

ES River and Mercantile UK DYNAMIC EQUITY 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 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)	0.6	-3.5	2.0	14.7	17.4	118.0
MSCI UK IM Index	1.6	1.7	14.5	14.8	23.6	88.4

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)	0.7%	1.6%	-18.1%	37.3%	2.0%
MSCI UK IM index	1.1%	6.5%	-19.4%	24.3%	14.5%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

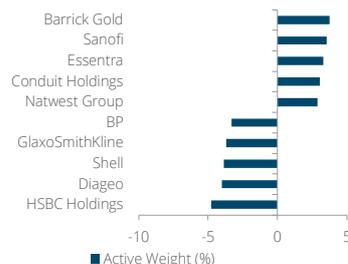
The best and worst contributors to the portfolio's performance relative to the benchmark



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.

Company	Weight (%)
AstraZeneca	4.8
Barrick Gold	3.8
Sanofi	3.6
Natwest Group	3.4
Anglo American	3.4
Shell	3.4
Tesco	3.3
Essentra	3.3
WPP	3.1
Conduit Holdings	3.1

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 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	48
Fund Volatility	14.9%
Benchmark Volatility	13.9%
Beta	1.02
Active Money	76.5%

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	£73.7m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
Distribution type	Accumulation

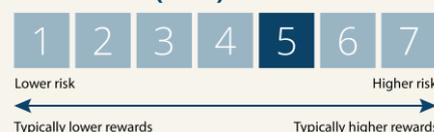
FEES & CHARGES

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)



CONTACT DETAILS

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MARKET CAPITALISATION

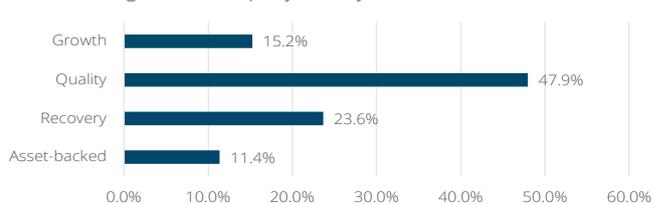
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	38.0%	64.1%	-26.1%
Large Cap	£4bn - £20bn	23.7%	22.3%	1.3%
Mid Cap	£2bn - £4bn	5.6%	6.0%	-0.4%
Small Cap	£100m - £2bn	31.0%	7.6%	23.4%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

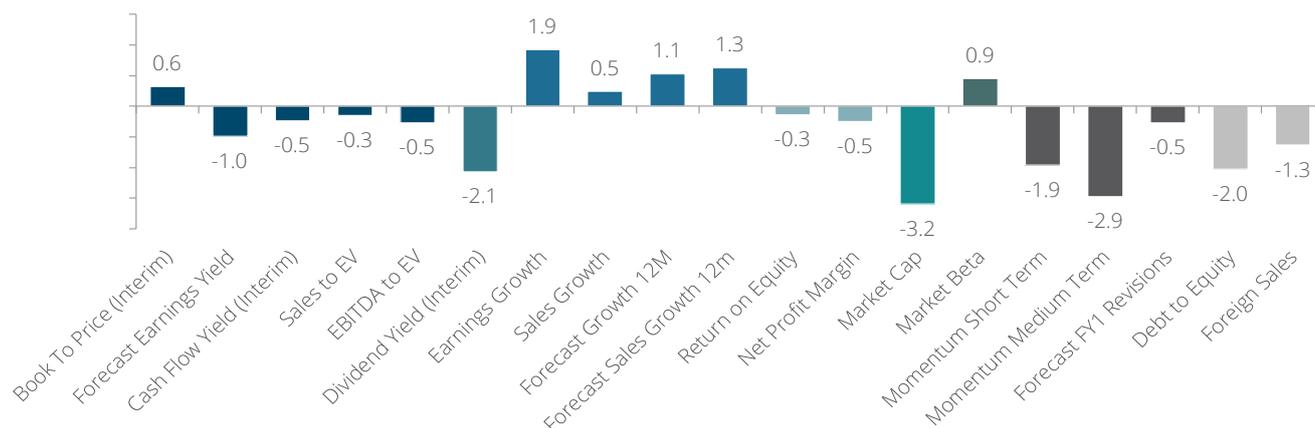
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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



