ES River and Mercantile Dynamic Asset Allocation Fund

Quarterly Report to 31 March 2020

RIVER AND MERCANTILE
ASSET MANAGEMENT

For unitholders only

RIVER AND MERCANTILE
ASSET MANAGEMENT

ES R&M Dynamic Asset Allocation Fund

Quarter 1, 2020

Fund Objective

The objective of the strategy is to achieve an average return (income and growth in the value of your investment (known as "capital growth")) of 4% per year above cash (based on the 3 month sterling LIBOR interest rate) (the "Benchmark") over a rolling 3 year period, after the deduction of all fees.

Portfolio Summary & Key Risk Characteristics

AUM	£194.2m
Benchmark	3 month sterling LIBOR + 4% p.a.
Inception date	2 September 2014
IA Sector	Mixed Investment 20%-60%

Lower risk — Higher risk

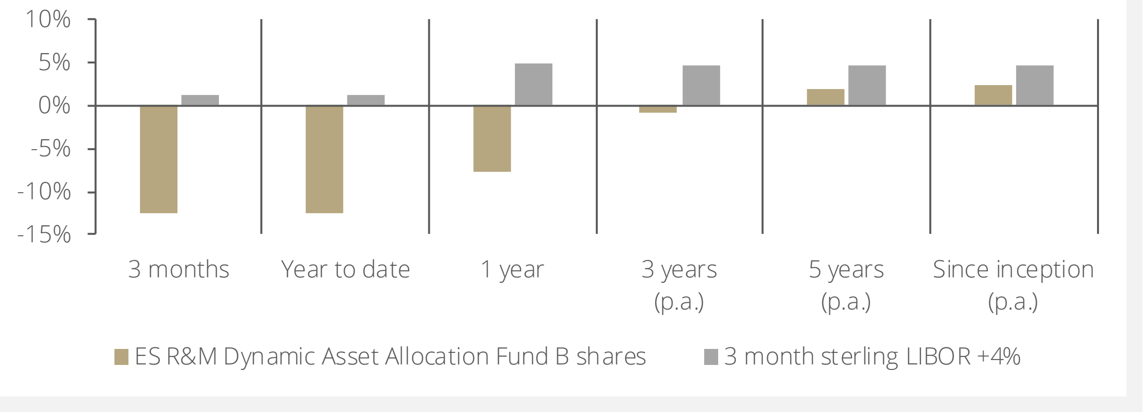
1	2	3	4	5	6	7

Typically lower rewards — Typically higher rewards

The Synthetic Risk and Reward Indicator (SRRI) is based on how much the returns of the shares have varied over the last five years, or since launch (whichever is the shorter period). The higher the rank the greater the potential reward but also the greater the risk of losing money. For more details please refer to the Key Investor Information Document.

Performance

	Fund	Benchmark	Difference
3 months	-12.5%	1.2%	-13.7%
Year to date	-12.5%	1.2%	-13.7%
1 year	-7.7%	4.9%	-12.6%
3 years (p.a.)	-0.7%	4.7%	-5.5%
5 years (p.a.)	1.9%	4.7%	-2.8%
Since inception (p.a.)	2.5%	4.7%	-2.2%



	Fund	Benchmark	Difference
3 years (cumulative)	-2.2%	14.9%	-17.1%
5 years (cumulative)	9.6%	25.8%	-16.2%
Since inception (cumulative)	14.7%	29.1%	-14.4%

Source: River and Mercantile Group PLC
Fund performance shown is of B share class (accumulation units) and is calculated using the midday published price, net of an annual management charge of 0.55% per annum. Other share classes may be available. **Past performance is not a reliable indicator of future results.**

The information contained in this report does not constitute as investment advice and should not be treated as a recommendation to invest in any security. The information is based on the historical performance of the ES River and Mercantile Dynamic Asset Allocation Fund and may no longer be current. Any references to securities are for illustrative purposes only and these securities may no longer be held. The information should not be used as the basis for any investment decision. Any opinions expressed are opinions of the relevant portfolio manager and are given in good faith as of the date of the report but should not be considered operative at any date thereafter.

The spread of the coronavirus pandemic dominated markets for the first quarter of 2020. Investors' nerves were tested as equity markets suffered extreme falls and credit markets weakened. Even government bonds couldn't escape the volatility.

