28 FEBRUARY 2022

ES River and Mercantile GLOBAL HIGH ALPHA FUND

CLASS B GBP (Accumulation)

RIVER AND MERCANTILE

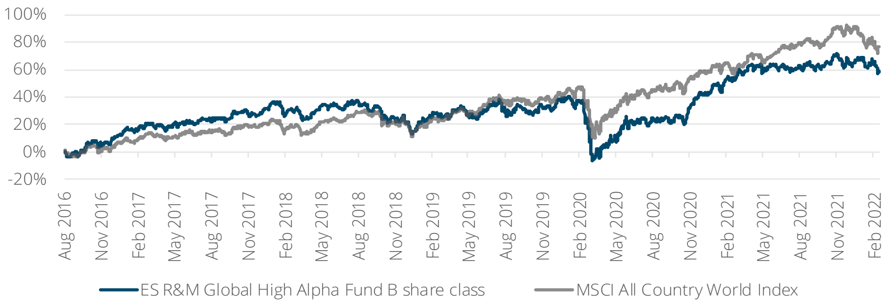
PAST PERFORMANCE

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 12 August 2016.

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

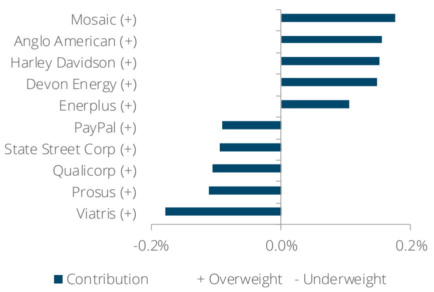
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Acc)	-1.6	-1.8	5.2	26.4	35.6	59.5
Benchmark	-2.6	-5.0	12.3	44.6	59.4	76.9

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 (Acc)	11.8%	-4.1%	-4.0%	25.1%	5.2%
Benchmark	7.3%	2.7%	8.2%	19.0%	12.3%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

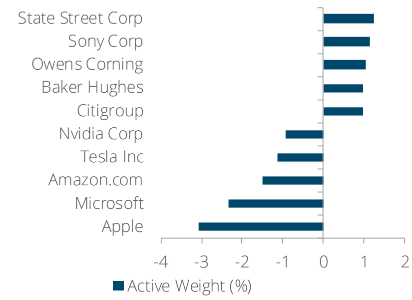
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

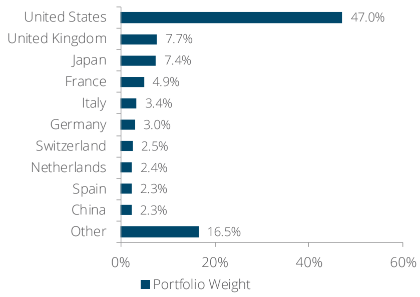
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

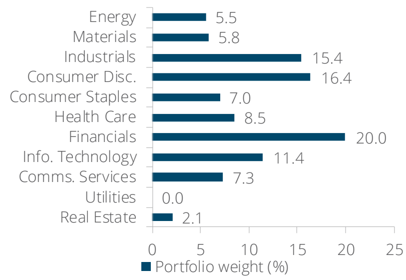
The portfolio's ten largest country holdings by total weight.



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 fees.

PORTFOLIO MANAGERS

Hugh Sergeant, William Lough

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	201
Fund Volatility	14.5%
Benchmark Volatility	12.7%
Beta	1.08
Tracking error	4.75
Active Money	82.2%

KEY FACTS

Fund launch date	12/08/2016
Share class launch date	12/08/2016
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£174.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	BZB1R49
ISIN	GB00BZB1R490
Bloomberg	RMGHABA
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.87%

