S&W Revera Fund

Annual Report

for the year ended 31 December 2018

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S&W Revera Fund
Report of the Authorised Corporate Director ('ACD')

Smith & Williamson Fund Administration Limited, as ACD, presents herewith the Annual Report for S&W Revera Fund for the year ended 31 December 2018.

S&W Revera UK Dynamic Fund ("the Company" or "the Fund") is an authorised open-ended investment company with variable capital ("ICVC") further to an authorisation order dated 12 August 2008. The Company is incorporated under registration number IC000692. It is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ("COLL"), as published by the Financial Conduct Authority ("FCA").

The Company has been set up as an umbrella company. Provision exists for an unlimited number of sub-funds to be included within the umbrella and additional sub-funds may be established by the ACD with the agreement of the Depositary and the approval of the FCA. The sub-funds represent segregated portfolios of assets and, accordingly, the assets of a sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (indirectly or directly) the liabilities of claim against, any other person or body, and any other sub-fund and shall not be available for any such purpose.

The ACD is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Company consist predominantly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. As ACD we have applied appropriate accounting policies consistently, supported by reasonable and prudent judgements and estimates. However, as ACD we are unable to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

The shareholders are not liable for the debts of the Company.

The Company has no Directors other than the ACD.

The base currency of the Company is UK sterling.

The Instrument of Incorporation can be inspected at the offices of the ACD.

Copies of the Prospectus and Key Investor Information Document ("KIID") are available on request free of charge from the ACD.

Sub-funds

There currently is one sub-fund in the Company - S&W Revera UK Dynamic Fund.

Investment objective and policy

The principal investment objective of the sub-fund is to achieve long term capital growth through investment in fully listed and aim-quoted equities. Equities will be selected on the basis of their long term growth potential and strength of underlying cash flows. The Investment Manager will retain the flexibility to invest in investment grade fixed income securities when the outlook for equities is less positive.

The sub-fund may also invest in bonds, collective investment schemes, warrants, money market instruments, cash, deposits and other permitted investments. It is the ACD's intention that derivatives may be used only for hedging purposes using Efficient Portfolio Management style techniques. The sub-fund may not invest in any immovable property or tangible movable property.

The sub-fund will be managed in a manner that maintains eligibility for the stocks and shares component of an individual savings account.

Report of the Authorised Corporate Director (continued)

Changes affecting the Company in the year

There were no fundamental or significant changes to the Company in the year.

Further information in relation to the Company is illustrated on page 35.

Royal Bank of Scotland Group transferred its Trustee and Depositary Services business from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited on 29 October 2018.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Annual Report on behalf of the ACD, Smith & Williamson Fund Administration Limited.

B. McLean
Director
Smith & Williamson Fund Administration Limited
3 April 2019

Statement of the Authorised Corporate Director's responsibilities

The Collective Investment Schemes sourcebook ("COLL") published by the FCA, requires the ACD to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net revenue and net capital losses on the property of the Company for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds published by The Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with the Instrument of Incorporation, the Prospectus and COLL.

Report of the Depositary to the shareholders of S&W Revera Fund ('the Company')

Depositary's responsibilities

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's revenue is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ('ACD') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the ACD:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the Regulations and the Scheme documents of the Company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee & Depositary Services Limited
3 April 2019

Independent Auditor's report to the shareholders of S&W Revera Fund ('the Company')

Opinion

We have audited the financial statements of the Company for the year ended 31 December 2018 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the Related Notes and Distribution Table for the Company and the accounting policies set out on pages 8 and 9.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Company as at 31 December 2018 and of the net revenue and the net capital losses on the property of the Company for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to UK Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Authorised Corporate Director (Smith & Williamson Fund Administration Limited) has prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Authorised Corporate Director's conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The Authorised Corporate Director (Smith & Williamson Fund Administration Limited) is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Authorised Corporate Director’s Report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records.

Authorised Corporate Director's responsibilities

As explained more fully in their statement set out on page 4, the Authorised Corporate Director is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company’s shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook (‘the COLL Rules’) published by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company’s shareholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
3 April 2019

Accounting policies of S&W Revera Fund

for the year ended 31 December 2018

a *Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and in accordance with the Statement of Recommended Practice for UK Authorised Funds ('the SORP') published by The Investment Association in May 2014.

As described in the ACD's report, the ACD continues to adopt the going concern basis in the preparation of the accounts.

b *Valuation of investments*

The purchase and sale of investments are included up to close of business on 31 December 2018.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver an asset arises.

Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is global close of business on 31 December 2018 with reference to quoted bid prices from reliable external sources.

Where an observable market price is unreliable or does not exist, investments are valued at the ACD's best estimate of the amount that would be received from an immediate transfer at arm's length.

c *Foreign exchange*

The base currency of the sub-fund is UK sterling which is taken to be the sub-fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

d *Revenue*

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity shares are recognised as revenue, net of attributable tax credits on the date when the securities are quoted ex-dividend.

Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case.

Interest on bank deposits and short term deposits is recognised on an accruals basis.

e *Expenses*

All expenses are charged to the sub-fund against revenue, other than those relating to the purchase and sale of investments.

f *Allocation of revenue and expenses to multiple share classes*

All revenue and expenses which are directly attributable to a particular share class are allocated to that class. All revenue and expenses which are attributable to the sub-fund are allocated to the sub-fund and are normally allocated across the share classes pro rata to the net asset value of each class on a daily basis.

g *Taxation*

Tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

UK corporation tax is provided as amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 31 December 2018 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Provision for deferred tax assets are only made to the extent the timing differences are expected to be of future benefit.

Accounting policies of S&W Revera Fund (continued)

for the year ended 31 December 2018

h Efficient portfolio management

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts may be used for efficient portfolio management purposes. Where such instruments are used to protect or enhance revenue, the revenue or expenses derived therefrom are included in the Statement of total return as revenue related items and form part of the distribution. Where such instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in the Statement of total return as capital related items.

i Dilution levy

The need to charge a dilution levy will depend on the volume of sales or redemptions. The ACD may charge a discretionary dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected, and if charging a dilution levy is, so far as practicable, fair to all shareholders and potential shareholders. Please refer to the Prospectus for further information.

j Distribution policies

i Basis of distribution

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to accumulation shares are re-invested in the relevant class on behalf of the shareholders.

ii Revenue

All revenue is included in the final distribution with reference to policy d.

iii Expenses

Expenses incurred against the revenue of the sub-fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

vi Equalisation

Group 2 shares are shares purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 shares. Equalisation is the average amount of revenue included in the purchase price of group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax in the hands of the shareholders but must be deducted from the cost of shares for capital gains tax purposes. Equalisation per share is disclosed in the Distribution table.

