

S&W CH Special Mandates Fund
Annual Short Report
for the year ended 30 September 2012

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S&W CH Special Mandates Fund

Authorised Corporate Director's report

The Authorised Corporate Director ("the ACD") presents herewith the Annual Short Report for S&W CH Special Mandates Fund ("the Company") at 30 September 2012.

Sub-funds

There are currently two sub-funds available in the Company:

The Tenax Fund - A accumulation shares

- B accumulation shares

Deep Value Investments - accumulation shares

Risk disclosure

The main risks which may affect the assets and liabilities of the sub-funds, either directly or indirectly through its underlying holdings, are market risk, liquidity risk, credit risk and fair value of financial assets and financial liabilities. The ACD has processes in place to mitigate these risks.

The ACD monitors the investment activity of the Investment Adviser to ensure the investment activity is consistent with the investment objectives and the investment and borrowing powers which are laid out in the Prospectus.

There is no material difference between the value of the financial assets and liabilities and their fair value.

For further information please refer to the Prospectus and the Annual Long Report.

The Prospectus and the Simplified Prospectus are available free of charge from the ACD.

The Annual Long Report is available on request from the ACD.

Investment objectives and policies

The investment objectives and policy of each sub-fund is disclosed within the Investment Adviser's report of the individual sub-funds.

Distributions and reporting dates

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

| | | |
|------------------|--------------|---------|
| Reporting dates: | 30 September | annual |
| | 31 March | interim |

Shareholders will receive a short report within four months of the annual reporting date and within two months of the interim reporting date.

Buying and selling shares

The property of the sub-funds are valued at 12 noon on every business day, 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 and minimum holding value | Minimum subsequent investment |
|------------------------------|--|-------------------------------|
| The Tenax Fund: | | |
| A accumulation shares | £50,000 | £50,000 |
| B accumulation shares | £1,000,000 | £1,000,000 |
| Deep Value Investments Fund: | | |
| Accumulation shares | £5,000 | £1,000 |

Prices of shares and the estimated yield of the sub-funds are published on the following website:
www.investmentfunds.org.uk/investor-centre or may be obtained from the ACD by calling 0141 222 1150.

Management charges

The Tenax Fund

When purchasing shares there is a preliminary charge of 5% of the value of each share.

The annual management charge is currently 1.25% for A Class shares and 0.875% for B Class shares. The annual management charge includes the ACD's periodic charge and the Investment Adviser's fee.

The performance fee is 15% of outperformance of Libor plus 200 basis points for A shares and 15% of outperformance of Libor plus 250 basis points for B shares.

Authorised Corporate Director's report (continued)

Management charges (continued)

Deep Value Investments Fund

When purchasing shares there is a preliminary charge of 5% of the value of each share.

The annual management charge is currently 1.25% per annum. There is presently one share class available. The annual management charge includes the ACD's periodic charge and the Investment Adviser's fee.

Changes affecting the Company in the year

The sub-fund, Deep Value Investments Fund, launched on 29 February 2012.

The Tenax Fund

Investment Adviser's report

Investment objective and policy

The sub-fund is a multi asset class fund with an absolute return objective, which will apply in all market conditions. The sub-fund may invest in the following asset classes: transferable securities (including fixed interest securities, government securities, equities, and holdings in quoted funds and quoted property companies), money market instruments, units in collective investment schemes (including interests in hedge funds), derivatives and forward transactions, and cash deposits. The portfolio will be broadly diversified with limits on exposure to different asset classes wherever possible seeking low correlation of returns between these classes.

Derivatives may be employed in the pursuit of the investment objectives of the sub-fund for both investment purposes and for the purposes of efficient portfolio management. Using derivatives and forward transactions for investment purposes may increase the volatility of a sub-fund and increase or reduce the risk profile of a sub-fund.

The sub-fund will not invest directly in immovables or gold.