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

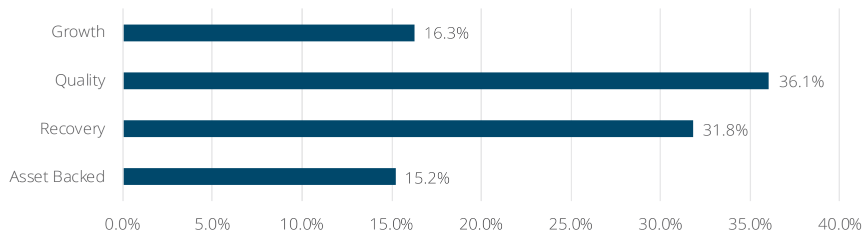
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alphabet class A	2.0
Sony Corp	1.3
State Street Corp	1.3
Roche Holdings	1.3
Citigroup	1.2
Apple	1.1
Procter & Gamble	1.1
Owens Corning	1.1
Baker Hughes	1.0
Johnson & Johnson	1.0

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

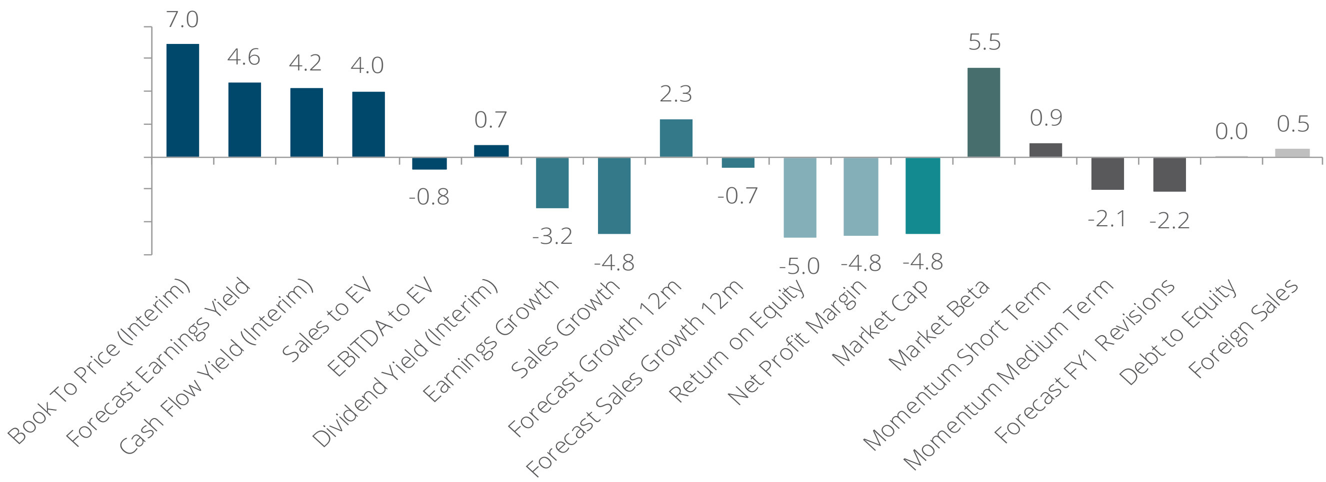
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP

PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts of the portfolio against the benchmark as calculated by StyleAnalytics.



Source: StyleAnalytics

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

MANAGERS' REVIEW

Investment background

Global equity markets fell again in February (MSCI ACWI -2.6% total return in USD). The shortest month of the year was a true 'game of two halves'. Initially financial markets were pricing an increasing number of interest rate rises from the Federal Reserve (the Fed) and even the ECB (European Central Bank) surprised with its hawkishness following high inflation figures and strong US jobs report. Interest rate sensitive businesses, such as financials, performed well in this environment and the US 10-year bond yield rose to 2.1%. The second half was dominated by the invasion of Ukraine by Russian forces. This prompted a flight to safety, with defensive company equities, gold and the US dollar among other haven-status assets which have risen. The number of rate rises priced in by the market unwound. Muddying the picture for central bankers is the impact of higher commodity prices due to supply-side disruption from the war creating the 'wrong' type of inflation. These were one of the few constants throughout February and we have seen further eye-catching moves since month-end in the most impacted commodities such as oil, natural gas, nickel, and wheat.

Strategy update

Performance

The fund fell 1.6%[1] in February versus a fall of 2.6% by its comparator benchmark, the MSCI All Country World Index (GBP)[2].

