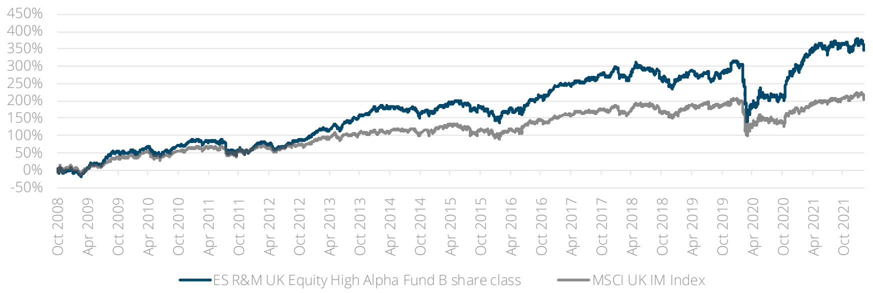
28 FEBRUARY 2022

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

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 20 October 2008.

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



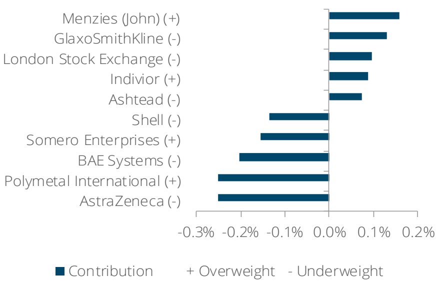
CUMULATIVE PERFORMANCE

	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Acc)	-3.0	2.6	8.6	22.6	30.8	149.8	349.9
MSCI UK IMI	0.0	4.8	17.2	16.3	23.1	88.4	216.4

DISCRETE 12 MONTH PERFORMANCE

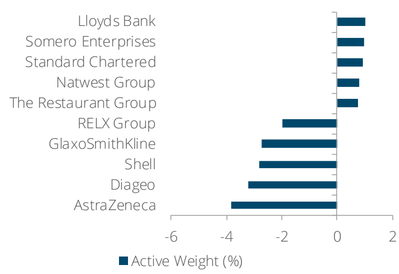
	12 months to 28/02/2018	12 months to 28/02/2019	12 months to 28/02/2020	12 months to 28/02/2021	12 months to 28/02/2022
B share class (Acc)	8.7%	-1.9%	-3.5%	17.0%	8.6%
MSCI UK IMI	4.3%	1.5%	-2.4%	1.7%	17.2%

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



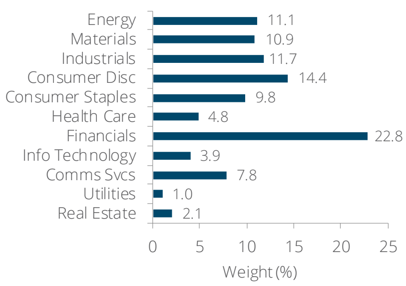
Source: River and Mercantile Asset Management LLP

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 (%)
Shell	4.0
BP	3.7
HSBC Holdings	3.3
Unilever	2.8
Rio Tinto	2.8
Lloyds Bank	2.6
AstraZeneca	2.5
Barclays	2.1
Vodafone	2.1
British American Tobacco	2.1

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE
To grow the value of your investment (known as "capital growth") in excess of the MSCI UK Investable Market Index (IMI) Net Total Return (the "Benchmark") over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER
Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	227
Fund Volatility	16.3%
Benchmark Volatility	13.9%
Beta	1.14
Active Money	51.8%

KEY FACTS

Fund launch date	28/11/2006
Share class launch date	20/10/2008
Benchmark	MSCI UK Investable Markets index
IA sector	UK All Companies
Total fund size	£93.6m
Domicile	UK
Fund type	UK UCITS
SEDOL	B3D79W3
ISIN	GB00B3D79W34
Bloomberg	RMUKEHG
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.90%

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

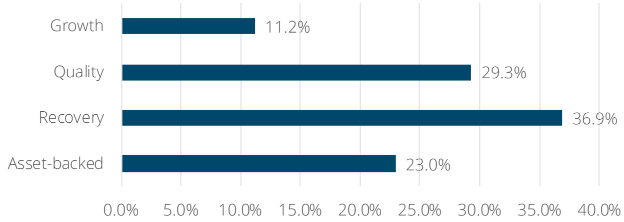
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	37.5%	63.3%	-25.8%
Large Cap	£4bn - £20bn	17.5%	22.9%	-5.4%
Mid Cap	£2bn - £4bn	7.7%	6.6%	1.1%
Small Cap	£100m - £2bn	33.7%	7.2%	26.4%
Micro Cap	£0m - £100m	3.9%	0.0%	3.9%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

