

RIVER AND MERCANTILE

EMBARGOED UNTIL 7AM 29TH JULY 2021

29th July 2021

River and Mercantile Group PLC Trading Update to 30th June 2021

“Delivering against strategic plan with strong sales momentum in Solutions and Wholesale”

River and Mercantile Group PLC (“R&M”), the asset management and investment solutions business, today provides a trading update for the twelve months and six months ended 30 June 2021.

James Barham, Group Chief Executive commented:

“The investments we have made in Wholesale and Institutional distribution, alongside the deepening and broadening of our investment capabilities have delivered earlier than anticipated. Wholesale distribution improved strongly with net positive sales of £0.6bn compared to the previous year and we have had a successful CMA retendering process retaining 90% of relevant clients’ assets through the process and we have won 12 new clients during the period with total assets including assets in transition totalling £4.9bn. This, combined with strong investment performance, positions the Group very well for continued strong growth over the coming years.”

Summary of the twelve months ended 30 June 2021:

- Fee earning AUM increased in the twelve months by 7.7% to £47.6bn.
 - Gross sales were £4.3bn;
 - Net flows were £1.4bn;
 - Net flow ratio was +3.2% of opening AUM; and
 - Investment performance was positive £2.0bn or +4.5% of opening AUM.

Summary of the six months ended 30 June 2021:

- Fee earning AUM increased in the six months by 4.1% to £47.6bn.
 - Gross sales were £2.4bn;
 - Net flows were £1.3bn;
 - Net flow ratio was +2.9% of opening AUM; and
 - Investment performance was positive £0.6bn or +1.2% of opening AUM.

Group Highlights

- The business has performed strongly and is responding well to the investments made;
- Excellent investment performance across the business with 92% of funds and strategies by AUM outperforming relevant benchmarks over the last 12 months;
- 90% of Fiduciary AUM retained through the CMA process and £1.2bn of new wins during the year;
- An improvement in our RFP and pitch success rate and as a result a growing pipeline of opportunities;
- This has led to 12 new Fiduciary clients wins during the year, delivering an additional £4.9bn of Fiduciary and Derivative AUM and assets in transition;
- Wholesale gross sales have grown by 180% over the last twelve months with an improvement in net positive sales of £0.6bn from the previous year;
- Wholesale pipeline is building strongly and is well positioned for the coming period;
- European fund launched and as of 29th July 2021 is £80m; and
- Infrastructure team recruited and Infrastructure Equity Income fund readied for launch;

James Barham, Group CEO Report

Introduction

The last annual report set out my strategy for the Group over the near term and the changes I felt were imperative to deliver the potential growth that we know is latent within the organisation.

Executing on this plan we called “investing for profitable growth” has been paramount in ensuring that the Group had the required leadership and skill sets to deliver on its potential and provide shareholders with strong and growing returns. The focus of this strategy has been a significant investment in distribution with a focus on Wholesale and Solutions alongside a deepening and broadening of our investment capabilities. I am delighted with the visible impact this is having on our business and this positions us well to continue to execute on our strategy and deliver value to shareholders and clients.

River and Mercantile is a fantastic business with exceptional and gifted employees and I have been delighted in how everyone has responded to the challenges that we have faced. The Group has performed well during the last six months and over the year as a whole. Against difficult market conditions the changes we have made, in particular surrounding distribution, are now delivering positive outcomes and this is reflected in the gross sales and in transition assets.

The initial element of the CMA order concluded on the 9th June and we have fared well in an unprecedented period for the Fiduciary industry: we have retendered almost the entirety of our AUM in a relatively short period. Since the beginning of the retendering process, we have retained ninety per cent of relevant AUM and in addition over the last year we have won 12 new clients over the year delivering a combined £4.9bn of assets that have transitioned or are in the process of being transitioned and the pipeline of new opportunities is strong.

We are clearly delighted with the vote of confidence we have received from our clients through this process and I would like to take this opportunity to reiterate our absolute commitment to continue to deliver the investment returns and outcomes that they require.

We recognise that the retendering process for some of our competitors is not yet concluded, which provides further opportunity to increase market share as well as continuing to win a growing share of new Fiduciary mandates as the underlying market continues to grow with pension fund consolidation.

Group performance

The Group in general has continued to perform well through the year and delivered strong gross sales of £4.3bn across the diversified business activities as follows:

- Fiduciary gross sales of £1.2bn and a further £0.9bn of net rebalancing;
- Derivatives gross sales of £2.4bn and a further £0.9bn of net rebalancing;
- Equity gross sales of £0.8bn spread across both Wholesale and Institutional;
- Investment performance contributing £2.0bn of additional growth; and
- The Group has a further £1.4bn of assets in transition and £0.7bn won and in IMA negotiation.

The business delivered an increase in AUM of £3.4bn during the year. As part of this we have seen a significant recovery in our Wholesale business following the investments we made in the sales teams this time last year. Wholesale gross sales have grown by 180% over the last twelve months with an improvement in net positive sales of £0.6bn from the previous year. I am especially pleased with the speed at which the restructured team has delivered this improvement and look forward to Wholesale continuing to grow strongly.

Elsewhere our investment in developing our Solutions sales has delivered a clear transformation and all stages of our sales pipeline have been enhanced over the last 12-18 months which bodes well for the coming year. In addition to the £1.2bn of Fiduciary sales, we have an additional £2.1bn of assets at various stages of the

RIVER AND MERCANTILE

transition process, including £1.4bn of assets where agreements have been signed however assets have not yet transferred.

Our pipeline has responded to the investment in sales and reflects our activities at each stage of the sales process. Our success rate at RFP and pitch has continued to improve and evidences the strong investment and client proposition that has been developed over time. We will keep investing in this part of our business to ensure that we are able to take advantage of the very significant opportunities we see in many of our core markets.

Investment performance

Our strategies have delivered strong investment performance for our clients across the business over the last 12 months with 92% of our products and services by AUM ahead of their respective benchmarks. This has led to a return of healthy performance fees from both our Solutions and Equities business. The pre-tax contribution is estimated to be approximately £2.5m for the year which compares favourably to a contribution in our last financial year of £0.6m.

Outlook

We look forward to the new financial year with a high degree of confidence. As I have highlighted, the investments we have made in distribution are clearly having the desired impact and we expect this momentum to grow over the coming period. Equally our investment in deepening and broadening our investment capabilities have been effective and we look forward to enhancing this over the coming years.

We are near to the first close of our new Infrastructure Equity Income fund, which will be the first fund launched by the Infrastructure team led by Ian Berry following their recruitment from Aviva Investors earlier in this calendar year. We have seen strong interest from across the market and will provide more detail once launched.

The CMA review of the Fiduciary market has meant that normal activity over the last two years has been somewhat distorted, however with the ending of the initial mandatory tendering period on the 9th June we have seen some normality return to a very exciting market and expect this to continue. We have complied with the CMA order and, when viewed in tandem with a client base where the majority of assets have been retendered, this positions us extremely favourably for the expected growth in the Fiduciary market and the opportunities we anticipate as the market liberalises. The award of Fiduciary Manager 2021 at the Pensions Age awards event is a testament to the hard work and quality of our Fiduciary proposition.

Summary

The business has performed well and the impact of the changes we have made are tangible. I would like to take the opportunity to thank all of our clients for their continued support and our employees for their incredible support and hard work over the last year as the impact of the pandemic presented challenging operating conditions.

James Barham
Group Chief Executive
River and Mercantile Group PLC

RIVER AND MERCANTILE

AUM for the twelve months ended 30 June 2021

£'m	Fiduciary Management	Derivative Solutions			Equity Solutions			Total AUM
		S. Equity	LDI	Total	Wholesale	Institutional	Total	
Opening AUM	14,773	7,395	17,817	25,212	1,024	3,211	4,235	44,220
Sales	1,151	1,718	675	2,393	595	178	773	4,317
Redemptions	(1,463)	(735)	(1,034)	(1,769)	(404)	(1,060)	(1,464)	(4,696)
Net rebalances and transfers	875	45	859	904	-	-	-	1,779
Net flow	563	1,028	500	1,528	191	(882)	(691)	1,400
Investment performance	722	-	-	-	422	843	1,265	1,987
Closing AUM	16,058	8,423	18,317	26,740	1,637	3,172	4,809	47,607
Change in AUM	8.7%	13.9%	2.8%	6.1%	59.9%	(1.2%)	13.6%	7.7%

AUM for the six months ended 30 June 2021

£'m	Fiduciary Management	Derivative Solutions			Equity Solutions			Total AUM
		S. Equity	LDI	Total	Wholesale	Institutional	Total	
Opening AUM	15,377	7,866	17,982	25,848	1,172	3,323	4,495	45,720
Sales	983	688	253	941	433	54	487	2,411
Redemptions	(461)	(285)	(141)	(426)	(181)	(547)	(728)	(1,615)
Net rebalances and transfers	157	154	223	377	-	-	-	534
Net flow	679	557	335	892	252	(493)	(241)	1,330
Investment performance	2	-	-	-	213	342	555	557
Closing AUM	16,058	8,423	18,317	26,740	1,637	3,172	4,809	47,607
Change in AUM	4.4%	7.1%	1.9%	3.5%	39.7%	(4.5%)	7.0%	4.1%

Additional information

Advisory fees

Advisory fee revenues for the year are estimated to be approximately £10.5m.

New mandates in transition

RIVER AND MERCANTILE

New mandates which are expected to transition into fee earning AUM next quarter total £0.7bn in Fiduciary and £0.7bn in LDI. In addition, the Group has won a further £0.4bn of Fiduciary and £0.3bn of LDI where IMAs are currently under negotiation.

Redemptions in transition

Clients included in AUM as at 30 June 2021 which have notified their intention to redeem their holdings in the near term total £0.1bn in Institutional Equity Solutions and £0.9bn in Fiduciary and £0.8bn in LDI as a result of the completion of the Group's CMA retendering process following which the Group expects the attrition rate to return to historic low levels.

For further information, please contact:

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Forward-looking statements

This announcement contains forward-looking statements with respect to the financial conditions, results and business of R&M. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. R&M's actual results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

Notes:

Assets Under Management (AUM) represents amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to Derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged.

Net rebalance and transfers represents the net change in billing AUM values from existing client mandates and can increase or decrease based on changes in the underlying investment or hedging strategies. The category also represents transfers of client assets between divisions. The different billing structures between divisions means that transfers will not necessarily net to zero.

Net flow ratio represents the aggregate gross sales, redemptions, net rebalance and transfers divided by opening AUM.

LDI refers to Liability Driven Investment which relates to the management of interest rate and inflation risk in the underlying pension liabilities.

S. Equity refers to Structured Equity capabilities which provide strategies to shape the return profile of clients' equity portfolios.