RIVER AND MERCANTILE

ES RIVER AND MERCANTILE UK EQUITY HIGH ALPHA FUND

Quarterly report to 30 June 2021

For unitholders only

ES River and Mercantile
UK EQUITY HIGH ALPHA FUND

RIVER AND MERCANTILE

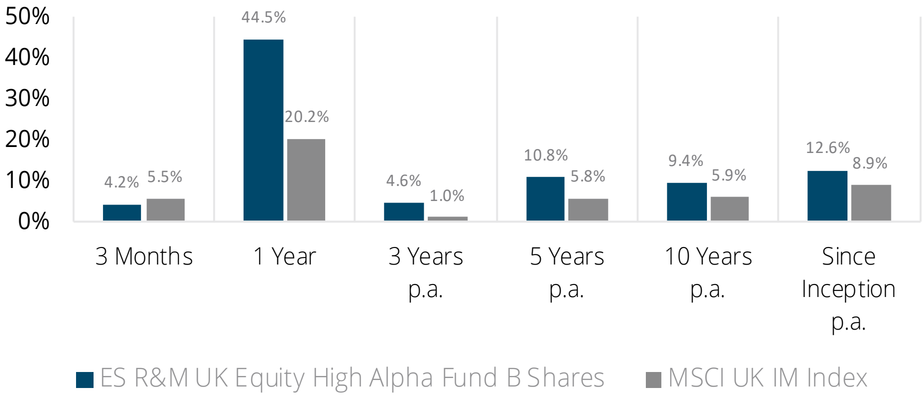
Quarter 2, 2021

INVESTMENT OBJECTIVE

To grow the value of your investment (known as "capital growth") in excess of the MSCI UK Investable Market Index (IMI) Net Total Return (the "Benchmark") over a rolling 5-year period, after the deduction of fees.

PERFORMANCE (NET OF FEES)

	B share class	Benchmark	Difference
3 months	4.2%	5.5%	-1.3%
1 year	44.5%	20.2%	24.3%
3 years (p.a.)	4.6%	1.0%	3.6%
5 years (p.a.)	10.8%	5.8%	5.1%
10 years (p.a.)	9.4%	5.9%	3.5%
Since inception (p.a.)	12.6%	8.9%	3.7%



PERFORMANCE (BEFORE FEES)

	Z share class	Benchmark	Difference
3 months	4.4%	5.5%	-1.1%
1 year	45.5%	20.2%	25.3%
3 years (p.a.)	5.3%	1.0%	4.3%
5 years (p.a.)	11.6%	5.8%	5.9%
10 years (p.a.)	10.3%	5.9%	4.3%
Since inception (p.a.)	8.4%	5.2%	3.2%

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI UK Investable Market Index, net GBP. Fund performance shows the B share class (accumulation units) which is net of an annual management charge of 0.75% per annum, and the Z share class (accumulation units) which reflects the fund's gross performance before any fees are deducted. Inception date of the B share class is 20 October 2008 and inception date of Z share class is 28 November 2006. Fund performance is calculated using the midday published price. Note that the benchmark performance is calculated using close of business mid-market prices. Other share classes may be available. Past performance is not indicative of future results.

PORTFOLIO SUMMARY AND KEY RISK CHARACTERISTICS.

Fund AUM	£98.5m	Tracking error	4.4 %
Strategy capacity	£800m	Active money	54.7 %
Inception date	28/11/2006	Portfolio beta	1.11
Number of stocks	239		

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.

Our High Alpha and Recovery approaches

We invest in companies with Potential, Valuation and Timing with a strong portfolio construction commitment to attractively valued companies, to good businesses with recovery potential, to being interested in structural growth when it is temporarily unpopular and to getting most interested in an investment when it is out-of-favour but where the fundamentals are on the turn. We repeat this investment approach day-in and day-out, aided by systematic screening. We try to stick to our approach during the difficult times (such as the anti-value market of the last few years) so that we nearly always participate when there is a following wind for our factors. Our High Alpha strategies include being benchmark aware when constructing the portfolio; our Recovery strategies are unconstrained and focus on medium to long-term wealth creation.

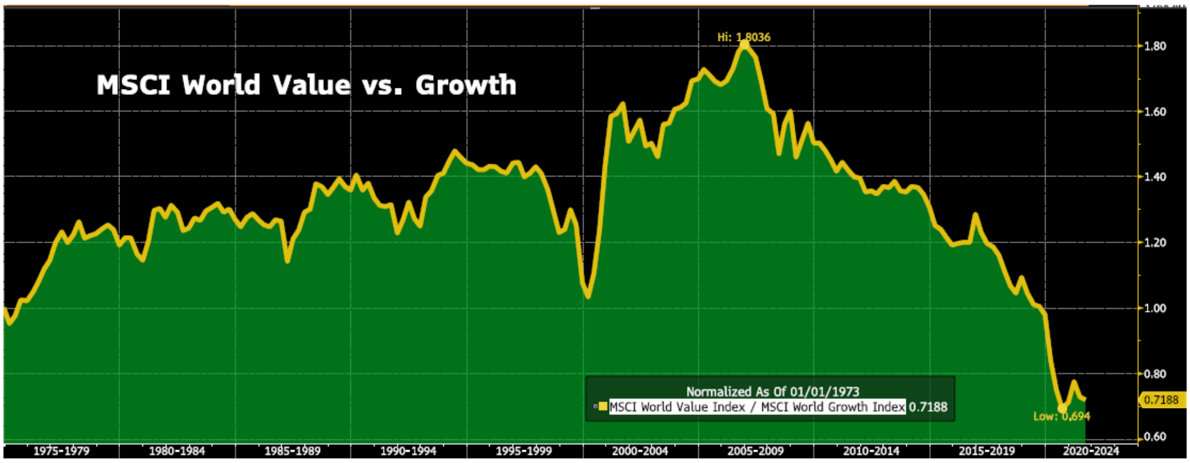
Executive summary

Another huge opportunity to buy Value & Recovery at the bottom of the cycle, this will be the focus of this relatively short quarterly update.

Value shares (including July performance to date, at time of writing) have now given back much of their relative outperformance since the low point of the value cycle when positive news on vaccines was announced last year. And Value is now significantly lagging Growth since the low point of the market at the end of Q1 2020. The catalyst for the latest retrenchment of value has been the move by the Federal Reserve (Fed) to become more hawkish on interest rates and the Delta wave of Covid causing many to question the speed of re-opening.

Source: Bloomberg

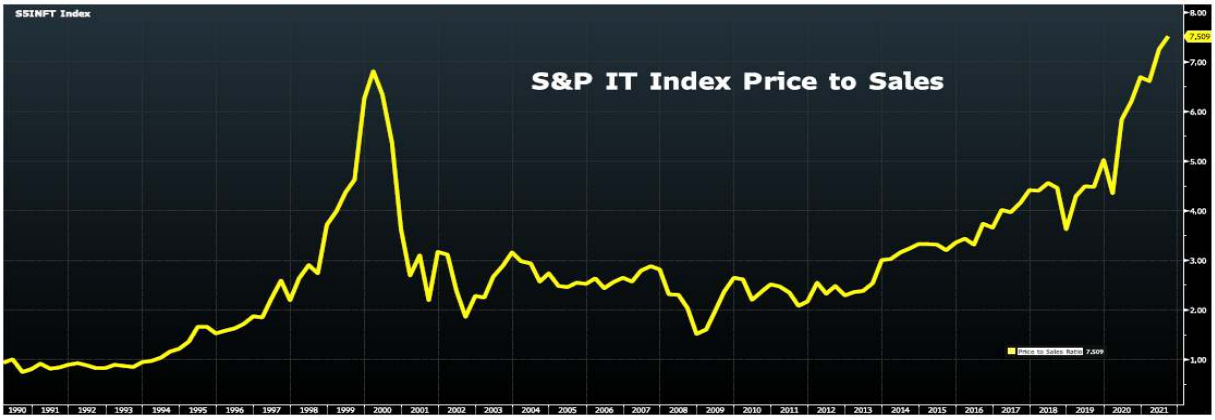
As a result of this recent retrenchment, Value is back towards the post-Global Financial Crisis (GFC) nadir. I hope I don't sound like a stuck record but from my perspective that provides a significant opportunity. I think we are at the relatively early stages of the economic recovery, and the profit recovery that goes with that. Last year saw a big fall in GDP and profits due to the impact of the pandemic, this year will be the first year of recovery. This will be supported by the fading of the negative impacts of Covid, by very supportive monetary and fiscal policy, by a desire of most economic stakeholders to deliver a recovery that benefits the majority not the minority (such as what happened after the GFC), by the green agenda and by consumers spending the cash they have been forced to save over the last 18 months. So, we think we are closer to the beginning of the cycle than the end. But meanwhile markets are pricing this as the end of the cycle, pushing down bond yields again, encouraging another chase into expensive quality and growth stocks, thus leading to Value giving back over half of the modest rally that we have seen over the last year. So, from my perspective this provides another great opportunity to invest in value and recovery stocks, to get undervalued exposure to the economic and recovery cycle we will see over the next couple of years and to provide a great hedge against the inflationary pressures that will be more of an issue over the next ten years than they have been over the last ten.



