RIVER AND MERCANTILE

ES RIVER AND MERCANTILE DYNAMIC ASSET ALLOCATION FUND

Quarterly report to 30 June 2021

For unitholders only

ES River and Mercantile
DYNAMIC ASSET ALLOCATION FUND

Quarter 2, 2021

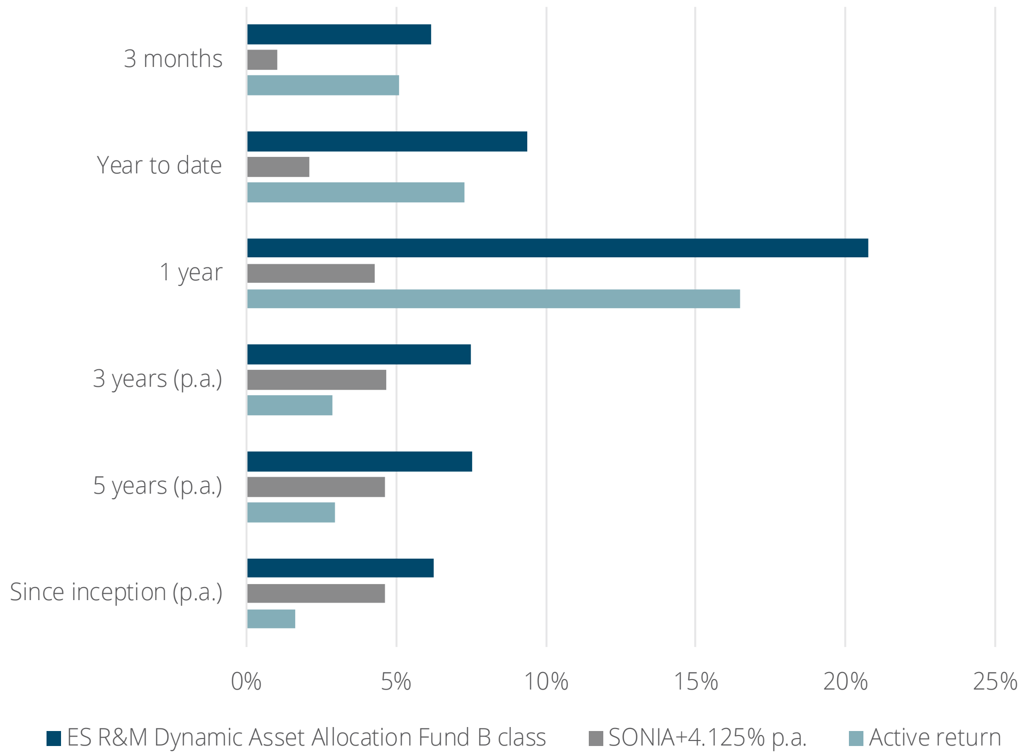
RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

The objective of the strategy is to achieve an average return (income and growth in the value of your investment (known as "capital growth")) of 4.25% per year above cash (based on the SONIA interest rate) (the "Benchmark") over a rolling 3-year period, after the deduction of all fees.

PERFORMANCE

	Fund	Benchmark	Difference
3 months	6.2%	1.0%	5.1%
Year to date	9.4%	2.1%	7.3%
1 year	20.7%	4.3%	16.5%
3 years (p.a.)	7.5%	4.7%	2.9%
5 years (p.a.)	7.5%	4.6%	2.9%
Since inception (p.a.)	6.3%	4.6%	1.6%



	Fund	Benchmark	Difference
3 years (cumulative)	24.3%	14.6%	9.7%
5 years (cumulative)	43.8%	25.2%	18.6%
Since inception (cumulative)	51.4%	36.2%	15.2%

Source: River and Mercantile Group PLC. Fund performance shown is of B share class (accumulation units) and is calculated using the midday published price, net of an annual management charge of 0.55% per annum. Other share classes may be available. ***Past performance is not a reliable indicator of future results****.*

PORTFOLIO SUMMARY

AUM	£215.4m
Benchmark	3 month SONIA + 4.25% p.a.
Inception date	2 September 2014
IA Sector	Mixed Investment 20%-60%

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator (SRRI) is based on how much the returns of the shares have varied over the last five years, or since launch (whichever is the shorter period). The higher the rank the greater the potential reward but also the greater the risk of losing money.

