



UK Active  
October 2008





## Colin McLean – UK Active Manager & Managing Director

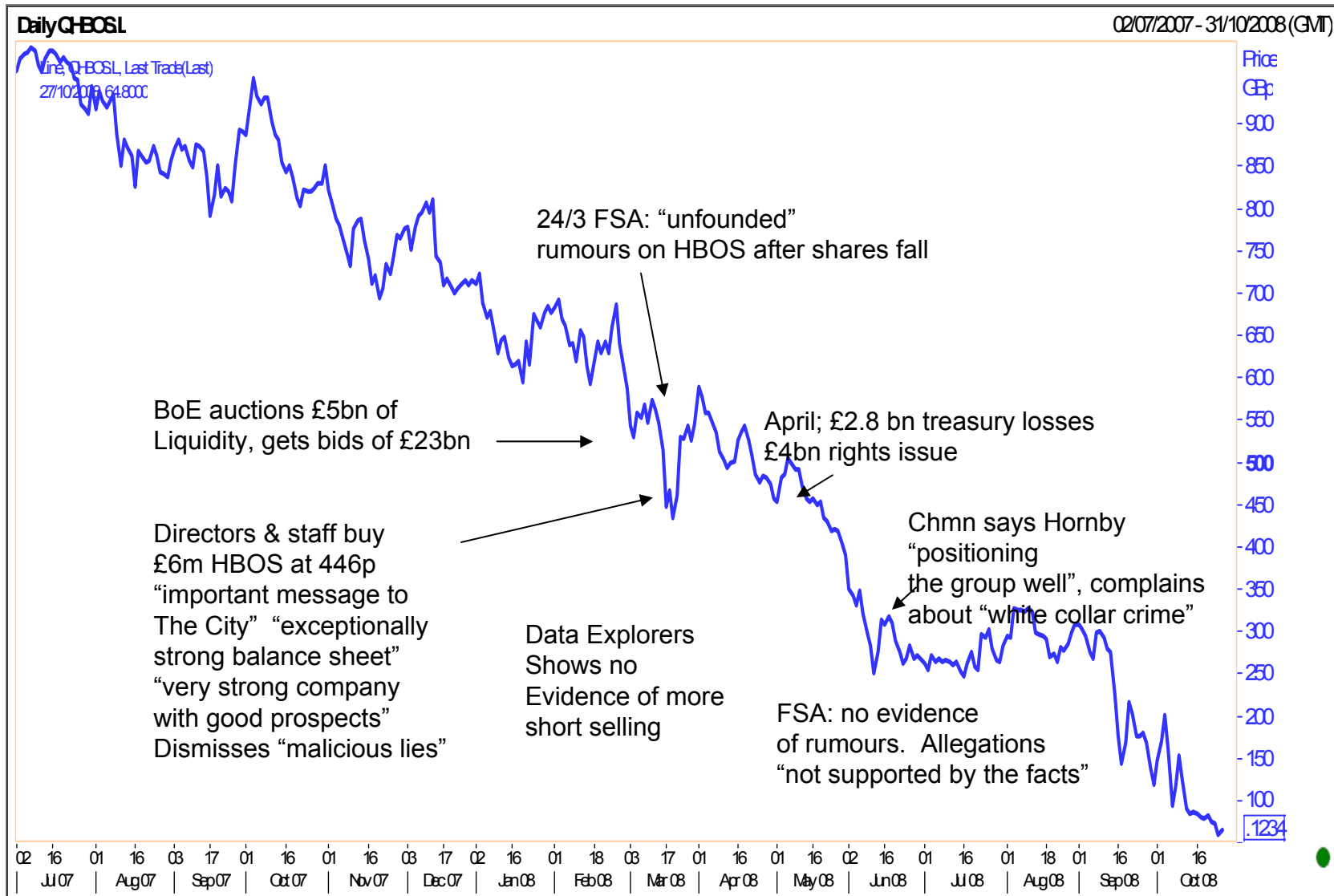
Colin has over 30 years' investment experience and is widely regarded as one of the UK's top stockpicking analysts. Prior to establishing SVM Asset Management in 1990, he held senior positions with three major financial institutions. He was Head of Investment of two UK life assurers, FS Assurance and Scottish Provident, before being Managing Director of Templeton International's European operations. His sector responsibilities include UK banks, insurance and mining



