

ES River and Mercantile UK EQUITY SMALLER COMPANIES FUND

CLASS B GBP (Accumulation)

PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Acc) share class since the launch of the share class on 30 November 2006.

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

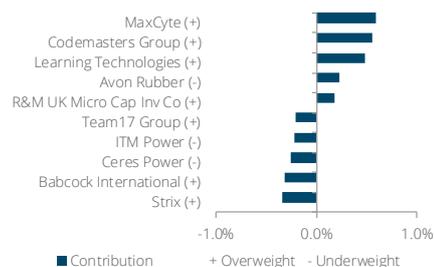
	1 month %	3 months %	1 year %	3 years %	5 years %	10 years %	Since inception %
B share class (Acc)	7.6	19.5	20.4	24.3	72.2	338.6	436.5
Benchmark	8.4	21.5	4.9	7.9	47.3	112.2	135.8

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 (Acc)	7.1%	29.4%	-17.2%	24.7%	20.4%
Benchmark	12.0%	21.9%	-15.8%	22.2%	4.9%

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

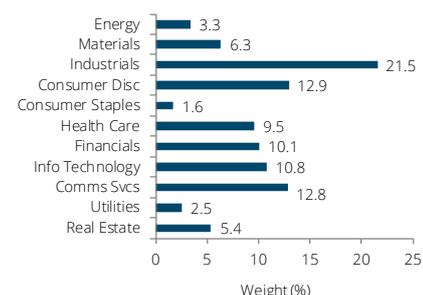
The securities in which the portfolio weight differs most from that of the benchmark



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 (%)
MaxCyte	3.9
Codemasters Group	3.8
Smart Metering Systems	3.7
Learning Technologies	3.2
Diversified Gas & Oil	2.6
OSB Group	2.5
R&M UK Micro Cap Inv Co	2.4
Halfords	2.4
Team17 Group	2.4
Strix	2.4

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

To grow the value of your investment (known as "capital growth") in excess of the Numis Smaller Companies + AIM (excluding Investment Companies) Index net total return (the "Benchmark") over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

Daniel Hanbury

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	79
Fund Volatility	16.6%
Benchmark Volatility	16.7%
Beta	0.94
Active Money	81.3%

KEY FACTS

Fund launch date	30/11/2006
Share class launch date	30/11/2006
Benchmark	Numis Smaller Companies + AIM (ex ICs) Index
IA sector	UK Smaller Companies
Total fund size	£367.9m
Domicile	UK
Fund type	UCITS
SEDOL	B1DSZS0
ISIN	GB00B1DSZS09
Bloomberg	RMUKSEA
Distribution type	Accumulation

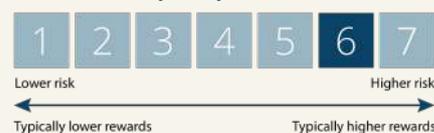
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.88%

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

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MARKET CAPITALISATION

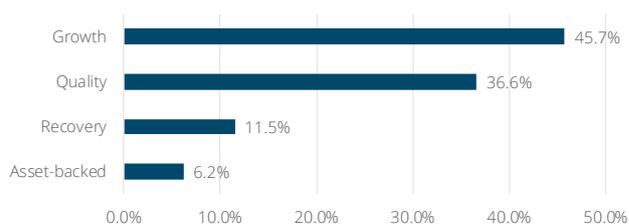
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	0.0%	0.0%	0.0%
Large Cap	£4bn - £20bn	0.0%	0.0%	0.0%
Mid Cap	£2bn - £4bn	2.0%	6.0%	-4.0%
Small Cap	£100m - £2bn	91.5%	86.7%	4.8%
Micro Cap	£0m - £100m	3.4%	7.3%	-3.9%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

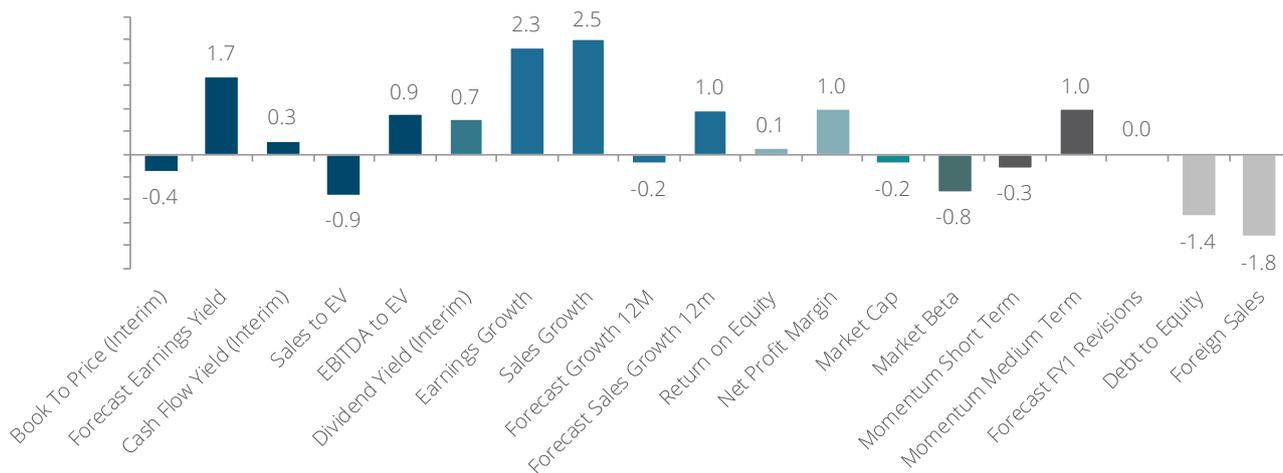
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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. Smaller companies outperformed (Numis Smaller Companies ex IT inc AIM benchmark +8.4%).

Strategy Update

Performance

Our slightly lower beta fund rose 7.6%¹ through the month, just behind the benchmark which returned 8.4%². It was a strong final quarter in absolute terms, contributing to the fund delivering 20.4% over the year versus the benchmark which returned 4.9%, a 15% outperformance and top decile versus peers. This builds on the consistent 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 Smaller Companies Fund sits in the IA UK Smaller Companies sector. Data as at 31 December 2020)

At a stock level, despite the value bounce during the quarter, our strongest contributions continued to come from our growth winners **Codemasters** (received a bid), **Learning Technologies** and **MaxCyte**.

Detracting from performance were typically a number of names which outperformed earlier in the year, trailing the year-end rally. These were **Strix**, **Team 17**, **Halfords** and **DFS Furniture** in particular.

Activity

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

We purchased **Bytes Technology**, a high quality Value Added Reseller, in an IPO during the month. Bytes is the largest reseller of Microsoft software licenses in the UK. Growth Potential is driven by increasing its customer base and share of wallet (<3% share in a fragmented market) in a growing market catalysed by the complexity of digital transformation and cloud software adoption. We also 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. We bought our stake at 1x book value, compared to trading multiples of 1.5-2x for other UK-listed specialty insurers and reinsurers. We exited building supplier **Grafton** after a strong bounce post our purchase in the spring Covid-19-related sell-off, in part due to its larger size taking it out of the benchmark.

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 more sustainable than the market believes. We continue to execute on a sell discipline that enables us to recycle capital into new exceptional smaller company investments.

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

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