31 JANUARY 2022

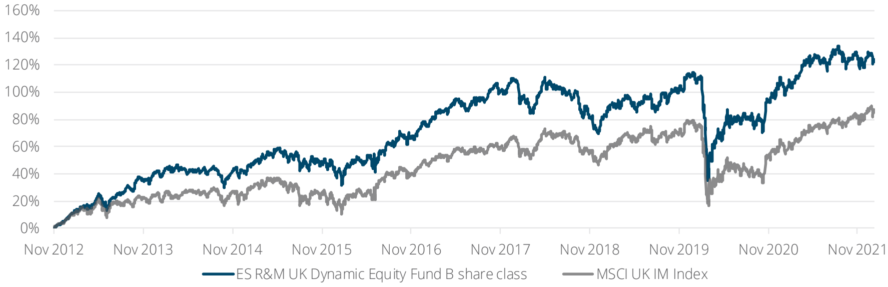
ES River and Mercantile
UK DYNAMIC EQUITY FUND
CLASS B GBP (Accumulation)

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 21 November 2012.

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



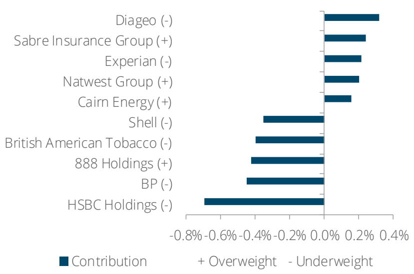
CUMULATIVE PERFORMANCE

	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	-1.3	-0.6	12.7	19.8	27.3	122.9
MSCI UK IM Index	0.1	2.6	19.8	19.0	27.0	85.6

DISCRETE 12 MONTH PERFORMANCE

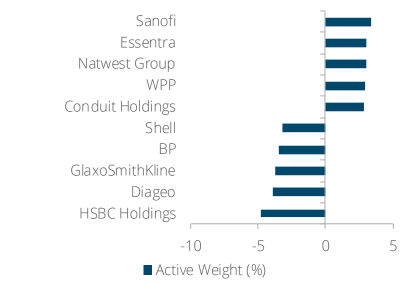
	12 months to 31/01/2018	12 months to 31/01/2019	12 months to 31/01/2020	12 months to 31/01/2021	12 months to 31/01/2022
B share class (Acc)	17.7%	-9.7%	11.2%	-4.3%	12.7%
MSCI UK IM index	11.3%	-4.1%	9.8%	-9.5%	19.8%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS
The best and worst contributors to the portfolio's performance relative to the benchmark



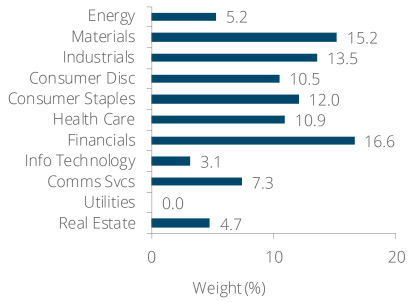
Source: River and Mercantile Asset Management LLP

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 (%)
AstraZeneca	4.0
Natwest Group	3.6
WPP	3.5
Sanofi	3.4
Tesco	3.4
Shell	3.3
Essentra	3.1
Mondi	2.9
Reckitt Benckiser	2.9
Auto Trader	2.9

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 United Kingdom Investable Market Index (IMI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER
William Lough

PORTFOLIO & RISK CHARACTERISTICS

Number of Holdings	49
Fund Volatility	15.3%
Benchmark Volatility	13.9%
Beta	1.05
Active Money	77.0%

KEY FACTS

Fund launch date	22/03/2007
Share class launch date	21/11/2012
Benchmark	MSCI UK Investable Markets Index
IA sector	UK All Companies
Total fund size	£78.1m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.93%

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)

1	2	3	4	**5**	6	7

Lower risk — Higher risk
Typically lower rewards — Typically higher rewards

CONTACT DETAILS

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MARKET CAPITALISATION

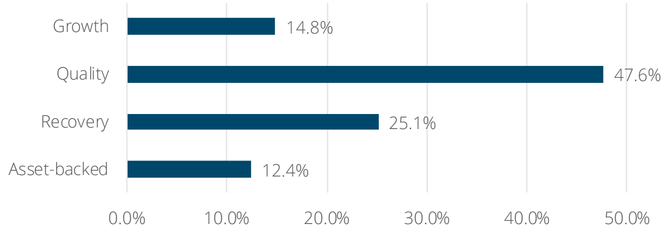
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	34.9%	61.3%	-26.4%
Large Cap	£4bn - £20bn	25.1%	25.2%	-0.1%
Mid Cap	£2bn - £4bn	5.2%	6.1%	-0.9%
Small Cap	£100m - £2bn	34.0%	7.5%	26.5%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