Unsurprisingly, commodity producers were the strongest performance contributors given the sharp moves higher in underlying commodity prices: potash producer Mosaic and diversified miner Anglo American rose +31% and +18% respectively in US dollar terms. Likewise, North American oil & gas producers Devon Energy and Enerplus also benefitted. Harley-Davidson was up +20% and Henry Schein +15% after each reported 'beat and raise' quarters which provided support for both investment cases.

Viatris was the primary stock specific detractor, sharply down after the market was surprised by the change in strategy announced by the management team during their capital markets day. It announced the sale of its Biosimilars business, its main growth driver, with the goal of repositioning its portfolio towards higher margin drugs along the therapeutic areas of ophthalmology, gastrointestinal and dermatology. The fund held small positions in two Russian companies: VK Company & QIWI plc. They comprised 0.2% of the portfolio immediately prior to the invasion of Ukraine and will be sold once trading suspensions are removed. These two positions cost the fund -0.11% performance in February and -0.15% year-to-date but are likely to fall further once investors are free to trade. The conflict has impacted performance more via secondary effects. These can generally be put into 2 camps: (i) companies with revenues from or investments in Russia, such as Mondi or Prosus where the stock market has moved quickly to price these in at zero, and (ii) via risk-off sentiment and concern around knock-on effects to the global economy, which has most notably affected banks and consumer discretionary holdings.

Activity

There were no new positions initiated in February. We increased our holding in pharma giant Roche, where recent positive news around the pipeline – which supports our investment case of an uptick in growth – has not yet been rewarded with a higher valuation. We exited the holding in airport operator Fraport. A fresh analysis of the opportunities among airport operators indicated less recovery upside to Fraport's enterprise value than certain peers. In part this is due to the elevated level of debt, which erodes the margin of safety as the company has also recently highlighted elevated capex requirements, leaving less cash to pay this down. We used some of this capital to increase our weight in Singaporean operator SATS as Asia emerges from Covid lockdowns. We also reduced our holding in JPMorgan Chase where cost inflation is higher than we had forecast, lowering the rate at which earnings can compound.

Outlook

The human tragedy unfolding in the wake of the Russian invasion of Ukraine has injected a large dose of geopolitical uncertainty into a stock market already starting to price a rising cost of equity from the normalisation of excess liquidity. These aren't conditions conducive to risk asset performance and markets have understandably fallen. The US Vix ("fear index") has doubled to 35 from 17 at the turn of 2022, while the European Vix is now 50 versus 19 at the start of the year and its equities are in a technical bear market (down over 20% from peak). Companies with revenues from Russia – even if relatively modest – are generally down significantly more. There is a sense, in recent days particularly, that fear is the predominant psyche among investors rather than greed. Even if we can't say that equities in the broadest sense are at rock bottom, "close your eyes and buy" levels, there are certainly pockets of extreme value emerging amidst the uncertainty. It's under exactly the current type of market conditions that such bargains emerge.

Over the long term, we believe the best protection against wealth destruction (either from inflation or other external risk) and not knowing the future is a diversified portfolio of strong, cash generative companies at varying stages of their corporate lifecycle (high return compounding growth or positively inflecting recovery characteristics). There are times when such diversification isn't enough in the short term, and it is tempting to try and shift one's portfolio in response to the latest headline to protect short term performance. This behaviour introduces significant risk of 'thrashing around' and attempting to get ahead of the market on an area in which we claim no special insight, in this case geopolitics. Historically, geopolitical ructions cause short and sharp market falls which are recovered in months. We are willing to accept that this time may well be different – there's certainly plenty of commentary to this end currently. If this is indeed the case then I'd suggest the optimal capital allocation decisions for the next 3 to 5 years and beyond will be taken by thinking about the issues over weeks and months, not days. We are working hard to understand any change to the path for our existing holdings and to identify new opportunities. Within the latter we include some businesses which combine high returns and attractive growth prospects where previously a margin of safety wasn't apparent, which have today fallen to prices at which we start to sharpen our pencils.

Hugh Sergeant & William Lough
Portfolio Managers
March 2022

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

RIVER AND MERCANTILE