

SVM ALL EUROPE SRI FUND

Short Report

Period to 31 December 2011



Key Objectives

The investment 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 World Europe Index. The Fund will adopt a positive engagement approach towards investment and enter into meaningful and consistent dialogue with companies to ensure investors in the Fund have their assets working effectively.

Risk Profile

The Fund is exposed to market and currency risks as it invests in European companies. It also invests in companies outside the FTSE 100 Index which can be less liquid and may carry greater risk and volatility. The Fund is exposed to Sterling and a variety of European currencies as well as stockmarket fluctuations. The Fund does not actively hedge the currency risk of the portfolio.

Distribution

XD date: 31 December

Payment date: 30 April (Accumulation shares).

The following distribution was accumulated over the last accounting period.

Income		
	31/12/11 pence per share	31/12/10 pence per share
All Europe SRI A Class	0.3097	Nil
All Europe SRI B Class	1.3129	0.4559

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
All Europe SRI Fund	1.97%	1.23%

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 2011 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	31/12/06 31/12/07	31/12/07 31/12/08	31/12/08 31/12/09	31/12/09 31/12/10	31/12/10 31/12/11
All Europe SRI	+12.9	-38.0	+70.7	+29.5	-15.7

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 31/12/11			
All Europe SRI A class	5,275	137.0	3,851,244
All Europe SRI B class	1,644	142.5	1,153,865
As at 31/12/10			
All Europe SRI A class	5,755	163.1	3,527,642
All Europe SRI B class	1,592	168.5	944,759

Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/11			
All Europe SRI A class	171.8	131.8	138.7
All Europe SRI B class	177.8	136.9	144.3
During period to 31/12/10			
All Europe SRI A class	164.6	118.6	164.6
All Europe SRI B class	170.0	121.9	170.0

Top 10 Holdings: 31/12/11

%

Yule Catto	4.8
Innovation Group	4.3
Vodafone Group	4.2
Elsevier – NV	4.1
Nautical Petroleum	3.8
SABMiller plc	3.3
Ophir Energy	3.2
Salamander Energy	2.9
Centrica Plc	2.9
Premier Oil	2.9
Total	36.4

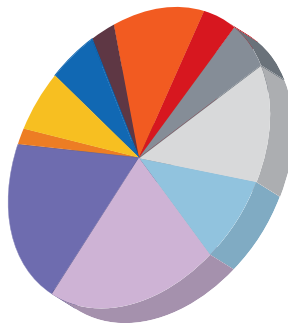
Top 10 Holdings: 31/12/10

%

Yule Catto	4.8
Nautical Petroleum	4.5
Danske Bank	4.2
IMI	4.1
Statoil Fuel & Retail	4.0
Reed Elsevier	3.7
Premier Oil	3.7
Tate & Lyle	3.6
DnB NOR	3.5
Gulfsands Petroleum	3.3
Total	39.4

Sector Analysis

	31/12/11	31/12/10
Basic Materials	4.8%	7.7%
Consumer Goods	6.1%	4.4%
Consumer Services	13.1%	12.3%
Financials	8.7%	11.5%
Industrials	20.7%	26.9%
Oil & Gas	19.4%	24.8%
Real Estate	1.9%	1.9%
Technology	6.1%	2.5%
Telecommunications	5.1%	–
Utilities	2.9%	0.1%
Net Current Assets	11.2%	7.9%



Fund Managers



Neil Veitch



Hugh Cuthbert

As bottom-up stock pickers, 2011 has been a frustrating year. Correlations within markets have remained elevated as investors oscillate between 'risk-on' and 'risk-off' in response to macroeconomic developments. Although the trend towards increased correlations has been evident for a number of years it has recently accelerated. High correlations and increased risk aversion provide a significant headwind to mid-cap biased strategies. Consequently, the fund slightly underperformed its benchmark. Nevertheless, we believe the opportunity set in the less well researched areas of the market is significant and will deliver superior performance over the longer term.

Although asset allocation at the headline level looks to have been strongly positive, it masks some important divergences. In aggregate the UK market significantly outperformed the broader European index but this was driven by the defensive nature of the 'mega-cap' stocks; both the small-cap

and mid-cap indexes underperformed by more than ten per cent. The benefit of our heavy UK overweight was therefore somewhat negated by the small and mid cap focus. Furthermore, while the fund was overweight energy it was again positioned away from the outperforming oil majors such as Royal Dutch, and instead focused on the higher growth exploration and production sector. Historically, the E&P space has been the best way to gain exposure to a higher oil price, but 2011 was the first year since 1992 that the price of crude has increased and the sector has underperformed.

Notable contributors to performance were Babcock Plc, Innovation Group and Petroceltic. The main detractors from performance were Nautical Petroleum, DNB and HSBC.

Major portfolio activity was focused on increasing the fund's net exposure to the market through selective additions to existing holdings and outright new purchases. New positions included IMI, Invensys, Daimler and Kvaerner. A number of holdings were exited. With recent actions from the ECB appearing to have significantly reduced the downside risks to the European economy we believe that equities should enjoy a good 2012.

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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 period ending 31 December 2011. 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. Investing in smaller companies may increase the volatility of your investment. Currency movements may cause the value of your investment to fall as well as rise.

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