31 JANUARY 2022

ES River and Mercantile
GLOBAL RECOVERY FUND

CLASS B GBP (Income)

RIVER AND MERCANTILE

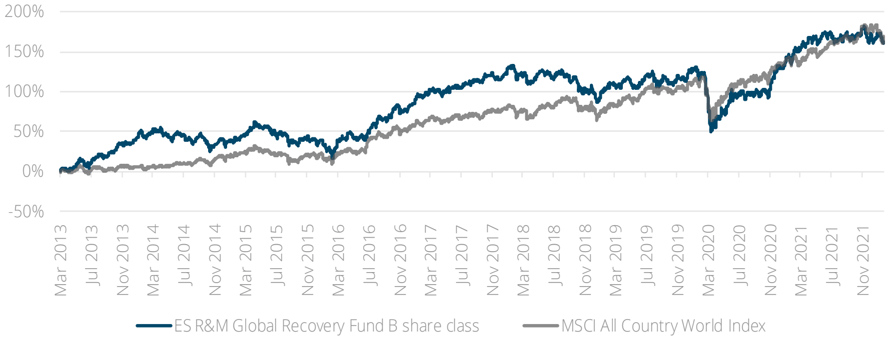
PAST PERFORMANCE

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 4 March 2013.

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

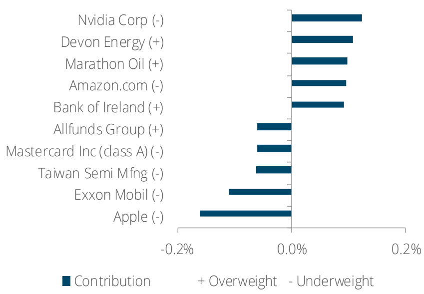
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Inc)	-2.1	-2.6	11.3	28.1	35.5	162.4
Benchmark	-4.0	-1.4	15.9	50.7	70.0	169.1

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)	17.7%	-10.1%	5.6%	9.0%	11.3%
Benchmark	12.8%	0.0%	15.8%	12.3%	15.9%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

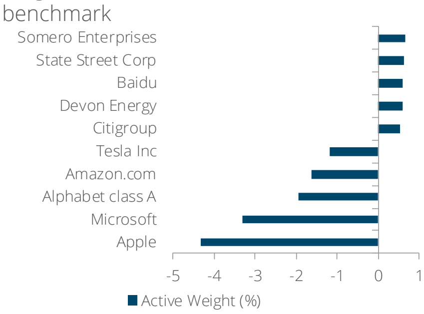
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

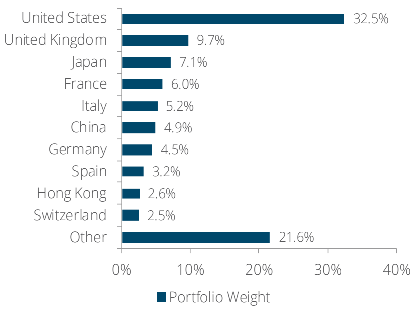
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

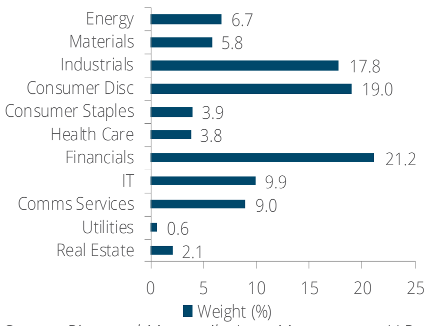
The portfolio's ten largest country holdings by total weight.



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



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 All Country World Index (ACWI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	496
Fund Volatility	15.1%
Benchmark Volatility	12.7%
Beta	1.08
Active Money	83.1%

KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£372.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.16%

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

Telephone 0345 603 3618
Email enquiries@riverandmercantile.com

TOP 10 HOLDINGS

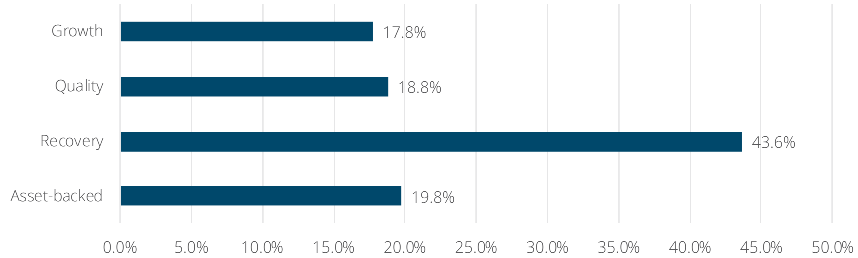
The ten largest positions by weight held in the portfolio.

	Weight (%)
Citigroup	0.7
Wells Fargo & Co.	0.7
Alibaba Group	0.7
State Street Corp	0.7
Baidu	0.7
Somero Enterprises	0.7
Devon Energy	0.6
PayPal	0.6
Bank of America	0.5
Meta	0.5

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

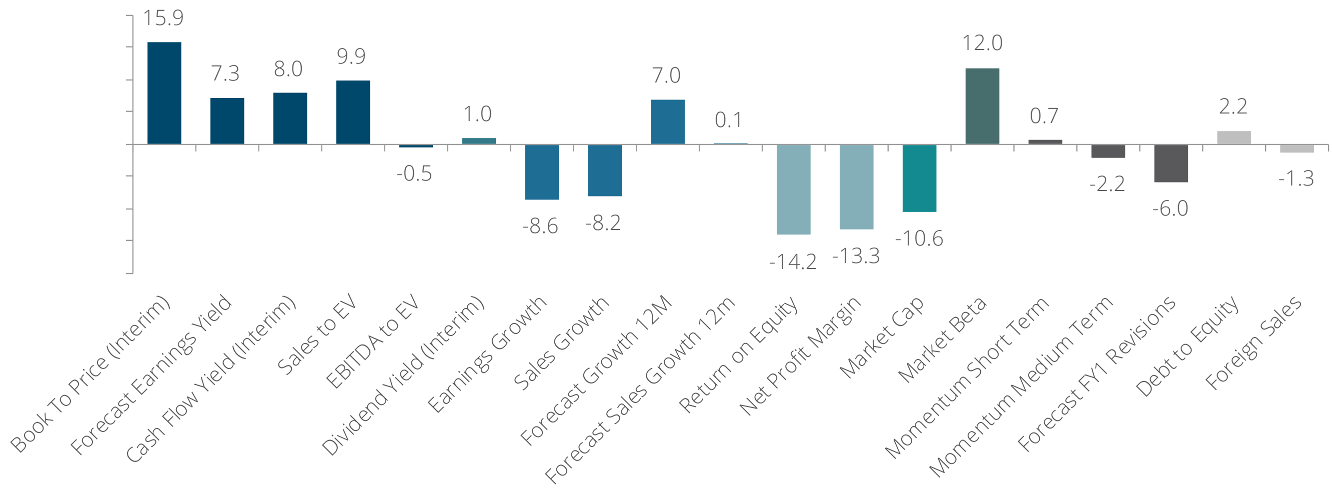
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

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 July 2018. It was previously known as the R&M World Recovery 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 difference 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 in 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 (quantitative easing) shifting to QT (quantitative tightening). US 10-year bond yields rose +27bps (+39bps intra-day on 19 January). 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 2.1%[1] in January versus a fall of 4.0% by its comparator benchmark, the MSCI All Country World Index (ACWI)[2], this an understatement of the strong relative performance as markets rallied strongly into the close on 31 January. On a close-of-business to close-of-business comparison, the fund was 3.6% ahead of the benchmark.

The strong return to value was supportive over the month, in particular the beneficiaries of higher inflation and interest rates, banks and resources stocks did well. However small cap and domestic stocks continued to lag, setting up a rebound as we move through 2022. Most of our peer fund managers in global equities lagged the benchmark, often quite materially.

Positive contributors during the quarter included our overweight position in Value (Banks and Energy in particular, including Bank of Ireland, Marathon Oil and Hunting), underweight positions in Growth and Quality (Nvidia, Amazon, Tesla) and M&A (Zynga).

The main negative contributions were our overweight position in smaller companies, which lagged the mega cap stocks. Consumer cyclicals extended the weakness they saw in the second half of 2021 as investors fretted about the 'cost of living crisis' (DR Horton). Not all MegaCap tech was weak, most notably Apple.

Activity

Activity during the month was focused into buying and adding to positions in the few sectors that should benefit from the current economic environment and hence experiencing strong Timing. Firstly, in the Energy space we added highly discounted Integrated O&G companies China Petroleum and Shell, whilst also continuing to increase positions in the Oil Services space with Subsea 7 and Tenaris. Amongst the Financial sector, we introduced two strong Recovery theses CaixaBank and Mapfre, whilst also topping up Citigroup ahead of its capital markets day where we expect management to outline the group's strategy to improve its ROTE. We also looked to reduce our underweight position in the Telecommunications sector given the industry's resilience in inflationary environments and improving catalysts for value realisation, as such we started new positions in Telefonica, Vodafone and Singapore Telecommunications. Finally, we also took the opportunity provided by the large price swings in the Tech sector in order to start buying companies where we believe the recent share price reaction has overly discounted the future value of their business such as Draftkings, Schibsted, Global Payments and Vimeo.

Modern Times Group was amongst the fund's main exits after it announced the sale of its e-gaming franchise for a price well above market expectations. Bancolombia was also exited as the successive bids of the Gilinski family around the GEA group took the stock price close to our fair value assumption. Additionally, we continued to take profits in investments where our PVT thesis has been delivered such as Kion, Naver, Lenzing and STMicroelectronics.

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. In addition, we see the chance of a proper investment boom – the first for many years – as reasonably high. The policy mix of strong fiscal and monetary policy which is very supportive (but gradually getting less so) provides ideal conditions, and many companies underinvested during the 'lower-for-longer' 2010s and are running at full capacity.

Above all we believe that the return to value has only just begun.

Hugh Sergeant
Portfolio Manager
February 2022

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