RIVER AND MERCANTILE

ES RIVER AND MERCANTILE GLOBAL HIGH ALPHA FUND

Quarterly report to 31 March 2022

For unitholders only

ES River and Mercantile
GLOBAL HIGH ALPHA FUND

Quarter 1, 2022

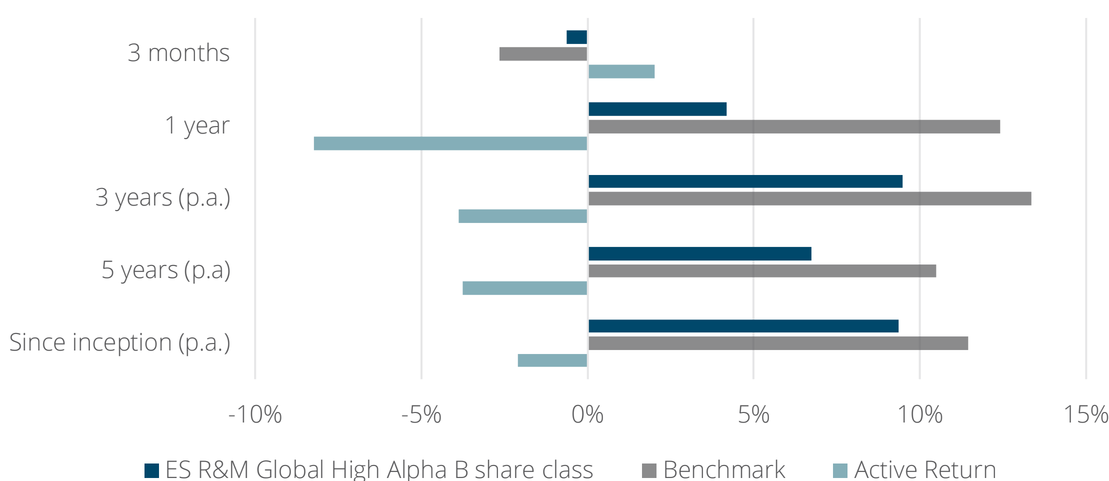
RIVER AND MERCANTILE

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.

PERFORMANCE (NET OF FEES)

	B share class	Benchmark	Difference
3 months	-0.6%	-2.6%	2.0%
1 year	4.2%	12.4%	-8.2%
3 years (p.a.)	9.5%	13.4%	-3.9%
5 years (p.a.)	6.7%	10.5%	-3.8%
Since inception (p.a.)	9.4%	11.5%	-2.1%



PERFORMANCE (BEFORE FEES)

	Z share class	Benchmark	Difference
3 months	-0.5%	-2.6%	2.2%
1 year	5.0%	12.4%	-7.5%
3 years (p.a.)	10.3%	13.4%	-3.1%
5 years (p.a.)	7.5%	10.5%	-3.0%
Since inception (p.a.)	10.1%	11.5%	-1.3%

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI All Country World Index (ACWI), net GBP. Fund performance shown is of B share class (accumulation units) which is net of an annual management charge of 0.75% per annum, and the Z share class (accumulation units) which reflects the fund's gross performance before any fees are deducted. Fund performance is calculated using the midday published price. Please note that the benchmark performance is calculated using close of business mid-market prices. Other share classes may be available. ***Past performance is not a reliable indicator of future results.***

PORTFOLIO SUMMARY AND KEY RISK CHARACTERISTICS.

AUM	£177.5m
Strategy Capacity	£6bn
Inception date	12 August 2016
Number of stocks	198

Portfolio volatility	14.2 %
Benchmark volatility	12.7 %
Portfolio Beta	1.06
Tracking Error	4.5 %
Active Money	82.3 %

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator (SRRI) is based on how much the returns of the shares have varied over the last five years, or since launch (whichever is the shorter period). The higher the rank the greater the potential reward but also the greater the risk of losing money.

Executive summary

- Global equity markets fell in Q1 2022 (MSCI ACWI -5.4% total return in USD). There was a step up in the narrative of the Fed's focus shifting to fighting inflation and excess liquidity being drained from financial markets (that is, QE shifting to QT). Bond yields rose and curves flattened. The Russian invasion of Ukraine in February has impacted the supply of critical commodities such as oil, natural gas and wheat exacerbating existing inflation concerns. Higher beta companies – whether cyclical parts of value benchmarks (excluding commodity producers), the unprofitable ends of growth, or smaller companies – struggled; defensive company equities, gold and the US dollar among other 'flight to safety' assets rose.
- The Fund fell 1.7% in Q1 2022, outperforming its benchmark in the period.
- We built a position in Waters Corp, a global leader in lab-based speciality measurement with pharma its predominant end market. Its improving organic growth prospects have become mispriced following roughly the largest share price pullback in the last 5 years. We switched a holding in FLSmidth into peer Metso Outotec. We initiated smaller positions in LG Household & Health Care, Avantor and Shimano, and exited BNP Paribas and Ping An Insurance (plus a handful of smaller positions) following investment case reviews. Daibiru was sold following a bid from its majority owner.
- We update on engagement meetings with Japanese holdings Toyota Industries and Nikon, which are at an early stage, and report on positive results from dialogue ongoing for over a year with Spanish testing business Applus.
- The portfolio in aggregate delivers ~12% cash return on capital growing sustainably at a high-single digit rate, valued at ~8% earnings yield. It has modest financial leverage. The relative value opportunity is stark – the portfolio trades at two-thirds the benchmark's asset-based valuation despite similar fundamentals.
- This quarter we comment on the impact of 'the fog of war' on markets, specifically its ability to induce 'System 1' thinking among investors. We focus in on the value creation opportunity when competitively advantaged 'niche' businesses see said niche expand and therefore deliver enhanced growth rates. Related to this we demonstrate the path to green steel in our sustainability feature, and the attractive prospects created by this for portfolio holding Danieli.

Investment background

Global equity markets fell in Q1 2022 (MSCI ACWI –5.4% total return in USD). The sharpest losses occurred in January when there was a shift in momentum, with equity market leaders in recent years turning into laggards most notably US equities – the NASDAQ was -20% at the lows in mid-March and finished down -9%. There was a step up in the narrative of the Fed's focus shifting to fighting inflation and excess liquidity being drained from financial markets (that is, QE shifting to QT). US 10-year bond yields rose 83bps to 2.3% (and have continued to over 2.8% at the time of writing) but yield curves flattened which has driven increasing commentary around economic recession risks. The Russian invasion of Ukraine exacerbated the key near-term issues impacting the macro, namely inflation. Higher commodity prices due to supply-side disruption from the war has created the 'wrong' type of inflation. We have seen eye-catching moves in the most impacted commodities such as oil (Brent +35%), natural gas, nickel (+51%), and wheat. With read through to food inflation and energy costs, the latter particularly in northern Europe, financial markets are pricing tougher times ahead for consumer

spending. Taken together, higher beta companies – whether cyclical parts of value benchmarks (excluding commodity producers), the unprofitable ends of growth, or smaller companies – struggled; defensive company equities, gold and the US dollar among other 'flight to safety' assets have risen.

Performance

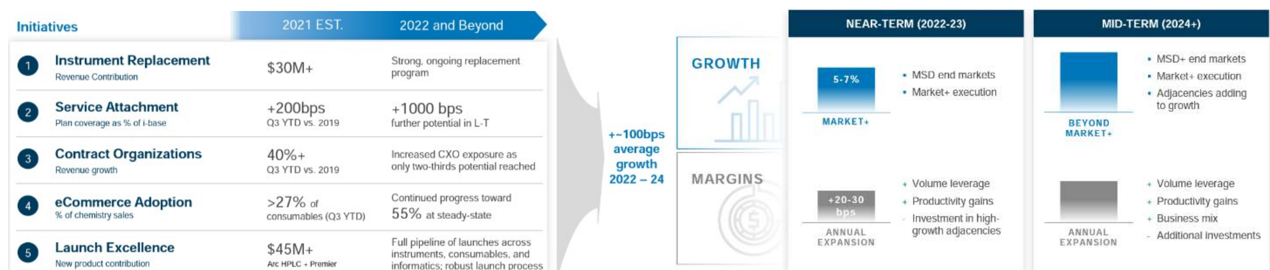
The Fund fell 1.7% (net of fees) during Q1 2022, versus a total return of -2.6% by its comparator benchmark, the MSCI ACWI index, and +2.0% for the MSCI ACWI Value index (all in GBP).

