ES River and Mercantile Dynamic Asset Allocation Fund

Quarterly Report to 30 June 2020

RIVER AND MERCANTILE
ASSET MANAGEMENT

For unitholders only

ES R&M Dynamic Asset Allocation Fund

Quarter 2, 2020

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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

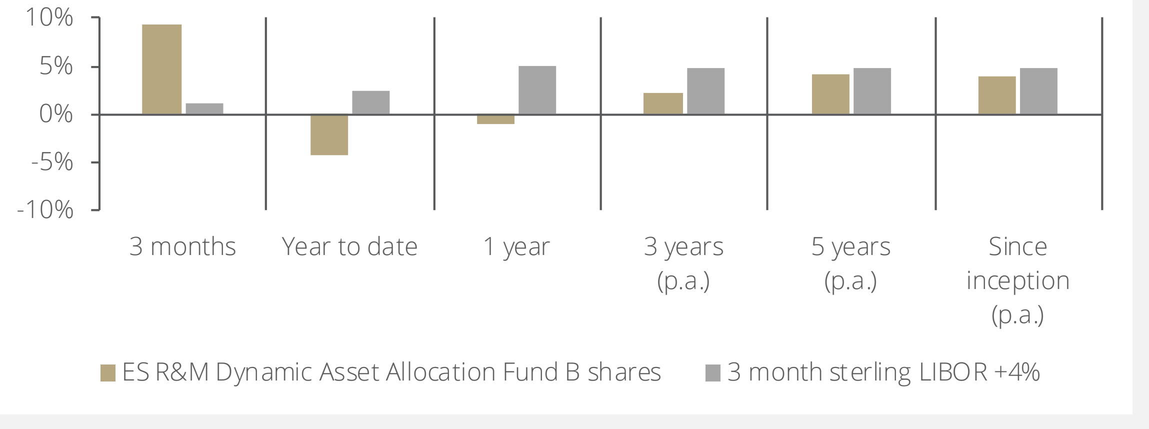
AUM	£209.9m
Benchmark	3 month sterling LIBOR + 4% p.a.
Inception date	2 September 2014
IA Sector	Mixed Investment 20%-60%

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	9.3%	1.2%	8.1%
Year to date	-4.3%	2.4%	-6.8%
1 year	-1.0%	4.9%	-5.9%
3 years (p.a.)	2.1%	4.8%	-2.6%
5 years (p.a.)	4.1%	4.7%	-0.6%
Since inception (p.a.)	4.0%	4.7%	-0.7%



	Fund	Benchmark	Difference
3 years (cumulative)	6.5%	15.0%	-8.5%
5 years (cumulative)	22.1%	25.9%	-3.8%
Since inception (cumulative)	25.4%	30.7%	-5.3%

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.**

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The second quarter of 2020 was characterised by the contrast of sharp rises in markets and severe falls in economic growth. As the coronavirus continued to dominate headlines throughout the quarter, further stimulus announcements on an unprecedented scale and signs of economies beginning to emerge from lockdown measures buoyed return-seeking markets. Gilt and swap yields continued their journey lower.

Economic data began to shine a light on the extent of the damage inflicted on economies around the world from the lockdown measures put in place. The Eurozone's real GDP contracted by almost 4% over the first quarter of the year, and the Purchasing Managers Index hit a new record low during April. In the UK, Q1 2020 GDP contracted by 2% and the Bank of England predicted the current recession would be the worst since 1709. It was a similar story in the US where Q1 2020 GDP contracted by 5% and the estimated unemployment rate soared to around 15%. While Q1 economic growth numbers were poor, Q2 numbers are expected to be significantly worse.

Despite this, there was a sense of optimism as many countries in Europe started to experience declining numbers of cases and began the easing of lockdown restrictions. Some industries starting to show signs of revival as employees were allowed back to work and a small sense of normalcy began to resume. The reopening of economies was characterised by a rebound in retail in particular, with May data indicating that sales had risen 10-20% in most developed economies. The Global Purchasing Managers Index had risen by 20 percentage points to 48 since its lows in April, reflecting improved sentiment and confidence levels. However, the number of global confirmed coronavirus cases reached 10 million and served as a stark reminder that we are still some way off a successful resolution to the public health crisis.

Although new case numbers and infection rates began to decline in Europe over the quarter, cases continued to rise elsewhere. In the US, all 50 states began to ease lockdown restrictions in some way in April, despite some states still experiencing accelerating case numbers. However, as the number of cases continued to rise, some states were forced to restore lockdowns in June. Emerging markets, most notably India and Latin America, were unable to control the spread of the virus and also experienced rapidly rising case numbers.

Despite the first signs of the reopening of economies, the scale, breadth and coordination of fiscal and monetary stimulus seen worldwide continued into Q2 2020 as further fresh stimulus was announced on a near-weekly basis.

In the US, The Federal Reserve expanded their quantitative easing programme, announcing they would be buying corporate bonds from the market for the first time, including bonds that have been downgraded to "high-yield", provided they were previously rated "investment grade".

The European Central Bank promised further simulative measures, with the announcement of another €750 billion recovery package. It also announced plans to expand the pandemic emergency purchase programme by a further €600bn, taking it to a total of €1.35 trillion so far.

The Bank of England voted twice to keep base rates at 0.1% but have not ruled out a historic move to negative rates. The Bank also continued to expand their policy support package, announcing an additional £100 billion of government bond buying to be completed by the end of the year. The furlough scheme paying employees 80% of their wage was extended to October and mortgage payment holidays for homeowners were also extended.

The prospect of economies reopening and the enormous amount of fiscal and monetary stimulus announced served to support growth asset prices and was seen to outweigh the impact of lockdown restrictions on corporate revenues and earnings.

Corporate credit markets performed well, outperforming equivalent government bonds, as the perceived riskiness of corporates reduced following unprecedented global stimulus. High yield corporate bonds outperformed investment grade corporate bonds and emerging market debt.

Global equity markets rose sharply over the quarter. However, the strong rebounds were dominated by certain sectors such as Technology and Healthcare, with others faring considerably less well. This cemented Q2 2020 as the best quarter in 20 years for the US based S&P500, despite a rise in US-China relates tensions and nationwide protests for the Black Lives Matter movement.

European equities also performed well as confidence grew that Europe was over the worst of the virus. For southern Europe, a region highly dependent on tourism, plans for “air corridors” between select countries was welcome news.

UK equities lagged their American and European counterparts once again and underperformed global equities, leaving the FTSE 100 still a long way off its January highs. Brexit negotiations once again took the spotlight but with little progress made

Overall developed markets outperformed emerging markets, which were disproportionately affected by the escalation of US-China trade tensions and mounting COIVD-19 cases.

Sterling strengthened against the yen but depreciated versus the dollar and euro over the quarter.

Portfolio changes

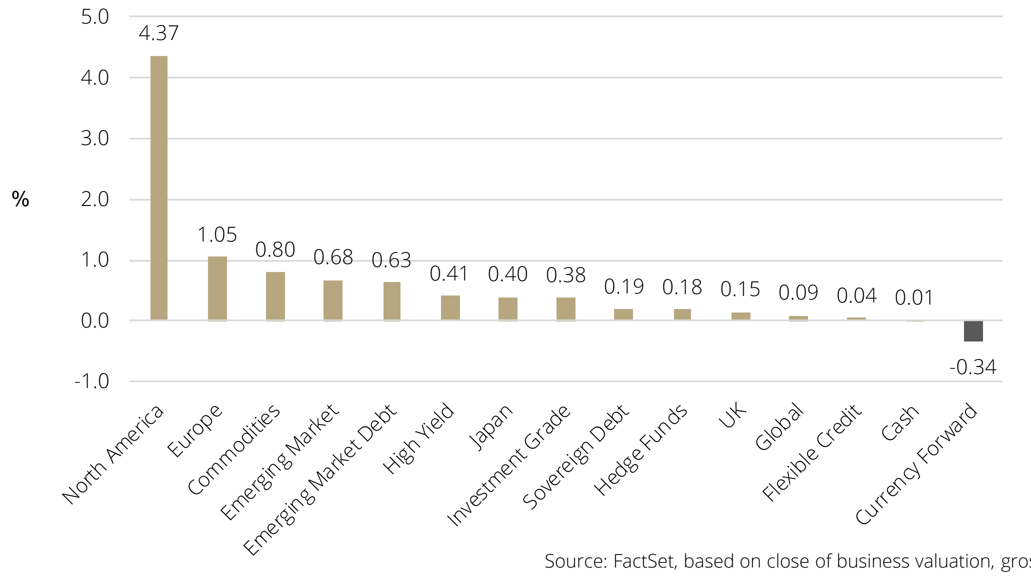
We continue to focus on high quality assets and assets with downside protection, as well as areas of the market supported by policy.

Over the second quarter, we reduced the exposure to defensive assets, which had significantly increased over the first three months of the year. Most of our additions came within our credit portfolio, where we took advantage of the opportunities emerging in credit markets as a result of stress experience as COVID-19 spread globally. In April we added to investment grade credit to increase the quality of the credit portfolio and took advantage of the significant widening in spreads prior to purchase. In June, we added a new global credit fund which aims to take advantage of dislocations in credit markets.

Elsewhere, we increased the quality of the equity portfolio during May and then also took advantage of a pullback in June to add to our equity allocation and increase our overall risk exposures. In Alternatives, we increased our exposure to gold, which has performed well and typically performs well during periods of heightened market volatility.

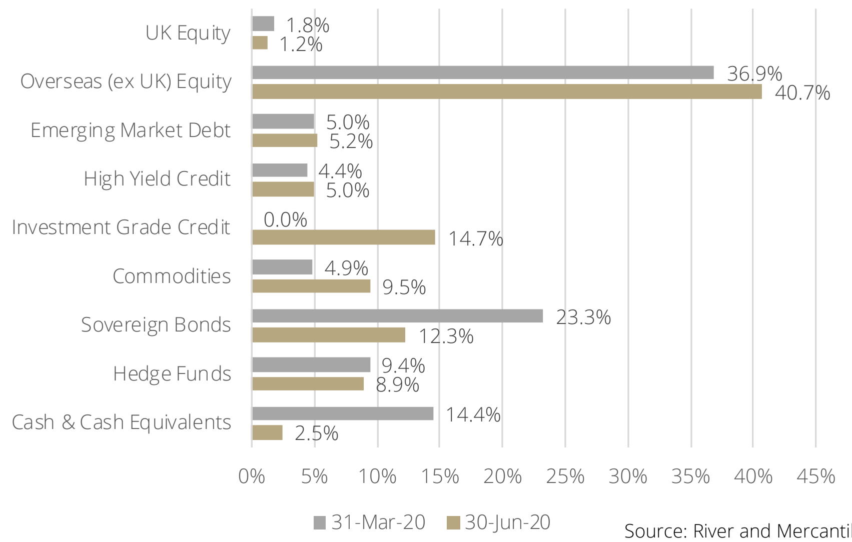
The Macro Team
River and Mercantile
July 2020

Relative contribution to return over the quarter



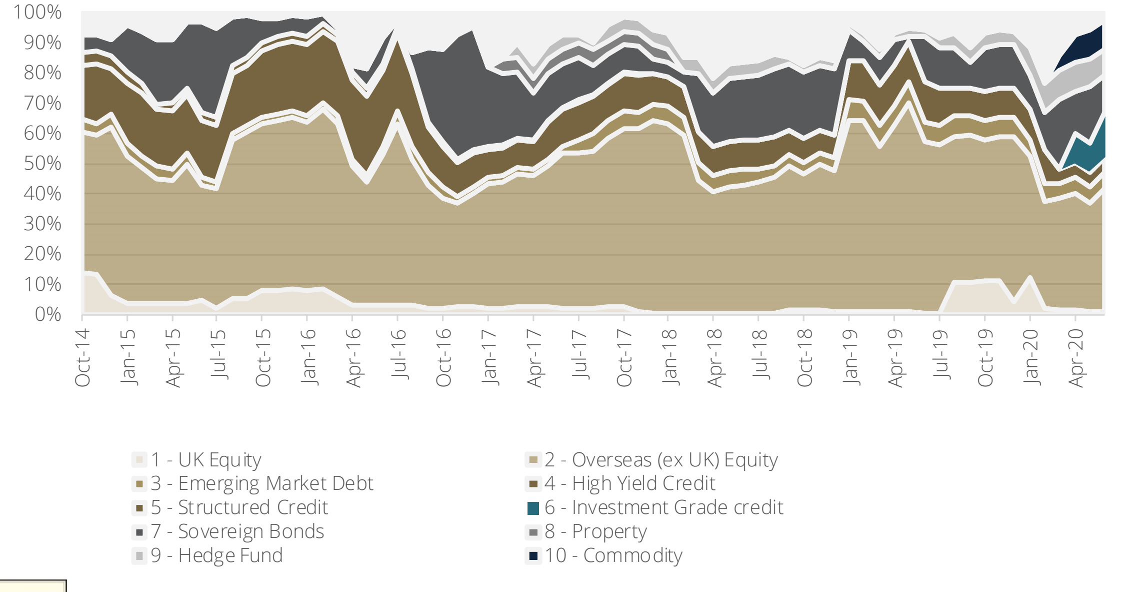
Source: FactSet, based on close of business valuation, gross of fees

Asset allocation



Source: River and Mercantile Group PLC

Asset allocation evolution since inception



Top 10 holdings

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

	Weight (%)
iShares Physical Gold ETC	9.5
iShares S&P 500 UCITS ETF USD	8.2
Vanguard S&P 500 ETF	6.4
River and Mercantile Global Macro Z GBP Acc	6.1
BNYM Efficient Global IG Corp Beta Fund	5.8
UK Treasury 4.5% 2034	5.5
Vanguard S&P 500 UCITS ETF	5.2
UBS MSCI EMU ETF	5.0
Neuberger Berman Global Flexible Credit Fund	4.9
Investec Global Strategy Fund	4.9

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

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