

SVM CONTINENTAL EUROPE FUND

Short Report

Period to 30 June 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		
	31/12/12 pence per share	31/12/11 pence per share
Continental Europe A Class	Nil	0.9781
Continental Europe B Class	1.7844	3.0275

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 30 June 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	30/06/08 30/06/09	30/06/09 30/06/10	30/06/10 30/06/11	30/06/11 30/06/12	30/06/12 30/06/13
Continental Europe	-24.9	16.6	33.2	-20.8	27.0

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

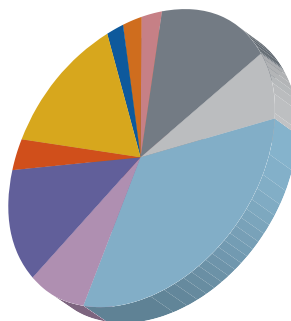
Net Asset Values			
	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/13			
Continental Europe A Class	12,930	287.7	4,495,292
Continental Europe B Class	2,355	310.7	757,887
As at 31/12/12			
Continental Europe A Class	13,647	264.0	5,169,390
Continental Europe 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 30/06/13			
Continental Europe A Class	304.8	268.4	287.2
Continental Europe B Class	329.1	288.9	310.2
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: 30/06/13	%	Top 10 Holdings: 31/12/12	%
Patrizia Immobilien	4.8	Tag Immobilien	7.2
Carrefour	4.7	Carrefour	4.2
Axa	4.3	Atos Origin	3.7
Wincor Nixdorf	3.9	Allianz	3.7
Roche Holdings AG	3.7	Societe Generale	3.5
Holcim	3.6	Axa	3.4
Aareal Bank	3.6	Nutreco	3.4
Volvo	3.5	Banco Espirito Santo	3.3
Sky Deutschland	3.5	Total	3.1
Partnership Assurance	3.3	Roche Holdings AG	3.0
Total	39.0	Total	38.5

Sector Analysis

	30/06/13	31/12/12
Basic Materials	–	2.3%
Consumer Goods	15.3%	14.1%
Consumer Services	8.2%	9.0%
Financials	31.0%	34.3%
Healthcare	8.3%	7.1%
Industrials	13.6%	8.5%
Oil & Gas	3.3%	5.7%
Technology	13.9%	11.0%
Telecommunications	1.8%	1.9%
Utilities	2.3%	2.5%
Net Current Assets	2.3%	3.6%



Fund Managers



Hugh Cuthbert

Market Review

European equities got off to a good start in 2013 as peripheral debt markets showed signs of stabilisation with both Spain and Portugal receiving strong support for government bond issues. Supportive actions, and words, from central banks also reinforced the commitment from the ECB's Mario Draghi to do "whatever it takes" to ensure the survival of the Euro. Various political events such as the inconclusive Italian election result, the US political stalemate over budgetary constraints and the levy on Cypriot deposits threatened to derail the rally, but as clear evidence of the market's reliance on cheap and plentiful money, it was Ben Bernanke's hints that quantitative easing would at some stage be reduced that tapered returns towards the end of the period.

Portfolio Review

The fund underperformed the benchmark returning 9.0% against a benchmark return of 10.9%.

The key detractor to performance was Pescanova of Spain which cost over 2.4% of performance. The management of the company issued a totally unexpected press release stating the annual report

and accounts could not be formulated until either the company's debt could be renegotiated or certainty over the sale of certain fish farming assets could be achieved. Subsequent news-flow has highlighted large discrepancies in the company's accounts and clear evidence of fraud. We sold our entire holding at the first available opportunity. Only one other stock fell by more than 10% over the period and that was Swedish truck maker Volvo which fell by 14% dragged down by a continued lack of recovery in US and European markets. On a positive note Unicredit, Roche, United Internet and Sky Deutschland all returned in excess of 30%. We have subsequently reduced our holdings in all 4 including an outright sale of Unicredit.

Other activity included sales of Banco Espirito de Santo, Banco Popular, Societe Generale and Banco Santander as the Cyprus and Italian news warranted less exposure to peripheral markets. Notable purchases included German engine manufacturer Deutz, software company CompuGroup Medical and annuity provider Partnership Assurance Group.

Outlook

Despite the persistent risk from peripheral Europe, the support of central banks, the search for yield and the hope of a second half recovery in corporate earnings are all supportive factors for European equities. Valuations have risen, but scope still remains for earnings to be upgraded in many industries which are only now seeing the first glimmers of a recovery.

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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 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

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