

S&W Kennox Strategic Value Fund

Annual Report

for the year ended 30 September 2020

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S&W Kennox Strategic Value Fund

Report of the Authorised Corporate Director ('ACD')

Smith & Williamson Fund Administration Limited, as ACD, presents herewith the Annual Report for S&W Kennox Strategic Value Fund for the year ended 30 September 2020.

S&W Kennox Strategic Value Fund ('the Company' or 'the Fund') is an authorised open-ended investment company with variable capital ('ICVC') further to an authorisation order dated 29 May 2008. The Company is incorporated under registration number IC000644. 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 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.

Investment objective and policy

The objective of the Company is to focus on long-term capital preservation and appreciation by providing investors with a concentrated portfolio of international equities, bonds and/or cash. The Company will focus on a small number of diverse, good-value opportunities which have identifiable business franchises but are experiencing temporarily depressed earnings. The Company can achieve the double benefit of growing earnings and rising expectations in the market. Adhering to this method of "strategic value investing", the Company aims to maximise long-term risk-adjusted returns. The Company may also invest in other transferable securities, collective investment schemes, warrants, money markets instruments, deposits and other permitted investments. It is the ACD's intention that derivatives and forward transactions be used for Efficient Portfolio Management.

The Company does not offer a capital guarantee or principal protection mechanism but attempts to protect investors' capital through selection of stocks trading at a significant discount to the Investment Manager's appraisal of their fair value.

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.

Report of the Authorised Corporate Director (continued)

Changes affecting the Company in the year

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

Further information in relation to the Company is illustrated on page 44.

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 January 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; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.
- 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 Company 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 Kennox Strategic Value 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 Kennox Strategic Value Fund ('the Fund'). Furthermore, the rules require that SWFAL publishes these assessments.

A high-level summary of the outcome of SWFAL's rigorous review of the Fund, at share class level, for the year ending 30 September 2020, using the seven criteria set by the FCA is set out below:

	Class A Shares	Institutional Shares	Professional 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 trust is delivering value to shareholders, with no material issues noted.
- On balance, the Board believes the trust is delivering value to shareholders, but may require some actions.
- On balance, the Board believes the fund has not delivered value 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 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 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 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 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 fund compare with others in the marketplace;
- (6) Comparable services - how the charges applied to the fund compare with those of other funds administered by SWFAL;
- (7) Classes of shares - the appropriateness of the classes of shares in the fund for investors.

Assessment of Value - S&W Kennox Strategic Value Fund (continued)

1. Quality of Service

What was assessed in this section?

Internal Factors

SWFAL, as ACD, has overall responsibility for the Fund. The Board assessed, amongst other things; the day-to-day administration of the 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 submitting tax computations to HMRC; the maintenance of the register of shareholders; the dealing and settlement arrangements. SWFAL delegates the investment management of the Fund to an Investment Management firm, Kennox Asset Management Limited (“Kennox”).

Kennox’s investment philosophy means that they look to take advantage of opportunities generated by market over-reaction to a company’s uncertain, often unattractive, shorter-term prospects. They seek out exceptional companies when they are unloved and have the patience to hold for the longer term, allowing short-term headwinds to turn to tailwinds.

Kennox insist on acquiring companies at excellent prices which means looking through a company’s shorter-term performance and prospects and assessing its Sustainable Earnings - the earnings that they believe a company can conservatively sustain over a 5-10 year period.

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 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 Kennox.

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. The Board concluded that SWFAL 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 benefited and should continue to benefit the Fund and its 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 Fund, after the deduction of all payments out of the scheme property as set out in the Prospectus. Performance is considered over appropriate timescales having regard to the Fund’s investment objective, policy and strategy. The Board also considered whether an appropriate level of market risk has been taken.

Investment Objectives

The Fund’s focus is on long-term capital preservation and appreciation by providing investors with a concentrated portfolio of international equities, bonds and/or cash.

Assessment of Value - S&W Kennox Strategic Value Fund (continued)

2. Performance (continued)

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.

The ACD has selected the MSCI World Value Index (Gross), the MSCI World Index (Gross) and the IA Global Sector, which are comparators. 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 Fund has performed against its comparator benchmarks over various timescales can be found below. The comparator benchmarks were introduced during 2019 and have been backdated for illustrative purposes. The Fund however does not track, nor is it constrained by, a benchmark. Instead, Kennox expect their non-consensus stocks to deliver non-correlated returns.

Cumulative Returns to 31 August 2020

Share Classes	YTD	1 year	3 year	5 year	10 year
S&W Kennox Strategic Value Fund Class A Shares	-13.7%	-13.0%	-10.8%	24.7%	
S&W Kennox Strategic Value Fund Institutional Shares	-13.7%	-13.1%	-11.3%	23.4%	63.7%
S&W Kennox Strategic Value Fund Professional Shares	-14.0%	-13.4%	-12.1%	21.6%	57.9%
MSCI World Value Index (Gross)	-12.2%	-9.8%	1.7%	51.6%	147.7%
MSCI World Index (Gross)	4.6%	6.8%	29.6%	93.9%	236.7%
IA Global Sector	4.2%	6.4%	23.9%	76.7%	167.1%

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

Performance has been calculated net of fees.

Source: Morningstar

The performance of both the Income and Accumulation Shares is comparable.

A Classes launched April 2013.

Discrete Returns to 31 August 2020

Share Classes	2019	2018	2017	2016	2015
S&W Kennox Strategic Value Fund Class A Shares	5.1%	-2.0%	2.6%	36.2%	-3.5%
S&W Kennox Strategic Value Fund Institutional Shares	4.8%	-2.2%	2.5%	35.8%	-3.8%
S&W Kennox Strategic Value Fund Professional Shares	4.5%	-2.5%	2.1%	35.4%	-4.0%
MSCI World Value Index (Gross)	18.0%	-4.5%	7.7%	35.1%	1.4%
MSCI World Index (Gross)	23.4%	-2.5%	12.4%	29.0%	5.5%
IA Global Sector	22.0%	-5.7%	13.9%	23.9%	2.9%

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

Performance has been calculated net of fees.

Source: Morningstar

What was the outcome of the assessment?

The Board considered the fund's performance, objectives and strategy. The objective of the Fund is to preserve capital long-term and for appreciation through investment in a small number of diverse, good-value opportunities which have identifiable business franchises but are experiencing temporarily depressed earnings.

