

# SVM UK Alpha 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 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		
	31/12/08 pence per share	31/12/07 pence per share
UK Alpha A class	1.1529	0.7522
UK Alpha B class	2.0985	1.7760

## 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	1.78 %	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	30/09/05* 31/12/05	31/12/05 31/12/06	31/12/06 31/12/07	31/12/07 31/12/08
UK Alpha	+7.7	+25.3	+7.8	-32.1

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 31/12/08			
UK Alpha A class	4,106	98.63	4,162,922
UK Alpha B class	6,908	100.7	6,862,356
As at 31/12/07			
UK Alpha A class	6,518	143.96	4,527,602
UK Alpha B class	14,251	145.84	9,770,835

### Share Price Performance

	Highest share price in pence	Lowest share price in pence	Price as at period end
During period to 31/12/08			
UK Alpha A class	146.4	82.92	98.79
UK Alpha B class	148.3	84.52	100.8
During period to 31/12/07			
UK Alpha A class	160.1	131.5	145.4
UK Alpha B class	162.0	132.4	147.3













### Top 10 Holdings: 31/12/08 %

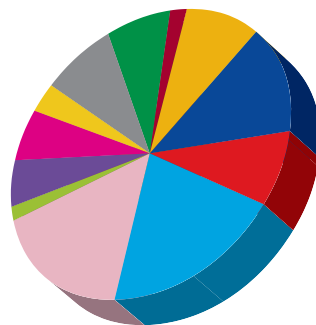
BP	6.3
BAE Systems	5.2
Royal Dutch Shell	4.9
Serco Group	4.3
HSBC Holdings	3.9
Vodafone Group	3.8
AstraZeneca	3.8
BAT Industries	3.7
Imperial Tobacco Group	3.4
Compass Group	3.3
Total	42.7

### Top 10 Holdings: 31/12/07 %

BG	5.7
BP	5.1
BT	3.9
Unilver	3.4
Morrison (Wm) Supermarkets	3.4
BHP Billiton	3.3
BAE Systems	3.2
Serco	3.2
Cable & Wireless	3.2
Tullow Oil	3.0
Total	37.4

## Sector Analysis

	31/12/08	31/12/07
 <b>Basic Materials</b>	<b>2.0%</b>	10.4%
 <b>Consumer Goods</b>	<b>9.4%</b>	4.8%
 <b>Consumer Services</b>	<b>13.5%</b>	11.4%
 <b>Financials</b>	<b>7.9%</b>	11.6%
 <b>Industrials</b>	<b>19.1%</b>	17.8%
 <b>Oil &amp; Gas</b>	<b>17.7%</b>	18.7%
 <b>Technology</b>	<b>1.7%</b>	1.2%
 <b>Telecommunications</b>	<b>5.3%</b>	10.1%
 <b>Utilities</b>	<b>5.6%</b>	3.0%
 <b>Overseas</b>	<b>3.0%</b>	3.0%
 <b>Net Current Assets</b>	<b>7.8%</b>	3.0%
 <b>Healthcare</b>	<b>7.0%</b>	0.0%



## Fund Manager



### Hector Kilpatrick

2008 saw the decisive end of the massive expansion in credit that has helped drive global economic growth for more than ten years. Liquidity in key markets dried up

sharply. The authorities were obliged to act, cutting interest rates sharply and providing liquidity (and latterly, direct capital injections) to the financial sector as institutions such as Bear Stearns and Lehmans failed and others such as HBOS were forced into rushed takeovers. Emergency fiscal easing was also initiated.

The FTSE All-Share index declined 29.9% during the year, abruptly ending five years of consecutive positive returns. The scale of the decline was most pronounced in small (-43.9%) and medium sized (-38.2%) companies which suffered disproportionately from forced selling and higher risk premiums being sought due to their relative illiquidity and general lack of geographic reach. The Fund returned a thoroughly disappointing -32.1%, hampered in the main by its relative bias to mid and small cap stocks. Unsurprisingly, those sectors that were deemed to have more robust and visible cash flows performed

significantly better than their more economically sensitive peers. Thus Pharmaceuticals, Oil & Gas and Tobacco sectors did well, whilst Banks and Miners did exceptionally poorly. Within the Fund, stocks such as Tullow and Serco performed well, whilst smaller commodity plays such as Nautical Petroleum and China Goldmines fell sharply.

With cash flows shrinking and a rapid depreciation of Sterling, some companies with large levels of debt held overseas have seen their bank covenants threatened. Tighter credit conditions and more expensive debt have led numerous companies to repair their balance sheets via rights issues. This trend is expected to continue.

The Fund remains underweight financials as we believe they remain structurally challenged. However, the Fund's exposure to early cyclical stocks has been increased as we believe the destocking cycle should complete soon, thus allowing a more realistic assessment of underlying demand.

## 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](http://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](mailto: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

### Authorised Corporate Director and Investment Manager

SVM Asset Management Limited  
7 Castle Street  
Edinburgh  
EH2 3AH  
Email: [info@svmonline.co.uk](mailto:info@svmonline.co.uk)  
Web: [www.svmonline.co.uk](http://www.svmonline.co.uk)  
Authorised and regulated by the Financial Services Authority

### Administrator

BNP Paribas Fund Services UK Limited  
Block C, Western House  
Peterborough Business Park  
Lynchwood  
Peterborough  
PE2 6BP  
Shareholder Services: 0845 358 1108  
Dealing: 0845 066 1110  
Fax: 01733 285 681

### Depository

Royal Bank of Scotland plc  
Trustee & Depository Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh  
EH12 9UZ

### Custodian

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

### Auditors

Ernst & Young  
Ten George Street  
Edinburgh  
EH2 2DZ