## Hector Kilpatrick – Deputy Fund Manager

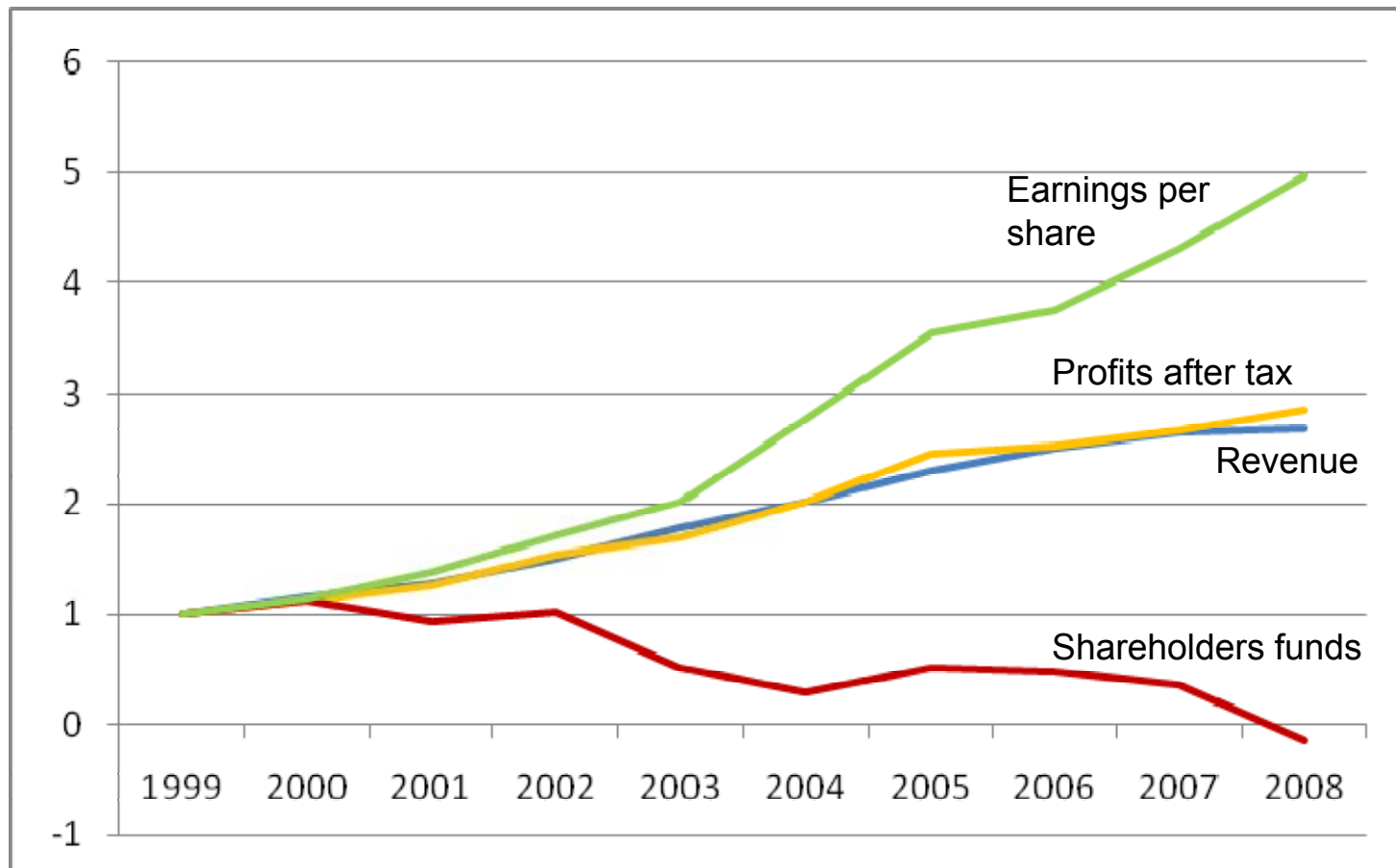
Hector joined SVM having worked as a senior member of the European equities team at Standard Life Investments. He is an Associate of the Society of Investment Professionals. Hector holds a MBA in Strategic Management and a MSc in Aquatic Resource Management. Hector manages the SVM UK Alpha Fund and is responsible for researching European pharmaceuticals, basic industrials and UK support services.

