

ES River and Mercantile UK DYNAMIC EQUITY 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 21 November 2012.

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

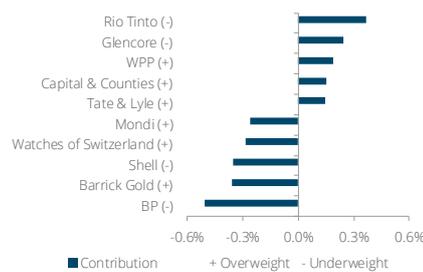
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	0.7	3.6	-4.0	11.1	5.9	108.0
MSCI UK IM Index	1.8	4.7	7.9	28.5	27.3	100.1

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)	-3.7%	-1.0%	8.4%	6.8%	-4.0%
MSCI UK IM index	1.5%	-2.4%	1.7%	17.2%	7.9%

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

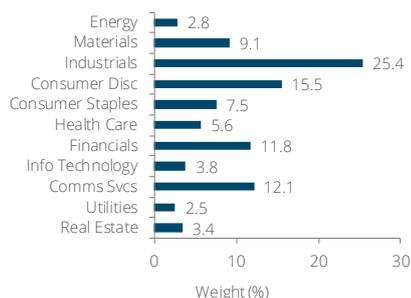
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

SECTORWEIGHTS

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 (%)
Whitbread	3.8
Conduit Holdings	3.7
WPP	3.5
Tate & Lyle	3.5
OSB Group	3.4
The Weir Group	3.2
Auto Trader	3.2
Gamma Communications	3.0
Serco	2.9
ConvaTec Group	2.8

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 United Kingdom Investable Market Index (IMI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER

William Lough & Mayan Uthayakumar

PORTFOLIO & RISK CHARACTERISTICS

Number of Holdings	48
Fund Volatility	18.5%
Benchmark Volatility	14.5%
Beta	1.15
Active Money	85.2%

KEY FACTS

Fund launch date	22/03/2007
Share class launch date	21/11/2012
Benchmark	MSCI UK Investable Markets Index
IA sector	UK All Companies
Total fund size	£44.4m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
Distribution type	Accumulation

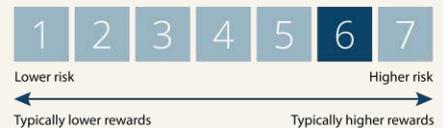
FEES & CHARGES

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

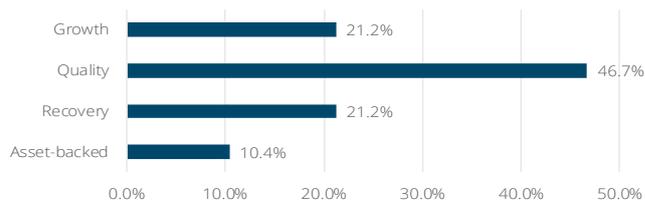
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	13.0%	66.8%	-53.8%
Large Cap	£4bn - £20bn	33.2%	20.6%	12.6%
Mid Cap	£2bn - £4bn	15.3%	5.7%	9.6%
Small Cap	£100m - £2bn	37.9%	6.8%	31.1%

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
 Depository
 The Bank of New York Mellon (International) Limited

This fund was renamed on 1 January 2016 and was previously known as the R&M UK Equity Unconstrained Fund.

MANAGERS' REVIEW

Investment background

The UK market as measured by our benchmark (MSCI United Kingdom IMI index) was up +1.8% in the month. The equity rally stalled in mid-February as markets started to price in further central bank rate hikes and no cuts in 2023 given the growing realisation that inflation remains too high and that central banks have not finished their job yet. UK large, mid and small caps had positive but more modest returns with large cap outperforming mid and small caps. The US market (S&P 500 -2.4%) continues to underperform the UK and Europe.

Strategy update

Performance

The fund increased by 0.7%¹ in February versus +1.8%² by its comparator benchmark, the MSCI United Kingdom IMI index.

Key positive and negative contributors include the following stocks:

Zero-weight positions in **Rio Tinto** and **Glencore** were significant positive contributors. **Mondi's** (-8.3%) underlying 4Q earnings miss and softer than expected near-term pricing and volume outlook led to consensus downgrades. In the short-term, cyclical earnings downgrades are unhelpful but the long-term benefits of a structural cost advantage in an industry where the cost curve is steepening remain intact. **Mondi** has a strong balance sheet with scope for value accretive countercyclical M&A and/or buybacks and trades on trough multiples on de-risked earnings forecasts which are broadly in line with mid-cycle levels. **Watches of Switzerland** (-12.4%) reacted negatively to a 3Q slowdown in growth that was compared to a thin consensus and raised concerns about waitlists and US demand. The group continued to take market share in the UK and US and we are reassured by the fact that the slowdown was largely attributable to the jewellery business which has a seasonally higher 3Q weighting and is where management had flagged higher promotional activity as a risk. **Barrick Gold's** (-15%) 2023 production guidance was in line but costs were above expectations. Zero weight positions in **BP** and **HSBC Holdings** and an underweight position in **Shell** were significant negative contributors.

Activity

We exited **Prudential**, reflecting a recycling of capital from mega-caps to mid-caps (Babcock, Essentra, Sabre and Vesuvius were all upweighted).

Outlook

The UK economic outlook has improved with 2023 GDP forecasts troughing in mid-December. The Bank of England and private forecasters have revised their GDP growth forecasts upwards with expectations for a shallower recession as the outlook for household consumption has improved on the back of falling energy prices. This should support business investment through an improvement in business sentiment and lower energy prices will alleviate the fiscal burden of current support packages.

Earnings growth expectations (12m forward) for UK equities are below trend (MSCI UK -c3%). On an inflation adjusted or real basis, expectations are for high-single-digit negative earnings growth. It is possible that real earnings growth turns out to be weaker than expected but we would argue that this is to some extent already in the price because UK equities are trading at a depressed valuation in both absolute (10.4x PE MSCI UK vs LR median c12.5x) and relative (a -35% discount to the MSCI World at 15.9x) terms and equity markets tend to bottom 6-9 months before earnings do. In summary, there is an attractive investment case for UK equities given earnings growth expectations are low in real terms and the rating is already depressed.

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.

William Lough & Mayan Uthayakumar

Portfolio Managers

March 2023

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