The year began with a rosy outlook, with the early weeks of 2020 now seeming like a different age altogether. Favourable conditions such as low interest rates and positive credit conditions were carried over from the previous year, and economic data had started to improve after a lacklustre 2019 for global growth. Equities continued their steady journey upwards, shrugging off the flaring of US/Iranian tensions in early January and barely taking notice of Brexit on 31 January as investors' minds started to focus elsewhere.

In China, a new virus was spreading at rapid pace. Markets held up relatively well initially as it seemed the virus may be contained within Asia, but as alarming numbers of new cases began to emerge in Italy and Iran, markets entered freefall.

The epicentre of the virus moved to Europe and governments worldwide responded by placing restrictions on the movement of people and eventually closing non-essential businesses. Economies suffered as demand was squeezed and supply chains were interrupted simultaneously. The resulting fall in equity markets was the fastest since the Great Depression of the 1930s, with markets hitting circuit breakers several times (mechanisms designed to curb panic selling) and volatility indicators almost hitting 2008 levels. The movements experienced in markets over this quarter will go down in history as some of the most extreme.

Credit markets were the next to fall, as even the most defensive businesses experienced dramatically reduced cashflow, and investors grew concerned about the ability of corporates to service their debt. Supermarkets and some Technology companies were among the few exceptions, as consumers stockpiled goods and millions of employees worldwide began to work from home. Problems were exacerbated in early March as oil prices plummeted close to $20 a barrel due to a Russia / Saudi Arabia price war and suppressed demand, placing further pressure on the already vulnerable Energy sector.

As investment banks battled to see who could publish the lowest GDP Growth forecasts for Quarter 2, China began to show signs of life as factories started to reopen and shares held up relatively well compared to developed markets. Meanwhile, an unprecedented amount of fiscal and monetary stimulus was being agreed by governments and central banks worldwide.

The Federal Reserve in the US responded by cutting short-term interest rates twice and announcing further quantitative easing. A $2 trillion stimulus package was also approved to help households and businesses withstand the shock and provide liquidity to markets.

In the UK rates were also cut twice to 0.1%, their lowest ever levels, as the government announced extensive fiscal measures such as emergency aid schemes and unemployment benefits. The ECB in Europe announced a €750 billion bond-buying scheme. Similar themes were seen across much of the developed world and beyond.

Markets reacted approvingly and global equities were able to recover slightly – by the end of the quarter, many markets had recovered up to a third of their losses. However, the recovery could be short-lived as the global shutdown endures and virus case numbers continue to rise.

As expected during times of turmoil, investors flocked to traditional "safe-haven" assets such as gold and government bonds. However unlike many other downturns, at one point investors considered even these assets too risky, deciding that only cash was safe. UK Gilt yields were sent on a daily rollercoaster, hitting all-time lows in the process. Inflation expectations, which have been steady for some time, saw falls as the lockdown slashed demand for goods and services.

Overall Asian and Japanese equities outperformed other markets. UK equities were the worst performers, with the FTSE 100 hitting levels last seen in 2011 (not helped by years of uninspiring performance thanks to Brexit uncertainties). Government bonds outperformed corporate bonds as credit spreads widened. Investment Grade corporates fared better than High Yield corporates and Emerging Market Debt. Sterling weakened against the dollar, euro and yen.

Portfolio changes

Over the quarter, we reduced the allocation to return-seeking assets, reducing both equity and credit risk, as we felt markets were too optimistic about the potential economic impact of COVID-19 over the next 12-18 months.

Our de-risking took place in multiple tranches, initially in January where we reduced equity following a strong run over the previous couple of months, and emerging market debt and US high yield as spreads continued to tighten ever lower. Part of this credit reduction was used to diversify our alternative portfolio by increasing the exposure to our Global Macro Fund.

In February we further reduced equity exposure in favour of more defensive assets. We initiated an allocation to gold, an asset which has historically provided good downside protection during downturns and times of economic uncertainty.

