

Smith & Williamson North American Equity Fund

Interim Report

for the six months ended 31 May 2020

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Smith & Williamson North American Equity Fund

Report of the Manager

Smith & Williamson Fund Administration Limited, as Manager, presents herewith the Interim Report for Smith & Williamson North American Equity Fund for the six months ended 31 May 2020.

Smith & Williamson North American Equity Fund ('the Trust' or 'the Fund') is an authorised unit trust scheme further to an authorisation order dated 29 April 1988 and 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 Manager 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 Fund consist predominantly of securities which are readily realisable and, accordingly, the Fund 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.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. As Manager we have applied appropriate accounting policies consistently, supported by reasonable and prudent judgements and estimates. However, as Manager we are unable to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

The base currency of the Fund is UK sterling.

The Trust Deed can be inspected at the offices of the Manager.

Copies of the Prospectus and Key Investor Information Document ('KIID') are available on request free of charge from the Manager.

Investment objective and policy

The objective of the Trust is to achieve long term growth of capital through investment primarily in North America and Canada. The Manager may invest in transferable securities, including warrants, in North America, Canada and other exchanges as well as collective investment schemes, money market instruments, deposits and cash and near cash.

The Manager's policy, in order to achieve the Trust's objective, will be to invest in a wide range of companies, both large and small, which reflect growth opportunities in various sectors of the North American, Canadian and global economies.

The Manager's investment policy may mean that at times it may be appropriate for the Trust not to be fully invested but to hold cash or near cash. In the light of extreme market conditions, the Manager may raise or reduce the liquidity of the Trust from normal working levels.

The Manager may hedge transactions against price or currency fluctuations by back-to-back foreign currency borrowings against sterling or by suitable transactions permitted for Hedging. The extent will depend upon the circumstances. The Manager does not envisage that they will enter into Hedging transactions to a major extent. The Manager may also apply for new issues.

Important Note from the Manager

Since January 2020, global financial markets have been affected by Covid-19. The impact on the Fund will take longer to assess; however, the Manager has enacted its business continuity plans and continues to monitor this situation closely.

The virus has caused major uncertainty and disruption to business and everyday life. Financial markets have reacted sharply to this news, with concerns regarding the economic impact this may have on a global scale. The long-term impact on the global economy and markets will depend upon the overall scale and the duration of the outbreak, as well as on the actions taken by governments and central banks.

Report of the Manager (continued)

Changes affecting the Fund in the period

Further information in relation to the Fund is illustrated on page 14.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Interim Report on behalf of the Manager, Smith & Williamson Fund Administration Limited.

Brian McLean

Directors

Smith & Williamson Fund Administration Limited

30 July 2020

James Gordon

Accounting policies of Smith & Williamson North American Equity Fund (unaudited)

for the six months ended 31 May 2020

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 accounting policies applied are consistent with those of the annual financial statements for the year ended 30 November 2019 and are described in those annual financial statements.

The Manager 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 Manager has considered a detailed assessment of the Fund's availability 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 Manager 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.

Investment Manager's report

Investment objectives and investment performance

	Smith & Williamson North American Equity Fund	IA North America Sector	MSCI North America Index	Peer Percentile
3 Months to 31 May 2020	8.1%	6.8%	6.7%	35
6 Months to 31 May 2020	5.2%	1.3%	2.4%	24
1 Year to 31 May 2020	15.8%	11.5%	14.6%	25
3 Years to 31 May 2020	42.1%	29.9%	38.9%	23
5 Years to 31 May 2020	86.2%	72.9%	93.1%	34

Source: Smith & Williamson Investment Management LLP and Morningstar Direct, 2020. 'B' class income performance, Net Asset Value (NAV) to NAV based on 10pm prices.

Performance figures are shown gross of any initial charges, net (of UK basic rate tax) income reinvested at ex dividend dates to 31 May 2020.

The Fund outperformed for the period under review. Stock selection was the primary driver, consistent with the bottom-up investment process, although the portfolio also benefitted from underweight positions in energy and financials. At a sector level stock selection was positive in Industrials, Real Estate, Consumer Staples and Utilities, it was negative in Healthcare, Communication Services, Materials and Technology. At the individual stock-level the position in Nvidia gained as its dominant position supplying chips and solutions into data centres and gaming was reflected in positive earnings. The position in SBA Communications, which owns a portfolio of wireless towers gained as sharply lower bond yields prompted a revaluation of the business, it will also benefit from the rollout of 5G. The holding in Lowe's, the number 2 home improvement store business in the USA, outperformed following earnings. It is evident that the new management team are improving the underlying business. Also, home improvement stores remained open throughout the lockdown and have benefitted as consumers focus on their domestic environment. The holding in Microsoft gained as the company goes from strength to strength, posting its strongest revenue growth for many years. Finally, Danaher, a supplier of equipment and consumables to the life sciences, diagnostic and environmental markets posted strong performance as the company closed on the acquisition of GE Biopharma and announced it will provide equipment for the testing and diagnosis of Covid-19.

