



FUND MANAGERS
STEPHEN GRANT
GLEN NIMMO

SVS REVERA UK DYNAMIC FUND

AS AT 31 AUGUST 2022

FACTSHEET

OVERVIEW

At this year's Jackson Hole central bank gathering, Federal Reserve Chair, Jay Powell, delivered some tough love to investors. His message, unequivocal and plainly communicated, was that the central bank would do what was necessary to master inflation, even if that entailed some economic pain. Recognising that the process of regaining control might be a more protracted exercise than the quick-fix bulls have been hoping for, the part about "probably more pain than you thought three months ago" was implicitly imparted.

The concern for Chair Powell is that while his message is being heard by investors, Main St USA is not yet playing ball. Although growth is slowing and statistics are distorted by very high inflation readings, the sense remains that the US economy is still remarkably resilient. Powell needs US companies to hire less workers to take the heat out of the labour market, and for consumers to rein in spending - for example, retail sales rose by 0.6% in July on an inflation adjusted basis. This isn't yet happening on the scale which he would like.

In contrast, the UK is further along the slowing path, albeit this is yet to be fully reflected in headline statistics. The Bank of England is forecasting a 1.5% contraction in GDP in 2023 and in essence warning that it will take a recession to bring inflation back to its 2.0% target. With unemployment set to rise next year, higher credit costs feeding through, and the income squeeze on both consumers and businesses from higher fuel costs set to intensify, confidence across the economy is likely to erode.

The interim reporting season has, as regards to the portfolio, delivered results which have been positive and balance sheets remain in good order. The one exception was Gooch & Housego which is covered in more detail overleaf and is very much company specific. Clearly, all eyes are on the coming energy price rises and the possibility of energy rationing over the course of the fourth quarter. Navigating these challenges is not insurmountable, but will require a blend of considered government intervention and the same levels of innovation and flexibility that the business community produced during the pandemic.

TRAFFIC LIGHTS

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

Recent share price moves have deepened the value credentials of the market as a whole, but any turn in momentum looks to be a more medium-term prospect.

KEY FEATURES

FUND SIZE		£63M
SHARE PRICE	Corporate Class	198.4p
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	-8.1%	-9.2%	-17.6%	-5.3%	1.7%	145.4%	151.7%
MSCI UK All Cap (Gross)	-2.1%	-3.9%	2.0%	11.3%	16.3%		

SVS 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 SVS 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

Gooch and Housego's (GHH) trading update was disappointing. Overall demand is strong across all the principal areas of operation, including strong demand for industrial lasers principally from semiconductor customers. Further, there has been a notable increase in Aerospace and Defence orders and medical lasers continue to benefit from the return of elective surgery, whilst demand for medical diagnostics remains high. However, GHH has been capacity constrained by highly competitive labour markets in the US and UK and ongoing COVID related absences. Consequently, the capacity ramp up has taken longer than expected and longer than similar capacity ramp-ups have typically taken in the past. Although short-term profit expectations were reduced, we continue to believe the breadth of end-customer demand is a strong endorsement of GHH's technology and crucially, there has been no diminution of the medium-term market opportunities.

Spirent's interims showed continuing progress, with its end-markets resilient. The world's adoption of 5G mobile communications has created a wealth of opportunities for its testing and monitoring product set. 5G brings an exponential increase in network complexity which plays to Spirent's strengths as testing and monitoring moves from a reactive approach to a pre-emptive one. The latter involves considerably more live, as opposed to lab, testing. In addition, new customers have emerged in the form of hyperscalers whose businesses are predicated on handling large volumes of data reliably and who consequently have come to depend on Spirent's services. With a clear position of technological leadership and a cash rich balance sheet allowing M&A optionality, Spirent appears well positioned against an uncertain economic backdrop.

WHAT DOES THE PORTFOLIO LOOK LIKE?

TOP 20 HOLDINGS	MARKET SECTOR	%
Sage Group	Computer Software & Serv.	6.6
Shell	Oil & Gas	6.3
Lloyds Banking Group	Banks	5.6
Whitbread	Travel & Leisure	5.1
Bellway	Construction	4.9
Next	General Retailers	4.8
Diageo	Beverages	4.7
Hargreaves Lansdown	General Financials	4.5
Legal & General	Life Assurance	4.4
Anglo American	Mining	4.4
TOTAL FOR TOP 10		51.3
Spectris	Electronics & Electricals	4.4
Spirent Communications	Technology	4.3
Hays	Support Services	4.1
QinetiQ	Aerospace & Defence	4.0
Melrose Industries	Engineering	3.9
Crest Nicholson	Construction	3.9
Marshalls	Construction	3.8
GlaxoSmithKline	Pharmaceuticals	2.9
Gooch & Housego	Electronics & Electricals	2.6
Smith & Nephew	Healthcare	2.4
TOTAL FOR TOP 20		87.6
Other Equity Holdings		2.2
Bonds and net Liquidity		10.2
TOTAL		100.0

WHAT SHOULD I BE WORRYING ABOUT?

By early September, the UK will have a new Prime Minister, presumably whose first task will be to articulate a response to the surge in energy prices about to hit the country in October and January as price caps are removed. EDF Energy UK calculates there will be a significant rise in households facing fuel poverty this winter and that number will increase in 2023.

Funding is the most obvious problem. The UK Government committed £30bn earlier this year to help alleviate hardship caused by higher energy prices but that now looks wholly inadequate given how quickly events and prices have moved since then. Most commentators agree that

the objective should be to shield at-risk households with the aim of containing costs. Otherwise, there is a risk of creating an inadvertent boost to demand and possibly exacerbating inflation. Whichever option it chooses, in order to finance extra help with energy bills, the Government will either need to raise taxes or borrow. The latter would put further pressure on already extended public finances, with debt to GDP now at levels last seen in the 1950s.

Whatever the response, it will entail trade-offs and compromises, but the new incumbent of No. 10 will be required to show their mettle in fairly short order.

WHAT ARE THE KEY FEATURES?

The SVS 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.

Revera is a wholly-owned subsidiary of Assetco plc, the agile asset and wealth management company which is quoted on London's AIM market.

Revera forms part of Assetco's active equities platform, which also includes River & Mercantile and Saracen Fund Managers.

The portfolio is managed by Stephen Grant and Glen Nimmo, who have worked as part of the same team for 26 out of the last 28 years.

Stephen Grant has 38 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 28 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 Jun 2021 - 30 Jun 2022	30 Jun 2020 - 30 Jun 2021	30 Jun 2019 - 30 Jun 2020	30 Jun 2018 - 30 Jun 2019	30 Jun 2017 - 30 Jun 2018
Corporate Class	-11.7%	22.2%	-9.2%	-0.7%	8.7%
MSCI UK All Cap (Gross)	3.2%	21.0%	-14.5%	0.4%	9.3%

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

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

RISK FACTORS

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

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

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

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

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

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

Revera is authorised and regulated by the Financial Conduct Authority (FCA). Revera's registered office is at 8 Rutland Square, Edinburgh EH1 2AS. SVS Revera UK Dynamic Fund is a sub-fund of SVS 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 SVS 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 SVS Revera UK Dynamic Fund will not be guaranteed, and an investor may not get back all the money he/she invested.