The Fund has experienced headwinds for most of 2020 as a result of the effect that COVID 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 30 August 2020 the fund has recovered some of the ground lost during the early part of the year.

The Board instead gave more focus to the Discrete returns which although turbulent have been solid and resulted in an overall annualised return of 6% to year-end 2019 since the Fund was launched in 2007.

Going forward, the Fund will continue with its risk focussed mandate which enables it to perform well in periods of market turbulence and should sentiment change in the future to "value" type investing then the Fund is favourably placed.

Assessment of Value - S&W Kennox Strategic Value Fund (continued)

2. Performance (continued)

What was the outcome of the assessment? (continued)

In light of the above, the Board are of the opinion that whilst the Fund has experienced challenges lately owing to “value” investing being very much out-of-favour, it does possess certain characteristics that may prove attractive to shareholders, particularly in times of market stress, and for that reason they concluded that it had represented value to underlying shareholders.

The Board found that the 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 12 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’), Depository/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 received and considered information about each of the Fund’s costs, and concluded that for the ‘A’ and ‘Institutional’ share classes they were fair, reasonable and provided on a competitive basis. The “Professional” class was however considered to be at the top end of what would normally be expected for a share class of this nature.

Were there any follow up actions?

The ‘Professional’ share class accounts for a small proportion of the share register. Dialogue will commence immediately with Kennox to discuss the viability of this share class.

4. Economies of Scale

What was assessed in this section?

The Board reviewed each separate fee structure and the assets under management (AUM) of the Fund to examine the effect on the Fund to potential and existing investors should the Fund increase or decrease in value.

What was the outcome of the assessment?

As the Fund’s AUM grows, investors pay proportionally less for the fixed costs of running the 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.

The tiered ACD fee structure in place allows for savings going forward should the Fund grow in size, however, over the last twelve months this has not been the case.

Were there any follow up actions?

There were no follow-up actions required.

5. Comparable Market Rates

What was assessed in this section?

The Board reviewed the ongoing charges of the Fund, and how those charges affect the returns of the Fund. Funds with lower fees may offer better value than those with higher fees.

The Fund’s charges, or OCF, was compared against the external ‘market rate’ of equivalent funds.

Note that SWFAL has not charged an entry fee, exit fee or any other event-based fees on this Fund.

What was the outcome of the assessment?

The Fund’s charges were found to compare favourably with those of similar externally managed funds.

Were there any follow up actions?

There were no follow-up actions required.

Assessment of Value - S&W Kennox Strategic Value Fund (continued)

6. Comparable Services

What was assessed in this section?

The Board reviewed the OCF applied to the Fund with those of other funds administered by SWFAL having regard to size, investment objectives and policies.

What was the outcome of the assessment?

The Fund's charges were found to compare favourably with other SWFAL administered funds displaying similar characteristics.

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 Fund set up to ensure that where there are multiple share classes, shareholders are in the correct share class given the size of their holding.

What was the outcome of the assessment?

There are three share classes in the Fund.

In September 2020, in order to ensure shareholders were invested in the correct share classes, SWFAL conducted a review of named investors on the share register. At the time of the review all shareholders were in the appropriate share class.

However, in respect of investors who gain access through a nominee company or a platform the position is less clear and to a certain extent SWFAL is unaware of the underlying holdings and whether or not they could be moved to a cheaper class.

If shareholders are in any doubt as to which share class they hold and, additionally, if that holding is eligible to be moved to a cheaper share class, then they should contact their IFA or investment platform.

Were there any follow up actions?

There were no follow-up actions required.

Overall Assessment of Value

The SWFAL Board concluded that S&W Kennox Strategic Value Fund had provided value to the shareholders.

Kevin Stopps

Chairman of the Board of Smith & Williamson Fund Administration Limited

28 January 2021

Consumer Feedback

On reviewing this Assessment of Value report, we would welcome 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 Kennox Strategic Value 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 January 2021

Independent Auditor's report to the shareholders of S&W Kennox Strategic Value Fund ('the Company')

Opinion

We have audited the financial statements of S&W Kennox Strategic Value Fund for the year ended 30 September 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 30 September 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The ACD is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Company 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 ACD's report for the year is consistent with the financial statements.

Independent Auditor's report to the shareholders of S&W Kennox Strategic Value Fund (continued)

Responsibilities of the ACD

As explained more fully in the Statement of the ACD's responsibilities set out on page 4, the ACD 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 ACD 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 ACD 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 ACD 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 ACD.
- Conclude on the appropriateness of the ACD'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.

Independent Auditor's report to the shareholders of S&W Kennox Strategic Value Fund (continued)

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 January 2021

Accounting policies of S&W Kennox Strategic Value Fund

for the year ended 30 September 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 Fund of reasonably possible downside scenarios. The ACD has considered a detailed assessment of the 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 Fund continues to be open for trading and the ACD is satisfied the 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 30 September 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 30 September 2020 with reference to quoted bid prices from reliable external sources.

Derivatives are valued at the price which would be required to close out the contract at the balance sheet date.

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 Fund is UK sterling which is taken to be the 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.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

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.

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 class. All revenue and expenses which are attributable to the Fund are allocated to the Fund and are normally allocated across the share classes pro rata to the net asset value of each 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.

Accounting policies of S&W Kennox Strategic Value Fund (continued)

for the year ended 30 September 2020

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 30 September 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.

All foreign dividend revenue is recognised as a gross amount which includes any withholding tax deducted at source. Where foreign tax is withheld in excess of the applicable treaty rate a tax debtor is recognised to the extent that the overpayment is considered recoverable.

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 adjustment*

A dilution adjustment is an adjustment to the share price which is determined by the ACD in accordance with the COLL Sourcebook. The ACD may make a dilution adjustment to the price of a share (which means that the price of a share is above or below that which would have resulted from mid-market valuation) for the purposes of reducing dilution in the Fund (or to recover an amount which it has already paid or is reasonably expected to pay in the future) in relation to the issue or cancellation of shares. 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 income shares are paid to shareholders. Distributions attributable to accumulation shares are re-invested in the relevant class on behalf of the shareholders.

ii *Unclaimed distributions*

Distributions to shareholders outstanding after 6 years are taken to the capital property of the Fund.

iii *Revenue*

All revenue is included in the final distribution with reference to policy d.

iv *Expenses*

Expenses incurred against the revenue of the 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.

v *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

Investment performance

The Fund returned -15.9%^[1] over the twelve-month period as the share prices across the portfolio (and the broader market) were adversely affected by the impact of the Covid-19 pandemic. The Fund does not track a benchmark. Below, for comparative purposes only, are the respective performances of the MSCI World Index, MSCI World Value Index and IA Global sector over the period^[2]. We would expect that Fund weightings (geographic, sector and market cap) may vary considerably from each of these comparators.

