

SVM WORLD EQUITY FUND

Short Report

Period to 30 June 2016



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 its peers in the IA Global Sector. The Fund will invest in a portfolio of global equities and other equity related instruments such as Exchange Traded Funds.

Risk Profile

Currency movements may cause the value of your investment to fall as well as rise. 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. Stock market volatility may impact the Fund's ability to trade in, or obtain accurate valuations for, securities held in the Fund's portfolio. The Fund is exposed to credit and settlement risk through its dealings with Counter Parties. If a Counter Party business fails, the Fund may incur losses. The Fund may enter into derivative contracts for efficient portfolio management (EPM) purposes. The Fund is exposed to currency risk. The Fund may use currency management techniques, including hedging and entering into derivatives contracts, for efficient portfolio management (EPM) purposes. Full details on EPM can be found in Appendix A of the Prospectus.

Lower Risk

Higher Risk

← Typically lower rewards

→ Typically higher rewards

1 2 3 4 5 6 7

XD date: 31 December Payment date: 30 April

The following distribution was accumulated over the last accounting period.

	31/12/15 pence per share	31/12/14 pence per share
World Equity A Class	Nil	Nil
World Equity B Class	1.8815	0.8162

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
World Equity Fund	1.94%	1.19%

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 2016 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	30/06/11 30/06/12	30/06/12 30/06/13	30/06/13 30/06/14	30/06/14 30/06/15	30/06/15 30/06/16
World Equity	-4.5	33.2	6.3	10.2	-0.1

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.

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Comparative Tables

Net Asset Values

	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/16			
World Equity A class	5,303	220.6	2,403,692
World Equity B class	33,076	238.9	13,846,984
As at 31/12/15			
World Equity A class	6,823	221.7	3,077,888
World Equity B class	36,347	239.1	15,203,636

Share Price Performance

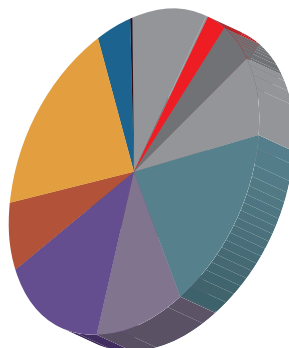
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 30/06/16			
World Equity A class	223.7	193.9	221.0
World Equity B class	241.8	209.2	239.0
During year to 31/12/15			
World Equity A class	234.6	201.3	222.0
World Equity B class	251.4	216.5	239.2

Top 10 Holdings

30/06/16	%	31/12/15	%
Alphabet	6.5	Alphabet	6.6
Comcast	6.3	SABMiller	4.7
AIA	5.1	AIA	4.2
RPC	4.8	Comcast	4.0
Pfizer	4.7	Citigroup	3.7
Imperial Brands	4.5	Lloyds Banking	3.7
Citigroup	3.7	Pfizer	3.6
Visa	3.4	Verizon Communications	3.5
Mylan	3.3	Hitachi	3.3
Micro Focus International	3.2	GKN	2.8
Total	45.5	Total	40.1

Sector Analysis

	30/06/16 %	31/12/15 %
Basic Materials	2.8	4.0
Consumer Goods	5.1	12.4
Consumer Services	8.8	5.1
Financials	17.5	24.8
Health Care	11.0	9.3
Industrials	15.0	17.4
Oil & Gas	7.2	3.3
Technology	18.5	11.7
Telecommunications	4.2	6.8
Currency Contracts	(0.3)	(0.1)
Net Current Assets	10.2	5.3



Fund Managers



Neil Veitch

Market Review

Global equities have endured a turbulent start to the year. The early part of the period was characterised by concerns over a growth slowdown in Emerging Markets and potential interest rate rises in the US. The latter part was dominated by the fallout of the UK's referendum decision to leave the EU. US indices outperformed whilst Europe and Japan both underperformed. Your fund decreased 0.5% versus the average fund that increased 7.2%. The majority of this underperformance occurred post-referendum.

The decision by the Bank of Japan ('BoJ') to adopt negative interest rates during the period appears to have been a significant policy misstep. It was intended to weaken Yen, reduce bank deposits at the BoJ and support bank share prices – and has achieved the exact opposite. China appears to have stabilised in the short-term but still faces many challenges in rebalancing its economy. While in the short-term the country retains significant financial flexibility, it remains the largest medium-term risk to the global economy.

Against this, the US economy remained relatively robust. Labour data suggests the economy is growing at a modest rate and signs of overheating remain scarce. Concerns about the impact of external factors on the domestic outlook caused the Federal Reserve to delay any further increase in interest rates.

Portfolio Review

The fund underperformed the average fund during the period under review largely due to asset allocation.

There were few stock-specific disappointments. The portfolio's underweight position in US equities and exposure to domestic-facing UK stocks were the main detractors from performance. At a stock-specific level, the fund benefited from the strong performance of defensive dollar-earners such as Comcast, Pfizer and Verizon Communications.

Our oil and gas holdings benefited from a recovery in crude prices, with Ithaca Energy, Faroe Petroleum, and Pantheon Resources all outperforming. Japanese exporters such as Hitachi underperformed as Yen strengthened. Lloyds Bank was the largest detractor as the stock weakened post-referendum.

Outlook

The aftermath of the UK's EU referendum will likely dominate headlines for years to come. At present, however, the market reaction suggests that investors believe there will be little 'contagion' outside of the UK and Europe. The UK stock market is comprised of a mix of international earners and domestic-focused stocks. We continued to find opportunities in both baskets. In the long-run, the strength of the UK's domestic institutions, intellectual capital, and openness to trade will reassert.

Political risk will remain elevated throughout the period, with the US presidential election in November an obvious flashpoint. The recent election for the Japanese Diet's upper house gives some ground for optimism. The ruling LDP party's sweeping victory opens the door for new stimulus packages – which should reverse some of the effects of negative interest rates. This should benefit the fund's Japanese export-focused holdings.

With returns scarce, equities remain the most attractive asset class. Ultimately, companies with pricing power and strong management will outperform, regardless of their industry. Our long-term track record demonstrates an ability to identify these companies and add considerable value.

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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. 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 2016. 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.

Important changes to SVM Funds ICVC

There were no important changes during the period to 30 June 2016.

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