S&W Revera Fund

Annual Report

for the year ended 31 December 2020

Contents

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 2020.

S&W Revera 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.

The EU-UK Trade and Cooperation Agreement concluded between the EU and the UK sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes. It is underpinned by provisions ensuring a level playing field and respect for fundamental rights.

The Trade and Cooperation Agreement is provisionally applicable from 1 January 2021, after having been agreed by EU and UK negotiators on 24 December 2020. As at the date of this report, the economic impacts of Brexit and of the Trade and Cooperation Agreement remain uncertain.

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 - S&W Revera UK Dynamic Fund

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.

Important Note from the ACD

The outbreak of Covid-19, declared by the World Health Organisation as a Public Health Emergency of International Concern on 30 January 2020, has caused disruption to businesses and economic activity. The ACD is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

Changes affecting the Company in the year

KPMG LLP resigned as auditor and Johnston Carmichael LLP were appointed on 6 July 2020.

The Net retail accumulation share class was closed and shareholders were converted to Net founder accumulation shares on 30 January 2020.

Further information in relation to the Company is illustrated on page 40.

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.

Brian McLean
Director
Smith & Williamson Fund Administration Limited
29 April 2021

Statement of the Authorised Corporate Director's responsibilities

The Collective Investment Schemes sourcebook ('COLL') published by the FCA, requires the Authorised Corporate Director ('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;
- taking reasonable steps for the prevention and detection of fraud and irregularities; and
- the maintenance and integrity of the Company's information on the ACD's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COLL also requires the ACD to carry out an Assessment of Value on the sub-fund and publish this assessment within the Annual Report.

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

Assessment of Value - S&W Revera UK Dynamic Fund

In line with the provisions contained within COLL 6.6.20R, the Board of Smith & Williamson Fund Administration Limited ('SWFAL') as Authorised Corporate Director ('ACD'), has carried out an Assessment of Value for S&W Revera UK Dynamic Fund ('the sub-fund'). Furthermore, the rules require that SWFAL publishes these assessments.

A high-level summary of the outcome of SWFAL's rigorous review of the sub-fund for the year ending 31 December 2020, using the seven criteria set by the FCA is set out below:

	Net founder accumulation shares	Net corporate accumulation shares
1. Quality of Service	🟢	🟢
2. Performance	🟢	🟢
3. ACD Costs	🟡	🟢
4. Economies of Scale	🟢	🟢
5. Comparable Market Rates	🟢	🟢
6. Comparable Services	🟢	🟢
7. Classes of Shares	🟡	🟢
Overall Rating	🟡	🟢

SWFAL has adopted a traffic light system to show how it rated the funds:

🟢 On balance, the Board believes the sub-fund is delivering value to shareholders, with no material issues noted.

🟡 On balance, the Board believes the sub-fund is delivering value to shareholders, but requires some action which has already been taken.

🔴 On balance, the Board believes the sub-fund has not delivered value to shareholders and remedial action is now being undertaken.

How SWFAL assessed each of the seven criteria and the rating arrived at are discussed in greater detail on the following pages.

SWFAL has created an Assessment of Value Committee ('AVC'), for the review, challenge and approval of all the funds' Assessments of Value. Ultimately the assessment will be subject to scrutiny by the SWFAL Board (which includes independent directors) to ensure the outcomes of the assessments are clear and fair, before final sign-off by the chair of the SWFAL Board to finally communicate to investors if the fund has delivered value, and if not, where improvements need to be made.

In carrying out the assessment, the SWFAL AVC has separately considered, for each class of shares within the sub-fund, the following seven criteria stipulated by the FCA. The Committee may also have considered other issues where it was deemed appropriate.

SWFAL believes the Assessment of Value can make it easier for investors to both evaluate whether the sub-fund is providing them with value for money and make more informed decisions when choosing investments.

The seven criteria are:

(1) Quality of service – the quality of every aspect of the service provided, including, for example, accounting, administration, customer services and communications;

(2) Performance – how the sub-fund performed, including whether it met targets and objectives, kept to relevant policy, followed relevant principles, kept to reasonable timescales;

(3) ACD costs – the fairness and value of the sub-fund's costs, including entry and exit fees, early redemption fees, administration charges;

(4) Economies of scale – how costs have been or can be reduced as a result of increased Assets under Management ('AUM'), and whether or not those savings have been passed on to investors;

(5) Comparable market rates – how the costs of the sub-fund compare with others in the marketplace;

(6) Comparable services – how the charges applied to the sub-fund compare with those of other funds administered by SWFAL;

(7) Classes of shares – the appropriateness of the classes of shares in the sub-fund for investors.

Assessment of Value - S&W Revera UK Dynamic Fund (continued)

1. Quality of Service

What was assessed in this section?

Internal Factors

SWFAL, as ACD, has overall responsibility for the sub-fund. The Board assessed, amongst other things: the day-to-day administration of the sub-fund; the maintenance of scheme documentation (such as prospectuses and key investor information documents ('KIIDs')); the pricing and valuation of shares; the calculation of income and distribution payments; the maintenance of accounting and other records: the preparation of annual audited and half-yearly Report & Accounts; the review of tax provisions and submission of tax computations to HMRC; the maintenance of the register of shareholders; the dealing and settlement arrangements. SWFAL delegates the investment management of the sub-fund to an Investment Management firm.

The Board reviewed information provided by SWFAL's control functions on the adequacy of its internal services, including governance, operations and monitoring. Elements important to the client experience such as the timely payment of settlement and distribution monies were also reviewed. Over the past year, SWFAL has been audited by internal and external auditors, the sub-fund's Depositary and various SWFAL delegated investment managers.

External Factors

The SWFAL Board assessed the skills, processes, experience, level of breaches and complaints. Also considered were any results from service review meetings as well as the annual due diligence performed by SWFAL on the delegated Investment Manager, Revera Asset Management Limited, where consideration was given to, amongst other things, the delegate's controls around the sub-fund's liquidity management.

The Board also considered the nature, extent and quality of administrative and shareholder services performed under separate agreements covering depositary services, custodians, as well as services provided with regard to both audit and legal functions.

What was the outcome of the assessment?

Internal Factors

The Board recognised that all distribution and settlement monies were paid in a timely manner and that there were no significant findings as a result of the various audits performed on SWFAL during the year. In addition, SWFAL performs its own independent analysis, using automated systems, of the sub-fund's liquidity. The Board concluded that SWFAL had carried out its duties diligently.

External Factors

The Board concluded that the nature, extent and quality of the services provided by the external parties have benefitted and should continue to benefit the sub-fund and shareholders.

Were there any follow up actions?

There were no follow-up actions required.

2. Performance

What was assessed in this section?

The Board reviewed the performance of the sub-fund, after the deduction of all payments out of the scheme property as set out in the Prospectus. Performance, against its benchmark, is considered over appropriate timescales having regard to the sub-fund's investment objective, policy and strategy. The Board also considered whether an appropriate level of market risk had been taken.