Investment performance

| Performance over: | One Year | Three Years | Since Launch |
|-------------------------------|----------|-------------|--------------|
| Tenax Fund 'A' accumulation | 5.20% | 14.40% | 21.70% |
| Tenax Fund 'B' accumulation | 5.50% | 15.50% | 23.60% |
| Annual Volatility* 'A' shares | 3.40% | 3.50% | |

*Volatility is the annual standard deviation of monthly returns expressed as a percentage.

| Price data: | 30/09/2012 | 30/09/2011 | 30/09/2009 | Launch |
|----------------------------------|------------|------------|------------|--------|
| Tenax Fund 'A' accumulation | 121.66 | 115.6 | 106.37 | 100 |
| Tenax Fund 'B' accumulation | 123.64 | 117.2 | 107.09 | 100 |
| Three-month £ LIBOR [^] | 0.60% | 0.95% | 0.54% | 6.53% |

[^] Source: Bloomberg

Over the year, the three- month London Interbank Offered Rate (LIBOR), has varied from a high point of 1.09% in January to a low of 0.60% at the end of the period.

Investment activities

Over the three months to the end of June, we added a new holding in BG Energy Capital 6.5% 30/11/2072 fix-to-variable bonds; these pay 6.5% until 2017 when they may be re-paid or switch to a floating rate payment. We sold the holding of Utilico Investments zero dividend preference shares 2014, uncomfortable with developments in Utilico's investments. There were no changes to the Index-Linked holdings. In Infrastructure we took up the offer of new shares from International Public Partnerships after meeting their management again. There were no changes to any of the investments in Hedge Funds or Property / Real assets but we have received a modest return of capital from the Terra Catalyst Fund.

Towards the end of May we added significantly to two of the International Equity holdings: RIT Capital Partners and Schroder Japan Growth Fund. RIT Capital Partners appeared to have been depressed by a change to the calculation of index weightings (with reference to their 'free float'), usefully coinciding with weak equity markets at the time. We added to the holding of Petropavlovsk 4% Convertible 2015 in mid-June as we felt that the stock looked overly depressed and added a new convertible holding in the Siemens Financieringsmaatschappij 1.65% 16/08/2019 issue; these two are both US Dollar issues.

In the final quarter of the year, there have been a few more opportunities in convertibles and this section of the portfolio is now close to 5%. We added to the existing holding of Electra Private Equity 5% 29/12/2017 convertible stock, participated in a new convertible issue from British Land Jersey 1.5% 10/09/2017 and initiated a small position in a (severely depressed) US Dollar convertible issue from Essar Energy Investments 4.25% 01/02/2016.

Investment Adviser's report (continued)

Investment activities (continued)

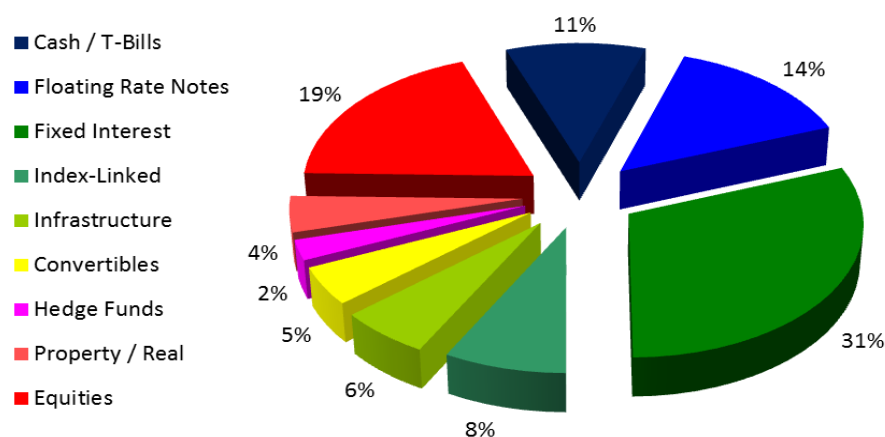
The holding in Old Mutual 7.125% 19/10/2016 stock went to a (generous) company buy-in. We sold the holding of Amlin 6.5% 19/12/2026 fix-to-float bonds, which we had acquired in the dark days of 2008, along with the holding in Lafarge 8.75% 30/05/2017. At the short-dated end we sold the holding of Dexia Credit Local 1.3175% 14/01/2013 floating rate notes. There were also some additions to the fixed interest holdings: a further investment in the SSE 5.453% Perpetual hybrid, and new issues of Westpac Banking 1.375% 23/12/2015 and GKN Holdings 5.375% 19/09/2022.