# HBOS



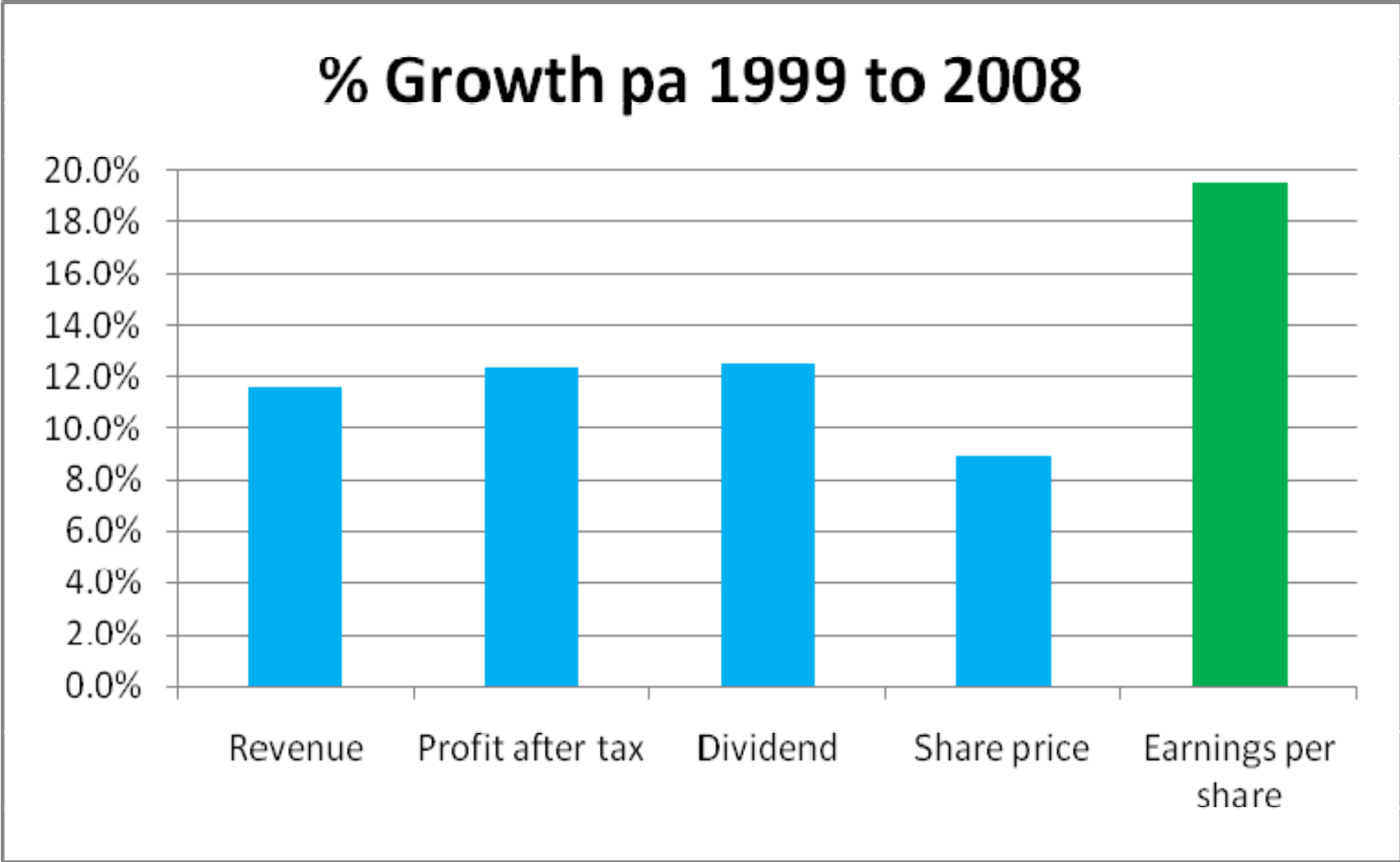
Source;Retuers

# Next plc: 10 years' revenue, post tax profit, EPS & shareholder funds



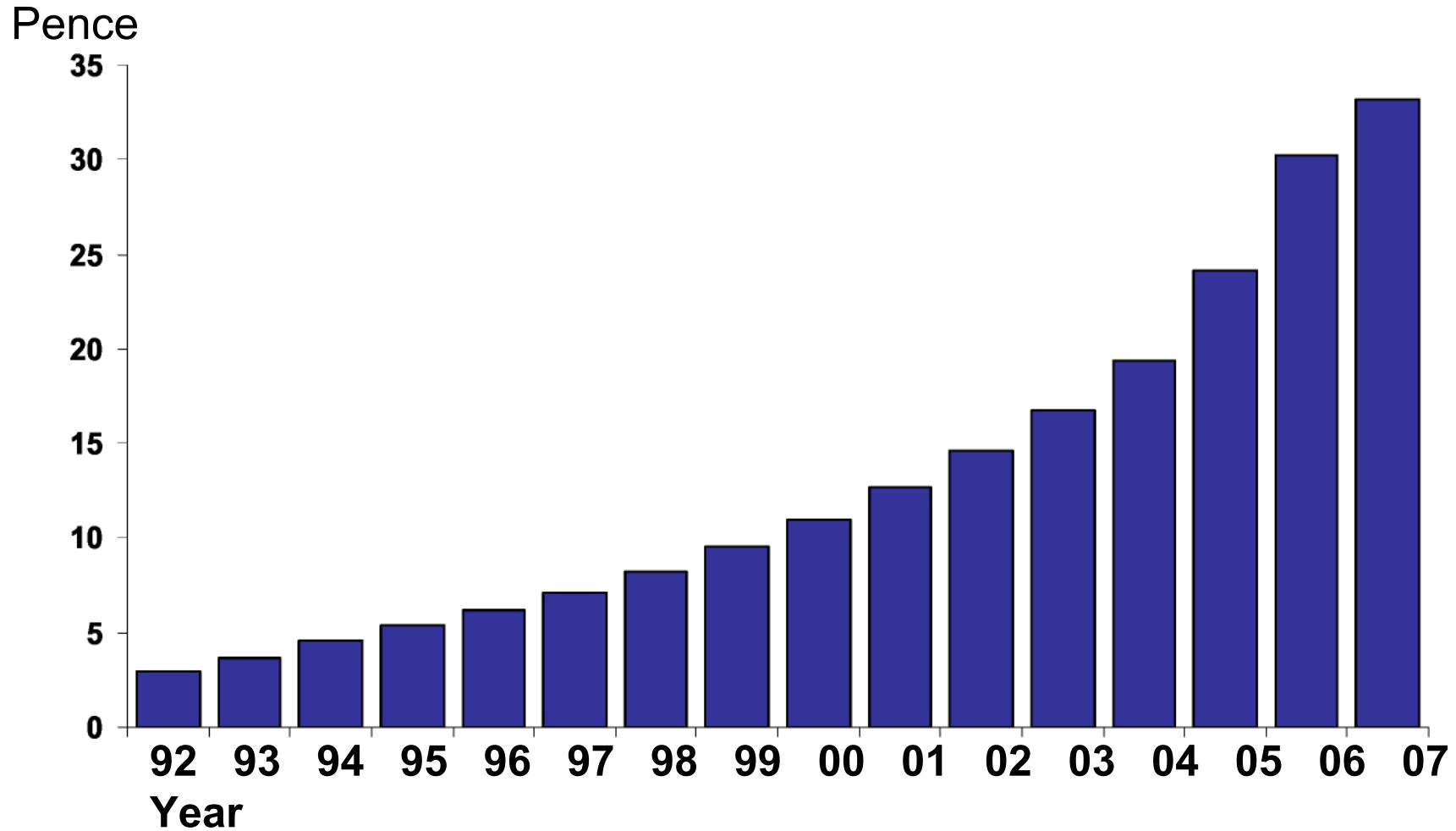
Source Next plc, SVM graph, indexed to base 1

Next plc:



Source: Next plc, SVM graph

# Dividends Per Share\*



\*prior period data have been restated to reflect the two for one bonus issue of ordinary shares in May 2007

Source: RBS

# Selected Price Earnings Ratios

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	p/e
Punch Taverns	2.3x
Yell	1.8x
Ferrexpo	1.7x
Uniq	4.8x

(per analysts, prospective)