Investment Objectives

The principal investment objective of the S&W Revera UK Dynamic Fund is to achieve long term capital growth through investment in fully listed and AIM-quoted equities.

Benchmark

The FCA introduced significant changes in relation to benchmarks in August 2019.

As ACD, SWFAL was required to explain in a fund's scheme documentation why a benchmark is being used or alternatively explain how investors should assess performance of a fund in the absence of a benchmark.

Assessment of Value - S&W Revera UK Dynamic Fund (continued)

2. Performance (continued)

Benchmark (continued)

The benchmark that has been agreed for the sub-fund is the MSCI UK All Cap Index (Gross), which is a comparator. A 'comparator' benchmark is an index or similar factor against which an investment manager invites investors to compare a fund's performance. Details of how the sub-fund has performed against its comparator benchmark over various timescales can be found below. The comparator benchmark was introduced during 2019 and has been backdated for illustrative purposes.

Cumulative Returns to 30 November 2020

	YTD	1 Year	3 Year	5 Year	10 Year
S&W Revera UK Dynamic Net founder accumulation shares	(14.3%)	(10.2%)	(0.4%)	12.9%	106.4%
S&W Revera UK Dynamic Net corporate accumulation shares	(13.9%)	(9.8%)	1.2%	15.9%	N/A
MSCI UK All Cap Index (Gross)	(14.6%)	(11.8%)	(4.2%)	19.6%	71.7%

Data provided by FE fundinfo. Care has been taken to ensure that the information is correct but FE fundinfo neither warrants, represents nor guarantees the contents of the information, nor does FE fundinfo accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Performance has been calculated net of fees.

You should be aware that past performance is not a guide to future performance.

N/A = Net corporate accumulation shares launched October 2013.

What was the outcome of the assessment?

The Board observed that the sub-fund had performed ahead of its comparator benchmark over all cumulative periods under observation save for the five year period where both classes lagged slightly.

The sub-fund has experienced headwinds for most of 2020 as a result of the effect that Covid-19 has had on world markets and this in turn has had an adverse effect on cumulative returns over all periods under observation. In the months succeeding the year-end accounting date of 31 December 2020 however the sub-fund has recovered some of the ground lost during the early part of 2020.

Consideration was given to the risk metrics associated with the sub-fund which focus on, amongst other things, volatility and risk adjusted returns where the Board were comfortable that the outcomes were in line with expectations.

The Board found that the sub-fund is investing in the asset classes permitted by the investment policy and that there have been no breaches of the policy in the last twelve months.

Were there any follow up actions?

There were no follow-up actions required.

3. ACD Costs

What was assessed in this section?

The Board reviewed each separate charge to ensure that they were reasonable and reflect the services provided. This includes investment management fees, annual management charge ('AMC'), Depositary/Custodian fees, legal fees and audit fees.

The charges should be transparent and understandable to the investor, with no hidden costs.

What was the outcome of the assessment?

The Board set about understanding the imbalance in the investment management fee between the two classes and concluded that the treatment and services afforded to the holders of the Net founder accumulation share class compared to those in the Net corporate accumulation share class failed to account for the difference in the two fees. For that reason the Net founder accumulation share class was given an Amber rating and the Net corporate accumulation share class a Green rating.

Were there any follow up actions?

SWFAL have undertaken an exercise whereby the holders of the Net founder accumulation share class will be converted into the Net corporate accumulation share class by midway through 2021, at which point the Net founder accumulation share class will close to further subscriptions.

4. Economies of Scale

What was assessed in this section?

The Board reviewed each separate fee structure and the AUM of the sub-fund to examine the effect to potential and existing investors should it increase or decrease in value.

What was the outcome of the assessment?

As the sub-fund AUM grows, investors pay proportionally less for the fixed costs of running the sub-fund as SWFAL is able to negotiate better terms with its service providers. Similarly, as SWFAL's business grows and costs are distributed across more investors, the costs to each investor reduces. The Board continues to review the ongoing charges figure ('OCF') of all funds to ensure they are appropriate.

Both the investment management fee and the ACD fee are on a fixed percentage charge meaning there are minimal opportunities for savings going forward should the sub-fund grow in size.

Were there any follow up actions?

There were no follow-up actions required.

5. Comparable Market Rates

What was assessed in this section?

The OCF of the Net founder accumulation share class is 1.30%[1] with the Net corporate accumulation share class being 0.80%[1]. The Board reviewed the ongoing charges of the sub-fund, and how those charges affect the returns. Funds with lower fees may offer better value than those with higher fees.

The OCF of the sub-fund was compared against the 'market rate' of similar external funds.

What was the outcome of the assessment?

The sub-fund's charges were found to compare favourably with those of similar externally managed funds.

Please note that SWFAL has not charged an entry fee, exit fee or any other event-based fees on this sub-fund.

Were there any follow up actions?

There were no follow-up actions required.

6. Comparable Services

What was assessed in this section?

The Board compared the sub-fund's OCF with those of other funds administered by SWFAL having regard to size, investment objectives and policies.

What was the outcome of the assessment?

There were too few other SWFAL administered funds displaying the same characteristics as the sub-fund with which to make a meaningful comparison.

Were there any follow up actions?

There were no follow-up actions required.

7. Classes of Shares

What was assessed in this section?

The Board reviewed the sub-fund's set-up to ensure that where there are multiple share classes, shareholders were in the correct share class given the size of their holding. Also considered was the price of one share class against that of other share classes within the same sub-fund, as well as the points of differentiation between the share classes.

What was the outcome of the assessment?

The Board were of the opinion that the treatment and services afforded to the holders of the Net founder accumulation share class compared to those in the Net corporate accumulation share class failed to account for the difference in investment management fee and as a consequence the Net founder accumulation share class was given an Amber rating and the Net corporate accumulation share class a Green rating.

Were there any follow up actions?

SWFAL have undertaken an exercise whereby the holders of the Net founder accumulation share class will be converted into the Net corporate accumulation share class by midway through 2021 at which point the Net founder accumulation share class will close to further subscriptions.

[1] Figure from the interim report 30 June 2020.

Assessment of Value - S&W Revera UK Dynamic Fund (continued)

Overall Assessment of Value

The Board concluded that the issues associated with the higher investment management fee on the Net founder accumulation share class had led to two Amber ratings being given across the seven areas under scrutiny, culminating in an overall Amber rating. The Board though were mindful of the action taken to close this class by the midway point of 2021 and acknowledged that this will be of benefit to shareholders going forward.

In respect of the Net corporate accumulation share class, the Board took into account the cheaper investment management fee, the positive impact this had on performance compared to the Net founder accumulation share class and were satisfied that it had been of value to shareholders. Accordingly, the Net corporate accumulation share class of the S&W Revera UK Dynamic Fund was given an overall Green rating.

Kevin Stopps
Chairman of the Board of Smith & Williamson Fund Administration Limited
21 April 2021

Consumer Feedback

On reviewing this Assessment of Value report, we would welcome invaluable feedback from investors via our short questionnaire which can be found online:

https://smithandwilliamson.com/en/services/fund-administration/assessment-of-value/

Investors views are invaluable to the development and delivery of this report.

Should you be unable to access the questionnaire online please contact us directly on 0141 222 1151 and we will provide you with a paper copy of the questionnaire.

Report of the Depositary to the shareholders of S&W Revera Fund

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 and Depositary Services Limited
29 April 2021

Independent Auditor’s report to the shareholders of S&W Revera Fund

Opinion

We have audited the financial statements of S&W Revera Fund (‘the Company’) for the year ended 31 December 2020 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders, Balance Sheet, the related Notes to the Financial Statements, including a summary of significant accounting policies and the Distribution Table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company at 31 December 2020 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 under those standards are described further in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Authorised Corporate Director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the COLL Regulations

In our opinion, based on the work undertaken in the course of the audit:

- Proper accounting records for the sub-fund have been kept and the accounts are in agreement with those records;
- We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- The information given in the Authorised Corporate Director’s report for the year is consistent with the financial statements.

Independent Auditor’s report to the shareholders of S&W Revera Fund (continued)

Responsibilities of the Authorised Corporate Director

As explained more fully in the Statement of the Authorised Corporate Director’s responsibilities set out on page 4, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for 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 the Authorised Corporate Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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 an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authorised Corporate Director.
- Conclude on the appropriateness of the Authorised Corporate Director’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide the basis for our opinion. We planned and conducted our audit so as to obtain reasonable assurance of detecting any material misstatements in the financial statements resulting from irregularities or fraud.

Independent Auditor’s report to the shareholders of S&W Revera Fund (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

All engagement team members were briefed on relevant laws and regulations and potential fraud risks at the planning stage of the audit. However, the primary responsibility for the prevention and detection of fraud rest with the Authorised Corporate Director.

We evaluated management’s incentives for fraudulent activity and determined the key risk of fraud to be management override of controls in order to manipulate the financial statements. We determined that the principal risks in this regard were in relation inappropriate journal entries to increase net revenue or to increase the net asset value.

We considered the principal risks of non-compliance with laws and regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. The most significant risk in relation to non-compliance with laws and regulations was deemed to be compliance with the Collective Investment Schemes Sourcebook and the Company’s Prospectus.

Audit procedures performed in response to these risks included:

- Evaluation of the control environment designed to prevent and detect irregularities which the Authorised Corporate Director has in place;
- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur around the key risks of valuation and ownership of investments, and revenue recognition;
- Review of material journal entries during the year;
- Review of a pre sign-off Net Asset Valuation (‘NAV’) statement for any unexpected activity that may indicate management override in the Company’s financial statements; and
- Assessing the Company’s compliance with the key requirements of the Collective Investment Schemes Sourcebook and its Prospectus.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of Our Report

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’) issued 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.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Bishop's Court
29 Albyn Place
Aberdeen AB10 1YL
29 April 2021

Accounting policies of S&W Revera Fund
for the year ended 31 December 2020

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.

The ACD has considered the impact of the emergence and spread of Covid-19 and potential implications on future operations of the sub-fund of reasonably possible downside scenarios. The ACD has considered a detailed assessment of the sub-fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the sub-fund continues to be open for trading and the ACD is satisfied the sub-fund has adequate financial resources to continue in operation for at least the next 12 months and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

b *Valuation of investments*

The purchase and sale of investments are included up to close of business on 31 December 2020.

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 2020 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, other than those relating to the purchase and sale of investments, are charged to revenue on accruals basis.

Bank interest paid is charged to revenue.

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 share 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 share 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.

g *Taxation (continued)*

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 2020 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.

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 share class on behalf of the shareholders of the sub-fund.

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.

iv *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

Stock markets exhibited a measure of recovery in the second half of 2020, albeit against a background of a virulent second wave of Covid-19 and a global economy supported by unprecedented fiscal and monetary measures. Investors reacted positively to the vigorous response from the quoted sector, where business models were adapted rapidly to reflect the challenges posed by the pandemic. In addition to the traditional responses of cutting unnecessary costs and cash preservation, the corporate sector has been more innovative and willing to accelerate changes in working patterns than we thought at the onset of the pandemic. We believe a significant turning point in the response to Covid-19 was reached in November, with a succession of announcements by leading pharmaceutical companies that they had succeeded in developing vaccines whose preliminary trial data showed them to be highly effective in combatting Covid-19. The importance that investors attributed to this development was reflected in the widespread share price gains seen since November.

Two key narratives, one political, the other economic, took centre stage in the US. The election of Joe Biden as President is likely to signal an important change in tack on several fronts in American policy. Although the Democrats now control the Senate, this could easily be lost in the mid-term elections, so consensus and compromise are likely to be key components of the new President’s modus operandi. We would envisage the new administration as likely to maintain an expansive fiscal policy to tackle the economic fallout from Covid-19. Its stance on China is likely to be similar to its predecessor, albeit one conducted by negotiation rather than through social media.

The US Federal Reserve (‘the Fed’) gave markets an insight into its strategy for monetary policy over the next two to three years. There was a subtle shift in its approach to inflation, intimating a willingness to tolerate inflation in excess of its 2% target for an unspecified period, and steering investors to an average rather than absolute level of 2%.[1] That said it retains the flexibility to act pre-emptively if inflation threatens to accelerate. Bond markets had already priced in low interest rates and inflation until at least 2023 and therefore showed little reaction. In addition, the Fed will now tolerate an unemployment rate below its estimate of the NAIRU (non-accelerating inflation rate of unemployment), perhaps an acknowledgement its outcomes must encompass broader societal considerations. Finally, the Fed remains committed to asset purchases for the remainder of 2020 and into 2021. The Fed continues to believe that US growth will be strong in 2021 and that unemployment will show a material decline, despite the rise in Covid-19 cases, with only a modest jump in inflation.[2] That said, it would be unduly optimistic to believe this economic growth in 2021 will show a linear progression; in particular, the first six months are likely to remain Covid-19 constrained but we expect investors to look through this if the vaccine roll out stays on track.

In the UK, the most significant event was the resolution of the UK’s future trade deal with the European Union (‘EU’). Whilst there are longer term concerns, this should be positive for UK equities as it removes the immediate threat of a potentially disruptive ‘No Deal’. Otherwise, policy has been directed at mitigating the economic impact of Covid-19. Furlough measures to support the employment market were extended in October, cushioning the damage to the labour market from lockdown by providing direct financial support to approximately 30% of the UK workforce.[3] Despite this, the Bank of England’s forecasts suggest that unemployment will reach 7.5% by the end of 2020, before falling to 4.7% in 2022.[4]

The elephant in the room remains government debt, which has risen significantly as a consequence of Covid-19 support initiatives. The reason for this is well understood but, at some point, attention will revert to how this debt will be managed. In the short-term either of the obvious levers – higher taxation or lower public spending – are likely to stifle a nascent recovery, without lowering the quantum of debt significantly. The most likely course of action is for the UK government to get the economy back on track and take stock from that point.

The European Central Bank offered further evidence of global coordination of stimulus measures. It will make further asset purchases and maintain its accommodative liquidity support for the financial sector.[5] Europe should benefit as the EU recovery fund disburses funds during 2021.

[1] Source: Federal Reserve Board - 2020 Statement on Longer-Run Goals and Monetary Policy Strategy.

[2] Source: Summary of Economic Projections - December 16, 2020 (federalreserve.gov)

[3] Source: Coronavirus Job Retention Scheme statistics: December 2020 - GOV.UK (www.gov.uk).

[4] Source: Bank of England Monetary Policy Report November 2020.

[5] Source: Pandemic Emergency Purchase Programme (europa.eu).

Investment Manager's report (continued)

Market review (continued)

Globally, we believe there will be a return to more normal economic conditions in 2021, driven by the deployment of vaccines and supportive fiscal policy. This should engender a strong rebound in corporate profitability, akin to the early stages of an economic cycle. The promise of earnings recovery should allow investors to hold their nerve when the inevitable setbacks in the fight against Covid-19 materialise. Whilst it is more difficult to identify with any accuracy the timescale over which economic activity will normalise, we believe that it is a question of when, rather than if. Any normalisation should allow a broader range of equities to participate in the stock market rally.

Investment review - from 1 July 2020 to 31 December 2020

The interim report provided the investment review for the period 1 January 2020 to 30 June 2020.

We made three new investments. The first, Johnson Matthey, has its core business in automotive catalysts and technology to improve industrial plant efficiency. It has continued to invest in strategic growth projects which aim to position the business in new markets such as automotive battery technology and the use of hydrogen as a fuel source. It offers immediate exposure to a recovery in global automotive production, but also optionality on an acceleration of a greener political and industrial agenda over the next decade. The second, Spectris, is an instrumentation business which is best thought of as providing essential tools for customers across a broad spectrum of businesses to research, design, improve or develop their product sets. We anticipate it will benefit from increased spending in areas such as healthcare, renewable energy, climate change and consumer electronics. The third, John Wood Group, is undergoing a significant change in relation to its end markets. Renewables, refining, chemicals and disciplines such as civil engineering and building technology now account for the majority of its revenues, and its traditional upstream oil and gas activities are diminishing in importance. We believe it is well placed for any economic recovery, with differentiated capabilities that should allow it to participate in the transition required to achieve lower carbon energy and more sustainable infrastructure.

The purchases were balanced by three sales. We exited FirstGroup following the release of its full year results. Our change of heart was based on our judgement that volumes within the transport sector are likely to remain subdued for a considerable time, the consequence of changing working patterns and some form of social distancing for the foreseeable future. A measure of the issues confronting the wider transport industry can be gauged by Transport for London’s request for £6.8 billion from the UK government to support it over the next two years. Even the hitherto resilient elements of FirstGroup's portfolio - such as First Student - may find trading conditions more difficult if, as seems likely, New York and New Jersey continue to mandate home schooling. This carries clear negative implications for FirstGroup’s plans to sell its North American assets. In addition, we exited Severn Trent as we wished to add more economically sensitive earnings to the portfolio, and Walker Greenbank on concerns over the shares’ liquidity.

Investment activity*

The quoted sector has responded ‘well’ to the pandemic. ‘Well’ in the sense of striking a balance between measures to preserve cash such as cancelling dividend payments and cost cutting, and preserving capital expenditure and keeping core skills intact in order to maintain or enhance their competitive positioning in the post pandemic world.

Hilton Food Group’s interim results were slightly ahead of expectations, accompanied by a meaningful dividend increase. The ramp up of expanded overseas capacity drove higher volumes, as did the ongoing shift towards home consumption and away from foodservice in the UK. Cash generation remains impressive. Hilton Food Group is a classic through-the-cycle compounder, as the trend towards retail packing and food innovation in mainstream grocery retailing, led by customers who value safety and traceability as much as keen pricing, creates secular growth opportunities.

The idea of post-pandemic positioning is an apposite one in the case of Next. We believe it is managing the crisis better than most of its peers, several of whom are experiencing severe financial difficulties. An acceleration in the move to online shopping should play to Next’s strengths. It has a large and profitable online business, and is increasingly acting as a fulfilment partner for smaller brands which lack the resources to manage online distribution successfully. It offers both short term cyclical recovery and medium-term secular growth as buying habits evolve.

We still believe Diageo can deliver sustainable long-term earnings growth. The performance of its African division (which is dominated by the on-trade) and Asia Pacific (which contains the Global Travel business) were particularly badly hit by the Covid-19 crisis. However, management confirmed that it expected the second quarter of 2020 to be the nadir for both sales and margins. Although lockdowns dampened short term earnings, we do not believe this portends any fundamental changes in consumer behaviour and continue to view Diageo as having the brand equity to ride out a slower global economy.

* Unless otherwise stated, factual information is sourced from individual company reports.

Investment Manager's report (continued)

Investment activity (continued)*

GlaxoSmithKline's results were impacted by two minor Covid-19 related disruptions. The first was the surprisingly pronounced impact that the pandemic had on vaccine programmes around the globe, which lead to a significant shortfall in sales of vaccines relative to the prior year. The second is that, in comparison to many of its global healthcare rivals, the GlaxoSmithKline Consumer Healthcare division did not appear to benefit from the surge in "wellness" products seen elsewhere. Crucially, Covid-19 has thrown weaknesses in global healthcare systems into sharp relief and we believe this will result in more healthcare spending, with an increased emphasis on preventative strategies like vaccinations. Medica Group saw some impact from the cancellation of non-elective surgeries as the NHS freed up emergency capacity. However, consequently, there is a backlog of admittedly non-urgent, but nonetheless important, clinical work to be performed as the UK normalises. Additionally, Medica Group should benefit from increased funding for the NHS post Covid-19, further adding to its underlying structural growth prospects.

We remain comfortable with our housebuilding investments. Bellway re-opened its operations in late spring and has experienced a healthy uptick in orders. It has a relatively low cost and geographically diverse landbank. It is in a strong position to exploit any recovery in housing activity, given the strength of its balance sheet. We bought Crest Nicholson Holdings because of its recovery potential. Despite Covid-19, there is no risk to the viability of the business. One hurdle that all housebuilders will have to negotiate is the withdrawal of the Government's Help to Buy scheme in March 2021. We are confident that any impacts will prove short lived and building and construction will remain a key policy tool in promoting UK economic recovery.

After downsizing its workforce earlier in the year, specialist paving and block business, Marshalls, experienced a sharp rebound in trading in the second half of 2020 as its relatively prosperous demographic increased spending to improve their properties. We believe Marshalls is likely to emerge from the current crisis with its competitive position enhanced, courtesy of its strong financial position. Brick manufacturer Forterra reported that the trading environment had improved and saw its full year profit forecasts nudged upwards. Builders of new houses have been more inclined than expected to start new units in the face of stronger than anticipated demand from UK buyers. We continue to like the economics of Forterra's industry. It is an oligopolistic producer, with product pricing likely to remain stable as it and its peers look to rebuild their income, whilst also benefitting from a reduced threat from imported products.

New Standard Life Aberdeen ('SLA') CEO, Stephen Bird, has inherited a business with scope to improve returns substantially. The starting point is the cost: income ratio which is some way adrift from the best in class. The most obvious resolution is cost cutting, which is probably easier for an individual with no ties to the previous regime to effect. Further, he has £1.8 billion of capital, and another £1.1 billion of soon-to-be-realised investments, which if used wisely could provide the firepower for a value accretive acquisition. We believe Stephen Bird's appointment could signal a significant turn in SLA's fortunes. Fellow life assurer, Legal & General Group, has continued to pay its dividend. Lloyds Banking Group remains, to our eyes at least, the best capitalised of the UK banks and, with some of the new entrants struggling, should emerge with its market position enhanced on the other side of the crisis.

Hargreaves Lansdown's ('HL') results reflect the belief that in more turbulent times trading activity increases. Existing clients remained loyal, but HL also added record numbers of new clients in the second half of its financial year. Its dividend and capital position also surprised on the upside. The latter allows HL to spend on improving its technology which we believe will be a key point of differentiation in what remains an attractive growth market. Asset manager, Ashmore has a significant exposure to Far Eastern debt markets, which were first into the downturn and likely to be amongst the first ones out. It is fee based, has a cash rich balance sheet and has experienced flat aggregate fund flows so should be able to weather the current crisis. In an environment where central bankers are driving rates ever lower (and possibly negative), investors are likely to seek out higher-yielding asset classes which should prove beneficial for Ashmore Group.

QinetiQ Group navigated the challenges posed by Covid-19. The core services business continued to make progress. Although its smaller products business saw some travel and site access related disruption, it is now back on track. Overall, its performance was sufficiently strong to see it return to the dividend list. In an era where geopolitical tensions are rising and nations wish to protect against increasing technologically-based threats, QinetiQ Group's track record of innovation should play well in a world looking for smarter rather than cheaper ways of arriving at desired outcomes.

* Unless otherwise stated, factual information is sourced from individual company reports.

Investment Manager's report (continued)

Investment activity (continued)*

Spirent Communications continues to benefit from supportive end markets, with increased global investment in 5G mobile networks and testing, and performance measurement around this. It has a cash rich balance sheet. The main threat is a potentially deeper trade war between the US and China. Oxford Instruments (‘Oxford’) showed a precipitous decline in activity from April to June in its half year report but, importantly, an equally sharp rebound in customer orders from the summer onwards. Oxford addresses customers in academia, applied research and development and high-tech manufacturing, is engaged across the technology spectrum, and remains well positioned to benefit from the different waves of commercialisation and technology disruption. We believe governments and industry are likely to continue to channel more resources into areas such as quantum computing, healthcare and climate change.

Smiths Group’s finals bore some scarring from Covid-19 but importantly, we view the reinstatement of its dividend as a positive signal. Where necessary, it has cut its cost base to reflect any changes in its end markets, the most significant of which is the weaker outlook for civil aerospace. Overall, for the majority of its portfolio, we do not believe any of its medium-term opportunities have been compromised and arguably some have been enhanced. Likewise, Johnson Matthey’s first half numbers bore the brunt of Covid-19 related disruption in global automotive production and activity levels in the refining and volume chemicals industries. The figures reflect the high operating leverage in the business which we believe will reverse in the second half of its financial year. In the short term the classic cyclical drivers are in place – a rebound in automotive volumes, and a recovery in oil and gas downstream/chemicals. Additionally, we believe investors have overlooked the potential in Johnson Matthey’s New Markets businesses – in particular, battery and fuel cell technology and its hydrogen related activities. These should become significant contributors to earnings as the world transitions to lower carbon energy during this decade.

We maintained our commodity exposure. Half year figures from Rio Tinto again demonstrated the strength of its iron ore operations – despite the impact of Covid-19 on the global economy it produced a resilient financial performance and increased its dividend by 3%. Chinese steel production, which is a key source of demand for iron ore, appears to be fully recovered from the disruptions in the early part of 2020 and is now running at record levels. Rio Tinto’s strong balance sheet endows it with enormous flexibility in terms of organic capital investment, returning surplus cash to shareholders or being able to acquire distressed players at advantageous prices. Royal Dutch Shell 'B' recovered in the second half of 2020. Greater stability in the oil spot prices, improving global economic activity were the key contributory factors. Although the outlook for oil will continue to be the primary determinant of the share price in the short term, Royal Dutch Shell 'B' is steadily effecting changes in its earnings stream to increase the proportion of non-fossil fuel earnings which we believe will be reflected in its valuation as these become more visible.

Investment risks

The threat of inflation is currently perceived as low, with economic activity subdued. The sheer magnitude of additional monetary creation may seem an obvious catalyst of higher inflation, but much of this additional currency has simply replaced lost income, and therefore on its own, is not likely to drive prices up. If anything, recipients of additional government support are more likely to be circumspect in their spending. In addition, banks have increased corporate lending, which on this occasion is not a positive indicator, as much of this borrowing is being used to fund working capital, particularly inventories, or manage liabilities. However, there is a cost-push case. For the best part of 40 years China exported deflation to the developed economies. The pandemic might be about to change that. Firstly, corporates fearful of their supply chains may seek to onshore and governments may look for more domestic provision of essentials. Over time this is likely to increase the bargaining power of indigenous labour. Secondly, there may be upward pressure on pay rates for public sector workers which governments may find difficult to resist. Either singly or in tandem, these could push aggregate wage levels up. Lastly, there is likely to be a release of pent-up demand as lockdown measures are lifted. Consumers who have remained employed have either paid down debt or increased savings – the conditions for a consumer-led boom are in place. With governments likely to err on the side of caution in maintaining expansive fiscal policies, there are grounds to believe we could see a return to cost-push inflation.

* Unless otherwise stated, factual information is sourced from individual company reports.

Investment Manager's report (continued)

Investment risks (continued)

Stock market reaction to the news on vaccines could be described as euphoric. We believe this is essentially the correct response. However, it runs the risk of a disconnect opening up between the level of share prices and the pace of economic expansion. Many quoted businesses have yet to restore earnings guidance and investors have tended to regard equities through the prism of 'Will you be around in a year's time?'. We would step back from suggesting some form of investor monomania, believing instead that investment appraisal in 2021 will broaden out to consider the multiples being asked to own an equity. With the prospect of a slower fourth quarter of 2020 and intermittent lockdowns during the first quarter of 2021, short term economic data may not be as strong as investors would wish. However, despite a slower start, we believe that growth in 2021 has the potential to surprise on the upside, albeit with a second half weighting, as unemployment peaks at lower levels than previous recessions and fiscal policy remains expansive. We would stop short of assuming the virus will be eradicated during 2021; more that the world will learn to live with it. Therefore, the portfolio remains positioned to exploit an economic recovery, but one which is characterised by periodic setbacks. Although there is a bias to cyclical businesses, we believe they are financially robust and therefore can ride out these setbacks. Considerations of the rate of cash burn - and by extension the likelihood of further dilutive fundraisings - means we will stay clear of companies which offer binary outcomes dependant on the timing of any recovery.

Understandably, merger and acquisition activity has been a low priority for most businesses. History shows that the corporate buyer rarely features at the bottom of a cycle, but as business confidence increases and animal spirits revive, it is likely that those who have emerged from the crisis with strong balance sheets will begin to put them to work. With economic activity unlikely to match 2019 levels for possibly two to three years, certain sectors – retail, travel, and hospitality spring to mind – are candidates for consolidation, either to reduce duplicated costs or as stronger players take advantage of financially distressed competitors. Equally, we believe that the scramble for growth almost irrespective of price has left the valuations of a raft of businesses looking attractive, and these may appeal to private equity interest, a sector that still has cash looking for a home. Investing on the basis of a business being a 'bid target' is a recipe for disaster but importantly a resurgence in corporate activity may result in a narrowing of the valuation gap between perceived growth sectors and less patronised areas of the stock market. However, as the post Covid-19 world takes shape, we anticipate that better capitalised businesses will seek to take advantage of less well financed competitors.

Investment strategy and outlook

We recognise there is considerable uncertainty around the timescale over which economic activity normalises, and the extent to which it then allows a stock market recovery to extend to a broader basket of equities. Given the endeavours from central banks and governments to keep markets functioning and economic support through loose monetary policy and cash injections, there is a strong likelihood that the damage to economies will be more manageable than feared and growth will resume in the medium term. The portfolio is positioned to reflect this as our base case assumption. The disruption associated with Covid-19 should not obscure the fact that there will be a wide range of opportunities to grow in the post Covid-19 world and we believe the portfolio offers exposure to many of these in a way that avoids paying excessive valuations to own sectors which are currently in vogue.

Revera Asset Management Limited
21 January 2021

Portfolio changes

for the year ended 31 December 2020

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

Purchases:	Cost £
Crest Nicholson Holdings	5,766,967
Ashmore Group	5,414,068
Spectris	4,557,032
Severn Trent	4,198,570
John Wood Group	4,187,339
Johnson Matthey	4,164,513
Royal Dutch Shell 'B'	2,996,035
Lloyds Banking Group	2,207,645
Spirent Communications	1,945,669
Medica Group	1,150,185
Next	1,124,337
QinetiQ Group	1,089,168
Legal & General Group	738,294
Bellway	715,215
Diageo	663,266
Gooch & Housego	65,442

Sales:	Proceeds £
Severn Trent	4,535,404
Spirax-Sarco Engineering	4,531,651
Spectris	4,307,108
Spirent Communications	2,958,119
FirstGroup	1,468,020
Oxford Instruments	1,417,760
Walker Greenbank	1,068,825
Forterra	540,342
Rio Tinto	281,764

Portfolio statement

as at 31 December 2020

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - United Kingdom 92.38% (91.13%)			
Energy 8.93% (3.16%)			
John Wood Group	1,900,000	5,893,800	4.93
Royal Dutch Shell 'B'	380,000	4,785,720	4.00
		10,679,520	8.93
Materials 15.11% (12.51%)			
Forterra	1,383,714	3,369,344	2.82
Johnson Matthey	180,000	4,363,200	3.65
Marshalls	650,000	4,858,750	4.06
Rio Tinto	100,000	5,470,000	4.58
		18,061,294	15.11
Industrials 7.91% (19.71%)			
QinetiQ Group	1,500,000	4,797,000	4.01
Smiths Group	310,000	4,662,400	3.90
		9,459,400	7.91
Consumer Discretionary 13.69% (9.92%)			
Bellway	180,000	5,319,000	4.45
Crest Nicholson Holdings	1,435,000	4,663,750	3.90
Next	90,000	6,377,400	5.34
		16,360,150	13.69
Consumer Staples 7.93% (7.17%)			
Diageo	165,000	4,748,700	3.97
Hilton Food Group	427,240	4,733,819	3.96
		9,482,519	7.93
Health Care 6.71% (9.76%)			
GlaxoSmithKline	270,000	3,623,400	3.03
Medica Group	3,700,000	4,403,000	3.68
		8,026,400	6.71
Financials 19.70% (15.52%)			
Ashmore Group	1,000,000	4,312,000	3.61
Hargreaves Lansdown	260,000	3,962,400	3.31
Legal & General Group	1,970,000	5,242,170	4.39
Lloyds Banking Group	15,200,000	5,538,880	4.63
Standard Life Aberdeen	1,600,000	4,500,800	3.76
		23,556,250	19.70

Portfolio statement (continued)
as at 31 December 2020

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - United Kingdom (continued)			
Information Technology 12.40% (13.38%)			
Gooch & Housego	5,682	66,195	0.06
Oxford Instruments	290,000	5,776,800	4.83
Spectris	169,000	4,762,420	3.98
Spirent Communications	1,600,000	4,224,000	3.53
		14,829,415	12.40
Total equities - United Kingdom		110,454,948	92.38
Portfolio of investments		110,454,948	92.38
Other net assets		9,105,560	7.62
Total net assets		119,560,508	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 2019.

United Kingdom equities are grouped in accordance with Global Industry Classification Standard ('GICS').

GICS was developed by and is the exclusive property and a service mark of MSCI Inc. ('MSCI') and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ('S&P') and is licensed for use by Smith & Williamson Services Ltd. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Risk and reward profile

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.

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.

For further information please refer to the KIID.

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

During the year, the risk and reward indicator changed from 5 to 6.

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.

	Net founder accumulation shares			Net corporate accumulation shares		
	2020	2019	2018	2020	2019	2018
	p	p	p	p	p	p
Change in net assets per share						
Opening net asset value per share	231.70	174.37	203.65	236.63	177.17	205.84
Return before operating charges	(25.09)	59.95	(26.67)	(25.55)	61.09	(27.10)
Operating charges	(2.48)	(2.62)	(2.61)	(1.55)	(1.63)	(1.57)
Return after operating charges *	(27.57)	57.33	(29.28)	(27.10)	59.46	(28.67)
Distributions^	(1.69)	(4.06)	(4.57)	(2.71)	(5.20)	(5.69)
Retained distributions on accumulation shares^	1.69	4.06	4.57	2.71	5.20	5.69
Closing net asset value per share	204.13	231.70	174.37	209.53	236.63	177.17
* after direct transaction costs of:	0.43	0.57	0.35	0.43	0.59	0.37
Performance						
Return after charges	(11.90%)	32.88%	(14.38%)	(11.45%)	33.56%	(13.93%)
Other information						
Closing net asset value (£)	16,734,266	19,035,339	17,769,342	102,826,242	106,577,309	58,578,790
Closing number of shares	8,197,919	8,215,523	10,190,888	49,074,285	45,040,034	33,064,474
Operating charges^^	1.30%	1.30%	1.30%	0.80%	0.80%	0.80%
Direct transaction costs	0.22%	0.29%	0.18%	0.22%	0.29%	0.18%
Prices						
Highest share price (p)	233.8	233.5	212.9	238.8	238.5	215.6
Lowest share price (p)	148.6	173.4	169.8	151.9	176.2	172.5

^ Rounded to 2 decimal places.

^^ The operating charges are represented by the Ongoing Charges Figure (‘OCF’). The OCF 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. It is indicative of the charges which may occur in a year as it is calculated on historical data.

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

Comparative table (continued)

Net retail accumulation shares

	2020	2019	2018
	p	p	p
Change in net assets per share			
Opening net asset value per share	225.28	169.94	198.99
Return before operating charges	(5.69)	58.36	(26.03)
Operating charges	(0.29)	(3.02)	(3.02)
Return after operating charges *	(5.98)	55.34	(29.05)
Distributions^	-	(3.48)	(3.98)
Retained distributions on accumulation shares^	-	3.48	3.98
Closing net asset value per share	219.30**	225.28	169.94
* after direct transaction costs of:	-	0.56	0.35
Performance			
Return after charges	-	32.56%	(14.60%)
Other information			
Closing net asset value (£)	-	2,016,066	1,584,130
Closing number of shares	-	894,928	932,197
Operating charges^^	-	1.55%	1.55%
Direct transaction costs	-	0.29%	0.18%
Prices			
Highest share price (p)	227.3	227.0	207.8
Lowest share price (p)	219.2	169.0	165.5

** Up to the point of closure on 30 January 2020. All shareholders in the Net retail accumulation shares were converted to Net founder accumulation shares on 30 January 2020.

^ Rounded to 2 decimal places.

^^ The operating charges are represented by the Ongoing Charges Figure (‘OCF’). The OCF consists principally of the '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. It is indicative of the charges which may occur in a year as it is calculated on historical data.

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

Financial statements - S&W Revera UK Dynamic Fund

Statement of total return

for the year ended 31 December 2020

	Notes	2020		2019	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(15,912,056)		27,040,454
Revenue	3	2,383,326		3,499,591	
Expenses	4	(945,284)		(934,993)	
Net revenue before taxation		1,438,042		2,564,598	
Taxation	5	-		-	
Net revenue after taxation			1,438,042		2,564,598
Total return before distributions			(14,474,014)		29,605,052
Distributions	6		(1,438,296)		(2,564,501)
Change in net assets attributable to shareholders from investment activities			(15,912,310)		27,040,551

Statement of change in net assets attributable to shareholders

for the year ended 31 December 2020

	2020		2019	
	£	£	£	£
Opening net assets attributable to shareholders		127,628,714		77,932,262
Amounts receivable on issue of shares	13,956,491		27,128,736	
Amounts payable on cancellation of shares	(7,581,978)		(7,241,927)	
		6,374,513		19,886,809
Dilution levy		33,711		74,933
Change in net assets attributable to shareholders from investment activities		(15,912,310)		27,040,551
Retained distributions on accumulation shares		1,435,880		2,694,159
Closing net assets attributable to shareholders		119,560,508		127,628,714

Balance sheet
as at 31 December 2020

	Notes	2020 £	2019 £
Assets:			
Fixed assets:			
Investments		110,454,948	116,304,387
Current assets:			
Debtors	7	222,694	356,619
Cash and bank balances	8	9,074,829	11,022,905
Total assets		119,752,471	127,683,911
Liabilities:			
Creditors:			
Other creditors	9	(191,963)	(55,197)
Total liabilities		(191,963)	(55,197)
Net assets attributable to shareholders		119,560,508	127,628,714

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies

The accounting policies are disclosed on pages 13 and 14.

2. Net capital (losses) / gains

	2020	2019
	£	£
Non-derivative securities - realised losses	(953,407)	(1,726,423)
Non-derivative securities - movement in unrealised (losses) / gains	(14,975,735)	28,618,673
Capital special dividend	21,320	154,182
Transaction charges	(4,234)	(5,978)
Total net capital (losses) / gains	(15,912,056)	27,040,454

3. Revenue

	2020	2019
	£	£
UK revenue	2,375,132	3,469,129
Bank and deposit interest	8,194	30,462
Total revenue	2,383,326	3,499,591

4. Expenses

	2020	2019
	£	£
Payable to the ACD and associates		
Annual management charge	896,941	889,757
Payable to the Depositary		
Depositary fees	33,503	32,385
Other expenses:		
Audit fee	5,442	6,330
Non-executive directors' fees	622	796
Safe custody fees	2,764	2,966
FCA fee	1,561	1,046
KIID production fee	1,142	1,713
Publication fee	3,309	-
	14,840	12,851
Total expenses	945,284	934,993

5. Taxation

	2020	2019
	£	£
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 2020

5. Taxation (continued)

b. Factors affecting the tax charge for the year

The tax assessed for the year is lower (2019: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2019: 20%). The differences are explained below:

	2020	2019
	£	£
Net revenue before taxation	1,438,042	2,564,598
Corporation tax @ 20%	287,608	512,920
Effects of:		
UK revenue	(475,026)	(693,826)
Excess management expenses	187,418	180,906
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 £1,362,047 (2019: £1,174,629).

6. Distributions

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

	2020	2019
	£	£
Interim accumulation distribution	727,913	1,539,596
Final accumulation distribution	707,967	1,154,563
	1,435,880	2,694,159
Equalisation:		
Amounts deducted on cancellation of shares	25,754	43,096
Amounts added on issue of shares	(23,338)	(172,150)
Net equalisation on conversions	-	(604)
Total net distributions	1,438,296	2,564,501

Reconciliation between net revenue and distributions:

	2020	2019
Net revenue after taxation per Statement of total return	1,438,042	2,564,598
Undistributed revenue brought forward	349	252
Undistributed revenue carried forward	(95)	(349)
Distributions	1,438,296	2,564,501

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

7. Debtors	2020	2019
	£	£
Amounts receivable on issue of shares	44,960	113,501
Accrued revenue	177,300	242,904
Prepaid expenses	434	214
Total debtors	222,694	356,619

Notes to the financial statements (continued)

for the year ended 31 December 2020

8. Cash and bank balances

	2020	2019
	£	£
Bank balances	9,074,829	1,083,400
Cash on deposit	-	9,939,505
Total cash and bank balances	9,074,829	11,022,905

9. Other creditors

	2020	2019
	£	£
Amounts payable on cancellation of shares	102,820	47,909
Accrued expenses:		
Payable to the ACD and associates		
Annual management charge	81,006	-
Other expenses:		
Safe custody fees	460	526
Audit fee	6,300	6,330
Non-executive directors' fees	408	398
Publication fee	939	-
Transaction charges	30	34
	8,137	7,288
Total accrued expenses	89,143	7,288
Total other creditors	191,963	55,197

10. Commitments and contingent liabilities

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

11. Share classes

The following reflects the change in shares in the year:

	Net Founder accumulation shares
Opening shares in issue	8,215,523
Total shares issued in the year	182,994
Total shares cancelled in the year	(1,066,328)
Total shares converted in the year	865,730
Closing shares in issue	8,197,919

	Net Corporate accumulation shares
Opening shares in issue	45,040,034
Total shares issued in the year	6,904,709
Total shares cancelled in the year	(2,870,458)
Closing shares in issue	49,074,285

	Net Retail accumulation shares
Opening shares in issue	894,928
Total shares issued in the year	937
Total shares cancelled in the year	(5,234)
Total shares converted in the year	(890,631)
Closing shares in issue	-

Notes to the financial statements (continued)

for the year ended 31 December 2020

11. Share classes (continued)

For the year ended 31 December 2020, the annual management charge or each share class is as follows:

Net founder accumulation shares:	1.25%
Net corporate accumulation shares:	0.75%

The annual management charge includes the ACD's periodic charge and the investment management fees.

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 of the sub-fund.

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.

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per net founder accumulation share has increased from 204.1p to 223.7p and the net corporate accumulation share has increased from 209.5p to 230.0p as at 26 April 2021. 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		Purchases after transaction costs
2020	£	£	%	£	%	£
Equities	40,755,440	24,702	0.06%	203,603	0.50%	40,983,745
Total	40,755,440	24,702	0.06%	203,603	0.50%	40,983,745

Notes to the financial statements (continued)
for the year ended 31 December 2020

14. Transaction costs (continued)

a Direct transaction costs (continued)

2019	Purchases before transaction costs	Commission		Taxes		Purchases after transaction costs
	£	£	%	£	%	£
Equities	46,875,700	41,018	0.09%	234,607	0.50%	47,151,325
Total	46,875,700	41,018	0.09%	234,607	0.50%	47,151,325

2020	Sales before transaction costs	Commission		Taxes		Sales after transaction costs
	£	£	%	£	%	£
Equities	21,122,770	(13,742)	0.07%	(35)	0.00%	21,108,993
Total	21,122,770	(13,742)	0.07%	(35)	0.00%	21,108,993

2019	Sales before transaction costs	Commission		Taxes		Sales after transaction costs
	£	£	%	£	%	£
Equities	24,034,788	(28,183)	0.12%	(12)	0.00%	24,006,593
Total	24,034,788	(28,183)	0.12%	(12)	0.00%	24,006,593

Capital events amount of £9,795,049 (2019: £238,260) 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:

2020	£	% of average net asset value
Commission	38,444	0.03%
Taxes	203,638	0.19%

2019	£	% of average net asset value
Commission	69,201	0.07%
Taxes	234,619	0.22%

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 0.33% (2019: 0.38%).

Notes to the financial statements (continued)

for the year ended 31 December 2020

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 2020, 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 £5,522,747 (2019: £5,815,219).

(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. 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.

Notes to the financial statements (continued)

for the year ended 31 December 2020

15. Risk management policies (continued)

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.

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 for the year ended's price should the constituent investments be exposed to closed markets during general market volatility or instability.

Basis of valuation	Investment assets 2020 £	Investment liabilities 2020 £
Quoted prices	110,454,948	-
Observable market data	-	-
Unobservable data	-	-
	110,454,948	-

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

Notes to the financial statements (continued)

for the year ended 31 December 2020

15. Risk management policies (continued)

d Fair value of financial assets and financial liabilities (continued)

Basis of valuation	Investment assets 2019 £	Investment liabilities 2019 £
Quoted prices	116,304,387	-
Observable market data	-	-
Unobservable data	-	-
	116,304,387	-

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.

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 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 2020

Distributions on Net founder accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.08.20	group 1	interim	0.887	-	0.887	2.407
31.08.20	group 2	interim	0.662	0.225	0.887	2.407
30.04.21	group 1	final	0.806	-	0.806	1.652
30.04.21	group 2	final	0.188	0.618	0.806	1.652

Distributions on Net corporate accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.08.20	group 1	interim	1.403	-	1.403	2.961
31.08.20	group 2	interim	0.844	0.559	1.403	2.961
30.04.21	group 1	final	1.308	-	1.308	2.235
30.04.21	group 2	final	0.888	0.420	1.308	2.235

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 distributions:

Group 1	Shares purchased before 1 January 2020
Group 2	Shares purchased 1 January 2020 to 30 June 2020

Final distributions:

Group 1	Shares purchased before 1 July 2020
Group 2	Shares purchased 1 July 2020 to 31 December 2020

Remuneration

Remuneration code disclosure

The remuneration committee is responsible for setting remuneration policy for all partners, directors and employees within the Smith & 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 46-49 of the Smith & Williamson Report and Financial Statements for the year ended 30 April 2020 (available https://smithandwilliamson.com/en/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 seven times during 2019-20.

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 2020. 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 70 employees is £3,099,931 of which £2,863,541 is fixed remuneration. This is based on the annualised salary and benefits for those identified as working in SWFAL as at 30 April 2020. Any variable remuneration is awarded for the year ending 30 April 2020. 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 2019-20 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	Financial Year ending 30 April 2020				
		Variable			
	Fixed	Cash	Equity	Total	No. MRTs
	£'000	£'000	£'000	£'000	
Senior Management	1,846	2,411	-	4,257	9
Other MRTs	1,222	928	-	2,150	9
Total	3,068	3,339	-	6,407	18

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 the month end. 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. There is currently no preliminary charge applied to Net founder accumulation shares and Net corporate accumulation shares.

Share classes	Minimum initial investment	Minimum subsequent investment	Minimum holding
Net founder accumulation shares:	£1,000	£500	£nil
Net corporate accumulation shares:	£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 yields of the share classes are published on the following website: www.trustnet.com or may be obtained by calling 0141 222 1151.

Benchmark

Shareholders may compare the performance of the sub-fund against the MSCI UK All Cap Index (gross). The ACD has selected this comparator benchmark as it believes this benchmark best reflects the sub-fund's asset allocation.

The benchmark is not a target for the sub-fund, nor is the sub-fund constrained by the benchmark.

The benchmark produced the following performance over the period from 1 January 2020 to 31 December 2020:

MSCI UK All Cap Index (gross)	(11.27%)^

The sub-fund produced the following performance per share class over the period from 1 January 2020 to 31 December 2020, based on cumulative returns:

Net founder accumulation shares	(11.71%)^
Net corporate accumulation shares	(11.30%)^

^ Source: Morningstar.

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
Andrew Baddeley – appointed 12 March 2021

Independent Non-Executive Directors of the ACD

Dean Buckley
Linda Robinson
Victoria Muir

Non-Executive Directors of the ACD

Paul Wyse

Investment Manager

Revera Asset Management Limited
8A Rutland Square
Edinburgh EH1 2AS
Authorised and regulated by the Financial Conduct Authority

Depositary

NatWest Trustee and Depositary Services Limited
House A, Floor 0
Gogarburn
175 Glasgow Road
Edinburgh EH12 1HQ
Authorised and regulated by the Financial Conduct Authority

Auditor

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen AB10 1YL