

ES River and Mercantile EUROPEAN FUND

CLASS B GBP (Income)

PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Inc) share class since the launch of the share class on 16 October 2020.

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

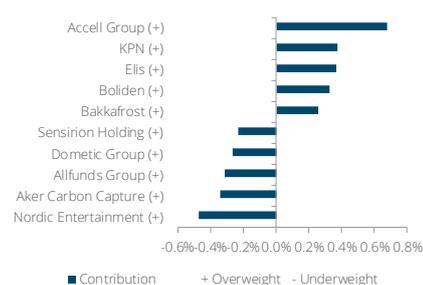
	1 month %	3 months %	1 year %	3 years %	Since inception %
B share class (Inc)	-6.6	-5.8	16.2	-	24.7
Benchmark	-5.5	-3.6	12.7	-	19.8

DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/01/2018	12 months to 31/01/2019	12 months to 31/01/2020	12 months to 31/01/2021	12 months to 31/01/2022
B share class (Inc)	-	-	-	-	16.2%
Benchmark	-	-	-	-	12.7%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

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



Source: Factset

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

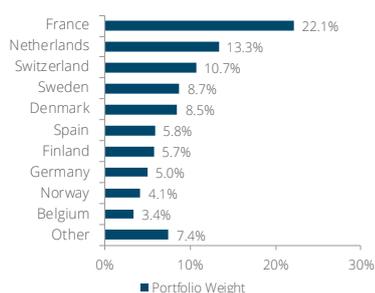
The securities in which the portfolio weight differs most from that of the benchmark



Source: Factset

TOP 10 COUNTRY WEIGHTS

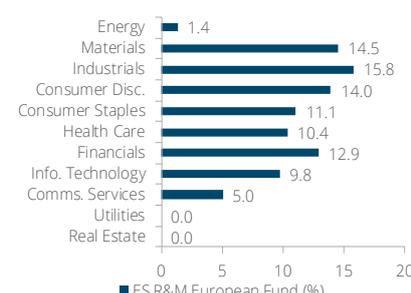
The portfolio's ten largest country holdings by total weight.



Source: Factset

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: Factset

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

To achieve a return (income and growth in the value of your investment (known as "capital growth") over a rolling period of at least five years, by investing in a core concentrated portfolio of shares of European companies.

PORTFOLIO MANAGER

James Sym

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	49
Fund Volatility	13.7%
Benchmark Volatility	13.4%
Beta	0.97
Tracking error	4.24
Active Money	81.3%

KEY FACTS

Fund launch date	30/09/2020
Share class launch date	16/10/2020
Benchmark	MSCI Europe (ex-UK) IM index
IA sector	Europe ex-UK
Total fund size	£244.3m
Domicile	UK
Fund type	UK UCITS
SEDOL	BMX64P1
ISIN	GB00BMX64P13
Bloomberg	ESRMEBI
Distribution type	Income

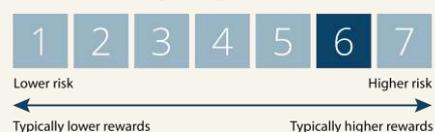
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.95%

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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TOP 10 HOLDINGS

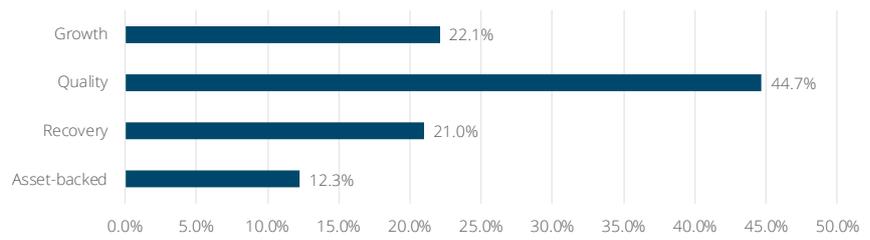
The ten largest positions by weight held in the portfolio.

	Weight (%)
KPN	3.6
Roche Holdings	3.5
Verallia	3.2
Banco Santander	3.2
ING Group	3.1
Sanofi	3.0
Carlsberg	3.0
Boliden	2.9
Elis	2.9
Danieli & C Officine	2.9

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

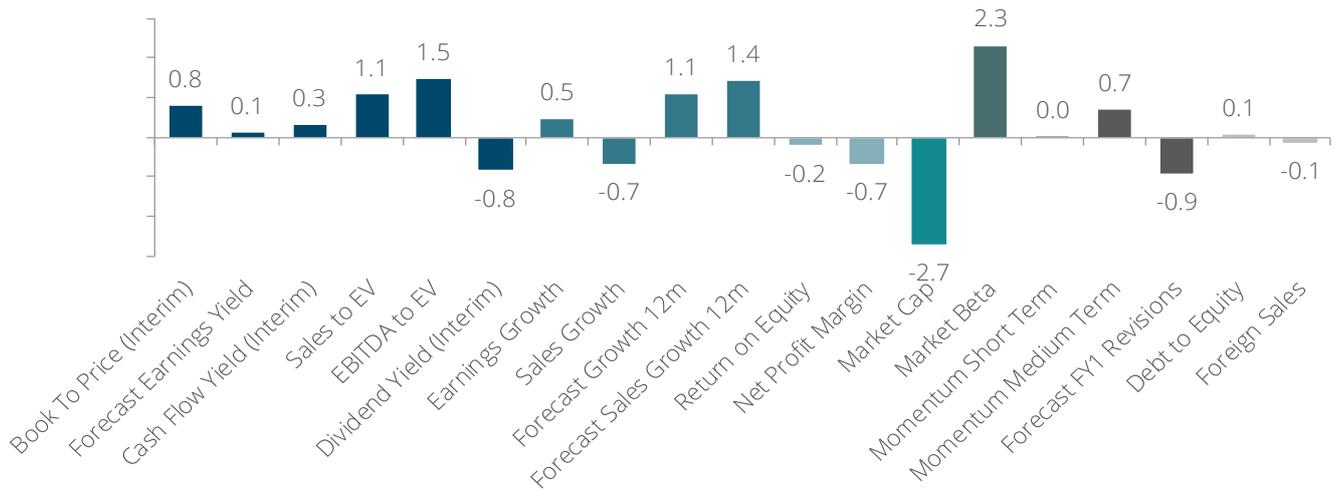
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP, excludes cash.

PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts of the portfolio against the benchmark as calculated by StyleAnalytics.



Source: StyleAnalytics

FUND RATINGS



OTHER INFORMATION

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

MANAGER'S REVIEW

Our view coming into this year was that after two years which have been in the broadest sense dominated by factor returns, 2022 would be a mid-cycle year where success would likely be defined by stock selection. We felt this was particularly likely to be the case given the return of inflation after a full decade in abeyance was becoming increasingly consensual and therefore priced in. We also felt that a short-term peak was likely in the offing, owing to cycling year-over-year effects (even if we retain our longer term view that a decade of underinvestment, the second-round and non-linear mechanisms of rising rates from a very low level, and deglobalisation means the deflationary nature of the last cycle is unlikely to persist).

The market message has been resounding through January that it is not the case that higher inflation is priced in. The outperformance of cyclical deep value – primarily the banks – and extremely sharp underperformance of the growth style during a period of rising rates is clearly signalling better nominal growth and similar real growth. Whether this actually comes to pass remains to be seen and I certainly wouldn't be recommending a wholesale shift into the most cyclical parts of the market at this stage in the cycle, but I do think there are three actionable investment points.

1) Very highly rated growth stocks – either loss making or of the 50x plus variety remain extremely vulnerable because often their investment case is vulnerable to reflexivity: they need a high share price and access to capital to allow them to make the losses (or low margins) required to continue their growth. The epitome of this is Tesla, which over the last few years was able to lose \$1bn a quarter and raise the capital required to fund it. This allowed it to establish a critical mass in their industry, repeating Amazon's trick from a decade earlier. Tesla has made it across the line to probably be a going concern for the foreseeable future (that's not to say it's a 'buy' necessarily), but companies which are at an earlier stage in their lifecycle are not buys, as the share price of Peloton will attest. We have very little exposure to this style and continue to find these stocks an unattractive investment proposition. If you are still overexposed here in your portfolio as so many are, our advice is to panic early.

2) Banks, which are towards the higher end of the quality curve, are likely to remain reasonable inflation hedges for the time being were rates to rise. Where combined with interesting bottom-up investment cases off low valuations, they form an extremely interesting each-way bet and we have added here this month, examples include **Caixabank** and **Santander** which have been profitable in the short term.

3) Genuine GARP (growth-orientated with relatively low price/earnings (P/E) multiples) stocks are in fact moving back into a more sensible valuation range. This is our preference to manage the risks attached to our value exposure within the portfolio were rate rise expectations to peak, so we have been adding to stocks such as **Allfunds**, **Ebusco** and **Nordic Entertainment** at lower, and in an absolute sense attractive, valuations.

James Sym
Portfolio Manager
February 2022

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