7 of the top 10 contributors to performance came from the Energy sector. Baker Hughes (+56% in GBP) provides services to the energy sector, and high correlation to oil prices over the short-term has supported strong share price performance. We expect near-term margins will surprise positively due to pricing power in capacity-constrained markets but are most interested in the long-term role that it will play in energy transition and the transformational impact this can have on valuation. Anglo American (+36%) was likewise unsurprisingly strong given the positive moves in underlying commodity prices. Another key area of strength – also commodity-related – was exposure to the agricultural complex, with both agchem producer Mosaic (+74%) and machinery provider AGCO (+30%) rising into a tight supply market, raising prices and likely extending the current cycle. Allfunds (-39%) had the dual short-term negatives of a relatively high starting valuation multiple (it is a growth compounder investment case) and beta to falling markets (it generates commission on the level of client AuM). Companies seen as exposed to the consumer or US residential housing were also weak, including Bath & Body Works (retail) 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 2% 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 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 can catalyse a re-rating.

Investors underestimate the longevity of organic growth acceleration at Waters Corp, which management expect to increase further from 2024 onwards, supporting margin improvement

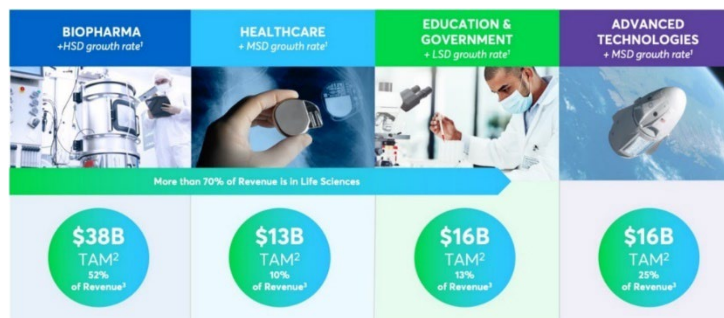


Initiatives	2021 EST.	2022 and Beyond
1 Instrument Replacement Revenue Contribution	$30M+	Strong, ongoing replacement program
2 Service Attachment Plan coverage as % of i-base	+200bps Q3 YTD vs. 2019	+1000 bps further potential in L-T
3 Contract Organizations Revenue growth	40%+ Q3 YTD vs. 2019	Increased CXO exposure as only two-thirds potential reached
4 eCommerce Adoption % of chemistry sales	>27% of consumables (Q3 YTD)	Continued progress toward 55% at steady-state
5 Launch Excellence New product contribution	$45M+ Arc HPLC + Premier	Full pipeline of launches across instruments, consumables, and informatics; robust launch process

Source: company presentation

Fellow Life Sciences business Avantor in current form is the result of the combination of Avantor, a high value consumables producer, and global distributor VWR. Whereas Waters' instruments operate as the vanguard of that business on top of which consumables & services are sold, the consumables are the business at Avantor and are deeply embedded in each stage of the research, scale-up and manufacturing activities for its predominantly biopharma customers[1]. This results in attractive ~85% recurring revenues and high margins (30%+ on proprietary content), providing a basis for highly cash generative growth. The company has guided to mid-single-digit organic growth and margins expanding 50-100bps per annum to 23%, supported by structural growth in its end markets and the balance of business shifting away from 3rd party distribution to the higher margin proprietary consumables (targeting >60% from 50%). This is happening organically – the bioprocessing franchise is growing 3x faster and has margins ~2x than the rest of the business – and via M&A, with ~$8bn of firepower estimated between now and 2025. The shares trade at a discount to peer multiples despite its strengths, which we attribute partly to financial leverage; the cash generation means this is a manageable risk to be monitored though limits the position size for now. The ~14x multiple of medium-term earning power provides a healthy margin of safety.

Avantor serves large, high-growth end markets



Source: company presentation

Korean-listed LG Household & Health Care (LGHH) has an attractive market leading position in the growing 'K-Beauty' sector, as well as offering solid cash generation from its smaller beverages division (~20% of sales). Its shares had materially de-rated since July 2021, falling ~45% (to below March 2020 levels), with its profit multiple sitting well below its own historic average and at a significant discount to peers with similar or weaker economics. Covid lockdowns and travel restrictions reduced sales in China, and then more recently a pricing dispute with "daigous", who operate as intermediaries, led to near-term earnings downgrades. We expect both are temporary issues which can be resolved, allowing sales and free cash flow to recover, accompanied by a re-rating. The implied margin of safety is sufficient to look through near-term negative timing elements and so we started to build a position which can be added to as more positive evidence emerges to support the investment case.

We 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). In its Minerals division the growth outlook is bullish and this is the gem within the business, with service revenues ~2/3 of total leading attractive earnings quality and structurally higher margins. Aggregates (28% of sales) will also benefit from strong construction activity. We see margin upside over the medium-term, with the current 13% below the through-cycle target of above 15% and with best-in-class peers pushing 20%. Despite the attractive profit growth potential, the shares trade at roughly half the multiple of Epiroc or a 30% discount to close peer Weir.

We initiated a small holding in Shimano, the global leader in high-end bicycle components (~80% sales, 70% market share) and fishing tackle (~20% sales). Its global manufacturing presence confers significant

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[1] *Avantor's consumables are specified into formulations for >80% of the top 20 commercial biologics on the market today.*

moats, strong pricing power and better insulation against supply chain constraints than bike assemblers. Sustainability tailwinds for demand are compelling and the robust balance sheet presents scope for buybacks.

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. We shifted some capital within banks from BNP Paribas, which was sold completely, into Banco Santander. Santander offers more material upside to interest rate increases due to the structure of the Spanish market, which has materially consolidated since the Sovereign Debt Crisis, as well as a recovery opportunity in Brazil. Japanese real estate company Daibiru was sold following bid for by its majority owner, Mitsui OSK, at a 50% premium to the resting share price. 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 (Fraport, Uber, Modern Times, 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 sold US toy and game brand owner and manufacturer Mattel following a new flag for a potential UN Global Compact breach from Sustainalytics relating to safety issues on a product recall.

Portfolio fundamentals

The fundamentals of the companies in our portfolio are robust. Overall, we own businesses whose return on capital (CFROI) is historically solidly double-digit on a through-cycle basis and which are expected to improve this CFROI at double the global benchmark's rate over the coming years. Our companies are growing sustainably at a high-single digit rate, while employing low levels of debt (see table below). Yet despite these fundamental supports, the valuation gap today between our portfolio and the benchmark is very wide – currently trading at two-thirds of the valuation multiple based on replacement cost and more attractive cash flow yields. The ~8% forecast earnings yield for our growing, value-creating companies still provides an attractive valuation cushion to the ~2.5% yield on offer from the US 10-year bonds.

	R&M Global High Alpha	MSCI ACWI weighted average
Average market cap ($bn)	172.4	391.7
Fundamentals		
Cash Flow Return on Investment (5Y average)	11.7%	13.6%
Cash Flow Return on Investment change (3Y forecast)	0.9%	0.5%
Sustainable growth rate	8.5%	11.6%
Debt-to-equity	117%	134%
Valuation		
Forecast earnings yield (+12mths)	8.1%	6.2%
Equity Free Cash Flow yield (trailing 12mths)	6.9%	4.9%
EV to replacement cost (inflation-adjusted)	2.9 x	4.9 x

Source: Credit Suisse HOLT, Bloomberg, River and Mercantile Asset Management LLP. Data to 14 April 2022. Data representative of the UK domiciled ES R&M Global High Alpha Fund, a sub-fund of the ES River and Mercantile Funds ICVC.

