

# River and Mercantile GLOBAL RECOVERY FUND

CLASS S EUR (Accumulation)

## PAST PERFORMANCE

As this fund or share class has been running for less than 12 months there is insufficient data to provide a useful indication of past performance.

## PERFORMANCE SINCE INCEPTION

As this fund or share class has been running for less than 12 months there is insufficient data to provide a useful indication of past performance.



## CUMULATIVE PERFORMANCE

As this fund or share class has been running for less than 12 months there is insufficient data to provide a useful indication of past performance.

	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
S class EUR (Acc)	-	-	-	-	-	-
Benchmark	-	-	-	-	-	-

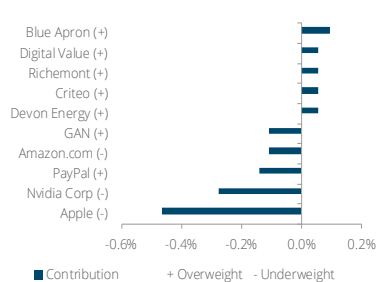
## DISCRETE 12 MONTH PERFORMANCE

As this fund or share class has been running for less than 12 months there is insufficient data to provide a useful indication of past performance.

	12 months to 31/10/2017	12 months to 31/10/2018	12 months to 31/10/2019	12 months to 31/10/2020	12 months to 31/10/2021
S class EUR (Acc)	-	-	-	-	-
Benchmark	-	-	-	-	-

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

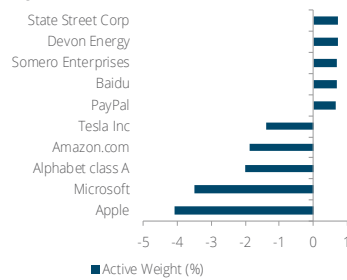
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

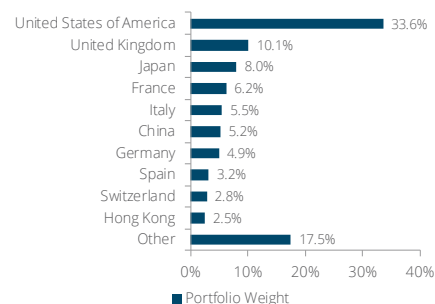
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

## TOP 10 COUNTRY WEIGHTS

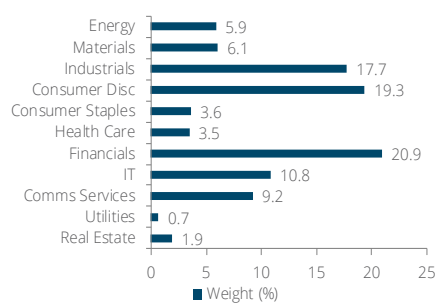
The portfolio's ten largest country holdings by total weight.



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	445
Fund Volatility	15.0%
Benchmark Volatility	12.5%
Beta	1.10
Active Money	84.3%

## KEY FACTS

Fund launch date	04/06/2021
Share class launch date	04/06/2021
Benchmark	MSCI All Country World index
Total fund size	£78.3m
Domicile	Ireland
Fund type	UCITS
ISIN	IE00BNG2TH04
Bloomberg	RIMGRCS
Distribution type	Accumulation

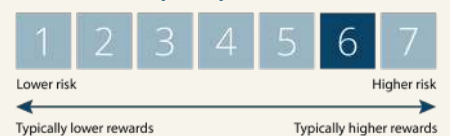
## FEES & CHARGES

Entry and exit charge	None
AMC	0.65%
Ongoing charge (including AMC)	0.82%

## DEALING INFORMATION

Dealing frequency	Daily
Dealing cut-off time	4pm (Ireland)
Valuation point	4pm (New York)
Settlement	Purchases T+3 Redemptions T+4
Minimum investment	£1,000,000

## SYNTHETIC RISK & REWARD INDICATOR (SRRI)



## CONTACT DETAILS

Email enquiries@riverandmercantile.com

### TOP 10 HOLDINGS

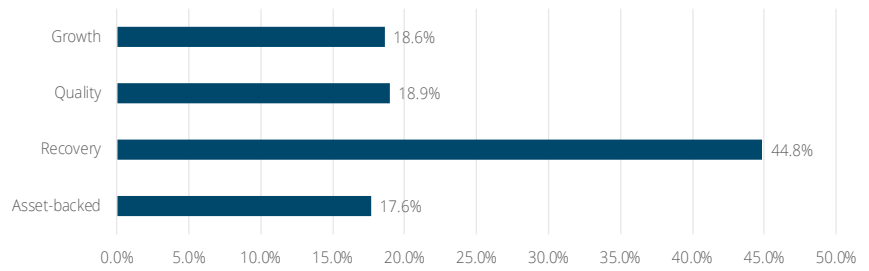
The ten largest positions by weight held in the portfolio.