On the negative side not owning positions in Amazon and Apple was detrimental to performance and the holding in Citigroup underperformed as banks struggled in the face of the sharp economic downturn and collapse in interest rates.

Investment activities

The core characteristics of the portfolio reflect our underlying investment process; namely a focus on companies with a track record of generating attractive returns on capital, a coherent growth strategy and valued at a discount to intrinsic value. There were a number of transactions in the period under review. New names added in the period include Generac Holdings a leading provider of home standby power equipment used in both residential and commercial settings. The end market is growing as more power outages are experienced due to environmental factors such as wildfires in California and hurricanes. Generac Holdings is a recognised leader in the field, it has also recently launched an energy storage solution. New position Clarivate is an information services company with a particular focus on life sciences. Towards the end of the period we added a couple of new positions that stand to benefit from supply chain reorganisation; as US companies focus on security of supply. These include TFI International, a trucking and logistics company and Kansas City Southern, a US rail operator that is also implementing precision scheduled railroading, which will improve network efficiency and raise returns. Finally, we added a position in Amphenol 'A' a supplier of electrical connectors used across a range of industries.

We eliminated several positions over the period including Hess and EOG Resources within the energy sector, timing was good leaving the portfolio zero weighted in energy as the oil price crashed in March. As the Covid-19 pandemic developed we sold off more peripheral positions to really focus on our highest conviction names. Positions sold included; Avantor, NCR, Trane Technologies and Cisco Systems. The holding in Mellanox Technology was a special situation as we exploited a discount to the cash offer from Nvidia.

Investment Manager's report (continued)

Investment strategy and outlook

We are in uncharted waters; the pandemic has triggered the sharpest economic decline on record, and we have experienced both the most rapid bear and bull markets. In this uncertain environment we are focused on the companies held in the portfolio, revisiting the individual investment pillars to ensure that they remain valid. There are however important investment themes which we believe will develop or accelerate as economies emerge from the pandemic. The shift to digitisation already underway has accelerated, as Satya Nadella the Chief Executive Officer of Microsoft stated; 'As Covid-19 impacts every aspect of our work and life, we have seen 2 years worth of digital transformation in 2 months'. We anticipate the rapid adoption of artificially intelligent platforms across most sectors in the economy. Within payments the move away from cash to digital will accelerate. Supply chain dislocations have prompted a re-evaluation of manufacturing in China, surveys suggest that we can expect a shift of production back to North America. At the sector level the portfolio is overweight industrials, technology and healthcare. Underweight sectors include energy, materials, consumer discretionary and financials.

Smith & Williamson Investment Management LLP
17 June 2020

Summary of portfolio changes

for the six months ended 31 May 2020

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

	Cost
	£
Purchases:	
Generac Holdings	2,010,819
Amphenol 'A'	1,687,098
Clarivate	1,631,051
NCR	1,290,046
Trimble	774,625
TFI International	771,218
Fortune Brands Home & Security	705,650
Mellanox Technology	690,793
Avantor	682,093
SVB Financial Group	665,670
Honeywell International	597,747
Boston Scientific	547,014
Kansas City Southern	529,941
Walt Disney	479,928
Keysight Technologies	479,239
Western Digital	431,062
Fidelity National Information Services	419,007
Stryker	305,022
Trane Technologies	284,668
Walmart	275,077
	Proceeds
	£
Sales:	
Merck & Co	1,798,496
Nutrien	1,667,058
EOG Resources	1,582,458
Cisco Systems	1,471,081
Trane Technologies	1,211,001
Avantor	1,052,412
NCR	991,422
Hess	816,552
Bank of America	785,213
Mellanox Technology	775,589
Citigroup	596,689
TransUnion	583,290
Trimble	401,068
Walmart	399,019
Microsoft	386,535
NIKE	371,302
Lam Research	328,133
Keysight Technologies	264,260
Ingersoll Rand	261,759
Danaher	242,637