Investment Manager's report

Market review

Global economic growth has been reasonable, not brilliant, but reasonable nonetheless. The world's most influential economy, the US, continued to show robust growth. Unsurprisingly consumer spending, stimulated by tax cuts, has been a significant contributory factor. This consumer confidence stems from an economy operating at a level that many economists would consider to represent full employment, with the unemployment rate sitting at its lowest rate in almost fifty years (source: US Bureau of labour Statistics). To date, the higher inflation promised by economic orthodoxy has not materialised, and only latterly has there been any evidence of meaningful real wage growth. Part of the US Federal Reserve's (Fed) mandate is to control inflation. Accordingly, it has acted to pre-empt wage growth from feeding through to higher inflation by nudging up short-term interest rates four times in 2018, in the belief this will curb inflation without damaging underlying levels of economic activity. This course of action has met with general unanimity amongst Fed members. However, there was a change in the Fed's messaging in December, when Fed Chair, Jerome Powell, hinted that it might slow the pace of rate increases in 2019 should economic headwinds materialise. The sense that the Fed could see "dark clouds" on the horizon was enough to send markets sharply lower, with the US market reaching its lowest level since September 2017 (source: Thomson Reuters).

In addition, the trade spat between the US and China has weighed on investors. President Trump's determination to press ahead with boosting tariff levels on $200 billion of Chinese goods to 25% and China's retaliatory measures in kind, although difficult to quantify precisely, have dampened global growth. As is usual in these instances, there is blame attaching to both sides. The ability of US domestic businesses to pass on higher costs to their customers will have weighed on the Fed's thinking on inflation. To date the fallout from the actions of either party remains manageable, but both sides retain the capacity to ratchet tensions up and do more meaningful and lasting damage to the health of the global economy.

For a large constituency of investors, the spectre of Brexit rendered the UK stockmarket uninvestable. Whilst we acknowledge the uncertainty created by Brexit, and the struggles faced by Theresa May in trying to get the withdrawal agreement through Parliament, we believe this constitutes an investment opportunity. However, we recognise that thus far our fall back stance, that common sense would compel politicians into a workable compromise, has proven too optimistic. Brexit has overshadowed what, in a more stable political context, would be construed as positive economic developments and consequently consumer confidence remains subdued. Real wage growth has begun to pick up, unemployment is at levels last seen in the early 1970s (source: Office for National Statistics), and the falling oil price should help disposable income. Clearly, Brexit will be a major, but not the only factor, determining UK growth in the next couple of years. The external environment, financial conditions and the trend in the domestic economic cycle will all exert an influence. Our optimism rests on our belief that UK equities are priced for an "Armageddon" scenario that materially undervalues the fundamental business strengths of a number of domestically facing equities.

In the main, the progressive deterioration in economic data from the Euro area can be attributed to the gradually weakening business climate in Germany. Although growth rates remain positive, the trend is concerning. As an example, the German Institute for Economic Reserach index, a key measure of German business optimism, declined for the eighth successive month (source: Thomson Reuters), suggesting there is something more than seasonal sluggishness at work. European Central Bank (ECB) President, Mario Draghi, recognises the threats to European Union prosperity – global trade and internal dissent (the row over the Italian budget deficit) were described as 'prominent' – but he remains confident that the area can sustain a broad based expansion. As anticipated, the ECB signalled that its monthly purchase of government bonds would cease at the end of 2018.

Despite the reasonable economic performance, returns from equities were disappointing. The sell off in equities in the final quarter of 2018 has taken the froth of some valuations. Within the UK, it is clear that the High Street is experiencing a torrid time with a more circumspect consumer and migration of sales to online fulfilment. More broadly, small misses to expectations are being treated savagely by investors who are becoming increasingly inclined to amplify short term trading issues. The logical conclusion of this is that it is leaving swathes of potential upside for more patient investors.

Entering 2019, leading indicators are pointing to a wider moderation of activity. The headwinds to growth are not insurmountable but they are stronger with a tighter monetary policy, a stronger US dollar, firmer commodity prices, trade friction and heightened Emerging Market volatility. The Organisation for Economic Co-operation and Development downgraded its global growth forecast for 2019 to 3.5%, and warned that if the trade war between the US and China escalated any slowdown would be exacerbated. Oil fell below $60 (source: Thomson Reuters), due to increased US production, maintained Saudi production and slowing global growth. Whist some view this as a portent of reduced global activity, in the short term it should act as fillip to embattled consumers.

Investment Manager's report (continued)

Market review (continued)

Although growth is slowing, it remains firmly in positive territory and a number of equities are more attractively priced, hence we are encouraged by the increased pool of opportunities.

Investment review ^

Sky delivered a strong business performance, whilst its future ownership was contested by US media giants, Comcast and Disney. We elected to sell for cash just prior to the final bids being announced, as we believed that the bulk of the upside was already reflected in Sky's share price.

We believe the key driver of return in Lloyds Banking Group is its ability to return surplus capital. Lloyd Banking Group's funding is rock solid, which will allow it to distribute up to 11% of its market cap this year, without any of its financial metrics deteriorating. Importantly, despite the return of capital, it can still fund expenditure of £3 billion over three years to enhance its productivity and further increase the gap between its digital capabilities and those of its rivals.

We find it difficult to reconcile Standard Life Aberdeen's lowly valuation. Standard Life Aberdeen has announced, and is working through, a programme to return £1.75 billion of cash to shareholders. We believe it can crystallise the value of its two 30% stakes in Bombay listed businesses, albeit we recognise that some investors are sceptical. There are legitimate questions to be addressed concerning the client proposition of the enlarged Standard Life Aberdeen, but we consider this is more than reflected in the shares' valuation.

Marshalls continues to deliver strong earnings performance despite concerns over the robustness of consumer demand in the UK. The interim dividend was increased by 18%. Its earnings outlook remains positive, and it has a dominant market position, financial strength, broad product range and high-margin exposure to infrastructure investment.

In retrospect, we were too early in our decision to purchase Walker Greenbank. Profit expectations were downgraded following the delay in signing a high margin licence deal (now since closed) and weaker trading in the UK mid-to-high end wallpaper market. It will require a resolution of Brexit negotiations and the removal of the threat of a Labour government for customer confidence to return. That said, Walker Greenbank's current depressed valuation represents an opportunity to buy into a unique business with an attractive portfolio of brands and a UK manufacturing base at a low point in its cycle.

