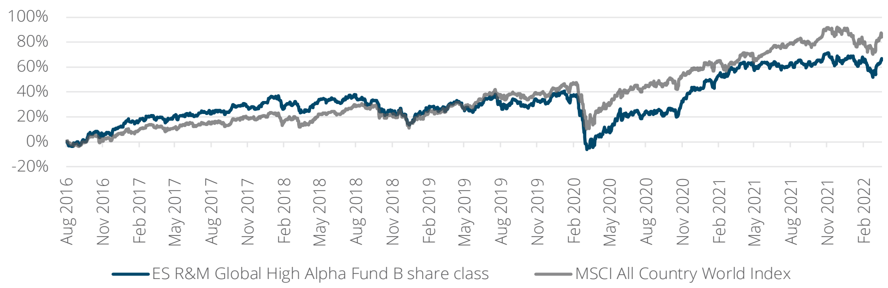
ES River and Mercantile
GLOBAL HIGH ALPHA FUND
CLASS B GBP (Accumulation)

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



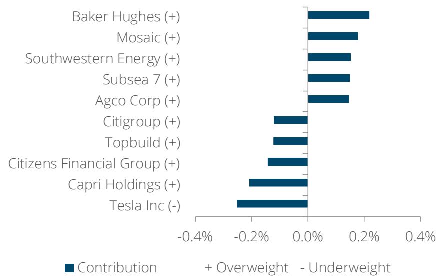
CUMULATIVE PERFORMANCE

	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Acc)	3.8	-0.6	4.2	31.2	38.5	65.6
Benchmark	4.1	-2.6	12.4	45.7	64.7	84.2

DISCRETE 12 MONTH PERFORMANCE

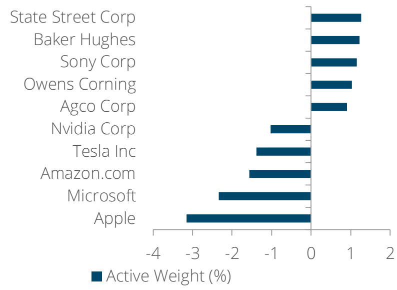
	12 months to 31/03/2018	12 months to 31/03/2019	12 months to 31/03/2020	12 months to 31/03/2021	12 months to 31/03/2022
B share class (Acc)	3.8%	1.7%	-20.9%	59.3%	4.2%
Benchmark	2.4%	10.5%	-6.7%	38.9%	12.4%

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



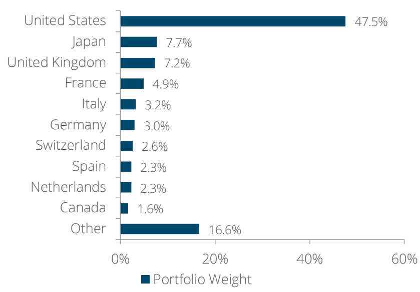
Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS
The securities in which the portfolio weight differs most from that of the benchmark



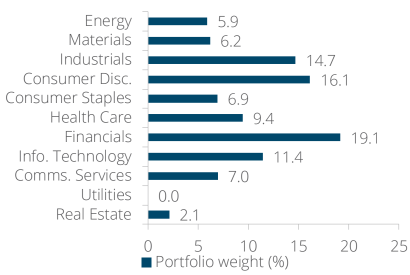
Source: River and Mercantile Asset Management LLP

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	198
Fund Volatility	14.2%
Benchmark Volatility	12.7%
Beta	1.06
Tracking error	4.46
Active Money	82.3%

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	£177.5m
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)

1	2	3	4	5	6	7

Lower risk — Higher risk
Typically lower rewards — Typically higher rewards

CONTACT DETAILS

Telephone	0345 603 3618
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TOP 10 HOLDINGS