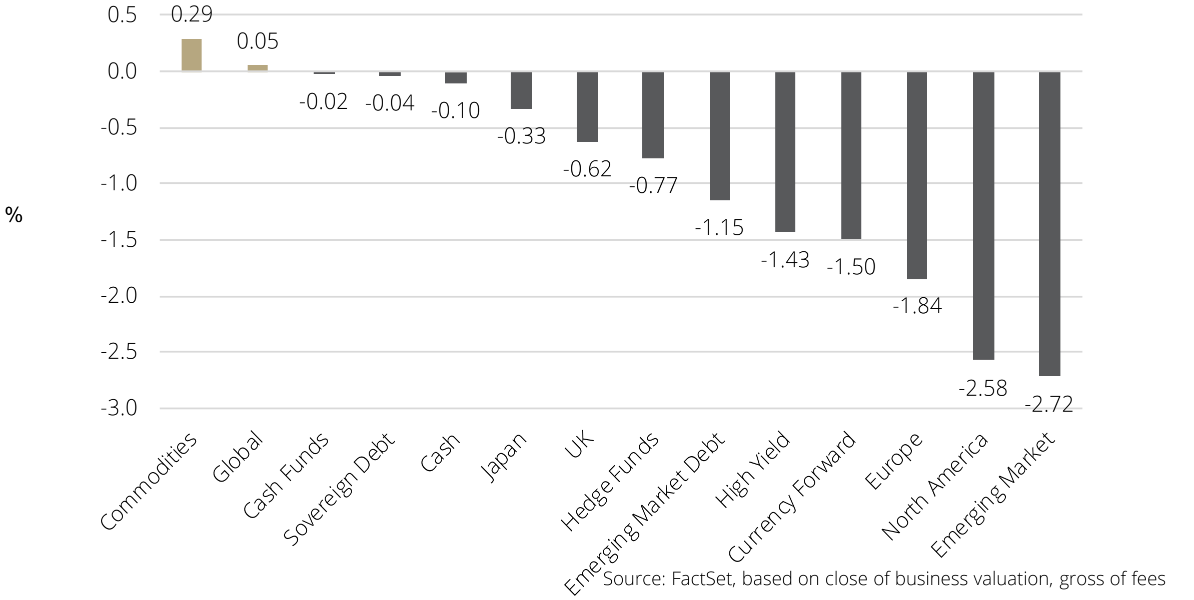
In March, we repositioned the equity portfolio to become more defensive, reducing our cyclical exposure in areas such as Financials in favour of broad US equity. Also, within Emerging Markets we decreased exposure to cyclical areas of the markets in favour of China, as we believe China could benefit from being through the worst period of the virus impact.

We also further reduced our high yield credit exposure at the start March, as we were concerned that the moves we had seen in equity up to that point had not yet been reflected in credit. We moved the proceeds into defensive assets and took advantage of a bounce in yields off their new lows to buy longer duration UK sovereigns.

We also adjusted our currency positioning in March; we were cognisant that the US Dollar tends to act as safe havens during periods of market stress so increased exposure by purchasing a long-dated US treasury, which had also seen a bounce in yield. We funded this purchase by reducing our allocation to gold, which had performed well since we introduced it in late February.

