

ES River and Mercantile UK EQUITY INCOME FUND

CLASS B GBP (Income)

PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Inc) share class since the launch of the share class on 3 February 2009.

Source: River and Mercantile Asset Management LLP. Fund performance is calculated using midday published prices. Benchmark performance is calculated using close of business mid-market prices.

Past performance is not a reliable guide to future results.

PERFORMANCE SINCE INCEPTION



CUMULATIVE PERFORMANCE

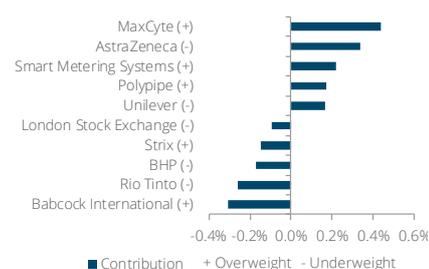
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Inc)	3.0	8.5	-1.8	0.6	27.1	94.3	218.3
MSCI UK IM Index	3.7	12.2	-11.8	-5.7	25.1	64.8	164.6

DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/12/2016	12 months to 31/12/2017	12 months to 31/12/2018	12 months to 31/12/2019	12 months to 31/12/2020
B share class (Inc)	12.1%	12.7%	-10.8%	14.8%	-1.8%
MSCI UK IMI	17.4%	13.0%	-9.8%	18.4%	-11.8%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

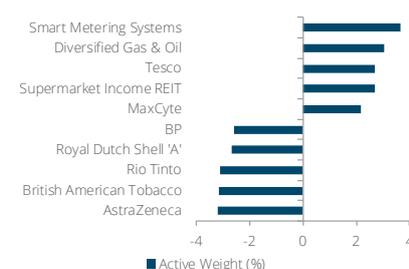
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

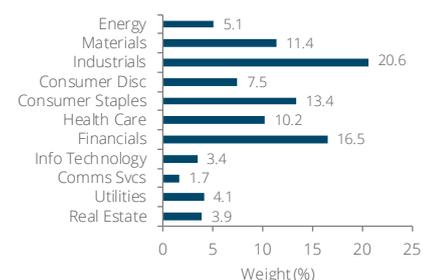
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

The ten largest positions by weight held in the portfolio.

	Weight (%)
Unilever	4.3
Diageo	4.0
Tesco	3.9
Smart Metering Systems	3.7
Diversified Gas & Oil	3.1
Supermarket Income REIT	2.7
GlaxoSmithKline	2.7
MaxCyte	2.2
HSBC Holdings	2.1
Royal Dutch Shell 'B'	2.0

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

To generate an average annual income above the dividend yield of the benchmark over a rolling 3-year period and achieve a total return (income and growth in the value of your investments (known as "capital growth")) above the total return of the benchmark over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

Daniel Hanbury

YIELD

Historic yield	3.50%
Current yield	3.16%

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	76
Fund Volatility	14.5%
Benchmark Volatility	14.1%
Beta	0.97
Active Money	67.4%

KEY FACTS

Fund launch date	03/02/2009
Share class launch date	03/02/2009
Benchmark	MSCI UK Investable Markets index
IA sector	UK Equity Income
Total fund size	£121.0m
Domicile	UK
Fund type	UCITS
SEDOL	B3KQG44
ISIN	GB00B3KQG447
Bloomberg	RMUKEIB
Distribution type	Income

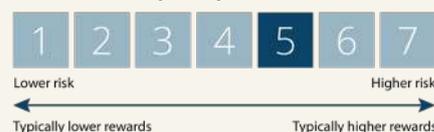
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.89%

DEALING INFORMATION

Dealing frequency	Daily
Dealing cut-off time	12pm (UK)
Valuation point	12pm (UK)
Settlement	T+4
Minimum investment	£1000

SYNTHETIC RISK & REWARD INDICATOR (SRRI)



CONTACT DETAILS

Telephone	0345 603 3618
Email	enquiries@riverandmercantile.com

MARKET CAPITALISATION

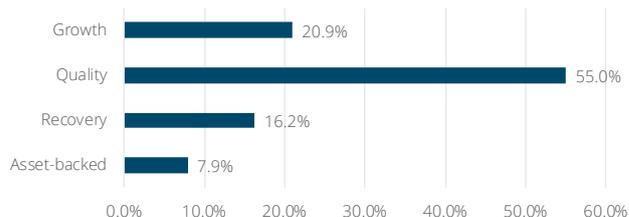
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	29.5%	56.9%	-27.4%
Large Cap	£4bn - £20bn	19.2%	27.6%	-8.4%
Mid Cap	£2bn - £4bn	8.2%	7.7%	0.6%
Small Cap	£100m - £2bn	40.8%	7.8%	33.0%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