The only changes to the equity holdings were a sale of around 20% of the Eredene Capital holding and an addition to the holding in Graphite Enterprise Trust (in the 'private equity' section). Eredene Capital is aiming to return capital to shareholders and a buy-in of around 20% of their equity at close to their net asset value is the first stage of this process.

Investment strategy and outlook

The Tenax multi-asset-class portfolio seeks absolute returns at a low level of volatility. In pursuit of this, we continue to hold a diverse portfolio of investments across asset classes. The pie chart shows the disposition among the asset classes at the end of the period:

The Tenax Fund – Asset Allocation – 30 September 2012



The portfolio consisted of 89 investments at the end of the period. Volatility at 3.4% continues to be low and maintains the low volatility pattern of the last three years.

Church House Investments Limited
23 October 2012

Comparative table

| Number of shares in issue | 30.09.12 | 30.09.11 | 30.09.10 |
|---|-----------------|-----------------|-----------------|
| A accumulation | 9,460,796 | 7,898,888 | 7,244,727 |
| B accumulation | 11,478,693 | 10,834,703 | 11,466,693 |
| Net Asset Value (NAV) | £ | £ | £ |
| Total NAV of Fund | 25,558,464 | 21,742,535 | 21,632,740 |
| NAV attributable to A accumulation shareholders | 11,459,116 | 9,095,881 | 8,323,311 |
| NAV attributable to B accumulation shareholders | 14,099,348 | 12,646,654 | 13,309,429 |
| Net asset value per share (based on bid value) | p | p | p |
| A accumulation | 121.1 | 115.2 | 114.9 |
| B accumulation | 122.8 | 116.7 | 116.1 |

Shares were first issued on 22 November 2007.

Performance record

| Calendar year | | Distribution per share p | Highest price p | Lowest price p |
|----------------------|----------------|---|--------------------------------|-------------------------------|
| 2007* | A accumulation | - | 100.3 | 99.95 |
| 2007* | B accumulation | - | 100.3 | 99.95 |
| 2008 | A accumulation | 2.379 | 102.3 | 93.70 |
| 2008 | B accumulation | 2.673 | 102.6 | 94.05 |
| 2009 | A accumulation | 1.509 | 106.4 | 92.32 |
| 2009 | B accumulation | 1.878 | 107.1 | 92.76 |
| 2010 | A accumulation | 1.514 | 118.2 | 108.0 |
| 2010 | B accumulation | 1.823 | 119.6 | 108.8 |
| 2011 | A accumulation | 1.580 | 120.9 | 109.7 |
| 2011 | B accumulation | 2.010 | 122.5 | 111.0 |
| 2012** | A accumulation | 2.107 | 121.9 | 116.2 |
| 2012** | B accumulation | 2.446 | 123.8 | 117.9 |

* from 22 November 2007 to 31 December 2007

** to 30 September 2012

On 30 November 2012 a distribution of 1.322p per share will be allocated to A accumulation shareholders and 1.471p per share allocated to B accumulation shareholders.

Ongoing charges figure (OCF)

The ongoing charges figure provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The ongoing charges figure consists principally of the ACD's periodic charge and Investment Adviser's fee which are included in the annual management charge, but also includes the costs for other services paid.

The sub-fund has invested in collective investment schemes and the expenses incurred by these schemes in relation to the sub-fund are included in the ongoing charges calculation net of any rebate arrangements. This is known as 'Synthetic OCF'.

| A accumulation | 30.09.12 | 30.09.11 |
|--------------------------|-----------------|-----------------|
| Annual management charge | 1.19% | 1.20% |
| Other expenses | 0.10% | 0.11% |
| Performance fee | 0.00% | 0.04% |
| Synthetic OCF | 0.08% | 0.00% |
| Ongoing charges figure | <u>1.37%</u> | <u>1.35%</u> |

Comparative table (continued)

Ongoing charges figure (OCF) (continued)

| B accumulation | 30.09.12 | 30.09.11 |
|--------------------------|-----------------|-----------------|
| Annual management charge | 0.84% | 0.84% |
| Other expenses | 0.11% | 0.10% |
| Synthetic OCF | 0.08% | 0.00% |
| Ongoing charges figure | <u>1.03%</u> | <u>0.94%</u> |

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

Portfolio information

The following tables show the percentage of the sub-fund's assets and liabilities by investment and geographical classification at the end of the current and prior year, and the major ten holdings in the sub-fund at the end of the current and prior year.

Investment classification

| Investment type | Percentage of the total net assets as at 30.09.12 | Percentage of the total net assets as at 30.09.11 |
|-------------------------------|---|---|
| Debt securities: | | |
| AAA to AA* | 13.81% | 18.53% |
| AA- to A+* | 3.74% | 3.53% |
| A to A-* | 9.09% | 8.07% |
| BBB+ to BBB* | 8.14% | 9.28% |
| BBB- and unrated* | 12.87% | 15.37% |
| Equities | 34.02% | 37.51% |
| Warrants | 0.00% | 0.05% |
| Collective Investment Schemes | 7.33% | 4.95% |
| | 89.00% | 97.29% |
| Other net assets | 11.00% | 2.71% |
| Total net assets | 100.00% | 100.00% |

*Grouped by credit rating and sourced from FT Interactive Data and Bloomberg.

Geographical classification

| Region | Percentage of the total net assets as at 30.09.12 | Percentage of the total net assets as at 30.09.11 |
|---|---|---|
| Debt securities | | |
| Denominated in UK Sterling | 45.13% | 54.00% |
| Denominated in US Dollar | 2.52% | 0.78% |
| Equities - United Kingdom | 30.37% | 35.81% |
| Equities - Europe | 1.52% | 0.00% |
| Equities - Rest of the World | 0.00% | 0.00% |
| Equities - North America | 2.13% | 1.70% |
| UK Authorised Collective Investment Schemes | 2.35% | 1.29% |
| Offshore Collective Investment Schemes | 4.98% | 3.66% |
| Warrants | 0.00% | 0.05% |
| | 89.00% | 97.29% |
| Other net assets | 11.00% | 2.71% |
| Total net assets | 100.00% | 100.00% |

Major ten holdings at the end of the current year

| Holding | Percentage of the total net assets as at 30.09.12 |
|---|---|
| European Investment Bank 0.79875% 19/02/2015 | 3.89% |
| Network Rail Infrastructure Finance 1.75% 22/11/2027 | 2.83% |
| BH Global | 2.47% |
| S&W Church House Investment Grade Fixed Interest Fund | 2.35% |
| Berkshire Hathaway 'B' | 2.13% |
| Commonwealth Bank of Australia 1.48338% 20/01/2014 | 1.97% |
| Kreditanstalt fuer Wiederaufbau 0.77563% 09/03/2015 | 1.95% |
| RIT Capital Partners | 1.79% |
| Church House Investment Deep Value | 1.76% |
| Caledonia Investments | 1.74% |

Portfolio information (continued)

Major ten holdings as at the end of the prior year

| Holding | Percentage of the total net assets as at 30.09.11 |
|--|---|
| European Investment Bank 0.96719% 19/02/2015 | 4.59% |
| Network Rail Infrastructure Finance 1.75% 22/11/2027 | 3.20% |
| BH Global | 3.04% |
| Kreditanstalt fuer Wiederaufbau 1.00469% 09/03/2015 | 2.29% |
| Commonwealth Bank of Australia 1.67406% 20/01/2014 | 2.29% |
| Dexia Credit Local 1.265% 14/01/2013 | 2.26% |
| Caledonia Investments | 2.09% |
| Church House Investment Deep Value | 2.00% |
| HICL Infrastructure | 1.69% |
| JPMorgan Chase 1.04125% 27/06/2012 | 1.61% |

Deep Value Investments Fund

Investment Adviser's report

Investment objective

Long-term capital growth from a concentrated portfolio of equity investments; income distributions (if any) are likely to be low. Over the long-term, the objective is to provide positive returns irrespective of the UK equity market; no attempt will be made to track, or perform relative to, the UK equity market.

The sub-fund will invest in the shares of companies that exhibit 'deep value' characteristics i.e. that exhibit balance sheet strength relative to their market capitalisation. To provide a margin of safety, the sub-fund seeks to identify companies that have traded profitably in the past and can realistically be expected to be able to return to profitability.

