

Peer Group:

Cautious Managed

Fund Manager/Adviser:

Donald Robertson (since launch),
Colin McLean (since launch)

Location:

Edinburgh

Launch Date: May 2008

Group Contact No:

0845 066 1110

Website:

www.svmonline.co.uk

S&P ID Number: N/A



INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Please see page 2 for required research analyst certification disclosure.

Further information on S&P's fund coverage can be found at www.funds.standardandpoors.com

STANDARD & POOR'S OPINION (MAY 2008)

SVM Cautious Managed Fund and its sister portfolio, SVM Balanced Managed Fund, represent the latest additions to the firm's growing range of funds in its flagship SVM Funds ICVC.

Both portfolios are based on the firm's proprietary multi-strategy fund-of-funds approach, which can be traced back to 1991 when SVM Global Fund plc was launched. The approach was extended to open-ended form in June 2006, with the launch of SVM Global Opportunities Fund and is now the growth driver in the two new portfolios.

Each of the two Managed funds is invested almost identically to the Global Opportunities Fund, but in addition maintain consistent exposure to cash and traditional fixed income vehicles. Balanced Managed is invested with approximately 85% of the assets invested using the multi-strategy fund-of-funds approach and 15% in cash and high credit quality sterling-denominated bonds. Cautious Managed maintains around 60% in fund-of-funds and 40% cash/bonds.

SVM's multi-manager process uses external funds to populate sub-portfolios - currently six - each a stand-alone fund-of-funds dedicated to a specific investment theme, chosen for its ability to offer high returns while being lowly correlated with the other themes in the portfolio.

Themes tend to be global and typically last several years. The current ones are specialist funds, property, resources, hedge, private equity and "others", each represented by a 15% neutral weighting that is adjusted to reflect the managers' prevailing views. Exposure within each theme is further diversified, with the current hedge portion, for example, being a mix of long/short equity, life funds, distressed debt, oil finance and forestry funds.

The overall portfolio invests in 50/70 funds, selected using an in-house database and the managers' extensive industry contacts.

McLean and Robertson are highly experienced fund managers, particularly as regards closed-end funds, speciality finance and structured products. Both were founding members of SVM following successful prior careers: McLean at FS, Scottish Provident and Templeton, Robertson at Ivory & Sime.

Our only concern is that the track record of SVM's undeniably successful multi-strategy fund-of-funds approach is largely from a closed-end portfolio where share price performance is susceptible to investor supply and demand factors in addition to the underlying fundamentals. That noted, the team's experience, disciplines and detailed industry knowledge comfortably support an S&P A rating at launch.

FACT FILE

Group: SVM is an Edinburgh-based, independent asset management company. Founded in 1990 by its current CEO and CIO Colin McLean, it focuses solely on UK and European equity investment via a range of traditional long-only funds and two long/short equity hedge portfolios.

Team: SVM focuses almost wholly on UK and European equity investment. Pan-European sector research responsibilities are spread across the team of eight, who have an average experience of over 15 years.

Fund Manager: Two highly experienced fund managers - Colin McLean and Donald Robertson - with a wealth of knowledge between them on closed-end investment funds.

Style: This fund is based on the group's highly successful SVM Global Fund plc, a closed-end vehicle launched by McLean and Robertson at the outset of SVM in 1991.

Past Performance: In the absence of a track record specifically for this fund we can look to those of SVM Opportunities Fund and its closed-end counterpart, SVM Global Funds plc. Of the two comparators, the closed-end fund has by far the longer track record and from launch in 1991 until year-end 2007 produced an annualised total return of over 16% against 9.6% from the FTSE World index.

FUND MANAGER & TEAM

SVM focuses primarily on UK and mainstream European equity investment. The team of eight fund manager/analysts is responsible for over £600m in traditional long-only equity funds and for a long/short equity hedge portfolio. All team members have specific pan-European sector research responsibilities. The three most senior team members each have over 20 years' experience.

Donald Robertson - chartered accountant, with over 20 years' investment experience and specialist in closed end funds and structured products. Before co-founding SVM he worked at Ivory & Sime.

