

25th January 2022

**River and Mercantile Group PLC
Trading Update to 31st December 2021**

“Building momentum across the Divisions”

River and Mercantile Group PLC (“R&M”), the asset management and investment solutions business, today provides a trading update for the six months ended 31st December 2021.

James Barham, Group Chief Executive, commented:

“Group assets exceeded £50bn during the period for the first time in our history with the two Divisions delivering strong returns in the six months to 31st December 2021. The UK Solutions Division generated excellent growth leading up to the expected completion of the sale to Schroders, with £44bn of assets under management at the end of the period.

“In the Asset Management Division, the PVT Equities business continues to enjoy strong organic growth in the wholesale channel with two new sustainable equities strategies due to launch next month. The business experienced net outflows in institutional in the period the majority of which related to changing investment allocation following regulatory changes in Australia. In addition, the Infrastructure fund is ready for launch once the future ownership of the remaining business has been confirmed.

“The proposed all-share acquisition of R&M by AssetCo plc, the terms of which are disclosed in the Rule 2.7 announcement issued this morning, has been unanimously recommended by R&M’s Independent Directors¹. This transaction secures continuity of the environment and investment culture that has been a critical factor to the success of the business and provides stability and support as the business continues to invest for the future.

“It has been a great honour to lead a fantastic business and to work with such incredibly talented people. We are a people led business and it is the strength of those people that defines the strength of an organisation and we have been sustained in all that we do by loyal and enthusiastic clients”.

Summary of the six months ended 31 December 2021:

- Fee earning AUM increased by 4.9% to £49.9bn;
- Gross sales of £3.5bn; (*Six months ending 31/12/2020 - £1.9bn*)
- Net flows of £1.3bn; (*Six months ending 31/12/2020 - £68m*)
- Net flow ratio was +2.8% of opening AUM; and
- Investment performance was positive £1bn or +2.1% of opening AUM.

Group Highlights

- The proposed all-share acquisition of R&M by AssetCo plc, the terms of which are disclosed in the Rule 2.7 announcement issued this morning, has been unanimously recommended by R&M’s Independent Directors. This represents the final step in the strategy to unlock value from R&M;
- Agreed sale of the UK Solutions business to Schroders for £230m, for which change of control approval has been received from the FCA;
- Discussions for the sale of the US Solutions business progressing positively and we expect to make a further announcement regarding this shortly;
- The Group has been resilient, performing strongly and has responded to the investments in distribution;
- Investment performance continues to be positive, with 92% of funds and strategies by AUM outperforming relevant benchmarks since inception;

¹ R&M’s Independent Directors means the Board of R&M save for Martin Gilbert given his position as Chairman of AssetCo plc.

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- Performance fee revenues for the period are estimated to be approximately £5.5m;
- Pipeline of opportunities continues to be positive in spite of the extensive corporate change;
- £0.5bn of Solutions assets at various stages of the transition process;
- Wholesale performance continues to excel with £420m of gross sales in the period;
- Wholesale pipeline continues to build and £200m of seeding has been confirmed for the launch of two SFDR Article 8 and 9 strategies;
- European fund has grown from £61m to £236m and the UK Small Cap from £576m to £673m during the period. The UK Small Cap fund has grown by 100% over the last 12 months;
- Growth in the wholesale channel has been offset by weaker flows in institutional, which experienced £847m of net outflows during the period; and
- Infrastructure fund ready for launch following resolution of Group ownership.

Introduction

This has been an incredibly busy period for the Group during which we have continued to implement our plans set out over the last few years to drive growth. We have also executed on the strategic shift we set out earlier in 2021 to accelerate delivery of value to our shareholders.

As I set out in my statement in our most recent annual report, whilst the investments we have made over the last two and a half years in distribution and our underlying investment teams have shown clear signs of success, it has also been evident, given the continued undervaluation of our business, that we needed to adapt our strategy. We undertook this to ensure that we were able to accelerate returns for shareholders and at the same time deliver the optimal environment for our businesses to grow and continue to deliver excellent outcomes to our clients.

The result of this shift in strategy was the announcement in October 2021 of the sale of our Solutions business to Schroders for £230m, for which change of control approval has been received from the FCA. The proposed all-share acquisition of R&M by AssetCo plc, the terms of which are disclosed in the Rule 2.7 announcement issued this morning, has been unanimously recommended by R&M's Independent Directors. This represents the final step in the strategy to unlock value from R&M.

