FUND MANAGERS
STEPHEN GRANT
GLEN NIMMO

S&W REVERA UK DYNAMIC FUND
AS AT 31 DECEMBER 2021

FACTSHEET

OVERVIEW

As 2021 ends, markets and investors are confronted by just as many compelling reasons to be optimistic as fearful. The idea that, as 2021 progressed, the combination of vaccine rollout and the economic recovery would provide definitive answers to the questions which had most perplexed investors, now seems fanciful. Governments are currently trying to manage a new variant of COVID, Omicron, with the most immediately pressing question relating to the duration and severity of the current outbreak. Responses thus far range from restrictions on social interaction to full blown lockdowns. Although there are suggestions that Omicron may be less severe than previous variants, its transmissibility means the absolute numbers affected could still be of a magnitude to put pressure on health service capacity. Hence government reticence to sanction a 'business as usual' approach. Markets are factoring in a variety of scenarios, from the positive end of the spectrum whereby Omicron proves to be a short-lived irritation to one where it is much more problematic. That said, should the latter scenario prove correct, 2021 has shown the global capacity to provide rapid vaccine countermeasures (shot 4 anyone?). Omicron's emergence during a period of high vaccination incidence raises a longer-term concern, namely whether it engenders any behavioural changes, in particular, demographics such as less social activity – dining out, travel, other leisure - amongst older consumers.

Without wishing to make light of the pandemic, we still believe economic fundamentals should be the key determinant of portfolio construction. Entering 2022, at the micro level, consumer demand remains healthy, corporates are experiencing spending growth as the pandemic accelerates changes and transitions which were already in train. Corporates are in good shape, having maintained investment in innovation/capex and balance sheets are robust, allowing the optionality of cash returns or M&A. Headwinds exist in the form of supply chain disruption from either component or labour shortages, and, at the macro level, how higher inflation influences central banks' plans to tighten monetary conditions and end asset purchases. Macro factors will play an important role in shaping investor sentiment in 2022. The main vulnerability in markets lies in the stretched valuations in certain sectors which we believe are detached from reality, almost irrespective of economic outcomes. We remain confident in our investments' ability to deliver but equally recognise the higher than normal probability of adverse outcomes from external factors in 2022.

TRAFFIC LIGHTS

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

The direction of earnings revisions normally dominates equity performance over the short term, but 2022 will also see rising interest rates affect perceptions of value.

KEY FEATURES

FUND SIZE		£149M
SHARE PRICE	Corporate Class	233.9p
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	5.3%	0.1%	11.2%	31.8%	31.3%	189.3%	154.9%
MSCI UK All Cap (Gross)	4.7%	4.2%	18.8%	24..9%	27.6%		

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

Hargreaves Lansdown's (HL) share price has lagged the recovery in equity markets. Its most recent results showed record new business inflows and increased trading activity in equities. The latter, in particular, has been viewed with suspicion as not being a sustainable source of medium-term profit growth, a concern that we wouldn't necessarily take issue with. More importantly, we believe that HL has been going through a period of margin investment for the last three years. Post COVID, we believe there will be an acceleration of the key trends which were already shaping the savings market dynamics – increasing saving rates and greater adopting of digital solutions. With a lowering of the average customer age, the total lifetime value of the relationship is likely to be more than it has been historically. We do not believe this is captured in HL's rating.

Gooch & Housego's (GHH) reflected strong and sustained growth in industrial lasers and semiconductors as the global economy recovered. Asian markets led the recovery from the beginning of the calendar year, helped by the Chinese development of an indigenous semiconductor manufacturing capability. Europe and the US sparked into life in the second half of GHH's financial year. Within its medical division, GHH is currently benefitting from the Chinese Government's push to develop a life sciences sector, reducing the dependence upon Western equipment. GHH's manufacturing streamlining programme is largely complete and has reduced the number of sites from 12 to 9, with the cost savings benefits set to feed through into 2022's results. As the world looks to move beyond COVID, the end markets, which GHH addresses, are likely to see increased spending through a combination of commercial innovation or government inspired infrastructure upgrades.

WHAT DOES THE PORTFOLIO LOOK LIKE?

TOP 20 HOLDINGS	MARKET SECTOR	%
Lloyds Banking Group	Banks	4.9
Sage Group	Computer Software & Serv.	4.8
Oxford Instruments	Electronics & Electricals	4.7
Diageo	Beverages	4.5
GlaxoSmithKline	Pharmaceuticals	4.3
Crest Nicholson	Construction	4.2
Spectris	Electronics & Electricals	4.2
Royal Dutch Shell B	Oil & Gas	4.1
Spirent Communications	Technology	4.1
Medica Group	Healthcare	4.1
TOTAL FOR TOP 10		**43.9**
Anglo American	Mining	4.1
Bellway	Construction	4.0
Rio Tinto	Mining	3.9
Legal & General	Life Assurance	3.9
Next	General Retailer	3.8
Hargreaves Lansdown	General Financials	3.8
Marshalls	Construction	3.6
Forterra	Construction	3.5
Hilton Food Group	Food Producers	3.4
Hays	Support Services	3.4
TOTAL FOR TOP 20		**81.3**
Other Equity Holdings		14.5
Bonds and net Liquidity		4.2
TOTAL		**100.0**

WHAT SHOULD I BE WORRYING ABOUT?

We recognise that inflation will run for longer and to higher levels than we envisaged during the summer months. That said, the key judgement call over inflation is not the absolute number that it hits but its persistence. The latter will be determined principally by two factors – firstly, the duration of supply chain disruption through shortages of key components and, secondly, whether the pool of available labour expands as furlough schemes wind down. For example, we have yet to see how labour market participation changes post furlough and whether lifestyle changes during the pandemic hold up over time, particularly if stock markets come under any pressure (not a forecast). Currently, the evidence is that most companies are reporting difficulties in hiring staff and as a consequence are bidding up wage rates, rather than workers demanding higher wages in response to cost of living increases. Longer term, lower immigration numbers both in the UK and US may prove to be a structural source of upward pressure on wage rates. The fatalist would accept that if workers start to incorporate current price rises into wage demands and the pool of available labour is structurally smaller, then the present inflationary cycle will prove harder to break. We require more convincing evidence before reaching that conclusion.

WHAT ARE THE KEY FEATURES?

The S&W Revera UK Dynamic Fund:

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

HOW DO WE SELECT INVESTMENTS?

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

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

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

WHAT IS REVERA?

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

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

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

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

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

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

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STATUTORY PERFORMANCE PRESENTATION

	31 Dec 2020- 31 Dec 2021	31 Dec 2019 - 31 Dec 2020	31 Dec 2018 - 31 Dec 2019	31 Dec 2017 - 31 Dec 2018	31 Dec 2016 - 31 Dec 2017
Corporate Class	11.2%	-11.3%	33.7%	-13.7%	15.3%
MSCI UK All Cap (Gross)	18.8%	-11.3%	18.4%	-9.7%	13.2%

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