The Style skyline offers another way to view this, showing a clear bias to attractive valuations on a range of traditional measures, with future earnings growth[2] continuing to improve at a more rapid rate than the benchmark.

Source: StyleAnalytics. Data to 31 March 2022

Engagement

In this section, we share some highlights from the engagement we had with portfolio companies during the quarter around sustainability issues, including key outcomes. Note that this is not an exhaustive list of engagement activity during the quarter[3].

Other than our Philips meeting, following which we completed a full sale of the position (covered above), our most interesting engagements in Q1 2022 for ongoing investments were with two Japanese holdings (Toyota Industries and Nikon) and Applus. Overall, we are encouraged by the direction of travel for two areas that we expect to gain increasing attention in coming years – just as disclosure of carbon emissions and setting of net zero targets already have – and which we consistently raise with investee companies: [1] increasing the representation of women in senior management positions, and [2] inclusion of ESG KPIs (such as employee or customer satifaction, emissions reduction, health & safety) within executive compensation.

In 2021, Applus confirmed ESG KPIs were to be included in executive remuneration from 2022 (something for which R&M had pushed); our latest meeting was designed to cover the details of these as well as other incentivisation measures. The ESG KPIs will comprise 15% of the annual bonus and 10% of the LTIP. Incentive benchmarks are aligned with the ESG targets outlined below:

ESG - Vision and 2024 Targets

	Vision	2024 Targets
Environment	Help the environment by improving both ours and our client's industries and mitigate the negative impact of climate change on our business	• **30% reduction** of Scope 1 & 2 emissions vs 2019 • Be scope 1 and 2 **carbon neutral by 2023** • Plan for **net zero by 2050** under SBTi
Social	To attract diverse, talented and committed people enabling them to reach full potential in a safe and contented workplace	• **≥ 40% management positions** and the Group's Corporate Services positions **covered by women** • **10% reduction** in Lost Time Injury Frequency
Governance	To uphold our principles of good governance and to operate ethically, responsibly and with highest integrity which our stakeholders expect and deserve	• **≥ 90% Compliance** with applicable CNMV (Spanish regulator) recommendations • **≥ 98% professionals** complete the training and sign up to the Code of Ethics
Recognition	• **MSCI ESG Rating (AA) –** Top Quintile of peers • **CDP (B) –** Above average and in the "Management" category • **Sustainalytics –** 15.6 Low Risk	• **Gaia (72/100) –** Above average and increase of 10 from previous • **FTSE4Good IBEX –** Included

Source: company presentation

We held our first one-on-one meetings with representatives from Toyota Industries and Nikon. During both meetings we highlighted our desire for sustainability metrics to be included within executive compensation, which has been fed back into each Board.

[2] Shown as 'Forecast Growth 12M' in the Style Analytics skyline.

[3] A full review can be found in the Quarterly Sustainability Report.

At Nikon we also highlighted concerns around sub-optimal capital allocation, as cash represents ~80% of the market cap. We are in favour of conservative balance sheets but this is excessive and could be put to better use buying back its own shares based on the low valuation and steep discount to fair value. Nikon subsequently stated at its investor day that it will buy back up to ¥30 billion, or up to 10% of outstanding shares, and will also cancel half of the outstanding treasury shares. Investors responded positively – the share price has risen 12% since the announcement.

Toyota Industries offers a rich opportunity set for improvement in areas of governance and environmental target-setting which lag best practice, within a business that is fundamentally well-aligned with sustainability considerations. Key issues raised were: [1] improvements to board structure, notably more independent non-executive directors, and more diversity; [2] reducing the weight of cross-shareholdings & strategic equity stakes in other Japanese businesses; [3] setting more ambitious targets for women in management roles; [4] to shift the groupwide emissions target from carbon neutrality to net zero by 2050; [5] to clarify gaps in supply chain certification raised by MSCI ESG Research. We expect to see evidence of action on these items over the next 1-2 years, setting the basis for additional changes over a longer timeframe.

Strategy Focus: The Fog of War

Away from purely financial market considerations, the Russian invasion of Ukraine during the last quarter, along with the terrible ensuing humanitarian crisis, was the the most meaningful geopolitical development in many years. There can hardly be anything more 'System 1 thinking'[4] inducing than war, with the visceral images displayed across TV (with wall-to-wall coverage), newspapers and social media appealing very starkly to our most basic human instincts. How does one think clearly about investment when nuclear apocalypse is seemingly one of the cards on the table? An analyst research note (shown below) garnered significant attention with its precise attempts to assign a probability to a "civilisation-ending global nuclear war" – 10%, apparently – and equally intriguing conclusion about asset allocation flowing from this insight: "The risk of Armageddon has risen dramatically. Stay bullish on stocks over a 12-month horizon."

BCA Research | Global Investment Strategy — March 4, 2022

Strategy Report

Rising Risk Of A Nuclear Apocalypse

Executive Summary

- Vladimir Putin has now committed himself to orchestrating a regime change in Kyiv. Anything less would be seen as a defeat for him.
- Assuming he succeeds, and it is far from obvious that he will, the resulting insurgency will drain Russian resources. Along with continued sanctions, this will lead to a further deterioration in Russian living standards and growing domestic discontent.
- If Putin concludes that he has no future, the risk is that he will decide that no one else should have a future either.
- Although there is a huge margin of error around any estimate, subjectively, we would assign an uncomfortably high 10% chance of a civilization-ending global nuclear war over the next 12 months. These odds place some credence on Brandon Carter's highly controversial Doomsday Argument.
- Even if World War III is ultimately averted, markets could experience a freak-out moment over the next few weeks, similar to what happened at the outset of the pandemic. Google searches for nuclear war are already spiking.
- Despite the risk of nuclear war, it makes sense to stay constructive on stocks over the next 12 months. If an ICBM is heading your way, the size and composition of your portfolio becomes irrelevant. Thus, from a purely financial perspective, you should largely ignore existential risk, even if you do care about it greatly from a personal perspective.

Nuclear Worries Take Center Stage

Bottom Line: The risk of Armageddon has risen dramatically. Stay bullish on stocks over a 12-month horizon.

Source: BCA Research (via Twitter)

System 1 thinking relies on shortcuts. Three such shortcuts investors have been applying which have created inefficiencies in market pricing might be regional exposure, sector exposure and pricing power.

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[4] The main thesis of Daniel Kahneman's classic behavioural finance book Thinking, Fast and Slow (2011) is that of a dichotomy between two modes of thought: "System 1" is fast, instinctive and emotional; "System 2" is slower, more deliberative, and more logical.

Regional exposure and sector exposure become the quick-fix decision-making proxies for analysts, strategists and (yes, we're guilty too) portfolio managers. War in Europe? Sell European-listed companies (regardless of where they generate revenue). Cost of living crisis in Europe? Definitely sell European consumer discretionary companies. We lost count of the sell-side analyst reports recently downgrading recommendations on companies due to having the 'highest exposure to Europe among coverage' (or words to this effect). Maybe in aggregate these conclusions turn out to be correct, but in the stampede for the exit inefficiencies are created – the babies thrown out with the bathwater.