Source: Bloomberg

Key points

- The Value Cycle: rather surprisingly Value has corrected aggressively over the last three months and is now close to its post GFC nadir; from my perspective this provides another significant opportunity.
- Recovery: many classic recovery stocks have pulled back aggressively over the last few months; perhaps some became over-bought earlier in the year as capital looked for inflation hedges; many now look oversold, especially consumer cyclicals that have been negatively impacted by Delta Covid concerns, these will still be beneficiaries of a return to normal consumer spending patterns over the next few years.
- Growth stocks are back to all time high valuations, it does surprise me that investors have been so quick to re-embrace expensive growth, as shown by the US IT Index price to sales multiple beyond the TMT bubble.



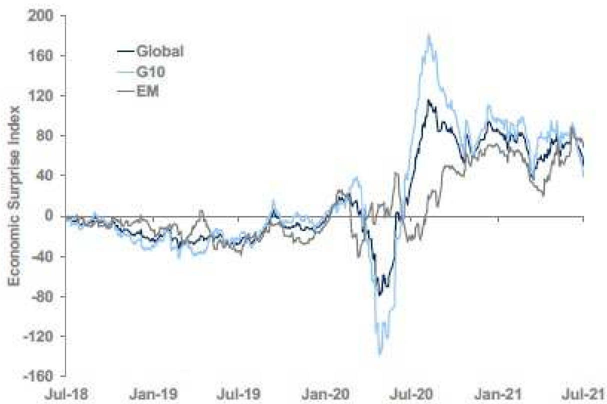
Source: Bloomberg

- Inflation hedges: equity inflation hedges have become quite cheaply priced again, this includes commodity and precious metal stocks and companies that benefit from interest rate increases, such as banks.
- The profits growth for this portfolio should be very robust over the next 24 months, as exposure to both classic recovery stocks and structural growers, that were purchased cheaply in the 2020 sell-off, act in tandem to drive increasing profits and cash flow for the portfolio.
- Good value PVT stocks in an often expensive world – with many of our favoured stocks, themes and regions having suffered a mini correction over the last few months and into July they are now good value and becoming oversold; at the same time growth and quality stocks are expensive in absolute terms and relative to their own history and are now becoming overbought. So, in relative terms our portfolio is good value, oversold and showing strong profits and cash flow growth fundamentals. This should be an attractive mix.

The global economy

Economies continue to recover strongly – inevitably some leading indicators, which have been unusually strong have peaked; this was to be expected, and in no way undermines what is a solid picture of strong economic recovery in 2021, followed by continued robust growth into 2022. Whilst monetary policy clearly needs to be tightened in response to economies moving back towards trend growth, Central Banks continue to be very accommodative in their policy and interest rates remain very low in absolute and real terms; meanwhile fiscal support remains generous, the trend towards economies being fully re-opened is broadly in place (depending on the extent of vaccine programmes), consumers are starting to spend some of their significant savings, and the private and public investment cycle is ramping up.

Global economic surprises:



Source: Morgan Stanley Research

Inflation surprises index:

Source: Morgan Stanley Research

One clear area of economic surprises has been inflation, as a strong recovery in demand has in many areas met constrained supply. These pressures seem particularly acute at the moment but some elements will abate as the supply side starts to respond. However, I do expect price increases (and wage inflation) to be more of a sustained feature of the next ten years than the last ten as there is a strong desire from economic stakeholders to have higher levels of nominal GDP growth (real growth plus higher inflation) than those witnessed during the post GFC era. That said, I don't see us moving from a deflationary world to one where inflation gets out-of-hand. The recent market reaction to higher inflation has been quite strange – bond yields actually falling, so real yields reaching record negative levels – this at a time when economic growth is robust, the market suggesting that economic policy will kick-in to reduce growth and inflationary pressures (catalysed by the Fed's more hawkish recent tone). But this does not sound like the medium-term narrative of central banks or policy makers around the world, and the evidence today is that policy remains ultra-loose. Of course, as bond yields have fallen the value trade has struggled.

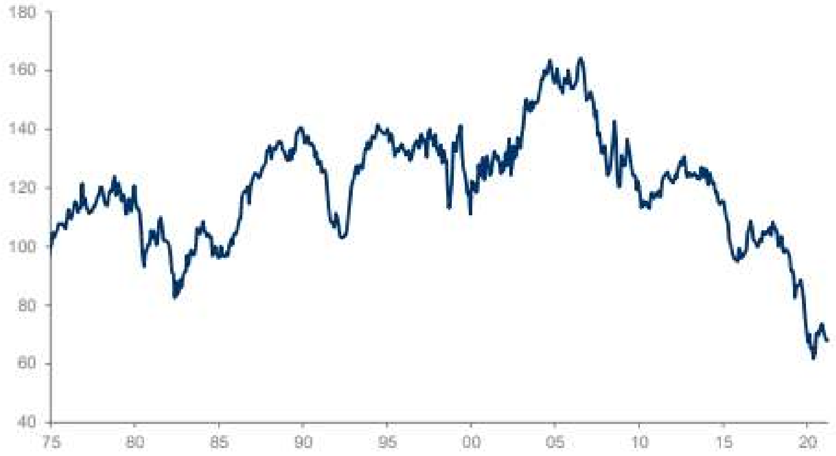
How have our key investment factors responded?

Rather surprisingly Value has corrected aggressively over the last three months and is now close to its post GFC nadir; from my perspective this provides another significant opportunity.

Value vs. Growth around the world over the last 2 years – and in the UK over the long term:

Source: Morgan Stanley Research

UK Value vs. Growth price performance



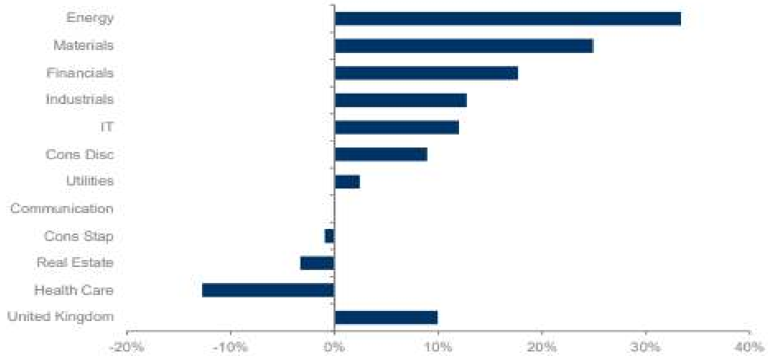
Source: Morgan Stanley Research

And meanwhile quality (as well as growth) stocks have rallied back towards the highs of last year, when the economic outlook (pre vaccines) was so uncertain:

Source: MSCI, Morgan Stanley Research

In contrast, classic recovery plays such as domestic consumer stocks, re-opening plays such as travel and leisure, higher interest rate beneficiaries such as insurance and banks, quite a few cyclical industrials and companies that are positively geared to recovering commodity prices, have all tracked back aggressively, this despite their strong medium-term fundamentals and the strong earnings upgrades they have been receiving.

