



SVM UK Emerging Fund plc

Half Yearly Report

30 September 2015



HIGHLIGHTS

- Net asset value return of +6.0% compared to a -5.0% return in the IA UK All Companies Sector Average Index and -5.0% return in the FTSE All-Share Index.
- Positive contributions from Supergroup, Ted Baker and Hutchison China Meditech.
- New investments made in Kainos, Fevertree Drinks and Palace Capital.
- Portfolio emphasises UK consumer and business services, property and healthcare.

“Long term capital growth from investments in smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis”

Financial Highlights

Total Return Performance to 30 September 2015	6 months	3 years	5 Years
Net Asset Value	+6.0%	+66.9%	+15.4%
Share Price	+2.5%	+51.3%	+23.5%
Benchmark Index (IA UK All Companies Sector Average Index)	-5.0%	+22.1%	+11.9%

CHAIRMAN'S STATEMENT

Stockmarkets fell during the six months under review. With concern about a weakening outlook for emerging economies, global growth forecasts were revised down. Over the six months to 30 September 2015, the Company's net asset value increased by 6.0% to 79.9p per share, compared to a loss of 5.0% in the benchmark index, the IA UK All Companies Sector Average Index. (Total return).

The Company proved resilient throughout this stockmarket volatility, supported by good progress in most of the portfolio businesses. This was assisted by a background of UK real wage growth helping consumer confidence. Although the UK continued to grow more strongly than the Eurozone economies, growth has become almost entirely dependent on services, with manufacturing and construction weak. Disinflation has continued, although low energy and commodity prices help consumer sectors. The Company has a balance between cyclical exposure and investments in more defensive sectors. Many of the companies have business strategies that should assist their growth via self-help.

Economic data points to a marked slowdown in the Chinese economy, and a growing number of emerging economies are moving into recession. Against this background, it was the major mining and oil groups that were hit hardest. The largest FTSE 100 companies are more exposed to the weakness in emerging economies and deflationary pressures. Your Company has low exposure to this group.

There were positive contributions over the period from retailers, Supergroup and Ted Baker. Marketing group, Four Imprint also gained, as did Hutchison China Meditech (Chi-Med). Chi-Med is now one of the ten

largest portfolio investments, and is the 3rd largest capitalised company listed on the Alternative Investment Market. Portfolio holding, Betfair gained as it announced a merger with Paddy Power, which will create a £6bn betting business.

New investments were made in information technology firm, Kainos Group, and in the beverage licensing company, Fevertree Drinks. There was an addition to portfolio exposure to property, with a new investment in Palace Capital.

Despite the Bank of England talking of a UK rate rise, there is little sign that inflation is progressing towards its 2% target. A rate rise may be 12 months away. The portfolio emphasises consumer sectors, healthcare, property and business services. Many of these have a specialisation or business strategy that affords some margin protection.

Your Company was fully invested over the six months, and remains so. This reflects the potential in many portfolio companies for dividend growth and share re-ratings.

At the Annual General Meeting of the Company on 11 September 2015, shareholders voted to approve continuation of the Company for a further five years. I thank shareholders for this support which follows good performance over the past three years. This performance appears to be encouraging interest in our shares, but the Board notes that liquidity in our shares is currently low. We are considering measures to improve ease of dealing and will report to shareholders on progress.

Peter Dicks
Chairman
24 November 2015

INVESTMENT OBJECTIVE and POLICY

The investment objective of SVM UK Emerging Fund PLC (the “Fund”) is long term capital growth from investments in smaller UK companies. Its aim is to outperform the IA UK All Companies Sector Average Index on a total return basis

The Fund aims to achieve its objective and to diversify risk by investing in shares and related instruments, controlled by a number of limits on exposures. Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board. This is an abridged version of the Fund’s investment policy. The full investment policy can be found in the Strategic Report within the Fund’s latest Annual Report & Accounts.

DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Half Yearly Report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- (i) the condensed set of financial statements have been prepared in accordance with the Financial Reporting Council Statement 104 ‘Interim Financial Reporting’ on a going concern basis and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund;
- (ii) the Half Yearly Report includes a fair review of the information required by the Disclosure and Transparency Rules DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and DTR 4.2.8R (disclosure of related party transactions and changes therein).