# 3 Year Relative Performance to Date



## Yell



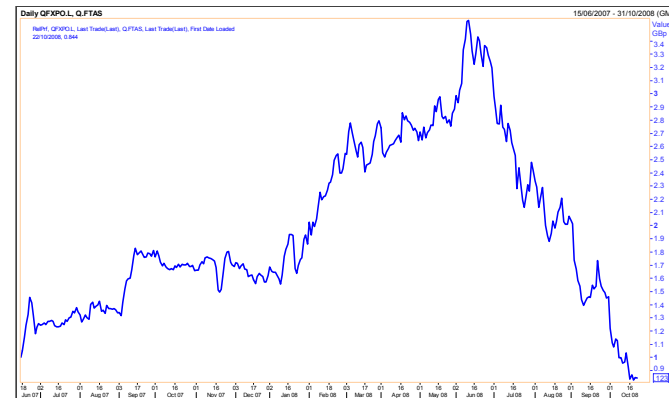
## Punch Taverns



## Uniq



## Ferrexpo

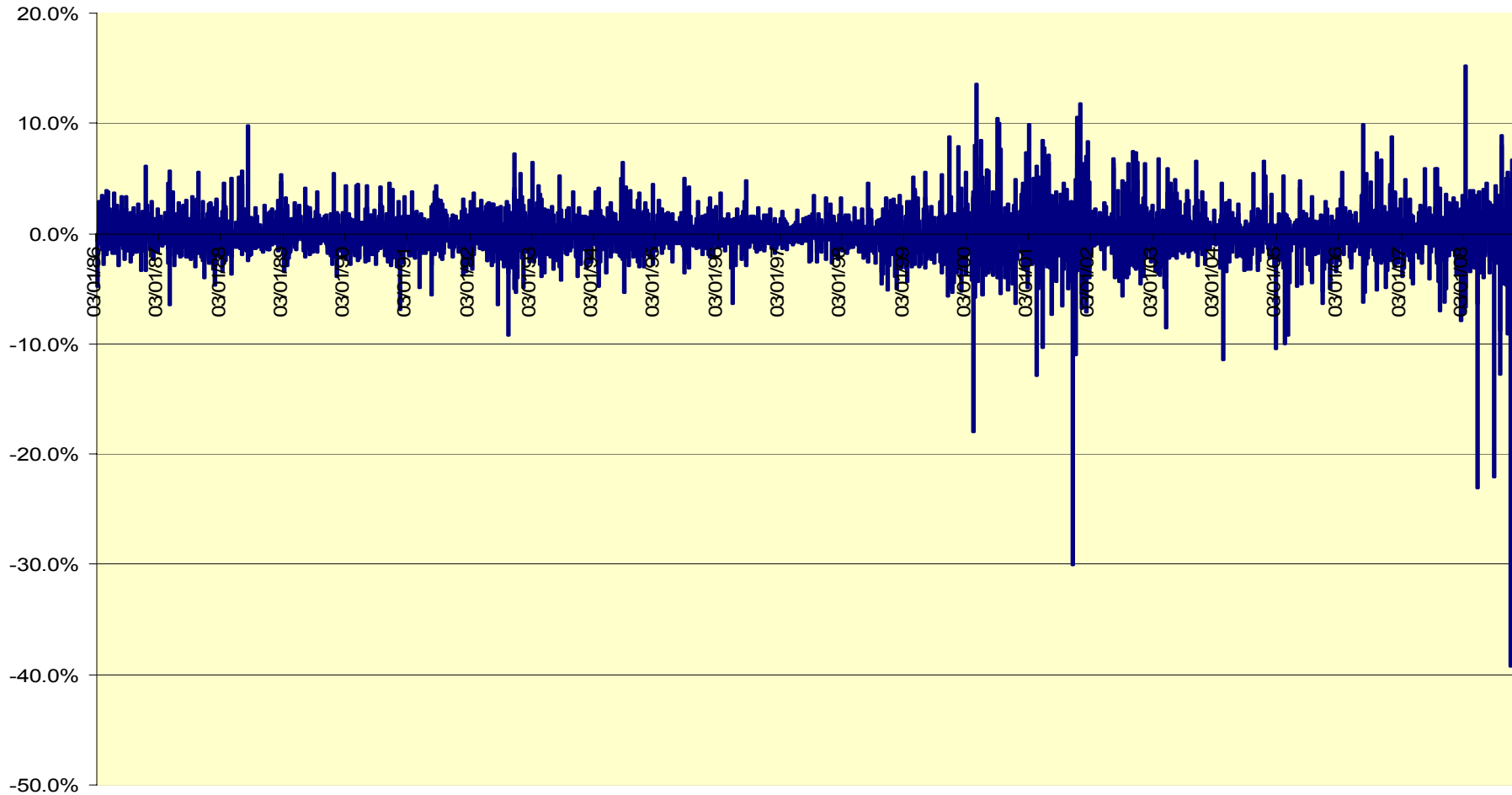


# VIX Volatility



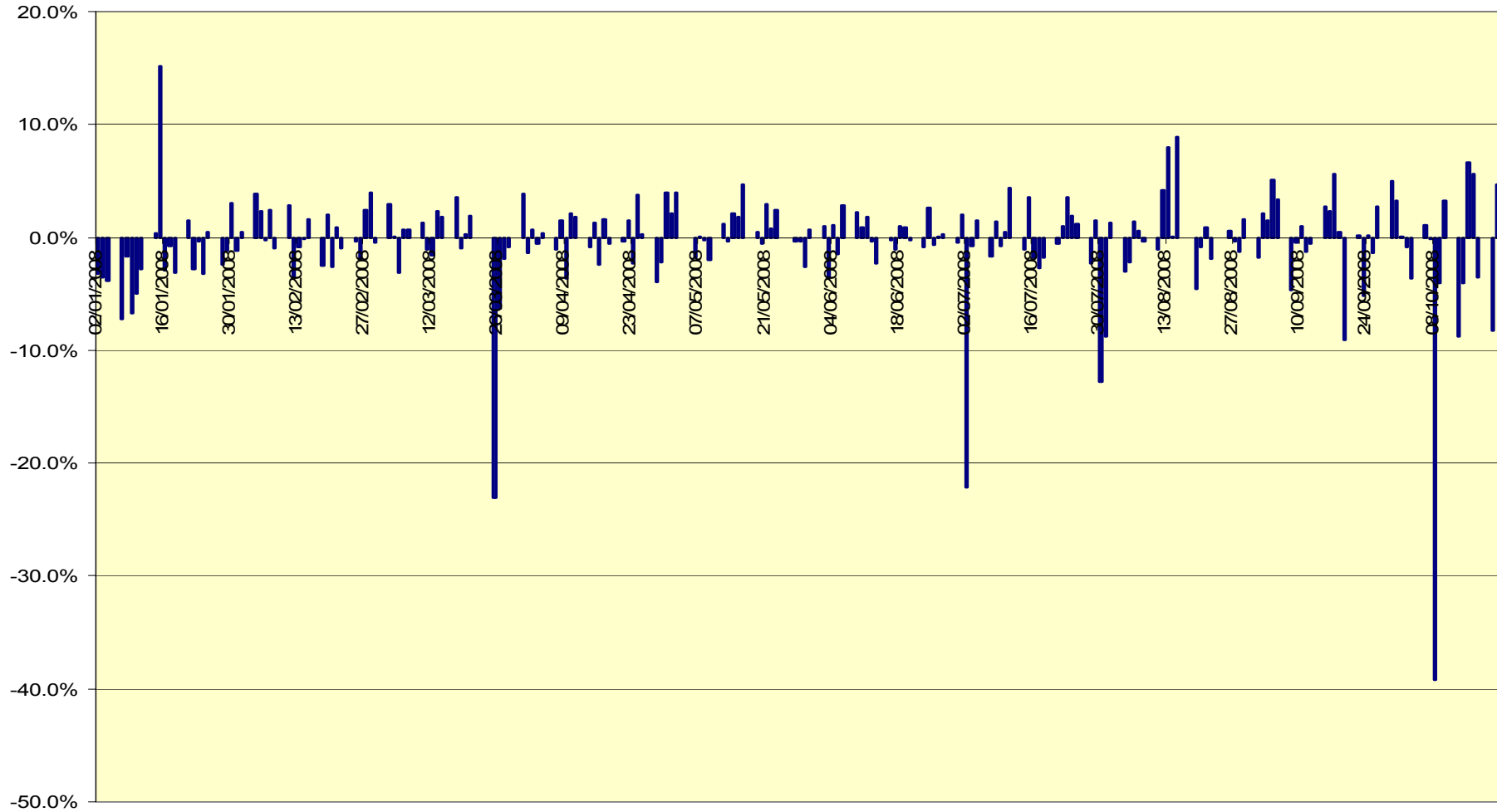
Source: Reuters

# Uniq Daily Relative Moves 1986 to date



Source: Reuters

# Uniq Daily Relative Moves 2008

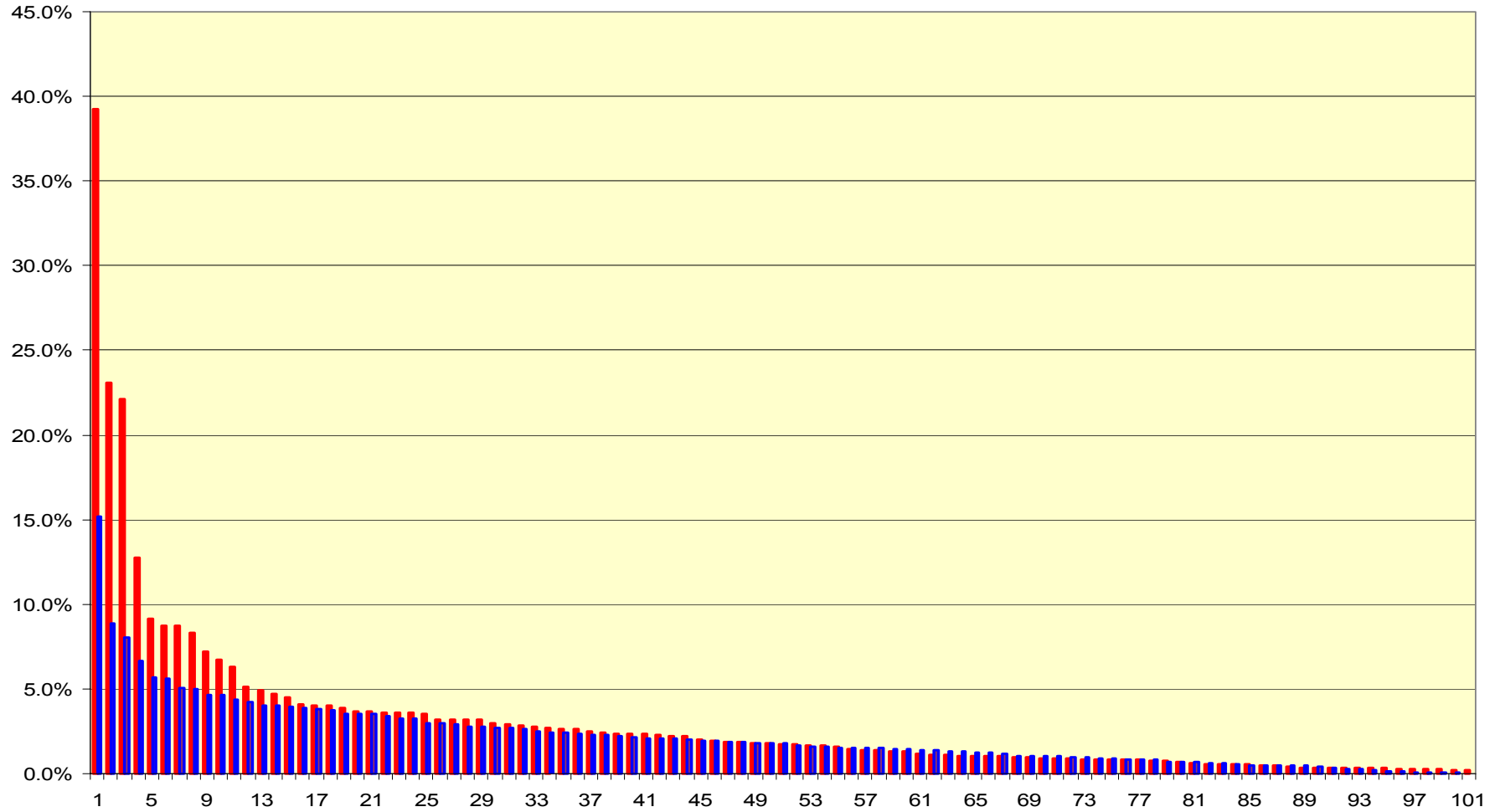