UK sector next 12 months earnings revisions ratio 3MA

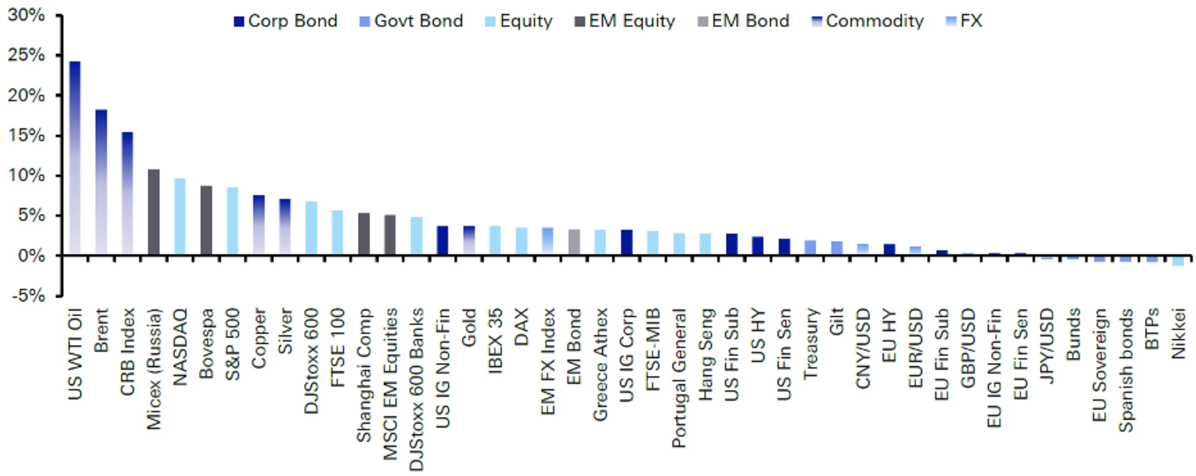


Source: MSCI, Morgan Stanley Research

Market returns and our performance

Global equity returns were strong in Q2 2021. The primary theme of the quarter was continued robust economic and profits recovery which supported equities, but at the same time nervousness regarding the Fed's monetary policy that caused US bonds to rally towards the end of the quarter, despite increasing signs of inflationary pressure. Against this backdrop the winners of the post GFC era were favoured, namely US equities, the US dollar, and large cap growth and quality equities, notably Nasdaq. Value underperformed despite seeing strong upgrades from its key sectors. Q2 was a reverse of the previous two quarters. However, commodities continued to be strong during the quarter, not very aligned with the bond rally and rotation out of Value (Brent oil +18% and copper +7%)nor the laggard performance of commodity related equities or Emerging markets. Gold rallied, but gold equities were weak – there must have been some poor technical positioning in some of these parts of the market that would explain these inconsistencies. The MSCI UK Investable Markets Index (IMI) (GBP) returned 5.5%, the MSCI All Country World Index (ACWI)(GBP) +7.3%, the MSCI World (GBP) +7.8% and MSCI Emerging Markets (EM) (GBP) +5.0%. The MSCI UK Enhanced Value Index returned +4.0% and the MSCI ACWI Enhanced Value Index (USD) +3.1% compared to the MSCI ACWI (USD) return of +7.4%.

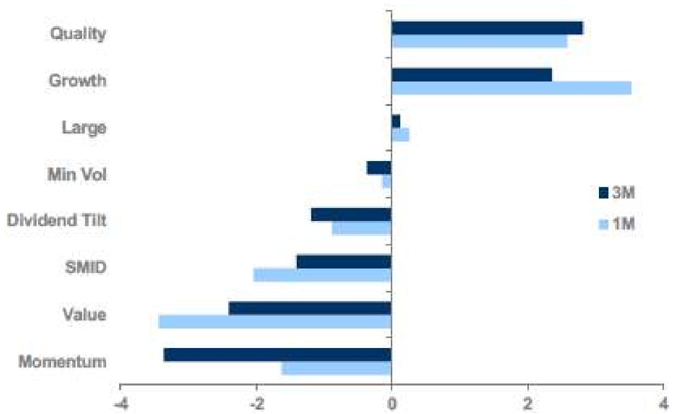
Total return of financial assets in Q2 2021 (in local currency)



Source: Deutsche Bank

- Our key factors were weak during the quarter, most notably in June – Value and small and medium cap stocks (SMIDs) underperforming, alongside momentum (currently correlated with Value); both Quality and Growth were robust.

MSCI ACWI Style factors relative performance (%, USD)



Source: Copyright 2021 Morgan Stanley

- The Fund's performance during the quarter was robust in absolute terms but weak in relative terms, as our key factors struggled. Some reasonable stock picking was able to offset some of the drag from our key factors.
- The ES R&M UK Equity High Alpha Fund returned 4.4% (gross of fees, Z share class) and 4.2% (net of fees, B share class), an underperformance versus the MSCI United Kingdom IMI of just over 1%.
- Our medium- and long-term returns remain robust, especially in the context of a value headwind over much of this period. Over one year the Fund has returned +45.5% (Z shares) and +44.5% (B shares) versus +20.2% for the benchmark; over three years the Fund has returned +5.3% p.a. (Z shares) and +4.6% p.a. (B shares) versus +1.0% for the benchmark; over five years the Fund has returned +11.6% p.a. (Z shares) and +10.8% p.a. (B shares) versus +5.8% p.a. for the benchmark; over ten years the Fund has returned +10.3% p.a. (Z shares) and +9.4% (B shares) versus +5.9% p.a. for the index: and since inception the B shares have returned +12.6% p.a., 3.7% p.a. ahead of the benchmark after fees.
- Our long-term and (since PVT) inception returns are strong, especially versus value benchmarks and peers. My 25-year track record continues to annualise at over 4% p.a. ahead of the index.

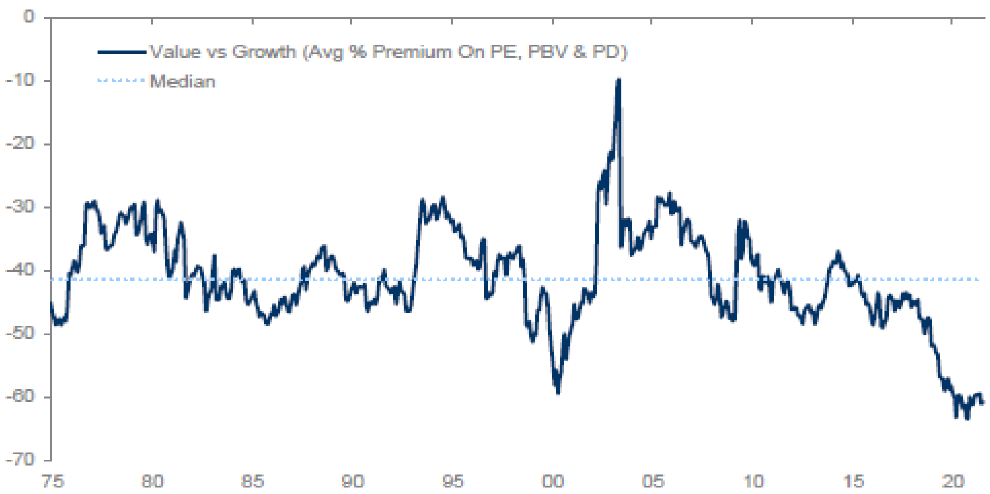
Key performance contributors

- It must be said that after thirty years of running money I have learned the benefits of running a reasonably diversified portfolio, call it a Hugh Sergeant idiosyncrasy; having more stocks in my portfolios than most. I am very comfortable running very concentrated portfolios, but the best way I have found to run a stand-alone Value, Recovery and multi-Cap PVT portfolio is through diversification, in particular building positions slowly and waiting for the T(iming) to come through. MoneyPenny and I are ideas rich…just love them. And this approach has helped me stay in the game during what has been a VERY difficult period for all Value managers, and to still be around to generate the robust returns that we have commented on above.
- Positive contributors during the quarter: PVT stock picks positive, small companies in particular (Superdry, Reach, Somero); HSBC weak on dampening interest rate expectations.
- Negative contributors: Value factor weak, large cap Growth and Quality strong (Astra, Diageo); sector allocation negative (underweight healthcare and staples, overweight consumer cyclicals and financials); individual stock disappointments (Hunting).