Take sector classifications. In certain instances these can give misleading signals as to the true drivers of the investment case. They are are commonly used to infer whether a company – and by extension portfolio positioning – is cyclical or defensive[5]. Within the portfolio, our consumer discretionary weighting is 14% (source: MSCI). Yet break this down and key components include Sony (3.5%), with its broad array of businesses such as imaging semiconductors (technology), music and TV/film (media) and insurance (financial); or Nikon (2.5%), where the key driver of the investment case is the growing profit contribution from lithography equipment systems (technology) rather than the cameras for which it's historically been known. Booking Holdings (2.1%) is exposed to travel, historically a horrible place to be operating in a recession as business travel was a large, high margin contributor. Furthermore, its revenue base is predominantly European. But the base line for business travel today is low so if there is a recession, travel will not be hurt by a weakness in business travel to the extent it was in the past. Then you have a massive pent-up demand impulse from consumers. The evidence is thin so far that consumers are willing to forego their summer holiday due to the war in eastern Europe. On top of that, its business model is a technology platform which operates like a toll-road on the traffic it generates for hotels so has linear pricing power. Should we sell this because of its sector classification and geographic exposure? Judging by the share price, many holders did but this doesn't strike us as the right decision for investors like us with a longer time horizon.[6]

Another investment, Hayward Holdings, sits in the industrials sector but is really a consumer-facing business. No doubt, were it re-classified it would be as consumer discretionary – either way, from the top-down it would be considered a cyclical business. The near-term market focus is on risk to the business in a slowdown for new pool installations following the pandemic boom and if the volume of new build homes drops in a rising interest rate environment. These high-level observations can be challenged by zooming out for longer-term historical perspective – both in terms of number of pool installations and number of single-family housing starts relative to history – and simultaneously zooming in to better understand the drivers of value for the business. In Hayward's case, our analysis suggests by far the bigger driver of value (via future cashflows) is the renovation, upgrade and replacement parts revenues that are a function of the installed base of pools. In this sense, ~80% of revenues coming from aftermarket services should prove less discretionary than the initial decision to install a pool.[7]

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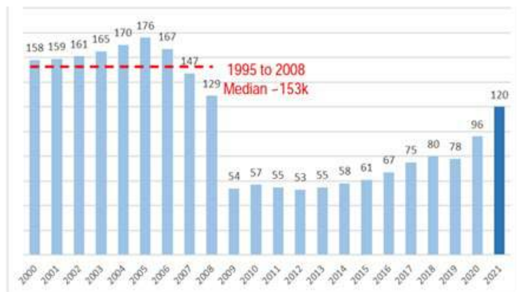
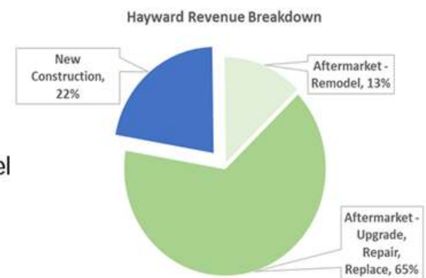
[5] *We prefer the classifications cyclical versus less cyclical – in Howard Marks's words, "It's essential to remember that just about everything is cyclical".*

[6] *As another example, TopBuild (1.5%) and Owens Corning (2.0%) operate in the same profit pool – Owens Corning provides insulation material which TopBuild distributes and installs into residential housing – yet one is classified consumer discretionary and the other industrial.*

[7] *Renovation is typically done every 10 years, pumps, filters & cleaners (Hayward's core products) aren't discretionary items within this. This decision to maintain the pool properly and to upgrade to Hayward's modern pumps has strong economic rationale – 90% energy efficiency gains and 50% chlorine use reduction, while it costs ~$5-10k to remove a pool or $2k to drain (which also induces underground water risks).*

US new pool construction is running below the ~150k per annum average pre-GFC (left); Hayward's revenues are heavily skewed to aftermarket sales, which are likely to benefit from the old installed base requiring upgrades (right)





Source: company presentation

We also see short-cuts being used to assess pricing power, particularly relating to earnings risk for companies with energy comprising a large percentage of total costs, such as glass bottle manufacturer Verallia. The quantum and speed of commodity price moves is such that, even for companies with strong market positions which enable pricing pass-through over time, many will not be able to put all price increases through in one go and will do so in amounts that protect the nominal value of gross profit rather than the percent margin. This is important in two ways: [1] what matters in discounted cash flow valuation is the nominal figure, not percent margin, and it is immaterial for the valuation if cost recovery is achieved via a series of price rises which result in a six month hit to earnings; [2] a decrease in gross margin, even where absolute profit is protected (shown in the scenario below), can lead to modelling errors if analysts use the same gross margin for longer-term forecast assumptions, should commodity prices fall. Companies with pricing power can in fact use a reduction in commodity prices to 'march up' margins over time, so selling the short-term margin impact risks a 'System 1' error.

Scenario analysis for a 30% gross margin business passing through 15% cost inflation to maintain the nominal gross profit figure, then analysing the gross profit / margin impact of a range of pricing scenarios if costs fall -5% the following year[8]

	T0	T+1		Scenario 1 - maintain GP	Scenario 2 - give 1/2 px	Scenario 3 - no px chg
Unit price	100.0	110.5		106.5	107.7	110.5
price rise		10.5%		-3.6%	-2.5%	0%
Unit cost	-70.0	-80.5		-76.5	-76.5	-76.5
cost inflation		15.0%		-5.0%		
Gross profit per unit	30.0	30.0		30.0	31.3	34.0
gross margin	30.0%	27.1%		28.2%	29.0%	30.8%

Source: River and Mercantile Asset Management LLP

Looping back to lasting impacts from the Ukrainian conflict. The portfolio is not built on attempts to make precise predictions about the macro-economic future, but rather by building our convictions at the individual company level through a systematic bottom-up approach. Nonetheless, I want to share the following note from my colleague, James Sym, which sensibly sums up some potential investment conclusions (in terms of broad direction) emerging from the fog of war:

> *"I would caution against seeing these recent events as somehow the dawn of a new era or a line in the sand – rather they are a manifest continuation of a changing world order: away from the disinflationary, neo-liberal, rules-based globalisation under American hegemony of the last 20 years which engendered ever looser monetary policy, and towards a more fragmented system with more naked nation-state (or supranational) competition driven ultimately by popular dissatisfaction with the increased inequality said world order (and monetary policy) produced. This is important because*

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[8] In scenario 1, the business maintains its gross profit per unit i.e., reduces its pricing in line with the cost decrease; scenario 2 assumes that with some pricing power, the business only gives back half of the decline to its customers via price; scenario 3 assumes that pricing is held flat from the prior year.

it has – in a very stop-start way, initially – been changing the investment paradigm as well, in a manner which is becoming more apparent as time goes by. ...

The geopolitics – of which Putin's Ukraine war is an example – is going to create a balkanisation of supply chains and labour markets which can only be inflationary, as is the necessary and highly-desirable energy transition. Debt levels are high of course, but in a world without disinflationary pressures, continuing with extremely loose monetary policy to allow a smooth servicing of this debt, risks a further, and potentially very significant, drop in living standards for 'Main Street' which is the very reason the world order is changing as discussed. It is therefore not sustainable, which is why we are convinced the investment paradigm is shifting. Debasement seems the most likely and probably least bad option, but that will come at a cost (in terms of the cost of capital) even if nominal growth in earnings may be solid in certain areas. Bretton Woods breaking up in the 1970s is a relevant analogue."

Strategy focus: Winning in a Niche

Like many other investors, we are drawn to businesses which are successful in a specialist niche. This largely boils down the longevity of high return on capital (RoIC) at maturity, because the company's 'moat' is less likely to come under heavy attack from larger competitors due to the constraining element of the size of the niche. This allows for an attractive, if relatively unexciting, investment which can deliver sustained free cash flow to be returned to shareholders or used to expand into adjacencies (though the latter comes with higher risks as the company steps outside its established franchise).

These investment cases move into exciting territory if the niche starts to see accelerated growth because of the outsized positive impact that enhanced growth rates at high return on capital have on valuation (example shown in the table below). The 10% RoIC business that can sustainably grow at 5% rather than 2% sees only a 25% uplift in its valuation, whereas the business delivering 30% RoIC theoretically sees ~80% uplift.

