28 FEBRUARY 2022

ES River and Mercantile EUROPEAN FUND

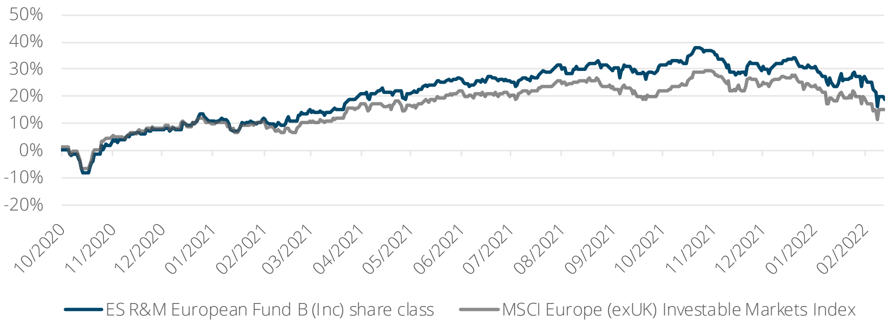
CLASS B GBP (Income)

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 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

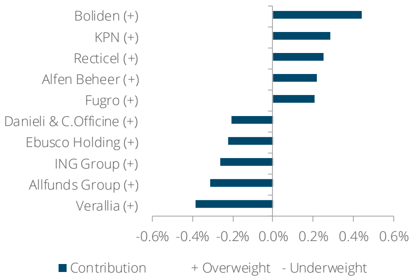
	1 month %	3 months %	1 year %	3 years %	Since inception %
B share class (Inc)	-4.5	-6.9	8.8	-	19.0
Benchmark	-3.9	-5.7	7.9	-	15.2

DISCRETE 12 MONTH PERFORMANCE

	12 months to 28/02/2018	12 months to 28/02/2019	12 months to 28/02/2020	12 months to 28/02/2021	12 months to 28/02/2022
B share class (Inc)	-	-	-	-	8.8%
Benchmark	-	-	-	-	7.9%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

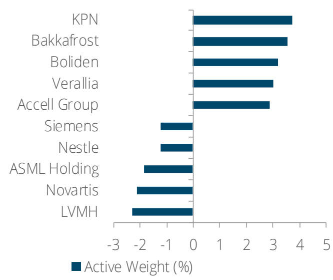
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: Factset

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

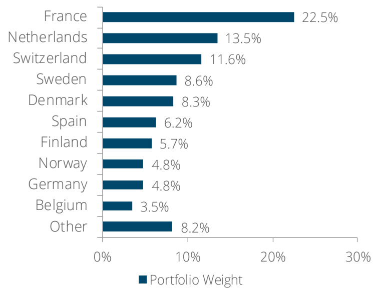
The securities in which the portfolio weight differs most from that of the benchmark



Source: Factset

TOP 10 COUNTRY WEIGHTS

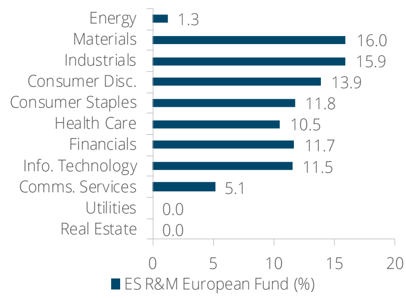
The portfolio's ten largest country holdings by total weight.



Source: Factset

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: Factset

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	14.6%
Benchmark Volatility	13.5%
Beta	1.01
Tracking error	4.92
Active Money	80.9%

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	£239.5m
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)

1	2	3	4	**5**	6	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

CONTACT DETAILS

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TOP 10 HOLDINGS

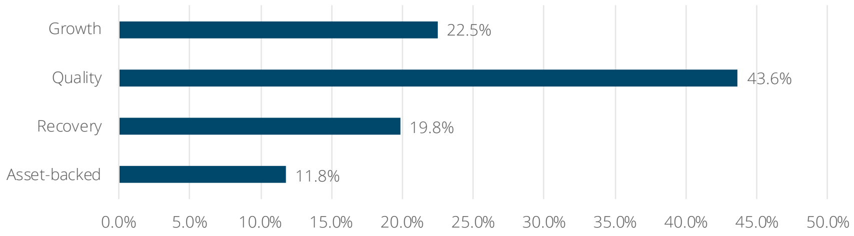
The ten largest positions by weight held in the portfolio.

