31 MARCH 2021

ES River and Mercantile UK EQUITY INCOME FUND

CLASS B GBP (Income)

RIVER AND MERCANTILE

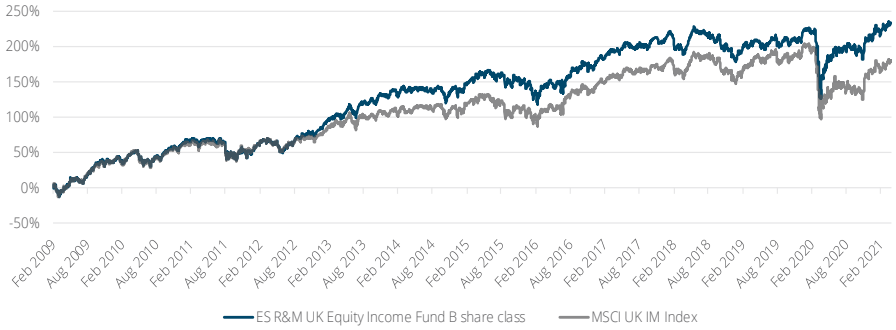
PAST PERFORMANCE

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 3 February 2009.

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

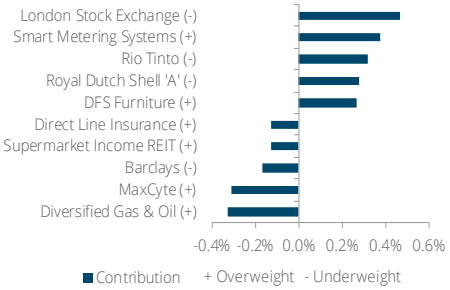
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Inc)	3.3	5.1	28.6	13.9	35.8	101.2	234.4
MSCI UK IM Index	4.0	5.4	24.3	6.7	32.0	71.6	178.7

DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/03/2017	12 months to 31/03/2018	12 months to 31/03/2019	12 months to 31/03/2020	12 months to 31/03/2021
B share class (Inc)	19.3%	-0.1%	4.0%	-14.8%	28.6%
MSCI UK IMI	22.3%	1.1%	6.5%	-19.4%	24.3%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

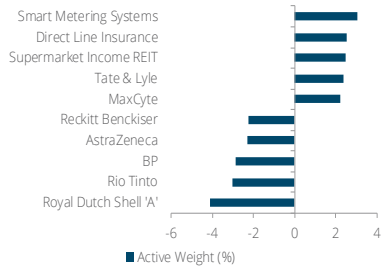
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

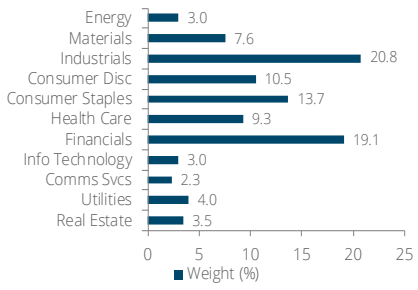
The securities in which the portfolio weight differs most from that of the benchmark



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 (%)
Unilever	3.9
Diageo	3.5
Smart Metering Systems	3.1
Direct Line Insurance	2.7
Bunzl	2.6
National Grid	2.6
Whitbread	2.5
RELX Group	2.5
Tate & Lyle	2.5
Aviva	2.5

Source: River and Mercantile Asset Management LLP

INVESTMENT OBJECTIVE

To generate an average annual income above the dividend yield of the benchmark over a rolling 3-year period and achieve a total return (income and growth in the value of your investments (known as "capital growth")) above the total return of the benchmark over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

Daniel Hanbury

YIELD

Historic yield	3.33%
Current yield	2.83%

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	74
Fund Volatility	14.7%
Benchmark Volatility	14.2%
Beta	0.97
Active Money	64.8%

KEY FACTS

Fund launch date	03/02/2009
Share class launch date	03/02/2009
Benchmark	MSCI UK Investable Markets index
IA sector	UK Equity Income
Total fund size	£135.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	B3KQG44
ISIN	GB00B3KQG447
Bloomberg	RMUKEIB
Distribution type	Income

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

MARKET CAPITALISATION

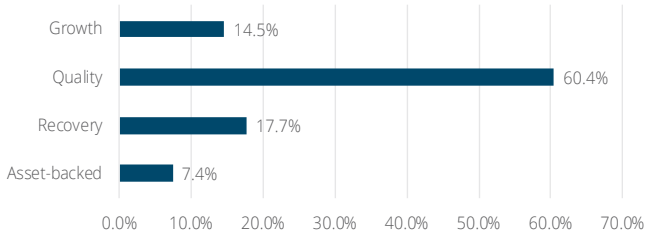
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	29.2%	55.7%	-26.6%
Large Cap	£4bn - £20bn	25.5%	29.6%	-4.1%
Mid Cap	£2bn - £4bn	6.4%	7.2%	-0.9%
Small Cap	£100m - £2bn	35.5%	7.4%	28.0%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

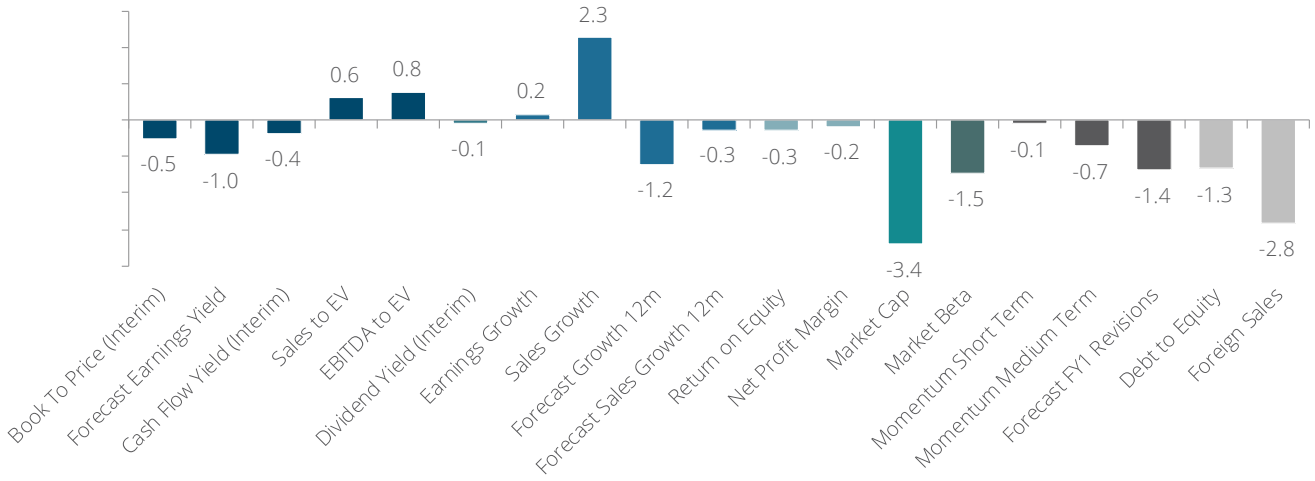
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

FUND RATINGS

ELITE PROVIDER rated for equities by FundCalibre.com 2021

SQUARE MILE AA

ALPHA MANAGER 2021 Daniel Hanbury

RSMR RATED FUND

FE CROWN FUND RATING

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

MANAGER'S REVIEW

Investment Background

Global equity returns remained strong in March (MSCI ACWI +2.7% total return in USD, MSCI UK IMI +4% in GBP). Broadly speaking, cyclical companies and Value indices continued to outperform defensives and Growth indices. This has been supported by earnings upgrade momentum in resources, financials and autos particularly, but was also driven by higher bond yields. The US 10-year yield rose more than 30 basis points to above 1.7% amidst a backdrop of supportive macroeconomic indicators, and the passing of a $1.9 trillion US stimulus package and presentation of an additional $3 trillion bill focused on infrastructure. Commodities prices fell slightly following their particularly strong month in February (Brent oil -1% and copper -2%).

Strategy update

Performance

The fund returned 3.3% over the month, just behind the benchmark which finished up 4.0%, leaving us broadly in line with the benchmark over the quarter and c.4% ahead over the 12 month period.

UK domestic consumer cyclical stocks continued to recover as the vaccine programme was rolled out successfully, providing a path to opening up the economy. **Halfords**, **DFS** and **Restaurant Group** all performed strongly. Miners and Oils – where we are somewhat underweight – retraced a little. Negative contributions came from a number of the pandemic winners giving back some outperformance such as **Maxcyte**, **Fresnillo** and **Supermarket Income REIT**. **OneSavings Bank** was a detractor of relative performance in the month following the announcement of potential fraudulent activity in its non-core lending activity which overshadowed a strong underlying profit beat. The maximum exposure to the potential fraud is relatively immaterial and the issue appears to be an isolated incident based on initial finds. We await the conclusions of an independent review of associated processes and controls.

Activity

We re-purchased **British American Tobacco** after a period of earnings downgrades and significant de-rating. BAT is turning the corner with positive momentum in their RRPs (Reduced-Risk Products) and the valuation reflects a decline to zero in relatively more harmful combustible products in a number of their major markets. Trading on a P/E ratio of 7x with a sustainable 8% dividend yield in combination with the positive steps the company are taking from an ESG perspective, we felt the discount was large enough to give a more than sufficient margin of safety in the investment case.

We exited **Fevertree** after they delivered earnings downgrades on the back of slower trading. The 50x multiple just looked too rich without confidence in the earnings momentum. We also exited **Telecom Plus**, the multi-utility distributor, following a breakdown in the PVT investment case given a relatively full valuation, earnings risk and a share price starting to underperform. Long-term concerns around the sustainability of the company's partnership distribution model was a key factor in our decision making.

Outlook

Pandemic headlines continue to improve and the outlook for the UK economy should see confidence rapidly return later in 2021 as the latest Covid wave falls and the vaccines and therapeutic drugs are successfully rolled out. The UK market remains relatively cheap despite the most recent rally. We are buying high quality undervalued stocks, where we believe growth will be stronger and dividends both re-instated and more sustainable than the market believes. We continue to execute on a sell discipline that enables us to recycle capital into new exceptional equity income investments.

Thank you for your interest and support through the eventful markets of the past 12 months.

Dan Hanbury
Portfolio Manager
April 2021

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