RIVER AND MERCANTILE

ES RIVER AND MERCANTILE GLOBAL HIGH ALPHA FUND

Quarterly report to 30 September 2021

For unitholders only

ES River and Mercantile
GLOBAL HIGH ALPHA FUND

Quarter 3, 2021

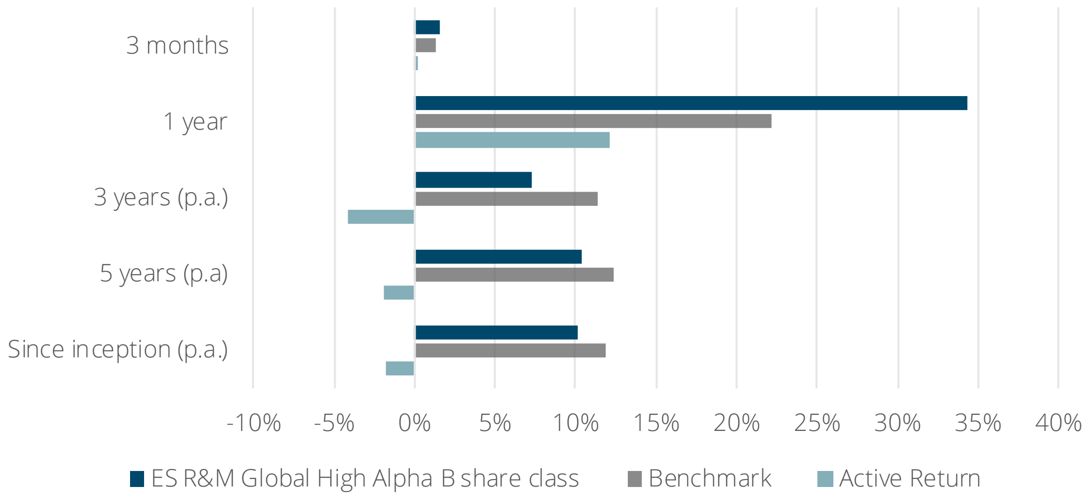
RIVER AND MERCANTILE

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 fees.

PERFORMANCE (NET OF FEES)

	B share class	Benchmark	Difference
3 months	1.5%	1.4%	0.2%
1 year	34.3%	22.2%	12.2%
3 years (p.a.)	7.2%	11.3%	-4.1%
5 years (p.a.)	10.4%	12.4%	-1.9%
Since inception (p.a.)	10.1%	11.9%	-1.8%



PERFORMANCE (BEFORE FEES)

	Z share class	Benchmark	Difference
3 months	1.7%	1.4%	0.4%
1 year	35.3%	22.2%	13.2%
3 years (p.a.)	8.0%	11.3%	-3.3%
5 years (p.a.)			
Since inception (p.a.)	10.9%	11.9%	-1.0%

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI All Country World Index (ACWI), net GBP. Fund performance shown is of 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. Fund performance is calculated using the midday published price. Please note that the benchmark performance is calculated using close of business mid-market prices. Other share classes may be available. ***Past performance is not a reliable indicator of future results.***

PORTFOLIO SUMMARY AND KEY RISK CHARACTERISTICS.

AUM	£164.2m
Strategy Capacity	£6bn
Inception date	12 August 2016
Number of stocks	205

Portfolio volatility	14.1 %
Benchmark volatility	12.5 %
Portfolio Beta	1.07
Tracking Error	4.4 %
Active Money	82.0 %

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.

Executive summary

- The run of seven positive return months from global equity markets was emphatically broken in September (MSCI ACWI -4.1% total return in USD) bringing the total return for Q3 2021 to -1.0% (in USD). Having bottomed below 1.2% in early August, US 10-year bond yields moved sharply higher in late September to 1.5%. Markets are currently heavily focused on short-term uncertainties relating to supply chain disruption and risks to China's growth.
- The Fund delivered +1.5% absolute return (in GBP net of fees) in Q3 2021. Relative performance improved when the value factor re-emerged as a positive coinciding with higher bond yields towards the end of the quarter. Our positive contributors were an eclectic bunch, highlighting the range of potential performance drivers within the portfolio – from bids (Sydney Airport) to solid execution of strategy (Sony, Bath & Body Works). Weaker performers came predominantly from our Chinese-exposed holdings (Las Vegas Sands, Baidu), with concerns around regulation and an economic slowdown (accelerated by the solvency issues at Evergrande) leading to indiscriminate selling by foreign investors.
- New positions were initiated in agricultural machinery provider AGCO and Danish high-voltage cable manufacturer NKT, both of which operate in industries with consolidated supply and long-term structural demand growth. Sleep Country Canada is a well-run niche retailer with attractive economics. Japanese buys Tadano and Nikon both have market leadership, restructuring opportunities and very strong balance sheets. We exited Sydney Airport and Zooplus on bids. GEA Group, China Longyuan, BASF, South32 and nVent Electric saw our fair value estimate reached and PVT thesis played out. Nichi-Iko and Cegedim were sold on a breakdown in the original investment case.
- We update on engagement meetings with Cegedim and Verallia, which led to one sale and one accelerated path to CO2 reduction.
- The portfolio in aggregate delivers ~12% cash return on capital growing sustainably at a mid-single digit rate, valued at ~8% earnings yield. The relative value opportunity is stark – the portfolio trades at two-thirds the asset-based valuation of the benchmark despite similar fundamentals.
- This quarter we have a stock focus on recent purchase Tadano, the Japanese mobile crane manufacturer. It offers a good example of repeatable features we seek to provide us with a margin of safety in Recovery investments. Its key share price drivers also offer attractive diversification and differentiation relative to the broader market's characteristics today.

Investment background

The run of seven positive return months from global equity markets was emphatically broken in September (MSCI ACWI -4.1% total return in USD) bringing the total return for Q3 2021 to -1.0%. Having bottomed below 1.2% in early August, US 10-year bond yields moved sharply higher in late September to 1.5%. The US dollar also rose (DXY +1.9%) reflecting an increasingly hawkish tone from the US Federal Reserve. Energy-related commodities rose sharply – most notably natural gas and thermal coal – while the Commodity Research Bureau (CRB)'s industrial raw material inputs index remained at multi-year highs. Strong performance from Financials (which benefit from higher interest rates) and Energy companies supported outperformance by 'value' equity benchmarks in the latter half of September. This closed the performance gap to 'growth' benchmarks, which had peaked in early September. Risks to global growth – Chinese growth in particular – meant the performance of cheaper cyclical companies' shares was not uniform. Significant disruption within global supply chains (which has played a central role in the energy cost rises) is increasingly reflected in weaker manufacturing surveys. Industrial commodities fell – iron ore to below $100/tonne having been $200/t as recently as mid-July – as the solvency issues relating to Chinese property developer Evergrande hit mainstream headlines. Investors are sensitive to whether this is a China-contained "controlled explosion" or one with more toxic fallout for global financial markets.

Performance

The Fund rose +1.5% (net of fees) during the third quarter of 2021, versus a total return of +1.4% by its comparator benchmark, the MSCI ACWI index, and +1.3% for the MSCI ACWI Value index (all in GBP).