OTHER INFORMATION

Authorised Corporate Director: Equity Trustees Fund Services Limited
 Investment manager: River and Mercantile Asset Management LLP
 Depository: 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 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 Reserves)'s first rate hike, with a likelihood of sharper hikes in the remainder of the year 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 0.6%¹ in March versus 1.6% by its comparator benchmark, the MSCI United Kingdom Investable Markets index².

The largest negative contributor was **888 Holdings**, which fell -24% in the month. It's hard to precisely disaggregate the drivers, but an ongoing overhang which has been causing a negative feedback loop to the share price – the impending equity raise to help finance the William Hill European acquisition – is now in the rear-view mirror. 888 managed to successfully chip the price to account for market conditions and has increased the deferred component, due to uncertainty regarding the outcome of the UK's online gambling regulatory review. This is sensible protection for investors, though in recent weeks we have heard from multiple sources that regulation is unlikely to be as draconian as some more bearish analysis perceives. A major headwind to relative performance year-to-date has been an underweight to large benchmark positions in resources sectors, with **Rio Tinto**, **Glencore**, and **Shell** (a 3.4% position in the fund but 7% in the benchmark) cumulatively responsible for ~0.7% underperformance in March; our largest position **AstraZeneca** (4.8% weight) rose 12% following strong drug pipeline readouts, but due to its 6.7% weight in the benchmark this acted as a further 0.2% drag to relative performance. Small and mid-cap holdings **OSB** and **ConvaTec** both reported strong results and rose 18% and 21% respectively, providing a roadmap for other oversold smaller company names in the portfolio which can deliver operationally.

Activity

We exited the small remaining investment in **Lancashire Holdings** last month. This has been a poor investment, and we were unable to reaffirm conviction in the investment case when reviewed so chose to cut losses and re-allocate to **Conduit Re**. Lancashire recently expanded its aviation book and recent events in Russia introduce a further widening of the range of outcomes for earnings, which we feel unable to assess with conviction. We believe we are better able to understand the path for return on equity improvement at Conduit, and the current price (trading well below book value) assumes permanent value destruction which provides a low hurdle. We also exited **RWS** post a profit warning around additional investment required to deliver improved organic growth.

Following the exit of the CEO last year, we had meetings with both the outgoing CEO and the current management and decided to maintain our position in 'wait and see' mode. In hindsight, this was the incorrect call. Following the profit warning this is a broken Growth investment case and we prefer to watch from the sidelines, redeploying the capital to companies with better operational momentum, while we establish whether this is truly 'pain today for gain in a couple of years' as characterised by management and the company's brokers.

Outlook

Despite a positive month for equities, sentiment remains poor. The hit to consumer income from higher inflation now being realised is evident in consumer confidence, which is close to the low of March 2020 in the UK. The fund's exposure to smaller companies has been a meaningful drag on performance – the Numis Smaller Companies index is -10.4% year-to-date while the MSCI United Kingdom IMI index is +1.7%. Timing the end of this market segment's underperformance is impossible, but we caution against becoming too bearish 'after the event' and note that current levels of consumer confidence have historically been coincident with troughs in its relative performance. We remain dedicated to our strategy of building a high conviction portfolio exploiting investment opportunities with a range of earnings drivers. Due to the challenges of the current operating environment, we will learn a significant amount more about the strength of our investee companies over the coming months. If our analysis is close to correct, and the manner they dealt with previous challenges (including the not-so-distant past!) is any guide, then current valuations offer outstanding risk-reward.



William Lough

Portfolio Manager

April 2022

¹B share class (GBP), mid-day to mid-day pricing.

²Close-of-business to close-of-business pricing.

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