



SVM UK Active Fund plc

Half Yearly Report 30 September 2009

“SVM UK Active Fund aims to achieve superior returns by actively managing a portfolio of principally UK listed companies that offer attractively priced growth.”

Chairman's Statement

Over the six months under review, stockmarkets rallied strongly. SVM UK Active Fund's net asset value per share increased by 23.1% compared with a rise in the FTSE All-Share Index of 35.7% (both on a total return basis). Almost all of the underperformance arose in April, when the stockmarket recovery initially focused on banks and some distressed sectors that were not represented in the portfolio. The portfolio reflects the Managers' conviction on fundamental business value, and at times may differ materially from the index.

The rally followed an exceptional economic stimulus, focusing particularly on refinancing the bank sector. The quantitative easing by the Bank of England injected significant liquidity into the economy, encouraging company refinancing. The Fund participated in new investments in companies raising equity, including Morgan Crucible, Inchcape, Northgate, DSG International and Debenhams. The emphasis was on supporting fundamentally sound business models that would benefit as confidence and economic growth returned. Several of these refinanced businesses contributed strongly to portfolio performance over the period. New investments were made in insurers Aviva and Prudential, recognising their attractive dividend yields and improving prospects. However, overall, the Fund retained a cautious stance on consumer sectors and financials.

The main disappointments over the period were in investments in defensive sectors – healthcare, utilities, tobaccos and food retailers. Investment in healthcare and utilities has been reduced. The Manager believes that a number of portfolio holdings with significant overseas interests and strategic value could be attractive bid

targets, including Invensys, Spirent and Prudential. Underlining its value, in September Cadbury Schweppes attracted a bid approach from Kraft. The Fund is currently fully invested, reflecting the value and dividend yields offered by many shares, particularly when other assets and savings have lower returns.

Government action to stimulate the UK economy poses the risk of further devaluation of the Pound. Confidence is recovering, but 2010 could bring more international concern about UK public finances and a weak outlook for the consumer sector and banks. Against this background, the Managers believe that the portfolio's focus on overseas assets and earnings can contribute to performance. The lower value of Sterling may also result in more portfolio companies attracting bids from foreign companies. The portfolio emphasises international exposure, including industrial businesses and a total of 48% in shares of businesses involved in gold, oil and other resources.

The Managers remain cautious on the outlook for parts of the banking sector, and the Fund continues to have much lower than average exposure to financials. The Fund has the ability to hedge specific portfolio risks, and the Managers believe that 2010 will bring opportunities to take advantage of this flexibility.

Over the six months, the discount averaged 11.7%. The Board believes that discount stability is assisted by attracting a greater proportion of private investors to the share register.

Mark Powell
Chairman
20 November 2009

Unaudited Accounts

Income Statement	6 months 30 September 2009 £000	6 months 30 September 2008 £000
Revenue Return		
Income	1,104	938
Interest charge allocated to revenue	(78)	(3)
Management fees allocated to revenue	(110)	(141)
Other expenses allocated to revenue	(151)	(149)
Net revenue return after tax	765	645
Capital return		
Net losses on investments	10,444	(13,601)
Interest charge allocated to capital	(78)	(3)
Management fees allocated to capital	(110)	(142)
Net capital return after tax	10,256	(13,746)
Total return after tax	11,021	(13,101)
Return per ordinary share		
Revenue	2.11 p	1.77p
Capital	28.35p	(37.71p)
Total	30.46p	(35.94p)

Cash Flow Statement	6 months 30 September 2009 £000	6 months 30 September 2008 £000
Net cash flow from operating activities	716	369
Returns on investment and servicing of finance	(156)	(6)
Purchases/(sales) of fixed asset investments	(3,408)	9,012
Equity dividends paid	(1,701)	(1,091)
Financing (shares purchased for cancellation)	–	(604)
Movement in cash	(4,549)	7,680

Unaudited Accounts

Balance Sheet	30 September 2009 £000	31 March 2009 £000	30 September 2008 £000
Investments at fair value through profit or loss	56,439	44,244	48,016
Net current assets	1,995	4,870	11,711
Ordinary shareholders' funds	58,434	49,114	59,727
Shares in issue (000s)	36,182	36,182	36,182
Net asset value per ordinary share	161.50p	135.74p	165.07p

Notes

1. These are not full accounts in terms of the Companies Act 1985. Audited accounts for the year to 31 March 2009 which were unqualified, have been lodged with the Registrar of Companies.
2. Investment management fees and bank overdraft interest have been allocated 50 per cent to revenue and 50 per cent to capital (2008 – 50 per cent to revenue and 50 per cent to capital).

Investment Portfolio

Company	Valuation £000	Total Assets %
1 HSBC	5,021	8.6
2 BP	3,760	6.4
3 Royal Dutch Shell	3,297	5.6
4 Tesco	3,236	5.5
5 Antofagasta	2,644	4.5
6 British American Tobacco	2,551	4.4
7 Aviva	2,163	3.7
8 Barclays	2,042	3.5
9 BG Group	2,016	3.5
10 Afren	2,011	3.5
Ten largest investments	28,741	49.2
Other investments	27,698	47.4
Total investments	56,439	96.6

Company Information

Directors

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