

SVM CONTINENTAL EUROPE FUND

Short Report

Year to 31 December 2009



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 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		
	31/12/09 pence per share	31/12/08 pence per share
Continental Europe A Class	1.2150	2.4260
Continental Europe B Class	2.8237	4.3234

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
Continental Europe Fund	1.80%	1.05%

Total Expense Ratio = 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 2009 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	31/12/04 31/12/05	31/12/05 31/12/06	31/12/06 31/12/07	31/12/07 31/12/08	31/12/08 31/12/09
Continental Europe	+35.8	+24.3	+18.1	-30.9	+21.6

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 31/12/09			
Continental Europe A class	18,431	231.5	7,961,236
Continental Europe B class	5,306	243.6	2,178,013
As at 31/12/08			
Continental Europe A class	17,915	190.5	9,402,315
Continental Europe B class	5,085	199.0	2,555,564

Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 31/12/09			
Continental Europe class	246.6	147.5	232.8
Continental Europe class	259.1	154.3	244.9
During period to 31/12/08			
Continental Europe A class	280.3	157.1	191.4
Continental Europe B class	291.3	163.9	199.9

Top 10 Holdings: 31/12/09

%












Tag Immobilien	3.3
Arcelor	3.2
Clariant	3.1
Fresenius Non-Vtg Pref	3.0
Wirecard	2.8
Azimut	2.7
Daimler	2.7
Allianz	2.7
Indesit	2.6
Saras Raffinerie	2.5
Total	28.6

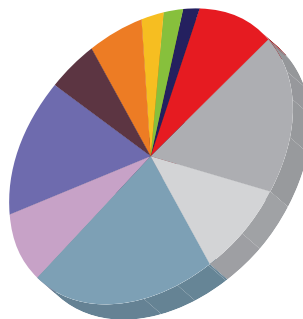
Top 10 Holdings: 31/12/08

%

KPN	4.8
Roche Holdings	4.3
Swedish Match	3.8
Givaudan	3.7
Novartis	3.7
Axa-Uap	2.8
Total	2.6
Allianz	2.4
Eni SpA	2.4
Deutsche Telekom	2.4
Total	32.9

Sector Analysis

	31/12/09	31/12/08
 Basic Materials	10.1%	10.8%
 Consumer Goods	18.5%	7.6%
 Consumer Services	9.3%	11.5%
 Financials	21.6%	15.6%
 Healthcare	9.1%	9.4%
 Industrials	14.5%	13.6%
 Net Current Assets	4.9%	8.2%
 Oil & Gas	5.8%	6.0%
 Technology	2.5%	4.8%
 Telecommunications	2.2%	7.0%
 Utilities	1.9%	5.5%



Fund Manager



Hugh Cuthbert

Our report for 2008 concluded that, following the dramatic falls in European equity markets any signs of economic recovery would prove to be a great buying opportunity. For the first two months of 2009 there was scant evidence for such a scenario. Despite the concerted effort of the world's central banks the economic outlook remained bleak and this was reflected in a fall for the FTSE Europe ex UK index of 22.4% between 31/12/2008 and 28/02/2009. March however proved to be a turning point. Though difficult to pinpoint a specific event which prompted this rally, massive government stimulus combined with a heavily oversold equity market was always going to be a heady cocktail. The fact that banks were talking of a good start to the year and that green shoots were beginning to emerge for many economies also helped. Whatever the case, the impact on share prices was significant and having been down so strongly in the first two months, the same index finished the year with a return of 20.1%. The performance could have been even stronger were it not for a wobble towards the year end when Dubai threatened to become yet another victim of an overextended debt position.

A timely reminder that the ramifications of the credit crisis can continue to reverberate long after equity markets have discounted a recovery.

The Fund outperformed the index. Some significant changes had to be made to the portfolio over the course of the year as we entered 2009 with a clear defensive bias. Hence holdings in stocks such as telecoms companies Deutsche Telekom and KPN, general retailers Ahold and Casino, Utilities RWE and EDF and pharmaceuticals Sanofi Aventis and Bayer, were sold in favour of more aggressive holdings. These included financials such as Azimut and ING, chemicals companies including BASF and Clariant and automobile producers Daimler and Renault.

We enter 2010 still awaiting concrete evidence of a sustained economic recovery. Much of the better than expected earnings reports that have helped push the equity market forward have been driven by cost cutting rather than top line development. This could still turn out to be a restocking phenomenon and the risk of a Sovereign default further adds to the list of risks we face. In such a scenario policymakers are unlikely to act in a fashion that further hinders the development of the recovery meaning interest rates may well remain at the current low levels for an extended period of time. This leads us to believe that the outlook for equity markets for 2010 is still favourable.

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Further Information

Further information about the share price and activities of the Fund for this and previous periods, 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 2009. 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.

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