The portfolio's biggest performance contributors were an eclectic bunch, highlighting the range of potential performance drivers within the portfolio. Sydney Airport (+0.1%) received a bid of A$8.75 per share (improved twice from an original A$8.25 in July), which increased the share price by ~45% from its level at the end of Q2. Blue Apron (+0.1%) rose +76%, responding well to an equity raise which will allow it to accelerate growth initiatives as well as a holistic sustainability strategy. Sony (+0.1%) continues to execute on the strategic vision of building a valuable consumer media ecosystem in gaming, music and film. It will acquire the balance of shares it doesn't already own in Zee Entertainment, which provides attractive exposure to the fast-growing Indian TV market. Bath & Body Works (+0.1%), the spin out from L Brands, got off to a strong start reporting a solid quarter operationally.

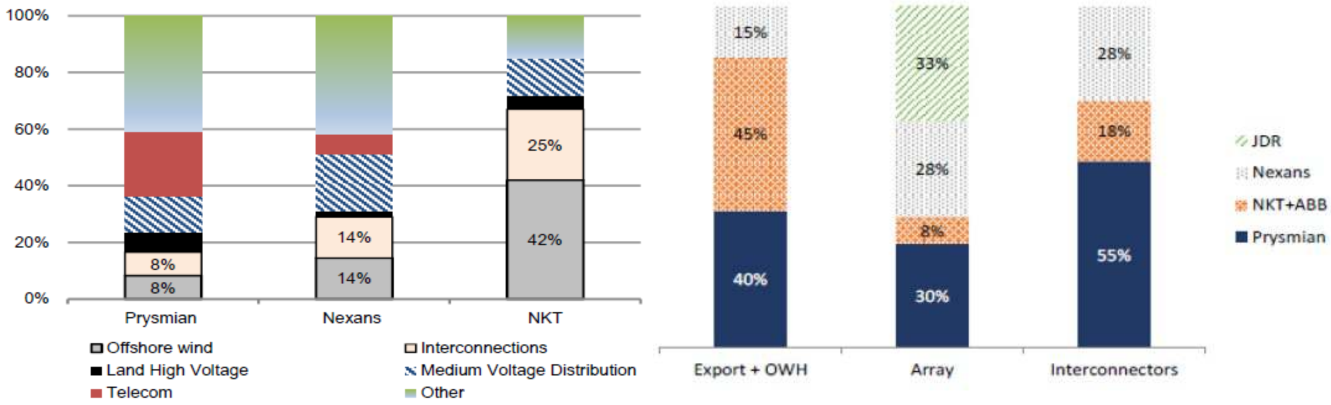
Weaker performers came predominantly from our Chinese-exposed holdings, with concerns around regulation and an economic slowdown (accelerated by the solvency issues at Evergrande) leading to indiscriminate selling by foreign investors. It is notable how far 'offshore' Hong Kong-listed equities have underperformed their 'onshore' Shanghai siblings. Macau-casino owner Las Vegas Sands (-0.2%) and search, cloud and AI leader Baidu (-0.2%) were our biggest detractors. Weak economic momentum and a poor quarterly statement sent Qualicorp (-0.1%) shares down -35%. We see evidence of the medium-term growth improvement strategy working here and believe investors are being particularly short-term in their outlook. Harley-Davidson (-0.2%), down -18% in the quarter, has now retraced its share price move up following strong results in the first half. It currently trades on an appealing 10x earnings.

Activity

AGCO has structurally growing agricultural machinery end markets which are cyclical. The structural element particularly relates to the increasing mix of precision equipment which deliver above group profit margins. We believe we are currently in the early stages of a positive global agricultural capex cycle supported by higher farm profitability as crop prices have increased. Ongoing market share gains in Europe (~50% sales), scope for group margin enhancement and a new capital allocation framework provide support to the investment case. The balance sheet is robust with 2020 net debt/EBITDA sub-1x and the business has consistently generated attractive levels of free cash flow. A wider valuation discount than usual to peer Deere & Co offered an opportunity to buy shares with an attractive margin of safety.

Danish high-voltage cable manufacturer NKT gives us attractive exposure to the long-term growth in offshore wind power generation. We consider the cable companies – who connect up these offshore windfarms using high voltage cables – to be more interesting investment cases than the operators (e.g. Ørsted) or the turbine manufacturers (e.g. Vestas or Siemens Gamesa). They have other strings to their bows than just offshore windfarms, such as grid infrastructure and industrial production (the outlook for both being strong), and we can access the long-term theme of energy transition without paying excessive valuation premia. After an ill-advised acquisition in 2017, NKT is a recovery phase investment with a strengthened balance sheet and spare capacity (post rights issue in 2020). The high-voltage DC cable is a highly technical product dominated by three (European) companies with consequently very good margins. Profitability is running ahead of expectations and this positive earnings momentum supported the timing of our entry point.

NKT is a pure play on grid investments and sustainable energy relative to peers Prysmian and Nexans, with 70% exposure to high voltage (left), and is a market leader in offshore wind export cables (right[1]) – a market expected to treble over the next decade



Source: Credit Suisse

Sleep Country Canada is Canada's leading omnichannel mattress and bedding retailer – the only specialty sleep products retailer with a national store footprint and online presence. This is an attractive industry with a large and stable market driven by the essential nature of the product and a clear replacement cycle. Sleep Country's own disciplined and consistent growth model has resulted in market share expansion and double-digit compound growth at ~20% cash return on invested capital. Strong new store economics and growing customer reach via the acquisition of Endy and strategic partnership with Walmart provide an attractive runway for future growth. Recent share price weakness despite supportive earnings upgrade momentum opened up an attractive gap to our assessment of fair value.

Sleep Country Canada has attractive new store economics generating cash-on-cash payback < 1.5 years[2]

Representative New Store Investment	
($ in thousands)	Average Investment
Buildout and Equipping Cost Floor	$430
Sample Inventory	50
	480
Less: Tenant Reimbursement	(80)
Cash Requirement, Net	$400

New Store Results	
($ in thousands)	Year 1
Sales	$1,200 - $1,500
Store 4-Wall Profitability[1]	$333 - $417
% of Sales	27.78%
Annual Cash on Cash Return	83% -104%

Source: Company presentation

Japanese optical equipment company Nikon is likely to be best known by readers for its cameras. Structural decline within the Imaging Products segment which houses these cameras, coupled with underperformance of Healthcare and Industrial Metrology, have masked the high returns of the Precision Equipment segment. This division has an attractive outlook most notably in its lithography system sales, with key customer Intel (~29% of divisional sales) having recently committed to major

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[1] Shown under 'Export + OWH' in the chart, where OWH stands for offshore wind hub.

[2] 'Store 4-Wall Profitability' represents store only sales, based on 2018 gross margin after taking into account 3rd party finance charges and mattress recycling cost.

capex programmes in the US and Europe. Recent results, which beat expectations, indicated that the current management's turnaround is well on track. The significant cash pile – which represents some 80% of the current market cap – supports both optionality and a significant margin of safety at our entry price, which we think was perhaps half of the business's true value.