Source: Reuters



Source: Reuters

# Uniq 2008



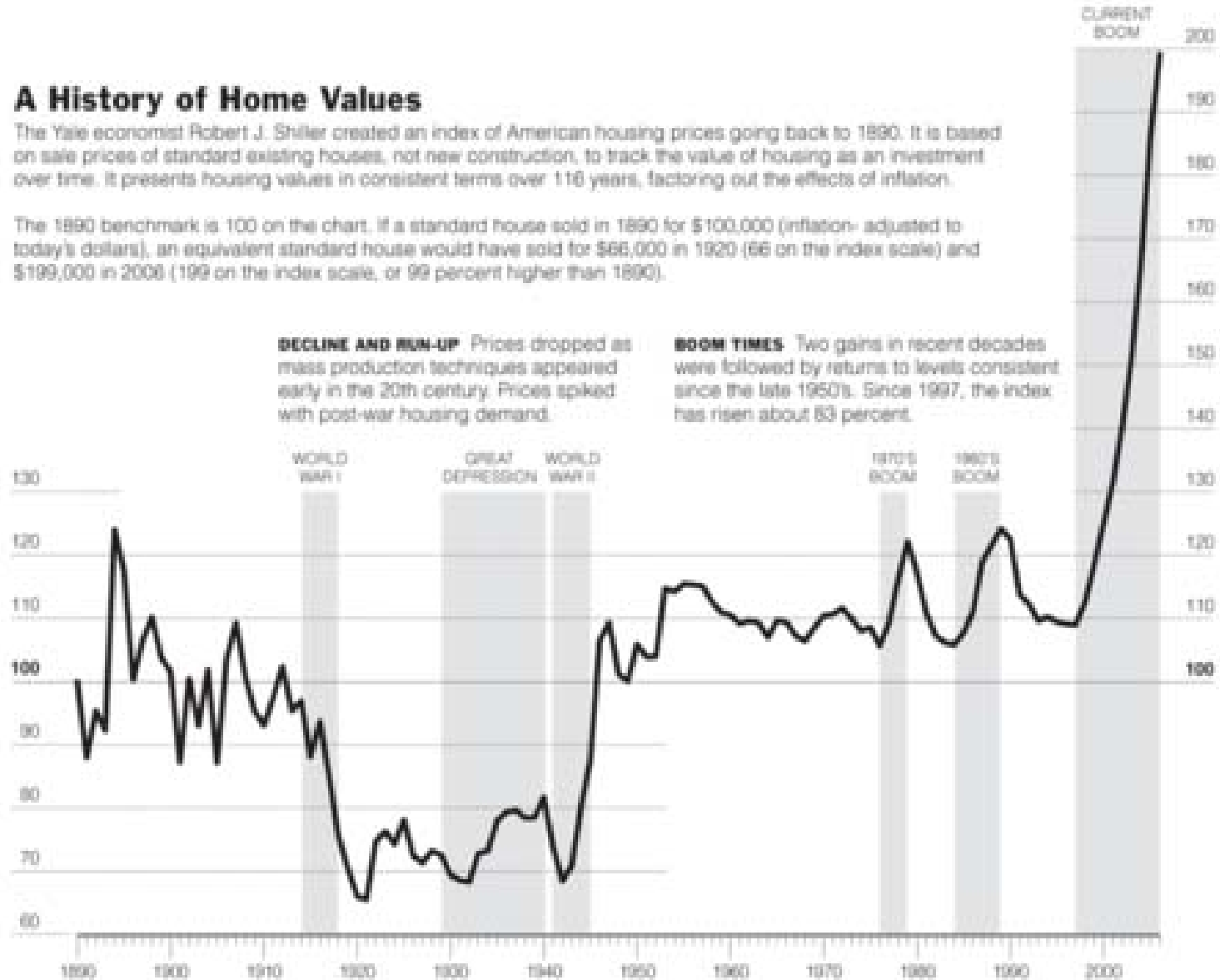
Source: SVM

# How big is the banking bubble?

## A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