The sub-fund will have a concentrated portfolio; the number of investments is unlikely to exceed thirty at any one time. During periods when no suitable investments are identified the sub-fund may be substantially liquid for sustained periods; such liquidity may be maintained in cash deposits, UK Treasury bills and other short-dated UK Government securities.

The sub-fund will not invest more than 7% of its total assets in the securities of any one company or group at the time the investment is made. Primarily it will consider investment opportunities in companies admitted to trading on the London Stock Exchange and AIM, but up to 30% of total assets may also be invested in companies listed overseas, principally in Western Europe and North America. No more than 10% of the sub-fund's total assets may be invested in collective investment schemes.

The sub-fund will, at all times, invest and manage its assets in a manner that is consistent with spreading investment risk and in accordance with its published investment policy.

It is the ACD's intention that derivatives and forward transactions will only be used for efficient portfolio management. The sub-fund may use derivatives and forward transactions for investment purposes on the giving of 60 days' notice to shareholders. The use of derivatives for investment purposes may alter the risk profile of the sub-fund.

Investment performance

| Performance over: | 29 February 2012 to 30 September 2012 |
|------------------------------------|--|
| Deep Value Investments Fund | -4.60% |
| FTSE All-Share Total Return Index^ | 1.00% |

| Price data: | 30 September 2012 | 29 February 2012 |
|------------------------------------|-------------------|------------------|
| Deep Value Investments Fund | 95.4 | 100 |
| FTSE All-Share Total Return Index^ | 4,294 | 4,252 |

^ Source: Bloomberg

Investment activities

Since launch at the end of February 2012, there has been quite a lot of activity as the sub-fund's portfolio takes shape. An early investment in Arden Partners was sold after their shares traded at a premium to an indicated bid price for the company. Similarly, an initial investment in Harvard International was sold following confirmation of a bid for the company. Sadly we had not time to build either of these two into particularly significant holdings.

Morson Group, the recruitment group, announced that it had received a recommended cash offer at 50p per share, a premium to the price we paid in April. French Connection suffered after a further profit warning in their interim statement following a near 10% fall in revenue; their balance sheet remains strong.

PV Crystalox Solar reached a satisfactory agreement over compensation for loss of a long-term contract under which they received circa €90m in a cash settlement. The company's subsequent interim results showed a trading loss, as expected, but cash balances at nearly triple their market capitalisation. Management told us that they are in arbitration talks with another customer which might result in a further significant one-off cash payment but that they may also be exposed to litigation until late 2013. The current market capitalisation of PV Crystalox Solar is £32m; we have added to the holding.

Investment Adviser's report (continued)

Investment activities (continued)

A new position was opened in JKK Oil & Gas, a profitable oil and gas explorer that is trading at 50% of net asset value; their shares had fallen following production difficulties. We met management who confirmed that these problems should be resolved within the next six months.

Another new position is Promethean World, a provider of computer programmes aimed at the international educational markets. A disappointing sales season in the US educational market led to a profit warning from Promethean World and the stock fell sharply, giving us the opportunity to initiate a modest holding. The shares were bought at working capital levels of which half is cash; the company is debt free.

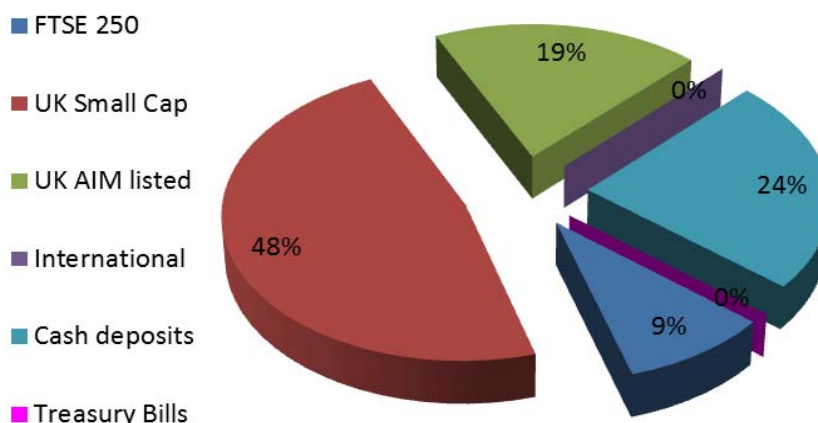
We also met the management of BP Marsh & Partners and, following this meeting, increased the position in the stock. Latterly the portfolio suffered as Tanfield announced the cancellation of the proposed listing of shares in Smith Electric Vehicles in America which would have crystallised significant value for Tanfield.

