

ES River and Mercantile GLOBAL RECOVERY FUND

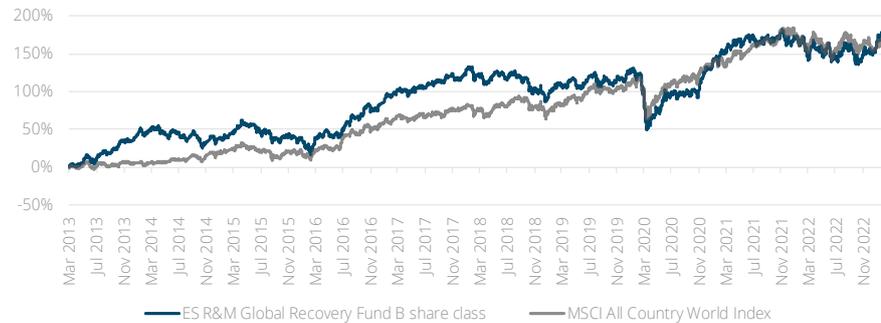
CLASS B GBP (Income)

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)	-0.5	8.2	6.6	38.9	23.2	175.0
Benchmark	-1.2	-1.6	1.7	35.9	51.0	166.5

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 (Inc)	-7.1%	-4.5%	26.1%	3.3%	6.6%
Benchmark	2.7%	8.2%	19.0%	12.3%	1.7%

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

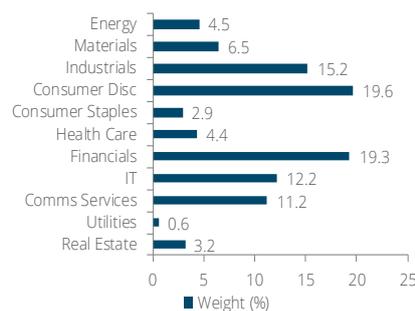
The portfolio's ten largest country holdings by total weight.



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	504
Fund Volatility	15.8%
Benchmark Volatility	13.9%
Beta	1.07
Active Money	78.9%

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	£312.6m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

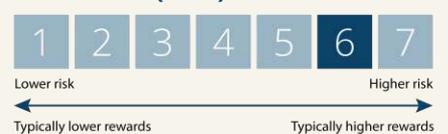
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.14%

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

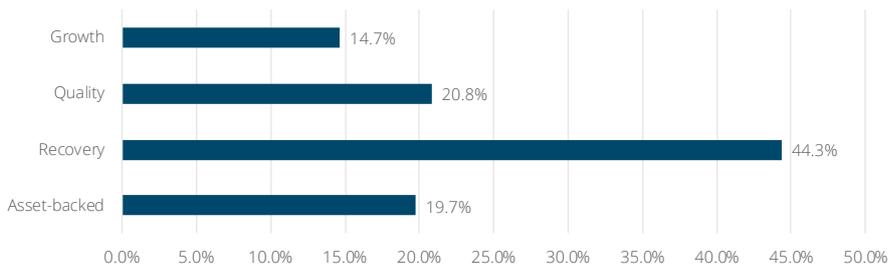
The ten largest positions by weight held in the portfolio.

	Weight (%)
Amazon.com	1.3
Alphabet class A	1.2
Meta	1.1
Alibaba Group	0.8
Citigroup	0.8
PayPal	0.8
Wells Fargo & Co.	0.8
State Street Corp	0.7
Baidu	0.6
Walt Disney Company	0.6

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

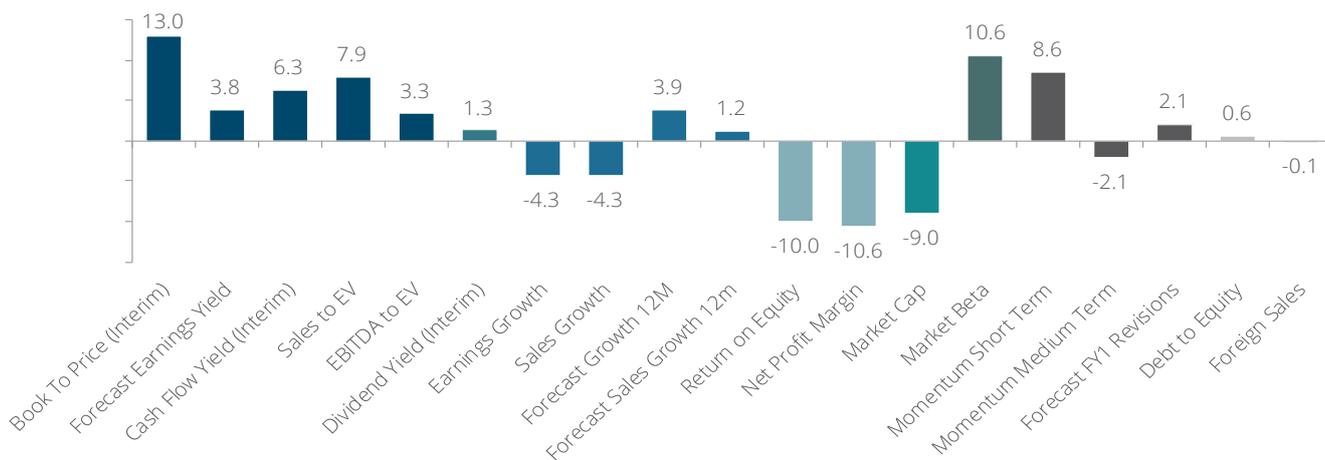
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

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

Investment background

In February equity markets gave back some of January's gains (MSCI ACWI -2.9% total return in USD). Good news became bad news, in a sense – demand is now perceived as too strong because this will make it harder to bring down inflation, potentially requiring more restrictive interest rates than financial markets had been pricing in. Strength of demand is particularly evident from the US consumer, but you could make an argument that consumer spending has surprised on the upside even in the countries perceived as most challenged by a cost-of-living crisis, such as the UK. If this sounds contrary to what we wrote last month, it should! The current backdrop has echoes of the famous Mankoff (New Yorker Magazine) cartoon from 1981: "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."

Strategy update

Performance

The fund returned -0.5%¹ in February versus -1.2%² by its comparator benchmark, the MSCI ACWI index (all in GBP).

Our key factors were mixed during the month with the return of economic and interest rate uncertainty undermining the returns to value, recovery and smaller companies. Stock picking was reasonably robust, offsetting some factor drags.

Positive contributors during the month were mainly driven by strong results and spread through a number of different sectors and geographies such as **Draftkings** (+28%), **Meta Platforms** (+19%), **Rolls Royce** (+37%), **Iveco** (+18%), **iQIYI** (+17%), **Eurobank Ergasias** (+16%) and **Danieli** (+11%).

Underperformers were led by not owning **Tesla** and **Apple** and having an underweight position in **NVIDIA**, all three rallying.

Activity

The market continues to pay quite full prices for certainty stocks (low volatility streams of profits and cash flow) and double discounted valuations for uncertainty stocks (any companies where there is a risk to short term profits and cash flow). The great thing at the moment is that the latter covers a very wide range of stocks, from deep value to high quality (but a bit cyclical), to fast growth (but uncertain short-term delivery), so my investable universe is very large.

There was not a huge amount of activity last month. We are well positioned for a continued return to value, better performance from 'uncertainty' stocks, a return to form of small and mid-caps and a much better environment for consumer and industrial cyclicals as cost-of-living pressures roll-over. A new addition to the portfolio was **Wartsila**, which provides marine propulsion technology and is a high scoring recovery stock with close to trough margins as well as close to trough EV/Sales multiples. Wartsila has useful structural tailwinds for demand over the long term. Its efficient engines will help decarbonise marine transport, with a decent order cycle likely as fuel conversions come in over the next decade, and its battery business (systems integration) will be a major beneficiary of government stimulus behind green energy, such as the US Inflation Reduction Act and its European equivalent. This revenue growth, alongside the lagged effect of pricing to recover cost inflation and some one-off costs in 2022 dropping out this year should see operating margins recover from last year's 4% to double-digit levels in time (the company targets 12%). The shares currently trade on ~10x recovered earnings compared to a long-run average of ~15x so we don't see this recovery as being priced into the shares.

We sold out of **Marriot International**, **Heijmans** and **Subsea7** following strong performance.

Outlook

Investors should be under no illusions that we are in a different market regime to 2010-20, with a higher resting heart-rate for interest rates (and by extension the cost of capital) and more volatility around inflation. Valuation dispersion – a measure of the bang for your buck you get for buying cheaper stocks over more expensive – is at high levels across the world, which is an attractive environment in which to be a valuation-focused stock picker. The fundamentals of last cycle's darlings, particularly some large constituents of equity benchmarks (and by extension many passive portfolios), have weakened while many cheaper stocks and sectors, such as banks and energy, are performing better. Certain equities are much further through the process of adjustment to the intermediate outlook than others, allowing scope for stock picking alpha.

My Recovery Funds have been launched and run by me at River and Mercantile for 15 years (UK Recovery) and 10 years (Global Recovery) and have compounded out at double digit rates and been decently ahead of their multi-cap benchmarks. We have applied the same approach consistently over that long period of time, it's worked more often than not, our readers should know what they are getting. They should also know that I am excited about the opportunities from here as our investment factors are just starting to out-perform again and we have lots of good companies where valuations are low and where on average newsflow is starting to beat depressed expectations. Generating long term wealth for you, your clients and your family, that is what it's about!



Hugh Sergeant

Portfolio Manager

March 2023

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

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

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