Tadano is a global market leader in the cyclical crane market. Industry growth is supported by the infrastructure agenda that multiple governments around the world are following ("Build back better"), as well as new demand drivers from the wind energy generation segment. The crane industry itself has consolidated, which we expect to improve rationality of supply and pricing. The company's management has issued medium-term guidance for sales and margins which are materially ahead of current analyst expectations. The recent Demag acquisition in Germany provides a rich source of restructuring cost savings which take it back to breakeven, meaning that the implied margin on the 'core' Tadano business is undemanding. The overly conservative balance sheet provides an additional source of margin of safety and optionality. An encouraging recent engagement meeting with the company highlighted that capital allocation is likely to become more shareholder friendly. This is not happening at the expense of broader stakeholders, with both short- and long-term carbon emissions reduction targets recently introduced. We go into more detail on the investment case below ('Company focus').

As well as selling Sydney Airport after the bid mentioned above, which we believe represents fair value, we also sold our position in German online pet food supplier Zooplus following a bid from private equity that represented a reasonable price for control in our opinion.

A successful investment in German processing equipment manufacturer GEA Group was sold as the share price increased above fair value. The initial phase of GEA's recovery under new management has played out successfully, with return on capital improved via working capital efficiency gains and mean reversion of profit margins. From here the investment case is harder, requiring new peak margins and sustained higher organic revenue growth than recent experience for a margin of safety to exist. We exited Chinese utility company China Longyuan, German chemicals giant BASF and US industrial nVent Electric with their respective share prices towards the top end of our fair value estimates implying better risk-reward elsewhere.

Our original investment case at Nichi-iko Pharmaceutical was not playing out and with sub-par elements of sustainability (particularly relating to quality control) potentially requiring costly remediation, we chose to refocus that capital elsewhere. Miner South32 was sold at a fair multiple of normalised earning power, following a recent meeting with the company which highlighted clear progress on areas of sustainability, but also that the company is towards the beginning of a necessary transformation which will require significant investment eating into its free cash generation. We exited French healthcare software company Cegedim following engagement meetings to discuss corporate governance and strategy (see 'Engagement' section below). Having voted against management on several items over our multi-year holding period and sought changes on specific – and highly deliverable – areas of governance, the conclusion from our meeting was unfortunately that these improvements are unlikely to be made. This creates risk to value creation for minority shareholders.

Portfolio fundamentals

The fundamentals of the companies in our portfolio are robust. Overall, we own businesses whose return on capital (CFROI) is historically as attractive as the overall benchmark's and are expected to improve CFROI faster than the benchmark over the coming years. Our companies are growing sustainably at a high-single digit rate, while employing lower levels of debt (see table below)[3]. Yet despite these fundamental supports, the valuation gap today between our portfolio and the equity benchmark

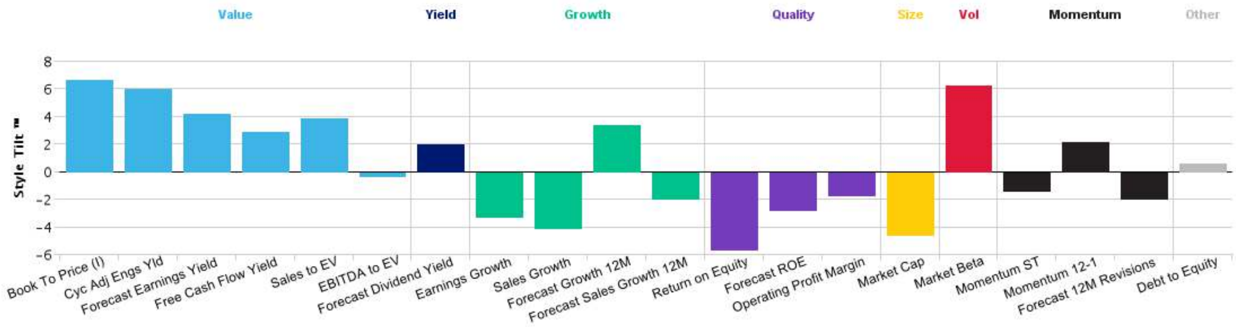
[3] The figures shown are for the ES R&M Global High Alpha fund.

is as wide as ever – now trading at two-thirds the valuation based on replacement cost and materially more attractive cash flow yields. Equally, the ~8% forecast earnings yield for our growing, value-creating companies compares favourably to the ~1.5% yield on offer from the US 10-year bonds.

	R&M Global High Alpha	MSCI ACWI weighted average
Average market cap ($bn)	179.8	237.7
Fundamentals		
Cash Flow Return on Investment (5Y average)	11.7%	11.8%
Cash Flow Return on Investment change (3Y)	2.9%	2.3%
Sustainable growth rate	8.0%	10.2%
Debt-to-equity	113%	138%
Valuation		
Forecast earnings yield (+12mths)	8.0%	5.7%
Equity Free Cash Flow yield (trailing 12mths)	5.4%	3.5%
EV to replacement cost (inflation-adjusted)	3.1 x	5.1 x

Source: Credit Suisse HOLT, Bloomberg, Style Analytics. Data to 30 September 2021. Data representative of the UK domiciled ES R&M Global High Alpha Fund, a sub-fund of the ES River and Mercantile Funds ICVC.

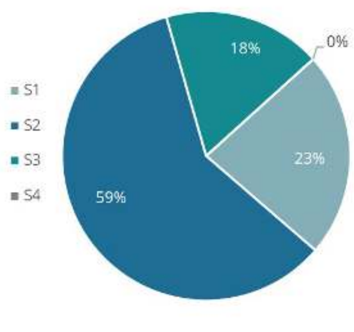
The Style skyline offers another way to view this, demonstrating a clear bias to attractive valuations on a range of traditional measures, with future earnings growth[4] now becoming a clear feature as we are in the recovery phase of the cycle and the fundamentals of our companies are expected to improve at a more rapid rate than the benchmark (also seen in the difference between historic and forecast Return on Equity).



Source: StyleAnalytics (data as at 30 September 2021)

The portfolio's weightings to S-PVT tiers are shown below, alongside the definitions for the different tiers.

ES R&M Global High Alpha Fund weighting by S-PVT tier[5] (left) and definitions for this internal scoring system (right)



Source: River and Mercantile Asset Management LLP

[4] Shown as 'Forecast Growth 12M' in the Style Analytics skyline.

[5] Note: S4 rating is effectively an exclusion, hence any weighting shown is likely to be in the process of disinvestment.

Engagement

In this section, we will share some highlights from the engagement we had with portfolio companies during the quarter around sustainability issues, including key outcomes. Note that this is not an exhaustive list of engagement activity during the quarter.

The most impactful engagement in terms of outcome was our set of meetings with the family-owned healthcare software provider Cegedim. Following votes against the management at consecutive AGMs around several consistent agenda items regarding governance, we set up two meetings with a Managing Director to propose positive changes to board structure (independence), remuneration policies, and understand the strategic direction of travel. We have been expecting a succession plan from the existing joint Chair / CEO role held by the 78 year old founder to be delivered since we invested some 5 years ago and have consistently proposed splitting the roles, in line with best practice. While there were some positive indications of movement on disclosure around employment contracts and related-party transactions between Cegedim and FCB (the founder family's investment vehicle), on the main concerns of board structure and independence we did not receive encouraging signals. In short, there is little internal desire to change. We believe that this removes some pillars of our original investment case and brings risks to minority shareholders. We have exited our position.

As part of a meeting with Verallia following the interim results, significant time was allocated to decarbonisation strategies, the benefits of glass as a packaging material within the circular economy and the MSCI ESG Research rating of B. Of particular note, River and Mercantile expressed support for increasing investments behind decarbonisation efforts. We were therefore delighted to see the accelerated programme for CO2 reduction outlined at October's Capital Markets Day, with science-based targets to broadly halve scope 1 & 2 emissions by 2030 before being net zero in 2050, and maintaining scope 3 emissions below 40% of the total in 2030. We expect that the clear roadmap that Verallia has laid out regarding its sustainability agenda should be reflected in an improved grade from MSCI.

In a number of our engagements, such as Tadano, L Brands/Bath & Body Works and Pearl Abyss, we believe we are among the first investors to be placing specific focus on sustainability issues with our investee companies. These companies are naturally often nearer to the start of their 'journey', and we see our collaborative involvement as supporting both positive change and attractive returns for our investors.

Company Focus: Tadano

"[Baseball's] all about evaluating skills and putting a price on them. Thirty years ago, stockbrokers used to buy stock strictly by feel. Let's put it this way: Anyone in the game with a 401(k) has a choice. They can choose a fund manager who manages their retirement by gut instinct, or one who chooses by research and analysis. I know which way I'd choose." Billy Beane (former General Manager of Oakland Athletics baseball team)[6]

Like Billy Beane, who made his name finding value in baseball players based on hard data, the features we look for in our investments are typically more prosaic than the 'glamour' companies that grab headlines with eye-catching statements about the huge addressable markets they can disrupt. We value pattern recognition in certain scenarios that come up repeatedly within our four lifecycle categories (Growth, Quality, Recovery and Asset-backed) which enhances our ability to execute the investment process systematically. Beane also said, "Over the course of a season, there's some predictability to baseball. When you play 162 games, you eliminate a lot of random outcomes." Just as in baseball, our strong belief is that a robust process, focus on evidence and longer-term time horizon iron out a lot of

[6] Beane was the feature of Michael Lewis's book, Moneyball (2003), subsequently turned into a film (2011) starring Brad Pitt. Beane famously had a rigorous focus on data which he used to build a competitive team at the A's with a limited budget.

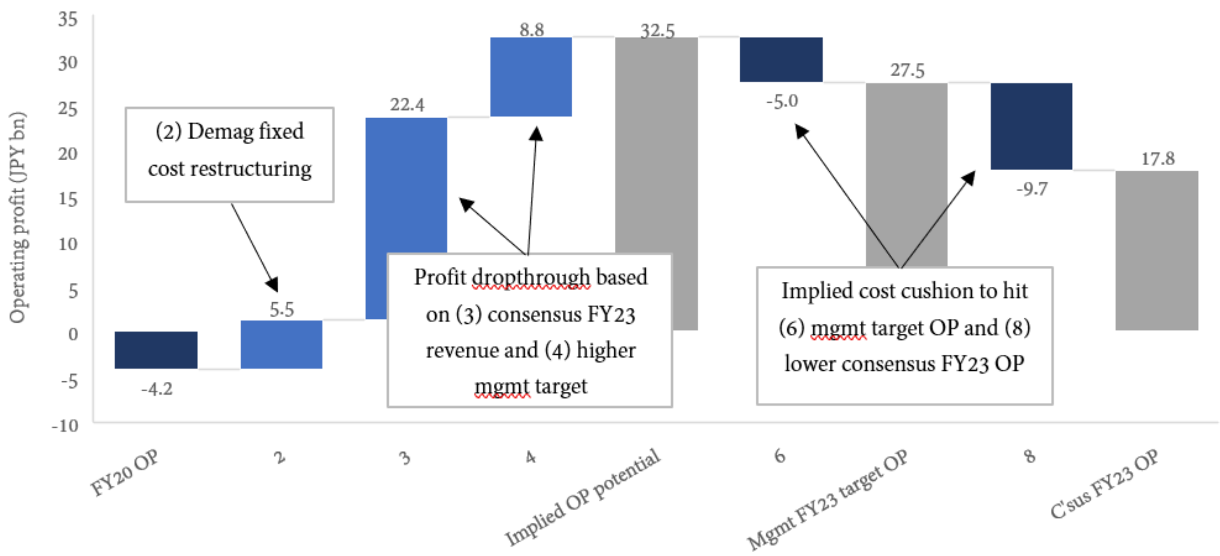
the uncertainties inherent in investing (but not all!) and can therefore increase the predictability of outcomes. We'll use our investment in Japanese mobile crane manufacturer Tadano (equally prosaic) to demonstrate.

When looking at companies undergoing restructuring as part of a Recovery, one area we routinely identify opportunity is cost modelling by sell-side analysts. They appear to pay less attention to these line items than they do trying to forecast revenues. We can speculate as to why this is, but the reality is that while analyst models will typically have multiple line items to build out revenue (volume, price / mix, M&A, currency etc) the operating profit number that drops out is often the result of hard-coded, typically linear or 'drag to the right', margin assumptions.

In Tadano's case, it is restructuring the Demag subsidiary it acquired in 2019 resulting in material cost savings. The company has set out medium-term guidance to grow revenues from ¥186 billion in FY2020 (ending March 2021), which broadly equates to near the low point of the economic cycle, to ¥275 billion in FY2023 (March 2024) and to move from a ¥4.2 billion loss to ¥27.5 billion of operating profit, or -2.3% margin to 10%. Analysts are sceptical, with the current consensus for FY23 showing ¥250 billion revenue and ¥17.8 billion operating profit, or 7% margin. After all, 10% does seem a long way from -2.3% and peak profits (FY14) were ¥29.5 billion so the management targets are widely seen as "punchy" (read "unlikely to be achieved"). But are they?

Breaking down the loss in FY20, some context is required. Pre-restructuring, we estimate Demag's loss (based on public disclosure, but it requires a bit of piecing together) was ¥7.1 billion, so 'legacy' Tadano made ¥2.9bn operating profit. Tadano is taking out ¥5.5 billion of fixed costs considered duplicated and which therefore will not impact revenue generating capacity, dropping to the bottom line. Adding ¥5.5 billion to our -¥4.1billion leaves ¥26.2bn to hit management's target, or ¥16.5bn to meet consensus.

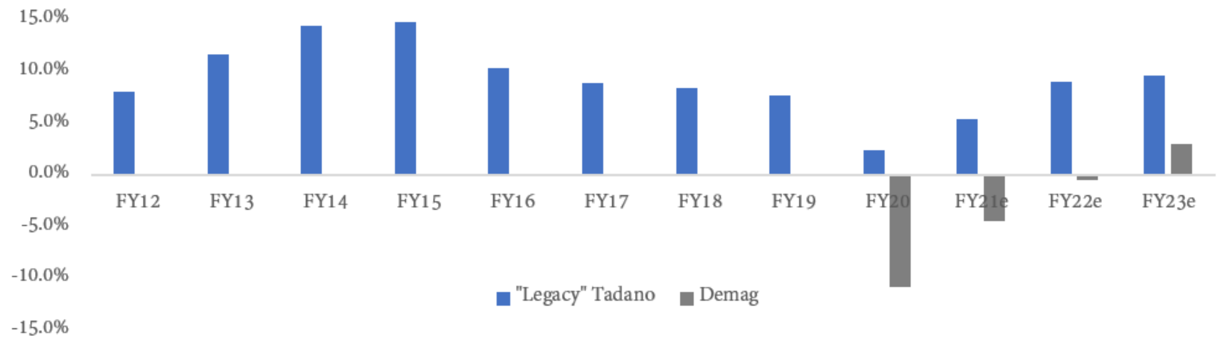
Tadano is a manufacturing business with a high level of fixed costs associated with its plants. Typical operational gearing has been ~35% since 2010[7], so taking the incremental Y89bn of revenue the company expects to be generating in FY23 vs FY20 should add ¥31.2bn to operating profit, all things being equal. Even if we assume that analysts' lower revenue number for FY23 is correct, that still adds ¥22.4bn to operating profit or 36% more than what's required to hit analysts' profit forecast. Put another way, we think there is broadly ¥5 billion to ¥6 billion of 'cushion' in forecasts, which is a lot of additional cost to come back into the business post COVID and/or inflation that is far from 'transitory'.



Source: River and Mercantile Asset Management LLP, Bloomberg, company presentations.

[7] Effectively meaning ¥35 additional profit drops through from each incremental ¥100 revenue.

Another way to think about this is to break out Demag versus 'legacy' Tadano margin to assess the implied forecasts in the context of history. Assuming a 3% margin at Demag in FY23, to hit consensus operating profit[8] would only require a 9.6% operating margin in the legacy business. This compares to historic mid-cycle margins of 12-15%.



Source: River and Mercantile Asset Management LLP, Bloomberg, company presentations.

So far, so exciting (for us, anyway!). Using Bloomberg's calculation of enterprise value, ¥147.7 billion, the shares trade on 8.3x EV/EBIT. This is cheap. The company has, over the long term, traded on roughly 10x. However, as we've shown, the company believes it can earn ¥27.5bn and we believe them, in which case it trades on 5.4x EV/EBIT. This is very cheap. But there's more: we need to knock ¥10 billion off the EV for debt forgiveness as part of the Demag restructuring, and the company also has investments of ¥7.7bn on its balance sheet and has indicated a willingness to begin to realise these, in line with the way the wind is blowing in corporate Japan[9]. Tadano's EV/EBIT could be as low as 4x (even before we consider whether any of the ¥26 billion of land, in the books at historic cost, is surplus to requirement).[10]

We'd be the first to accept that, at face value, telling people about the mobile crane manufacturer you've invested in is unlikely to make you the most popular kid at the party. However, when faced with the numbers-backed evidence we think it is very exciting indeed! Repeatedly interrogating ideas like this that come out of our process puts the odds on our side to create value for clients over the long-term.

Outlook

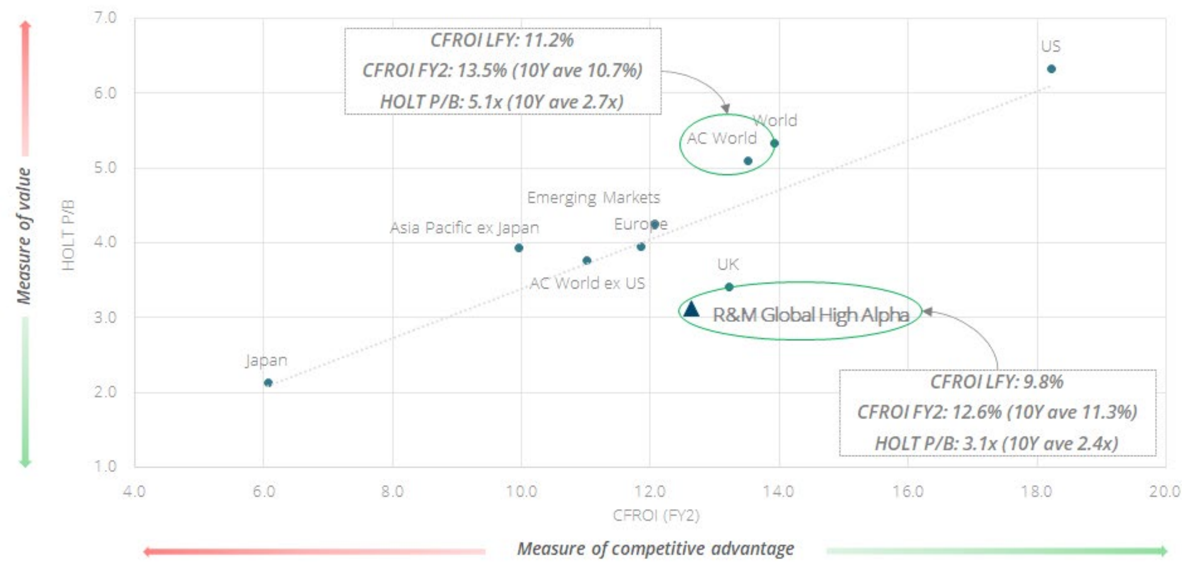
For anybody living in the UK, queues at petrol stations and forecourts running out of fuel have provided palpable evidence of supply chain challenges starting to bite. Disruptions like this will naturally have an impact on near-term economic growth. With other calls on household income such as energy costs also rapidly increasing, there are fears that what had looked like a healthy reflationary environment earlier in the year could rapidly morph into a negative 'stagflationary' one. The situation is fast moving, and it is equally feasible the challenges we are experiencing today will look less daunting in a matter of months or quarters. Much will depend on how supply chains re-align themselves as Asian economies re-open more substantially from COVID-19 lockdowns.

Polarisation in the market has increased since the middle of the year, meaning that overall equity market levels are not necessarily representative of the opportunities that exist within them. 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 original rally. We firmly believe this has re-generated the opportunity set for many stocks with these exposures. We are, first and foremost, bottom-up stock pickers selecting each security on its own individual merit. However, we absolutely try to do this without

[8] Using consensus revenue forecasts.
[9] We think this is a triple win – returns to shareholders, better capital efficiency and improved S-PVT / ESG.
[10] We have not included the pension deficit as, while there is a significant accounting liability this is not reflected in the cash flows of the business.

operating in a vacuum from the macro environment. Particularly at times like these, there is a balance between staying 'nimble' and maintaining a longer-term analytical time horizon to support conviction in each company's investment case. We draw comfort in the fact that for a valuation a third cheaper than the global benchmark, in aggregate our companies have long-term average returns above the benchmark's and are expected to recover profitability at a faster rate over the next couple of years. This points to an exciting opportunity set.

R&M Global High Alpha vs global equity benchmarks: valuation relative to underlying business quality



Source: Credit Suisse HOLT, Bloomberg, River and Mercantile Asset Management LLP, MSCI. Data to 30 September 2021. Data representative of the UK domiciled ES R&M Global High Alpha Fund, a sub-fund of the ES River and Mercantile Funds ICVC.

The portfolio has a bias to the value factor and is therefore less exposed to some of the multiple-compression risks for long duration growth stocks that would continue to be a feature if bond yields rise further. Perhaps more importantly, we think the blend of *Growth*, *Quality*, *Recovery* and *Asset-backed* categories within the portfolio provides an attractive combination of earnings drivers – from self-help to structural growth – which positions the Fund well for the intermediate term. Please do get in touch should you have any questions about the strategy.

Thank you for your continued support.

Hugh Sergeant & William Lough
Portfolio managers

October 2021

FUND HOLDINGS AND PORTFOLIO WEIGHT

Holding	Weight (%)
Alphabet class A	1.88
Facebook	1.34
Citigroup	1.33
State Street Corp	1.23
Sony Corp	1.15
JPMorgan Chase	1.10
Walt Disney Company	1.04
Owens Corning	0.95
Procter & Gamble	0.94
Johnson & Johnson	0.94
Johnson Controls	0.93
Apple	0.92
Fiserv	0.89
Booking Holdings	0.89
Anglo American	0.89
eBay	0.87
PayPal	0.87
Applied Materials	0.87
Microsoft	0.87
Wal Mart Stores	0.85
Oracle	0.84
Lloyds Bank	0.83
Baker Hughes	0.83
Bank of Ireland	0.80
Citizens Financial Group	0.80
Pfizer	0.79
Omnicom Group	0.77
Sprouts Farmers Market	0.74
L Brands	0.74
Intel	0.74
Sanofi	0.73
Agco Corp	0.73
Harley Davidson	0.72
Allfunds Group	0.71
Berkshire Hathaway	0.70
Coca-Cola	0.70
JD.com, Inc. Class A	0.70
Affiliated Mgers Grp	0.69
Accenture	0.69
Roche Holdings	0.67
Amazon.com	0.67
Richemont	0.66
Charles Schwab	0.65
UnitedHealth	0.65
Western Union	0.64
Baidu	0.64
Prosus	0.62
Devon Energy	0.62
Enerplus	0.60
Playtech	0.60
DBS Holdings	0.60
Prudential	0.60
Intesa	0.59
Cemex	0.59
Elis	0.58
Raytheon Technologies	0.57
Infineon	0.57
Dai-ichi Life Insurance	0.56
Siemens	0.55
Toyota Industries	0.55
FinecoBank	0.55
Tokia Marine	0.55
Ping an Insurance	0.54
Alibaba Group	0.54
UBS Group	0.54
Prosiebensat.1 Media	0.54
Airbus	0.53
Capri Holdings	0.53
Parker-Hannifin	0.53
ING Group	0.53

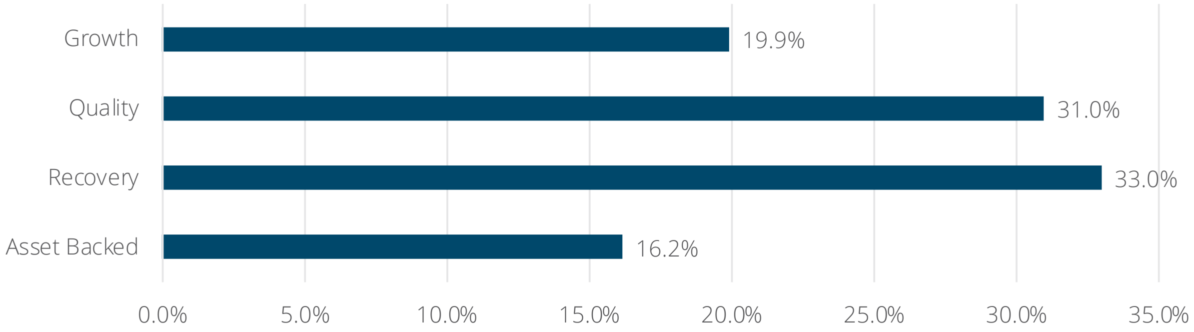
Source: River and Mercantile Asset Management LLP

Holding	Weight (%)
Las Vegas Sands	0.52
Knight-Swift Transportation	0.52
Trip.com Group	0.52
Subsea 7	0.51
Southwest Airlines	0.50
Chemring	0.50
Kraft Heinz Co	0.50
Swire	0.49
Criteo	0.49
BNP Paribas	0.49
Vicat	0.49
Mosaic	0.49
Applus Services	0.48
Jumbo	0.48
Dormakaba Holding	0.48
Verallia	0.47
Westrock	0.47
Whitbread	0.47
Mondi	0.47
McKesson	0.46
General Motors	0.46
NKT	0.46
Unilever	0.46
Treasury Wine Estates	0.45
Colgate-Palmolive	0.45
Stericycle	0.45
Cisco Systems	0.44
Viatris	0.44
Van Lanschot	0.43
Barrick Gold	0.43
General Electric Co	0.43
Snap-On	0.42
Hong Kong Exchanges	0.42
Resideo Technologies	0.42
Capita	0.42
Smith & Nephew	0.42
Jefferies Financial Group	0.41
Mattel	0.41
3M	0.41
Frankfurt Airport	0.40
Koninklijke Philips	0.39
Veeco Instruments	0.39
Anima	0.39
Southwestern Energy	0.39
Incitec Pivot	0.39
BorgWarner	0.38
Samsung Electronics	0.38
Dropbox	0.38
Modern Times Group	0.38
Mediobanca	0.37
NOV	0.37
Danone	0.37
888 Holdings	0.37
DeNA	0.37
Tremor International	0.36
Sleep Country Canada	0.36
Tosei	0.36
Nintendo	0.36
Yageo	0.35
Porsche Automobil	0.35
Bayer	0.34
Bank of Kyoto	0.34
HDFC Bank	0.34
Tenaris	0.34
Sumitomo Mitsui Financial	0.34
Eiffage	0.34
ASE Technology Holding	0.34
Henkel	0.33
Daibiru	0.33
Taiheiyo Cement	0.32

Holding	Weight (%)
Greentown Service Group	0.32
Consorcio ARA	0.32
Banco Santander	0.31
Uber Technologies	0.31
Saint-Gobain Group	0.31
Eni	0.30
FNAC Darty	0.30
Hunting	0.30
Neinor Homes	0.30
Aena	0.30
Pearl Abyss	0.30
Axa	0.29
Nomura Holdings	0.29
Valid	0.29
MakeMyTrip	0.29
Tadano	0.28
Amadeus IT Holdings	0.28
Eurazeo	0.28
Zynga	0.27
Genting Berhad	0.27
Blue Apron	0.26
Qualicorp	0.26
Spotify	0.26
Heijmans	0.26
China Merchants Bank	0.26
Blsa De Vals De Colombia	0.26
SATS	0.26
Exor	0.26
LG Corp	0.25
Wynn Macau	0.25
Bangkok Bank	0.25
LG Chem	0.25
LG Corp	0.24
Mercadolibre	0.24
Nikon	0.24
RWS Holdings	0.24
TKH Group	0.24
Fourlis Holdings	0.24
Kendrion	0.24
Value Partners	0.24
Sime Darby Property	0.23
Okamoto Industries	0.23
Tsumura & Co	0.23
FANUC	0.23
Kyocera Corp	0.22
Samsung Life Insurance	0.22
Mail.ru	0.21
Grupo Sura	0.21
SBI Group	0.21
Ocean Wilson Holdings	0.21
Dowa	0.20
CGG	0.20
Seino Holdings	0.20
Coca-Cola West Company	0.19
Re/Max Holdings	0.18
Victoria's Secret & Co	0.18
Continental AG	0.18
Inmobiliaria Colonial	0.18
Wing Tai	0.18
CIMB Group	0.17
Datalogic	0.16
Qiwi	0.15
Bed Bath & Beyond	0.14
Solocal Group	0.12
Vitesco Technologies	0.12
Cash	1.95
TOTAL	**100.00**

PVT CATEGORIES OF POTENTIAL

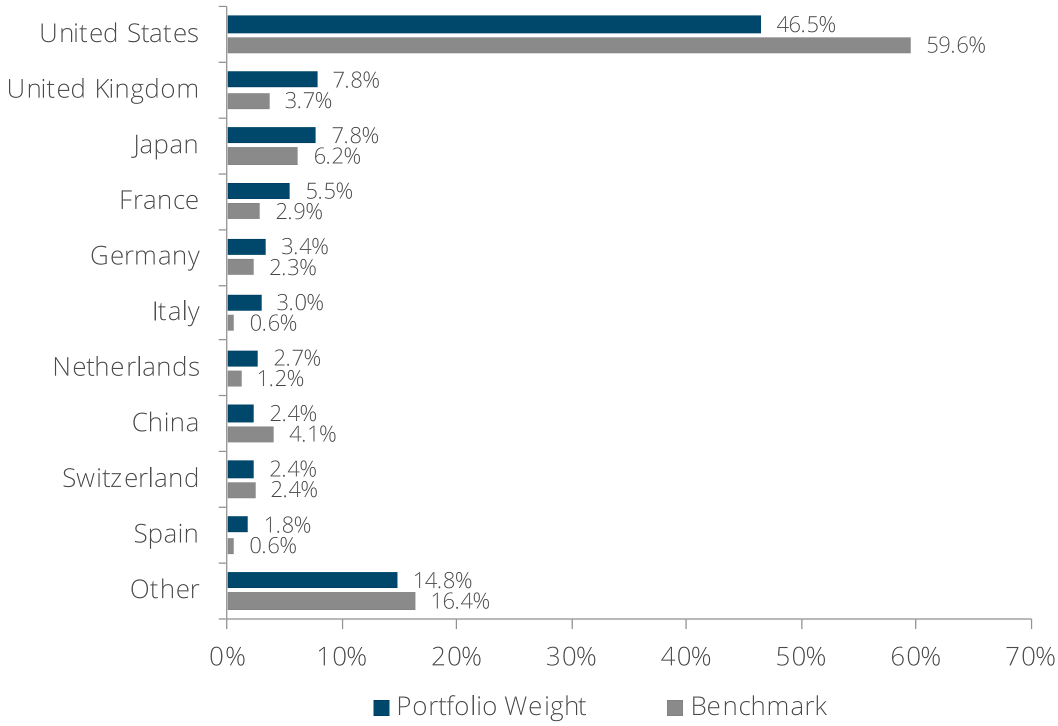
This chart shows the weighting of the fund's holdings across the four categories of Potential, related to the stages of a company's life cycle, as defined within the R&M investment philosophy known as 'PVT' – Potential, Valuation, Timing.



Source: River and Mercantile Asset Management LLP

COUNTRY WEIGHTS

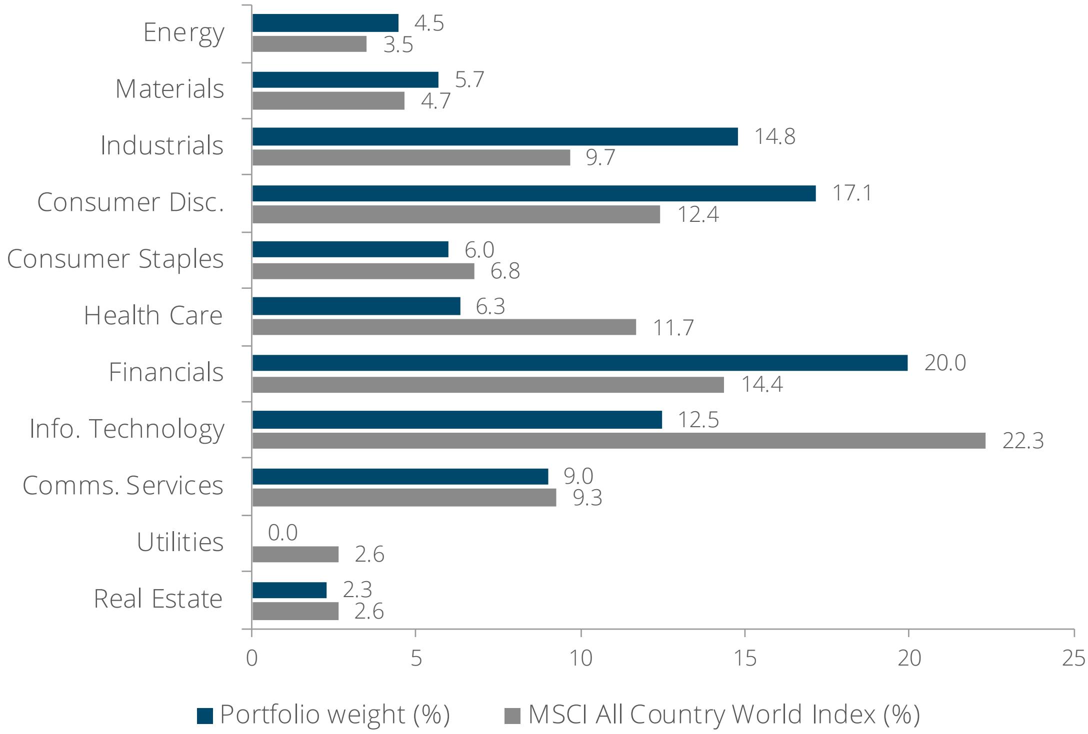
This chart compares the fund and benchmark's weighting to the fund's top 10 weighted countries.



Source: FactSet

INDUSTRIAL SECTOR WEIGHTS

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



Source: FactSet

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
State Street Corp	Financials	1.23	0.05	1.18
Citigroup	Financials	1.33	0.22	1.11
Sony Corp	Consumer Discretionary	1.15	0.21	0.94
Owens Corning	Industrials	0.95	0.01	0.93
Johnson Controls	Industrials	0.93	0.07	0.86
Anglo American	Materials	0.89	0.07	0.82
Baker Hughes	Energy	0.83	0.03	0.80
eBay	Consumer Discretionary	0.87	0.07	0.80
Bank of Ireland	Financials	0.80	0.00	0.80
Fiserv	Information Technology	0.89	0.10	0.79

			%	
Underweights	Sector	Fund	Benchmark	Active
Apple	Information Technology	0.92	3.59	-2.67
Microsoft	Information Technology	0.87	3.07	-2.20
Amazon.com	Consumer Discretionary	0.67	2.27	-1.60
Tesla Inc	Consumer Discretionary	0.00	0.96	-0.96
Nvidia Corp	Information Technology	0.00	0.78	-0.78
Taiwan Semi Mfng	Information Technology	0.00	0.78	-0.78
VISA	Information Technology	0.00	0.57	-0.57
The Home Depot	Consumer Discretionary	0.00	0.53	-0.53
Nestle	Consumer Staples	0.00	0.53	-0.53
Alphabet class A	Communication Services	1.88	2.40	-0.52

Source: FactSet

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

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
Tencent	-0.54%	0.13%
Sydney Airport	0.19%	0.12%
L Brands	0.74%	0.12%
Sony Corp	0.71%	0.12%
Blue Apron	0.16%	0.12%
Devon Energy	0.47%	0.11%
Capita	0.37%	0.11%
Dai-ichi Life Insurance	0.47%	0.10%
Bank of Ireland	0.78%	0.09%
Tokia Marine	0.41%	0.09%

Greatest Negative Contribution	Average Active Weight	Contribution to Active Return
Las Vegas Sands	0.61%	-0.23%
Baidu	0.64%	-0.20%
Harley Davidson	0.76%	-0.17%
Tesla Inc	-0.82%	-0.13%
Prosus	0.61%	-0.13%
Qualicorp	0.26%	-0.12%
Wynn Macau	0.21%	-0.12%
Apple	-2.68%	-0.12%
Owens Corning	0.96%	-0.12%
Microsoft	-2.18%	-0.11%

Source: FactSet

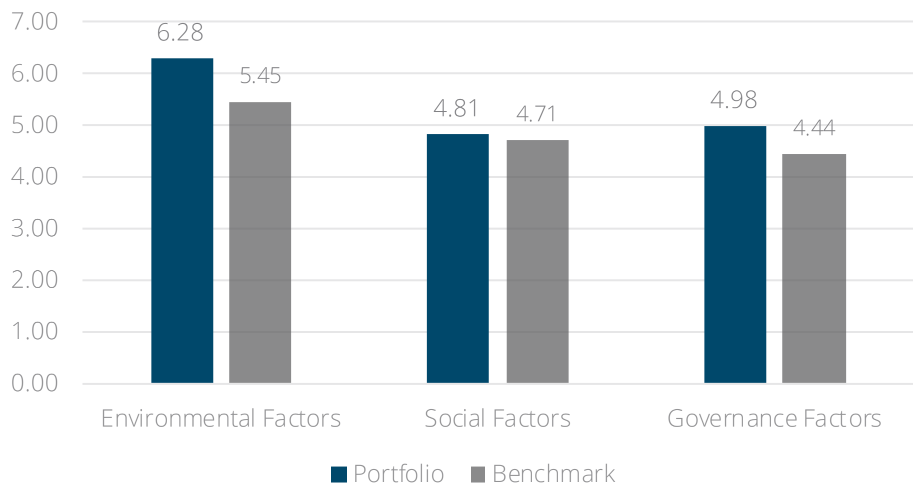
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTOR ANALYSIS

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	93.0%	99.8%
Assets scoring in the bottom decile	0.0%	0.6%

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
Sony Corp	1.2%	0.2%	AAA	10.0
Johnson Controls	0.9%	0.1%	AAA	10.0
Intesa	0.6%	0.1%	AAA	10.0
Mondi	0.5%	0.0%	AAA	10.0
Axa	0.3%	0.1%	AAA	10.0
Danone	0.4%	0.1%	AAA	9.5
Microsoft	0.9%	3.1%	AAA	9.0
Swire	0.5%	0.0%	AAA	8.6
3M	0.4%	0.2%	AAA	8.6
Applied Materials	0.9%	0.2%	AA	8.5

10 lowest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Porsche Automobil	0.3%	0.0%	B	1.4
Pfizer	0.8%	0.4%	B	1.5
Facebook	1.3%	1.2%	B	1.6
Stericycle	0.4%	0.0%	B	1.8
Daibiru	0.3%	0.0%	B	1.8
Verallia	0.5%	0.0%	B	2.1
Pearl Abyss	0.3%	0.0%	B	2.3
Bank of Kyoto	0.3%	0.0%	B	2.5
Re/Max Holdings	0.2%	0.0%	B	2.6
Tadano	0.3%	0.0%	B	2.8

BROKER COMMISSIONS ANALYSIS

Counterparty	Total (£)	Commission Paid (£)
		Execution Only
ABG SUNDAL COLLIER	0.00	0.00
ATLANTIC SECURITIES	1,307,957.08	784.79
BANCO ITAU	0.00	0.00
BARCAP	0.00	0.00
BERENBERG	0.00	0.00
BNP PARIBAS SEC (ASIA) LTD	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	4,579,994.90	1,847.82
CITIGROUP	408,217.12	248.74
CLSA	1,287,374.00	996.96
CREDIT SUISSE	1,025,343.88	615.20
DEUTSCHE BANK	0.00	0.00
EXANE	5,729.67	3.43
FINNCAP	63,088.00	50.48
GBM	0.00	0.00
GOODBODY	0.00	0.00
HSBC	684,187.70	442.44
ING	24,958.27	14.98
INSTINET	399,681.33	239.81
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	0.00	0.00
JEFFERIES	2,121,099.93	1,552.57
JEFFERIES ALGO	144,115.66	57.66
JPMORGAN CHASE	0.00	0.00
KEPLER CHEUVREUX	1,137,115.90	682.31
LIBERUM	0.00	0.00
LIQUIDNET	1,202,902.91	721.74
MEDIOBANCA	0.00	0.00
MIZUHO	1,173,848.21	722.86
MORGAN STANLEY	603,448.49	362.07
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	1,523,661.53	914.20
RBC	0.00	0.00
RBC ALGO	0.00	0.00
REDBURN	0.00	0.00
SANTANDER	233,079.02	372.92
SHORE CAPITAL	0.00	0.00
STIFEL EUROPE	0.00	0.00
STIFEL NICOLAUS	0.00	0.00
UBS	1,588,725.57	1,239.66
UBS PROG	7,600,764.06	3,041.38
WINTERFLOOD	7,299.25	5.84
FLOWTRADERS	0.00	0.00
CONFIRMED FUND PRICE	0.00	0.00
OPTIVER	0.00	0.00
BANK OF MONTREAL	1,473,167.58	883.90
BTIG	120,758.60	96.61
CITADEL INVESTMENT GROUP L.L.C.	0.00	0.00
STIFEL FINANCIAL CORP	0.00	0.00
CITI UK	39,892.73	23.94
LIQUIDNET ALGO	86,318.10	25.90
SUSQUEHANNA INTERDAA EquityONAL	0.00	0.00
	£ 28,842,729.49	**£ 15,948.21**

Firm Wide Comparators

All Equity Trading	**£ 942,644,220.83**	**£543,145.84**
Trades:	**£ 28,842,729.49**	**£15,948.21**
Average Firm-Wide Commission Rate (%)		0.06%
: **Average Commission Rate (%)**		0.06%

Source: River and Mercantile Asset Management LLP

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