

ES River and Mercantile GLOBAL RECOVERY 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 4 March 2013.

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 %	Since inception %
B share class (Inc)	4.0	18.0	3.5	4.1	66.4	132.0
Benchmark	2.2	8.5	12.7	31.9	92.2	134.3

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)	32.9%	20.3%	-15.0%	18.4%	3.5%
Benchmark	28.7%	13.2%	-3.8%	21.7%	12.7%

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

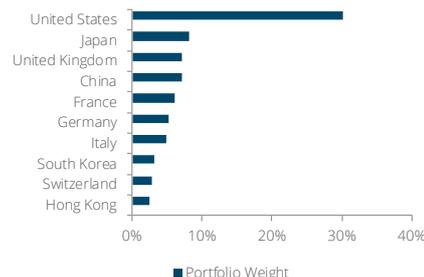
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

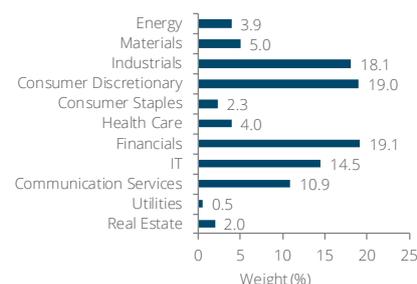
The portfolio's ten largest country holdings by total weight.



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



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 MSCI All Country World Index (ACWI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	424
Fund Volatility	15.0%
Benchmark Volatility	12.8%
Beta	1.10
Active Money	83.88%

KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£321.5m
Domicile	UK
Fund type	UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

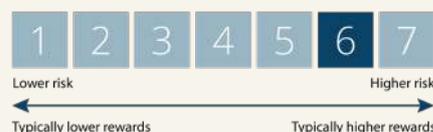
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.17%

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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TOP 10 HOLDINGS

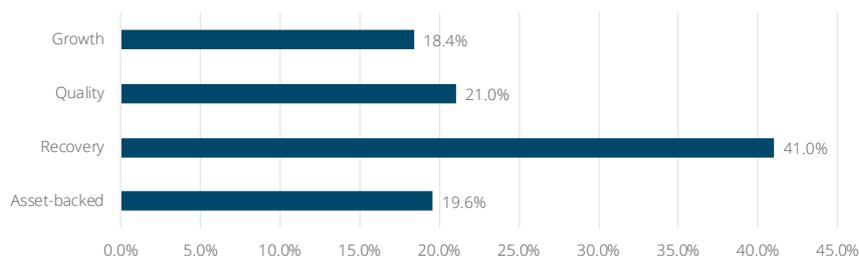
The ten largest positions by weight held in the portfolio.

	Weight (%)
Baidu	0.9
Citigroup	0.8
Resideo Technologies	0.7
PayPal	0.7
Alibaba Group	0.7
Alphabet class A	0.7
Wells Fargo & Co.	0.7
Tremor International	0.6
Bank of America	0.6
Facebook	0.6

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

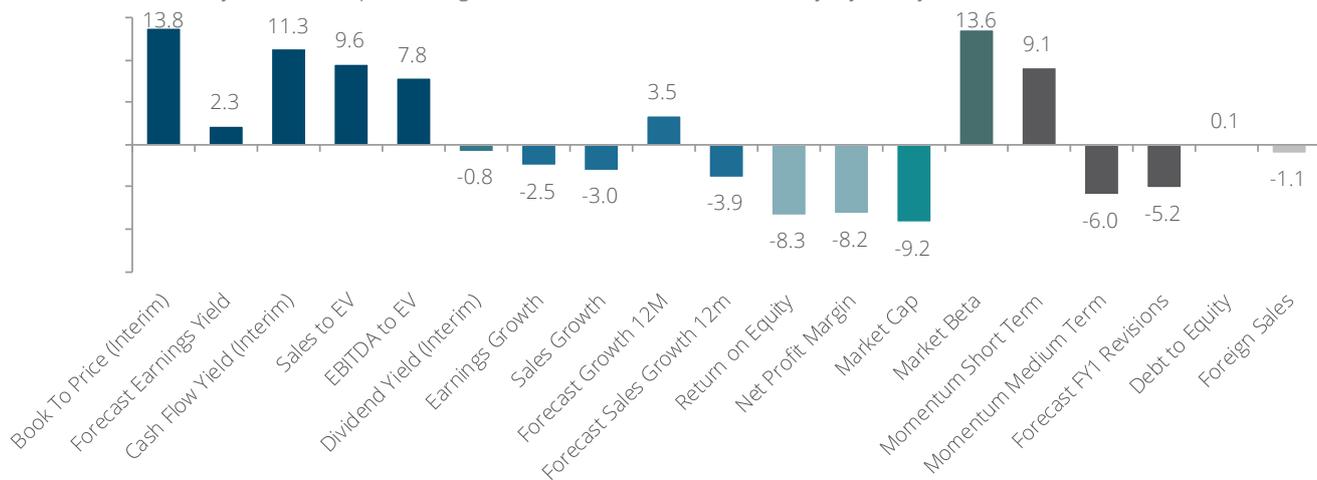
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP

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

This fund was renamed on 1 July 2018. It was previously known as the R&M World Recovery Fund.

MANAGER'S REVIEW

Well done getting through 2020 and let's hope in a year's time we will be able to look back at the last year as one where most aspects of our lives returned to normal.

As this is the end of the quarter and the year, this will be a short monthly update with more information available in our quarterly report, available shortly.

Investment Background

December's robust performance (MSCI ACWI +4.7% total return, USD) rounded off a strong final quarter of 2020 for global equity markets (MSCI ACWI +14.8% 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 (after quite a lot of last-minute angst!)

Strategy Update

Performance

The Fund returned 4%¹ in December, versus 2.2% by its comparator benchmark, the MSCI All Country World index². This concluded a very strong rally by the fund since the dark days during the peak of the first lockdown market panic. We stuck to our approach, looked for new PVT anomalies as they became available in the sharp sell-off and returns have been robust since.

Key points and activity:

- The global equity markets where we are most exposed are reasonably attractively valued in absolute terms and, more noticeably, relative to bond yields.
- The global economy will recover robustly over the next 2 years.
- Likewise, global profits are currently depressed and will show a sharp recovery from here.
- Interest rate expectations around the world remain very depressed but as economies participate in the global reflationary trade (economic recovery combined with money supply growth, bank lending, consumers spending their forced saving, and large fiscal deficits) so will interest rate expectations move up.
- The return to Value has only just started.

¹ B share class (GBP), mid-day to mid-day pricing

² Close-of-business to close-of-business pricing

Activity

We continue to position the portfolio for economic recovery and global deflation. This included adding to **Swire Pacific**, a Hong Kong based holding company (holdco) offering wide discounts to the 'look-through' value of its assets, the largest of which are separately listed. In addition, these assets have strong post-COVID recovery potential (notably HK property, airlines, marine). Hong Kong has been in the eye of the storm over the last 2 years – social unrest, US/China tensions then COVID – which has created a value anomaly. Swire Properties (82% owned) is geared into any return of China retail tourist spending to HK, which is political as well as vaccine related. It's a well-managed business with prime central property assets. Even at the current 50% discount to NAV that it trades, Swire Pacific's stake in Swire Props alone is worth ~\$14bn today compared to Swire Pacific's own market cap ~\$8bn. Cathay Pacific (45% owned) will participate in the eventual recovery in international travel as a leaner company. It announced a HK\$39 billion recapitalisation on June 9 and has signalled the balance sheet is likely to be used for restructuring / downsizing. Domestic Chinese air travel has materially picked up with real-time indicators suggesting domestic capacity back to pre-virus levels driving pricing higher. Swire's stake in Cathay is worth ~\$2.5bn at current market price, but this itself appears undervalued considering Cathay's own 57% stake in Air China is worth ~\$8.5bn at today's price. Activists or outside interests may find support breaking-up the business to realise the multi-dimension value gap that has persisted.

The most significant sales during the period (excluding cash flows) were M&A targets and exiting **Unicredit** due to a negative corporate governance catalyst (respected CEO departure).

Outlook

Price action across asset classes reflects growing confidence towards a more reflationary global economic environment as 2021 progresses. This trend had started to develop since the summer, but the US presidential election result (reinforced by the Democrats now controlling the Senate) and positive COVID-19 vaccine news provided support to the narrative and fuel to the fire of 'rotation'. In a world where many investments are expensive our global portfolios continue to exhibit very attractive valuation characteristics and will continue to benefit from the on-going return to value.

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