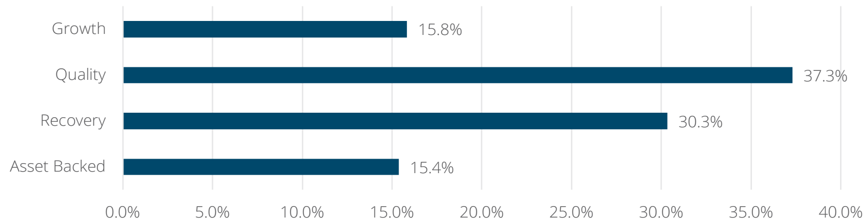
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alphabet class A	2.0
Sony Corp	1.4
Roche Holdings	1.3
State Street Corp	1.3
Baker Hughes	1.3
Apple	1.2
Procter & Gamble	1.1
Johnson & Johnson	1.1
Owens Corning	1.1
Citigroup	1.0

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

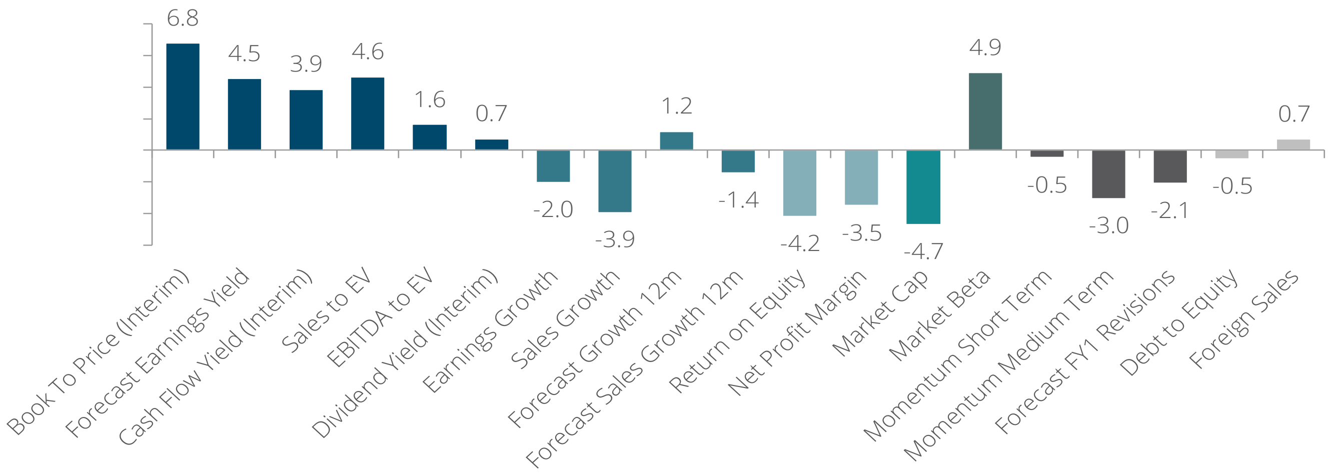
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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 rose in March (MSCI ACWI +2.2% total return in USD). Major benchmarks have recovered to their levels prior to Russia's invasion of Ukraine. Markets staged a strong recovery right after the Fed (Federal Reserve)'s first rate hike, with a likelihood of sharper hikes in the remainder of the year to come to counter inflation. Overall, price momentum and earnings revision styles were in focus last month. Higher beta companies – whether cyclical parts of value benchmarks, the unprofitable ends of growth, or smaller companies – struggled. Oil (Brent +13%) and bitcoin (+10%) were the best performing asset classes in March, along with another strong showing by LatAm equities (+13%). US equities also outperformed (+6%), while Asia ex-Japan was the worst performing region within equities (-3%). Yen (-6%) and EM High Yield bonds (-3%) were the worst asset classes while yield curve inversion was also a key short-term focus for market participants.

Strategy update

Performance

The fund rose 3.8%[1] in March versus a return of 4.1% by its comparator benchmark, the MSCI All Country World Index (GBP)[2].

