28 FEBRUARY 2022

ES River and Mercantile GLOBAL RECOVERY FUND

CLASS B GBP (Income)

RIVER AND MERCANTILE

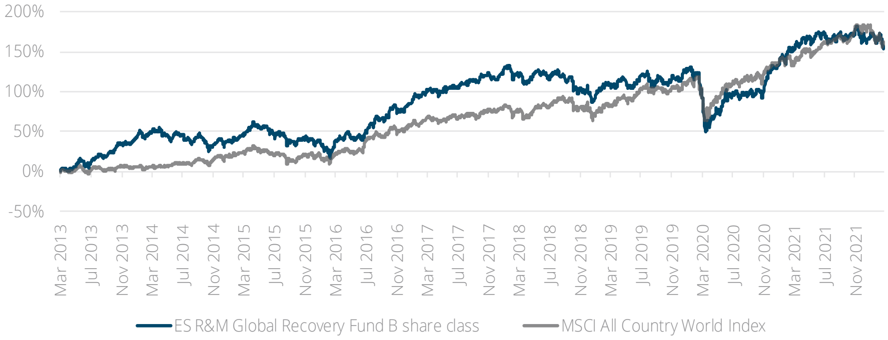
PAST PERFORMANCE

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 4 March 2013.

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

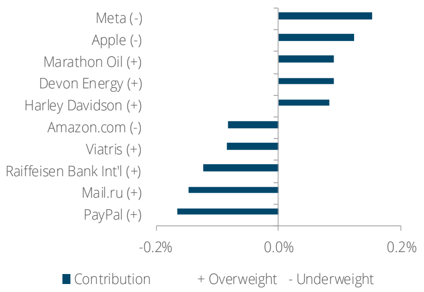
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Inc)	-1.7	-1.7	3.3	24.4	30.6	157.9
Benchmark	-2.6	-5.0	12.3	44.6	59.4	162.1

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)	13.1%	-7.1%	-4.5%	26.1%	3.3%
Benchmark	7.3%	2.7%	8.2%	19.0%	12.3%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

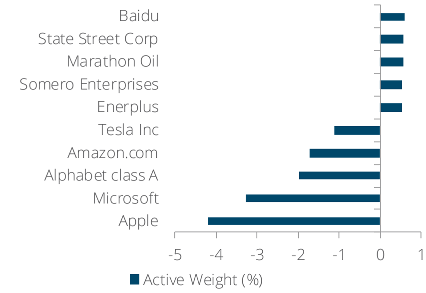
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

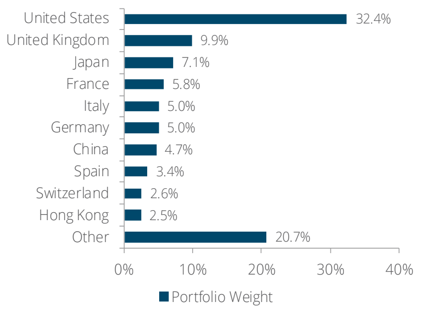
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

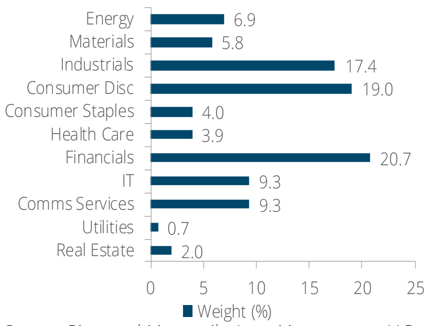
The portfolio's ten largest country holdings by total weight.



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 all fees.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	498
Fund Volatility	15.0%
Benchmark Volatility	12.7%
Beta	1.08
Active Money	83.2%

KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£386.5m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.16%

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

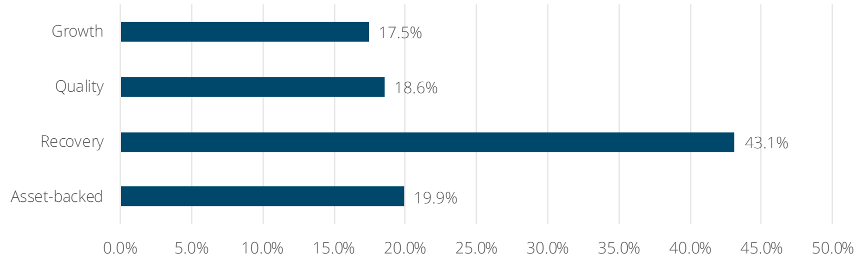
The ten largest positions by weight held in the portfolio.

	Weight (%)
Wells Fargo & Co.	0.7
Baidu	0.7
PayPal	0.7
Alibaba Group	0.7
Citigroup	0.7
State Street Corp	0.6
Meta	0.6
Marathon Oil	0.6
Somero Enterprises	0.6
Enerplus	0.5

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

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 July 2018. It was previously known as the R&M World Recovery 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 Fed (Federal Reserve) 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 1.7%[1] in February versus a fall of 2.6% by its comparator benchmark, the MSCI All Country World Index (ACWI)[2]. The fund was outperforming strongly until the last few days of the month when 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 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.

Unsurprisingly, commodity producers were the strongest performance contributors given the sharp moves higher in underlying commodity prices: potash producer Mosaic (+6bps), diversified miner Antofagasta (+6bps) and oil producers Marathon Oil (+9bps), Devon Energy (+9bps) and Enerplus (+6bps). Additionally, Harley-Davidson (+8bps) was up +20% after reporting a 'beat and raise' quarter providing further support for its investment thesis.

The fund held less than the benchmark (25bps) in direct Russia stocks, VK and Qiwi, and these will be sold once trading suspensions are removed. 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 VEON and Raiffeisen Bank International where the stock market has moved quickly to price their Russia exposure 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 are very many deeply unloved stocks now, especially with the latest external shock pushing up risk premiums. During the month we continued to allocate capital to the Financial sector by focusing our attention on self-help Recovery theses, adding new positions in Banco do Brasil and Deutsche Bank whilst also topping up Caixabank. In line with January, we continued to selectively increase the fund's weight in out-of-favour growth stocks, hence new investments in Nordic Entertainment Group and Delivery Hero, whilst also deploying additional capital to Paypal and Meta Platforms. Finally, we were still able to find opportunities in the Materials sector, where we have added fertiliser producer Incitec Pivot and Heidelberg Cement.

In order to fund these acquisitions profits have been taken by exiting stocks where the PVT thesis had been delivered and/or the stock price reflected a full valuation such as TKH, Boliden, Aena, Indivior and Arcos Dorados. Moneygram was also exited after it agreed to be taken over by a PE (private equity) firm and the stock approached the bid price, 50% above its undisturbed price in December 2021. Where possible we have moved to exit the very modest exposure to stocks with direct Russia exposure, including the recent sale of Veon.

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 her,e 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 PE (price to 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.