Portfolio statement

as at 31 May 2020

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities 97.02% (95.45%)			
Energy 0.00% (3.12%)		-	-
Materials 0.00% (2.22%)		-	-
Industrials 19.04% (13.79%)			
Clarivate	96,900	1,793,313	2.35
Fortune Brands Home & Security	41,741	2,057,170	2.69
Generac Holdings	23,539	2,118,377	2.77
Honeywell International	22,571	2,662,768	3.49
Kansas City Southern	4,243	516,312	0.68
L3Harris Technologies	15,876	2,556,623	3.35
TFI International	31,620	774,195	1.01
TransUnion	29,515	2,060,535	2.70
		<u>14,539,293</u>	<u>19.04</u>
Consumer Discretionary 6.85% (6.03%)			
Lowe's	29,430	3,100,588	4.06
NIKE	26,710	2,127,424	2.79
		<u>5,228,012</u>	<u>6.85</u>
Consumer Staples 6.57% (6.61%)			
PepsiCo	23,153	2,462,687	3.23
Walmart	25,454	2,551,577	3.34
		<u>5,014,264</u>	<u>6.57</u>
Health Care 15.38% (17.25%)			
Abbott Laboratories	25,724	1,979,393	2.59
Boston Scientific	64,617	1,983,511	2.60
Danaher	20,028	2,694,700	3.53
Stryker	12,758	2,017,979	2.64
UnitedHealth Group	12,483	3,072,131	4.02
		<u>11,747,714</u>	<u>15.38</u>
Financials 5.96% (8.74%)			
Bank of America	62,169	1,211,398	1.59
Citigroup	31,958	1,238,201	1.62
SVB Financial Group	12,086	2,098,797	2.75
		<u>4,548,396</u>	<u>5.96</u>

Portfolio statement (continued)

as at 31 May 2020

Investment	Nominal value or holding	Market value £	% of total net assets
Equities (continued)			
Information Technology 28.08% (24.09%)			
Accenture 'A'	13,100	2,136,393	2.80
Amphenol	23,708	1,851,498	2.42
Fidelity National Information Services	25,782	2,895,183	3.79
Keysight Technologies	22,051	1,928,103	2.52
Lam Research	6,168	1,365,360	1.79
Microsoft	33,475	4,961,004	6.50
NVIDIA	11,256	3,219,746	4.22
Trimble	59,972	1,897,197	2.48
Western Digital	33,139	1,189,069	1.56
		<u>21,443,553</u>	<u>28.08</u>
Communication Services 8.37% (8.12%)			
Alphabet 'A'	3,489	4,039,767	5.29
Walt Disney	24,838	2,353,412	3.08
		<u>6,393,179</u>	<u>8.37</u>
Utilities 2.85% (2.57%)			
NextEra Energy	10,530	<u>2,173,287</u>	<u>2.85</u>
Real Estate 3.92% (2.91%)			
SBA Communications	11,800	<u>2,993,571</u>	<u>3.92</u>
Total equities		<u>74,081,269</u>	<u>97.02</u>
Portfolio of investments		74,081,269	97.02
Other net assets		2,272,558	2.98
Total net assets		<u>76,353,827</u>	<u>100.00</u>

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 30 November 2020.

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.

Total purchases in the period:	£17,014,597
Total sales in the period:	£16,971,851

Risk and reward profile

The risk and reward profile relates to both unit classes in the Fund.

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 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.

During the period, the risk and reward indicator changed from 5 to 6.

Performance information

Number of units in issue	31.05.20	30.11.19	30.11.18	30.11.17
A class income	70,509	74,343	151,236	136,712
B class income	25,525,964	25,993,548	27,024,085	28,554,848
Net Asset Value (NAV)	£	£	£	£
Total NAV of the Fund	76,353,827	74,127,830	68,901,175	66,551,232
NAV attributable to A class income unitholders	2,245,177	2,259,332	4,007,094	3,356,791
NAV attributable to B class income unitholders	74,108,650	71,868,498	64,894,081	63,194,441
Net asset value per unit (based on bid value) ^	p	p	p	p
A class income	3,184.2	3,039.1	2,649.6	2,455.4
B class income	290.3	276.5	240.1	221.3

^ The net asset value per unit excludes the value of the income distributions payable.

Highest and lowest prices and distributions

		Distribution per unit p	Highest price p	Lowest price p
Financial year to 30 November				
2017	A class income	-	2,484	2,103
2017	B class income	1.223	224.3	188.9
2018	A class income	-	2,825	2,298
2018	B class income	0.920	256.1	207.7
2019	A class income	-	3,191	2,241
2019	B class income	1.268	290.2	203.2
Financial period to 31 May 2020	A class income	-	3,338	2,470
Financial period to 31 May 2020	B class income	0.607	304.3	225.3

Summary of the distributions in the current financial period and prior financial year

As expenses exceed revenue in the A class income units no distribution will be paid on 20 July 2020.