The best performers in the Fund were our three gold miners, Newmont Goldcorp, Newcrest Mining and Yamana Gold which collectively contributed +7.2%^[3] to the Fund's performance. Yamana Gold's share price rose 73%^[4] (83% in local currency terms) during the period and, as at 30 September 2020, our gold holdings totalled over 18% of the Fund. Gold stocks performed well as investors searched for safe havens during these times of volatility and low interest rates. Insurer Admiral Group was also strong with the share price rising over 30%^[4] during the period.

Over the year, our energy stocks retreated (with share prices falling 47%^[4] on average) and collectively gave a negative contribution of -8.7%^[3]. Demand decreased during Covid-19 lockdowns and although oil prices have stabilised at circa \$40 per barrel, negative sentiment towards the sector continues to weigh heavily on the share prices. We only hold the strongest companies in the sector, the ones that have the strength to survive a protracted period of weaker oil prices. We share the belief that fossil fuels need to be replaced by renewable energies, but the global economy will need fossil fuels for the foreseeable future. Currently, 85% of all global energy comes from fossil fuels, with approximately 6% coming from renewables. As the global energy mix shifts towards fuels with lower carbon emissions, so will the vast capex budgets of the energy majors. With a history of executing capital-intensive and complex energy projects, they are uniquely positioned to participate in the transition. We believe that the energy companies we hold will continue to be a significant part of the solution to both powering the world today and evolving energy production for the future.

Share prices for BP and Royal Dutch Shell 'B' are at their decade lows and the four companies trade at an average of 7x what we consider to be their sustainable earnings. We therefore believe that there is a significant dislocation between the fundamental value of these businesses and their share prices. We see considerable upside potential. Even in current markets they are able to generate significant profits and cash flow. Whilst they continue to trade at depressed valuations we remain comfortable holding them.

Sky Network Television in New Zealand was also a notable detractor to performance giving a negative contribution -1.7%^[3]. Sky Network Television has faced increased competition, causing costs for content to rise as well as subscriber numbers to decline. Cancelled sporting events during Covid-19 was an additional challenge, however, matches have re-started and Sky holds all the most important sports rights (including rugby for another 5 years). It remains on exceptional valuations (with free cash flow yield in excess of 20% using conservative forecasts) and the company performed a successful capital raising during the year which was oversubscribed and fully underwritten. This will enable it to weather the Covid-19 storm.

Investment activities

The Fund is comprised of equities listed on stock exchanges worldwide and cash. At the end of September, cash represented 10.3% of the Fund and there were 27 holdings.

In March, we decided to exit three stocks as a result of risks brought about by Covid-19. The three positions we removed from the portfolio were two non-food retailers, Gap and Next and a global advertising company, Publicis Groupe. Although all three were acknowledged sector leaders, we felt that the headwinds their industries faced, as a result of the pandemic, were so extreme that it jeopardised their ability to survive.

The global market sell-off, in response to the outbreak, also created opportunity and we added two new holdings to the Fund: Newcrest Mining and Singapore Telecommunications. Both were on exceptional valuations and are in industries that we believe will be resilient in the current conditions. Newcrest Mining is one of the lowest cost gold producers in the world and carries one of the lowest levels of debt of the large gold miners. Singapore Telecommunications is the number one telco in Singapore, Thailand, Philippines and Indonesia and is the second strongest player in Australia and India - all very attractive franchises. Sector-leading telcos such as Singapore Telecommunications are in a very strong position, able to generate robust cash flows by providing an essential service in an increasingly digital world.

^[1] Source: Bloomberg, Institutional Accumulation share class based on 12pm bid prices as at 30 September 2020.

^[2] 12-month performance to 30 September 2020: IA Global Index, +6.8% [source: Morningstar]; MSCI World Index, +5.7% [source: Bloomberg]; MSCI World Value Index, -12.0% [source: Bloomberg].

^[3] Source: Contribution data calculated by Morningstar.

^[4] Source: Individual company return data sourced from Bloomberg in sterling (unless otherwise stated), including the impact of dividends paid.

Investment Manager's report (continued)

Investment strategy and outlook

Elsewhere in the portfolio, we also tailored position sizes in response to performance of individual stocks over the period, and our view of their Sustainable Earnings. Notable trims included Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen and shoe manufacturer Yue Yuen Industrial Holdings, both of which we felt could be adversely impacted by Covid-19.

Our strategy, as always, is to search out undervalued stocks and build a balanced portfolio in order to protect and to increase the buying power of our clients' capital over the long term.

Although the enormous stimulus and relief packages offered by federal governments and central banks in response to the pandemic brought some calm to markets, the emergence of second waves of Covid-19 is bringing about further uncertainty and panic. Prior to Covid-19, the financial system was already very leveraged and the subsequent government intervention has increased debt further. At the end of 2019, Global debt stands at approximately 322% of Gross Domestic Product^[5] and this limits options and potential responses to future shocks.

We diminish risk through holding a diversified group of sector leaders with little or no net debt that are trading at rational multiples of their long-term earnings potential. The Fund is not reliant on bull or bear markets, nor on continuing economic growth.

At Kennox Asset Management Limited, we do not deviate from our well-defined buy/sell discipline which keeps our valuation metrics reasonably constant and at a significant discount to the market over time.

Kennox Asset Management Limited

14 October 2020

^[5] Source: Institute of International Finance.