The take-over of Morson Group completed early in the period. Other than Arden Partners and Harvard International there were no sales. Principally we have been building positions in the existing holdings as opportunities arise and we expect to see more in current market conditions. To date we have not made any overseas acquisitions. Cash deposits still represent around a quarter of the portfolio as we seek opportunities.

Investment strategy and outlook

The sub-fund has a concentrated portfolio of equities (typically 20/5 holdings) that exhibit 'deep value' characteristics. Principally these will be listed in London but up to 30% may be invested overseas. The pie chart below shows the disposition of assets in the sub-fund at the end of September:

Deep Value Investments Fund – Disposition of Assets – 30 September 2012



Church House Investments Limited
23 October 2012

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Comparative table

| | |
|---|-----------------|
| Number of shares in issue | 30.09.12 |
| Accumulation | 7,519,460 |
| Net Asset Value (NAV) | £ |
| Accumulation | 7,059,880 |
| Net asset value per share (based on bid value) | p |
| Accumulation | 93.89 |
| Quoted prices (based on mid value) | p |
| Accumulation | 95.39 |

Shares were first issued at 100p on 29 February 2012

Performance record

| Calendar year | | Distribution per share p | Highest price p | Lowest price p |
|---------------|--------------|--------------------------------|-----------------------|----------------------|
| 2012* | Accumulation | 0.027 | 100.6 | 93.86 |

* from 29 February 2012 to 30 September 2012

A distribution of 0.027p per accumulation share will be allocated to shareholders on 30 November 2012.

Ongoing charges figure (OCF)

The ongoing charges figure provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The ongoing charges figure consists principally of the ACD's periodic charge and Investment Adviser's fee which are included in the annual management charge, but also includes the costs for other services paid.

| | |
|--------------------------|------------------|
| | 30.09.12^ |
| Annual management charge | 1.25% |
| Other expenses | 0.46% |
| Ongoing charges figure | <u>1.71%</u> |

^ Annualised based on the expenses incurred during the period 29 February 2012 to 30 September 2012.

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

Portfolio information

The following tables show the percentage of the sub-fund's assets and liabilities by investment and geographical classification at the end of the current period, and the major ten holdings in the sub-fund at the end of the current period.

Investment classification

| | Percentage of the total net assets as at 30.09.12 |
|------------------|---|
| Investment type | |
| Equities | 76.18% |
| Other net assets | 23.82% |
| Total net assets | 100.00% |

Geographical classification

| | Percentage of the total net assets as at 30.09.12 |
|---------------------------|---|
| Region | |
| Equities - United Kingdom | 76.18% |
| Other net assets | 23.82% |
| Total net assets | 100.00% |

Major ten holdings at the end of the current period

| | Percentage of the total net assets as at 30.09.12 |
|-----------------------|---|
| Holding | |
| MJ Gleeson Group * | 10.21% |
| Mallett * | 8.27% |
| Bloomsbury Publishing | 6.93% |
| Moss Brothers * | 6.80% |
| Record | 6.11% |
| Barratt Developments | 5.97% |
| East West Resources | 5.60% |
| PV Crystalox Solar | 5.30% |
| Tanfield | 5.06% |
| Norcon | 4.14% |

* The Prospectus restricts any investment to be no more than 7% of the total net assets of the sub-fund. In the period the value of MJ Gleeson Group, Mallett and Moss Brothers exceeded this restriction due to further purchases. The position has been corrected post balance sheet date.

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 Services 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 Services Authority

Directors of the ACD

Giles Murphy
Jeremy Boadle
Tim Lyford
Michael Lea
Gareth Pearce
Kevin Stopps
Paul Wyse
Philip Moody
Jocelyn Dalrymple - appointed 31 July 2012

Investment Adviser

Church House Investments Limited
3 Goldcroft
Yeovil
Somerset BA21 4DQ
Authorised and regulated by the Financial Services Authority

Depository

BNY Mellon Trust & Depository (UK) Ltd
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
Authorised and regulated by the Financial Services Authority

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG