30 NOVEMBER 2021

ES River and Mercantile
UK EQUITY HIGH ALPHA FUND

CLASS B GBP (Accumulation)

RIVER AND MERCANTILE

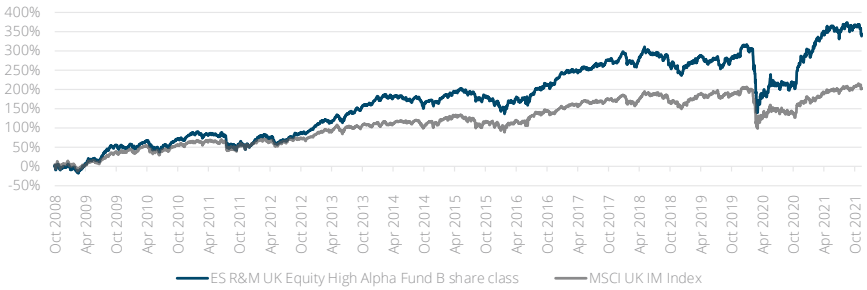
PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Acc) share class since the launch of the share class on 20 October 2008.

Source: River and Mercantile Asset Management LLP. Fund performance is calculated using midday published prices. Benchmark performance is calculated using close of business mid-market prices.

Past performance is not a reliable guide to future results.

PERFORMANCE SINCE INCEPTION



CUMULATIVE PERFORMANCE

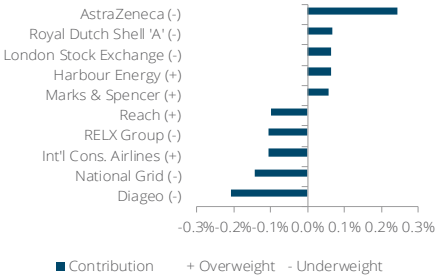
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Acc)	-5.3	-6.3	19.8	23.2	39.3	187.1	338.4
MSCI UK IMI	-2.2	-1.3	17.5	13.8	26.7	94.2	201.8

DISCRETE 12 MONTH PERFORMANCE

	12 months to 30/11/2017	12 months to 30/11/2018	12 months to 30/11/2019	12 months to 30/11/2020	12 months to 30/11/2021
B share class (Acc)	18.4%	-4.5%	10.3%	-6.8%	19.8%
MSCI UK IMI	13.1%	-1.5%	10.4%	-12.3%	17.5%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

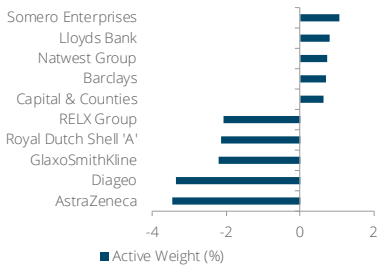
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

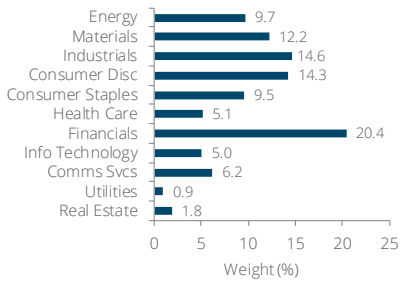
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

The ten largest positions by weight held in the portfolio.

	Weight (%)
Royal Dutch Shell 'B'	3.5
BP	3.1
Unilever	2.9
AstraZeneca	2.4
Lloyds Bank	2.3
HSBC Holdings	2.3
Anglo American	2.3
Barclays	2.2
Rio Tinto	1.9
Prudential	1.8

Source: River and Mercantile Asset Management LLP

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.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	244
Fund Volatility	16.4%
Benchmark Volatility	14.0%
Beta	1.14
Active Money	55.4%

KEY FACTS

Fund launch date	28/11/2006
Share class launch date	20/10/2008
Benchmark	MSCI UK Investable Markets index
IA sector	UK All Companies
Total fund size	£93.5m
Domicile	UK
Fund type	UK UCITS
SEDOL	B3D79W3
ISIN	GB00B3D79W34
Bloomberg	RMUKEHG
Distribution type	Accumulation

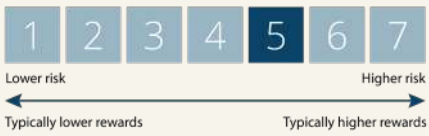
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.90%

DEALING INFORMATION

Dealing frequency	Daily
Dealing cut-off time	12pm (UK)
Valuation point	12pm (UK)
Settlement	T+4
Minimum investment	£1000

SYNTHETIC RISK & REWARD INDICATOR (SRRI)



CONTACT DETAILS

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Email enquiries@riverandmercantile.com

MARKET CAPITALISATION

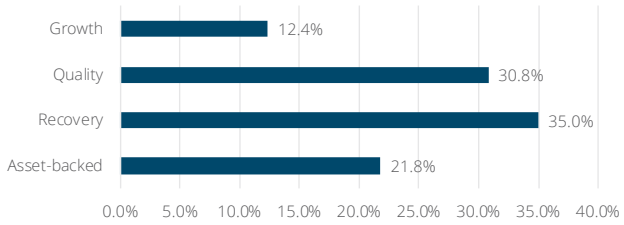
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	34.1%	60.3%	-26.2%
Large Cap	£4bn - £20bn	15.8%	25.9%	-10.1%
Mid Cap	£2bn - £4bn	6.6%	6.8%	-0.2%
Small Cap	£100m - £2bn	38.1%	7.0%	31.0%
Micro Cap	£0m - £100m	5.2%	0.0%	5.2%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

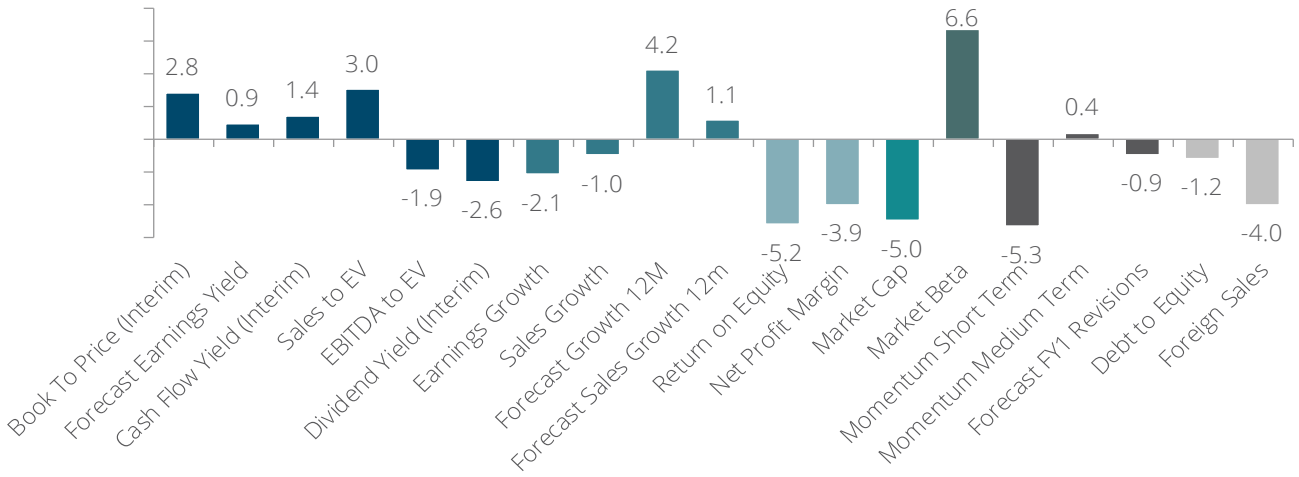
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

FUND RATINGS

ELITE PROVIDER
rated for equities by FundCalibre.com
2021

SQUARE MILE AA

OTHER INFORMATION

Authorised Corporate Director	Equity Trustees Fund Services Limited
Investment manager	River and Mercantile Asset Management LLP
Depositary	The Bank of New York Mellon (International) Limited

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 ~$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

The fund fell 5.3%[1] in November versus a -2.2% return by its comparator benchmark, the MSCI United Kingdom Investable Markets Index[2]. 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, UK domestics have again fallen out of favour, and smaller companies, which were overbought earlier in the year have retraced much of their outperformance.

Positive contributors during the quarter included our overweight position in Energy, **Harbour Energy** in particular, our stock picking in financials and the strong share price performance of **Marks and Spencer** after its robust interims.

The main negative contributions were our key factors (described above), our overweight positions in Consumer and Industrial recovery stocks, the weakness of re-opening plays (**IAG**) and our underweight positions in a number of large cap growth or defensive stocks (**Diageo**, **National Grid**).

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 **TI Fluid Systems**, **Mediclinic**, BT, Capital & Counties, **IAG**, **Tate & Lyle** and **Berkeley Group**.

Sales included taking profits in **Playtech**, after it was bid for, and **Pagegroup**, as it became fully valued following strong share price performance as upgrades came through.

We have also started to build a position in **Cranswick**, which produces and supplies fresh protein (80% of sales from pork products) to UK grocery retailers, primarily through own-label products. Its high-quality model has attractive pricing power: it is over-indexed to the Premium category where consumers are less price sensitive, it is vertically integrated with scale benefits that provide cost advantages, and it typically has long-term customer relationships with cost-plus contracts meaning growth in profits is driven by volumes. This quality also flows through into sustainability considerations where Cranswick is a best-in-class operator, with robust policies around animal welfare. Vertical integration and >30% self-sufficiency in pork enables traceability and enforcement of high food quality standards. Pork is a more environmentally friendly animal product compared to other red meats and Cranswick's performance with regards to climate change at a corporate level is impressive – all sites are certified carbon neutral, ambitious carbon reduction targets which include Scope 1, 2 and 3 emissions. A pull-back in the share price offered an entry point at ~16x earnings, a five-year low.

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. Especially in the UK, many of these stocks have become unloved again, because they are too cyclical, too exposed to Covid, too geared to the consumer, too UK 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

[1]B share class (GBP), mid-day to mid-day pricing.
[2]Close-of-business to close-of-business pricing.

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