REVERA ASSET MANAGEMENT

FUND MANAGERS
STEPHEN GRANT
GLEN NIMMO

S&W REVERA UK DYNAMIC FUND

AS AT 30 APRIL 2021

FACTSHEET

OVERVIEW

Long journeys are often punctuated by stops in nondescript locales, and to employ the travelling analogy, the newsflow from stock markets marked time over the last month, rather than pushing on to the next destination. Share prices, however, continued their strong recovery since the vaccine developments were announced last November. Portfolio liquidity was 5.4%.

The economic recovery is gaining traction and, if anything, at a faster rate than expected. However, previous moves in share prices had already anticipated much of this. Initial estimates of economic activity for April from surveys of purchasing managers, suggest accelerating activity in the US, the UK and the Euro Area. The IMF expects the global economy to grow by 6.0% in 2021 and by 4.4% in 2022, with developed economies notably strong. President Biden's $2tn stimulus package will provide a significant kicker to growth in the US.

In the UK, activity has proven to be more robust than feared during the most recent lockdown, with both businesses and households proving adept at adapting to the restrictions. The UK Government continues to sanction higher spending and the March budget will inject approximately 3% of GDP into an economy that was already showing vigorous signs of life. UK retail sales rose sharply in March compared to the prior month, up 5.4% beating expectations by a wide margin and unemployment edged down slightly; albeit we have concerns over what happens when furlough is withdrawn. At present, consensus estimates for UK GDP growth are in the high 5%s for 2021 and 2022. Certainly, the sense we get from corporates is one of increasing confidence and, assuming no further material lockdowns, then we believe these growth forecasts are likely to be revised upwards over the next two quarters.

The caveat is that we recognise this recovery could face further medical setbacks along the way, and there is likely to be a greater dispersion of outcomes for individual countries, determined by their specific policy responses. However, to conclude with the travel analogy, we believe markets still have further to run but a pit stop may be required for a month or so.

TRAFFIC LIGHTS

HISTORIC EARNINGS VALUE	Red
EQUITY VS BOND VALUE	Green
EARNINGS REVISIONS	Green
APPETITE FOR NEW EQUITY	Amber
SHARE PRICE MOMENTUM	Green

With share prices now fully pricing in earnings recovery over the next two years, positive earnings revisions in the short term will need to be maintained to sustain further progress.

KEY FEATURES

FUND SIZE		£145M
SHARE PRICE	Founder Class	223.1p
	Corporate Class	229.4p
ISIN	Founder Class	GB00B3BSKJ23
	Corporate Class	GB00B8350522
ONGOING	Founder Class	1.30% (1.25% AMC)
CHARGES	Corporate Class	0.80% (0.75% AMC)
STRUCTURE		UCITS V ICVC
DEALING TIME		12pm every business day
TELEPHONE		0141 222 1150
PLATFORMS	EMX	Pershing
	Standard Life	AJ Bell
	Transact	Elevate
	Nucleus	CoFunds
	Hargreaves Lansdown	Aviva
	Novia	

PERFORMANCE	1 Month	3 Months	1 Year	3 Years	5 Years	Since Launch	MSCI UK All Cap Since Launch
Founder Class	3.0%	8.8%	21.3%	8.1%	33.4%	172.9%	136.3%
Corporate Class	3.1%	8.9%	22.0%	9.9%	36.8%		
MSCI UK All Cap (Gross)	4.4%	11.0%	25.2%	5.4%	37.4%		

S&W Revera UK Dynamic Fund does not have a formal benchmark. In order to aid understanding of historic performance, the MSCI UK All Cap Index (Gross) is presented as a comparator. It should not be inferred that the S&W Revera UK Dynamic Fund will be managed with any reference to this, or any other, comparator index.

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COMPANY NEWS

Full year results from Hilton Food Group showed a strong operating performance, courtesy of COVID-driven changes to eating patterns, expansionary growth from its new Australian facility and the incorporation of the erstwhile joint venture with Woolworths fully into the Hilton fold. Although operating in a less than glamourous industry, Hilton is a classic 'fast compounder'. Its expansion in terms of geography and new customers has all been funded through internal cash generation and should it choose to do so, could pay off its remaining debt in a relatively short period. With management confirming a positive outlook, we believe Hilton will continue its outperformance.

In what was a difficult environment for retail and small business lending, Lloyds Banking Group (LBG)'s results showed declining net income and profits heavily dented by a forward looking impairment charge on the current loan book. However, the company returned to the dividend list – paying out the maximum allowed under the current regulatory guidance. Although the underlying trading dynamics are likely to be subdued again in 2021, with the lingering impact of the pandemic subduing high margin consumer credit and structurally lower central bank base rates feeding through to a further decline in the group net interest margin. That said, there should be a very meaningful reduction in the level of impairment charges, so long as the economic outlook does not materially deteriorate from here. We believe this is not reflected in a share price that sits at a near 20% discount to tangible NAV even after the heavy write-off associated with future impairments this year and seems to disregard the strength of LBG's balance sheet. Its Q1 results released in April upgraded expectations for net interest margins and impairments, increasing confidence that the nadir in trading has passed.

WHAT DOES THE PORTFOLIO LOOK LIKE?

