

SVM UK GROWTH FUND

Formerly known as SVM UK100 Select Fund

Short Report

Period to June 2011



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

This Fund invests principally in securities listed on the London Stock Exchange. From time to time, when particular opportunities are identified, this Fund may invest in securities which are dealt in or traded on the London Stock Exchange but outside the FTSE 100 Index or which are otherwise permitted for this Fund.

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 Growth A Class	Nil	0.7839
UK Growth B Class	0.4394	2.1253

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 Growth Fund	1.88%	1.14%

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 6 months X 100

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 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	30/06/06 30/06/07	30/06/07 30/06/08	30/06/08 30/06/09	30/06/09 30/06/10	30/06/10 30/06/11
UK Growth	+20.7	+2.3	-22.3	+21.3	+29.9

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 30/06/11			
UK Growth A class	21,981	229.3	9,588,032
UK Growth B class	23,193	240.3	9,653,728
As at 31/12/10			
UK Growth A class	13,758	227.6	6,044,863
UK Growth B class	261	237.3	110,142

Share Price Performance			
	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 30/06/11			
UK Growth A class	236.0	215.4	231.1
UK Growth B class	247.0	225.0	242.2
During period to 31/12/10			
UK Growth A class	230.2	169.1	230.0
UK Growth B class	240.1	175.2	239.9

Top 10 Holdings: 30/06/11

%

Burberry	3.9
Arm Holdings	3.6
Petrofac	3.1
Shire Pharmaceuticals	2.9
BG Group	2.8
Great Portland Estates	2.6
Yule Catto	2.5
Premier Oil	2.5
Fresnillo	2.5
Tullow Oil	2.4
Total	28.8

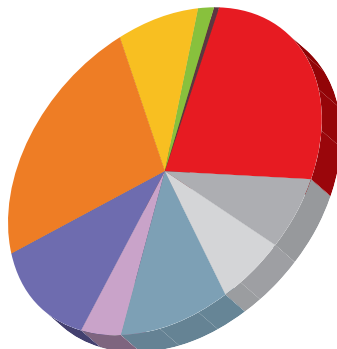
Top 10 Holdings: 31/12/10

%

Fresnillo	3.8
Xstrata	3.8
Rio Tinto	3.6
Burberry	3.6
Arm Holdings	3.2
New Britain Palm Oil	3.0
GKN plc	2.9
Croda	2.8
Petrofac	2.8
Nautical Petroleum	2.5
Total	32.0

Sector Analysis

	30/06/11	31/12/10
Basic Materials	25.6%	36.7%
Consumer Goods	6.8%	7.2%
Consumer Services	6.1%	9.3%
Financials	11.0%	9.4%
Healthcare	4.6%	2.0%
Industrials	12.8%	5.8%
Oil & Gas	23.9%	22.9%
Technology	8.0%	6.8%
Telecommunications	1.7%	–
Contracts for Difference	(0.2%)	–
Net Other Liabilities	(0.3%)	(0.1%)



Fund Managers



Margaret Lawson



Colin McLean

The end of June signalled the end of a tough 6 month for Equities. Macro headwinds and heightened economic uncertainty, arising from a sovereign debt crisis in Europe, a slowing US economy, the Japanese tsunami and rising inflation expectations in developed and emerging markets all conspired to undermine an already fragile recovery. With little conviction amongst investors, markets made disappointing progress during the period.

As Macro indicators pointed to a slowing economy worldwide, investors became apprehensive about the near and longer term economic outlook. With growth slowing and profit expectations vulnerable, there was a fall in risk appetite and a preference for defensive, large cap stocks during the period with tobaccos, pharma, personal care and insurance outperforming.

The global environment has become more challenging. Economies are now facing structural headwinds of indebtedness, high unemployment, fiscal austerity and ongoing consumer deleveraging. The odds for the G10 facing a growth recession in the remainder of 2011/12 have increased.

SVM performance during the period was disappointing (+0.48 vs. FTSE All-Share 2.96%). Our strategy of avoiding banking shares and consumer discretionary stocks contributed favourably, but the underperformance of oils, basic resources and industrials delivered a poor performance as investors adopted a cautious stance to stocks leveraged to global growth. However unless earnings expectations are revised significantly equities are attractive. As growth becomes scarce throughout the economy, investors will be more willing to pay up for stocks that offer superior growth prospects, avoid excessive debt and generate cash. This is the strategy of the SVM UK Growth Fund.

In our portfolio, core holdings such as Burberry, Shire, ARM, Fresnillo and Croda have continued to deliver above expectations. SVM Growth is focused on stocks which are global champions and financially robust, offering a combination of brand strength (Burberry), niche market focus (Shire, Croda) technology strength, an attractive business model (ARM), and exceptional management capability (Fresnillo). Alongside we have a selection of stocks which offer significant upside from self-help and a refocusing of their business model such as Filtrona, Booker and DS Smith. The portfolio is well placed to outperform should macro economic uncertainty begin to subside over the coming months.

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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 30 June 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.

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