We were encouraged by the progress the new management team at Restaurant Group had made in improving the operating performance at Frankie & Bennys and the Board's commitment to the dividend and low financial leverage. Following the announcement that it intended to acquire noodle chain, Wagamama, for £600 million, we had reservations on a number of fronts. Firstly, it necessitated a deeply discounted and heavy rights issue. Secondly, it moves Restaurant Group from a position of relatively low financial leverage to one which carries significant financial risk at arguably the wrong point in the economic cycle. Finally, there are significant operational challenges – Brexit being the most obvious – which could confront the business in 2019. In our view, management should have demonstrated it could deliver on the original turnaround plan and maintain low financial leverage. Shareholders disagreed and approved the proposed acquisition by the ratio 60:40 at the General Meeting. As such, we can no longer justify remaining invested over the long term.

Full year results from Diageo saw all regions contribute to broad-based growth, with organic net sales up 5% and organic operating profits up 7.6%. This was masked by a recovery in UK sterling. The dividend was increased by 5% and the Board approved an additional share buyback programme of up to £2 billion for the current year, following the return of £1.5 billion to shareholders last year.

Capital goods businesses have struggled to make headway against a backdrop of concerns over global trade. Trading conditions in most of Morgan Advanced Materials markets were generally favourable and reflected global activity levels. Its performance was helped by market share gains in several areas e.g. the rail market in China. Management has a clear strategy of establishing Morgan Advanced Materials markets as a market leader whose solutions are appropriately valued by its customers. This offers the prospect of a significant value uplift through a structurally higher level of returns and a stockmarket rating which reflects this. For Melrose Industries, which acquired GKN earlier in 2018, the key element for us was that nothing untoward had been discovered post completion. Arguably, the actual numbers this year are not going to be that important because of the restructuring that will take place at the group level, but trading patterns look to be solid enough. The upside in Smiths Group is the crystallisation of the value of its medical division through a trade sale, and maintaining its John Crane and Detection businesses on a solid growth trajectory.

^ Source: Individual company releases.

Investment Manager's report (continued)

Investment review (continued) ^

Cobham's recovery remains on track, and management offered greater clarity on the provision for the legacy KC 46 aerial refuelling contract. Their immediate priority is to improve its operational performance - this remains the primary means by which Cobham will deliver an improved financial outcome. Its investment appeal is further enhanced by its technological differentiation and know how, coupled with leading positions in a number of attractive markets.

Hilton Food Group continued its strong growth momentum. It successfully incorporated its recent Seachill acquisition, and outlined the potential once it assumes full control of its current joint venture with Woolworths in Australia. After it comes on-stream, the enlarged Australian business will have the capacity to deliver a material step up in future profitability.

Keller Group announced that, due to a reappraisal of certain contracts, and trading conditions in the Asia Pacific region, that division was set to make full year operating losses. The area had been expected to recover to breakeven, hence the shares responded poorly to the resultant earnings downgrade. The issues appear confined to one area and management confirmed that the remainder of the business was trading in line with expectations. We require a further set of results to demonstrate a resolution of the Asian issue, but continue to believe the shares are unwarrantedly cheap.

Sage Group's final results allayed our fears that the issues relating to sales execution experienced in the first half would continue to plague it. A 7% increase in organic profit and dividend justified management's contention that they had addressed the shortcomings. In particular, the recent acquisition of cloud based accounting software business, Intacct, is performing well. Looking forward, Sage intends to lift investment spend to enable it to derive more of its revenue from subscriptions. There is no doubt that Sage is a high quality business, as ever the debate is over the extent to which this is reflected in its valuation.

FirstGroup's latest update showed a continuation of the full year trends: Student, Transit and UK Bus all performing strongly but Greyhound and, to a lesser extent UK Rail, acting as a drag on overall returns. We believe the recent change of CEO presages a more vigorous approach to portfolio rationalisation.

Whatever the outcome of Emma Walmsley's tenure as CEO of GlaxoSmithKline, she can't be accused of being unwilling to roll the dice. She announced the disposal of GlaxoSmithKline's Indian consumer healthcare business to Unilever for €3.3 billion, alongside the acquisition of US cancer drug maker Tesaro for $5.1 billion. Tesaro's main product is Zejula, which treats ovarian cancer. While the deal helps grow GlaxoSmithKline's core pharmaceuticals business, some investors questioned the price paid. Then GlaxoSmithKline and Pfizer announced they intended to combine their consumer health divisions. The new joint venture will be consolidated by GlaxoSmithKline, and later spun off and separately listed. GlaxoSmithKline expects that the merger will create cost savings of £500 million per annum. Assuming an appropriate capital structure for the new entity, the net impact should increase the pharmaceutical unit's acquisition firepower.

Consort Medical's interim results were in line with expectations, however there was a sting in the outlook statement. The delay in the launch of Mylan's generic Advair (brand name Wixela) would impact numbers this year to the tune of £3m, resulting in earnings downgrades of approximately 7%. The current delay to Wixela is a deferral of upside; it is not something that has gone wrong with the core of the business. We still believe that Wixela will get approval in the US over the coming weeks, leading to the resumption of a stronger growth profile for Consort. Further, we would emphasize the strength of the core portfolio of products which turn out predictable profits year after year.

^ Source: Individual company releases.

Investment activity

For much of the period, a combination of stretched valuations and earnings risk meant we refrained from new investment activity and we did not commit much liquidity during the market turbulence in quarter 4. We ended the year with 14% cash.

The one addition to the portfolio was Oxford Instruments. It is best described as a provider of enabling technology for business and researchers involved in advanced material developments, healthcare and scientific analysis. A smaller MRI maintenance business completes the portfolio. Its balance sheet carries minimal debt. The company offers a 'picks and shovels' play on a variety of disruptive technologies.

In addition to the sale of Sky, the other significant sale was of Travis Perkins where we became increasing sceptical over the company's strategic direction.