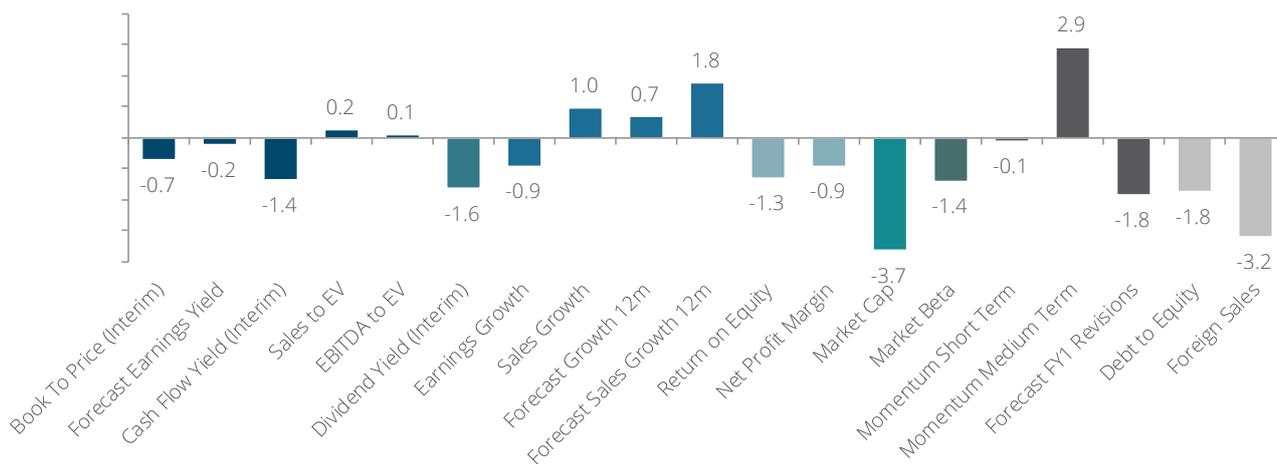
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP, excludes cash.

PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts of the portfolio against the benchmark as calculated by StyleAnalytics.



Source: StyleAnalytics

FUND RATINGS



OTHER INFORMATION

Authorised Corporate Director: Equity Trustees Fund Services Limited
 Investment manager: River and Mercantile Asset Management LLP
 Depository: The Bank of New York Mellon (International) Limited

MANAGER'S REVIEW

Investment Background

December's robust performance (MSCI UK IMI +3.7% total return) rounded off a strong final quarter of 2020 for the UK equity market (MSCI UK IMI +12.2% total return). Other risk assets such as industrial commodities continued to rally. The US dollar continued its decline (DXY index -2.1%). Both sterling (in trade-weighted terms) and UK equities (in US dollar terms) outperformed as expectations rose around a UK-EU trade deal, which was subsequently signed on Christmas Eve.

Strategy Update

Performance

Our slightly lower beta fund rose 3%¹ through the month, just behind the benchmark which was returned 3.7%². It was a strong final quarter in absolute terms which left the fund down only 1.8% over the year, versus the benchmark which returned -11.8%, a 10% outperformance and a top decile finish versus peers. This builds on the long-term track record of the strategy, where it is also a top decile performer over 10 years. (Source: FE fundinfo Analytics, MSCI. The ES R&M UK Equity Income Fund sits in the IA UK Equity Income sector. Data as at 31 December 2020)

Despite the value bounce during the quarter, our strongest contributions continued to come from previous growth winners **Smart Metering Systems** and **MaxCyte**. At a stock level, **Polypipe** had a positive profit warning and benefitted from improved sentiment towards domestically facing UK companies.

Not owning the iron-focused mining majors **Rio Tinto** and **BHP** detracted the most from performance – during both the month and indeed the quarter – as industrial metals outperformed precious metals, a reversal from earlier in the year. **Lancashire Holdings** was weak for no clear reason. We chose to add to the sector via new holding **Conduit** (see below), thereby increasing the

- 1 B share class (GBP), mid-day to mid-day pricing
- 2 Close-of-business to close-of-business pricing

overall exposure to what is now a well-established rate hardening cycle in the Non-Life sector.

Activity

We participated in the IPO of **Conduit Holdings** during December. We view this as an exciting opportunity to benefit from price inflation in the global reinsurance market across a broad suite of business lines, via a purpose-built vehicle with strong management credentials and no legacy business acting as a drag on growth and returns through a requirement to rebuild provisions. They have highly regarded management and best-in-class underwriting teams assembled with total flexibility to allocate capital to the highest return opportunities. We bought our stake at 1x book value, compared to trading multiples of 1.5-2x for other UK-listed specialty insurers and reinsurers, in return for the risks associated with building up a book of business and administrative platform from scratch.

Outlook

One by one the clouds of uncertainty around the US Election, Brexit and the pandemic are beginning to dissipate. The outlook for the economy should see confidence rapidly return in 2021 as the latest Covid wave falls and the vaccines are rolled out. The UK market remains relatively cheap despite the most recent rally; value dispersions remain quite high and analyst earnings revisions are typically slow to react, providing great opportunities for UK stock pickers. We are buying undervalued stocks where we believe growth will be stronger and dividends both re-instated and more sustainable than the market believes. We continue to execute on a sell discipline that enables us to recycle capital into new exceptional equity income investments.

Thank you for your interest and support through the extraordinary year that has been 2020.

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