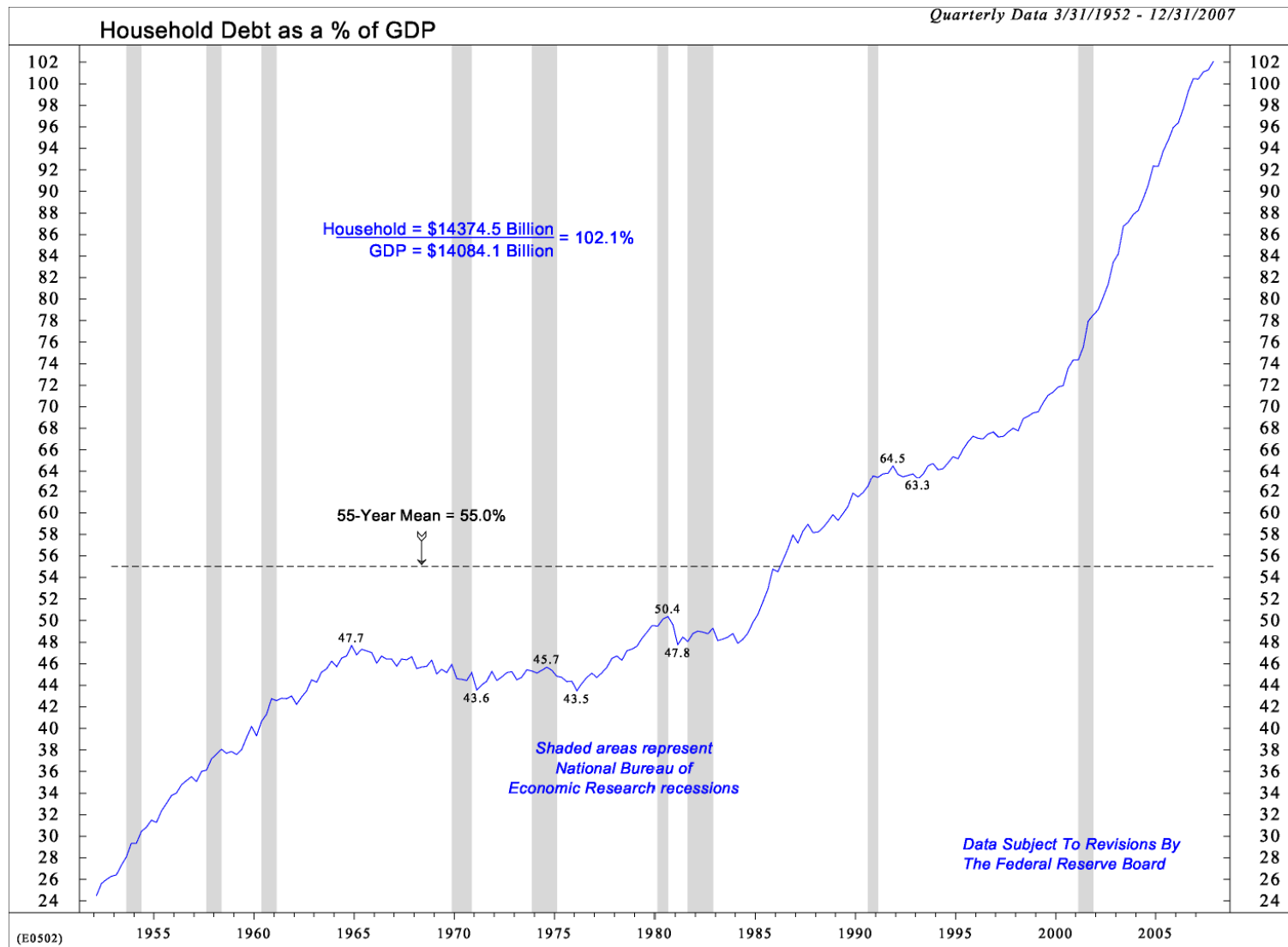
The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2000 (199 on the index scale, or 99 percent higher than 1890).

