

ES River and Mercantile UK EQUITY SMALLER COMPANIES FUND

CLASS B GBP (Accumulation)

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 30 November 2006.

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

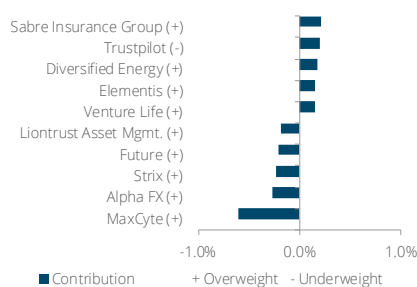
	1 month	3 months	1 year	3 years	5 years	10 years	Since inception %
	%	%	%	%	%	%	%
B share class (Acc)	-7.0	-6.6	13.4	57.7	77.1	407.2	506.0
Benchmark	-6.4	-5.7	11.6	36.6	44.9	153.2	164.9

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 (Acc)	25.0%	-10.1%	16.0%	19.9%	13.4%
Benchmark	17.3%	-9.6%	13.5%	7.9%	11.6%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

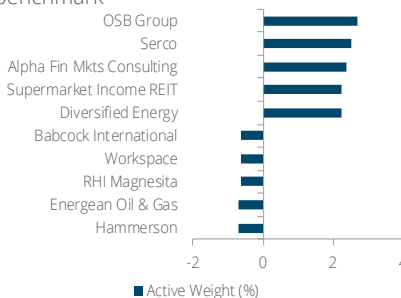
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

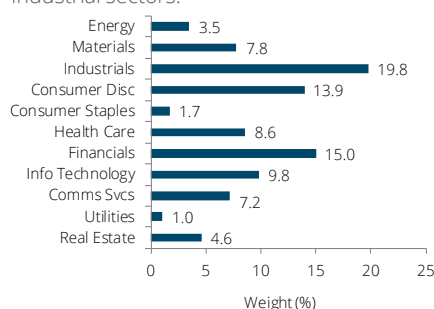
The securities in which the portfolio weight differs most from that of the benchmark



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 (%)
OSB Group	2.7
Diversified Energy	2.6
Alpha Fin Mkts Consulting	2.6
Serco	2.5
Supermarket Income REIT	2.3
Smart Metering Systems	2.2
Alpha FX	2.1
JTC	2.0
Indivior	2.0
Alliance Pharma	1.9

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 Numis Smaller Companies + AIM (excluding Investment Companies) Index net total return (the "Benchmark") over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

George Ensor

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	77
Fund Volatility	16.4%
Benchmark Volatility	17.2%
Beta	0.92
Active Money	83.2%

KEY FACTS

Fund launch date	30/11/2006
Share class launch date	30/11/2006
Benchmark	Numis Smaller Companies + AIM (ex ICs) Index
IA sector	UK Smaller Companies
Total fund size	£633.5m
Domicile	UK
Fund type	UK UCITS
SEDOL	B1DSZS0
ISIN	GB00B1DSZS09
Bloomberg	RMUKSEA
Distribution type	Accumulation

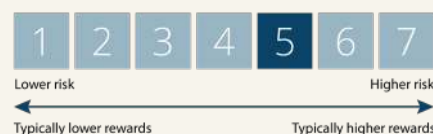
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.83%

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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MARKET CAPITALISATION

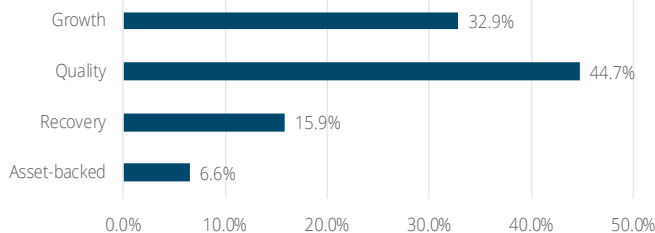
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	0.0%	0.0%	0.0%
Large Cap	£4bn - £20bn	0.0%	0.0%	0.0%
Mid Cap	£2bn - £4bn	6.6%	0.0%	6.6%
Small Cap	£100m - £2bn	83.8%	92.2%	-8.4%
Micro Cap	£0m - £100m	2.5%	7.8%	-5.3%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

