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SVM CONTINENTAL EUROPE FUND

Short Report

Year to 31 December 2010



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 year ending 31 December 2010. 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.

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Custodian

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London E14 5NT

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Ernst & Young
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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 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		
	31/12/10 pence per share	31/12/09 pence per share
Continental Europe A Class	Nil	1.2150
Continental Europe B Class	0.9479	2.8237

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	1.96%	1.21%

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 2010 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	31/12/05 31/12/06	31/12/06 31/12/07	31/12/07 31/12/08	31/12/08 31/12/09	31/12/09 31/12/10
Continental Europe	+24.3	+18.1	-30.9	+21.6	+20.9

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 31/12/10			
Continental Europe A class	20,468	279.8	7,313,931
Continental Europe B class	4,920	296.7	1,658,360
As at 31/12/09			
Continental Europe A class	18,431	231.5	7,961,236
Continental Europe B class	5,306	243.6	2,178,013

Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 31/12/10			
Continental Europe class	281.4	205.3	281.4
Continental Europe class	298.3	216.6	298.3
During period to 31/12/09			
Continental Europe class	246.6	147.5	232.8
Continental Europe class	259.1	154.3	244.9

Top 10 Holdings: 31/12/10

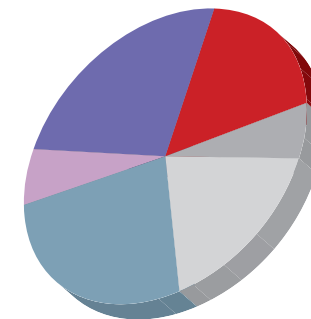
	%
Tag Immobilien	5.4
Bertrandt	3.9
SEB ab	3.8
DnB NOR	3.7
Salzgitter	3.5
Statoil Fuel & Retail	3.3
Gruppo Coin Spa	3.2
Cie De Saint-Gobain	3.2
SKW Stahl-Metallurgie	3.1
Linde AG	3.1
Total	36.2

Top 10 Holdings: 31/12/09

	%
Tag Immobilien	3.3
Arcelor	3.2
Clariant	3.1
Fresenius Non-Vtg Pref	3.0
Wirecard	2.8
Azimut	2.7
Daimler	2.7
Allianz	2.7
Indesit	2.6
Saras Raffinerie	2.5
Total	28.6

Sector Analysis

	31/12/10	31/12/09
Basic Materials	18.7%	10.1%
Consumer Goods	6.2%	18.5%
Consumer Services	17.9%	9.3%
Financials	26.5%	21.6%
Healthcare	6.1%	9.7%
Industrials	24.6%	14.5%
Net Current Assets	-	4.9%
Oil & Gas	-	5.8%
Technology	-	2.5%
Telecommunications	-	2.2%
Utilities	-	1.9%



Fund Manager



Hugh Cuthbert

At the start of 2010 and following the positive returns of 2009 there was a clear need for evidence of a sustained economic recovery if European equities were to continue their upward trajectory during the course of the year. This recovery was indeed confirmed through a host of micro and macro economic data but the resultant rise in equity values was far from smooth. A continued debate raged over, at best, the ability of peripheral European nations to survive their chronic levels of public debt, to, at worst, the very viability of the Euro and the Union itself. Politicians and regulators reacted strongly to address these problems and this level of commitment did much to help the equity market through the darkest periods of doubt over the European project. As a result rating agency downgrades of Greece, Portugal and Spain was met with massive loan commitments by EMU member states and the IMF to ensure these events were not fatal.

Offsetting this gloom was the continued recovery seen in corporate Europe where heightened earnings expectations kept equity valuations under control. Indeed many within the boundaries of Europe thrived especially exporting nations such as Germany boosted in particular from demand outwith the confines of Europe especially from emerging markets.

Entering 2011 the self same sovereign doubts linger offset by a continued economic resilience elsewhere. Will Europe succumb to a national default or will these economies muddle through supported by growth from other, stronger nations? The fund remains positioned toward the latter scenario though we are vigilant to act should the alternative prevail.