Some additional points regarding the opportunity set and positioning rationale

- I think we are at the relatively early stages of the economic recovery, and the profit recovery that goes with that. Last year saw a big fall in GDP and profits due to the impact of the pandemic, this year will be the first year of recovery. This will be supported by the fading of the negative impacts of Covid, by supportive monetary and fiscal policy, by a desire of most economic stakeholders to deliver a recovery that benefits the majority not the minority (such as what happened after the GFC), by the green agenda and by consumers spending the cash they have been forced to save over the last 18 months. So, we think we are closer to the beginning of the cycle than the end. But meanwhile markets are pricing this as the end of the cycle, pushing down bond yields again, encouraging another chase into expensive quality and growth stocks, this leading to value giving back much of the modest relative rally that we have seen over the last year. So, from my perspective this provides another great opportunity to invest in value and recovery stocks, to get undervalued exposure to the economic and recovery cycle we will see over the next couple of years and to provide a great hedge against the inflationary pressures that will be more of an issue over the next ten years than they have been over the last ten.

- And we see value in lots of places, both UK and Global: in deep value, short duration stocks that benefit from higher interest rates (banks such as NatWest, Santander in Spain and Bangkok Bank in Thailand and insurance companies such as Old Mutual and Prudential); in classic recovery stocks (such as Whitbread, the owner of Premier Inn, Rolls Royce and Owens Corning in the US); in re-opening beneficiaries, many of which have pulled back aggressively over the last couple of months (such as Restaurant Group, the owner of Wagamama and On-the-Beach, the specialist, on-line holiday operator that is taking share from the larger, more traditional players, and in the US Las Vegas Sands, that owns the best gaming real estate in the world, with a No. 1 position in Macau and Singapore); in domestic facing stocks (buying back housebuilders on weakness, such as Berkeley Group, and Travis Perkins and Wickes); and reflation plays, for example the commodity stocks such as Antofagasta and Anglo American, trading on low valuations again after the recent correction; and last but not least out-of-favour digital platforms, the Chinese facing stocks (such as Baidu, Alibaba and Prosus) being particularly unloved and extremely cheap versus their US peers.
- And all around the world Value is still cheap relative to Growth on all metrics including PE and price to book:



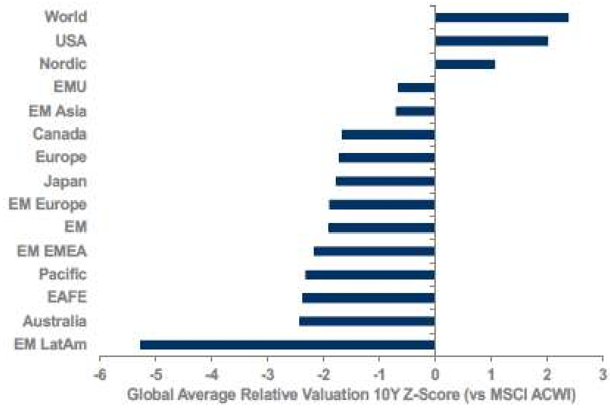
Source: Morgan Stanley Research

Some equity markets look quite expensive in absolute terms and relative to history, but others still look reasonable value. In simple terms it's US equities (high valuation, but attractive historic growth) versus the rest of the world (often low valuations, but need global economic recovery to generate growth):

Shiller PEs around the world:

Source: Copyright 2021 Morgan Stanley

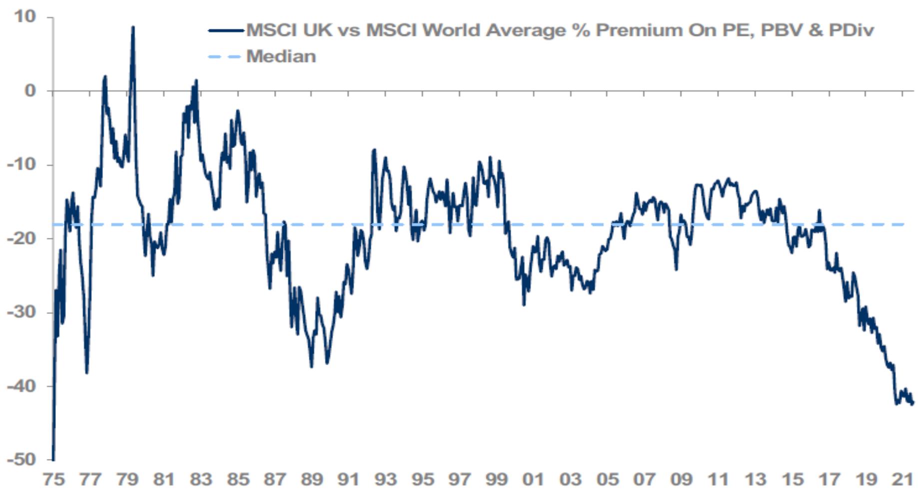
Relative valuations around the world, based on a number of metrics paint the same picture, the US expensive, the Rest of the World looking attractive:



Source: Copyright 2021 Morgan Stanley

The UK continues to have stand out valuations, good value from an absolute value perspective (prospective PE of only 13x, a discount to its 10 year history), and never been cheaper on a relative basis (or only in 1975 when the UK seemed to be 'bust'):

	N12M P/E			
		Median		
	Current	5Y	10Y	20Y
UK	13.0	13.7	13.3	12.7
EM	14.0	12.2	11.4	11.2
China	15.5	12.2	10.6	11.5
Japan	16.1	14.0	13.7	14.8
Europe	16.6	14.8	14.1	13.1
EMU	17.1	14.1	13.5	12.9
ACWI	19.0	15.9	15.0	14.6
US	22.4	17.7	16.8	15.7



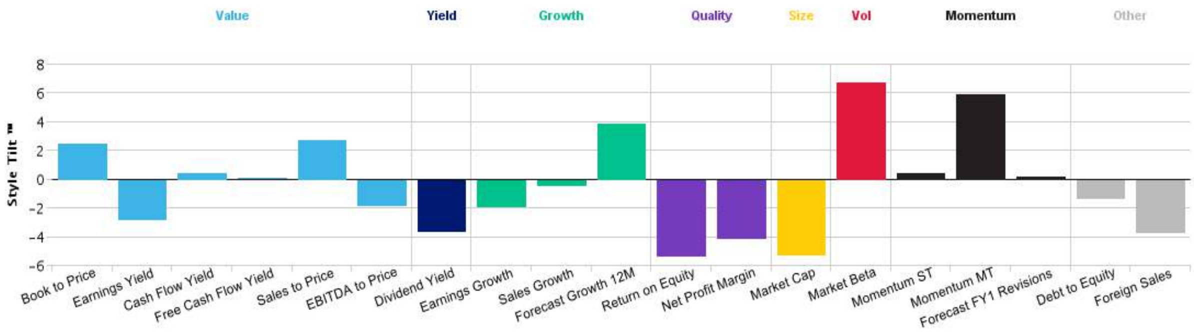
Source: Morgan Stanley Research

Activity and Positioning

We continue to position the portfolio for Value, Recovery, Multi-Cap investing and for domestic economic recovery, re-opening and global reflation.

The portfolio continues to have a very clear Value bias, with reasonable absolute valuation support including a 1.5x price to book valuation and high single digit normalised earnings and cashflow yields. Recently the style bias of the portfolio has shifted a bit in favour of earnings growth being superior to benchmark, delivered by the recovery stocks in the portfolio starting to recover. There is a robust multi-cap bias, including an overweight position in undiscovered smaller growth stocks.

