



SVM UK Emerging Fund plc

Half Yearly Report 30 September 2008

Highlights

- Net asset value (“NAV”) decreases by 25%
- NAV outperforms benchmark by more than 10%
- FTSE AIM Index suffers largest quarterly loss
- Shares continue to trade at a premium to NAV

“Long term capital growth from investments in smaller UK companies with a particular focus on the Alternative Investment Market.”

Chairman's Statement

Although I am again able to report a relative outperformance against the FTSE AIM Index, the Fund's benchmark index, unfortunately this did not flow through to a positive absolute performance. After a flat April to June quarter, the AIM Index suffered its largest ever quarterly drop in value in the quarter to 30 September 2008 – down more than 35%. Against this background, it would have been very hard to generate a positive performance and so it proved. A relative outperformance of approximately 10% should have been a cause for celebration, however, the Fund's asset value fell 25% in absolute terms over the last six months. However, since the remit change in September 2004, the Fund's asset value has increased by 52.5% against a benchmark fall of 29.7%, even allowing for the recent market falls.

The stockmarkets generally and small companies in particular suffered from extreme volatility and investor risk aversion. The market conditions are as challenging as the Managers have experienced in over 25 years of investing. Although well financed smaller companies should be less impacted by the global financial concerns, this has not been sufficient for them to avoid being materially de-rated.

In the current environment, there have been no places to hide and the Managers have resisted the temptation to tinker with the portfolio. Hence, there were relatively few

changes over the period. A single new investment (Hydrodec) and a couple of small top ups of existing investments were made. Profits were taken by reducing two of the holdings while Alltracel Pharmaceuticals was successfully realised through a cash takeover.

The Fund continues to be concentrated on a relatively small number of special situations. There are thirty five companies in the portfolio with approximately 80% invested in AIM companies. The balance is spread equally between unquoted investments and a small number of residual positions still quoted on the junior PLUS market. In terms of sectors, the Fund continues to be exposed to resources, industrials and consumer services with little in financials and property.

With central banks aggressively reducing interest rates globally, bonds and equities are beginning to look attractive, notwithstanding the deteriorating economic background. While bear markets and economic slowdowns are unpleasant at the time, they are necessary as equity investment should be a combination of fear and greed and risk and reward. We believe that the Fund is well positioned to take advantage of a sustained stockmarket recovery as and when it comes.

Peter Dicks
Chairman
14 November 2008

Unaudited Accounts

Income Statement	Six months 30 September 2008 £000	Six months 30 September 2007 £000
Revenue Return		
Income	15	9
Expenses allocated to revenue	(21)	(35)
Interest charge allocated to revenue	(18)	(21)
Net revenue return after tax	(24)	(47)
Capital return		
Gains on sale investments	132	321
Movement in unrealised depreciation on investments	(1,095)	207
Gains on investments	(963)	528
Expenses allocated to capital	(1)	(4)
Net capital return after tax	(964)	524
Total return after tax	(988)	477
Return per ordinary share		
Revenue	(0.40p)	(0.78p)
Capital	(16.05p)	8.72p
Total	(16.45p)	7.94p

Cash Flow Statement	Six months 30 September 2008 £000	Six months 30 September 2007 £000
Net cash flow from operating activities	(22)	(86)
Returns from investment and servicing of finance	88	(22)
Capital expenditure and financial investment	(18)	(21)
Movement in cash	48	(129)

Unaudited Accounts

Balance Sheet	As at 30 September 2008 £000	As at 31 March 2008 £000	As at 30 September 2007 £000
Investments	2,570	3,692	4,383
Net current assets	375	241	(89)
Shareholders' funds	2,945	3,933	4,294
Net asset value per ordinary share	49.05p	65.50p	71.51p

Note

These are not full accounts in terms of Section 240 of the Companies Act 1985.

Investment Portfolio

Company	Valuation £000	Total Assets %
1 Hydrodec	318	10.8
2 China Pub Company	300	10.2
3 Petra Diamond	200	6.8
4 Mantle Diamonds	167	5.7
5 Toluna	161	5.5
6 Kirkland Lake Gold	152	5.2
7 AMZ Holdings	150	5.1
8 GB Petroleum	150	5.1
9 Petrel Resources	114	3.9
10 Rheochem	98	3.3
Ten largest investments	1,810	61.6
Other investments	760	25.7
Total investments	2,570	87.3

Company Information

Directors

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Richard Bernstein
Anthony Puckridge

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