

0800 0199 440  
www.svmonline.co.uk

# SVM UK OPPORTUNITIES FUND

## Short Report



Year to 31 December 2010

### Further Information

Further information about the share price, activities and performance 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](http://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 e-mail to [info@svmonline.co.uk](mailto: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

#### Authorised Corporate Director and Investment Manager

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Authorised and regulated by the  
Financial Services Authority

#### Administrator

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Lynchwood  
Peterborough PE2 6BP  
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#### Depository

Royal Bank of Scotland plc  
Trustee & Depository Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

#### Custodian

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

#### Auditors

Ernst & Young  
Ten George Street  
Edinburgh EH2 2DZ

### 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 the FTSE All-Share Index.

### Risk Profile

The 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	31/12/10 pence per share	31/12/09 pence per share
UK Opportunities A class	Nil	0.5035
UK Opportunities B class	1.5507	1.7690

### 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
UK Opportunities Fund	1.91 %	1.16 %

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
UK Opportunities	+35.8	-7.7	-55.2	+101.4	+29.4

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			
UK Opportunities A class	63,106	267.7	23,572,551
UK Opportunities B class	20,322	284.5	7,143,616
As at 31/12/09			
UK Opportunities A class	45,541	207.8	21,917,037
UK Opportunities B class	14,163	219.0	6,467,483

### Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 31/12/10			
UK Opportunities A class	271.0	195.8	271.0
UK Opportunities B class	287.9	207.1	287.9
During period to 31/12/09			
UK Opportunities A class	223.6	89.38	209.4
UK Opportunities B class	235.5	93.69	220.9

### Top 10 Holdings: 31/12/10

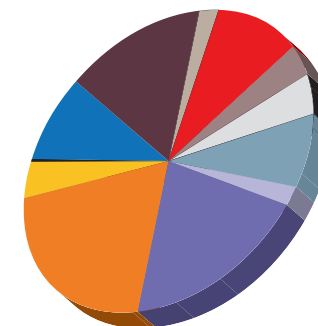
	%
Nautical Petroleum	6.7
DnB NOR	5.0
HSBC Holdings	4.5
IMI	4.2
Tate and Lyle	3.9
Statoil Fuel & Retail	3.7
Gulfsands Petroleum	3.5
United Business Media	3.5
BG Group	3.4
Innovation Group	3.4
Total	41.8

### Top 10 Holdings: 31/12/09

	%
Spirent Communications	5.0
Valiant Petroleum	4.7
Tullow Oil	4.0
Afren	3.8
Pace	3.8
Shanks	3.8
Experian	3.6
Sevan Marine	3.6
Firstgroup	3.5
Rexam	3.4
Total	39.2

## Sector Analysis

	31/12/10	31/12/09
<b>Basic Materials</b>	<b>10.9%</b>	10.1%
<b>Consumer Goods</b>	<b>3.9%</b>	-
<b>Consumer Services</b>	<b>4.8%</b>	6.6%
<b>Financials</b>	<b>7.8%</b>	9.6%
<b>Healthcare</b>	<b>1.8%</b>	0.0%
<b>Industrials</b>	<b>18.6%</b>	33.9%
<b>Oil &amp; Gas</b>	<b>22.9%</b>	17.2%
<b>Technology</b>	<b>4.0%</b>	15.6%
<b>Utilities</b>	<b>0.1%</b>	4.1%
<b>Overseas</b>	<b>8.7%</b>	3.6%
<b>Net Current Assets</b>	<b>14.3%</b>	(0.9)%
<b>CFDs</b>	<b>2.2%</b>	(0.4)%



## Fund Manager



**Neil Veitch**

2010 proved a very profitable year for the UK Opportunities Fund and its investors, with strong returns generated by a number of investments across the market capitalisation spectrum. During the period your fund increased in value by 29.42% versus an increase of 14.51% for the index.

Whilst it is always satisfying to report outperformance, we are particularly pleased that this was combined with considerably lower downside volatility than has been achieved historically. Although the market declined in five out of twelve months, your fund outperformed in four of those five. The fund reaped the benefits of strong stock selection across a number of different sectors, with holdings in oil & gas and industrials proving particularly rewarding. The largest individual contributors to performance were Nautical Petroleum, the North Sea oil company, and Yule Catto, a manufacturer of speciality

chemicals. Despite significant share price appreciation in 2010, we believe that both of these holdings still offer considerable upside.

The fund enters 2011 with around 60% of its assets in larger companies, 20% in mid-cap, and 20% in small-cap. We are positioned for ongoing economic recovery, a pick-up in M&A activity, and the continued price appreciation of crude oil. While valuations are clearly not as attractive as they were 12 or 24 months ago we believe they are still reasonable, particularly in light of the interest rate environment. The significant injections of liquidity required to keep rates at current levels have produced a very supportive backdrop for equities, with both interbank and corporate spreads at reasonably tight levels. Indeed, on an anecdotal basis we are hearing of the return of 'covenant-lite' financing. Buoyant financing conditions in tandem with excess corporate liquidity (US non-financial public corporations have \$1.4 trillion of cash - an all time high) should drive significant M&A activity and increase returns of capital through share buybacks. Although the outlook for equities is more finely balanced than it has been for some time, we continue to believe that they remain the most attractive asset class.