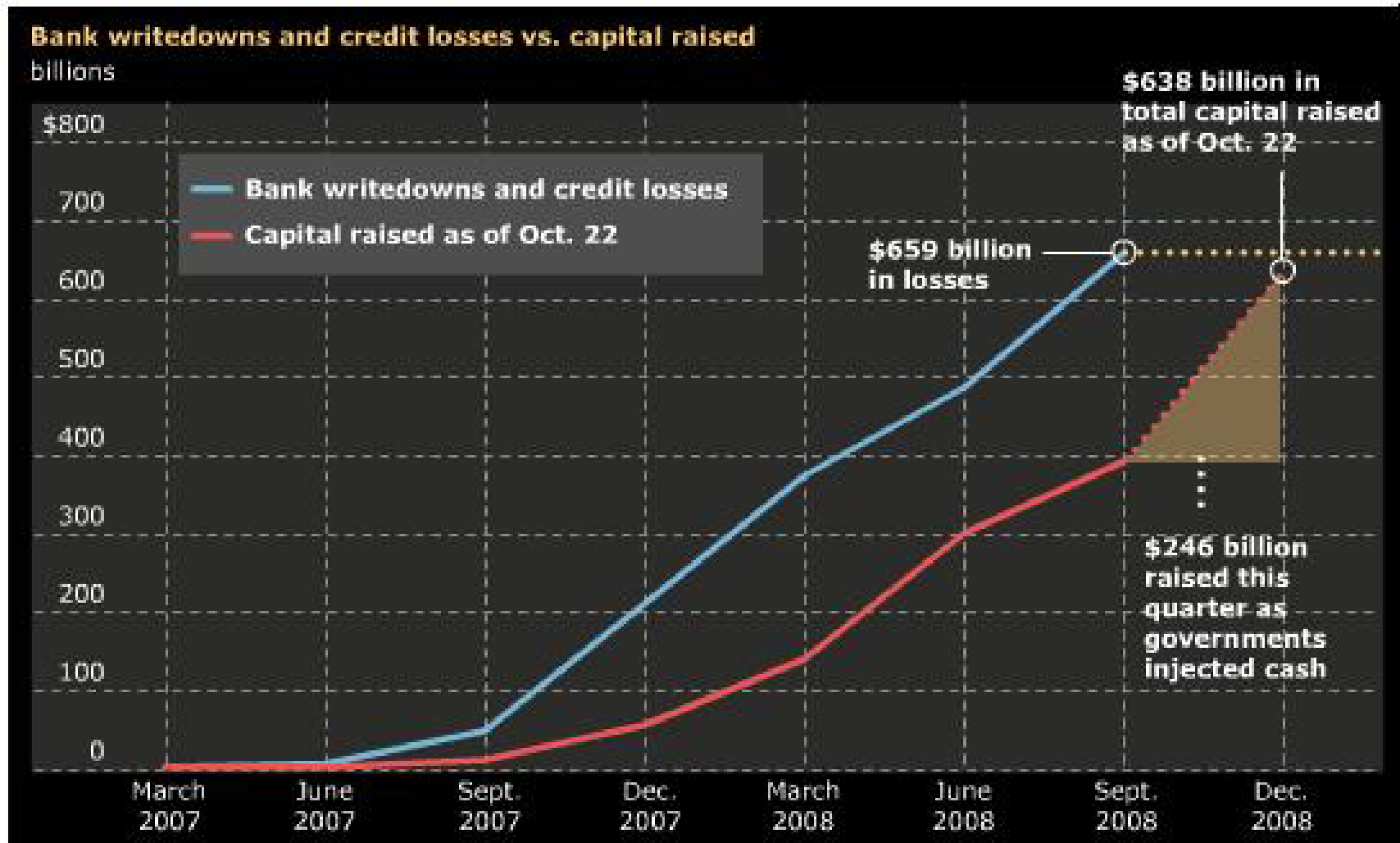


Source: "Irrational Exuberance," 2nd Edition, 2000, by Robert J. Shiller

8/2 March/The New York Times

# US Household Debt as % of GDP 1952 to 2007





Source: Bloomberg, ft.com

## Particular miseries

Emerging markets economic indicators, latest

	Exchange rate*	Current account, % of GDP 2008†	Foreign-exchange reserves‡, \$bn	Foreign assets as % of liabilities§
Brazil	-24.8	-1.6	206	51
China	6.9	8.5	1,906	363
Hungary	-19.2	-5.9	25	49
India	-20.1	-2.9	283	no
Russia	-8.7	6.2	542	56
South Africa	-38.7	-7.7	31	128
South Korea	-31.3	-3.3	240	41
Ukraine	-13.0	-7.0	37	23

\*% change against the dollar Jan 1st-  
Oct 22nd 2008 †Forecast

Sources: Economist Intelligence Unit; Goldman Sachs; JP Morgan; Thomson Datastream ‡Excluding gold §For local commercial banks

# Emerging Markets exposure % GDP



	<b>%GDP</b>
<b>Austria</b>	<b>85</b>
<b>Switzerland</b>	<b>50</b>
<b>Sweden</b>	<b>25</b>
<b>UK</b>	<b>24</b>
<b>Spain</b>	<b>23</b>
<b>USA</b>	<b>4</b>

Source: [nakedcapitalism.com](http://nakedcapitalism.com)

# Current Themes



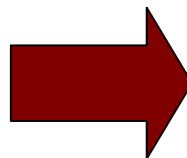
	<i>Fund Exposure</i> %	<i>+/- Index</i> %
<b><i>Resources</i></b>		
Oil and Gas	19	2
Basic Materials/Metals	0	-9
<b><i>Cyclicals</i></b>		
Financials	7	-19
Consumer / Industrial	26	-1
<b><i>Others</i></b>		
Pharma	7	-1
Telecoms	4	-2
<b><i>Defensive Stance</i></b>		
Effective Market exposure	70	
(Above includes offset hedging	-19)	

Source; SVM to 27.10.08

# UK Active Fund – Current Strategy

## We are short of:

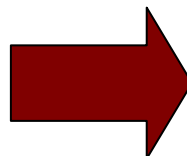
- Property development, selected industrials and resources
- Accounting issues, weak balance sheets
- Poor cash conversion
- Unseasoned stocks, IPOs, Overhang, liquidity events
- Emphasis on catalysts for shorts, asymmetric patterns



<b>Top Hedges</b>	<b>%</b>
<i>Soco International</i>	2.1
<i>Derwent London</i>	1.7
<i>Tomkins</i>	1.7
<i>Barclays</i>	1.4
<i>Home Retail</i>	1.3

## We favour:

- Utilities, Pharma, Tobacco
- Currently emphasising cash flow and earnings revisions dynamic
- Emphasis on trade values



<b>Top Longs</b>	<b>%</b>
<i>Astra Zeneca</i>	6.9
<i>HSBC</i>	6.8
<i>Royal Dutch Shell</i>	6.6
<i>BP</i>	6.1
<i>BAT Industries</i>	4.7

# Investment Warning



The Board has authorised the Managers to use bank borrowings, allowing increased portfolio investment, and to hedge certain exposures from time to time where the Managers believe this would offer the potential to protect shareholder value. Hedging is typically implemented through Contracts for Difference (CFDs) with UBS Warburg Securities and the total of such exposure is limited to a normal maximum of 15% of the Trust's Net Asset Value. CFDs may also be used for the active management of the portfolio (long positions) as an alternative to holding direct company equity exposure. The overall effect of such gearing (that is bank borrowings plus the gross exposure of long positions less any hedging) must not normally exceed 20% of the Trust's NAV. Additional limits have also been set on individual hedging to assist risk control. Market movements may produce occasional excursions beyond these limits while the Managers take appropriate action.

Past performance should not be seen as an indication of future performance. Stockmarkets and currency movements may cause the value of an investment to fall as well as rise and investors may not get back the amount originally invested. Investing in small companies may increase the volatility of the Fund. In a rising market, gearing can enhance returns to shareholders and if the market falls, losses may be greater. SVM Asset Management has a holding in the SVM UK Active Fund plc. The information in this presentation does not constitute or contain an offer or invitation for the sale or purchase of any shares in the Fund in any jurisdiction, is not intended to form the basis of any investment decision and does not constitute any recommendation by the Fund, its directors, agents or advisers.

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## Regulatory Status

SVM Asset Management is authorised and regulated by the Financial Services Authority

Percentage growth	30/09/07	30/09/06	30/09/05	30/09/04	30/09/03
for each year	30/09/08	30/09/07	30/09/06	30/09/05	30/09/04
to last quarter end					
UKAF Share Price	-31.1	15.1	19.1	17.9	17.4
FTSE All-Share Index (CR)	-25.1	8.7	11.1	20.9	12.0
	-6.0	6.4	8.0	-3.0	5.4