28 FEBRUARY 2022

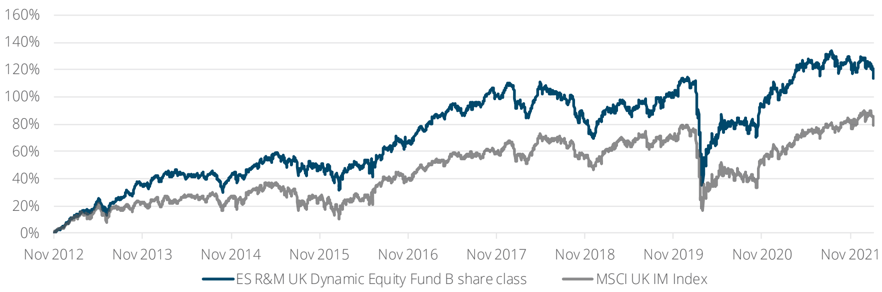
ES River and Mercantile
UK DYNAMIC EQUITY FUND
CLASS B GBP (Accumulation)

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 21 November 2012.

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



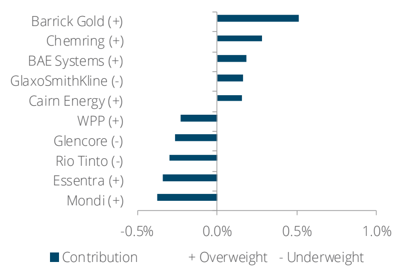
CUMULATIVE PERFORMANCE

	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	-2.8	-0.1	6.8	14.6	19.4	116.7
MSCI UK IM Index	0.0	4.8	17.2	16.3	23.1	85.5

DISCRETE 12 MONTH PERFORMANCE

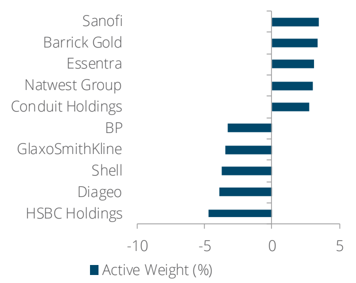
	12 months to 28/02/2018	12 months to 28/02/2019	12 months to 28/02/2020	12 months to 28/02/2021	12 months to 28/02/2022
B share class (Acc)	8.2%	-3.7%	-1.0%	8.4%	6.8%
MSCI UK IM index	4.3%	1.5%	-2.4%	1.7%	17.2%

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



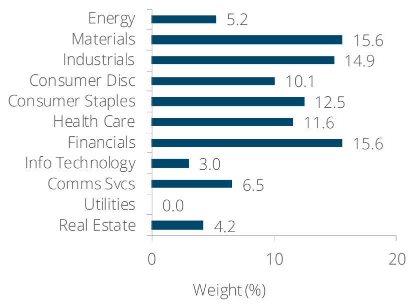
Source: River and Mercantile Asset Management LLP

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 (%)
AstraZeneca	4.2
Natwest Group	3.6
Sanofi	3.5
Tesco	3.5
Barrick Gold	3.3
WPP	3.2
Anglo American	3.2
Essentra	3.2
Reckitt Benckiser	3.1
Shell	3.1

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 United Kingdom Investable Market Index (IMI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER
William Lough

PORTFOLIO & RISK CHARACTERISTICS

Number of Holdings	50
Fund Volatility	15.2%
Benchmark Volatility	13.9%
Beta	1.04
Active Money	76.4%

KEY FACTS

Fund launch date	22/03/2007
Share class launch date	21/11/2012
Benchmark	MSCI UK Investable Markets Index
IA sector	UK All Companies
Total fund size	£74.8m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.93%

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

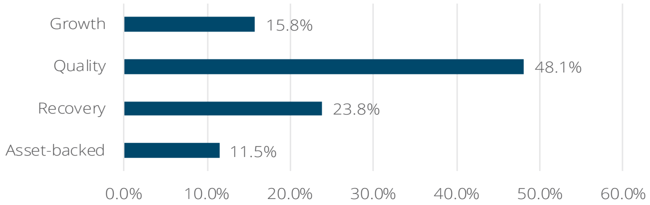
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	37.7%	63.3%	-25.6%
Large Cap	£4bn - £20bn	22.5%	22.9%	-0.4%
Mid Cap	£2bn - £4bn	6.8%	6.6%	0.2%
Small Cap	£100m - £2bn	32.3%	7.2%	25.0%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

