

HAWK-EYED STOCKPICKERS



**SVM UK Emerging Fund plc**  
**Half Yearly Report**  
**30 September 2013**



## HIGHLIGHTS

- Net asset value gained 18.4% compared to a 9.0% return in the FTSE AIM All Share Index
- Share price rose by 28.5%
- Change in the benchmark for the Fund to the IMA UK All Companies Sector Average Index

*“Long term capital growth from investments in  
smaller and medium sized UK companies,  
with the aim being to outperform the IMA UK All Companies  
Sector Average Index on a total return basis”*

## CHAIRMAN'S STATEMENT

Over the six months to 30 September 2013, your Fund's net asset value gained 18.4% to 63.84p, compared to a rise of 9.0% in the benchmark, the FTSE AIM All Share Index. The share price gained 28.5% to 55.25p. As a result, the discount at which the shares stand to net asset value reduced to 13.5%. Further progress in the share price and net asset value have been achieved in October.

Shareholders approved a change in the benchmark for the Fund, with effect from 30 September 2013, to the IMA UK All Companies Sector Average Index, which the Managers believe will be a more challenging benchmark than AIM. This index represents the performance of the average fund in the Investment Management Association's largest sector. It represents funds which invest at least 80% of their assets in UK equities and which have a primary objective of delivering capital growth.

Equity markets were strong over the period, and the Fund was fully invested. The portfolio emphasis on consumer sectors, property and technology was helpful, as prospects improved for these sectors. The best performances during the six months came from the consumer sector; ASOS, ITV, Ted Baker, SuperGroup and Sports Direct. These gains were driven by good results; profitability picking up as the UK economy recovered. Consumer pressures have eased, with growth in private sector pay, and a stabilisation of real take-home pay. The recovery in the Pound since mid year has lowered some import costs and cut petrol prices, and the UK economy continues to perform better than the Eurozone. The main portfolio disappointments were in Manroy and

Ophir Energy, which have both been sold. Portfolio investment in the UK consumer sector was increased during the period under review.

The portfolio emphasises businesses with a specialisation or other competitive advantage which helps to produce growth along with stable and growing margins. With low financing costs, these businesses can pay down debt, restructure or make acquisitions to enhance earnings. Investments with these characteristics include Thomas Cook, ITV and Mitchells & Butlers.

Additional investment has been made in two technology businesses; Iomart Group which is a cloud hosting business, and in WANdisco which provides wide area networks. Both of these are growing, scalable businesses. Another technology investment, Delcam, a CAD CAM software business, received a bid in November.

The outlook for the UK consumer is improving, and many portfolio companies will also be helped by continuing growth in the global economy. We expect more stimulus for the UK economy, particularly in housebuilding, encouraging growth in the regions. The Fund retains a focused portfolio of growth businesses, many of which are modestly valued in comparison to their larger equivalents. Its aim remains to deliver long term capital growth, with lower volatility. The Board and Managers believe the Fund is well placed to continue to deliver on this aim.

Peter Dicks  
Chairman  
22 November 2013

## 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, which have been prepared in accordance with the Accounting Standards Board's statement 'Half Yearly Financial gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund;
- (ii) the Interim Management 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 2013 that could do so.

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

By Order of the Board  
**Peter Dicks**  
Chairman  
22 November 2013

## UNAUDITED ACCOUNTS

### Income Statement

	Six months to 30 September 2013			Six months to 30 September 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gain/(loss) on investments at fair value through profit or loss	-	590	590	-	(1,403)	(1,403)
Income	52	-	52	15	-	15
Investment management fees	-	-	-	-	-	-
Other expenses	(36)	(4)	(40)	(29)	-	(29)
<b>Return/(loss) before finance costs and taxation</b>	<b>16</b>	<b>586</b>	<b>602</b>	(14)	(1,403)	(1,417)
Finance costs	(5)	-	(5)	(2)	-	(2)
<b>Return/(loss) on ordinary activities before taxation</b>	<b>11</b>	<b>586</b>	<b>597</b>	(16)	(1,403)	(1,419)
Taxation	-	-	-	-	-	-
<b>Return/(loss) attributable to ordinary shareholders</b>	<b>11</b>	<b>586</b>	<b>597</b>	(16)	(1,403)	(1,419)
<b>Return/(loss) per Ordinary Share</b>	<b>0.18p</b>	<b>9.76p</b>	<b>9.94p</b>	(0.27p)	(23.35p)	(23.62p)

	Year ended 31 March 2013 (audited)		
	Revenue £'000	Capital £'000	Total £'000
Net loss on investments at fair value through profit or loss	-	(991)	(991)
Income	50	-	50
Investment management fees	-	-	-
Other expenses	(96)	(12)	(108)
<b>Loss before finance costs and taxation</b>	<b>(46)</b>	<b>(1,003)</b>	<b>(1,049)</b>
Finance costs	(6)	-	(6)
<b>Loss on ordinary activities before taxation</b>	<b>(52)</b>	<b>(1,003)</b>	<b>(1,055)</b>
Taxation	-	-	-
<b>Loss attributable to ordinary shareholders</b>	<b>(52)</b>	<b>(1,003)</b>	<b>(1,055)</b>
Loss per Ordinary Share	(0.86p)	(16.71p)	(17.57p)

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations.