Sensitivity table showing uplift to 'fair' valuation multiple for a business at varying return on capital & growth assumptions[9]

Sustainable ROIC	Sustainable growth 2%	3%	4%	5%	6%
10.0%	13.3 x	14.0 x	15.0 x	16.7 x	20.0 x
15.0%	14.4 x	16.0 x	18.3 x	22.2 x	30.0 x
20.0%	15.0 x	17.0 x	20.0 x	25.0 x	35.0 x
25.0%	15.3 x	17.6 x	21.0 x	26.7 x	38.0 x
30.0%	15.6 x	18.0 x	21.7 x	27.8 x	40.0 x

Source: River and Mercantile Asset Management LLP

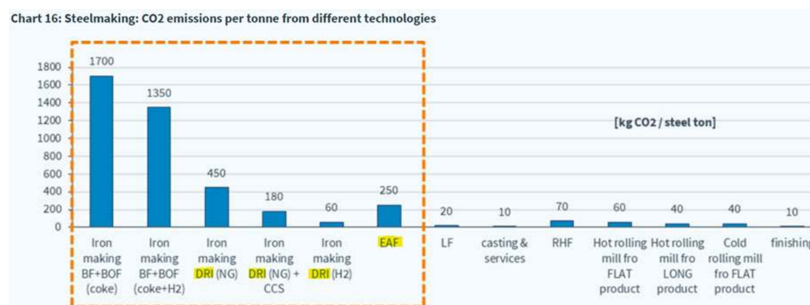
The portfolio features several holdings which possess this upside skew to valuation from a boom in demand, with consolidated supply-side dynamics following a modest growth period. Talgo's energy efficient high-speed trains, with wider and lower coaches, are more profitable for rail operators and therefore more likely to be selected by financially-incentivised customers; liberalisation of the European rail market makes market share gains more likely over the next decade, compared to the prior status quo of national monopolies. Owens Corning today finds itself in a 3 player market producing insulation materials for residential properties; for years a low growth and unglamorous industry but now essential to improving building efficiency and US decarbonisation efforts. Or, staying on the decarbonisation theme, Danieli's electric arc furnace steel plantmaking equipment has previously been the minority form of steel production compared to blast furnace for cost reasons, but looks set to expand rapidly due to its lower carbon footprint.

[9] Assumes constant 8% weighted average cost of capital (WACC).

Sustainability Trends: the path to green steel

Steel is inherently useful as an engineering and construction material because it is strong, durable, flexible and reusable. Recycling rates are higher for the steel industry today than the plastic industry has committed to for 20 years' time.[10] However, every ton of steel produced in 2018 emitted on average 1.85 tons of carbon dioxide, equating, making the industry responsible for ~8% of global CO2 emissions.[11] Reducing these emissions requires a change in the way steel is produced. The dominant integrated route with blast furnace (BF) still accounts for 71% of global steel production – 90% in China – and is highly polluting (up to 2,000kg of CO2 per tonne of steel[12]). A second method, electric arc furnace (EAF), can reduce CO2 emissions by over 60% versus BF. Over the longer-term, there is a path to net zero steel via the use of hydrogen within the process.

Danieli has leadership positions in equipment for electric arc furnace (EAF) and direct reduction (DRI) steelmaking processes, which have materially lower carbon emissions than mainstream blast furnace (BF) and blast oxygen furnace (BOF) steelmaking



Source: Danieli, Kepler Chevreux

A small quantity of steel is made today using what is called the 'direct reduction' process and the technology is mature. A synthesis gas (hydrogen and carbon monoxide) made from methane (natural gas) is burnt in a large chamber to extract or 'reduce' the iron ore to metal. Quoting ArcelorMittal's 2021 Climate Report: "Historically there has been limited use of the DRI-EAF route except in regions with a very low natural gas price. However, given the increasing cost of carbon and the requirement to reduce emissions, transitioning to natural-gas based DRI-EAF can be a first step with a proven technology that has the potential to further innovate and decarbonise using green hydrogen."

The first experiments in large scale direct reduction using pure hydrogen are now being carried out at the SSAB steel works in Sweden. These experiments will give us more accurate data on the amount of hydrogen needed. Direct reduction using hydrogen will almost certainly be more energy efficient than using coal. Based on our reading around the subject, we estimate that a tonne of finished 'new' steel will require about 3 MWh of hydrogen, considerably less than the 6 MWh needed for coal-based processes.[13] However, the process of making the hydrogen will incur some additional energy losses in the electrolyser, taking the amount of electrical energy required up to between 4 and 4.5 MWh per tonne of steel. Using cost assumptions from an EU paper ('The potential of hydrogen for decarbonising steel production'[14]) and factoring in the costs of carbon abatement (i.e., 'carbon tax') we draw the conclusion that green steel is virtually at parity today on an all-in cost basis. In this sense, the decision for steel producers in Europe to 'go big or go home' on green steel capex becomes a bet not just on the

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[10] Source: ArcelorMittal.

[11] Climate Action Summit 2019, Report of the Secretary-General on the 2019 Climate Action Summit and the Way Forward in 2020, UN.org.

[12] Danieli's Corus technology can reduce blast furnace CO2 emissions between -14% and -35% (source: company).

[13] River and Mercantile Asset Management LLP calculations.

[14] https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/641552/EPRS_BRI(2020)641552_EN.pdf

environment, but on the differential between the hydrogen price (likely to fall as capacity is added) and the carbon price (likely to rise or be stable because of the way that the EU's scheme is designed).

Danieli is well placed to address the decarbonisation needs of the steel industry thanks to its technological expertise, notably in EAF and direct reduced iron (DRI). In iron- and steelmaking, Danieli's positioning is highly skewed to EAF and DRI, and scrap processing. To substitute scrap as the feed material in the EAF process, Danieli teamed up with Tenova (in a joint venture) to develop the Energiron DRI technology, which is an alternative to the still dominant Midrex technology. Energiron is well positioned to grab some market share from Midrex, thanks to higher flexibility in its use of alternating levels of hydrogen versus natural gas (i.e., it is agnostic to the reducing agent).[15]

This path to net zero steel is critical for the planet but it's also big business for key enablers such as Danieli. Each direct reduction plant (DRP) project is worth €350-400m revenues – of which Danieli receives two-thirds from the JV – with capacity to execute 3-4 simultaneously, creating a ~€0.9bn per annum revenue opportunity for a company currently doing €3.3bn. Demand looks unlikely to be the issue – ArcelorMittal alone has a pipeline of 8. In their own words, "In the course of the coming decades the steel industry will undergo a transformation of the assets used to make steel on a scale not seen for over 100 years."

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!

Thank you for your support.

William Lough
Portfolio manager

April 2022

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[15] Other key, coke-free, environmentally friendly solutions developed by Danieli include the digital melter, which replaces the traditional EAF, and the hybrid MI.DA. (Danieli Minimill), both of which are designed to use renewable energy.