Summary of portfolio changes

for the year ended 30 September 2020

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

	Cost
	£
Purchases:	
Singapore Telecommunications	6,564,374
Newcrest Mining	5,144,554
Royal Dutch Shell 'B'	2,535,056
SKY Network Television	1,390,590
Yamana Gold	1,089,126
China Mobile	1,023,523
BP	746,586
Texwinca Holdings	624,971

	Proceeds
	£
Sales:	
Newmont Goldcorp	13,248,337
Western Union	5,878,673
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	5,139,232
Publicis Groupe	4,760,142
Next	4,322,744
GlaxoSmithKline	3,729,189
China Mobile	3,542,438
Exxon Mobil	3,382,044
Fukuda Denshi	3,213,724
Tesco	3,093,915
Swisscom	3,013,504
Equinor	2,895,303
Royal Dutch Shell 'B'	2,874,930
Canon Marketing Japan	2,795,669
BP	2,768,050
Quadiant	2,719,634
Yue Yuen Industrial Holdings	2,614,265
Admiral Group	1,841,654
Yamana Gold	1,788,519
Star Micronics	1,701,781

Portfolio statement
as at 30 September 2020

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities 88.83% (86.86%)			
Equities - United Kingdom 22.79% (27.90%)			
Equities - incorporated in the United Kingdom 16.71% (21.05%)			
Energy 6.08% (8.97%)			
BP	1,305,160	2,939,220	2.90
Royal Dutch Shell 'B'	343,670	3,230,154	3.18
		<u>6,169,374</u>	<u>6.08</u>
Consumer Discretionary 0.00% (2.51%)		-	-
Consumer Staples 4.00% (3.66%)			
Tesco	1,908,980	4,054,674	4.00
Health Care 3.73% (3.98%)			
GlaxoSmithKline	260,328	3,779,963	3.73
Financials 2.90% (1.93%)			
Admiral Group	112,882	2,946,220	2.90
Total equities - incorporated in the United Kingdom		<u>16,950,231</u>	<u>16.71</u>
Equities - incorporated outwith the United Kingdom 6.08% (6.85%)			
Consumer Discretionary 1.89% (6.85%)			
Fujikon Industrial Holdings	20,234,000	1,595,423	1.57
Texwinca Holdings	24,640,000	2,656,020	2.62
Yue Yuen Industrial Holdings	1,536,500	1,920,012	1.89
Total equities - incorporated outwith the United Kingdom		<u>6,171,455</u>	<u>6.08</u>
Total equities - United Kingdom		<u>23,121,686</u>	<u>22.79</u>
Equities - Europe 18.98% (23.15%)			
Equities - France 5.52% (8.90%)			
Metropole Television	223,775	2,070,393	2.04
Quadiant	336,594	3,529,436	3.48
Total equities - France		<u>5,599,829</u>	<u>5.52</u>
Equities - Germany 2.87% (4.00%)			
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	14,766	2,914,492	2.87

Portfolio statement (continued)

as at 30 September 2020

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - Europe (continued)			
Equities - Netherlands 2.39% (2.41%)			
Koninklijke KPN	1,331,350	<u>2,422,503</u>	<u>2.39</u>
Equities - Norway 4.04% (4.59%)			
Equinor	373,574	<u>4,101,340</u>	<u>4.04</u>
Equities - Switzerland 4.16% (3.25%)			
Swisscom	10,258	<u>4,219,970</u>	<u>4.16</u>
Total equities - Europe		<u>19,258,134</u>	<u>18.98</u>
Equities - North America 17.90% (18.34%)			
Equities - Canada 3.99% (1.38%)			
Yamana Gold	927,000	<u>4,047,590</u>	<u>3.99</u>
Equities - United States 13.91% (16.96%)			
Exxon Mobil	50,900	1,350,850	1.33
Newmont Goldcorp	183,500	9,006,091	8.88
Western Union	226,900	<u>3,755,925</u>	<u>3.70</u>
Total equities - United States		<u>14,112,866</u>	<u>13.91</u>
Total equities - North America		<u>18,160,456</u>	<u>17.90</u>
Equities - Asia 21.34% (15.43%)			
Equities - Hong Kong 5.61% (5.05%)			
China Mobile	895,000	4,412,827	4.35
Tradelink Electronic Commerce	15,654,000	<u>1,281,168</u>	<u>1.26</u>
Total equities - Hong Kong		<u>5,693,995</u>	<u>5.61</u>
Equities - Japan 12.11% (10.38%)			
Canon Marketing Japan	188,050	2,895,956	2.85
Fukuda Denshi	77,900	4,002,655	3.95
Star Micronics	330,900	3,373,778	3.33
Taisho Pharmaceutical Holdings	39,600	<u>2,005,700</u>	<u>1.98</u>
Total equities - Japan		<u>12,278,089</u>	<u>12.11</u>
Equities - Singapore 3.62% (0.00%)			
Singapore Telecommunications	3,074,400	<u>3,675,762</u>	<u>3.62</u>
Total equities - Asia		<u>21,647,846</u>	<u>21.34</u>

Portfolio statement (continued)

as at 30 September 2020

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - Oceania 7.82% (2.04%)			
Equities - Australia 5.61% (0.00%)			
Newcrest Mining	328,894	5,689,135	5.61
Equities - New Zealand 2.21% (2.04%)			
SKY Network Television	30,943,329	2,246,627	2.21
Total equities - Oceania		7,935,762	7.82
Total equities		90,123,884	88.83
Forward Currency Contracts 0.00% (0.00%)			
Sell Hong Kong dollar	-HKD 1,210,563	(120,817)	
Buy UK sterling	£121,571	121,571	
Expiry date 6 October 2020		754	0.00
Total forward currency contracts		754	0.00
Portfolio of investments		90,124,638	88.83
Other net assets		11,329,748	11.17
Total net assets		101,454,386	100.00

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated. Forward contracts are not listed on stock exchanges and are considered over-the-counter instruments.

The comparative figures in brackets are as at 30 September 2019.

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

The Global Industry Classification Standard ('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 profile is representative of all share classes.

The risk and reward indicator table demonstrates where the 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 Fund. The shaded area in the table below shows the 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 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 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 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 Fund.

The organisation from which the Fund buys a derivative may fail to carry out its obligations, which could also cause losses to the Fund.

The price of gold or other resources may be subject to sudden, unexpected and substantial fluctuations. This may lead to significant declines in the values of any companies developing these resources in which the fund invests and significantly impact investment performance.

The Fund may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

The Fund may invest in securities not denominated in sterling, the value of your investments may be affected by changes in currency exchange rates.

For further information please refer to the KIID.

For full details on risk factors for the Fund, please refer to the Prospectus.

There have been no changes to the risk and reward indicator in the year.

