30 APRIL 2021

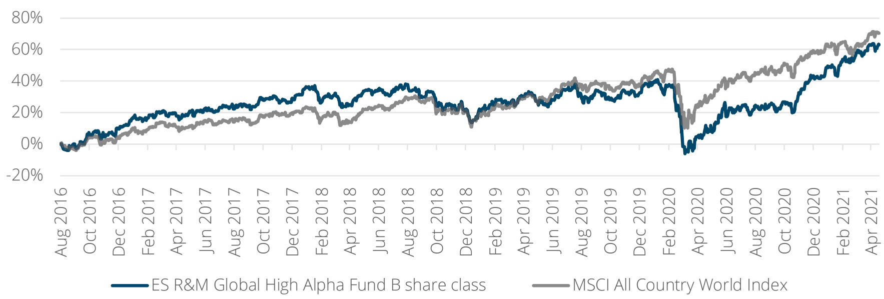
ES River and Mercantile
GLOBAL HIGH ALPHA FUND
CLASS B GBP (Accumulation)

RIVER AND MERCANTILE

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 12 August 2016.

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



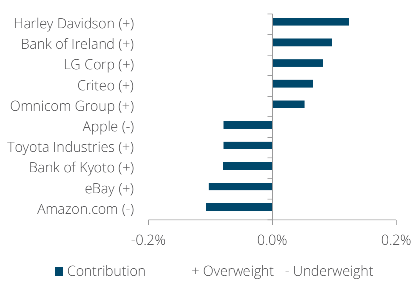
CUMULATIVE PERFORMANCE

	1 month %	3 months %	1 year %	3 years %	Since inception %
B share class (Acc)	2.6	13.4	45.8	25.0	63.1
Benchmark	4.0	8.7	32.8	44.8	70.4

DISCRETE 12 MONTH PERFORMANCE

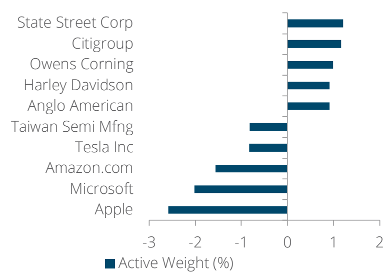
	12 months to 30/04/2017	12 months to 30/04/2018	12 months to 30/04/2019	12 months to 30/04/2020	12 months to 30/04/2021
B share class (Acc)	-	10.6%	1.4%	-15.5%	45.8%
Benchmark	-	7.2%	11.0%	-1.8%	32.8%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS
The best and worst contributors to the portfolio's performance relative to the benchmark



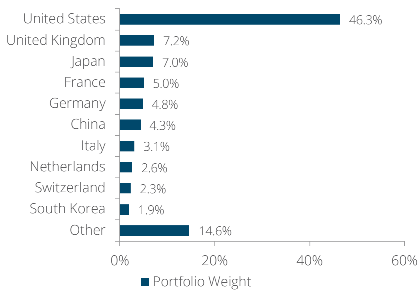
Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS
The securities in which the portfolio weight differs most from that of the benchmark



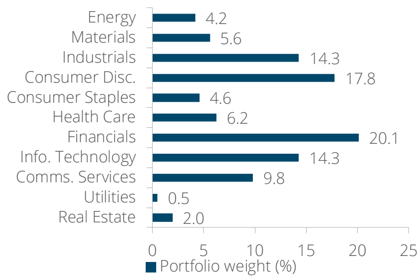
Source: River and Mercantile Asset Management LLP

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

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 fees.

PORTFOLIO MANAGER
Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	225
Fund Volatility	14.4%
Benchmark Volatility	12.7%
Beta	1.09
Tracking error	4.30
Active Money	80.8%

KEY FACTS

Fund launch date	12/08/2016
Share class launch date	12/08/2016
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£150.3m
Domicile	UK
Fund type	UK UCITS
SEDOL	BZB1R49
ISIN	GB00BZB1R490
Bloomberg	RMGHABA
Distribution type	Accumulation

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)

1	2	3	4	5	**6**	7

Lower risk — Higher risk
Typically lower rewards — Typically higher rewards

CONTACT DETAILS

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Email enquiries@riverandmercantile.com