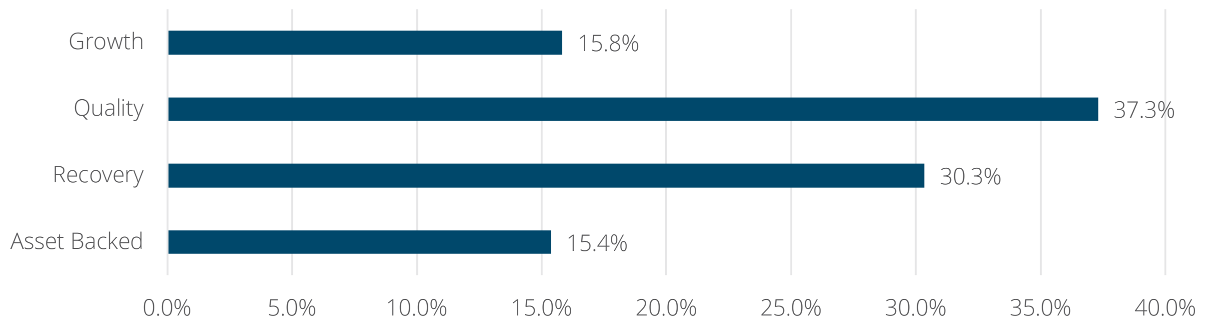
FUND HOLDINGS AND PORTFOLIO WEIGHT

Holding	Weight (%)
Alphabet class A	2.02
Sony Corp	1.36
Roche Holdings	1.33
State Street Corp	1.31
Baker Hughes	1.27
Apple	1.18
Procter & Gamble	1.07
Johnson & Johnson	1.07
Owens Corning	1.05
Citigroup	1.05
Anglo American	1.01
Microsoft	0.98
Wal Mart Stores	0.94
Berkshire Hathaway	0.94
Applied Materials	0.92
Meta	0.91
Agco Corp	0.91
Booking Holdings	0.90
Bank of Ireland	0.90
McKesson	0.88
UnitedHealth	0.88
Walt Disney Company	0.87
Mosaic	0.87
Accenture	0.87
Sanofi	0.87
Fiserv	0.86
Coca-Cola	0.86
Lloyds Bank	0.85
Sprouts Farmers Market	0.84
Pfizer	0.83
Harley Davidson	0.81
Citizens Financial Group	0.80
Banco Santander	0.79
Charles Schwab	0.79
WPP	0.77
Baidu	0.75
eBay	0.74
DBS Holdings	0.74
Henry Schein	0.73
Intel	0.71
UBS Group	0.69
Amazon.com	0.68
Devon Energy	0.68
Enerplus	0.68
Raytheon Technologies	0.68
Affiliated Mgers Grp	0.67
Prudential	0.66
Treasury Wine Estates	0.64
Callaway Golf	0.62
Nikon	0.62
Willis Towers Watson	0.61
Oracle	0.61
Barrick Gold	0.60
Swire	0.60
Valid	0.59
Capri Holdings	0.59
L Brands	0.59
Las Vegas Sands	0.58
Topbuild	0.57
Subsea 7	0.57
Western Union	0.57
Parker-Hannifin	0.56
Johnson Controls	0.56
Kraft Heinz Co	0.55
Bayer	0.54
JD.com, Inc. Class A	0.54
Incitec Pivot	0.54
Zynga	0.53
Chemring	0.53
Danieli & C Officine	0.53
Yageo	0.53
SATS	0.53
Mondi	0.52
Southwestern Energy	0.52
Airbus	0.51
Tenaris	0.51
Intesa	0.50
Unilever	0.50
Tadano	0.49
CGG	0.49
Siemens	0.48
Toyota Industries	0.48
Bangkok Bank	0.48
Tosei	0.48
Jumbo	0.47
Cisco Systems	0.47
Elis	0.47
Colgate-Palmolive	0.47
JPMorgan Chase	0.47
Southwest Airlines	0.46
Cemex	0.45
Infineon	0.45
Smith & Nephew	0.44
Knight-Swift Transportation	0.44
Allfunds Group	0.44
NKT	0.44
Applus Services	0.43
Prosus	0.43
Trip.com Group	0.43
Westrock	0.42
Qualicorp	0.42
NOV	0.42
Whitbread	0.42
Hunting	0.41
Stericycle	0.40
Alibaba Group	0.40
PayPal	0.40
General Motors	0.40
Hayward Holdings	0.39
General Electric Co	0.39
Nintendo	0.39
FinecoBank	0.39
Verallia	0.39
Prosiebensat.1 Media	0.39
Vicat	0.39
SAP	0.38
Criteo	0.38
Conduit Holdings	0.38
Anima	0.38
Dai-ichi Life Insurance	0.37
Waters	0.37
Heijmans	0.37
Grupo Sura	0.36
Samsung Electronics	0.36
3M	0.36
Eiffage	0.36
BorgWarner	0.36
Snap-On	0.35
Eni	0.35
Koninklijke Philips	0.34
Bank of Kyoto	0.34
Hong Kong Exchanges	0.34
Van Lanschot	0.33
Sleep Country Canada	0.33
LG Household & Health Care	0.33
Metso Outotec	0.33
Tokio Marine	0.33
Mediobanca	0.33
Dormakaba Holding	0.32
Axa	0.32
Consorcio ARA	0.32
Sumitomo Mitsui Financial	0.32
ASE Technology Holding	0.32
ING Group	0.32
Danone	0.32
DeNA	0.31
Dropbox	0.31
Neinor Homes	0.31
Greentown Service Group	0.31
Aena	0.30
Viatris	0.30
888 Holdings	0.30
HDFC Bank	0.30
MakeMyTrip	0.29
Saint-Gobain Group	0.29
Amadeus IT Holdings	0.29
LG Chem	0.28
Porsche Automobil	0.28
Taiheiyo Cement	0.27
China Merchants Bank	0.27
Henkel	0.26
Blsa De Vals De Colombia	0.26
Genting Berhad	0.26
Nomura Holdings	0.26
TKH Group	0.25
Shimano	0.25
FNAC Darty	0.25
Dowa	0.24
Exor	0.24
Avantor	0.24
Eurazeo	0.24
LG Corp	0.23
Richemont	0.23
Wynn Macau	0.22
SBI Group	0.22
Fourlis Holdings	0.22
Sime Darby Property	0.22
Ocean Wilson Holdings	0.21
Kendrion	0.21
Value Partners	0.21
Kyocera Corp	0.21
Okamoto Industries	0.21
LG Corp	0.20
CIMB Group	0.20
Samsung Life Insurance	0.20
Tsumura & Co	0.19
Continental AG	0.19
FANUC	0.19
Wing Tai	0.18
Mercadolibre	0.18
Inmobiliaria Colonial	0.18
Victoria's Secret & Co	0.17
Capita	0.17
Re/Max Holdings	0.17
Seino Holdings	0.15
Blue Apron	0.14
Mail.ru	0.00
Qiwi	0.00
Cash	1.14
TOTAL	**100.00**

Source: River and Mercantile Asset Management LLP

PVT CATEGORIES OF POTENTIAL

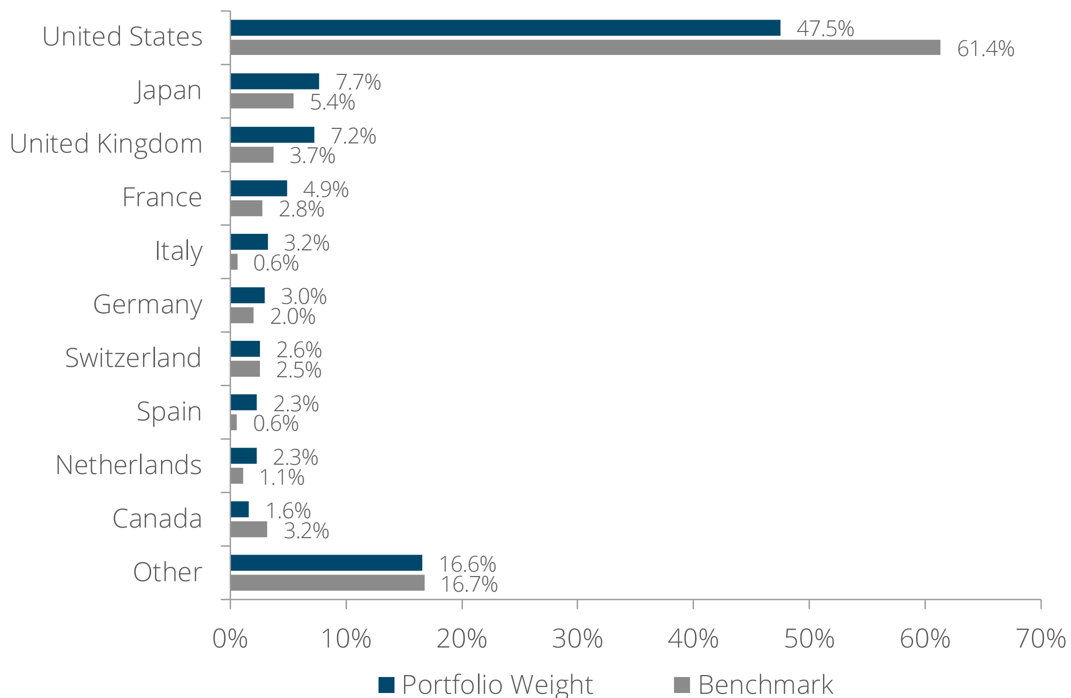
This chart shows the weighting of the fund's holdings across the four categories of Potential, related to the stages of a company's life cycle, as defined within the R&M investment philosophy known as 'PVT' – Potential, Valuation, Timing.