Comparative table

The following disclosures give a shareholder an indication of the performance of a share in the Fund. It also discloses the operating charges and direct transaction costs applied to each share. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

	Professional income			Institutional income		
	2020 p	2019 p	2018 p	2020 p	2019 p	2018 p
Change in net assets per share						
Opening net asset value per share	124.11	129.75	125.81	125.38	131.08	127.10
Return before operating charges	(18.64)	(0.81)	8.65	(18.86)	(0.81)	8.74
Operating charges	(1.68)	(1.82)	(1.84)	(1.35)	(1.46)	(1.47)
Return after operating charges *	(20.32)	(2.63)	6.81	(20.21)	(2.27)	7.27
Distributions**	(1.99)	(3.01)	(2.87)	(2.36)	(3.43)	(3.29)
Closing net asset value per share	101.80	124.11	129.75	102.81	125.38	131.08
* after direct transaction costs of:	0.06	0.02	0.05	0.07	0.02	0.05
Performance						
Return after charges^	(16.37%)	(2.03%)	5.41%	(16.12%)	(1.73%)	5.72%
Other information						
Closing net asset value (£)	3,878,104	7,387,736	8,494,837	21,248,080	26,129,350	32,007,501
Closing number of shares	3,809,620	5,952,594	6,546,938	20,667,515	20,840,687	24,418,659
Operating charges^^	1.47%	1.45%	1.44%	1.17%	1.15%	1.14%
Direct transaction costs	0.06%	0.02%	0.04%	0.06%	0.02%	0.04%
Prices						
Highest share price (p)	126.1	130.1	132.2	127.5	131.4	133.7
Lowest share price (p)	93.80	120.9	120.5	94.90	122.3	121.9

** Rounded to 2 decimal places.

^ Based on close of business bid valuation.

^^ 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 the share class may incur 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)

	Class A income			Professional accumulation		
	2020 p	2019 p	2018 p	2020 p	2019 p	2018 p
Change in net assets per share						
Opening net asset value per share	125.37	131.08	127.10	142.84	145.80	138.25
Return before operating charges	(18.86)	(0.83)	8.74	(21.41)	(0.91)	9.57
Operating charges	(1.13)	(1.20)	(1.21)	(1.97)	(2.05)	(2.02)
Return after operating charges*	(19.99)	(2.03)	7.53	(23.38)	(2.96)	7.55
Distributions**	(2.59)	(3.68)	(3.55)	(2.30)	(3.40)	(3.17)
Retained distributions on accumulation shares**	-	-	-	2.30	3.40	3.17
Closing net asset value per share	102.79	125.37	131.08	119.46	142.84	145.80
* after direct transaction costs of:	0.07	0.02	0.05	0.08	0.02	0.06
Performance						
Return after charges^	(15.94%)	(1.55%)	5.92%	(16.37%)	(2.03%)	5.46%
Other information						
Closing net asset value (£)	45,613,743	114,588,890	121,177,638	1,151,150	3,006,791	3,655,869
Closing number of shares	44,375,436	91,397,432	92,447,914	963,614	2,105,002	2,507,426
Operating charges^^	0.97%	0.95%	0.94%	1.47%	1.45%	1.44%
Direct transaction costs	0.06%	0.02%	0.04%	0.06%	0.02%	0.04%
Prices						
Highest share price (p)	127.6	131.4	133.8	145.1	146.2	146.1
Lowest share price (p)	94.99	122.3	122.1	108.0	135.9	132.5

** Rounded to 2 decimal places.

^ Based on close of business bid valuation.

^^ 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 the share class may incur 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)

	Institutional accumulation			Class A accumulation		
	2020 p	2019 p	2018 p	2020 p	2019 p	2018 p
Change in net assets per share						
Opening net asset value per share	147.34	149.94	141.74	149.08	151.40	142.84
Return before operating charges	(22.16)	(0.93)	9.85	(22.40)	(0.93)	9.93
Operating charges	(1.58)	(1.67)	(1.65)	(1.36)	(1.39)	(1.37)
Return after operating charges *	(23.74)	(2.60)	8.20	(23.76)	(2.32)	8.56
Distributions**	(2.79)	(3.94)	(3.69)	(3.10)	(4.28)	(4.02)
Retained distributions on accumulation shares**	2.79	3.94	3.69	3.10	4.28	4.02
Closing net asset value per share	123.60	147.34	149.94	125.32	149.08	151.40
* after direct transaction costs of:	0.06	0.02	0.06	0.09	0.02	0.06
Performance						
Return after charges^	(16.11%)	(1.73%)	5.79%	(15.94%)	(1.53%)	5.99%
Other information						
Closing net asset value (£)	13,303,024	17,270,768	18,053,687	16,260,285	47,730,750	51,379,127
Closing number of shares	10,762,633	11,721,651	12,040,654	12,974,923	32,016,324	33,936,435
Operating charges^^	1.17%	1.15%	1.14%	0.97%	0.95%	0.94%
Direct transaction costs	0.06%	0.02%	0.04%	0.06%	0.02%	0.04%
Prices						
Highest share price (p)	149.8	150.4	150.2	151.7	151.8	151.6
Lowest share price (p)	111.5	139.8	136.0	112.9	141.3	137.2

** Rounded to 2 decimal places.

^ Based on close of business bid valuation.

^^ 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 the share class may incur 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 Kennox Strategic Value Fund

Statement of total return

for the year ended 30 September 2020

	Notes	2020		2019	
		£	£	£	£
Income:					
Net capital losses	2		(33,610,074)		(10,092,955)
Revenue	3	4,982,675		9,416,516	
Expenses	4	<u>(1,661,725)</u>		<u>(2,377,903)</u>	
Net revenue before taxation		3,320,950		7,038,613	
Taxation	5	<u>(270,678)</u>		<u>(563,418)</u>	
Net revenue after taxation			<u>3,050,272</u>		<u>6,475,195</u>
Total return before distributions			(30,559,802)		(3,617,760)
Distributions	6		(3,050,176)		(6,475,722)
Change in net assets attributable to shareholders from investment activities			<u><u>(33,609,978)</u></u>		<u><u>(10,093,482)</u></u>

Statement of change in net assets attributable to shareholders

for the year ended 30 September 2020

		2020		2019	
		£	£	£	£
Opening net assets attributable to shareholders			216,114,285		234,768,659
Amounts receivable on issue of shares		6,132,787		26,463,564	
Amounts payable on cancellation of shares		<u>(87,952,656)</u>		<u>(36,978,995)</u>	
			(81,819,869)		(10,515,431)
Change in net assets attributable to shareholders from investment activities			(33,609,978)		(10,093,482)
Retained distributions on accumulation shares			769,286		1,954,301
Unclaimed distributions			662		238
Closing net assets attributable to shareholders			<u><u>101,454,386</u></u>		<u><u>216,114,285</u></u>