Investment Manager's report (continued)

Investment risks

An unwelcome development over recent years has been the broadening of risk to incorporate not only economic factors, but the impact of the changing political landscape on investment returns. That said, the greatest threat to the global economy remains economic rather than political. The Fed is pursuing a two-pronged policy of raising interest rates and unwinding quantitative easing (QE). The latter has never been attempted before and, although the recipient of considerable intellectual horsepower, still qualifies as a leap into the unknown. There are no guarantees on how this withdrawal of US dollar liquidity will play out over the medium term. Short term, the impact was to strengthen the US dollar. The law of unintended consequences very quickly made its presence felt with Emerging Markets under pressure, courtesy of that renewed US dollar strength. Although there are country specific factors associated with events in Turkey and Argentina, the second order impacts on the developed world's financial system are only starting to play out. Often the triggers for bear markets are not the obvious ones, and the Fed's initiatives may be about to put that observation to the test.

The era of loose global monetary policy is drawing to a close and has sparked some concern amongst Fed members over declining lending standards. Rising interest rates may create financial stress among non-bank mortgage lenders and servicers by putting liquidity pressure on issuers, especially non-bank mortgage originators and servicers. The latter now represent about 75% of the loans packaged in securities guaranteed by Ginnie Mae (source: Bank for International Settlements). As the likes of Citigroup, Bank of America and JPMorgan have cut home lending and servicing, specialists have stepped in, but they lack the capital buffers which banks have. The increasing role of non-banks in the US mortgage market has parallels with the 2008 financial crisis as they rely on short term funding which proved particularly vulnerable. The lessons of history are going unheeded and are a pointer as to where things might start to unravel.

Those in charge still constitute a significant risk. In the UK, parliament has rejected the Prime Minister's withdrawal agreement from the EU. Although still not the central case, the probability of a disorderly and disruptive Brexit has increased. The substantial majority in Parliament that considers no deal extremely irresponsible may have to defy their respective leadership and establish a cross bench consensus. To a greater extent, investors have anticipated this and UK bond yields and sterling were little changed in response to December and early January's political ructions. The prospect of an escalation in the trade war between the US and China has rightly unsettled investors. Any optimism over a deal being reached is tempered by President Trump's oscillations between pragmatic dealmaker and protectionist demagogue. If sensibly managed, neither Brexit nor tariffs will materially damage global growth - but mismanagement carries significant downside risk.

Investment outlook

On the first pass, 2019 looks like a more challenged version of 2018. There is plenty to concentrate the mind: Brexit negotiations coming to a head in the UK parliament with potential for more political upheaval; on-going trade spat between the US and China; the expansionary impact of the US tax cuts wearing through, and the Fed's QE unwind. Yet economies look as if they will continue to grow, and valuations have certainly compressed, suggesting investors are more attuned to the risks.

So where does that leave us? We still believe it is appropriate to look through the noise in equity markets, as any constructive development in the Brexit negotiations would likely trigger a recovery in both sterling and the prices of domestically facing equities. We remain confident that the companies we have invested in will cope, and then thrive, whatever the outcome. Where we have international exposure, we believe either growth will support valuations or there are plenty of self-help levers to be pulled.

In summary, we are cognisant of the tail risks, but possess a strong belief in the underlying attractions of each of our investments.

Revera Asset Management Limited
30 January 2019

Portfolio changes

for the year ended 31 December 2018

The following represents the total purchases and sales in the year to reflect a clearer picture of the investment activities.

Purchases:	Cost £
Forterra	3,659,630
Walker Greenbank	3,469,583
Oxford Instruments	3,240,915
Sage Group	2,755,087
Keller Group	1,444,956
Standard Life Aberdeen	1,442,833
Firstgroup	1,331,702
Jupiter Fund Management	1,298,691
Consort Medical	1,259,016
Restaurant Group	988,267
Travis Perkins	666,756
Cobham	663,068
Smiths Group	564,103
Bellway	513,984
Lloyds Banking Group	472,230
GlaxoSmithKline	454,573
Legal & General Group	444,651
Royal Dutch Shell	277,342
Morgan Advanced Materials	214,147

Sales:	Proceeds £
Sky	4,313,345
Travis Perkins	2,316,408
Sage Group	1,952,487
Restaurant Group	406,241
FirstGroup	376,532

Portfolio statement

as at 31 December 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - United Kingdom 85.34% (89.79%)			
Oil & Gas 3.81% (4.04%)			
Royal Dutch Shell 'B'	127,000	2,967,990	3.81
Basic Resources 4.02% (4.64%)			
Rio Tinto	84,000	3,132,780	4.02
Construction & Materials 13.49% (7.81%)			
Forterra	1,250,000	2,762,500	3.54
Keller Group	460,000	2,260,900	2.90
Marshalls	650,000	3,021,200	3.88
Melrose Industries	1,507,103	2,469,388	3.17
		10,513,988	13.49
Industrial Goods & Services 13.50% (14.67%)			
Cobham	2,355,000	2,301,306	2.95
Morgan Advanced Materials	998,254	2,627,405	3.37
Oxford Instruments	330,000	2,937,000	3.77
Smiths Group	195,000	2,655,900	3.41
		10,521,611	13.50
Automobiles & Parts 0.00% (3.28%)		-	-
Food & Beverage 8.20% (8.65%)			
Diageo	118,500	3,312,075	4.25
Hilton Food Group	341,000	3,075,820	3.95
		6,387,895	8.20
Personal & Household Goods 6.37% (4.30%)			
Bellway	104,000	2,615,600	3.36
Walker Greenbank	2,636,497	2,346,482	3.01
		4,962,082	6.37
Health Care 8.54% (7.05%)			
Consort Medical	380,000	3,526,400	4.52
GlaxoSmithKline	210,000	3,131,520	4.02
		6,657,920	8.54
Media 0.00% (3.97%)		-	-
Travel & Leisure 5.77% (6.92%)			
FirstGroup	3,361,781	2,803,725	3.60
Restaurant Group	1,015,073	1,446,479	1.86
Restaurant Group - Right issue ^	1,466,216	241,926	0.31
		4,492,130	5.77
Banks 3.19% (3.78%)			
Lloyds Banking Group	4,809,125	2,489,684	3.19

Portfolio statement (continued)

as at 31 December 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - United Kingdom (continued)			
Insurance 3.63% (4.01%)			
Legal & General Group	1,225,000	2,829,750	3.63
Financial Services 6.66% (8.66%)			
Jupiter Fund Management	850,000	2,509,200	3.22
Standard Life Aberdeen	1,046,250	2,684,155	3.44
		5,193,355	6.66
Technology 8.16% (8.01%)			
Sage Group	520,000	3,124,160	4.01
Spirent Communications	2,730,000	3,232,320	4.15
		6,356,480	8.16
Total equities - United Kingdom		66,505,665	85.34
Portfolio of investments		66,505,665	85.34
Other net assets		11,426,597	14.66
Total net assets		77,932,262	100.00

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 31 December 2017.

^ Restaurant Group issued 13 rights for every 9 ordinary shares held.

United Kingdom equities are grouped in accordance with the Industry Classification Benchmark.

The Industry Classification Benchmark (ICB) is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use. "FTSE" is a trade and service mark of London Stock Exchange and the Financial Times Limited. "Dow Jones" and "DJ" are trade and service marks of Dow Jones & Company Inc. FTSE and Dow Jones do not accept any liability to any person for any loss or damage arising out of any error omission in the ICB.

Risk and reward profile

The risk and reward profile is representative of all share classes.

The risk and reward indicator table demonstrates where the sub-fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the sub-fund. The shaded area in the table below shows the sub-fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk					Typically higher rewards, higher risk	
1	2	3	4	5	6	7

The sub-fund is in a higher category because the price of its investments have risen or fallen frequently and more dramatically than some other types of investment. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

The price of the sub-fund and any income from it can go down as well as up and is not guaranteed. Investors may not get back the amount invested. Past performance is not a guide to future performance.

Where investments are made in smaller company shares, these may be riskier as they can be more difficult to buy and sell. Their share prices may also move up and down more than larger companies.

The sub-fund is entitled to use derivative instruments for Efficient Portfolio Management. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the sub-fund.

The organisation from which the sub-fund buys a derivative may fail to carry out its obligations, which could also cause losses to the sub-fund.

The price of natural resources may be subject to sudden, unexpected and substantial fluctuations. This may lead to significant declines in the values of any companies developing these resources in which the fund invests and significantly impact investment performance.

The sub-fund may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the sub-fund’s value than if it held a larger number of investments.

For further information please refer to the Key Investor Information Document ("KIID").

For full details on risk factors for the sub-fund, please refer to the Prospectus.

There have been no changes to the risk and reward indicator in the year.

Comparative table

The following disclosures give a shareholder an indication of the performance of a share in the sub-fund. It also discloses the operating charges and direct transaction costs applied to each share. Operating charges are those charges incurred in operating the sub-fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

	Retail accumulation shares			Founder accumulation shares		
	2018	2017	2016	2018	2017	2016
	p	p	p	p	p	p
Change in net assets per share						
Opening net asset value per share	198.99	173.88	171.94	203.65	177.50	175.04
Return before operating charges	(26.03)	28.01	4.54	(26.67)	28.64	4.65
Operating charges	(3.02)	(2.90)	(2.60)	(2.61)	(2.49)	(2.19)
Return after operating charges *	(29.05)	25.11	1.94	(29.28)	26.15	2.46
Distributions^	(3.98)	(3.24)	(2.93)	(4.57)	(3.78)	(3.45)
Retained distributions on accumulation shares^	3.98	3.24	2.93	4.57	3.78	3.45
Closing net asset value per share	169.94	198.99	173.88	174.37	203.65	177.50
* after direct transaction costs of:	0.35	0.34	0.44	0.35	0.35	0.47
Performance						
Return after charges	(14.60%)	14.44%	1.13%	(14.38%)	14.73%	1.41%
Other information						
Closing net asset value (£)	1,584,130	2,155,736	2,252,178	17,769,342	30,260,425	36,995,298
Closing number of shares	932,197	1,083,345	1,295,268	10,190,888	14,858,674	20,842,073
Operating charges	1.55%	1.56%	1.55%	1.30%	1.31%	1.30%
Direct transaction costs	0.18%	0.18%	0.28%	0.18%	0.18%	0.28%
Prices						
Highest share price (p)	207.8	198.7	176.1	212.9	203.4	179.7
Lowest share price (p)	165.5	172.7	144.7	169.8	176.4	147.6

^ Rounded to 2 decimal places.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Comparative table (continued)

	Corporate accumulation shares		
	2018	2017	2016
	p	p	p
Change in net assets per share			
Opening net asset value per share	205.84	178.49	175.15
Return before operating charges	(27.10)	28.89	4.71
Operating charges	(1.57)	(1.54)	(1.37)
Return after operating charges*	(28.67)	27.35	3.34
Distributions^	(5.69)	(4.80)	(4.28)
Retained distributions on accumulation shares^	5.69	4.80	4.28
Closing net asset value per share	177.17	205.84	178.49
* after direct transaction costs of:	0.37	0.36	0.47
Performance			
Return after charges	(13.93%)	15.32%	1.91%
Other information			
Closing net asset value (£)	58,578,790	38,887,649	24,660,827
Closing number of shares	33,064,474	18,892,590	13,816,719
Operating charges	0.80%	0.81%	0.80%
Direct transaction costs	0.18%	0.18%	0.28%
Prices			
Highest share price (p)	215.6	205.5	180.5
Lowest share price (p)	172.5	177.4	148.1

^ Rounded to 2 decimal places.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Ongoing charges figure

The ongoing charges figure ("OCF") provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The ongoing charges figure consists principally of the ACD's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid.

Retail accumulation shares	31.12.18	31.12.17
Annual management charge	1.50%	1.50%
Other expenses	0.05%	0.06%
Ongoing charges figure	1.55%	1.56%

Founder accumulation shares	31.12.18	31.12.17
Annual management charge	1.25%	1.25%
Other expenses	0.05%	0.06%
Ongoing charges figure	1.30%	1.31%

Corporate accumulation shares	31.12.18	31.12.17
Annual management charge	0.75%	0.75%
Other expenses	0.05%	0.06%
Ongoing charges figure	0.80%	0.81%

Please note the ongoing charges figure is indicative of the charges which the share classes may incur in a year as it is calculated on historical data.