B class income

Payment	p	Payment	p
20.07.20	0.607	20.07.19	0.579
		20.01.20	0.689

Ongoing Charges Figure (OCF)

	31.05.20^	30.11.19
A class income	1.55%	1.55%
B class income	0.70%	0.70%

^ Annualised based on the expenses incurred during the period 1 December 2019 to 31 May 2020.

Please note the OCF is indicative of the charges which the unit classes 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 - Smith & Williamson North American Equity Fund (unaudited)

Statement of total return (unaudited)

for the six months ended 31 May 2020

	1 December 2019 to 31 May 2020	1 December 2018 to 31 May 2019
	£	£
Income:		
Net capital gains	3,339,914	3,290,812
Revenue	481,223	461,675
Expenses	<u>(262,727)</u>	<u>(252,091)</u>
Net revenue before taxation	218,496	209,584
Taxation	<u>(66,433)</u>	<u>(61,412)</u>
Net revenue after taxation	<u>152,063</u>	<u>148,172</u>
Total return before distributions	3,491,977	3,438,984
Distributions	(156,306)	(154,945)
Change in net assets attributable to unitholders from investment activities	<u><u>3,335,671</u></u>	<u><u>3,284,039</u></u>

Statement of change in net assets attributable to unitholders (unaudited)

for the six months ended 31 May 2020

	1 December 2019 to 31 May 2020	1 December 2018 to 31 May 2019
	£	£
Opening net assets attributable to unitholders	74,127,830 *	68,901,175
Amounts receivable on issue of units	3,457,497	291,140
Amounts payable on cancellation of units	<u>(4,567,171)</u>	<u>(2,977,262)</u>
	(1,109,674)	(2,686,122)
Change in net assets attributable to unitholders from investment activities	3,335,671	3,284,039
Closing net assets attributable to unitholders	<u><u>76,353,827</u></u>	<u><u>69,499,092</u></u> *

* The opening net assets in the current period do not equal the closing net assets in the comparative period as they are not consecutive periods.

Balance sheet (unaudited)

as at 31 May 2020

	31 May 2020 £	30 November 2019 £
Assets:		
Fixed assets:		
Investments	74,081,269	70,755,011
Current assets:		
Debtors	50,818	61,106
Cash and bank balances	2,601,842	3,771,584
Total assets	<u>76,733,929</u>	<u>74,587,701</u>
Liabilities:		
Creditors:		
Distribution payable	(154,943)	(179,096)
Other creditors	(225,159)	(280,775)
Total liabilities	<u>(380,102)</u>	<u>(459,871)</u>
Net assets attributable to unitholders	<u><u>76,353,827</u></u>	<u><u>74,127,830</u></u>

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed semi-annually on 20 January (final) and 20 July (interim). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 December	final
	1 June	interim
Reporting dates:	30 November	annual
	31 May	interim

Buying and selling units

The property of the Fund is valued at 10pm on 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 Manager and the Trustee, and prices of units are calculated as at that time. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

	A class income	B class income
Minimum initial/retained investment value	£1,000	£250,000
Minimum subsequent investment	£100	£500

The Manager may exceptionally, at their discretion, waive such values from time to time.

The Trust Deed permits the Manager to charge an initial (preliminary) charge. The initial (preliminary) charge only applies to A class income units and is currently 5%.

Prices of units and the estimated yield of the Fund are published on the following website: www.fundlistings.com or may be obtained by calling 0141 222 1151.

Benchmark

Unitholders may compare the performance of the Trust against the MSCI North America Index and the IA North America Sector.

Comparison of the Trust's performance against the IA North America Sector will give unitholders an indication of how the Trust is performing against other similar funds in this peer group sector. The Manager has selected the MSCI North America North America Index as a comparator benchmark as the Manager believes it best reflects the asset allocation of the Trust.

The benchmarks are not targets for the Trust, nor is the Trust constrained by the benchmarks.

Appointments

Manager 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 Manager

Brian McLean

David Cobb

James Gordon

Kevin Stopps

Independent Non-Executive Directors of the Manager

Dean Buckley

Linda Robinson

Victoria Muir

Non-Executive Director of the Manager

Paul Wyse

Investment Manager

Smith & Williamson Investment Management LLP

25 Moorgate

London EC2R 6AY

Authorised and regulated by the Financial Conduct Authority

Trustee

NatWest Trustee & Depositary Services Limited

2nd Floor

Drummond House

1 Redheughs Avenue

Edinburgh EH12 9RH

Authorised and regulated by the Financial Conduct Authority

Auditor

KPMG LLP

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG