015 – gain of £230,000). Revenue return per share is based on the revenue gain after taxation for the period of £44,000 (2015 -gain of £41,000).

The number of shares in issue at 30 September 2016 was 6,005,000 (2015 – 6,005,000).

- All investments are held at fair value. At 30 September 2016 no unlisted investments were held with value attributed (31 March 2016: same; 30 September 2015: one investment with value of £19,000).

Investments have been classified using the fair value hierarchy:

	September 2016 £000	March 2016 £000
<i>Classification of financial instruments</i>		
Level 1	4,905	4,594
Level 2	96	34
Level 3 – 3 investments (March 2016 – 3)	-	-

Level 1 reflects financial instruments quoted in an active market.

UNAUDITED ACCOUNTS

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets. The CFD positions are the sole Level 2 investments at 31 March and 30 September 2016.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

4. The Board has granted the Manager a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of the investment. The Board requires the Manager to operate within certain risk limits, as detailed in the Annual Report. The following table details the CFD positions:

Number of CFD holdings at 30 September 2016: 16 (31 March 2016: 16)

CFD positions	September 2016	March 2016
	£000	£000
Gross exposure	1,325	1,335
Net exposure	1,325	1,335
Unrealised gains	96	34
Unrealised losses	189	116

The gearing ratio is 25.4% at 30 September 2016 (31 March 2016: 25.2%). The gearing figure indicates the extra amount by which the shareholders' funds would change if total assets (including CFD position exposure and netting off cash and cash equivalents) were to rise or fall. A figure of zero per cent means that the Company has a nil geared position.

5. The Investment Managers have waived their fees for the periods to 30 September 2016 and 2015.
6. The above figures do not constitute full or statutory accounts in terms of Sections 434 and 435 of the Companies Act 2006. All information shown for the six months to 30 September 2016 is unaudited. The accounts for the year to 31 March 2016, on which the auditors issued an unqualified report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 of the Companies Act 2006.

CORPORATE INFORMATION

Directors

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Richard Bernstein
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