Financial statements - S&W Revera UK Dynamic Fund

Statement of total return

for the year ended 31 December 2018

	Notes	2018		2017	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(13,035,758)		7,869,480
Revenue	3	2,747,237		2,205,128	
Expenses	4	(742,954)		(706,374)	
Net revenue before taxation		2,004,283		1,498,754	
Taxation	5	-		-	
Net revenue after taxation			2,004,283		1,498,754
Total return before distributions			(11,031,475)		9,368,234
Distributions	6		(2,004,127)		(1,498,791)
Change in net assets attributable to shareholders from investment activities			(13,035,602)		7,869,443

Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	2018		2017	
	£	£	£	£
Opening net assets attributable to shareholders		71,303,810		63,908,303
Amounts receivable on issue of shares	26,097,597		6,515,071	
Amounts payable on cancellation of shares	(8,596,125)		(8,486,807)	
		17,501,472		(1,971,736)
Change in net assets attributable to shareholders from investment activities		(13,035,602)		7,869,443
Retained distributions on accumulation shares		2,162,582		1,497,800
Closing net assets attributable to shareholders		77,932,262		71,303,810

Balance sheet
as at 31 December 2018

	Notes	2018	2017
		£	£
Assets:			
Fixed assets:			
Investments		66,505,665	64,021,158
Current assets:			
Debtors	7	628,697	834,040
Cash and bank balances	8	10,830,374	6,625,778
Total assets		77,964,736	71,480,976
Liabilities:			
Creditors:			
Other creditors	9	(32,474)	(177,166)
Total liabilities		(32,474)	(177,166)
Net assets attributable to shareholders		77,932,262	71,303,810

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

The accounting policies are disclosed on pages 8 and 9.

2. Net capital (losses) / gains

	2018	2017
	£	£
Non-derivative securities - realised gains	865,430	1,729,507
Non-derivative securities - movement in unrealised (losses) / gains	(13,895,327)	6,152,541
Compensation	-	17
Transaction charges	(5,861)	(12,585)
Total net capital (losses) / gains	(13,035,758)	7,869,480

Unrealised gains/(losses) are disclosed as the movement in unrealised gains/(losses) on investments between the prior year and the current year. Where realised gains/(losses) on investments include unrealised gains/(losses) arising in previous periods, a corresponding gain/(loss) is included in unrealised gains/(losses).

3. Revenue

	2018	2017
	£	£
UK revenue	2,734,069	2,203,014
Bank and deposit interest	13,168	2,114
Total revenue	2,747,237	2,205,128

4. Expenses

	2018	2017
	£	£
Payable to the ACD and associates		
Annual management charge	708,548	675,342
Payable to the Depositary		
Depositary fees	24,153	21,503
Other expenses:		
Audit fee	6,330	5,940
Safe custody fees	2,158	1,827
FCA fee	52	58
KIID production fee	1,713	1,704
	10,253	9,529
Total expenses	742,954	706,374

5. Taxation

	2018	2017
	£	£
a. Analysis of the tax charge for the year		
Total taxation (note 5b)	-	-

Notes to the financial statements (continued)

for the year ended 31 December 2018

5. Taxation (continued)

b. Factors affecting the tax charge for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2017: 20%). The differences are explained below:

	2018	2017
	£	£
Net revenue before taxation	2,004,283	1,498,754
Corporation tax @ 20%	400,857	299,751
Effects of:		
UK revenue	(546,814)	(440,603)
Excess management expenses	145,957	140,852
Total taxation (note 5a)	-	-

c. Provision for deferred taxation

At the year end, a deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £993,723 (2017: £847,766).

6. Distributions

The distributions take account of revenue added on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	2018	2017
	£	£
Interim accumulation distribution	1,266,575	1,023,588
Final accumulation distribution	896,007	474,212
	2,162,582	1,497,800
Equalisation:		
Amounts deducted on cancellation of shares	57,035	44,028
Amounts added on issue of shares	(215,505)	(39,901)
Net equalisation on conversions	15	(3,136)
Total net distributions	2,004,127	1,498,791

Reconciliation between net revenue and distributions:	2018	2017
	£	£
Net revenue after taxation per Statement of total return	2,004,283	1,498,754
Undistributed revenue brought forward	96	133
Undistributed revenue carried forward	(252)	(96)
Distributions	2,004,127	1,498,791

Details of the distribution per share are disclosed in the Distribution table.

Notes to the financial statements (continued)

for the year ended 31 December 2018

7. Debtors

	2018	2017
	£	£
Amounts receivable on issue of shares	487,939	727,378
Accrued revenue	140,745	106,648
Prepaid expenses	13	14
Total debtors	628,697	834,040

8. Cash and bank balances

	2018	2017
	£	£
Bank balances	1,584,349	633,646
Cash on deposit	9,246,025	5,992,132
Total cash and bank balances	10,830,374	6,625,778

9. Other creditors

	2018	2017
	£	£
Amounts payable on cancellation of shares	25,721	166,873
Accrued expenses:		
Payable to the ACD and associates		
Annual management charge	-	3,845
	-	3,845
Other expenses:		
Depositary fees	-	125
Safe custody fees	324	349
Audit fee	6,330	5,940
Transaction charges	99	34
	6,753	6,448
Total accrued expenses	6,753	10,293
Total other creditors	32,474	177,166

10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

11. Share classes

The sub-fund currently has three share classes: Retail accumulation shares, Founder accumulation shares and Corporate accumulation shares.

The following reflects the change in shares in issue for each share class in the year:

	Retail accumulation shares
Opening shares in issue	1,083,345
Total shares issued in the year	78,581
Total shares cancelled in the year	(229,737)
Total shares converted in the year	8
Closing shares in issue	932,197

Notes to the financial statements (continued)

for the year ended 31 December 2018

11. Share classes (continued)

	Founder accumulation shares
Opening shares in issue	14,858,674
Total shares issued in the year	284,081
Total shares cancelled in the year	(3,287,215)
Total shares converted in the year	(1,664,652)
Closing shares in issue	10,190,888

	Corporate accumulation shares
Opening shares in issue	18,892,590
Total shares issued in the year	13,350,776
Total shares cancelled in the year	(821,618)
Total shares converted in the year	1,642,726
Closing shares in issue	33,064,474

For the year ended 31 December 2018, the annual management charge for each share class is as follows:

Retail accumulation shares	1.50%
Founder accumulation shares	1.25%
Corporate accumulation shares	0.75%

The annual management charge includes the ACD's periodic charge and the Investment Manager's fee.

Further information in respect of the return per share is disclosed in the Comparative table.

On the winding up of a sub-fund all the assets of the sub-fund will be realised and apportioned to the share classes in relation to the net asset value on the closure date. Shareholders will receive their respective share of the proceeds, net of liabilities and the expenses incurred in the termination in accordance with the FCA regulations. Each share class has the same rights on winding up.

12. Related party transactions

Smith & Williamson Fund Administration Limited, as ACD is a related party due to its ability to act in respect of the operations of the sub-fund.

The ACD acts as principal in respect of all transactions of shares in the sub-fund. The aggregate monies received and paid through the creation and cancellation of shares are disclosed in the Statement of change in net assets attributable to shareholders.

