SVM WORLD EQUITY FUND
Short Report

Year to 31 December 2013

svm
HAWK-EYED STOCKPICKERS

Key Objectives

The Fund's aim is to provide medium to long term capital growth by investing in companies globally. The Fund is unconstrained and the portfolio is constructed without reference to any benchmark, but it aims to outperform its peers in the IMA Global Growth sector.

Risk Profile

The Fund invests in a portfolio of global equities and other equity related instruments such as Exchange Traded Funds. The Fund is exposed to market and currency risks as it invests in global companies.

Distribution

XD date: 31 December
Payment date: 30 April (Accumulation shares).

The following distribution was accumulated over the last accounting period.

Income		
	31/12/13 pence per share	31/12/12 pence per share
World Equity A Class World Equity B Class	Nil 0.6764	Nil 1.0841

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	2.00%	1.25%

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 2013 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	01/12/10* 31/12/10	31/12/10 31/12/11	31/12/11 31/12/12	31/12/12 31/12/13
World Equity	7.2	-13.7	21.4	24.5

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.

*Launch date.

Comparative Tables

Net Asset Values	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 31/12/13			
World Equity A Class	5,892	196.2	3,002,840
World Equity B Class	15,557	208.3	7,470,079
As at 31/12/12			
World Equity A Class	1,494	157.9	946,262
World Equity B Class	10,014	166.3	6,021,052

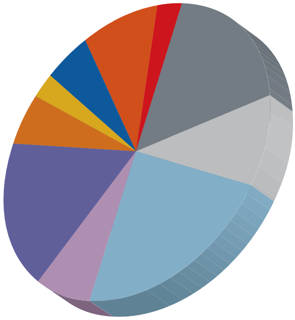
Share Price Performance	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/13			
World Equity A Class	203.7	159.8	196.4
World Equity B Class	215.5	168.3	208.4
During period to 31/12/12			
World Equity A Class	159.3	131.9	158.2
World Equity B Class	167.7	137.9	166.7

Top 10 Holdings: 31/12/13	%
GKN	4.7
Vodafone	4.1
Pfizer	3.9
Pirelli	3.8
International Consolidated Airlines	3.6
Hitachi	3.5
Citigroup	3.5
Bayerische Motoren Werke	3.5
Lloyds Banking	3.3
JPMorgan Chase	3.3
Total	**37.2**

Top 10 Holdings: 31/12/12	%
Super Group (Coffee)	6.3
Pfizer	4.7
Asahi Breweries	4.2
William Hill	3.9
Hutchison Whampoa	3.9
HSBC Holdings	3.7
Salamander Energy	3.6
United Technologies	3.5
Invensys	3.4
Ingersoll-Rand	3.3
Total	**40.5**

Sector Analysis

	31/12/13	31/12/12
Basic Materials	**3.1%**	1.7%
Consumer Goods	**18.5%**	27.3%
Consumer Services	**9.9%**	16.2%
Financials	**22.1%**	12.7%
Health Care	**7.6%**	8.6%
Industrials	**17.9%**	8.4%
Oil & Gas	**5.5%**	10.8%
Technology	**2.5%**	10.3%
Utilities	**–**	–
Telecommunications	**4.0%**	–
Net Current Assets	**8.9%**	4.0%



Fund Managers

Neil Veitch

Market Review

Global equities made further progress in the period under review. Investors were encouraged by signs of improvement in virtually all the major economic zones. The recovery in sentiment towards the Japanese economy was particularly pronounced with economists scrambling to raise their GDP forecasts as 'Abenomics' begun to take hold. The main surprise in the first half of the year was the extent to which a cyclical bull market was led higher by the more 'defensive' sectors. A more normalised pattern of performance was seen in the last six months as higher 'beta' markets such as NASDAQ outperformed.

The major economic event in the second half of the year was the 'will they, wont they' debate around when the Federal Reserve would begin to reduce the level of its asset purchases. After announcing they were going to proceed earlier than anticipated the Federal Reserve then surprised markets by announcing they were deferring their plans. The level of market volatility around these announcements demonstrates the impact unconventional monetary policy has had on market participants – if not the underlying economy!

Portfolio Review

The fund outperformed the benchmark during the review period due to positive stock selection. Asset Allocation, however, was on balance negative with the fund being underweight the US market. Our US positioning is unquestionably the most difficult decision we face as investors: we are incredibly enthusiastic believers in the US economic model but at a company level find valuations high and therefore remain underweight. At a stock specific level the fund enjoyed strong performances from a number of industrial holdings including GKN, Rockwood and Invensys. GKN and Rockwood both benefitted from well-deserved re-ratings as their respective management teams delivered on their strategic plans. After a turbulent stock market existence spanning many years – and a couple of reincarnations – Invensys was finally acquired. Other strong performers included: Pirelli, Ingersoll Rand, Cubist Pharmaceutical and Ohsho Food Service.

The main detractors to performance were the fund's oil and gas positions. The sector – and our holdings – suffered from a combination of poor drilling results and lingering concerns around the long term outlook for the oil price. As we wrote in the interim report we remain unconvinced that the development of unconventional hydrocarbons dramatically alters the longer term dynamics of the energy sector. Nonetheless, we did reduce our energy weighting over the period through a combination of takeover activity and selective sales.

A reduction in defensive positions as they reached our price targets was the main change in the portfolio. Conversely, the financial weighting was increased, notably through the purchases of Danske Bank, Citigroup and Lloyds Bank. The main change in geographic exposure was a significant reduction in our Japanese exposure. We remain underweight the US on valuation grounds.

Outlook

Valuation multiples have expanded, and equities are no longer cheap, but that doesn't mean is no scope for further upside. As long as the global economy continues to heal, equities will remain attractive relative to other asset classes. With the margin for safety reduced, however, stock selection and effective risk management will be paramount.

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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 2013. 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.

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