

SVM Continental Europe Fund

Short Report



Year to 31 December 2008

Investment Objective

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 market and currency risk 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		
	31/12/08 pence per share	31/12/07 pence per share
Continental Europe A class	2.4260	0.7280
Continental Europe B class	4.3234	2.6323

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	1.78 %	1.03 %

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 2008 Report and Accounts. The figures are intended to provide an indication of the Total Expenses Ratio and will vary from year to year.

Fund Performance

Percentage growth for each year to last quarter end	31/12/03 31/12/04	31/12/04 31/12/05	31/12/05 31/12/06	31/12/06 31/12/07	31/12/07 31/12/08
Continental Europe	+10.5	+35.8	+24.3	+18.1	-30.9

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 31/12/08			
Continental Europe A class	17,915	190.5	9,402,315
Continental Europe B class	5,085	199.0	2,555,564
As at 31/12/07			
Continental Europe A class	26,258	276.05	9,511,853
Continental Europe B class	3,500	286.10	1,223,420

Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
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
During period to 31/12/07			
Continental Europe A class	287.4	233.4	277.1
Continental Europe B class	296.9	240.3	287.2












Top 10 Holdings: 31/12/08 %

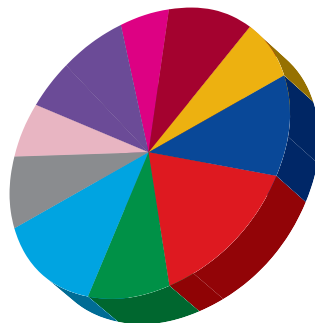
KPN	4.8
Roche Holdings	4.3
Swedish Match	3.8
Givaudan	3.7
Novartis	3.7
Axa-Uap	2.8
Total	2.6
Allianz	2.4
Eni SpA	2.4
Deutsche Telekom	2.4
Total	32.9

Top 10 Holdings: 31/12/07 %

Flex	3.5
Linde	3.1
Siemens	3.0
National Bank Of Greece	2.9
Unilever	2.7
Electricite De France	2.7
Enagas	2.7
BNP Paribas	2.6
Beiersdorf	2.6
Carrefour	2.5
Total	28.3

Sector Analysis

	31/12/08	31/12/07
 Basic Materials	10.8%	7.7%
 Consumer Goods	7.6%	12.5%
 Consumer Services	11.5%	12.8%
 Financials	15.6%	19.4%
 Healthcare	9.4%	4.4%
 Industrials	13.6%	16.6%
 Net Current Assets	8.2%	1.5%
 Oil & Gas	6.0%	3.8%
 Technology	4.8%	0.0%
 Telecommunications	7.0%	9.1%
 Utilities	5.5%	12.2%



Fund Manager



Hugh Cuthbert

A chronological trawl through market commentaries for European equity markets in 2008 highlights the remarkable series of events which took place in this memorable year: The virtual collapse in global credit markets and the ensuing fall of once formidable institutions such as Lehman Brothers and Fortis Bank of the Netherlands are the obvious areas to focus on when seeking to explain the -24.0% fall in the FTSE Europe ex UK Index and the inevitable impact these events had on both European and Global growth prospects. It is perhaps equally important to also focus on the excesses which preceded these historic events, half way through the year we still had an oil price well in excess of \$120, metals such as copper twice the price we see today and a Baltic Dry Index almost five times higher than the level it finally finished the year. These classic “decoupling” indicators left the ECB dithering over the appropriateness of interest rate cuts

whilst their counterparts in the US faced the ever worsening prospects with a series of quicker and more aggressive cuts.

The Fund's return was extremely disappointing in both relative and absolute terms. The underperformance was particularly focused on the second half of the year; indeed we remained ahead of the index at the half year stage. There were two particular issues which severely impacted performance. First we bought some badly beaten financials in the latter part of the year in the belief that much of the bad news was already reflected in share prices. The impact that the failure of Lehman's had on the whole of the financial system is what caught us unawares, necessitating big earnings adjustments and ensuring that trough valuations were still some way off.

In addition, despite dramatically reducing our exposure to small cap stocks the residual holdings were particularly badly hit in the sell off. The portfolio was clearly wrongly positioned for the mayhem we witnessed in 2008 but we will not change our investment style as a result of this particularly volatile period. When economies show any signs of recovery this sell off will prove to be a great buying opportunity.

Further Information

Further information about the share price, activities and performance 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 2008. 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 e-mail 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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