Amounts payable to the ACD and its associates are disclosed in note 4. The amount due to the ACD and its associates at the balance sheet date is disclosed in note 9.

A shareholder with a holding in excess of 20% of the value of the sub-fund may be able to exercise significant influence over the financial and operating policies of the sub-fund with reference to shareholders' voting rights at general meetings and as such is deemed to be a related party.

Parties with an interest in excess of 20% of the sub-fund are as follows:

	2018	2017
FNZ (UK) NOMINEES LTD	49.57%	26.48%

Notes to the financial statements (continued)

for the year ended 31 December 2018

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per retail accumulation share unit has increased from 169.94p to 187.87p, the founder accumulation share unit has increased from 174.37p to 192.89p and the corporate accumulation unit has increased from 177.17p to 196.23p as at 1 April 2019. This movement takes into account routine transactions but also reflects the market movements of recent months.

14. Transaction costs

a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	Purchases before transaction costs	Commission		Taxes		Financial transaction tax		Purchases after transaction costs
2018	£	£	%	£	%	£	%	£
Equities	25,027,161	26,419	0.11%	107,954	0.43%	-	-	25,161,534
Total	25,027,161	26,419	0.11%	107,954	0.43%	-	-	25,161,534

	Purchases before transaction costs	Commission		Taxes		Financial transaction tax		Purchases after transaction costs
2017	£	£	%	£	%	£	%	£
Equities	11,037,369	27,912	0.25%	55,299	0.50%	-	-	11,120,580
Total	11,037,369	27,912	0.25%	55,299	0.50%	-	-	11,120,580

	Sales before transaction costs	Commission		Taxes		Financial transaction tax		Sales after transaction costs
2018	£	£	%	£	%	£	%	£
Equities	9,370,597	(5,577)	0.06%	(7)	0.00%	-	-	9,365,013
Total	9,370,597	(5,577)	0.06%	(7)	0.00%	-	-	9,365,013

	Sales before transaction costs	Commission		Taxes		Financial transaction tax		Sales after transaction costs
2017	£	£	%	£	%	£	%	£
Equities	15,203,338	(40,667)	0.27%	(37)	0.00%	-	-	15,162,634
Total	15,203,338	(40,667)	0.27%	(37)	0.00%	-	-	15,162,634

Notes to the financial statements (continued)

for the year ended 31 December 2018

14. Transaction costs (continued)

a Direct transaction costs (continued)

Capital events amount of £282,117 (2017: £1,883,700) is excluded from the total sales as there were no direct transaction costs charged in these transactions.

Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the sub-fund's average net asset value in the year:

2018	£	% of average net asset value
Commission	31,996	0.04%
Taxes	107,961	0.14%

2017	£	% of average net asset value
Commission	68,579	0.10%
Taxes	55,336	0.08%

b Average portfolio dealing spread

The average portfolio dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.61% (2017: 0.27%).

15. Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Prospectus, the following are accepted by the ACD as being the main risks from the sub-fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the ACD's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the ACD, which sets the risk appetite and ensures continued compliance with the management of all known risks.

a Market risk

Market risk is the risk that the value of the sub-fund’s financial instruments will fluctuate as a result of changes in market prices and comprise three elements: other price risk, currency risk, and interest rate risk.

(i) Other price risk

The sub-fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main element of the portfolio of investments which is exposed to this risk is equities which are disclosed in the Portfolio statement.

This risk is generally regarded as consisting of two elements: stock specific risk and market risk. Through these two factors, the sub-fund is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the sub-fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 31 December 2018, if the price of the investments held by the sub-fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders of the sub-fund would increase or decrease by approximately £3,325,283 (2017: £3,201,058).

Notes to the financial statements (continued)

for the year ended 31 December 2018

15. Risk management policies (continued)

a Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

Forward currency contracts may be used to manage the portfolio exposure to currency movements.

The sub-fund had no significant exposure to foreign currency in the year.

(iii) Interest rate risk

Interest rate risk is the risk that the value of the sub-fund's investments will fluctuate as a result of interest rate changes.

During the year the sub-fund's direct exposure to interest rates consisted of cash and bank balances.

The amount of revenue receivable from bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

In the event of a change in interest rates, there would be no material impact upon the net assets of the sub-fund.

The sub-fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

There is no exposure to interest bearing securities at the balance sheet date.

b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk.

The Depositary has appointed the custodian to provide custody services for the assets of the sub-fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the sub-fund. The sub-fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

The sub-fund holds cash and cash deposits with financial institutions which potentially exposes the sub-fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the sub-fund of default.

c Liquidity risk

A significant risk is the cancellation of shares which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of shares at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in shares in the sub-fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The sub-fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the sub-fund may not be able to immediately sell such securities.

Notes to the financial statements (continued)
for the year ended 31 December 2018

15. Risk management policies (continued)

c Liquidity risk (continued)

To reduce liquidity risk the ACD will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the sub-fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the sub-fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the sub-fund to meet large redemptions (50% of the net asset value and 80% of the net asset value), while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand.

d Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

To ensure this, the fair value pricing committee is a body appointed by the ACD to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the sub-fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

Valuation technique	Investment assets 2018 £	Investment liabilities 2018 £
Quoted prices	66,505,665	-
Observable market data	-	-
Unobservable data	-	-
	66,505,665	-

Valuation technique	Investment assets 2017 £	Investment liabilities 2017 £
Quoted prices	64,021,158	-
Observable market data	-	-
Unobservable data	-	-
	64,021,158	-

No securities in the portfolio of investments are valued using valuation techniques.

e Assets subject to special arrangements arising from their illiquid nature

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

Notes to the financial statements (continued)

for the year ended 31 December 2018

15. Risk management policies (continued)

f Derivatives

The sub-fund may employ derivatives with the aim of reducing the sub-fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with efficient portfolio management.

The ACD monitors that any exposure is covered globally to ensure adequate cover is available to meet the sub-fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

For certain derivative transactions cash margins may be required to be paid to the brokers with whom the trades were executed and settled. These balances are subject to daily reconciliations and are held by the broker in segregated cash accounts that are afforded client money protection.

During the year there were no derivative transactions.

(i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the sub-fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the sub-fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The sub-fund may transact in derivative contracts which potentially exposes the sub-fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Depositary.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

(ii) Leverage

The leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach) divided by the net asset value.

There have been no leveraging arrangements in the year.

(iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a sub-fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date there is no global exposure to derivatives.

There have been no collateral arrangements in the year.