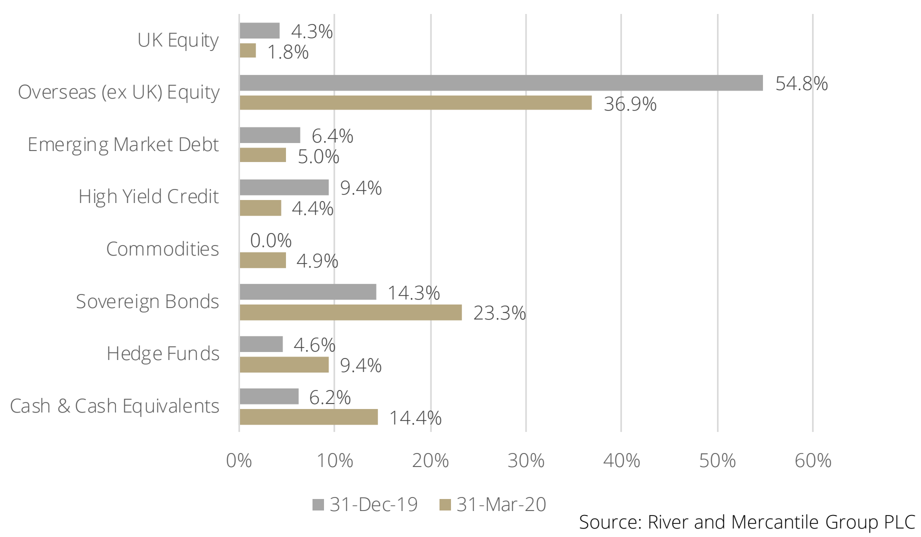
The Macro Team
River and Mercantile

Relative contribution to return over the quarter



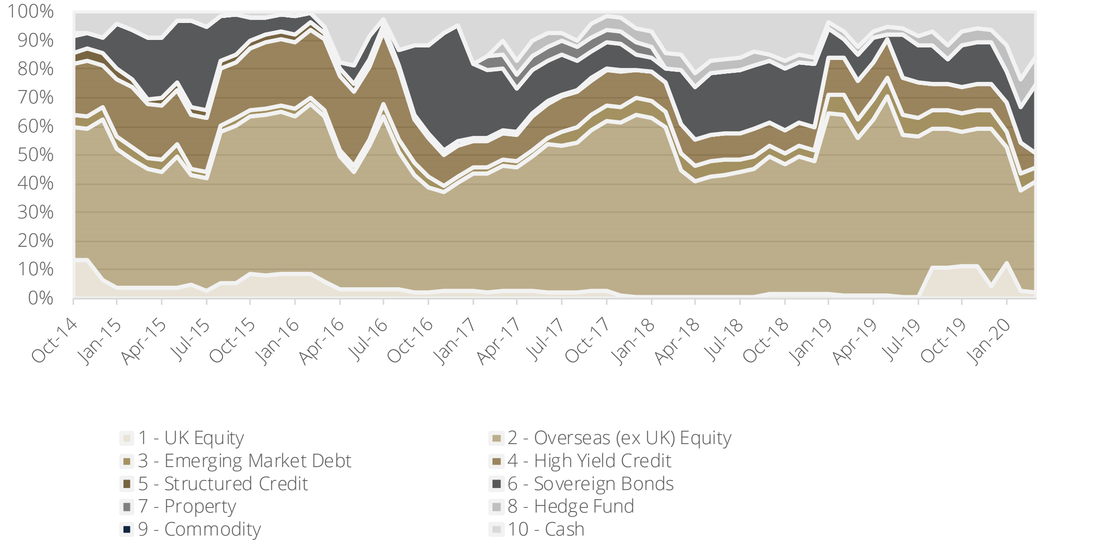
Source: FactSet, based on close of business valuation, gross of fees

Asset allocation



Source: River and Mercantile Group PLC

Asset allocation evolution since inception



Source: River and Mercantile Group PLC. 1 to 9, bottom to top.

Top 10 holdings

This table shows the fund's ten largest holdings by weight.

	Weight (%)
Vanguard S&P 500 UCITS ETF	10.1
UK Treasury 4.5% 2034	9.4
UK Treasury 2% 2020	9.0
BlackRock ISC Sterling Liquidity Fund	7.7
iShares S&P 500 UCITS ETF USD	7.6
River and Mercantile Global Macro Z GBP Acc	6.6
Insight GBP Liquidity Fd	5.0
iShares Physical Gold ETC	4.9
US Treasury 1.5% 10Y Feb 2030	4.8
UBS MSCI EMU ETF	4.8

Source: River and Mercantile Group PLC

Counterparty	Total (£)	Commission Paid (£)
		Execution Only
ABG SUNDAL COLLIER	0.00	0.00
ATLANTIC SECURITIES	0.00	0.00
BANCO ITAU	0.00	0.00
BARCAP	9,571,757.21	0.00
BERENBERG	0.00	0.00
BMO	0.00	0.00
BNP PARIBAS SEC (ASIA) LTD	3,955,810.15	0.00
BofA MERRILL LYNCH	0.00	0.00
BTG PACTUAL	0.00	0.00
CANACCORD ALGO	0.00	0.00
CANACCORD GENUITY	0.00	0.00
CENKOS	0.00	0.00
CITI PROG	0.00	0.00
CITIGROUP	13,923,008.99	0.00
CLSA	0.00	0.00
CREDIT SUISSE	0.00	0.00
DEUTSCHE BANK	8,430,393.14	0.00
EXANE	0.00	0.00
FINNCAP	0.00	0.00
GBM	0.00	0.00
GOLDMAN SACHS	6,888,411.68	0.00
GOODBODY	0.00	0.00
HSBC	0.00	0.00
ING	0.00	0.00
INSTINET	0.00	0.00
INVESTEC	0.00	0.00
ITG	0.00	0.00
ITG ALGO	0.00	0.00
ITG EURO	0.00	0.00
J&E DAVY	0.00	0.00
JANE STREET	92,234,410.64	0.00
JEFFERIES	0.00	0.00
JEFFERIES ALGO	0.00	0.00
JPMORGAN CHASE	21,522,126.36	0.00
KEPLER CHEUVREUX	0.00	0.00
LIBERUM	0.00	0.00
LIQUIDNET	0.00	0.00
MEDIOBANCA	0.00	0.00
MIZUHO	0.00	0.00
MORGAN STANLEY	0.00	0.00
NORTHERN TRUST CORP	0.00	0.00
NPLUS1 SINGER	0.00	0.00
NUMIS	0.00	0.00
PANMURE GORDON	0.00	0.00
PEEL HUNT	0.00	0.00
RAYMOND JAMES	0.00	0.00
RBC	0.00	0.00
RBC ALGO	0.00	0.00
REDBURN	0.00	0.00
SANFORD BERNSTEIN	0.00	0.00
SANTANDER	0.00	0.00
SHORE CAPITAL	0.00	0.00
SOCIETE GENERALE	0.00	0.00
STIFEL EUROPE	0.00	0.00
STIFEL NICOLAUS	0.00	0.00
SUSQUEHANNA INTERNATIONAL	40,682,110.76	0.00
UBS	0.00	0.00
UBS PROG	0.00	0.00
WINTERFLOOD	0.00	0.00
FLOWTRADERS	62,572,678.19	0.00
CONFIRMED FUND PRICE	162,508,532.07	0.00
OPTIVER	140,900,625.94	0.00
LLOYDSCRE	21,571,768.97	0.00
RBS	13,458,374.16	0.00
BANK OF MONTREAL	0.00	0.00
BTIG	0.00	0.00
CITADEL INVESTMENT GROUP L	14,300,329.38	0.00
BANQUE NATIONALE DE PARIS	12,875,105.77	0.00
BRBNPMBS	0.00	0.00
BCO ITAU	0.00	0.00
ARDEN PARTNERS	0.00	0.00
	£ 625,395,443.41	£ -

Firm Wide Comparators

All Equity Trading	**£ 2,573,438,472.20**	**£1,189,616.57**
Trades:	**£ 625,395,443.41**	**£0.00**
Average Firm-Wide Commission Rate (%)		0.05%
Average Commission Rate (%)		0.00%

Source: River and Mercantile Group PLC

Fund information

Launch date	2 September 2014
IA sector:	Mixed Investment 20%-60%
Performance target:	3 Month sterling LIBOR + 4% p.a
Strategy capacity:	£10,000m (pooled & segregated)
XD dates:	1 April & 1 October
Dividend/Accumulation payment date:	31 May and 30 Nov

Share class:	B	Z
Launch price (shares):	250.00p	500.00p
Share classification:	Retail/Institutional	Institutional
Type of shares:	Accumulation	Accumulation
Fund charges:		
Annual	0.55%	As agreed*
Initial (up to)	5.25%	5.25%
Ongoing Charge Figure (OCF) (incl. AMC)	0.86%	AMC* + 0.31%
*Z class AMC charged outside of the Fund		
Minimum investment		
Initial	£2.5 million	£5 million
Subsequent	£25,000	£50,000
Sedol	BLZH7L2	BLZH7N4
ISIN	GB00BLZH7L20	GB00BLZH7N44
Bloomberg	RMDAABA	RMDAAZA

Important disclosures

The information in this document has been prepared and issued by River and Mercantile Asset Management LLP (trading as “River and Mercantile” and “River and Mercantile Asset Management”) registered in England and Wales under Company No. OC317647, with its registered office at 30 Coleman Street, London EC2R 5AL. River and Mercantile Asset Management LLP is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 453087), is registered with the U.S. Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940.

River and Mercantile Asset Management LLP is a subsidiary of River and Mercantile Group Plc which is registered in England and Wales under Company No. 04035248, with its registered office at 30 Coleman Street, London EC2R 5AL.

Equity Trustees Fund Services Ltd (the ACD for ES River and Mercantile Funds ICVC) is authorised and regulated in the UK by the Financial Conduct Authority (Firm Reference Number 227807).

This document is directed at professional and retail clients. The information in this document should not be relied on or form the basis of any investment decision. Retail clients requiring any information should seek the advice/assistance of a Financial Advisor. The information contained in this document is strictly confidential and must not be reproduced or further distributed.

The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not a reliable guide to future results. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please refer to the ES River and Mercantile Funds ICVC principal prospectus for further details of the financial commitments and risks involved in connection with an investment in this Fund. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by R&M, its partners or employees. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.

Please note that individual securities named in this report may be held by the Portfolio Manager or persons closely associated with them and/or other members of the Investment Team personally for their own accounts. The interests of clients are protected by operation of a conflicts of interest policy and associated systems and controls which prevent personal dealing in situations which would lead to any detriment to a client.

River and Mercantile Asset Management LLP
30 Coleman Street, London EC2R 5AL
www.riverandmercantile.com