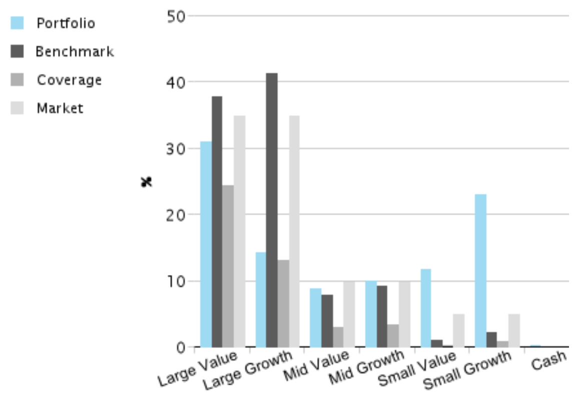
Style Skyline (StyleAnalytics) – clear commitment to Value, Recovery and multi-cap investing



Source: StyleAnalytics

Portfolio allocation to value and growth stocks by size and versus benchmark (Style Analytics), big exposure to large, mid and small Value, big underweight large Growth, focus of Growth is undiscovered small cap:

Allocations to Growth and Value by capitalisation and versus the benchmark



Source: StyleAnalytics

We remain high conviction regarding our key themes of i) the return to Value has only just begun, especially given the recent retracement and ii) Value and recovery stocks are ideally positioned for the economic and profits recovery that has just started. Our portfolio positioning remains very committed to these themes, with a continued strong style bias towards Value, Recovery and Multi-Cap stocks. In addition, we are well placed for a more inflationary world, where bond yields trend upwards or at least no-longer continue to fall; shorter duration value stocks will be the main beneficiaries of this and are now oversold rather than overbought.

In addition, there remain a number of completely left behind recovery stocks; included in this I would put construction and out-sourcing stocks. These have had a difficult last few years, especially in the UK but the companies that have survived are leaner and meaner and have fewer competitors, this at a point when demand for their services is about to accelerate as infrastructure investment kicks in. Stocks like Balfour Beatty, Costain, Kier and Galliford Try are very high scoring recovery shares, at what we think will be the beginning of a far more supportive environment for their businesses. We are building positions.

Looking at the component parts of the portfolio: stocks with traditional value characteristics have pulled back recently and we see that as a significant opportunity and have been adding, such as banks (Lloyds and Secure Trust), insurance (Old Mutual and Prudential) and energy (Royal Dutch); attractively valued and currently out of favour quality and growth franchises, such as Smith & Nephew, SSP, ASOS, Trainline and AG Barr; high scoring MoneyPenny recovery stocks such as UK construction stocks (mentioned above), UK Outsourcing leaders (such as Capita and Serco), XL Media, Ted Baker, Indivior, Ocean Wilsons, Essentra and BT; classic global cyclicals, in particular reflation plays that have corrected over the last few months, most notably mining and precious metal stocks (Anglo American, Antofagasta, Hochschild, Polymetal); UK domestic stocks that are temporarily disliked, have also pulled back recently and look really attractive again (including housebuilders that have de-rated, despite house price inflation, (Berkeley Group in particular where we think the London market will play catch-up,) Capital & Counties, Travis Perkins and its spin-out Wickes, and JD Wetherspoon); we remain overweight, and have been adding on recent weakness stocks that would benefit from a post-COVID world i.e. those that have been negatively impacted by social distancing requirements (Restaurant Group, Whitbread, Rolls Royce, IAG, OnTheBeach, Jet2), we think that the survivors here will be able to strengthen their market positions and medium-term economics; and as we continue to roll-out S(ustainable)-PVT we are allocating increased capital to this area, including adding to SIG (leading insulation product distributor, also a classic recovery stock), adding to our position in Gresham House, a fund management business that has successfully grown a portfolio of funds oriented towards sustainability, and starting to build a position in Inspired Energy, a UK leading specialist in advice on and implementation of energy saving and meeting net zero objectives; and lastly we continue to think about strategic value, especially at this time of increasing M&A activity, adding to Playtech and Sage, the latter being far more valuable to its much larger global peers than the current share price discounts.

Our purchases over the last quarter have focused on adding as described above.

Sales have included taking full profits where our PVT thesis has been delivered, most notably the continued recipients of M&A activity (Vectura, Equiniti, Senior), and also stocks that were starting to discount full recovery (typically earlier in the quarter) such as Vesuvius, and Persimmon; reducing into relative strength (Tremor, Naked Wines, Greggs, Xaar); taking profit in some of the capital added to defensives earlier in the year, this following a strong rebound (Unilever, AstraZeneca), and exiting some of the growth stocks that had been de-rated last year but have had a very robust share price recovery and now look fully valued (Next Fifteen, Savills), and re-focusing capital towards higher conviction ideas (4Imprint).

Perhaps it would be useful to describe one of our classic recovery stocks that we have held over the last few years – Somero. This is a small cap company with a very strong market position in a niche area of construction equipment – kit that is used to make sure that when concrete is laid it is very flat, vital for large warehouses in particular. We first started buying the stock during the GFC, when its revenue and share price fell dramatically as the construction industry shut-up-shop. At the low point the market cap was $10m and the great management team had to cut costs and conserve cash to make sure they survived. We started buying aggressively as they started to deliver improving cash flow and the shares appeared towards the top of our Recovery screen. Fast forward a few years and demand for their kit had recovered. Because costs had been reduced during the tough times, operational gearing kicked in and the business was able to deliver much higher margins than it had in the past and was now generating more in profits than its market cap at the low point. The shares meanwhile had done very well indeed, but in 2018/19 we were worried that the cycle was running out of steam and reduced our position quite aggressively. Then along came Covid, the construction industry stopped again for a short period of time, and the shares fell sharply. We took this as an opportunity to re-build our holding, as the business went into the downturn in much better shape than the GFC and was exposed to one part of the construction industry that would not pause for breath for long, namely warehouses for ecommerce. Somero is again one of our biggest positions today.

Are we following our PVT Philosophy & Process and a consistently articulated style and factor bias?

Yes. The portfolio remains clearly skewed towards high scoring *MoneyPenny* stocks; it has a clear Value bias; it has exposure to all four of our categories of Potential but with a greater tilt to Recovery and Asset-backed due to the richer anomaly set in this part of the market; it is a multi-cap portfolio.

Outlook

It is strange how expensive some investments are and how easy it remains to find good value equities - in addition to being beneficiaries of reflation, value stocks do not have the permanent loss of capital risk associated with some of the 'hotter' investments at the moment, those that have re-attracted the liquidity associated with Central Bank activity and excess consumer savings (as deflation consensus returns), whether it be negative yielding sovereign debt or US Tech stocks. There remain many very clearly very expensive investments, whose main attribute is that they have done well in the past rather than their fundamental valuation. Surely it makes sense to be wary of these? The good news is that there remain many very modestly valued equities, i.e. shares in good companies that for various reasons have been left behind; and the other piece of good news is that many of these cheap companies remain at the beginning of their cycle of improving returns, so the catalysts for a re-rating (the T of PVT) have moved into place.

After a difficult recent period (including early July) Value has retraced much of its out-performance since the middle of last year. Linked with this, many recovery stocks, especially those that are geared to re-opening of economies or higher interest rates, have re-traced a substantial part of their relative one-year rally. Earlier this year there was a short period of over-enthusiasm for the 'inflation trade' and this led to some Value and Recovery stocks becoming over-bought. With the short term rally in global bond markets this has now more than unwound with Value and Recovery stocks trading close to the relative lows they reached a year ago and the market returning to its default playbook of deflation, low bond yields, growth and quality stocks and the safety of US growth equities rather than UK or Rest of the World value stocks. Once more Value investors are being tested and once more, we need to stick to our approach. From my perspective the relative stock picking opportunity I see today is as great as previous nadirs because starting valuations are modest, but the outlook is positive and more certain. We are closer to the beginning of the economic and profits recovery than the end, our stocks are highly geared to this recovery cycle and will as a result generate strong profits growth over the next few years, and the reflationary world of higher nominal GDP growth and interest rates trending upwards has not suddenly gone away. As you would expect I am sticking to my approach, Value, Recovery and Multi-Cap investing and continue to commit my own capital to my funds.

Thank you for your continued support.

Hugh Sergeant
Head of Value and Recovery strategies

July 2021

FUND HOLDINGS AND PORTFOLIO WEIGHT

Holding	Weight (%)
Royal Dutch Shell 'B'	3.09
BP	3.06
Lloyds Bank	2.35
HSBC Holdings	2.32
GlaxoSmithKline	2.13
Anglo American	2.03
Prudential	1.96
Barclays	1.90
Unilever	1.79
BHP	1.78
Rio Tinto	1.76
AstraZeneca	1.37
British American Tobacco	1.30
Natwest Group	1.30
Diageo	1.23
Standard Chartered	1.06
Somero Enterprises	1.00
Glencore	0.95
BT	0.92
Vodafone	0.83
The Restaurant Group	0.82
Reach	0.71
Sage	0.66
Legal & General	0.65
RHI Magnesita	0.61
Johnson Matthey	0.59
Imperial Brands	0.58
South32	0.58
Playtech	0.57
Volex	0.57
Hunting	0.57
Smith & Nephew	0.57
Boku	0.56
Renewi	0.55
Antofagasta	0.55
Premier Miton Group	0.55
Tremor International	0.55
Old Mutual	0.55
Int'l Cons. Airlines	0.54
Strix	0.54
Aviva	0.53
ASOS Holdings	0.52
Whitbread	0.51
Superdry	0.50
Xaar	0.50
Melrose	0.49
Wickes	0.48
Capital & Counties	0.47
XLMedia	0.45
Indivior	0.45
ULS Technology	0.44
ITV	0.43
MPAC Group	0.43
GVC Holdings	0.43
DP Eurasia	0.43
Taylor Wimpey	0.42
Rolls-Royce	0.42
Mercia Asset Management	0.42
Kier	0.41
Tullow Oil	0.41
The Weir Group	0.41
Vistry Group	0.41
Pearson	0.40
Devro	0.40
Virgin Money	0.40
Compass Group	0.40
Science In Sport	0.39
Centrica	0.38
SSP Group	0.38
Int'l Personal Finance	0.38
Burberry Group	0.38
Ted Baker	0.38
Renold	0.38
Foxtons Group	0.37
Ebiquity	0.37
Pendragon	0.37
Elementis	0.37
Carnival	0.36
SIG	0.36
DFS Furniture	0.36
Secure Trust Bank	0.36
IMI	0.36
Smart Metering Systems	0.35
Associated British Foods	0.35
Central Asia Metals	0.35
Gresham House	0.35
Coats	0.35
Travis Perkins	0.35
Cake Box Holdings	0.35
John Wood Group	0.35
Ocean Wilson Holdings	0.34
Dixons Carphone	0.34
Ascential	0.34
Essentra	0.33
Brewin Dolphin	0.33
TT Electronics	0.33
Fresnillo	0.33
Crest Nicholson Holdings	0.33
Eckoh	0.33
Harbour Energy	0.33
888 Holdings	0.33
TP ICAP	0.32
Development Securities	0.32
Accesso Technology Group	0.32
Serica Energy	0.31
Aston Martin Lagonda	0.31
IQE	0.31
Easyjet	0.31
Flutter Entertainment	0.31
Meggitt	0.31
Gresham House Strategic	0.30
Biffa	0.30
CRH	0.30
Enquest	0.30
Saga	0.30
Bank of Ireland	0.30
Capita	0.30
Drax	0.29
Polymetal International	0.29
NCC Group	0.29
De La Rue	0.29
RWS Holdings	0.29
Ricardo	0.29
The Gym Group	0.29
Bodycote	0.28
Tesco	0.28
Hyve Group	0.28
On the Beach Group	0.27
Avast	0.27
IG Holdings	0.27
British Land	0.27
Card Factory	0.27
Capital Limited	0.27
Morgan Advanced Materials	0.27
WPP	0.27
Cairn Energy	0.27
Purplebricks	0.26
James Fisher & Sons	0.26
Bango	0.26
Pebble Group	0.26
Menzies (John)	0.26
Centaur Media	0.26
Chemring	0.25
Kingfisher	0.25
Hutchison China Meditech	0.25
Kin and Carta	0.25
Tyman	0.25
Flowtech Fluidpower	0.25
Reckitt Benckiser	0.25
Speedy Hire	0.25
Polar Capital	0.24
Shaftesbury	0.24
Balfour Beatty	0.24
Rank Group	0.23
Johnson Service	0.23
Inspired Energy	0.23
Stagecoach Group	0.23
Mortgage Advice Bureau	0.23
Genuit	0.23
Serco	0.23
Marks & Spencer	0.23
Galliford Try	0.23
Hargreaves Lansdown	0.23
Informa	0.23
PageGroup	0.23
Breedon Group	0.22
Micro Focus	0.22
Ibstock	0.22
Blancco	0.22
WH Smith	0.22
Cenkos Securities	0.22
Hochschild Mining	0.22
Trainline	0.22
Close Brothers	0.22
Victrex	0.22
Greencore Group	0.22
Moonpig	0.22
OPG Power Ventures	0.21
Charles Stanley Group	0.21
Norcros	0.21
ConvaTec Group	0.20
Greggs	0.20
Dart Group	0.20
3i Group	0.20
Learning Technologies	0.20
Auto Trader	0.20
Berkerley Group Holdings	0.20
JD Wetherspoon	0.20
Senior	0.20
JKX Oil & Gas	0.20
Grainger	0.20
Cambria Automobiles	0.20
AO World	0.20
Stock Spirits Group	0.20
RPS Group	0.20
Oxford Instruments	0.19
Safestyle UK	0.19
Next	0.19
Costain Group	0.19
PZ Cussons	0.19
Rotork	0.19
Henry Boot	0.19
Provident Financial	0.19
Standard Life Aberdeen	0.18
Helios Towers	0.18
Moneysupermarket.com	0.18
Nichols	0.18
Rightmove	0.18
Smiths	0.17
Ultra Electronics	0.17

Source: River and Mercantile Asset Management LLP

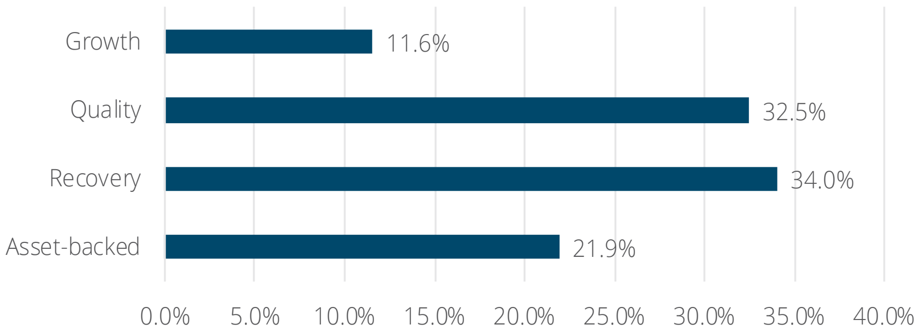
FUND HOLDINGS AND PORTFOLIO WEIGHT (CONTINUED)

Holding	Weight (%)
Zotefoams	0.17
Blue Prism	0.17
Rangers International FC	0.16
Mind Gym	0.16
DMGT	0.16
A.G.Barr	0.16
Majestic Wine	0.15
Ocado Group	0.15
Alfa Financial Software	0.15
Intercontinental Hotels	0.15
IP Group	0.14
Network International	0.14
Majedie Investments	0.14
ADVFN	0.14
Everyman Media Group	0.13
Gamma Communications	0.13
Iomart Group	0.12
Topps Tiles	0.10
Mediclinic International	0.10
Hill & Smith	0.10
Gulf Keystone Petroleum	0.10
Centamin	0.09
Temple Bar Investment Trust	0.08
Babcock International	0.08
Man Group	0.06
Rathbone Brothers	0.06
Keller	0.05
Staffline Group	0.02
Candover Investments	0.00
Cash	0.38
Total	**100.00**

Source: River and Mercantile Asset Management LLP

PVT CATEGORIES OF POTENTIAL

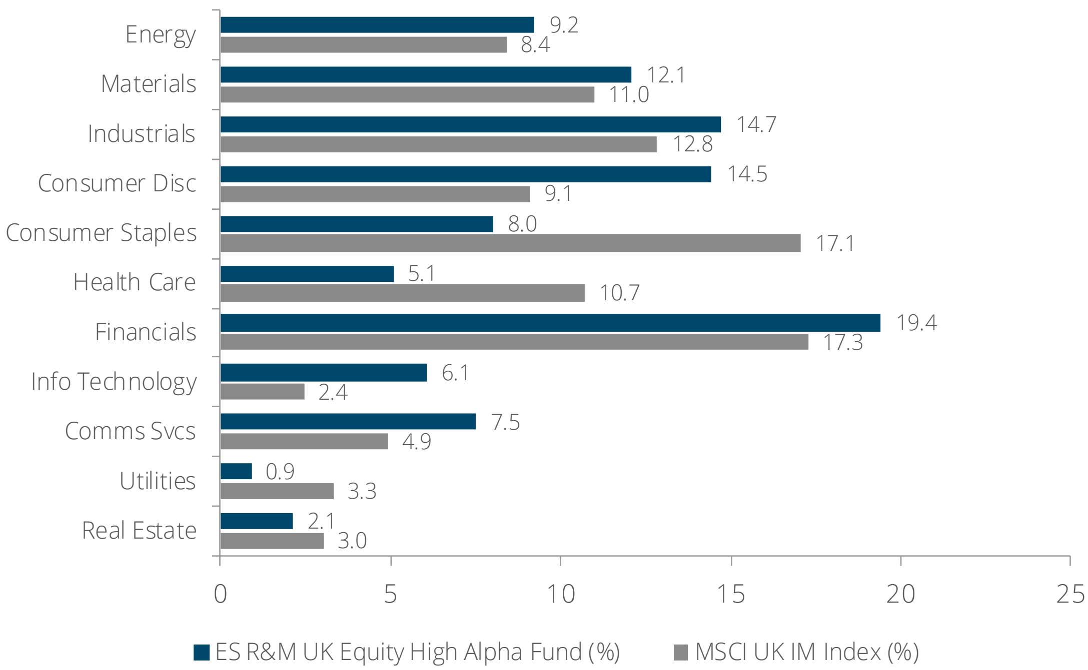
This chart shows the weighting of the fund's holdings across the four categories of Potential, related to the stages of a company's life cycle, as defined within the R&M investment philosophy known as 'PVT' – Potential, Valuation, Timing.



Source: River and Mercantile Asset Management LLP

INDUSTRIAL SECTOR WEIGHTS

This graph shows a comparison of fund and benchmark weightings across the industrial sectors classified by the MSCI Global Industry Classification Standard (GICS).



Source: FactSet

MARKET CAP DISTRIBUTION

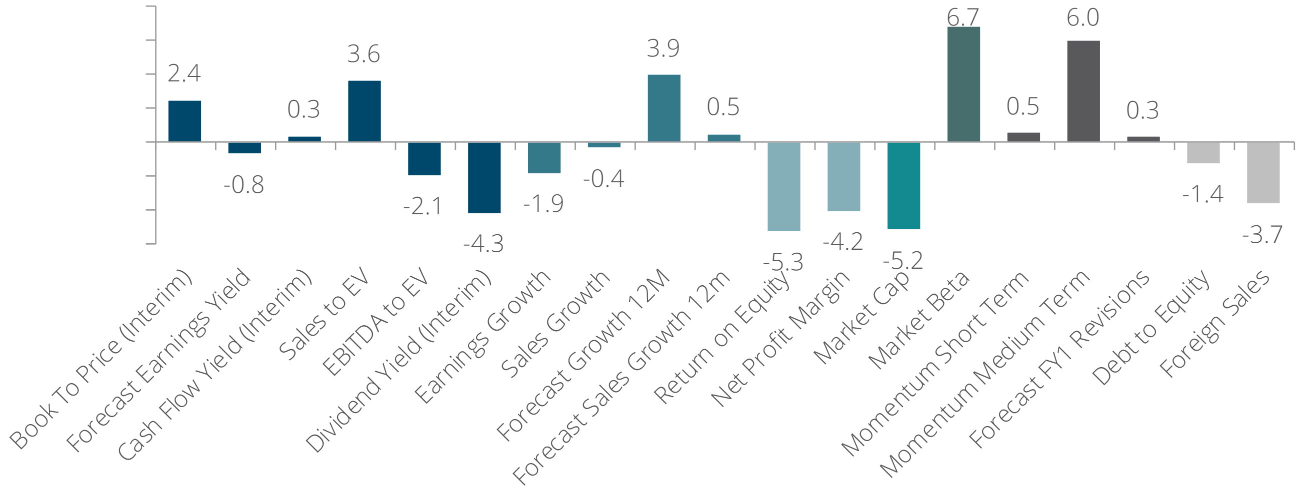
This table shows a comparison of fund and benchmark weightings across a range of company values

		Fund	Benchmark	Active
Mega Cap	£20bn +	32.4%	58.2%	-25.8%
Large Cap	£4bn - £20bn	17.2%	26.8%	-9.6%
Mid Cap	£2bn - £4bn	7.0%	7.6%	-0.6%
Small Cap	£100m - £2bn	39.2%	7.3%	31.9%
Micro Cap	£0m - £100m	3.8%	0.0%	3.8%

Source: River and Mercantile Asset Management LLP. Excludes cash and any applicable ETF positions.

PORTFOLIO STYLE SKYLINE

This graph shows the Style Tilts™ of the fund against the benchmark as calculated by StyleAnalytics, highlighting stylistic differences between the fund and its benchmark.



Source: StyleAnalytics

TOP 10 ACTIVE POSITIONS VS THE BENCHMARK

This table highlights the securities in which the fund weight differs most from that of the benchmark, with the 'overweights' showing 10 securities with the greatest weight difference above the benchmark's position, and the 'underweights' showing 10 securities with the greatest weight difference below the benchmark's position. The difference is known as the 'active weight'.

Overweights	Sector	Fund	% Benchmark	Active
Somero Enterprises	Industrials	1.00	0.00	1.00
Natwest Group	Financials	1.30	0.46	0.84
Lloyds Bank	Financials	2.36	1.53	0.83
The Restaurant Group	Consumer Discretionary	0.83	0.05	0.78
Reach	Communication Services	0.71	0.04	0.68
South32	Materials	0.58	0.00	0.58
Renewi	Industrials	0.56	0.00	0.56
Hunting	Energy	0.57	0.01	0.56
RHI Magnesita	Materials	0.61	0.05	0.55
Volex	Industrials	0.57	0.02	0.55

Underweights	Sector	Fund	% Benchmark	Active
AstraZeneca	Health Care	1.37	5.27	-3.89
Unilever	Consumer Staples	1.80	5.14	-3.34
Diageo	Consumer Staples	1.23	3.74	-2.51
Royal Dutch Shell 'A'	Energy	3.10	5.14	-2.04
Reckitt Benckiser	Consumer Staples	0.25	2.11	-1.86
RELX Group	Industrials	0.00	1.71	-1.71
HSBC Holdings	Financials	2.32	3.93	-1.61
British American Tobacco	Consumer Staples	1.30	2.82	-1.52
National Grid	Utilities	0.00	1.51	-1.51
Rio Tinto	Materials	1.77	3.08	-1.32

Source: FactSet

STOCK LEVEL PERFORMANCE ATTRIBUTION

This table shows the best and worst contributors to the fund's performance relative to the benchmark. The average active weight highlights whether the fund held a larger or smaller position in a stock than the benchmark did, on average over the period. As performance is relative to the benchmark, outperformance of the benchmark can come from the fund holding a larger position than the benchmark in a stock that performs well, or a lower position than the benchmark (or even a zero holding) in a stock that performs poorly. The contribution to active return is the return that the position has contributed relative to the benchmark.

Greatest Positive Contribution	Average Active Weight	Contribution to Active Return
Superdry	0.44%	0.20%
Somero Enterprises	0.98%	0.19%
Reach	0.68%	0.15%
Kier	0.28%	0.14%
Xaar	0.56%	0.12%
Reckitt Benckiser	-1.99%	0.11%
ADVFN	0.13%	0.11%
HSBC Holdings	-1.63%	0.11%
SIG	0.33%	0.08%
British American Tobacco	-1.63%	0.08%

Greatest Negative Contribution	Average Active Weight	Contribution to Active Return
AstraZeneca	-3.17%	-0.42%
Diageo	-2.34%	-0.22%
Ashtead	-1.02%	-0.17%
Hunting	0.65%	-0.12%
London Stock Exchange	-1.12%	-0.10%
OPG Power Ventures	0.27%	-0.09%
Ferguson	-0.99%	-0.09%
Int'l Cons. Airlines	0.46%	-0.09%
TP ICAP	0.29%	-0.08%
Experian	-1.15%	-0.08%

Source: FactSet

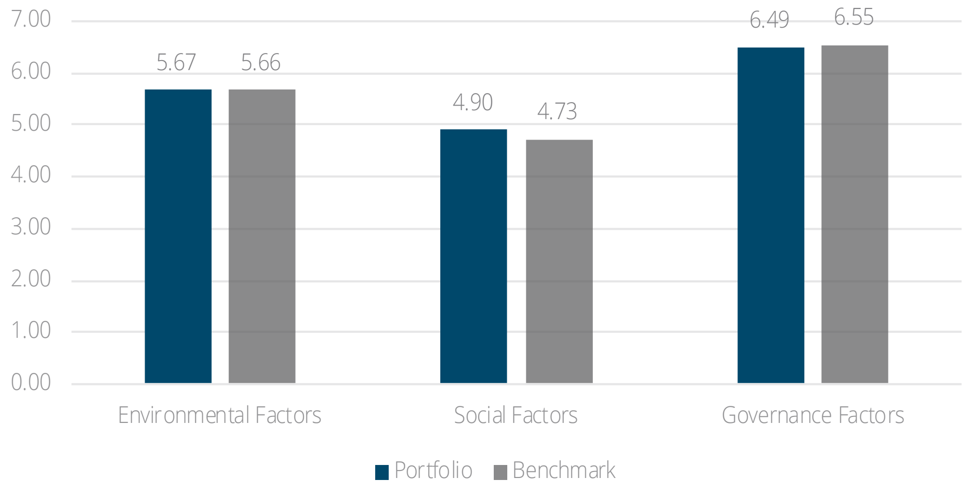
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTOR ANALYSIS

This report is designed to give a broad overview of the portfolio from the perspective of Environmental, Social and Governance factors. Whilst the portfolio is not run to be optimised with these factors in mind, we may expect to take major risks into consideration when analysing stocks.

This table compares the portfolio and benchmark asset weightings by value with data from MSCI ESG Research.

	Portfolio	Benchmark
Assets covered by MSCI ESG Research	83.2%	99.4%
Assets scoring in the bottom decile	0.4%	0.1%

The chart below illustrates how the portfolio and its benchmark compare on average Environmental, Social and Governance scores. Scores are based on a 1 to 10 scale, where 1 is the lowest/worst and 10 is the highest/best.



10 highest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Diageo	1.2%	3.7%	AAA	10.0
Johnson Matthey	0.6%	0.3%	AAA	10.0
ITV	0.4%	0.2%	AAA	10.0
Burberry Group	0.4%	0.4%	AAA	10.0
SIG	0.4%	0.0%	AAA	10.0
Travis Perkins	0.3%	0.2%	AAA	10.0
CRH	0.3%	0.0%	AAA	10.0
The Gym Group	0.3%	0.0%	AAA	10.0
British Land	0.3%	0.2%	AAA	10.0
Kingfisher	0.3%	0.4%	AAA	10.0

10 lowest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Carnival	0.4%	0.1%	CCC	0.7
Premier Miton Group	0.5%	0.0%	B	2.4
Int'l Cons. Airlines	0.5%	0.0%	B	2.8
Bank of Ireland	0.3%	0.0%	BB	2.9
Volex	0.6%	0.0%	BB	3.0
Tremor International	0.5%	0.0%	BB	3.0
Melrose	0.5%	0.3%	BB	3.1
Capital & Counties	0.5%	0.1%	BB	3.2
Purplebricks	0.3%	0.0%	BB	3.2
Hargreaves Lansdown	0.2%	0.3%	BB	3.2

Source: MSCI ESG Research, ©2021 MSCI ESG Research LLC. Reproduced by permission.

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	225,244.26	153.73
BERENBERG	329,900.80	263.93
BMO	0.00	0.00
BTG PACTUAL	0.00	0.00
CANACCORD ALGO	1,870,159.38	748.08
CANACCORD GENUITY	58,238.00	46.59
CENKOS	0.00	0.00
CITI PROG	0.00	0.00
CITIGROUP	85,137.36	68.11
CLSA	0.00	0.00
CREDIT SUISSE	770,679.46	502.37
DEUTSCHE BANK	0.00	0.00
EXANE	0.00	0.00
FINNCAP	252,565.77	202.11
GBM	0.00	0.00
GOLDMAN SACHS	0.00	0.00
GOODBODY	288,285.43	187.22
HSBC	218,781.01	142.69
ING	0.00	0.00
INSTINET	0.00	0.00
INVESTEC	383,800.15	307.04
ITG	609,302.82	365.61
ITG ALGO	446,147.79	279.49
ITG EURO	78,809.51	63.05
J&E DAVY	298,317.73	258.29
JANE STREET	0.00	0.00
JEFFERIES	377,378.90	401.60
JEFFERIES ALGO	1,141,185.00	483.44
JPMORGAN CHASE	738,193.86	521.19
KEPLER CHEUVREUX	64,599.90	51.68
LIBERUM	1,040,233.03	772.85
LIQUIDNET	1,543,976.75	1,101.18
MEDIOBANCA	0.00	0.00
MIZUHO	0.00	0.00
MORGAN STANLEY	194,309.95	155.44
NORTHERN TRUST CORP	31,600.00	25.28
NPLUS1 SINGER	885,881.68	716.48
NUMIS	1,018,382.82	843.04
PANMURE GORDON	23,485.00	18.79
PEEL HUNT	2,080,648.63	1,703.98
RAYMOND JAMES	0.00	0.00
RBC	247,369.01	187.58
RBC ALGO	984,644.17	418.23
REDBURN	31,639.32	25.31
SANFORD BERNSTEIN	0.00	0.00
SANTANDER	0.00	0.00
SHORE CAPITAL	4,576.90	20.89
SOCIETE GENERALE	0.00	0.00
STIFEL EUROPE	0.00	0.00
STIFEL NICOLAUS	0.00	0.00
SUSQUEHANNA INTERNATIONAL G	0.00	0.00
UBS	28,634.00	22.92
UBS PROG	3,420,354.58	1,368.75
WINTERFLOOD	599,209.91	479.36
FLOWTRADERS	0.00	0.00
CONFIRMED FUND PRICE	0.00	0.00
OPTIVER	0.00	0.00
BANK OF MONTREAL	141,102.24	112.88
BTIG	143,598.94	86.16
CITADEL INVESTMENT GROUP L.L	0.00	0.00
BRBNPMBS	0.00	0.00
STIFEL FINANCIAL CORP	0.00	0.00
CITI UK	0.00	0.00
LIQUIDNET ALGO	196,350.77	58.91
	£ 20,852,724.83	**£ 13,164.25**

Firm Wide Comparators

All Equity Trading	**£ 2,262,236,036.54**	**£638,966.08**
Trades:	**£ 20,852,724.83**	**£13,164.25**
Average Firm-Wide Commission Rate (%)		0.03%
: Average Commission Rate (%)		0.06%

Source: River and Mercantile Asset Management LLP

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