Balance sheet
as at 30 September 2020

	Notes	2020 £	2019 £
Assets:			
Fixed assets:			
Investments		90,124,638	187,718,481
Current assets:			
Debtors	7	2,554,304	1,545,810
Cash and bank balances	8	10,457,659	31,287,709
Total assets		<u>103,136,601</u>	<u>220,552,000</u>
Liabilities:			
Creditors:			
Distribution payable		(1,230,596)	(3,183,854)
Other creditors	9	(451,619)	(1,253,861)
Total liabilities		<u>(1,682,215)</u>	<u>(4,437,715)</u>
Net assets attributable to shareholders		<u>101,454,386</u>	<u>216,114,285</u>

Notes to the financial statements

for the year ended 30 September 2020

1. Accounting policies

The accounting policies are disclosed on pages 14 and 15.

2. Net capital losses

	2020	2019
	£	£
Non-derivative securities - realised gains	575,230	2,052,249
Non-derivative securities - movement in unrealised losses	(33,612,118)	(12,027,846)
Currency losses	(554,634)	(107,975)
Forward currency contracts	(9,202)	-
Transaction charges	(9,350)	(9,383)
Total net capital losses	<u>(33,610,074)</u>	<u>(10,092,955)</u>

3. Revenue

	2020	2019
	£	£
UK revenue	1,585,134	2,293,972
Overseas revenue	3,306,043	6,879,441
Bank and deposit interest	14,764	24,501
Time deposit interest	76,734	218,602
Total revenue	<u>4,982,675</u>	<u>9,416,516</u>

4. Expenses

	2020	2019
	£	£
Payable to the ACD and associates		
ACD's periodic charge	179,687	222,292
Investment management fees	1,340,967	1,963,756
	<u>1,520,654</u>	<u>2,186,048</u>
Payable to the Depositary		
Depositary fees	<u>50,120</u>	<u>63,308</u>
Other expenses:		
Audit fee	6,600	6,330
Non-executive directors' fees	618	647
Safe custody fees	10,811	18,771
Bank interest	65,882	98,700
FCA fee	2,613	2,386
KIID production fee	1,713	1,713
Listing fee	2,714	-
	<u>90,951</u>	<u>128,547</u>
Total expenses	<u>1,661,725</u>	<u>2,377,903</u>

Notes to the financial statements (continued)

for the year ended 30 September 2020

5. Taxation	2020	2019
	£	£
<i>a. Analysis of the tax charge for the year</i>		
Overseas tax withheld	<u>270,678</u>	<u>563,418</u>
Total taxation (note 5b)	<u><u>270,678</u></u>	<u><u>563,418</u></u>

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	<u>3,320,950</u>	<u>7,038,613</u>
Corporation tax @ 20%	664,190	1,407,723
Effects of:		
UK revenue	(317,027)	(458,794)
Overseas revenue	(661,208)	(1,375,889)
Overseas tax withheld	270,678	563,418
Excess management expenses	314,045	426,960
Total taxation (note 5a)	<u><u>270,678</u></u>	<u><u>563,418</u></u>

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 £3,837,994 (2019: £3,523,949).

Notes to the financial statements (continued)

for the year ended 30 September 2020

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 professional income distribution	18,403	38,691
Interim institutional income distribution	135,954	178,025
Interim class A income distribution	401,073	911,465
Interim professional accumulation distribution	5,054	17,349
Interim institutional accumulation distribution	91,628	107,628
Interim class A accumulation distribution	150,283	402,708
Final professional income distribution	58,935	142,148
Final institutional income distribution	356,928	542,900
Final class A income distribution	814,733	2,498,806
Final professional accumulation distribution	17,229	56,730
Final institutional accumulation distribution	219,773	351,767
Final class A accumulation distribution	285,319	1,018,119
	<u>2,555,312</u>	<u>6,266,336</u>
Equalisation:		
Amounts deducted on cancellation of shares	511,904	356,513
Amounts added on issue of shares	(14,529)	(147,127)
Net equalisation on conversions	(2,511)	-
Total net distributions	<u>3,050,176</u>	<u>6,475,722</u>
Reconciliation between net revenue and distributions:		
	2020	2019
	£	£
Net revenue after taxation per Statement of total return	3,050,272	6,475,195
Undistributed revenue brought forward	392	919
Undistributed revenue carried forward	(488)	(392)
Distributions	<u>3,050,176</u>	<u>6,475,722</u>

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

7. Debtors

	2020	2019
	£	£
Amounts receivable on issue of shares	-	71,362
Sales awaiting settlement	1,895,116	-
Currency trades outstanding	5,391	-
Accrued revenue	251,325	998,188
Recoverable overseas withholding tax	400,733	475,832
Prepaid expenses	1,739	428
Total debtors	<u>2,554,304</u>	<u>1,545,810</u>

Notes to the financial statements (continued)

for the year ended 30 September 2020

8. Cash and bank balances	2020	2019
	£	£
Bank balances	6,976,842	17,377,987
Cash on deposit	-	6,200,560
Certificates of deposit	3,480,817	7,709,162
Total cash and bank balances	<u>10,457,659</u>	<u>31,287,709</u>
9. Other creditors	2020	2019
	£	£
Amounts payable on cancellation of shares	339,219	1,057,658
Accrued expenses:		
Payable to the ACD and associates		
ACD's periodic charge	13,482	18,568
Investment management fees	86,477	161,489
	<u>99,959</u>	<u>180,057</u>
Other expenses:		
Depositary fees	3,491	5,302
Safe custody fees	1,458	2,622
Audit fee	6,600	6,330
Non-executive directors' fees	255	249
FCA fee	-	1,124
Listing fee	344	-
Transaction charges	293	519
	<u>12,441</u>	<u>16,146</u>
Total accrued expenses	<u>112,400</u>	<u>196,203</u>
Total other creditors	<u>451,619</u>	<u>1,253,861</u>

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 issue in the year:

	Professional income
Opening shares in issue	5,952,594
Total shares issued in the year	80,434
Total shares cancelled in the year	(469,720)
Total shares converted in the year	(1,753,688)
Closing shares in issue	<u>3,809,620</u>