Baker Hughes and Subsea 7 provide services to the energy sector, and high correlation to oil prices over the short-term has supported strong share price performance from both (+27% and +41% respectively in March in GBP). We expect near-term margins at both will surprise positively due to pricing power in capacity-constrained markets but are most interested in the long-term (5 years plus) role that both companies will play in energy transition and the transformational impact this can have on valuations. Producer Southwestern Energy was also notably strong (+46%). Another key area of strength – also commodity-related – was exposure to the agricultural complex, with both agchem producers Mosaic (+29%) and Incitec Pivot (+29%) as well as machinery provider AGCO (+24%) rising into a tight supply market, raising prices and likely extending the current cycle. The weaker relative performance was predominantly driven by the underweight to the US (-1% drag on relative performance in total), comprising zero weight or big underweights in large benchmark constituents such as Tesla. Citigroup has continued to sell off since its investor day (-8%) and we believe the share price is now detached from fundamentals to an extreme extent. We will provide more detail in our quarterly report, but in short it trades like a crisis-hit European bank on 0.4-0.5x book value, 10x trough EPS over the last 5 years (during which rates were at all-time lows and there was a global pandemic) and based on broker estimates it is set to deliver a buyback that at the current price would retire almost a quarter of its share count. Companies seen as exposed to the consumer or US residential housing were also weak, including Citizens Financial (regional bank), Capri (affordable luxury goods) and TopBuild (insulation distributor & installer).

Activity

Waters Corp and Avantor are both under-appreciated compounders with defensive revenue streams whose share prices fell sufficiently during the Q1 rotation to offer an attractive margin of safety. Waters Corp (which we have now built to a 0.6% position) is a global leader in lab-based speciality measurement in the pharma, industrial (food, environment & materials) and government / academic markets. The current equity value is mispricing a confluence of factors which are creating an exciting flywheel for accelerating value creation. Under new management, a revitalisation of the instruments product set has refreshed the installed base growth engine to towards the top end of the peer group, which will flow through to attractive growth in services and consumable revenues (these recurring revenues are ~55% of the total). Operational gearing plus productivity benefits will allow 20-30bps p.a. margin accretion even accounting for re-investment to support growth beyond 2024, while deployment of FCF (free cash flow) generation and utilisation of the conservative balance sheet on both buybacks and bolt-on M&A further underpin medium-term value per share growth. Roughly the largest share price drawdown in the last 5 years amidst market rotation created the opportunity, with our purchase price baking in sub-4% growth in perpetuity compared to mid-to-high single digit we anticipate and that has historically been delivered. We expect earnings upgrades to catalyse a re-rating. The Avantor position size is smaller, and we will provide more detail on the investment case in the quarterly report – our current assessment is that the upside is potentially larger than at Waters due to higher growth rates but this comes with higher starting balance-sheet leverage, so we are continuing our due diligence before committing to a larger position.

We sold a holding in Ping An Insurance following a review of the investment case. A combination of the core life insurance business continuing to lag our expectations plus a more negative assessment of certain risks around governance and earnings quality at associates lowered our conviction in the strength of our original analysis. The range of possible outcomes is wide and we do not currently feel well placed to assess the probabilities. Translation business RWS was sold post a profit warning around additional investment required to deliver improved organic growth. We exited a selection of smaller positions (Uber, Spotify, Solocal, Datalogic) where we could not build sufficient conviction to upweight following review, predominantly due to concerns around the pricing power of the business models. We also switched a position in FLSmidth into peer Metso Outotec. The latter has superior earnings quality and a better mix of commodity end markets (notably EV battery materials). We will provide further detail on the rationale for this change in the quarterly report, as well as for a smaller new position in Shimano.

Outlook

Since the Global Financial Crisis, the investment train has headed in a clear direction with which we are presumably all familiar. Most asset classes delivered positive returns. 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. The investment train in the post-pandemic period is likely to head in a very different direction. In short, market conditions have become, and are likely to remain, a lot harder. The cost of capital is rising, even if nominal growth in earnings may be solid in certain areas. We believe that populating portfolios with assets which can thrive in this environment – namely lower-multiple equities (limiting derating risk) in consolidated (pricing power) upstream assets (which protects value in real terms) which are likely to have a much better cycle than the last one, such as enablers of decarbonisation in carbon intensive sectors – is consequently the best course of action. This is where multi-bagger investments are to be found for those with a long-term timeframe. Clearly valuation is only one part of this. Patience is another critical element; it's essential that we remain focused on the destination for our companies during periods of volatility.

The portfolio's constituents have been built bottom up but with this backdrop in mind. Incumbency bias and the rise of 'passive' investing (a misnomer because there's always an active decision somewhere along the line) means investors predominately remain 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. All change, please!

Hugh Sergeant & William Lough
Portfolio Managers
April 2022

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