

SVM CONTINENTAL EUROPE FUND

Short Report

Year to 31 December 2013



Key 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 World Europe ex UK Index.

Risk Profile

The Fund is exposed to currency and market risks 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		
	31/12/13 pence per share	31/12/12 pence per share
Continental Europe A Class	Nil	Nil
Continental Europe B Class	1.7308	1.7844

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
Continental Europe Fund	2.02%	1.27%

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
Continental Europe	21.6	20.9	-21.1	18.7	28.9

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			
Continental Europe A Class	13,691	339.2	4,035,951
Continental Europe B Class	3,258	367.8	885,714
As at 31/12/12			
Continental Europe A Class	13,647	264.0	5,169,390
Continental Europe B Class	2,741	284.1	964,615

Share Price Performance			
	Highest share price in pence	Lowest share price per share	Price as at period end
During period to 31/12/13			
Continental Europe A Class	340.6	268.4	339.7
Continental Europe B Class	369.2	288.9	368.3
During period to 31/12/12			
Continental Europe A Class	267.6	217.2	263.5
Continental Europe B Class	287.9	233.0	283.6

Top 10 Holdings: 31/12/13

%

Aareal Bank	6.1
Axa	5.1
Deutz	4.9
Patrizia Immobilien	4.6
Wincor Nixdorf	4.2
Carrefour	3.8
Huhtamaki	3.8
Danske Bank	3.6
Sky Deutschland	3.5
Opus	3.4
Total	43.0

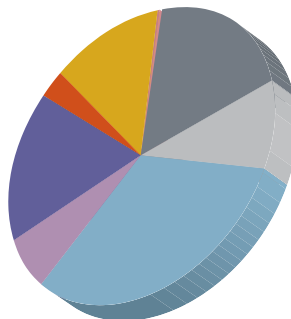
Top 10 Holdings: 31/12/12

%

Tag Immobilien	7.2
Carrefour	4.2
Atos Origin	3.7
Allianz	3.7
Societe Generale	3.5
Axa	3.4
Nutreco	3.4
Banco Espirito Santo	3.3
Total	3.1
Roche Holdings AG	3.0
Total	38.5

Sector Analysis

	31/12/13	31/12/12
Basic Materials	–	2.3%
Consumer Goods	19.3%	14.1%
Consumer Services	9.7%	9.0%
Financials	31.9%	34.3%
Healthcare	7.0%	7.1%
Industrials	16.4%	8.5%
Oil & Gas	2.9%	5.7%
Technology	12.4%	11.0%
Telecommunications	–	1.9%
Utilities	–	2.5%
Net Current Assets	0.4%	3.6%



Fund Managers



Hugh Cuthbert

Market Review

European shares rose strongly in 2013 reflecting the nascent recovery in the region and the tentative emergence from recession for the Euro block as a whole. Fears of a renewed sovereign debt crisis faded as the year progressed, though not all was plain sailing. Cyprus caused ructions when an EU bail-out package included a haircut on bank deposits, Portuguese government debt yields soared above 8% as the finance and foreign secretaries resigned, whilst in Italy the government's very stability was questioned as Silvio Berlusconi attempted to save his political career. Even in the US government shutdown and failure to reach agreement over the enormous government debt pile was insufficient to stem the stock market rise.

Perhaps of most significance was the policy direction of the world's central bankers with focus on the US of particular relevance as Ben Bernanke at first hinted and then acted on a slowdown in the pace of quantitative easing. But none of these events could undermine the clear recovery and stabilization seen in Europe's economic outlook over the course of the year.

Portfolio Review

The fund outperformed the index over the course of the year. Financial stocks were among the better performers with Aareal Bank of Germany delivering the largest contribution. The company has obviously benefitted from the easing of sovereign debt spreads particularly in Italy which accounts for a substantial portion of the balance sheet. German broadcaster Sky Deutschland rose in excess of 90% as the company not only returned to profitability but also now has secured the all-important Bundesliga rights which should greatly aid future subscriber growth. Small

and midcap stocks such as Opus Group, Wincor Nixdorf and Deutz also contributed to the outperformance.

The key detractor from fund performance was Pescanova of Spain. This wild and farmed fish company issued a shock announcement in February stating they were in financial difficulty and would either have to sell assets or renegotiate bank terms. Further disclosure highlighted false accounting which had massively understated the company's debt position. We sold the shares in the small window of opportunity which was presented to us. The other 2 worst performers were Partnership Group a UK annuity provider and truck maker Volvo. Partnership has seen its underlying market slow due to a number of factors largely out-with the company's control and so despite this disappointment we see good opportunity for the shares to recover. With Volvo we were clearly too early to anticipate a recovery but when it comes the measures management have taken to control costs should see a sharp turnaround in the company's fortunes.

Some of the more significant new holdings introduced over the period were Opus Group, a Swedish MOT testing company, German engineer Deutz, Vesta Wind System of Denmark and IT specialist Compugroup Medical of Germany. We also participated in a number of IPO's including the Royal Mail group and Merlin Entertainments. Among the more significant sales Osram Licht ag and TAG Immobilien were divested as price targets were reached whilst Jazztel and Infineon were also sold as their business prospects deteriorated. Long term holding Nestle was also sold as the company's emerging market growth appears to be slowing.

Outlook

A sustainable recovery in European economies is now required for equities to make any further progress in 2014. A number of dangers still exist which could knock such a scenario off-track not least the ability of policy makers to successfully wean markets off the abundant liquidity they have supplied since the financial crisis without any unintended consequences. The European recovery remains sporadic and prone to both internal and external shocks but on a relative basis the market remains fairly valued affording a host of opportunities should corporates continue to deliver.

0800 0199 440
www.svmonline.co.uk

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.

Contacts

Authorised Corporate Director and Investment Manager

SVM Asset Management Limited
7 Castle Street
Edinburgh EH2 3AH
Email: info@svmonline.co.uk
Web: www.svmonline.co.uk
Authorised and regulated by the
Financial Conduct Authority

Depository

State Street Trustees Limited
525 Ferry Road
Edinburgh EH5 2AW

Custodian

State Street Bank and Trust Company
525 Ferry Road
Edinburgh EH5 2AW

Administrator

International Financial Data
Services (UK) Limited
SVM Asset Management Limited
PO Box 11967
Chelmsford CM99 2DS
Shareholder Services: 0845 358 1108
Dealing: 0845 066 1110
Fax: 01733 285 681

Auditors

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh EH3 8BL