TOP 20 HOLDINGS	MARKET SECTOR	%
Lloyds Banking Group	Banks	4.8
Crest Nicholson	Construction	4.7
Bellway	Construction	4.5
Rio Tinto	Mining	4.2
Oxford Instruments	Electronics & Electricals	4.1
Johnson Matthey	Chemicals	4.0
Medica Group	Healthcare	4.0
QinetiQ	Aerospace & Defence	3.9
Spirent Communications	Technology	3.9
Hargreaves Lansdown	General Financials	3.9
TOTAL FOR TOP 10		**42.0**
Hays	Support Services	3.8
Forterra	Construction	3.8
Next	General Retailers	3.8
Spectris	Electronics & Electricals	3.8
Hilton Food Group	Food Producers	3.7
Marshalls	Construction	3.7
Diageo	Beverages	3.7
GlaxoSmithKline	Pharmaceuticals	3.7
Bodycote	Engineering	3.7
Legal & General	Life Assurance	3.7
TOTAL FOR TOP 20		**79.4**
Other Equity Holdings		15.2
Bonds and net Liquidity		5.4
TOTAL		**100.0**

WHAT SHOULD I BE WORRYING ABOUT?

Whatever your view on working from home, it has had one indisputable impact, namely that of creating a one-off surge in demand for consumer electronics. This surge was almost perfectly synchronised with the precipitous decline in automobile demand in the first half of 2020. The consequence was that the world's semiconductor foundries switched capacity to provide more lucrative consumer chips. Further, ongoing tensions between the US and China has led to the Chinese taking the strategic decision to hoard semiconductor chips to lessen their reliance on US technology expertise, exacerbating supply constraints. The rapid rebound in automotive demand in the second half of 2020 caught the semiconductor industry on the hop and for the reasons explained above it has been unable to keep pace with demand from their automotive customers. The shortage of chips has resulted in some automotive manufacturers slowing or even halting production which potentially carries negative short-term implications for two of our investments, Bodycote and Johnson Matthey. However, we believe both offer compelling long-term investment cases and the chip shortage will be addressed sooner rather than later, so our intention is to ride out any short-term turbulence.

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WHAT ARE THE KEY FEATURES?

The S&W Revera UK Dynamic Fund:

- Is designed as a UK Special Situations Fund, that has the capacity to invest in the UK equity market wherever the fund managers believe the best return can be made.
- Is a focused fund, with a target of 25 holdings. The fund managers believe that holding a smaller number of investments increases the time they can devote to monitoring each of them.
- Has a roughly even exposure to all of its investments, as the fund managers believe that this is more likely to achieve a better balance of risk and performance contribution.
- May at times have a higher than average exposure to small and medium sized companies, to utilise the fund managers' experience in this area.

HOW DO WE SELECT INVESTMENTS?

Revera is a fundamental investor. We typically invest in businesses where:

- We are confident in the business's ability to generate attractive and increasing levels of cash.
- Where we are confident that the business model is sustainable.
- Where we see scope for cash generation to drive dividend payments or other returns to shareholders.
- Where we expect the compounding up of earnings to drive the increases in value.

Revera is also aware of the prevailing market environment, and uses its own "traffic light" framework to assess the overall risk to investing in the UK equity market at any point in time. This framework assesses valuation and momentum within their historic ranges, and the emergence of "red lights" suggests a heightened risk to capital by investing in the UK equity market at the point in time.

WHAT IS REVERA?

Revera Asset Management Ltd is a UK equity boutique, based in Edinburgh.

Founded in 2003, Revera has focused its business on delivering investment funds backed by extensive due diligence and using independent judgement. Revera invests in businesses where the fund managers think they will make money - not because of benchmarks or because other people think it is a good idea.

Revera's business has also been built on high levels of engagement with investors and transparency over what we invest in, and why we have done it. This fosters trust between Revera and its clients, and has helped Revera grow with a low turnover of clients.

The portfolio is managed by Stephen Grant and Glen Nimmo, who have worked as part of the same team for 25 out of the last 27 years.

Stephen Grant has 37 years' experience in the UK equity market, with Scottish Mutual, Scottish Amicable and Ivory & Sime plc, where he picked up industry awards for performance in 2005 and 2006. Stephen has been with Revera since 2006, and joined its Board in 2007. He adds long experience in the capital goods sectors to the research expertise in Revera.

Glen Nimmo has over 27 years' experience investing in UK equities, and was a founder of Revera in 2003. He is also the company's Chief Executive. He has a background in food manufacturing, and brings that perspective to many of Revera's investment discussions. He is a long time analyst of the housebuilding and healthcare sectors.

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STATUTORY PERFORMANCE PRESENTATION

	31 Mar 2020- 31 Mar 2021	31 Mar 2019 - 31 Mar 2020	31 Mar 2018 - 31 Mar 2019	31 Mar 2017 - 31 Mar 2018	31 Mar 2016 - 31 Mar 2017
Founder Class	**30.6%**	**-13.5%**	**-0.7%**	**3.6%**	**10.2%**
Corporate Class	**31.3%**	**-13.1%**	**-0.2%**	**4.1%**	**10.7%**
MSCI UK All Cap (Gross)	**25.4%**	**-19.3%**	**6.3%**	**1.3%**	**22.3%**

Please remember that past performance is not a guide to future returns.

Shareholders may compare the performance of the fund against the MSCI UK All Cap (Gross) Index. The ACD has selected this comparator benchmark as it believes this benchmark best reflects the fund's asset allocation. The benchmark is not a target for the fund, nor is the fund constrained by the benchmark.

RISK FACTORS

This fund is designed as a medium to long-term investment, for example, at least five years.

The value of this investment is not guaranteed and can go down as well as up. Investors may not get back capital originally invested.

There is no guarantee the investment objective of this fund will be met.

This fund is likely to be more concentrated than other funds and may be more volatile than other funds.

There will be times when this fund's performance will be unlike that of any stock market index. This may, or may not, be advantageous to investors.

Before making an investment you should ensure that you have read and understood the Key Investor Information Document and the Prospectus. A copy of the Prospectus and Key Investor Information Document for the fund is available directly from our website at www.reverafunds.com