Colin McLean - economics & statistics, MBA (Glasgow University), founded SVM in 1990. Previously managing director of Templeton's European operations between 1988 and 1990 and before that head of investments at Scottish Provident from 1986 and managing director at FS Investment Managers between 1974 and 1986.

PORTFOLIO CHARACTERISTICS

No. of holdings	N/A
Turnover ratio (%)	n/a
% in top 10	15

TOP 10 HOLDINGS (01/05/08)

	%
Vostok Nafta Investments	2.0
Ceiba Finance	1.6
Ecofin Water & Power	1.5
F&C Private Equity	1.5
Private Equity Investor	1.4
Quorum Oil & Gas	1.4
Equest Balkan Properties	1.3
Japan Opportunities Fund II	1.3
Saltus European Debt Strategy	1.3
Utilico Emerging Utilities	1.3

Ucits III permits net fund exposure to be less or greater than 100%.

SVM CAUTIOUSLY MANAGED FUND

Peer Group: Cautious Managed



MANAGEMENT STYLE

- Approximately 60% of this fund is invested using SVM's proprietary multi-strategy approach, with the 40% balance held in cash and high credit quality, sterling-denominated bonds.

- The multi-strategy element replicates as far as possible the firm's Global Opportunities Fund, which uses external funds to populate six sub-portfolios, each a stand-alone fund-of-funds dedicated to an investment theme. Each theme is chosen for its ability to offer uncorrelated returns and differing reliances on equity markets, over reasonable time periods.

- Themes tend to last several years. The current ones are specialist, property, resources, hedge, private equity and

"others". Each has a 15% neutral weighting, adjusted to reflect the managers' macro views.

- Exposure within a theme is also diversified. The hedge portion, for example, recently mixed long/short equity, life funds, distressed debt, oil and forestry funds.

- Fund selection is based on an in-house database and the managers' extensive industry contacts. Interviews with management are deemed crucial; as are regular updates.

- The portfolio typically holds 50/70 funds, with that portion run fully invested with its currency exposures unhedged.

PORTFOLIO REVIEW

The May 2008 portfolio was invested 60% in external funds and reflecting the current relatively defensive positioning of the team's Global Opportunities Fund. The 40% balance was in cash.

The equity component comprised six sub-portfolios representing specific investment themes and populated by relevant funds to reflect in broad terms: global resources 17%; international property 17% - with a broad geographic spread to encompass South Africa, the Balkans, Japan, China and London's East End and biased towards well-

financed offshore based funds; private equity funds 12% - particularly those in the realisation phase of the private equity cycle; hedge fund strategies 21%, with an overweight towards those less dependent on stockmarket direction; specialist areas of investment 37% and other ideas 6%.

Relative to its FTSE World index benchmark, the fund was geographically underweight the US, developed Europe ex-UK and Japan; and overweight emerging Europe, the UK and the Far East.

PAST PERFORMANCE ANALYSIS (MAY 2008)

The fund-of-funds element of SVM Cautiously Managed Fund is very similar to the group's S&P AA rated, SVM Global Opportunities Fund, which in turn uses strategies in line with those employed on the group's highly successful SVM Global Fund plc. This closed-end fund produced an annualised return of 16% against 9.6% from the FTSE World index between launch in 1991 until year-end 2007.

SVM Global Opportunities Fund has performed well since launch in June 2006, enjoying a strong 2007 before giving up some of its gains during the first quarter of 2008 when markets fell sharply.

Success came from maintaining low exposure to the US, focusing more on emerging markets than on the developed markets and

by holding a mix of funds that access specific areas of the global equity marketplace alongside those that have an absolute return focus and little or no equity market correlation.

Outperformance against other global equity funds came from a steady move away from resources and private equity funds in favour of hedge funds, property and specialist equity mandates. Added benefit came from the sub-portfolio exposure being kept broadly diversified to keep intercorrelations low and where possible, using funds with a low correlation to equities.

Property exposure held up reasonably well in 2007 by the managers' use of highly specialist vehicles accessing China, London, the Balkans and Russia.

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