Successfully navigating a remarkable 12 months…

After a year including the shutdown and reopening of societies, the largest global vaccine rollout ever witnessed, a US Presidential election and economic policy unrecognisable from the years of fiscal prudence that preceded, it has been more important than ever to be genuinely dynamic with our asset allocation. Policy has been remarkably effective in supporting financial markets, providing a tailwind to almost all asset classes. However, as credit spreads tightened and government bond yields ground lower throughout 2020, we increasingly positioned the portfolio towards equities. At the turn of the year our view was equities were the only place to be and "hence asset allocation within equities becomes the primary driver of returns". This has very much proved to be the case over the first half of the year (and Q2 specifically). While credit assets have been resilient, returns in 2021 have been much more muted than equities and developed market government bonds had their worst quarter of performance in decades. This very much justified our asset allocation year to date.

We also anticipated the recovery would be bumpy, presenting opportunities to implement short term tactical positions to enhance returns. While we have been strong advocates of cyclical sectors since late last year as Value enjoyed its largest period of outperformance over Growth since the Great Financial Crisis, we have at times reduced cyclical exposure (and equities overall) and added to defence when certain markets have rallied ahead of our expectations. In these circumstances, we cut cyclical exposure and overall risk but maintained a strong preference for assets with strong ESG credentials. On a number of occasions we've used weakness to add back to risk, generally favouring cyclicals (with the exception of the end of the quarter), allowing us to capture much more return than a purely static approach.

…has resulted in strong performance…

Our high conviction in the above views has translated into excellent performance across all time horizons. This year we've averaged around 64% invested in equities (and 20% in cash/defensives), however we have captured over 80% of the returns of global equities over the period and with only 2/3rds of the volatility. This reflects meaningful outperformance versus a static approach and puts fund performance comfortably ahead of our objective and the majority of peers over all horizons.

Three factors have contributed meaningfully to the fund's outperformance year to date:

1. Being overweight equities has added approximately 1.5% to total fund return over the past 6 months, relative to our long run average equity allocation of around 50%.
2. Core positioning within equities, most notably the overweight to cyclicals, has added a further c1% so far this year, relative to being invested passively in the MSCI AC World index.
3. And being dynamic. We've made a number of much more tactical allocations this year, ranging from precious metals to banks, to small cap equity. Two other meaningful active decisions include the decision to hold very little duration in Q1, and also to hedge the majority of foreign currency exposure. We estimate all these dynamic decisions have added around 2% so far year to date relative to doing nothing.

…and we continue to see opportunities in markets…

Looking ahead our views haven't changed materially from last quarter. We still think the combination of significant stimulus and stronger economic conditions, combined with ultra-low borrowing costs (even despite rising bond yields in Q1) is going to support risk assets, favouring equities over anything else for the rest of the year.

That said, as we mentioned in our last quarterly, we are getting closer to the point where we think economic data will start to temper. We're not expecting a slowing in absolute terms over the rest of the year, but we do think the effect of huge stimulus is waning which will naturally slow the pace of economic improvements and therefore market returns in the second half. We expect we've already seen peak PMIs for the year in most major regions.

This has reduced our conviction in our views from earlier in the year in two areas:

1. Less upside for equities in H2

The effect of waning stimulus alongside more and more talk of tapering from the US Federal Reserve will inevitably lead to some volatility. Assuming stimulus is withdrawn at a similar pace to further economic improvements (our base case), we think this still favours equities relative to other asset classes although we aren't expecting returns of the same magnitude as the first half of this year. While we're still very early on in the handover from stimulus to economic fundamentals, we think it still argues to be overweight equities relative to other liquid asset classes for now. No doubt there will be opportunities to add risk as each new economic data point is digested by market participants, but we'll likely have a lower average equity allocation and lower overall risk allocation in H2 relative to H1.

2. From reflation back to innovation

As we flagged was likely in our Q1 report, we rotated out of cyclicals in June of this year – reflecting our view that the reflation trade was likely to come up against some headwinds as the speed of economic improvements moderated, also likely putting some temporary downward pressure on bond yields. We've already seen some of market gains from earlier this year unwind and we're expecting this change of leadership towards quality/innovation to continue to play out into Q3. There may be select cyclical/reflation opportunities to take advantage of over the next few months, but as above, we think a lot of the easy gains are now behind us as we enter a more mid-cycle environment. The story within equities will be more nuanced over the next few months.