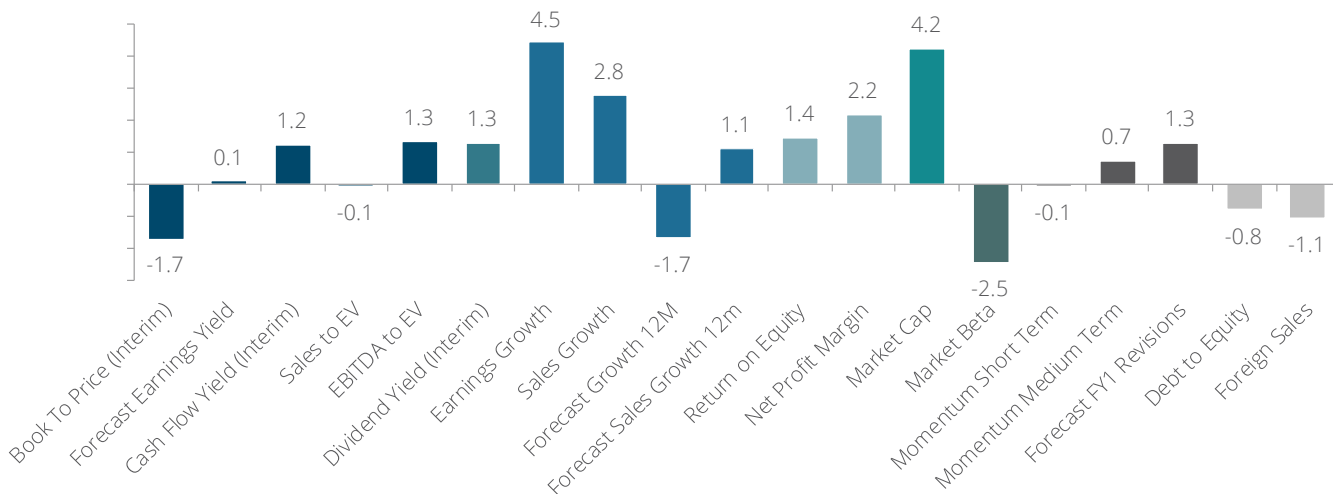
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

Investment background

UK smaller companies, as measured by our benchmark (Numis + AIM ex ICs) lost 6.4% in January in a volatile month, dominated by the ratcheting up of interest rate expectations and excess liquidity withdrawal as central banks shift their focus to inflation. Longer duration equities underperformed, as seen by the performance of either the NASDAQ (-9%) or our benchmark, whilst shorter duration indices such as the broader UK market outperformed (MSCI UK IMI +0.1%). The degree to which the US yield curve has flattened (at time of writing 10Y yields is 2% with a 40bps differential to the 2Y yield of 1.6%) suggests that medium term inflation expectations currently remain at what you might consider 'normal' levels. Geopolitical tensions featured in January with the build-up of Russian troops on the Ukrainian border driving the oil and gold price higher.

Lead manager changes

As clients will be aware, Dan Hanbury resigned from the business last week. I have moved from alternate to lead manager and Mayan Uthayakumar has been promoted to alternate manager. Clients will also be aware that our PVT team investment philosophy and process, which includes a systematic approach to new idea generation always has, and will continue to be, a critical element to our funds. We have an experienced, well-resourced and committed team supporting us and wish Dan the very best with his new venture. I will continue to lead on our Micro Cap Investment Trust where we have continued to build on our strong performance track record.

Strategy update

Performance

The fund fell 7% over the month, underperforming our benchmark by 0.6% but faring a little better versus peers. On a rolling twelve-month basis, we have outperformed the benchmark performance of 11.8% by 1.6%. **Sabre Insurance**, a Quality holding, was the most significant positive contributor. The company has always executed a strategy of prioritising underwriting returns over growth which has led to policy count disappointing in a soft motor market. The shares have responded to early signs that motor prices are hardening and gained 24%. **Venture Life**, a buy and build of over-the-counter healthcare products, reduced expectations twice through 2021 and, unsurprisingly, de-rated but the c.70% decline from the summer peak compared to a c.25% reduction in expected profitability and so, with a little good news, the shares have bounced, gaining 71% in the month.

Long duration Growth stocks were a drag on performance with **MaxCyte** (-39%), **Alpha FX** (-19%, despite a positive trading update), **Future** (-18%), **Liontrust** (-26%) and **Bytes** (-19%). Each stock has de-rated but fundamentals (Potential) remain attractive. Collectively, the five holdings cost us 1.5% percentage points of relative performance.

Activity

Focusrite, the global distributor of audio products, was the sole addition to the portfolio in the month. Like many other Quality Growth stocks, the shares have materially de-rated in the last six months (the consensus PE rating has halved since September) and, having done the work last year but been unable to make a strong case on the valuation, we've taken advantage of the de-rating. We received bid proceeds from **Sumo** and exited **Johnson Services** which looks set to deliver fully recovered margins despite headwinds from rising labour and energy costs.

Outlook

UK smaller companies, having underperformed the wider UK market by 10.9% over the last twelve months, are out of favour. Earnings expectations and starting multiples are reasonable and the UK economy continues to outperform. Geopolitical concerns and tightening monetary conditions are likely to continue to dominate sentiment and style leadership in the short term. We have always tried to have a balanced approach relying on our belief that if we buy companies that can create shareholder value - typically through compounding either higher returns or faster growth - with a strong valuation and timing discipline then we will make money for our clients.

We are grateful for the support that has been shown by clients recently. The team and I are committed to this fund and look forward to working with you all.

Please do not hesitate to get in touch with me or your sales contact if you would like a further discussion.

Thank you for your support.



George Ensor
Portfolio Manager
February 2022

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