TOP 10 HOLDINGS

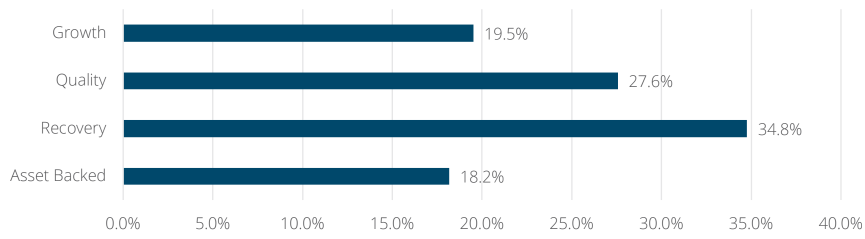
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alphabet class A	1.9
Citigroup	1.4
Facebook	1.3
State Street Corp	1.3
JPMorgan Chase	1.1
Owens Corning	1.0
Anglo American	1.0
Booking Holdings	1.0
Richemont	0.9
Harley Davidson	0.9

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

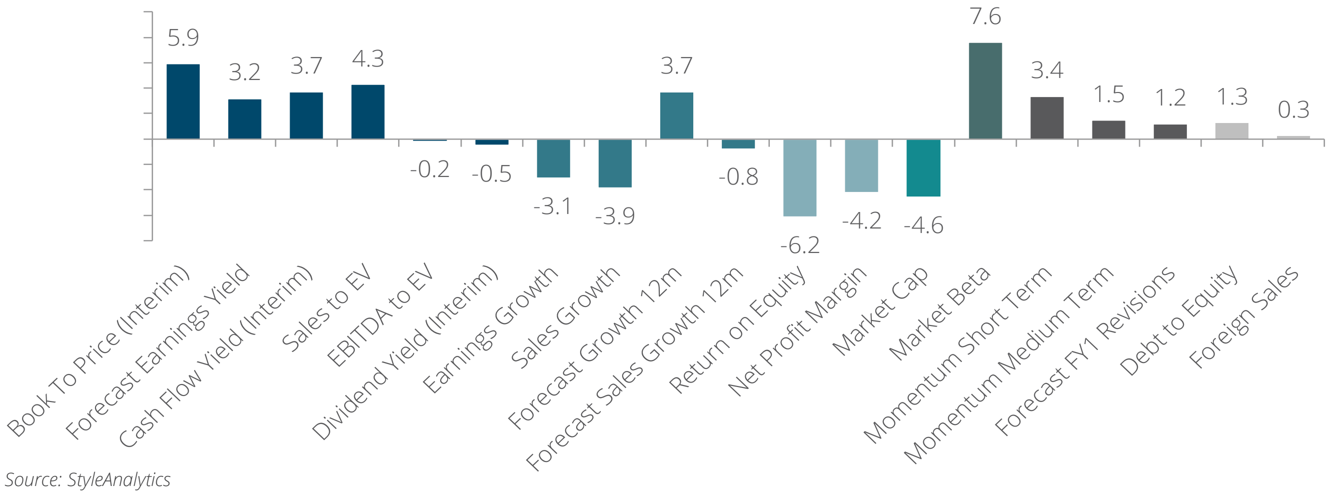
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

OTHER INFORMATION

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

MANAGERS' REVIEW

Investment background

Global equity markets continued their march higher in April (MSCI ACWI +4.4% total return in USD). Some better performing segments of the market year-to-date, particularly value factor indices, lagged in relative terms. Equity performance dynamics took their lead from bond markets, where the US 10-year treasury yield retrenched 11 basis points from recent highs. Commodity prices moved sharply higher again after consolidating in March (Brent oil +6% and copper +12%). These are amongst several input prices which are showing sharp year-on-year growth providing an inflationary environment in the near-term that central bankers continue to describe as 'transitory'. This is a an important underpin for the maintenance of ultra-loose monetary policy, with short rates nailed close to zero.

Strategy update

Performance

The fund returned +2.6%[1] in April versus +4.0% by its comparator benchmark, the MSCI All Country World Index (GBP)[2].

Harley-Davidson (+0.1%) rose 20% following a strong 'beat and raise' quarter which built credibility in the Recovery thesis – which has both cyclical and self-help support – under new management. Pleasingly, Bank of Ireland (+0.1%) was up 18% on the back of strong results and the news that they will acquire KBC's Irish book of business, driving the market further towards an effective duopoly. Proof that banks can outperform based on stock specific drivers even with a falling US 10-year bond yield!

eBay (-0.1%) delivered strong results that were overshadowed by cautious guidance for the balance of 2021, with management calling out the difficult comparators created by the lockdown period. There is read across to other winners from this period, now starting to cycle a particularly strong period of (potentially pulled forward) demand. Our underweight position in Amazon (-0.1%) acted as a modest drag on performance, as the shares outperformed following strong results.

Activity

We initiated a handful of new positions which are linked by relatively defensive underlying franchises, and where we believe consensus is underestimating revenue growth improvement. Branded consumer goods giants Unilever and Procter & Gamble both offer starting valuations which imply impaired return on capital and / or growth in future. We see both as having a path to a re-accelerated top line aided by re-investment, portfolio restructuring and a pick-up in emerging market consumption. UK-listed medical device manufacturer Smith & Nephew typically has stable underlying demand, operating primarily in the orthopaedic, joint replacement and wound care markets, but COVID-19 led to deferral (as opposed to cancellation) of elective surgeries and a subsequent -11% fall in revenues in 2020. Our analysis suggests the franchise is not impaired and it will witness a strong recovery in top line and margins, supported by ongoing cost efficiency programmes, in 2021-22. Sprouts Farmers Market is a US-based grocery retailer with strong top line growth historically driven by store expansion programme. Shares have materially de-rated due to like-for-like (LFL) sales contraction and we bought them at the bottom of its valuation trading range since IPO. With LFL growth restored, its strategy is now focused on re-acceleration of store opening programme which has superior store economics delivered by a revised format. A return to normalised double-digit earnings growth would warrant a higher multiple than the ~11x earnings we paid.

We participated in the Allfunds IPO. It is the leading European B2B platform connecting fund managers with distributors, operating a differentiated business model – free to the distributor – which has proved highly successful. Significant growth potential, with historic organic revenue CAGR of 19% since 2012 and similar growth forecast. This growth has multiple drivers: 1) increased market share, 2) underlying growth in European funds (typically ~2-3x GDP), 3) increased penetration of third party services and opening up of distribution, 4) additional services around data & analytics, 5) international expansion and 7) M&A. Valuation is attractive taking into account this growth runway and the high incremental return on capital.

Berkshire Hathaway needs little introduction. There is increasing Timing support for the valuation gap to the sum of the parts for the holding company components to close. Its insurance businesses are entering an attractive pricing cycle and are also correlated to rising bond yields, while other listed and non-listed holdings are well placed for the current macro backdrop. Finally, its famed management has ~$145 billion in cash to deploy on a combination of buybacks (at prices below intrinsic value) and M&A.

We continued to consolidate the number of holdings, with exits typically constituting smaller positions where we do not have the required conviction to build to a larger position and we could recycle the capital into other holdings with similar end market drivers. Corp Financiera Alba, AIG, and Valeo all fit in this category. We also took profits in holdings which have become fully valued, with prices reflecting cyclical recovery or structural growth prospects. CBRE and Micron Technology in the US, AGC in Japan and Gruppo MutuiOnline (an Italian small cap investment which has returned more than 4x our initial stake) all fall into this category.

Outlook

The debate over the longevity of inflation is likely to rumble on over the summer. The scale of the prints for both year-on-year inflation and real GDP growth off 2020's low base is likely to test the Fed's messaging around maintaining the current monetary policy status quo. Share prices have moved a long way from the lows of 12 months ago and high valuations in the context of history for many (but certainly not all) assets suggest we should be prepared for volatility as markets try to price the baton change from early-cycle reflationary conditions to what comes next. We have mentioned before that globally fiscal policy has a loose tone, quite different to the desire to 'balance the books' of public finances coming out of the Global Financial Crisis. In the US, the Biden administration has made it clear that it sees higher nominal economic growth as a tool for societal 'levelling up' and have made large commitments to fiscal spending towards this goal.

In this context, our portfolio has notable attractions which go beyond a low starting valuation. It features a range of good quality cyclical companies that we think are well suited for an environment of higher nominal growth and can protect against the risk of inflation spikes in the short (or longer) term. Valuation dispersion gaps, while closing, remain high across the market. This provides an attractive environment to blend our Growth, Quality, Recovery and Asset-backed categories, allowing us to build a balanced portfolio with an attractive combination of earnings drivers, from self-help to structural growth. The earnings growth from our portfolio will be superior to the broader benchmark over the next 12 months as operational gearing continues to surprise on the upside. This broadening out of growth from the 'select few' who could grow in the prior low nominal growth regime should act as a catalyst to further close gaps between cheap and expensive assets in the equity market.

Hugh Sergeant & William Lough
Portfolio Managers
May 2021

[1]B share class (GBP), mid-day to mid-day pricing.
[2]Close-of-business to close-of-business pricing.
[3]Business-to-business.

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