Distribution table

for the year ended 31 December 2018

Distributions on retail accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.08.18	group 1	interim	2.638	-	2.638	2.419
31.08.18	group 2	interim	2.077	0.561	2.638	2.419
30.04.19	group 1	final	1.341	-	1.341	0.822
30.04.19	group 2	final	-	1.341	1.341	0.822

Distributions on founder accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.08.18	group 1	interim	2.954	-	2.954	2.694
31.08.18	group 2	interim	1.334	1.620	2.954	2.694
30.04.19	group 1	final	1.616	-	1.616	1.087
30.04.19	group 2	final	0.556	1.060	1.616	1.087

Distributions on corporate accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.08.18	group 1	interim	3.517	-	3.517	3.193
31.08.18	group 2	interim	2.392	1.125	3.517	3.193
30.04.19	group 1	final	2.174	-	2.174	1.608
30.04.19	group 2	final	0.296	1.878	2.174	1.608

Equalisation

Equalisation applies only to group 2 shares. It is the average amount of revenue included in the purchase price of group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax in the hands of the shareholder but must be deducted from the cost of shares for capital gains tax purposes.

Accumulation distributions

Holders of accumulation shares should add the distributions received thereon to the cost of the shares for capital gains tax purposes.

Interim distribution:

Group 1	Shares purchased before 1 January 2018
Group 2	Shares purchased 1 January 2018 to 30 June 2018

Final distribution:

Group 1	Shares purchased before 1 July 2018
Group 2	Shares purchased 1 July 2018 to 31 December 2018

Remuneration

Remuneration code disclosure

The remuneration committee is responsible for setting remuneration policy for all partners, directors and employees within the Smith and Williamson Group including individuals designated as Material Risk Takers under the Remuneration Code. The remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the group and to support prudent risk management, with particular attention to conduct risk.

Remuneration committee

The remuneration committee report contained in pages 58-61 of the Smith & Williamson Report and Financial Statements for the year ended 30 April 2018 (available http://smithandwilliamson.com/about-us/financial-reports) includes details on the remuneration policy. The remuneration committee comprises five non-executive directors and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met eight times during 2017-18.

Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices
- to foster and support conduct and behaviours which are in line with our culture and values
- to maintain a sound risk management framework
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking
- to comply with all relevant regulatory requirements
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. As part of a "balanced scorecard" approach to variable remuneration non-financial criteria including, but not limited to, compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

Remuneration systems

The committee reviews all partners and directors fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a deferred option plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises of a salary with benefits including pension contribution, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

When setting variable remuneration for the executive directors, the committee considers overall business profit for the group and divisions, achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 30 April 2018. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

Aggregate Quantitative Information

The total amount of remuneration paid by Smith & Williamson Fund Administration Limited (SWFAL) is nil as SWFAL has no employees. However, a number of employees have remuneration costs recharged to SWFAL and the annualised remuneration for these 78 employees is £3,741,023 of which £3,391,428 is fixed remuneration. This is based on the annualised salary and benefits for those identified as working in SWFAL as at 30 April 2018. Any variable remuneration is awarded for the year ending 30 April 2018. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed on the next page.

Remuneration (continued)

Aggregate Quantitative Information (continued)

Smith & Williamson reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Smith & Williamson group. It is difficult to apportion remuneration for these individuals in respect of their duties to SWFAL. For this reason, the aggregate total remuneration awarded for the financial year 2017-18 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for SWFAL (£000)	Financial Year ending 30 April 2018				
		Variable			
	Fixed	Cash	Equity	Total	No. MRTs
Senior Management	£2,906	£1,872	£563	£5,341	15
Other MRTs	£1,506	£864	£186	£2,556	11
Total	£4,412	£2,736	£749	£7,897	26

Investment Manager

The ACD delegates the management of the Company's portfolio of investments to Revera Asset Management Limited and pays to Revera Asset Management Limited, out of the ACD's annual management charge, a monthly fee calculated on the total value of the portfolio of investments at each valuation point. Revera Asset Management Limited are compliant with the Capital Requirements Directive regarding remuneration and therefore Revera Asset Management Limited staff are covered by remuneration regulatory requirements.

Further information

Distributions and reporting dates

Where net revenue is available it will be allocated semi-annually on 30 April (final) and 31 August (interim). In the event of a distribution, shareholders will receive a tax voucher.

XD dates:	1 January	final
	1 July	interim
Reporting dates:	31 December	annual
	30 June	interim

Buying and selling shares - S&W Revera UK Dynamic Fund

The property of the sub-fund is valued at 12 noon on every business day, with the exception of any bank holiday in England and Wales or the last business day prior to those days annually, where the valuation may be carried out at a time agreed in advance between the ACD and the Depositary, and prices of shares are calculated as at that time. Share dealing is on a forward basis i.e. investors can buy and sell shares at the next valuation point following receipt of the order.

The ACD may impose a charge on the sale of shares to investors which is based on the amount invested by the prospective investor. The preliminary charge only applies to retail accumulation shares and is currently 5%.

Share class	Minimum initial investment	Minimum subsequent investment	Minimum holding
Retail accumulation	£nil	£nil	£nil
Founder accumulation	£1,000	£500	£nil
Corporate accumulation	£5,000,000	£25,000	£5,000,000

The preliminary charge, minimum initial investment, minimum subsequent investment and minimum holding may be waived in part or in full at the discretion of the ACD.

Prices of shares and the estimated yield of the share classes are published on the following website: www.fundlistings.com or may be obtained by calling 0141 222 1151.

Appointments

ACD and Registered office
Smith & Williamson Fund Administration Limited
25 Moorgate
London EC2R 6AY
Telephone: 020 7131 4000
Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar
Smith & Williamson Fund Administration Limited
206 St. Vincent Street
Glasgow G2 5SG
Telephone: 0141 222 1151 (Registration)
0141 222 1150 (Dealing)
Authorised and regulated by the Financial Conduct Authority

Directors of the ACD
Brian McLean
David Cobb
James Gordon
Kevin Stopps
Paul Wyse
Grant Hotson - resigned 11 March 2019

Non-Executive Directors of the ACD
Dean Buckley - appointed 29 August 2018
Linda Robinson - appointed 29 August 2018
Victoria Muir - appointed 29 August 2018

Investment Manager
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8A Rutland Square
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Authorised and regulated by the Financial Conduct Authority

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Authorised and regulated by the Financial Conduct Authority

Auditor
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG