



FUND MANAGERS
STEPHEN GRANT
GLEN NIMMO

S&W REVERA UK DYNAMIC FUND

AS AT 30 SEPTEMBER 2021

FACTSHEET

OVERVIEW

Seasonal factors can explain some of the sideways drift in markets over the summer. A more significant contributory factor is the recognition that there is a ceiling to the expansion of earnings multiples, even against a backdrop of the positive profit momentum which has characterised the first three quarters of 2021. Lately, however, there have been signs of slowing momentum in major economies, as PMI data has either been weak - as in the case of in China and Japan - or suggestive of a slowing, as in the US and Europe. Much of this can be explained by supply chain disruption, either through shortages of essential components or labour, whose availability has been hampered by lower rates of vaccine take up in Asian economies or furlough schemes in the US and Europe. Some slowdown was inevitable and necessary as economies were simply not capable of handling the rebound growth rates seen last autumn or earlier this year.

We are disposed to take a more positive line. Granted, growth is decelerating, but there is still much to like about the global economy. In aggregate, company mindsets are expansionary, with most looking to a combination of hiring and investment to address growth opportunities. Barring a return to full lockdowns, which can't be ruled out, growth rates are likely to remain well above trend in the UK and North America into 2022.

Globally, the most likely outcome is for continued growth. According to the IMF, the global economy is on course to post growth of 6.0% this year and 4.9% in 2022, compared to trend growth of approximately 3.5%. On balance, investors and central banks continue to believe that current inflation spikes are transient, and will unwind as supply shortages and recruitment issues are addressed. Although the jury remains out on how events will unfold, should this prove correct then the process of monetary tightening is likely to be gradual and well flagged.

TRAFFIC LIGHTS

- HISTORIC EARNINGS VALUE
- EQUITY VS BOND VALUE
- EARNINGS REVISIONS
- APPETITE FOR NEW EQUITY
- SHARE PRICE MOMENTUM

Whilst earnings revisions remain positive, the momentum behind these revisions is definitely slowing. Momentum in 2022 earnings forecasts will be pivotal in generating further progress.

KEY FEATURES

FUND SIZE		£148M
SHARE PRICE	Corporate Class	233.6p
ISIN	Corporate Class	GB00B8350522
ONGOING CHARGES	Corporate Class	0.80% (0.75% AMC)
STRUCTURE		UCITS V ICVC
DEALING TIME		12pm every business day
TELEPHONE		0141 222 1150
PLATFORMS	EMX	Pershing
	Standard Life	AJ Bell
	Transact	Elevate
	Nucleus	CoFunds
	Hargreaves Lansdown	Aviva
	Novia	Old Mutual

PERFORMANCE	1 Month	3 Months	1 Year	3 Years	5 Years	Since Launch	MSCI UK All Cap Since Launch
Corporate Class	-2.9%	2.0%	29.3%	15.3%	35.1%	188.9%	144.5%
MSCI UK All Cap (Gross)	-0.9%	2.3%	28.2%	7.1%	27.1%		

S&W Revera UK Dynamic Fund does not have a formal benchmark. In order to aid understanding of historic performance, the MSCI UK All Cap Index (Gross) is presented as a comparator. It should not be inferred that the S&W Revera UK Dynamic Fund will be managed with any reference to this, or any other, comparator index. Performance data since launch is calculated using Founder Class share performance until 31/10/13, and Corporate Class share performance thereafter.



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COMPANY NEWS

Bodycote, which provides specialist metal heat treatment services, enjoyed a strong rebound in earnings as the global economy recovered and it benefitted from previously instigated efficiency and restructuring measures. We believe its exposure to growth in electric vehicle production in Europe and the Far East, its general industrial exposure (in particular as more customers look to outsource their heat treatment requirements to reduce emissions), and the likelihood of a recovery in aerospace volumes throughout 2022 will result in strong earnings and margin progression.

Lloyds Banking Group's (LBG) interims contained a number of positives. The first was the restoration of the interim dividend. The second was the growth in high-quality lending in the mortgage market. Finally, LBG has an incredibly strong balance sheet – its capital position stands at a level which leaves ample room for shareholder returns, even allowing for regulatory headwinds and a prudent buffer. There is a significant opportunity to improve returns from the recent acquisition of the Embark platform, a direct to consumer and IFA platform which provides a suite of savings wrappers like SIPPs, ISAs and GIAs, and has £35bn of assets under administration. Short-term momentum is positive and there appears to be little valuation risk.

Telecoms test equipment business, **Spirent**, continues to benefit both from increased investment in 5G infrastructure and the need for greater testing rigour, given the step up in network complexity when compared to 4G. Its order intake increased by 14%, with improved visibility as more multi-year contracts have been secured. The outlook for 5G appears robust, with industry forecasts implying healthy growth in subscribers until 2025 and a commensurate increase in infrastructure spending. The 5G technology cycle looks set to run for much longer than originally anticipated, with the key change from previous cycles being that China is now a serious consumer of technology hardware and services.

WHAT DOES THE PORTFOLIO LOOK LIKE?

TOP 20 HOLDINGS	MARKET SECTOR	%
Lloyds Banking Group	Banks	4.8
Spectris	Electronics & Electricals	4.4
Crest Nicholson	Construction	4.4
Royal Dutch Shell B	Oil & Gas	4.3
Oxford Instruments	Electronics & Electricals	4.2
Medica Group	Healthcare	4.2
Bodycote	Engineering	4.2
Spirent Communications	Technology	4.1
Sage Group	Computer Software & Serv.	4.1
Diageo	Beverages	4.0
TOTAL FOR TOP 10		42.7
Bellway	Construction	3.9
Next	General Retailers	3.9
GlaxoSmithKline	Pharmaceuticals	3.8
Hays	Support Services	3.8
Legal & General	Life Assurance	3.7
Marshalls	Construction	3.7
QinetiQ	Aerospace & Defence	3.7
Forterra	Construction	3.6
Hilton Food Group	Food Producers	3.5
Anglo American	Mining	3.5
TOTAL FOR TOP 20		79.8
Other Equity Holdings		15.1
Bonds and net Liquidity		5.1
TOTAL		100.0

WHAT SHOULD I BE WORRYING ABOUT?

There was a time when financial markets were spooked by the prospect of either Ed Miliband or Jeremy Corbyn gaining access to the Bank of England's printing presses. That seems so 2015 or 2019. With the ballooning of the UK government deficit to support the economy during the pandemic, corporate taxes are set to rise, and will be followed next April by higher National Insurance ('NI') contributions from the majority of the working population. Financial markets and most taxpayers knew this was inevitable, hence the resigned acceptance rather than angry reaction. The UK government justified the NI increase on the grounds of funding being required to meet higher social care costs. As there is no social care plan in

place this appears somewhat questionable, and should such a plan emerge it will likely require increased taxpayer funding. Realistically, what we saw was the beginning of a move to higher levels of taxation across the economy. Markets have been remarkably sanguine about higher taxes to be followed by higher taxes. If higher taxes were such a scary prospect when championed by Jeremy Corbyn, is it less so, simply because it's been sanctioned by a Conservative PM?

WHAT ARE THE KEY FEATURES?

The S&W Revera UK Dynamic Fund:

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

HOW DO WE SELECT INVESTMENTS?

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

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

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

WHAT IS REVERA?

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

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

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

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

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

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



STEPHEN GRANT



GLEN NIMMO

STATUTORY PERFORMANCE PRESENTATION

	30 Sep 2020 - 30 Sep 2021	30 Sep 2019 - 30 Sep 2020	30 Sep 2018 - 30 Sep 2019	30 Sep 2017 - 30 Sep 2018	30 Sep 2016 - 30 Sep 2017
Corporate Class	29.3%	-15.5%	5.5%	3.7%	13.0%
MSCI UK All Cap (Gross)	28.2%	-18.1%	2.1%	6.0%	12.0%

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

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

RISK FACTORS

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

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

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

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

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

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

Revera is authorised and regulated by the Financial Conduct Authority (FCA). Revera's registered office is at 8 Rutland Square, Edinburgh EH1 2AS. S&W Revera UK Dynamic Fund is a sub-fund of S&W Revera Fund, which is an open-ended investment company with variable capital (ICVC) incorporated in England & Wales, with registration number ICO00692 and authorised by the FCA with effect from 12 August 2008.

The information in this factsheet does not constitute an offer or invitation for the sale or purchase of any units or shares in S&W Revera UK Dynamic Fund, in any jurisdiction, is not intended to form the basis of any investment decision and does not constitute or contain any recommendation by Revera, its shareholders, directors, employees, agents or advisers.

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Any prospective investor is recommended to seek his/her own independent legal, tax and financial advice. The value of any investment in S&W Revera UK Dynamic Fund will not be guaranteed, and an investor may not get back all the money he/she invested.