	Weight (%)
PayPal	1.0
State Street Corp	0.8
Citigroup	0.8
Baidu	0.8
Devon Energy	0.8
Wells Fargo & Co.	0.7
Somero Enterprises	0.7
Berkshire Hathaway	0.7
Bank of America	0.7
Alibaba Group	0.7

Source: River and Mercantile Asset Management LLP

### CATEGORIES OF POTENTIAL

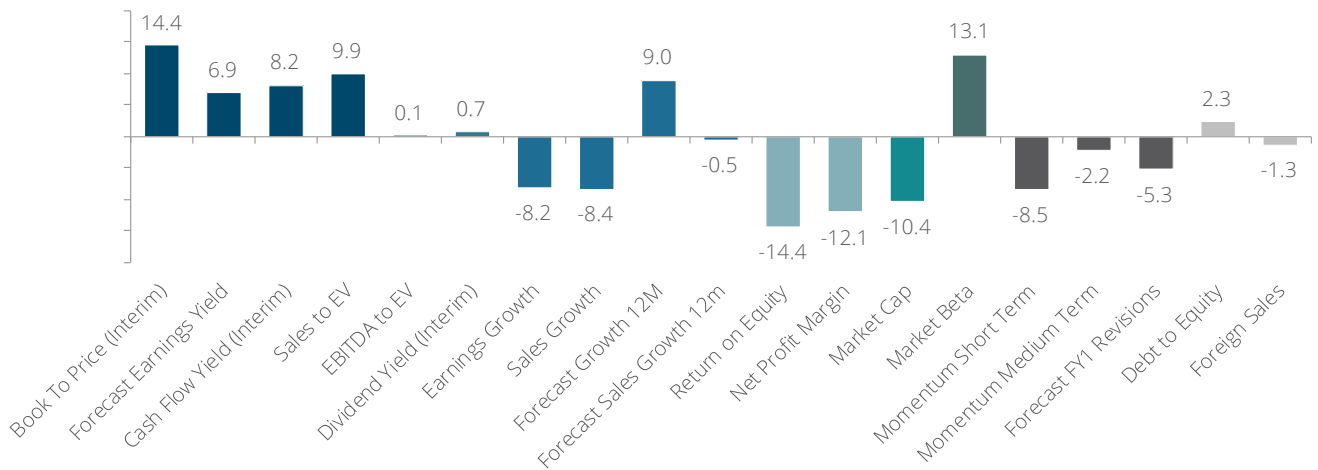
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

Management company: Carne Global Fund Managers (Ireland) Limited  
 Investment manager: River and Mercantile Asset Management LLP  
 Depository: The Bank of New York Mellon SA/NV Dublin Branch

## MANAGER'S REVIEW

### Investment background

Global equity markets ended November down (MSCI All Country World Index (ACWI) -2.4% total return in USD), having fallen -3.2% in the final 3 trading days of the month. Market confidence was shaken first by the emergence of the Omicron variant of COVID-19 and then by Fed Chair Powell's comments that inflation is unlikely to be transitory and faster tapering of asset purchases may be required. US 10-year bond yields ended the month ~10bps lower at 1.44% and yield curves flattened further. Within equity markets, value style benchmarks underperformed (MSCI ACWI Value -4% compared to MSCI ACWI Growth -1% in USD). Commodities were mixed – oil fell sharply (Brent from ~\$85 to \$70 per barrel) but copper, the Commodity Research Bureau (CRB)'S raw materials index and agricultural commodities generally held up better.

### Strategy update

#### Performance

As fears regarding the global economic outlook grow and sentiment towards the UK again becomes depressed so have our key factors continued the run of weakness that started after the first quarter of 2021. Value has returned to the low point of the cycle, many recovery sectors (most notably consumer cyclicals, re-opening plays and cyclical industrials) are close to their pandemic lows.

Our largest detractors were again large index constituents where the portfolio has no holding or an underweight position relative to the benchmark. **Apple, NVIDIA, Amazon.com, Microsoft and Tesla** all materially outperformed the benchmark's return – NVIDIA was up another +34% in November and ended the month trading at 26x sales – which created a material drag to the portfolio's relative returns.

Positive contributors were dominated by a number of consumer-facing stocks such as **Blue Apron, Bed Bath & Beyond, Capri, Richemont, Canada Goose** and **Shop Apoteke**, which delivered strong share price performances following supportive updates.

#### Activity

We have been adding to all of the above areas of weakness, classic value, recovery (consumer cyclicals, re-opening plays and selective industrials), UK domestics and over-sold smaller companies. This included purchases of **Aixtron, Anritsu, Caterpillar, Chegg, KE Holding, Henry Schein, Meyer Burger Technology** and **WisdomTree**.

**Callaway Golf** is well positioned to benefit from improving trends in the golf industry, with a range of market leadership positions in (1) clubs, balls and clothing / footwear, and (2) the exciting differentiators of digital and alternative growth assets TopGolf and TopTracer. The characteristics on the supply side of the industry improved in 2017-18 with the exit of Nike and Adidas, producing more stable competitive dynamics. The economics of golf balls are particularly enticing – any golfer will know these are a recurring revenue stream, what they might not know is how high

gross margins are for the producers! Demand trends that had been improving – with greater younger age group participation developing in recent years – have been turbo-charged by certain dynamics that have emerged through Covid-19. Perhaps the most important for the short-term is the increased level of retirements, given the 65+ year old cohort has historically played ~3x more rounds than younger golfers. We bought the shares trading on ~12.5x EV/EBITDA, in-line with its long-term average. The chief excitement in the thesis lies in the earnings growth potential, however. We see potential for \$1bn EBITDA by 2025, significantly above the market's sub-\$0.7bn current expectation for that year.

We exited our holding in online gambling software provider **Playtech** following bid activity. Last month, a 680p bid was announced from Australian peer Aristocrat, but we felt there was a relatively high probability of a counterbid given the strategic value of the business and so maintained a position. Potential bidders subsequently emerged but one has pulled out and in the current volatile market environment, with the shares trading comfortably above the bid 'on the table'. **Intertrust** was also the target of M&A activity with the company disclosing it had received a number of offers up to €22 after CVC Capital announced their own offer at €18. **SanLorenzo, Tata Motors** and **Cars.com** were also exited after the recent strong share price performance closed the gap to our fair value assessment.

### Outlook

I continue to find the current investment environment both very frustrating (because value is back at its all-time relative low) but also exciting, because there seem to be so many PVT opportunities. Why when there are very many clearly expensive assets and equities out there, are there so many good business franchises on very low absolute valuations? It is really very easy to find decent listed companies on single digit earnings multiples, those that are on double digit cash flow yields, those that trade on discounts to book value, those that are on mid-single digit (or lower) multiples of recovered earnings, those that trade on 50% discounts to the sum-of-their-parts; and to construct a portfolio of these that will grow revenue, profits and cash flow robustly over the next few years. Around the world, many of these stocks have become unloved again, because they are too cyclical, too exposed to Covid, too geared to the consumer, too domestic, too cheap, too vulnerable to short-term price pressures, too geared to interest rate increases that might no-longer be happening. Lots of unloved shares, lots of room for sentiment to rebound again, lots and lots of medium-term PVT stock picking opportunities.



**Hugh Sergeant**  
Portfolio Manager  
December 2021

## IMPORTANT INFORMATION

River and Mercantile Global Recovery Fund (the "Fund") is approved by the Central Bank of Ireland and is an open-ended fund of River and Mercantile Investments ICAV (the "ICAV"), an Irish collective asset management vehicle umbrella fund with segregated liability between sub-funds. The ICAV is registered in Ireland by the Central Bank of Ireland and authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as may be amended from time to time and any rules or notices made by the Central Bank of Ireland pursuant to them which are applicable to the ICAV.

Carne Global Fund Managers (Ireland) Limited acts as manager to the ICAV and has delegated the discretionary investment management and distribution of the Fund to River and Mercantile Asset Management LLP ("RAMAM"). RAMAM is authorised and regulated in the United Kingdom by the Financial Conduct Authority (Firm Reference No. 453087) and is registered in England (Company No. OC317647). RAMAM is a subsidiary of River and Mercantile Group PLC which is registered in England (Company No. 04035248) with its registered office at 30 Coleman Street, London, EC2R 5AL.

For further information on the Fund including the specific risks and the overall risk profile of the Fund, as well as the share classes within, please refer to the Fund's Prospectus, the Supplement to the Prospectus and the Key Investor Information Documents (KIIDs) (available from [www.riverandmercantile.com](http://www.riverandmercantile.com)).

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