- (iii) No related party transactions have taken place during the first six months of the year that have materially affected the financial position of the Fund during the period and there have been no changes in the related party transactions described in the Annual Report & Accounts for the year end 31 March 2015 that could do so.

The Directors consider that the Half Year Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Fund’s performance and strategy,

The Half Yearly Report has not been audited or reviewed by the Fund’s auditors.

By Order of the Board
Peter Dicks
Chairman
24 November 2015

UNAUDITED ACCOUNTS

Income Statement

	Six months to 30 September 2015			Six months to 30 September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gain/(loss) on investments at fair value through profit or loss	-	234	234	-	(547)	(547)
Income	81	-	81	55	-	55
Investment management fees	-	-	-	-	-	-
Other expenses	(29)	(4)	(33)	(28)	(5)	(33)
Gain/(loss) before finance costs and taxation	52	230	282	27	(552)	(525)
Finance costs	(11)	-	(11)	(4)	-	(4)
Gain/(loss) on ordinary activities before taxation	41	230	271	23	(552)	(529)
Taxation	-	-	-	-	-	-
Gain/(loss) attributable to ordinary shareholders	41	230	271	23	(552)	(529)
Gain/(loss) per Ordinary Share	0.68p	3.82p	4.50p	0.38p	(9.19p)	(8.81p)

	Year ended 31 March 2015 (audited)		
	Revenue £'000	Capital £'000	Total £'000
Net gain/(loss) on investments at fair value through profit or loss	-	35	35
Income	109	-	109
Investment management fees	-	-	-
Other expenses	(37)	(9)	(46)
Gain/(loss) before finance costs and taxation	72	26	98
Finance costs	(11)	-	(11)
Gain/(loss) on ordinary activities before taxation	61	26	87
Taxation	-	-	-
Gain/(loss) attributable to ordinary shareholders	61	26	87
Gain/(loss) per Ordinary Share	1.02p	0.43p	1.45p

The total of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ('FRS'). The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ('SORP').

All revenue and capital items in this statement derive from continuing operations.

UNAUDITED ACCOUNTS

Balance Sheet

	As at 30 September 2015 (unaudited) £'000	As at 31 March 2015 (audited) £'000	As at 30 September 2014 (unaudited) £'000
Fixed Assets			
Investments at fair value through profit or loss	4,517	4,571	3,690
Total Current Assets	321	151	283
Creditors: amounts falling due within one year	(41)	(196)	(63)
Net current assets/(liabilities)	280	(45)	220
Total assets less current liabilities	4,797	4,526	3,910
Capital and Reserves	4,797	4,526	3,910
Equity shareholders' funds	4,797	4,526	3,910
Net asset value per Ordinary Share	79.88p	75.38p	65.12p

UNAUDITED ACCOUNTS

Condensed Statement of Changes in Equity

For the period to 30 September 2015

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2015	300	314	5,144	27	(707)	(552)
Gain/(loss) attributable to shareholders	-	-	-	-	230	41
As at 30 September 2015	300	314	5,144	27	(477)	(511)

For the year to 31 March 2015

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2014	300	314	5,144	27	(733)	(613)
Gain/(loss) attributable to shareholders	-	-	-	-	26	61
As at 31 March 2015	300	314	5,144	27	(707)	(552)

For the period to 30 September 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2014	300	314	5,144	27	(733)	(613)
Gain/(loss) attributable to shareholders	-	-	-	-	(552)	23
As at 30 September 2014	300	314	5,144	27	(1,285)	(590)

UNAUDITED ACCOUNTS

Condensed Cash Flow Statement

	Six months to 30 September 2015 £'000 (unaudited)	Year to 31 March 2015 £'000 (audited)	Six months to 30 September 2014 £'000 (unaudited)
Operating Activities			
Net cash (outflow)/inflow from operating activities	(191)	54	(7)
Taxation	-	7	7
Investing Activities			
Purchases and sales of fixed asset investments	141	23	119
Financing Activities			
Finance costs	(11)	(11)	(4)
Movement in cash in the period	(61)	73	115
Cash at start of period	131	58	58
Cash at end of period	70	131	173