Admittedly valuations are not supporting this theme to the extent they were earlier this year. Bond yields have risen rapidly, whilst economic expectations have also picked up. Given cyclical assets have been the major beneficiaries, the opportunity is not quite as appealing as it was, albeit still preferable to defensive sectors in the short term.

Our view on fixed income hasn't changed from last quarter. Credit spreads remain near (or at) record lows and government bond yields have already retraced some of their gains from earlier in the year, putting them back at very unattractive levels.

We still anticipate ESG will continue to add value, and our portfolio continues to rate very highly from an ESG perspective - well ahead of market indices and in line with many ESG-labelled products. Since the start of the year our ESG process has contributed positively to performance. And as leadership rotates back towards quality/growth companies later this year, we anticipate our strong ESG credentials will continue to be a significant contributor.

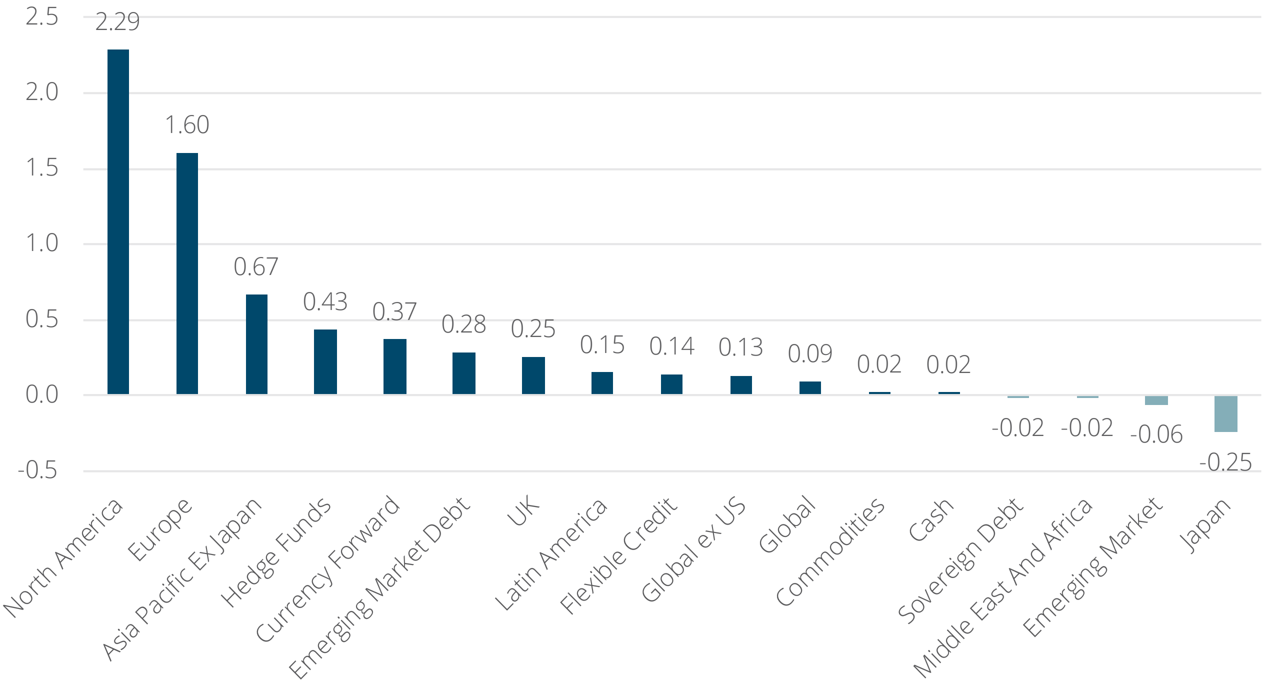
Overall, we're still optimistic about the outlook for the rest of the year, just less so than we were at the start of the year. Crucially though, we're expecting it to be a bumpy ride which should create a lot of opportunities for us to add value.

Mike Faulkner & Joe Andrews
Portfolio Managers

July 2021

RELATIVE CONTRIBUTION TO RETURN OVER THE QUARTER

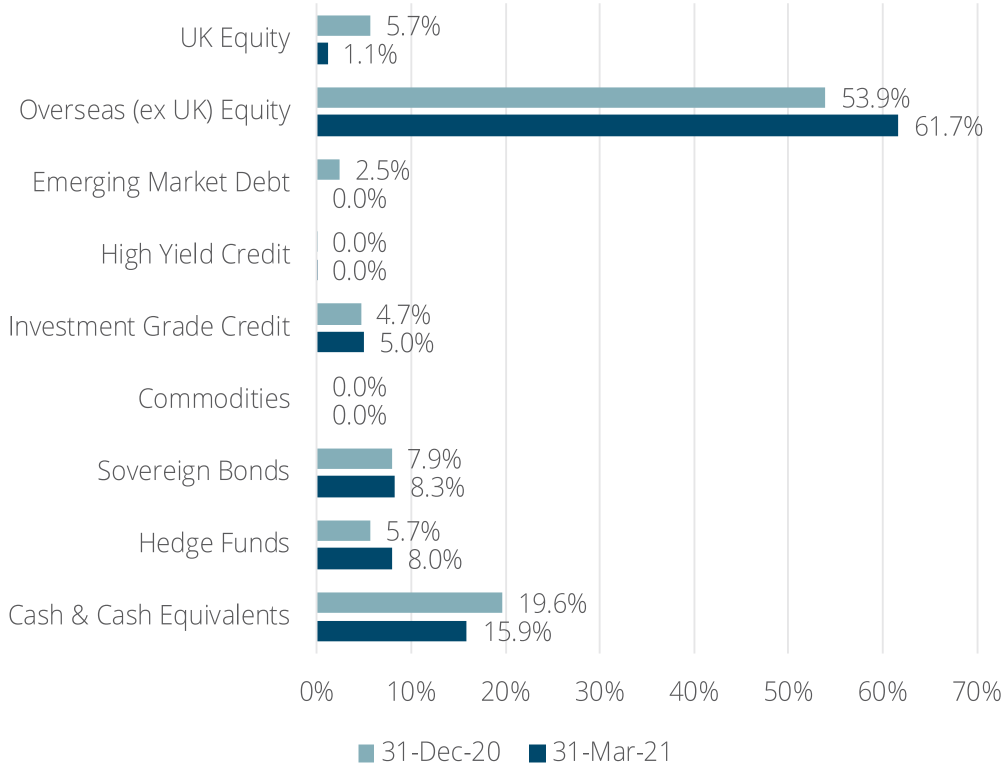
This chart shows the relative contribution to the portfolio's return by region and asset class.



Source: FactSet, based on close of business valuation, gross of fees

ASSET ALLOCATION

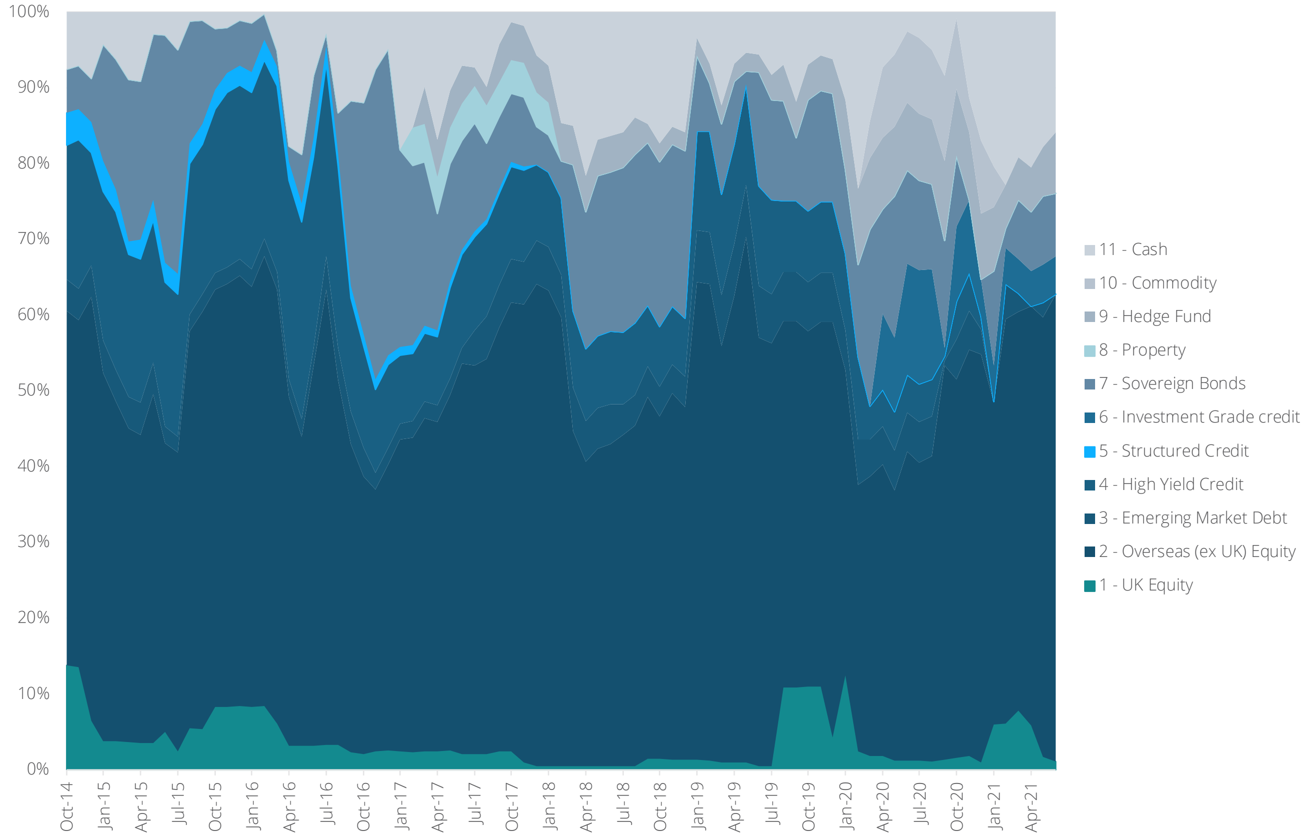
This chart shows the fund's allocation to different asset classes by portfolio weight, at the most recent quarter-end versus the previous quarter-end position.



Source: River and Mercantile Group

ASSET ALLOCATION EVOLUTION SINCE INCEPTION

This chart shows the evolution of the portfolio's weighting to different asset classes over time, since its inception in September 2014.



Source: River and Mercantile Group

TOP 10 HOLDINGS

This table shows the fund's ten largest holdings by weight.

	Weight (%)
UK Treasury 3.75% Sep 2021	8.3
River and Mercantile Global Macro Z GBP Acc	8.0
BlackRock ISC Sterling Liquidity Fund	5.4
Neuberger Berman Global Flexible Credit Fund	5.0
ES R&M European Fund	4.9
iShares S&P500 Cons. Disc. Sector UCITS ETF	3.0
SPDR S&P500 Comms. Services Select Sector UCI	3.0
Insight GBP Liquidity Fd	2.5
Invesco EQQQ Nasdaq-100 UCITS ETF	2.0
Vanguard S&P 500 ETF	2.0

Source: River and Mercantile Group

BROKER COMMISSIONS ANALYSIS

Counterparty	Total (£)	Commission Paid (£)
		Execution Only
ABG SUNDAL COLLIER	0.00	0.00
ATLANTIC SECURITIES	0.00	0.00
BANCO ITAU	0.00	0.00
BARCAP	0.00	0.00
BERENBERG	0.00	0.00
BMO	0.00	0.00
BTG PACTUAL	0.00	0.00
CANACCORD ALGO	0.00	0.00
CANACCORD GENUITY	0.00	0.00
CENKOS	0.00	0.00
CITI PROG	81,202,089.86	19,064.61
CITIGROUP	0.00	0.00
CLSA	0.00	0.00
CREDIT SUISSE	0.00	0.00
DEUTSCHE BANK	323,505,597.06	0.00
EXANE	0.00	0.00
FINNCAP	0.00	0.00
GBM	0.00	0.00
GOLDMAN SACHS	498,165,530.90	0.00
GOODBODY	0.00	0.00
HSBC	0.00	0.00
ING	0.00	0.00
INSTINET	0.00	0.00
INVESTEC	0.00	0.00
ITG	0.00	0.00
ITG ALGO	0.00	0.00
ITG EURO	0.00	0.00
J&E DAVY	0.00	0.00
JANE STREET	37,812,851.46	0.00
JEFFERIES	0.00	0.00
JEFFERIES ALGO	0.00	0.00
JPMORGAN CHASE	0.00	0.00
KEPLER CHEUVREUX	0.00	0.00
LIBERUM	0.00	0.00
LIQUIDNET	0.00	0.00
MEDIOBANCA	0.00	0.00
MIZUHO	0.00	0.00
MORGAN STANLEY	0.00	0.00
NORTHERN TRUST CORP	0.00	0.00
NPLUS1 SINGER	0.00	0.00
NUMIS	0.00	0.00
PANMURE GORDON	0.00	0.00
PEEL HUNT	0.00	0.00
RAYMOND JAMES	0.00	0.00
RBC	0.00	0.00
RBC ALGO	0.00	0.00
REDBURN	0.00	0.00
SANFORD BERNSTEIN	0.00	0.00
SANTANDER	0.00	0.00
SHORE CAPITAL	0.00	0.00
SOCIETE GENERALE	0.00	0.00
STIFEL EUROPE	0.00	0.00
STIFEL NICOLAUS	0.00	0.00
SUSQUEHANNA INTERNATIONAL	11,354,569.94	0.00
UBS	896,845.76	630.00
UBS PROG	35,422,292.59	7,084.71
WINTERFLOOD	0.00	0.00
FLOWTRADERS	21,350,443.21	0.00
CONFIRMED FUND PRICE	12,010,800.00	0.00
OPTIVER	37,877,605.65	0.00
BANK OF MONTREAL	0.00	0.00
BTIG	0.00	0.00
CITADEL INVESTMENT GROUP L	12,958,128.84	0.00
BRBNPMBS	0.00	0.00
STIFEL FINANCIAL CORP	0.00	0.00
CITI UK	0.00	0.00
LIQUIDNET ALGO	0.00	0.00
	£ 1,072,556,755.27	**£ 26,779.32**

Firm Wide Comparators

All Equity Trading	**£ 2,262,236,036.54**	**£638,966.08**
Trades:	**£ 1,072,556,755.27**	**£26,779.32**
Average Firm-Wide Commission Rate (%)		0.03%
Average Commission Rate (%)		0.00%

Source: River and Mercantile Asset Management LLP

IMPORTANT DISCLOSURES

The information in this document has been prepared and issued by River and Mercantile Asset Management LLP (trading as "River and Mercantile" and "River and Mercantile Asset Management") registered in England and Wales under Company No. OC317647, with its registered office at 30 Coleman Street, London EC2R 5AL. River and Mercantile Asset Management LLP is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 453087), is registered with the U.S. Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940.

Equity Trustees Fund Services Ltd (the "ACD" for ES River and Mercantile Funds ICVC) is authorised in the United Kingdom and regulated by the Financial Conduct Authority FRN 227807.

River and Mercantile Asset Management LLP is a subsidiary of River and Mercantile Group Plc which is registered in England and Wales under Company No. 04035248, with its registered office at 30 Coleman Street, London EC2R 5AL.

This document is directed at professional and retail clients. The information in this document should not be relied on or form the basis of any investment decision. Retail clients requiring any information should seek the advice/assistance of a Financial Advisor. The information contained in this document is strictly confidential and must not be reproduced or further distributed.

The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not a reliable guide to future results. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please refer to the ES River and Mercantile Funds ICVC principal prospectus for further details of the financial commitments and risks involved in connection with an investment in this Fund. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by R&M, its partners or employees. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.

Please note that individual securities named in this report may be held by the Portfolio Manager or persons closely associated with them and/or other members of the Investment Team personally for their own accounts. The interests of clients are protected by operation of a conflicts of interest policy and associated systems and controls which prevent personal dealing in situations which would lead to any detriment to a client.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Although River and Mercantile's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

River and Mercantile Asset Management LLP
30 Coleman Street
London EC2R 5AL

riverandmercantile.com

RIVER AND MERCANTILE