Group performance

In spite of the on-going corporate developments, the Group has continued to perform well through the first half of the new financial year and has delivered strong gross sales of £3.5bn across the diversified business activities as follows:

- Fiduciary gross sales of £1.3bn;
- Derivatives gross sales of £1.5bn and a further £1.9bn of net rebalancing;
- Equity gross sales of £0.7bn spread across both Wholesale and Institutional;
- Investment performance contributing an additional £1.0bn of growth; and
- The Group has an additional £0.5bn of assets at various stages of the transition process.

The Group delivered an increase of £2.3bn in AUM during the period, with continued strong growth from our Wholesale business following the investments we made in the sales teams over the last eighteen months. Wholesale gross sales have grown by nearly 160% compared to the same period last year, with assets under management increasing by 88% since June 2020.

Our Solutions business has responded well to the announcement of the sale to Schroders and we have received positive endorsement from our clients and intermediaries. The combination of the UK's largest listed asset manager with the UK's longest established Solutions manager will create, we believe, the most complete major proposition in a rapidly growing and exciting industry that continues to consolidate.

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We are continuing to see growing interest in our proposition and we have a number of significant opportunities from clients with whom we are engaged and hope to be able to see positive outcomes over the coming months, reinforcing the strong sentiment about the value of the combination with Schroders.

Our Asset Management business has seen strong growth in our Wholesale business offset by negative net flows in Institutional. The Wholesale business has seen this growth across a range of funds including the new European strategy and the UK Smaller Companies strategy where we have seen funds growing by 285% and 17% respectively.

In Institutional, changes to allocation driven by the new reference benchmarks implemented by the Australian regulator have resulted in the exiting of some mandates in this market, leading to £847m of net outflows during the period.

The wholesale business has maintained its momentum and since the period end, we have seen gross sales of £20m in January to date.

Investment performance

Our strategies have delivered strong investment performance for our clients across the Group, with 92% of our products and services by AUM ahead of their respective benchmarks since inception. This has contributed to the return of healthy performance fees which for the period are estimated to be approximately £5.5m from Solutions.

Summary

Amid significant corporate change, the Group has been resilient and performed well over the period.

It has been a great honour to lead a fantastic business and to work with such incredibly talented people. As you know, we are a people led business and it is the strength of those people that defines the strength of an organisation, and we have been sustained in all that we do by loyal and enthusiastic clients. I look forward to transitioning with the UK Solutions business to Schroders on completion and working with our new colleagues to drive growth in this exciting market.

James Barham
Group Chief Executive
River and Mercantile Group PLC

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AUM for the six months ended 31 December 2021

£ million	Fiduciary Management	Derivative Solutions			Equity Solutions			Total AUM
		S. Equity	LDI	Total	Wholesale	Institutional	Total	
Opening AUM	16,058	8,423	18,317	26,740	1,637	3,172	4,809	47,607
Sales	1,251	452	1,060	1,512	420	299	719	3,482
Redemptions	(875)	(865)	(990)	(1,855)	(135)	(1,146)	(1,281)	(4,011)
	376	(413)	70	(343)	285	(847)	(562)	(529)
Net rebalance and transfers	(24)	(60)	1,944	1,884	-	-	-	1,860
Net flow	352	(473)	2,014	1,541	285	(847)	(562)	1,331
Investment performance	1,064	-	-	-	6	(65)	(59)	1,005
Closing AUM	17,474	7,950	20,331	28,281	1,928	2,260	4,188	49,943
Change in AUM	8.8%	(5.6%)	11.0%	5.8%	17.8%	(28.8%)	(12.9%)	4.9%

Additional information

Advisory fees

Advisory fee revenues for the period are estimated to be approximately £4.5m.

Performance fees

Performance fee revenues for the period are estimated to be approximately £5.5m.

For further information, please contact:

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Forward-looking statements

This announcement contains forward-looking statements with respect to the financial conditions, results and business of R&M. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. R&M's actual results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

Notes:

Assets Under Management (AUM) represents amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to Derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged.

Net rebalance and transfers represents the net change in billing AUM values from existing client mandates and can increase or decrease based on changes in the underlying investment or hedging strategies. The category also represents transfers of client assets between divisions. The different billing structures between divisions means that transfers will not necessarily net to zero.

Net flow ratio represents the aggregate gross sales, redemptions, net rebalance and transfers divided by opening AUM.

LDI refers to Liability Driven Investment which relates to the management of interest rate and inflation risk in the underlying pension liabilities.

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S. Equity refers to Structured Equity capabilities which provide strategies to shape the return profile of clients' equity portfolios.