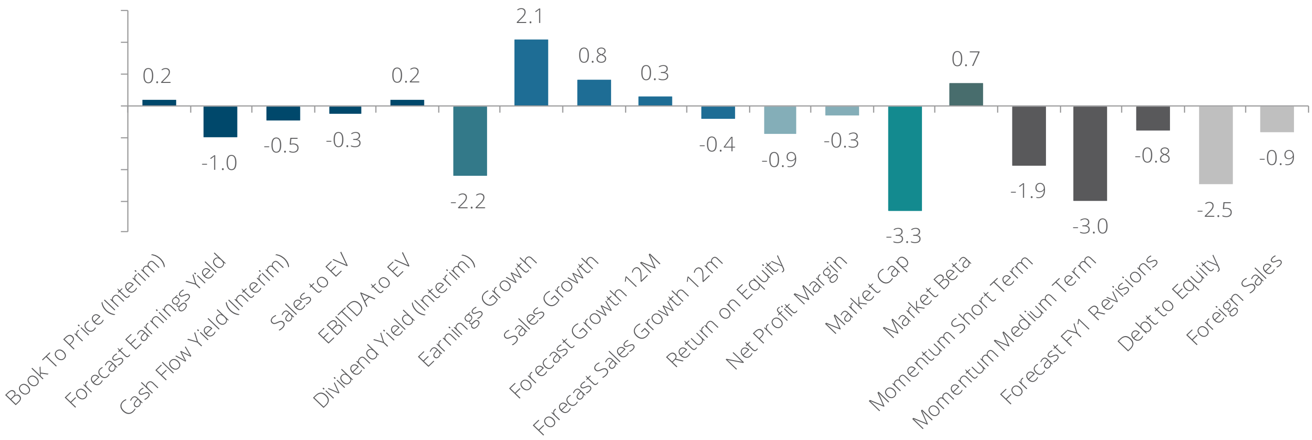
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP, excludes cash.

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

FE CROWN FUND RATING

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 January 2016 and was previously known as the R&M UK Equity Unconstrained Fund.

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 European Central Bank (ECB) 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 2.8%[1] in February versus a flat return by its comparator benchmark, the MSCI United Kingdom Investable Markets index[2].

Barrick Gold rose +19%, supported by a positive gold price background as a safe haven asset. Defence businesses Chemring and BAE rose +14% and +25% respectively, with an improving outlook for defence spending across NATO members (particularly in Europe) following the Russia-Ukraine war. Chemring provides cyber security services through its Roke division, which we expect to be in strong demand in both the short and longer term.

Paper and packaging business Mondi fell -15% as investors priced in the loss of its ~11% of group revenues that were generated from a Russian paper plant in 2021. Analysts had been upgrading forecasts before the invasion and its outlook is generally strong ex-Russia. A small position in events business Hyve Group, which was expected to generate around 30% of its revenues from Russia and Ukraine, cost the fund -0.2% in relative performance. Essentra lost -11% despite no company news in the period; we suspect the shares were down with the wider industrial peer group reflecting concerns around the industrial cycle. Large cap miners Rio Tinto and Glencore, in which we have no holding, both rose over 10% which detracted -0.6% from relative performance.

Activity

We bought a single new position in DCC, an international sales, marketing and support services group operating in the Energy, Healthcare and Technology sectors. We think the market misprices DCC's potential to deliver sustainable long-term growth and high return on capital. Structural headwinds in the group's fossil fuel energy business most likely have a longer runway to play out than investors anticipate, increasing the probability this will be more than compensated for by ongoing investment in renewable solutions. Balance sheet strength and resilient free cash flow generation provides scope to allocate a significant amount of capital (we estimate ~1.6x the current capital employed over the next 10 years) to M&A in fragmented end markets, directed by a management team that has an established track-record of creating value through inorganic growth.

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.

William Lough
Portfolio Manager
March 2022

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