

SVM UK OPPORTUNITIES FUND

Short Report

Year to 31 December 2012



Key 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 All Share Index.

Risk Profile

This Fund seeks to invest in the full range of opportunities available to it, which includes shares on the Alternative Investment Market. The Fund aims to generate returns from investment into small, medium and large-cap companies. The Fund invests principally in securities of UK companies listed on the London Stock Exchange. From time to time, when particular opportunities are identified, this Fund may invest in other permitted transferable securities.

Distribution

XD date: 31 December

Payment date: 30 April (Accumulation shares).

The following distribution was accumulated over the last accounting period.

Income		
	31/12/12 pence per share	31/12/11 pence per share
UK Opportunities A Class	1.2464	Nil
UK Opportunities B Class	3.4049	2.0025

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
UK Opportunities Fund	1.84%	1.09%

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 31 December 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	31/12/07 31/12/08	31/12/08 31/12/09	31/12/09 31/12/10	31/12/10 31/12/11	31/12/11 31/12/12
UK Opportunities	-55.2	101.4	29.4	-15.6	18.9

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 31/12/12			
UK Opportunities A Class	49,969	270.9	18,448,116
UK Opportunities B Class	32,445	292.2	11,103,740
As at 31/12/11			
UK Opportunities A Class	48,973	226.4	21,627,210
UK Opportunities B Class	30,545	242.5	12,598,607

Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/12			
UK Opportunities A Class	273.5	229.9	272.0
UK Opportunities B Class	294.9	246.2	293.4
During period to 31/12/11			
UK Opportunities A Class	283.5	215.2	228.8
UK Opportunities B Class	301.4	230.2	245.0

Top 10 Holdings: 31/12/12 %

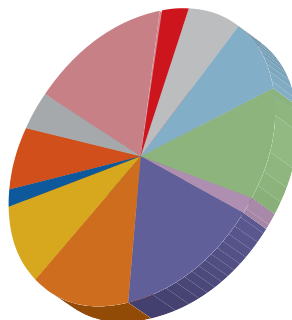
United Kingdom Treasury Bill 0% 18/02/2013	12.1
Babcock International	5.3
HSBC	5.1
William Hill	5.0
Innovation	4.1
Norcros	4.1
Inchape – CFD	4.0
Invensys	3.8
Micro Focus – CFD	3.8
GKN CFD	3.3
Total	50.6

Top 10 Holdings: 31/12/11 %

Nautical Petroleum	5.1
Babcock International – CFD	5.1
Yule Catto	4.9
Vodafone Group	4.6
Royal Dutch Shell b – CFD	4.2
Reed Elsevier plc	3.9
AstraZeneca	3.7
Norcros	3.5
Innovation Group	3.4
Reckitt & Benckiser	3.3
Total	41.7

Sector Analysis

	31/12/12	31/12/11
■ Basic Materials	3.6%	6.5%
■ Consumer Goods	–	5.0%
■ Consumer Services	7.2%	9.2%
■ Financials	9.3%	3.3%
■ Fixed Income	12.1%	–
■ Healthcare	1.5%	3.7%
■ Industrials	15.4%	11.1%
■ Oil & Gas	13.1%	13.2%
■ Technology	10.0%	4.8%
■ Telecommunications	1.8%	4.6%
■ Utilities	–	1.6%
■ Overseas	6.7%	2.8%
■ Contracts for Difference	4.0%	0.8%
■ Net Other Assets	15.4%	33.4%



Fund Managers



Neil Veitch

In previous reports we expressed our frustration regarding the high levels of correlation seen between individual stocks and outlined the problems this caused for bottom-up stock-pickers. Thankfully, as macroeconomic tensions have eased – especially following Mario Draghi’s commitment to do “whatever it takes” to save the Euro – we have seen a reduction in risk aversion, a decline in correlations, and a rally in risk assets. Such an environment is highly conducive to ‘fundamental’ stock-picking and your fund performed accordingly, rising 18.7% versus 12.3% for the FTSE-All Share Index.

Until now it has been tempting to view the relative lack of merger and acquisition (M&A) activity as akin to Sherlock Holmes’ infamous “dog that didn’t bark” – an ominous indicator of something sinister lurking at the heart of the financial system preventing financially strong companies from acting in their own economic self-interest. In our opinion, such concerns are misplaced and we have been heartened by the recent pick-up in corporate

deal-making. While ill-conceived deals are never a good idea, the appropriate acquisition can provide an excellent platform to take the business forward – particularly when it can be funded by ‘cheap’ debt. The fund’s holdings in Nautical Petroleum, Hardy Underwriting, and Omega Insurance were all acquired in 2012.

At a stock level the fund benefitted from the aforementioned acquisitions, especially Nautical Petroleum – the fund’s largest holding. Invensys rallied strongly as an agreement was reached to sell its rail division for 95% of the company’s market capitalisation. Other notable performers included Sports Direct, WPP, Inchcape, and William Hill. Detractors from overall performance included BG Group, First Group, and Tesco.

While many uncertainties remain, especially concerning the Eurozone, we believe that both the economic and political environment should continue to gradually improve, helping sustain the recent rally in risk assets. It is too early to definitively herald a ‘great rotation’ from bonds to equities but we believe that as the global financial system continues to heal this will ultimately become a reality. Should such an outcome materialise, bottom-up stock picking funds look well placed to benefit.

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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 year ending 31 December 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. Investing in smaller companies may increase the volatility of your investment.

Contacts

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