

SVM Continental Europe Fund Short Report



Period to 30 June 2007

Investment Objective

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 World Europe ex UK Index.

Risk Profile

The Fund is exposed to market and currency risk as it invests in European companies. 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		
	31/12/06 pence per share	31/12/05 pence per share
Continental Europe A class	0.4681	0.3337
Continental Europe B class	1.3101	1.0317

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
Continental Europe Fund	1.74 %	1.35 %

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 6 months

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2007 Interim Report and Accounts. The figures are intended to provide an indication of the Total Expenses Ratio and will vary from year to year.

Fund Performance

Percentage growth for each year to last quarter end	30/06/02 30/06/03	30/06/03 30/06/04	30/06/04 30/06/05	30/06/05 30/06/06	30/06/06 30/06/07
Continental Europe	-5.8	+10.3	+24.7	+35.2	+31.3

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 30/06/07			
Continental Europe A class	19,190	273.61	7,013,432
Continental Europe B class	1,326	282.51	469,486
As at 31/12/06			
Continental Europe A class	12,190	233.68	5,216,244
Continental Europe B class	739	240.55	307,119

Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
During period to 30/06/07			
Continental Europe A class	279.90	233.40	273.80
Continental Europe B class	288.70	240.30	282.70
During period to 31/12/06			
Continental Europe A class	234.7	191.7	234.7
Continental Europe B class	241.6	196.2	241.6












Top 10 Holdings: 30/06/07 %

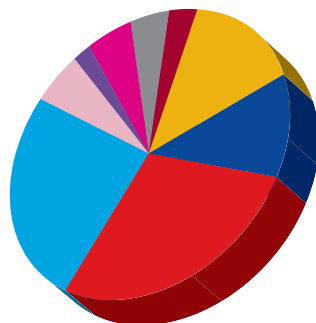
Baywa	3.7
Koninklijke Bam	3.3
Wuestenrot And Wuerttemberg	2.9
Banque Cantonale Vaudoise	2.7
CRH	2.7
Sechilienne-Sedec	2.7
National Bank of Greece	2.6
Sonae	2.5
Kone	2.5
Mekonomen	2.4

Top 10 Holdings: 31/12/06 %

Kloeckner	3.3
Semapa	3.2
Ringkjoebing Landobank	3.2
BNP Paribas	3.2
CRH	3.1
Unicredito Italiano	2.9
Total	3.0
Allianz	2.9
Brisa Auto Estradas	2.9
MTU Aero Engines	2.8

Sector Analysis

	30/06/07	31/12/06
 Basic Materials	3.5%	8.0%
 Consumer Goods	14.8%	8.2%
 Consumer Services	11.5%	7.2%
 Financials	28.2%	34.9%
 Healthcare	0.0%	0.0%
 Industrials	25.5%	21.4%
 Oil & Gas	5.3%	5.3%
 Technology	0.0%	2.2%
 Telecommunications	1.9%	4.0%
 Utilities	4.9%	4.5%
 Net Current Assets	4.4%	4.3%



Fund Manager



Hugh Cuthbert

In the first half of 2007 the FTSE World Europe ex UK index posted only two months of negative returns highlighting the equity market's reaction to what has been an extremely healthy period for European economies. The strength of the German domestic economy has continued to surprise on the upside whilst in France markets took comfort from Nicolas Sarkozy's victory over the socialist candidate Ségolène Royal.

Much of the bad news during the period tended to originate from outside the confines of Europe with the Chinese and US markets in particular providing the catalysts for many of the market jitters. This was particularly evident in February when by the third week of the month the index had posted a 4.0% gain only to lose all and more in the following week ending the month down -0.5%.*

Bearish comments from former Federal Reserve Chairman Alan Greenspan and talk of capital gains tax for the Chinese equity market were identified as the most likely causes of this volatility. Following the great run we have seen for European equity markets, the future direction of the market is increasingly likely to be negatively affected by such external shocks such as these however bright European prospects may look in isolation.

The Fund outperformed the index over the period. Our most overweight country positions, Germany and Portugal served us well. On a stock specific basis the returns were well spread across the portfolio but of particular note was the good returns from some of our largest holdings such as Fiat, Klöckner; Semapa and Mota Engil. Few stocks ended in negative territory but of those that did the majority had temporarily fallen out of favour rather than delivered some form of negative news flow.

*Source; Lipper Hindsight to 28/02/07

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

Report and Accounts

This document is a short report for a sub-fund of the SVM Funds ICVC taken from the Interim Report and Accounts 30 June 2007. 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.

Contacts

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