

SVM UK ALPHA FUND

Short Report



Period to 30 June 2010

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 the FTSE All-Share Index.

Risk Profile

The Fund is exposed to market risk. It 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 stockmarket fluctuations

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
UK Alpha A class	1.2011	1.1529
UK Alpha B Class	2.0496	2.0985

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
UK Alpha Fund	1.93%	1.18%

Total Expense Ratio = Total Annualised Expenses / Average Net Asset Value over 6 months X 100

The above figures were calculated by SVM Asset Management using data sourced from the 30 June 2010 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	30/09/05* 30/06/06	30/06/06 30/06/07	30/06/07 30/06/08	30/06/08 30/06/09	30/06/09 30/06/10
UK Alpha	+14.3	+28.2	-13.0	-22.0	+23.5

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.

*Launch date.

Comparative Tables

Net Asset Values

	Net asset value of shares £'000	Net asset value in pence per share	Shares in issue
As at 30/06/10			
UK Alpha A class	4,565	121.2	3,765,722
UK Alpha B class	9,690	125.3	7,730,858
As at 31/12/09			
UK Alpha A class	5,224	129.5	4,033,046
UK Alpha B class	9,485	133.1	7,128,355

Share Price Performance

	Highest share price in pence	Lowest share price per pence	Price as at period end
During period to 30/06/10			
UK Alpha A class	141.9	119.5	122.9
UK Alpha B class	146.3	123.3	126.9
During period to 31/12/09			
UK Alpha A class	136.3	81.82	129.6
UK Alpha B class	140.0	83.65	133.3













Top 10 Holdings: 30/06/10 %

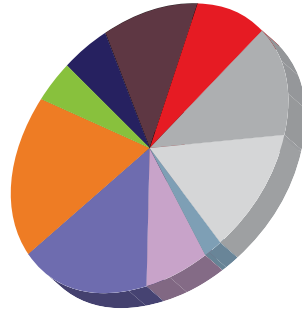
Royal Dutch Shell b shares	5.6
Compass Group	4.2
Centamin Egypt	4.2
BT Group plc	4.0
Shire Pharmaceuticals	3.9
Petropavlovsk	3.8
Hyder Consulting plc	3.5
Premier Oil	3.4
Centrica Plc	3.4
IMI	3.1
Total	39.2

Top 10 Holdings: 31/12/09 %

Tullow Oil	5.2
HSBC	4.9
Barclays	4.0
Rio Tinto	3.9
Antofagasta	3.6
Compass	3.6
Charter International	3.2
Imperial Tobacco	3.2
Prudential	3.1
Inchcape	3.0
Total	37.7

Sector Analysis

	30/06/10	31/12/09
 Basic Materials	9.6%	10.1%
 Consumer Goods	13.6%	4.5%
 Consumer Services	12.7%	8.2%
 Financials	2.0%	16.3%
 Healthcare	6.9%	4.4%
 Industrials	16.8%	20.2%
 Oil & Gas	18.6%	17.6%
 Technology	–	7.0%
 Telecommunications	4.0%	–
 Utilities	5.2%	3.0%
 Overseas	–	2.9%
 Net Current Assets	10.6%	5.8%



Fund Manager



Colin McLean
Manager from 09/04/10

The Fund was fully invested over the six months under review, but positioned more defensively after April. The strategy is to focus on stock selection, using fundamental analysis based on cash flow and business value. The period under review was a volatile one for stockmarkets. Over the six months to 30 June 2010, the Fund returned -5.2% (source: Lipper A share class). The FTSE 100 Index of leading shares fell 7.4% over the period (source: Lipper FTSE 100 TR).

The portfolio is positioned for further recovery in resources and selected industrials. Holdings focus on industrial companies where cost cutting gives the potential for margin and profits improvement this year, as activity recovers.

A number of industrial businesses appear likely to continue beating expectations, with the stockmarket underestimating the degree of margin improvement and the benefits of a weak Pound. Typically portfolio holdings have international interests, and we believe a number

of these would be attractive to overseas buyers if the Pound remains low. In resources, the portfolio emphasises oil and gas businesses with attractive drilling prospects. Premier Oil and Nautical Petroleum give exposure to a recent North Sea discovery, which we believe will prove to be a major field. Two portfolio companies received bid or merger approaches during the period; Gulfsands Petroleum and International Power. Although both rejected terms as unattractive, we believe that bid interest will return. Long positions purchased during the period include AstraZeneca, BT Group, Shire Pharmaceuticals and Hyder Consulting.

Business and consumer confidence has improved, but consumer sectors still face the challenges of rising unemployment and taxes. We retain our cautious stance on businesses where the business model is challenged, and on consumer sectors in particular. The Fund has above average exposure to utilities and healthcare.

There are still risks in the global economy, with some European banks undercapitalised in the face of sovereign debt risks. For these reasons, we believe that a flexible fund focused on fundamental value has good opportunity at this stage of the stockmarket cycle.

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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 2010. 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. Investing in smaller companies may increase the volatility of your investment.

Contacts

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