Notes to the financial statements (continued)

for the year ended 30 September 2020

11. Share classes (continued)

	Professional accumulation
Opening shares in issue	2,105,002
Total shares issued in the year	3,534
Total shares cancelled in the year	(176,183)
Total shares converted in the year	(968,739)
Closing shares in issue	<u>963,614</u>
	Institutional income
Opening shares in issue	20,840,687
Total shares issued in the year	136,916
Total shares cancelled in the year	(2,045,407)
Total shares converted in the year	1,735,319
Closing shares in issue	<u>20,667,515</u>
	Institutional accumulation
Opening shares in issue	11,721,651
Total shares issued in the year	347,945
Total shares cancelled in the year	(2,244,906)
Total shares converted in the year	937,943
Closing shares in issue	<u>10,762,633</u>
	Class A income
Opening shares in issue	91,397,432
Total shares issued in the year	3,332,182
Total shares cancelled in the year	(50,401,262)
Total shares converted in the year	47,084
Closing shares in issue	<u>44,375,436</u>
	Class A accumulation
Opening shares in issue	32,016,324
Total shares issued in the year	1,051,000
Total shares cancelled in the year	(20,052,804)
Total shares converted in the year	(39,597)
Closing shares in issue	<u>12,974,923</u>

Notes to the financial statements (continued)

for the year ended 30 September 2020

11. Share classes (continued)

For the year ended 30 September 2020, the annual management charge for each share class is as follows:

Professional income:	1.42%
Institutional income:	1.12%
Class A income:	0.92%
Professional accumulation:	1.42%
Institutional accumulation:	1.12%
Class A accumulation:	0.92%

The annual management charge includes the ACD's periodic charge and the Investment Manager's fee.

Further information in respect of the return per share is disclosed in the Comparative table.

On the winding up of a Fund all the assets of the 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 Fund.

The ACD acts as principal in respect of all transactions of shares in the 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 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 Professional income share has increased from 101.8p to 108.4p, Professional accumulation share has increased from 119.4p to 127.2p, Institutional income share has increased from 102.8p to 109.6p, Institutional Accumulation share has increased from 123.6p to 131.8p, Class A income share has increased from 102.8p to 109.6p and Class A accumulation share has increased from 125.3p to 133.7p as at 28 January 2021. This movement takes into account routine transactions but also reflects the market movements of recent months.

Notes to the financial statements (continued)

for the year ended 30 September 2020

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		Financial transaction tax		Purchases after transaction costs
	£	£	%	£	%	£	%	£	
2020									
Equities	19,086,662	13,039	0.07%	19,079	0.10%	-	-	19,118,780	
Total	19,086,662	13,039	0.07%	19,079	0.10%	-	-	19,118,780	

	Purchases before transaction costs		Commission		Taxes		Financial transaction tax		Purchases after transaction costs
	£	£	%	£	%	£	%	£	
2019									
Equities	13,147,315	8,704	0.07%	10,060	0.08%	2,528	0.02%	13,168,607	
Total	13,147,315	8,704	0.07%	10,060	0.08%	2,528	0.02%	13,168,607	

	Sales before transaction costs		Commission		Taxes		Financial transaction tax		Sales after transaction costs
	£	£	%	£	%	£	%	£	
2020									
Equities	83,997,377	(45,846)	0.05%	(8,755)	0.01%	-	-	83,942,776	
Total	83,997,377	(45,846)	0.05%	(8,755)	0.01%	-	-	83,942,776	

	Sales before transaction costs		Commission		Taxes		Financial transaction tax		Sales after transaction costs
	£	£	%	£	%	£	%	£	
2019									
Equities	16,197,727	(8,217)	0.05%	(1,486)	0.01%	-	-	16,188,024	
Total	16,197,727	(8,217)	0.05%	(1,486)	0.01%	-	-	16,188,024	

Capital events amount of £nil (2019: £12,623,497) is excluded from the total sales as there were no direct transaction costs charged in these transactions.

Notes to the financial statements (continued)

for the year ended 30 September 2020

14. Transaction costs (continued)

a Direct transaction costs (continued)

Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

		% of average net asset value
2020	£	
Commission	58,885	0.04%
Taxes	27,834	0.02%
2019	£	
Commission	16,921	0.01%
Taxes	11,546	0.01%
Financial transaction tax	2,528	0.00%

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 0.48% (2019: 0.28%).

15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Prospectus, the following are accepted by the ACD as being the main risks from the 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 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 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 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 Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 30 September 2020, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to shareholders of the Fund would increase or decrease by approximately £4,506,194 (2019: £9,385,924).

Notes to the financial statements (continued)

for the year ended 30 September 2020

15. Risk management policies (continued)

a Market risk (continued)

(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. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. 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 foreign currency risk profile of the Fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
2020	£	£	£
Australian dollar	5,689,135	156,574	5,845,709
Canadian dollar	4,047,590	111,473	4,159,063
Euro	10,936,824	156,113	11,092,937
Hong Kong dollar	11,865,450	151,214	12,016,664
Japanese yen	12,278,089	338,125	12,616,214
New Zealand dollar	2,246,627	-	2,246,627
Norwegian krone	4,101,340	434,992	4,536,332
Singapore dollar	3,675,762	99,598	3,775,360
Swiss franc	6,134,736	115,737	6,250,473
US dollar	20,519,913	359,365	20,879,278
Total foreign currency exposure	<u>81,495,466</u>	<u>1,923,191</u>	<u>83,418,657</u>
	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
2019	£	£	£
Canadian dollar	2,977,889	-	2,977,889
Euro	33,332,490	83,917	33,416,407
Hong Kong dollar	25,711,952	653,911	26,365,863
Japanese yen	22,646,075	88,138	22,734,213
New Zealand dollar	4,405,307	-	4,405,307
Norwegian krone	13,734,821	391,916	14,126,737
Singapore dollar	4,053,041	-	4,053,041
Swiss franc	12,051,616	-	12,051,616
US dollar	46,490,397	7,990	46,498,387
Total foreign currency exposure	<u>165,403,588</u>	<u>1,225,872</u>	<u>166,629,460</u>

At 30 September 2020, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to shareholders of the Fund would increase or decrease by approximately £4,099,541 (2019: £8,331,473). Forward currency contracts are used to manage the portfolio exposure to currency movements.