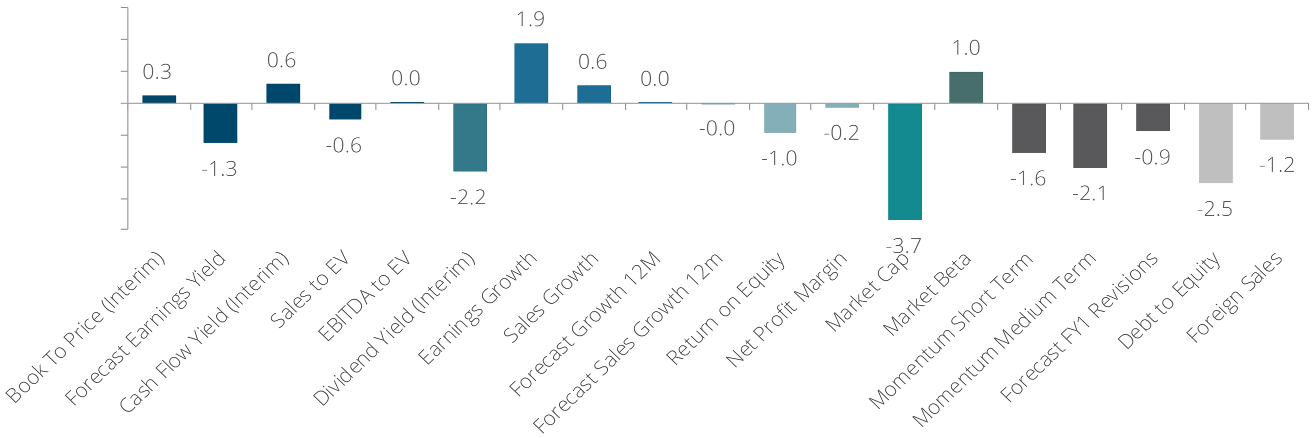
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

ELITE PROVIDER
rated for **equities** by FundCalibre.com
2021

FE CROWN FUND RATING

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

This fund was renamed on 1 January 2016 and was previously known as the R&M UK Equity Unconstrained Fund.

MANAGER'S REVIEW

Investment background

Global equity markets fell (MSCI ACWI -4.9% total return in USD) during an eventful January. There was a shift in momentum, with the equity market leaders in recent years on a regional basis turning into laggards most notably US equities – the S&P 500 returned -5.3% (-11.4% at the intra-day lows on 24 January) while NASDAQ was -9.0% (-16.3% at the lows). This differential within the US itself is telling of the style shift out of longer duration growth equities, particularly those at the more speculative end of the spectrum, as there was a step up in the narrative of the Fed's focus shifting to fighting inflation – market forecasts for the number of Fed hikes in 2022 increased from 3 to 5 – and excess liquidity being drained from financial markets (that is, QE shifting to QT). US 10-year bond yields rose +27bps (+39bps intra-day on 19 January) but 2-year bond yields rose +45bps, meaning the yield curve continued to flatten. Geopolitical risks flared up following the build-up of Russian troops on the Ukraine border. This put additional pressure on near-term commodity inflation (Brent Crude was +17% to rise above $90 per barrel for the first time since 2014).

Strategy update

Performance

The fund fell 1.3%[1] in January versus 0.1% by its comparator benchmark, the MSCI United Kingdom Investable Markets index[2].

The fund's best performer was motor insurer Sabre Insurance, which rose +24% on signs that the pricing cycle has begun to turn in its favour. NatWest has material profit gearing to higher interest rates, so responded well to indications that the Bank of England will raise rates. Zero weights in large benchmark constituents HSBC, BP, British American Tobacco and Vodafone, plus the material underweight in Shell (a ~3.25% position in the fund) were alone responsible for -2.2% relative underperformance, only modestly netted off by zero weights in large caps which fell. 888 Holdings continued to suffer from poor price momentum, while some of our Growth category investments (Auto Trader, RWS, Moonpig) were out of favour during the market rotation to lower multiple investments.

Activity

We made one major trade of note, exiting our holding in gold miner Polymetal International. The potential geopolitical risk from the location of its assets in Russia and Kazakhstan identified at the time of investment became a real risk in January, increasing the risk premium. Combined with capital intensity at operations that has generally been creeping higher than our initial expectations, putting pressure on return on capital, the investment case has clearly weakened. We moved this capital into Barrick Gold, which has been executing in line with our original investment case but has become more attractively valued over the last year. Elsewhere we continued to build our position in Essentra and shifted some capital within our medical equipment exposure into Smith & Nephew from ConvaTec.

Outlook

Ray Dalio, founder of Bridgewater Associates, wrote that, "In paradigm shifts, most people get caught overextended doing something overly popular and get really hurt." January's markets offered signs that a change in the investing environment is well underway. The increasing cost of money and prospect of tighter liquidity has re-ignited a preference for near-term earnings over the prospects of long-term growth in a sharp rotation that has at times felt indiscriminate. The key debates within equity markets currently appear to be (1) how far is the Fed willing to tighten financial conditions in the face of falling equity markets, i.e. what level is the "Fed put", and (2) will tightening inadvertently create an economic recession, with consumer confidence already under pressure from the increased cost of living via inflation? Our hunch is that the political ramifications of the latter mean that the former may be somewhat lower than some investors would like. Equally, household (and corporate) balance sheets are in good shape meaning demand may hold up better than feared, while many consumer-facing companies' share prices already reflect concerns. This sector therefore offers a microcosm of the risks on both sides of being too definitive in tilting the portfolio aggressively to a particular macro outlook or outcome. Our balance of investments in the portfolio across the company lifecycle means we own companies whose margin of safety is built through some combination of a low starting valuation and future growth. As positioning shakes out, we expect to make money through stock selection in faster growth businesses and those with more mature, cash-cow characteristics but either way our investors should draw comfort that our valuation discipline is designed to avoid the pitfalls that Ray Dalio described.

William Lough
Portfolio Manager
February 2022

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