Source: River and Mercantile Asset Management LLP

COUNTRY WEIGHTS

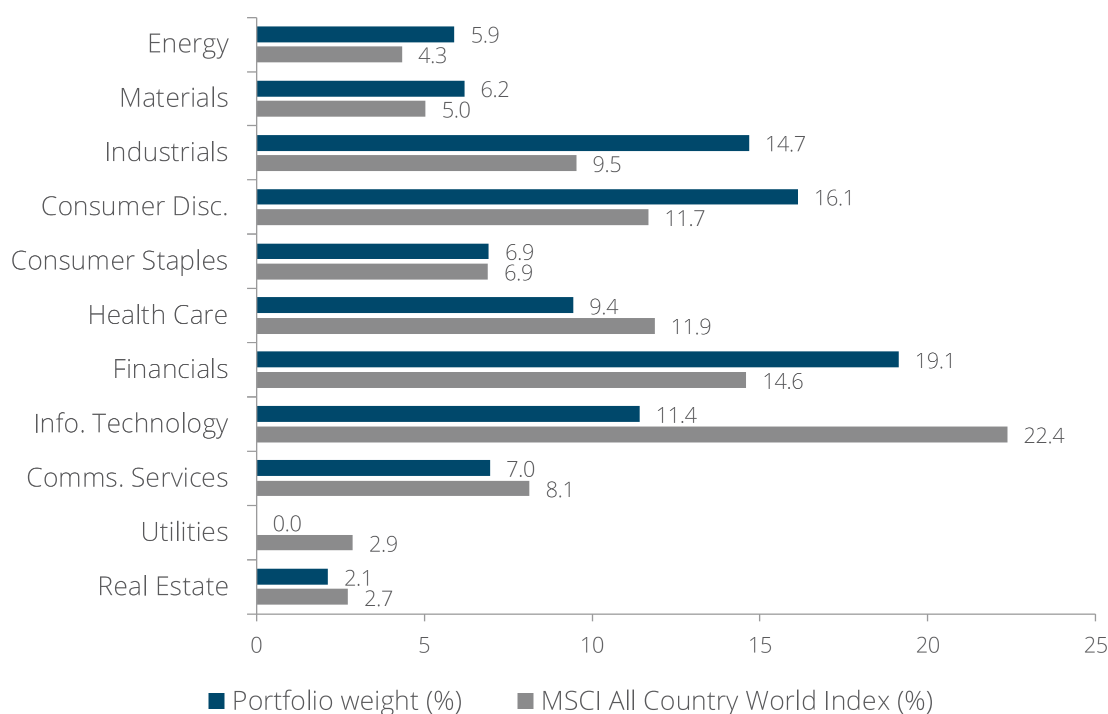
This chart compares the fund and benchmark's weighting to the fund's top 10 weighted countries.



Source: FactSet

INDUSTRIAL SECTOR WEIGHTS

This graph compares the fund and benchmark weightings across the industrial sectors classified by the MSCI Global Industry Classification Standard (GICS).



Source: FactSet

TOP 10 ACTIVE POSITIONS VS THE BENCHMARK

This table highlights the securities in which the fund weight differs most from that of the benchmark, with the 'overweights' showing 10 securities with the greatest weight difference above the benchmark's position, and the 'underweights' showing 10 securities with the greatest weight difference below the benchmark's position. The difference is known as the 'active weight'.

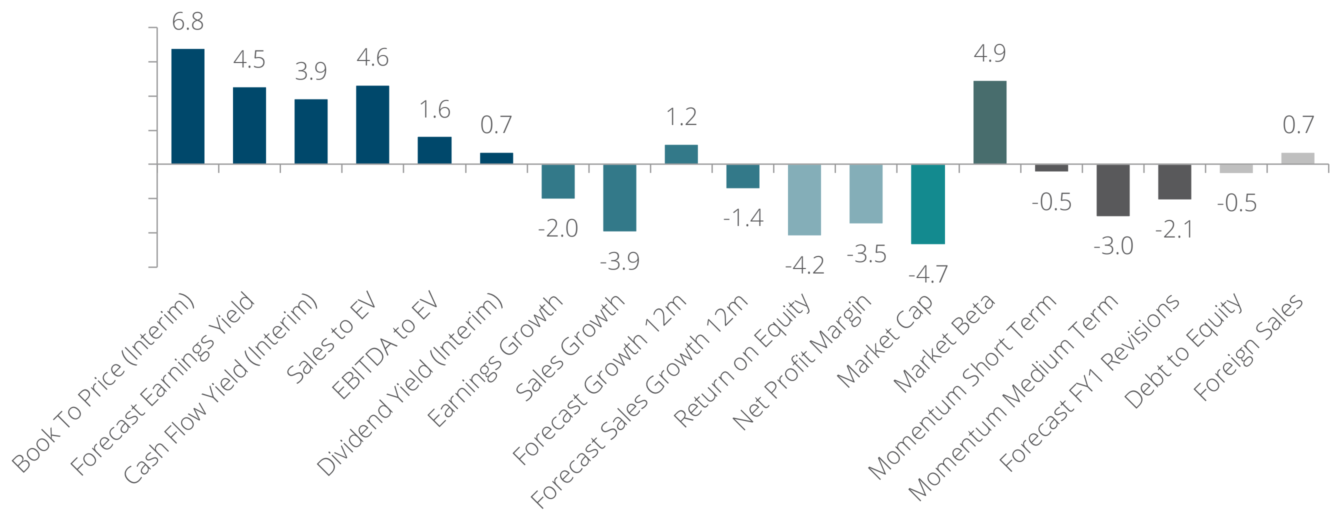
			%	
Overweights	Sector	Fund	Benchmark	Active
State Street Corp	Financials	1.31	0.05	1.26
Baker Hughes	Energy	1.27	0.05	1.22
Sony Corp	Consumer Discretionary	1.36	0.20	1.16
Owens Corning	Industrials	1.05	0.01	1.04
Agco Corp	Industrials	0.91	0.00	0.91
Anglo American	Materials	1.01	0.10	0.91
Bank of Ireland	Financials	0.90	0.00	0.90
Citigroup	Financials	1.05	0.16	0.89
Roche Holdings	Health Care	1.33	0.44	0.88
Sprouts Farmers Market	Consumer Staples	0.84	0.00	0.84

			%	
Underweights	Sector	Fund	Benchmark	Active
Apple	Information Technology	1.18	4.33	-3.15
Microsoft	Information Technology	0.98	3.32	-2.34
Amazon.com	Consumer Discretionary	0.68	2.25	-1.56
Tesla Inc	Consumer Discretionary	0.00	1.39	-1.39
Nvidia Corp	Information Technology	0.00	1.03	-1.03
Taiwan Semi Mfng	Information Technology	0.00	0.78	-0.78
VISA	Information Technology	0.00	0.56	-0.56
Nestle	Consumer Staples	0.00	0.56	-0.56
Exxon Mobil	Energy	0.00	0.53	-0.53
Chevron Corporation	Energy	0.00	0.47	-0.47

Source: FactSet

PORTFOLIO STYLE SKYLINE

This graph shows the Style Tilts™ of the fund against the benchmark as calculated by StyleAnalytics, highlighting stylistic differences between the fund and its benchmark.



Source: StyleAnalytics

STOCK LEVEL PERFORMANCE ATTRIBUTION

This table shows the best and worst contributors to the fund's performance relative to the benchmark. The average active weight highlights whether the fund held a larger or smaller position in a stock than the benchmark did, on average over the period. As performance is relative to the benchmark, outperformance of the benchmark can come from the fund holding a larger position than the benchmark in a stock that performs well, or a lower position than the benchmark (or even a zero holding) in a stock that performs poorly. The contribution to active return is the return that the position has contributed relative to the benchmark.