No operations were acquired or discontinued in the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

## UNAUDITED ACCOUNTS

	<b>As at 30 September 2013 (unaudited) £'000</b>	<b>As at 31 March 2013 (audited) £'000</b>	<b>As at 30 September 2012 (unaudited) £'000</b>
<b>Fixed Assets</b>			
Investments at fair value through profit or loss	3,732	3,248	1,905
<b>Total Current Assets</b>	<b>355</b>	200	1,734
<b>Creditors: amounts falling due within one year</b>	<b>(253)</b>	(211)	(766)
<b>Net current assets</b>	<b>102</b>	(11)	968
<b>Total assets less current liabilities</b>	<b>3,834</b>	3,237	2,873
<b>Capital and Reserves</b>			
<b>Equity shareholders' funds</b>	<b>3,834</b>	3,237	2,873
<b>Net asset value per Ordinary Share</b>	<b>63.84p</b>	53.90p	47.85p

### Note

These interim accounts are not full statutory accounts in terms of Section 435 of the Companies Act 2006. They have been prepared on the basis of the accounting policies set out in the Fund's audited annual report and accounts for the year ended 31 March 2013. The audited accounts for the year to 31 March 2013, which were unqualified, have been lodged with the Registrar of Companies.

### 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 risk, operational, corporate governance and shareholder relations risk, and financial risk. 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 2013 Annual Report, which is available on the Manager's website: [www.svmonline.co.uk](http://www.svmonline.co.uk). These principal risks and uncertainties have not changed from those disclosed in the 2013 Annual Report.

## UNAUDITED ACCOUNTS

### Summarised Reconciliation of Movement in Shareholders' Funds

For the period to 30 September 2013

	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Revenue reserve
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2013	300	314	5,144	27	(1,927)	(621)
Return attributable to shareholders	-	-	-	-	586	11
<b>As at 30 September 2013</b>	<b>300</b>	<b>314</b>	<b>5,144</b>	<b>27</b>	<b>(1,341)</b>	<b>(610)</b>

For the year to 31 March 2013

	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Revenue reserve
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2012	300	314	5,144	27	(924)	(569)
Loss attributable to shareholders	-	-	-	-	(1,003)	(52)
<b>As at 31 March 2013</b>	<b>300</b>	<b>314</b>	<b>5,144</b>	<b>27</b>	<b>(1,927)</b>	<b>(621)</b>

For the period to 30 September 2012

	Share capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	Revenue reserve
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2012	300	314	5,144	27	(924)	(569)
Loss attributable to shareholders	-	-	-	-	(1,403)	(16)
<b>As at 30 September 2012</b>	<b>300</b>	<b>314</b>	<b>5,144</b>	<b>27</b>	<b>(2,327)</b>	<b>(585)</b>

## UNAUDITED ACCOUNTS

### Summarised Cash Flow Statement

	<b>Six months to 30 September 2013 £'000 (unaudited)</b>	<b>Year to 31 March 2013 £'000 (unaudited)</b>	<b>Six months to 31 March 2013 £'000 (audited)</b>
Net cash (out)/inflow from operating activities	<b>(53)</b>	(467)	373
Taxation	<b>2</b>	-	(2)
Capital expenditure and financial investment	<b>137</b>	(187)	395
Servicing of finance	<b>(5)</b>	(6)	(2)
<b>Movement in cash in the period</b>	<b>81</b>	(660)	764



## UNAUDITED ACCOUNTS

### Investment Portfolio

<b>Largest investments as at 30 September 2013</b>	<b>Valuation</b>	<b>% of</b>
Stock	<b>£000</b>	<b>Net Assets</b>
Hydrodec 8% CULS	250	6.5
Ted Baker PLC	191	5.0
ASOS PLC	154	4.0
Thomas Cook Group PLC	146	3.8
Tribal Group PLC	132	3.4
Delcam PLC	132	3.4
WANdisco PLC – CFD	125	3.3
Unite Group PLC	124	3.2
Mitchells and Butlers PLC – CFD	122	3.2
Workspace Group PLC	111	2.9
<b>Ten largest investments</b>	<b>1,487</b>	<b>38.7</b>
Other investments (inc CFD margin)	2,245	58.6
<b>Total investments</b>	<b>3,732</b>	<b>97.3</b>
<b>Net current assets</b>	<b>3,834</b>	<b>100.0</b>

<b>Sector analysis as at 30 September 2013</b>	<b>Valuation</b>	<b>% of</b>
Sector	<b>£000</b>	<b>Net Assets</b>
Basic Materials	0	0.0
Industrials	564	14.7
Oil and Gas	316	8.2
Consumer Goods	370	9.6
Consumer Services	1,357	35.4
Healthcare	0	0.0
Telecoms	33	0.9
Technology	576	15.0
Financials	516	13.5
Utilities	0	0.0
<b>Total</b>	<b>3,732</b>	<b>97.3</b>

## **CORPORATE INFORMATION**

### **Directors**

Peter Dicks (Chairman)  
Richard Bernstein  
Anthony Puckridge

### **Investment Manager, Secretary and Registered Office**

SVM Asset Management Limited  
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### **Administrators of Savings Scheme/ISA**

SVM Asset Management Ltd  
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Peterborough Business Park  
Lynchwood  
Peterborough PE2 6BP  
Telephone: +44 (0) 845 358 1108

### **Registrars**

Computershare Investor Services plc  
Leven House, 10 Lochside Place  
Edinburgh Park  
Edinburgh EH12 9RG  
Telephone: +44 (0) 870 702 0003

### **Auditor**

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

### **Custodians**

State Street Bank & Trust Company  
525 Ferry Road  
Edinburgh EH5 2AW

### **Registered Number**

SC211841

### **Company Website**

[www.svmonline.co.uk](http://www.svmonline.co.uk)