UNAUDITED ACCOUNTS

Investment Portfolio

Twenty largest investments as at 30 September 2015		Valuation £000	% of Net Assets
Stock			
1	Unite Group	268	5.6
2	Workspace Group	230	4.8
3	Johnson Service Group	213	4.4
4	4imprint Group	191	4.0
5	Ted Baker	167	3.5
6	SSP Group	155	3.2
7	ITV Television	143	3.0
8	Ryanair	118	2.5
9	Playtech	116	2.4
10	St James Place	102	2.1
Ten largest investments		1,703	35.5
11	Restaurant Group	101	2.1
12	Hutchison China Meditech	101	2.1
13	Tui Travel	100	2.1
14	P2P Global Investments	94	2.0
15	St Modwen Properties	93	1.9
16	Shire Pharmaceuticals	90	1.9
17	Crest Nicholson	89	1.9
18	Betfair Group	89	1.9
19	M&C Saatchi	89	1.9
20	Greggs	87	1.8
Twenty largest investments		2,636	55.1
Other investments (56 holdings)		1,881	39.1
Total investments		4,517	94.2
Net current assets/(liabilities)		280	5.8
Net Assets		4,797	100.0

Sector analysis as at 30 September 2015	% of Gross Exposure
Sector	
Basic Materials	0.9
Industrials	13.3
Oil and Gas	0.0
Consumer Goods	14.8
Consumer Services	33.0
Healthcare	10.5
Telecoms	0.0
Technology	2.8
Financials	24.7
Utilities	0.0
Total	100.0

UNAUDITED ACCOUNTS

Risks and Uncertainties

The principal risks facing the Fund relate to the investment in financial instruments and include market, liquidity, credit and interest rate risk. Additional risks faced by the Fund are investment strategy, share price discount, accounting, legal and regulatory, operational, corporate governance and shareholder relations, and financial. The Board seeks to mitigate and manage these risks through continuous review, policy setting and enforcement of contractual obligations. The Board receives both formal and informal reports from the Managers and third party service providers addressing these risks. An explanation of these risks and how they are mitigated is explained in the 2015 Annual Report, which is available on the Manager's website: www.svmonline.co.uk. These principal risks and uncertainties have not changed from those disclosed in the 2015 Annual Report.

Going Concern

The Board, having made appropriate enquiries, has a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Notes

1. The financial statements have been prepared on a going concern basis and in accordance with the Financial Reporting Standards 102 and 104 ('FRS 104') and the 2014 Statement of Recommended Practice ('SORP') issued by the Association of Investment Companies. FRS 104 applies to interim periods commencing on or after 1 January 2015. The transition to FRS 104 has had no impact on the previous reported financial position and presentation formats have been amended where required. These financial statements have been prepared in accordance with the accounting policies used for the year ended 31 March 2015. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. All investments are held at fair value. At 30 September 2015 one unlisted investment was held with value attributed of £19,000 (31 March 2015: £30,000, 30 September 2014: £106,000)
2. Return per share is based on a weighted average of 6,005,000 (2014 – 6,005,000) ordinary shares in issue during the period.
Total return per share is based on the total gain for the period of £271,000 (2014 – loss of £529,000). Capital return per share is based on the capital gain for the period of £230,000 (2014 – loss of £552,000). Revenue return per share is based on the revenue gain after taxation for the period of £41,000 (2014 gain of £23,000).

The number of shares in issue at 30 September 2015 was 6,005,000 (2014 – 6,005,000).

UNAUDITED ACCOUNTS

3. The Board has granted the Manager a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of the investment. The Board requires the Manager to operate within certain risk limits, as detailed in the Annual Report. The following table details the CFD positions:

Number of CFD holdings at 30 September 2015: 18 (31 March 2015: 16)

CFD positions	As at 30 September 2015	As at 31 March 2015
	£000	£000
Gross exposure	1,427	1,370
Net exposure	1,427	1,370
Unrealised gains	10	202
Unrealised losses	33	23

4. The Investment Managers have waived their fees for the periods to 30 September 2015 and 2014.
5. The above figures do not constitute full or statutory accounts in terms of Sections 434 and 435 of the Companies Act 2006. All information shown for the six months to 30 September 2015 is unaudited. The accounts for the year to 31 March 2015, on which the auditors issued an unqualified report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 of the Companies Act 2006.

CORPORATE INFORMATION

Directors

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