Greatest Positive Contribution	Average Active Weight	Contribution to Active Return
Baker Hughes	0.99%	0.45%
Mosaic	0.64%	0.39%
Anglo American	0.88%	0.30%
Devon Energy	0.77%	0.28%
Agco Corp	0.89%	0.24%
Enerplus	0.81%	0.22%
NOV	0.46%	0.21%
Southwestern Energy	0.35%	0.20%
CGG	0.37%	0.19%
Hunting	0.34%	0.18%

Greatest Negative Contribution	Average Active Weight	Contribution to Active Return
Allfunds Group	0.51%	-0.26%
L Brands	0.62%	-0.21%
Topbuild	0.54%	-0.19%
RWS Holdings	0.32%	-0.18%
888 Holdings	0.38%	-0.17%
Exxon Mobil	-0.50%	-0.16%
Prosus	0.45%	-0.16%
Chevron Corporation	-0.42%	-0.15%
Hayward Holdings	0.39%	-0.15%
Viatris	0.56%	-0.13%

Source: FactSet

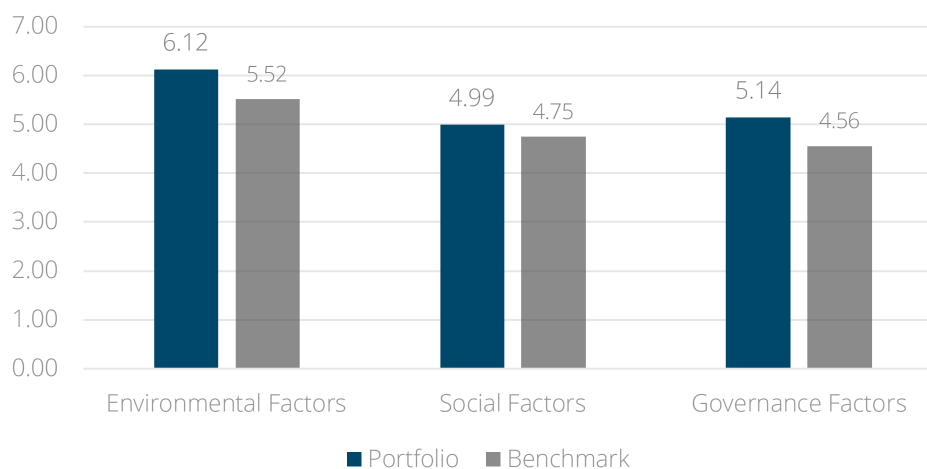
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTOR ANALYSIS

This report is designed to give a broad overview of the portfolio from the perspective of Environmental, Social and Governance factors. Whilst the portfolio is not run to be optimised with these factors in mind, we may expect to take major risks into consideration when analysing stocks.

This table compares the portfolio and benchmark asset weightings by value with data from MSCI ESG Research.

	Portfolio	Benchmark
Assets covered by MSCI ESG Research	94.9%	99.9%
Assets scoring in the bottom decile	0.0%	0.5%

The chart below illustrates how the portfolio and its benchmark compare on average Environmental, Social and Governance scores. Scores are based on a 1 to 10 scale, where 1 is the lowest/worst and 10 is the highest/best.



10 highest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Sony Corp	1.4%	0.2%	AAA	10.0
Sprouts Farmers Market	0.8%	0.0%	AAA	10.0
Johnson Controls	0.6%	0.1%	AAA	10.0
Chemring	0.5%	0.0%	AAA	10.0
Mondi	0.5%	0.0%	AAA	10.0
SAP	0.4%	0.2%	AAA	10.0
Metso Outotec	0.3%	0.0%	AAA	10.0
Microsoft	1.0%	3.3%	AAA	9.8
Intesa	0.5%	0.1%	AAA	9.5
Danone	0.3%	0.1%	AAA	9.5

10 lowest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Porsche Automobil	0.3%	0.0%	B	1.4
Pfizer	0.8%	0.4%	B	1.5
Stericycle	0.4%	0.0%	B	1.8
Meta	0.9%	0.8%	B	2.2
Bank of Kyoto	0.3%	0.0%	B	2.5
Re/Max Holdings	0.2%	0.0%	B	2.6
Value Partners	0.2%	0.0%	B	2.8
Bank of Ireland	0.9%	0.0%	BB	2.9
JD.com, Inc. Class A	0.5%	0.1%	BB	2.9
Shimano	0.2%	0.0%	BB	2.9

Source: MSCI ESG Research, ©2022 MSCI ESG Research LLC. Reproduced by permission.

BROKER COMMISSIONS ANALYSIS

Counterparty	Total (£)	Commission Paid (£)
		Execution Only
ABG SUNDAL COLLIER	38,666.96	23.20
ATLANTIC SECURITIES	2,772,561.82	1,663.54
BANCO ITAU	0.00	0.00
BARCAP	0.00	0.00
BERENBERG	0.00	0.00
BTG PACTUAL	125,871.09	125.87
CANACCORD ALGO	598,295.46	239.32
CANACCORD GENUITY	0.00	0.00
CENKOS	0.00	0.00
CITI PROG	0.00	0.00
CITIGROUP	712,742.46	427.65
CLSA	751,310.43	747.34
CREDIT SUISSE	2,208,615.88	1,325.17
DEUTSCHE BANK	0.00	0.00
EXANE	0.00	0.00
FINNCAP	0.00	0.00
GBM	0.00	0.00
GOLDMAN SACHS	0.00	0.00
GOODBODY	0.00	0.00
HSBC	1,083,094.67	758.17
ING	0.00	0.00
INSTINET	0.00	0.00
INVESTEC	615,904.30	492.72
ITG	1,163,877.34	698.32
ITG ALGO	192,030.64	76.81
ITG EURO	0.00	0.00
J&E DAVY	0.00	0.00
JANE STREET	0.00	0.00
JEFFERIES	840,200.03	731.26
JEFFERIES ALGO	117,886.28	47.16
JPMORGAN CHASE	143,123.03	85.87
KEPLER CHEUVREUX	339,110.34	203.46
LIBERUM	0.00	0.00
LIQUIDNET	862,614.15	517.59
MEDIOBANCA	163,548.63	98.13
MIZUHO	2,476,683.07	1,486.01
MORGAN STANLEY	1,496,767.04	898.05
NPLUS1 SINGER	0.00	0.00
NUMIS	0.00	0.00
PANMURE GORDON	0.00	0.00
PEEL HUNT	86,927.50	69.54
RAYMOND JAMES	2,125,340.37	1,275.22
RBC	194,285.56	116.57
RBC ALGO	180,809.80	72.32
REDBURN	0.00	0.00
SANFORD BERNSTEIN	0.00	0.00
SANTANDER	0.00	0.00
SHORE CAPITAL	0.00	0.00
SOCIETE GENERALE	0.00	0.00
STIFEL EUROPE	0.00	0.00
STIFEL NICOLAUS	1,351,719.26	811.03
SUSQUEHANNA INTERNATIONAL GROUP	0.00	0.00
UBS	1,813,545.08	1,368.57
UBS PROG	0.00	0.00
WINTERFLOOD	0.00	0.00
FLOWTRADERS	0.00	0.00
CONFIRMED FUND PRICE	0.00	0.00
OPTIVER	0.00	0.00
LLOYDSCRE	0.00	0.00
BANK OF MONTREAL	2,035,203.66	1,221.11
BTIG	0.00	0.00
LIQUIDNET ALGO	216,691.26	65.01
	£ 24,707,426.11	**£ 15,645.01**

Firm Wide Comparators

All Equity Trading	**£ 858,040,357.91**	**£546,067.37**
Trades:	**£ 24,707,426.11**	**£15,645.01**
Average Firm-Wide Commission Rate (%)		0.06%
: **Average Commission Rate (%)**		0.06%

Source: River and Mercantile Asset Management LLP

IMPORTANT DISCLOSURES

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