	Weight (%)
KPN	3.8
Bakkafrost	3.6
Roche Holdings	3.6
Boliden	3.3
Banco Santander	3.3
Sanofi	3.1
Verallia	3.0
Accell Group	2.9
Nestle	2.8
Elis	2.8

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

SQUARE MILE

POSITIVE PROSPECT

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

MANAGER'S REVIEW

There is only one topic to be discussed this month, and that is the appalling humanitarian situation in Ukraine. No doubt every single one of us is moved by the events unfolding and to talk about investment at such a time seems incongruous at best.

Yes, the ramifications of these last few weeks instinctively feel historic. The scale of the implications from an investment perspective directly from the Ukraine invasion, though, are perhaps less clear on a medium-term view. Yet I would caution against seeing these recent events as somehow the dawn of a new era or a line in the sand – rather they are a manifest continuation of a changing world order: away from the disinflationary, neo-liberal, rules-based globalisation under American hegemony of the last 20 years, which engendered ever looser monetary policy, and towards a more fragmented system with more naked nation-state (or supranational) competition driven ultimately by popular dissatisfaction with the increased inequality said world order (and monetary policy) produced. This is important because it has – in a very stop-start way initially – been changing the investment paradigm as well, in a manner which is becoming more apparent as time goes by.

From the Global Finance Crisis (GFC), the investment train headed in a clear direction with which we are presumably all familiar. Frankly, it has all been very easy. Beating inflation with any asset mix was straightforward. Profitability was a nice to have but certainly not essential in a world of excess liquidity. Duration risk was not a risk but a strongly positive return factor in both equities – seen in the outperformance of the growth style – and other assets. An early sense that this started to change was the Brexit vote and subsequent reflation trade on the election of Donald Trump in 2016. These were early outward examples of how the investment paradigm might be shifting, although clearly the trade war and then especially Covid meant that this period was a mere bump on the track for several more years as the train rolled on.

The investment train in the post-pandemic period is likely to head in a very different direction. The geopolitics – of which Putin's Ukraine war is an example – is going to create a balkanisation of supply chains and labour markets which can only be inflationary, as is the necessary and highly-desirable energy transition. Debt levels are high of course, but in a world without disinflationary pressures, continuing with extremely loose monetary policy to allow a smooth servicing of this debt, risks a further, and potentially very significant, drop in living standards for Main Street which is the very reason the world order is changing as discussed. It is therefore not sustainable, which is why we are convinced the investment paradigm is shifting. Debasement seems the most likely - and probably least bad - option, but that will come at a cost in terms of the cost of capital even if nominal growth in earnings may be solid in certain areas. Bretton Woods breaking up the 1970s is a relevant analogue. In short, it's about to become a lot harder. I believe that populating portfolios with assets which can thrive in this environment, namely value-orientated equities (limiting derating risk) in consolidated (pricing power) upstream assets (which protects value in real terms), and which are likely to have a much better cycle than the last one, such as enablers of decarbonisation in carbon intensive sectors, may be the best course of action. Clearly valuation is only one part of this. These stocks could well be the Zooms, Amazons and Teslas of the next cycle.

This mix should at least protect, and hopefully even benefit, from the more difficult investment regime outlined that we appear more and more likely to be entering, and hopefully describes the portfolio we have built. Unfortunately, incumbency bias means clients predominately remain vastly overexposed to the sort of assets, companies and funds which have done well on yesterday's investment train despite the obvious and increasingly frequent warnings Mr Market is giving. My colleague likes to quote Ray Dalio, "In paradigm shifts, most people get caught overextended doing something overly popular and get really hurt." All change please!

James Sym
Portfolio Manager
March 2022