Notes to the financial statements (continued)

for the year ended 30 September 2020

15. Risk management policies (continued)

a Market risk (continued)

(iii) Interest rate risk

changes.

During the year the 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 Fund.

The 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.

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 Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the 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 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 Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information, and inefficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with low dealing volumes, can restrict the ACD's ability to execute substantial deals.

To reduce liquidity risk the ACD will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the 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 Fund.

Notes to the financial statements (continued)

for the year ended 30 September 2020

15. Risk management policies (continued)

c Liquidity risk (continued)

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the 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. In the case of forward foreign currency contracts these are payable in less than one year.

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

	Investment assets	Investment liabilities
Basis of valuation	2020	2020
	£	£
Quoted prices	90,123,884	-
Observable market data	754	-
Unobservable data	-	-
	<u>90,124,638</u>	<u>-</u>
	Investment assets	Investment liabilities
Basis of valuation	2019	2019
	£	£
Quoted prices	187,718,481	-
Observable market data	-	-
Unobservable data	-	-
	<u>187,718,481</u>	<u>-</u>

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 Fund may employ derivatives with the aim of reducing the 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 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.

Notes to the financial statements (continued)

for the year ended 30 September 2020

15. Risk management policies (continued)

f Derivatives (continued)

(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 Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the 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 the global exposure is as follows:

	Gross exposure value £	% of the total net asset value
Investment		
Forward Currency Contracts		
Value of short position - Hong Kong dollar	120,817	0.12%

There have been no collateral arrangements in the year.

Distribution table

for the year ended 30 September 2020

Distributions on Professional income shares in pence per share

Payment date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.20	group 1	interim	0.447	-	0.447	0.624
31.05.20	group 2	interim	0.309	0.138	0.447	0.624
30.11.20	group 1	final	1.547	-	1.547	2.388
30.11.20	group 2	final	0.428	1.119	1.547	2.388

Distributions on Institutional income shares in pence per share

Payment date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.20	group 1	interim	0.635	-	0.635	0.820
31.05.20	group 2	interim	0.213	0.422	0.635	0.820
30.11.20	group 1	final	1.727	-	1.727	2.605
30.11.20	group 2	final	0.792	0.935	1.727	2.605

Distributions on Class A income shares in pence per share

Payment date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.20	group 1	interim	0.753	-	0.753	0.950
31.05.20	group 2	interim	0.529	0.224	0.753	0.950
30.11.20	group 1	final	1.836	-	1.836	2.734
30.11.20	group 2	final	1.273	0.563	1.836	2.734

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.

Interim distributions:

Group 1 Shares purchased before 1 October 2019

Group 2 Shares purchased 1 October 2019 to 31 March 2020

Final distributions:

Group 1 Shares purchased before 1 April 2020

Group 2 Shares purchased 1 April 2020 to 30 September 2020

Distribution table (continued)

Distributions on Professional accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.20	group 1	interim	0.512	-	0.512	0.704
31.05.20	group 2	interim	0.512	-	0.512	0.704
30.11.20	group 1	final	1.788	-	1.788	2.695
30.11.20	group 2	final	1.788	-	1.788	2.695

Distributions on Institutional accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.20	group 1	interim	0.746	-	0.746	0.940
31.05.20	group 2	interim	0.214	0.532	0.746	0.940
30.11.20	group 1	final	2.042	-	2.042	3.001
30.11.20	group 2	final	0.759	1.283	2.042	3.001

Distributions on Class A accumulation shares in pence per share

Allocation date	Share type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.20	group 1	interim	0.896	-	0.896	1.096
31.05.20	group 2	interim	0.296	0.600	0.896	1.096
30.11.20	group 1	final	2.199	-	2.199	3.180
30.11.20	group 2	final	1.236	0.963	2.199	3.180

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 October 2019
- Group 2 Shares purchased 1 October 2019 to 31 March 2020

Final distributions:

- Group 1 Shares purchased before 1 April 2020
- Group 2 Shares purchased 1 April 2020 to 30 September 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				
	Fixed £'000	Variable		Total £'000	No. MRTs
		Cash £'000	Equity £'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 has appointed Kennox Asset Management Limited to provide investment management and related advisory services to the ACD. Kennox Asset Management Limited is paid a monthly fee out of the scheme property of S&W Kennox Strategic Value Fund which is calculated on the total value of the portfolio of investments at each valuation point. Kennox Asset Management Limited are compliant with the Capital Requirements Directive regarding remuneration and therefore Kennox Asset Management Limited staff are covered by remuneration regulatory requirements.

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed/allocated semi-annually on 30 November (final) and 31 May (interim). In the event of a distribution, shareholders will receive a tax voucher.

XD dates:	1 October	final
	1 April	interim
Reporting dates:	30 September	annual
	31 March	interim

Buying and selling shares

The property of the Fund is valued at 12 noon 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.

	Minimum initial investment*	Minimum subsequent investment	Minimum holding	Initial charge**
Institutional income	£2,000,000	None	£20,000	5%
Institutional accumulation	£2,000,000	None	£20,000	5%
Professional income	£20,000	None	£20,000	5%
Professional accumulation	£20,000	None	£20,000	5%
Class A income	£20,000,000	None	£20,000	5%
Class A accumulation	£20,000,000	None	£20,000	5%

* The minimum initial investment limits may be waived at the discretion of the ACD.

** The ACD may impose a charge on sale of shares to investors in which is based on the amount invested by the prospective investor. The preliminary charge is payable to the ACD. The preliminary charged may be waived by the ACD at its discretion.

Prices of shares and the estimated yield of the share classes are published on the following website: www.trustnet.com or may be obtained by calling 0141 222 1151.

Comparators

The ACD has selected the MSCI World Value Index, the MSCI World Index and the IA Global sector as comparators against which shareholders may compare the performance of the Company as it believes these best reflect the Company's asset allocation.

The indices/sectors are not targets for the Company, nor is the Company constrained by the indices/sectors.

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

Independent Non-Executive Directors of the ACD

Dean Buckley
Linda Robinson
Victoria Muir

Non-Executive Directors of the ACD

Paul Wyse

Investment Manager

Kennox Asset Management Limited
28 Drumsheugh Gardens
Edinburgh EH3 7RN
Authorised and regulated by the Financial Conduct Authority

Depository

NatWest Trustee and Depository 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