

# ES River and Mercantile UK LISTED 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)	-1.0	-0.3	-8.3	31.4	28.2	204.8	431.2
Benchmark	0.4	4.3	-7.5	17.2	12.0	80.9	133.0

## DISCRETE 12 MONTH PERFORMANCE

	12 months to 28/02/2019	12 months to 28/02/2020	12 months to 28/02/2021	12 months to 28/02/2022	12 months to 28/02/2023
B share class (Acc)	-7.8%	5.8%	38.3%	3.6%	-8.3%
Benchmark	-5.7%	1.4%	24.9%	1.5%	-7.5%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

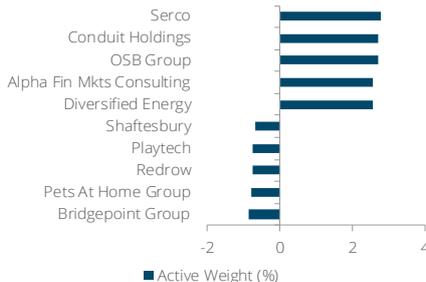
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

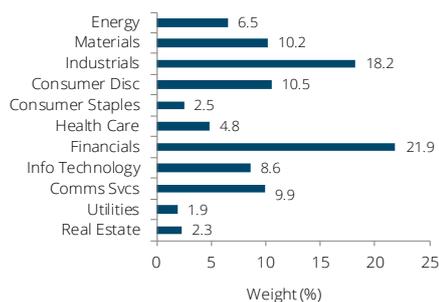
The securities in which the portfolio weight differs most from that of the benchmark.



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 (%)
Conduit Holdings	3.1
Diversified Energy	2.9
Gamma Communications	2.8
Alpha Fin Mkts Consulting	2.8
Serco	2.8
Alpha Group Int'l	2.8
OSB Group	2.7
Pebble Group	2.6
Hollywood Bowl Group	2.5
Future	2.2

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

George Ensor

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	72
Fund Volatility	18.0%
Benchmark Volatility	18.7%
Beta	0.93
Active Money	84.5%

## 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	£390.3m
Domicile	UK
Fund type	UK UCITS
SEDOL	B1DSZS0
ISIN	GB00B1DSZS09
Bloomberg	RMUKSEA
Distribution type	Accumulation

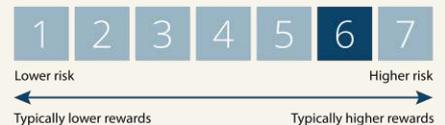
## FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.85%

## 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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Email enquiries@riverandmercantile.com

### MARKET CAPITALISATION

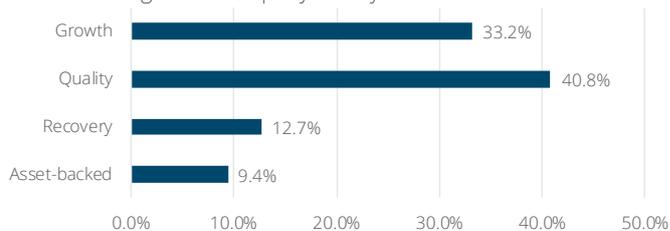
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	0.0%	0.0%	0.0%
Large Cap	£4bn - £20bn	0.0%	0.0%	0.0%
Mid Cap	£2bn - £4bn	6.8%	0.9%	5.9%
Small Cap	£100m - £2bn	88.5%	91.2%	-2.7%
Micro Cap	£0m - £100m	2.0%	8.0%	-5.9%

Source: River and Mercantile Asset Management LLP

### CATEGORIES OF POTENTIAL

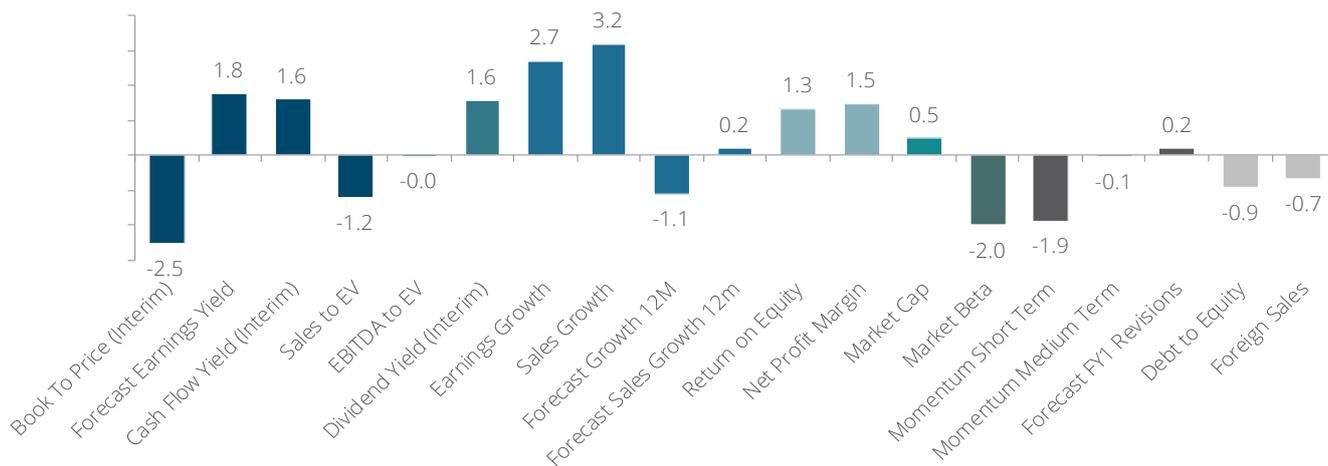
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP

### 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 previously known as the ES River and Mercantile UK Equity Smaller Companies Fund.

## MANAGER'S REVIEW

### Investment background

My colleague Will Lough has referenced an entertaining Robert Mankoff cartoon from the New Yorker Magazine in 1981 in his latest fund commentary, which illustrates the current daily focus on macro data points – many of which tend to be quite noisy – and their implications for interest rate expectations and sentiment:

“On Wall Street today, news of lower interest rates sent the stock market up, but then the expectation that these rates would be inflationary sent the stock market down, until the realization (sic) that lower rates might stimulate the sluggish economy pushed the market up, before it ultimately went down on fears that an overheated economy would lead to a reimposition of higher interest rates.”

UK Smaller Companies consolidated following a 15% gain from the market low in early October 2022 and continue to lag the performance of wider UK equities despite their colossal underperformance in the twelve months to October 2022, improving consumer confidence – albeit from extremely depressed levels – and further falls in various input costs, most notably gas and shipping costs. Consensus forecasts for economic growth in the UK have been revised higher. House prices, as measured by Nationwide, declined 1.1% year-on-year in February, their first annual decline since 2012. The data shows house prices were 3.7% below (in nominal terms) the August 2022 peak.

### Strategy update

#### Performance

The fund returned a loss of -1.0% in February, 1.5% behind the benchmark return of 0.4%. On a rolling twelve-month basis, we have underperformed the benchmark performance, a decline of 7.5%, by 0.8%.

The most significant negative contributor was **Indivior** (-21%) – a specialist pharmaceutical business that focuses on medicines to treat addiction, primarily opioid dependence where there is a crisis in the US – which delivered strong financials but a combination of higher than expected operating cost guidance for the current year (something they have a track record of outperforming) and the recognition of a large antitrust claim which dates back to the development of one of their products ten years ago undermined the strong results. Whilst this is disappointing, the company has a strong balance sheet and the market capitalisation has fallen by \$600m since the end of December, in excess of twice the \$290m provision they have taken.

**FRP Advisory** (-13%) – which is operationally geared to a recovery in the corporate insolvency and administration cycle – reported a slower than anticipated recovery in the higher margin administration market, and **Maxcyte** (-19%) were also negative contributors.

In a similar fashion to January, we have had a lack of positive contributors to performance with **Keystone Law** (+25%) and **Pebble Group** (+10%) the only noteworthy performers in the month. Both have provided good operational updates this year and look set for another year of growth and cash generation which we do not believe is reflected in their current valuations.

#### Activity

No new positions were initiated in February. We supported placings to fund acquisitions for **Diversified Energy** and **SigmaRoc** and continued to build our position in **Victorian Plumbing** ahead of their recent trading update. We exited **Emis** which is being acquired and received takeover proceeds from **Biffa**.

#### Outlook

Despite the bounce from the market lows, sentiment remains depressed and positioning remains cautious. It will take time for risk sentiment to return and capital markets to re-open. These are cyclical facets of the small cap universe. Whilst the recovery is unlikely to be linear and further downside to earnings expectations is possible, the medium-term opportunity for shareholder valuation creation is extremely attractive.

We attempt to diversify our portfolios to protect against foreseen and unforeseen risks. We do this through our multi-factor PVT approach which enables us to invest in strong, cash generating companies at various stages of their corporate lifecycle. This approach has supported strong absolute and relative returns for this strategy over more than sixteen years.

As ever, thank you for your support.



**George Ensor**  
Portfolio Manager  
March 2023

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