

# SVM ALL EUROPE SRI FUND

## Short Report

Year to 31 December 2013



### 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		
	31/12/13 pence per share	31/12/12 pence per share
All Europe SRI A Class	Nil	0.6863
All Europe SRI B Class	1.4334	1.8468

### 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
All Europe SRI Fund	2.01%	1.26%

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	31/12/08 31/12/09	31/12/09 31/12/10	31/12/10 31/12/11	31/12/11 31/12/12	31/12/12 31/12/13
All Europe SRI	70.7	29.5	-15.7	17.4	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 31/12/13			
All Europe SRI A Class	7,391	210.3	3,514,998
All Europe SRI B Class	9,090	222.1	4,092,947
As at 31/12/12			
All Europe SRI A Class	7,896	162.0	4,874,023
All Europe SRI B Class	1,962	169.7	1,155,770

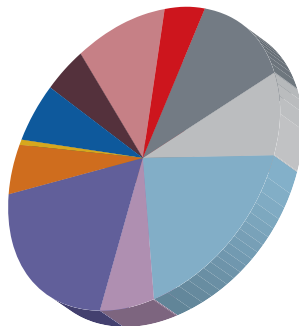
Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/13			
All Europe SRI A Class	212.0	165.6	210.7
All Europe SRI B Class	223.9	173.5	222.5
During period to 31/12/12			
All Europe SRI A Class	163.1	139.2	162.8
All Europe SRI B Class	170.9	145.2	170.6

Top 10 Holdings: 31/12/13	%
Vodafone	4.5
GKN	4.5
Bayerische Motoren Werke	4.5
Innovation	4.1
Aareal Bank	3.4
Danske Bank	3.4
Norcros	3.3
Informa	3.1
Credit Suisse	3.1
Bodycote	3.0
<b>Total</b>	<b>36.9</b>

Top 10 Holdings: 31/12/12	%
William Hill	3.9
Kerry Group	3.8
Elsevier-NV	3.8
GKN	3.7
Innovation Group	3.6
Salamander Energy	3.6
Invensys	3.5
Silverdell	3.4
HSBC Holdings	3.0
Huhtamaki	2.7
<b>Total</b>	<b>35.0</b>

## Sector Analysis

	31/12/13	31/12/12
<b>Basic Materials</b>	<b>5.2%</b>	3.5%
<b>Consumer Goods</b>	<b>12.9%</b>	14.4%
<b>Consumer Services</b>	<b>9.3%</b>	15.5%
<b>Financials</b>	<b>18.9%</b>	4.8%
<b>Health Care</b>	<b>6.2%</b>	4.1%
<b>Industrials</b>	<b>21.3%</b>	18.0%
<b>Oil &amp; Gas</b>	<b>5.1%</b>	15.5%
<b>Real Estate</b>	<b>0.8%</b>	3.7%
<b>Technology</b>	<b>5.6%</b>	10.3%
<b>Telecommunications</b>	<b>4.5%</b>	2.5%
<b>Utilities</b>	–	2.4%
<b>Net Current Assets</b>	<b>10.2%</b>	5.3%



## Fund Managers



**Neil Veitch**



**Hugh Cuthbert**

### Market Review

European 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 UK economy was particularly pronounced with economists scrambling to raise their GDP forecasts. The main surprise in the first half of the year was the extent to which the market was led higher by the more 'defensive' sectors. A more normalised pattern of performance was seen in the last six months as 'cyclical' stocks appreciated in tandem with the improving economic outlook.

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. At a stock specific level the fund enjoyed strong

performances from a number of industrial holdings including GKN, Norcros and Invensys. GKN and Norcros 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. The holding was one of the best performers for the fund in both 2012 and 2013 – the share price more than doubling in a little under twelve months. Other strong performers included: Vodafone, Huhtamki, Stada and Deutz

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, Aberdeen Asset Management and Aareal Bank.

### 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](http://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](mailto: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.

## Contacts

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