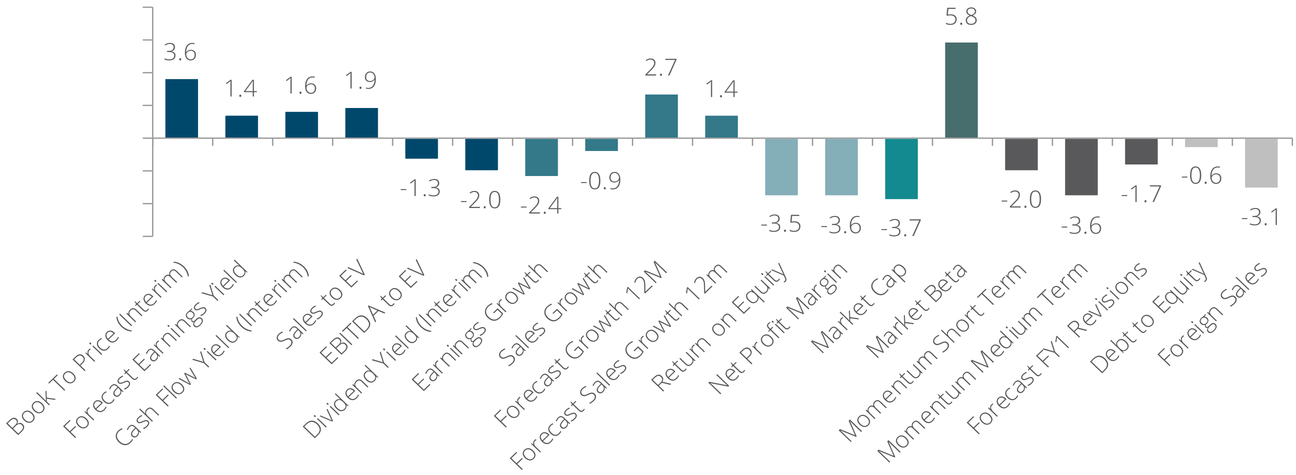
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

SQUARE MILE AA

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

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 tragic 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 3.0%[1] in February versus 0.0% by its comparator benchmark, the MSCI United Kingdom Investable Markets Index[2]. The underperformance was somewhat exaggerated by the mid-day and close-of-business pricing differential. All the underperformance came in the last few days of the month as Russia invaded Ukraine and the market switched to a risk off mode which typically does not suit our value, recovery and multi-cap approach. We are fully weighted in energy and mining stocks, so this has been supportive, but banks rolling over and consumer and cyclicals being even weaker (as cost of living fears were magnified) were a significant drag. Stocks that should have been benefitting from the world being able to move beyond Covid have lagged materially.

Positive contributors during the quarter included our overweight position in Inflation hedges (Energy and Mining, including Antofagasta) and M&A (John Menzies).

The main negative contributions were our overweight position in smaller companies, which continued to lag the mega cap stocks and the higher beta nature of the portfolio in a risk off period. We are underweight some of the classic defensive stock (BAE, AstraZeneca, National Grid). Consumer cyclicals further extended the weakness they saw in the second half of 2021 as investors fretted about the 'cost of living crisis' being made worse by commodity price spikes as Russia invaded Ukraine.

Our position in Polymetal (held as an inflation and market beta hedge) was our only direct exposure to Russia and clearly a drag on performance, though somewhat offset by having little exposure to Mondi and Coca-Cola Hellenic which both fell significantly due to their Russia exposure. We have sold our Polymetal position.

Activity

There are very many deeply unloved stocks now, especially with the latest external shock pushing up risk premiums. Fund managers, as higher beta stocks, have been very weak this year and we have used this as an opportunity to re-build our exposure (Schroders, via the nil voters that are trading at a particularly wide discount to the main class of shares, and Liontrust). UK domestic stocks have also been further de-rated and we continue to add, including re-building our housing exposure (Persimmon and Cairn Homes, the latter a leading player in Ireland). Whilst oil related stocks have been strong, we have actually been adding to the mid and small cap E&P stocks as these have materially lagged - Harbour Energy in particular, which was trading on a free cash flow yield of over 30% with oil at $90 a barrel.

We took profits in BHP following strong performance and as it moved out of the UK benchmark, and also sold John Menzies after it was bid for.

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.

In terms of opportunities from here we are high conviction, especially as the valuations of individual stocks in the portfolio are really very, very low. There are many examples of stocks where the earnings multiples are well below 10 times and quite a few stocks where the dividend yields are higher than the price-earnings ratio! We see opportunities in 1) Value, this remains a very committed value portfolio and we think the return to value has only just begun; 2) Recovery, this is a committed recovery portfolio and many classic recovery stocks (such as consumer cyclicals) are at a cycle low point; and 3) MultiCap, this is a portfolio with an attractive exposure to smaller and mid-cap companies, which have lagged large cap stocks over the last year, and are now providing an attractive investment opportunity.

Hugh Sergeant
Portfolio Manager
March 2022

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