

# ES River and Mercantile GLOBAL HIGH ALPHA 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 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

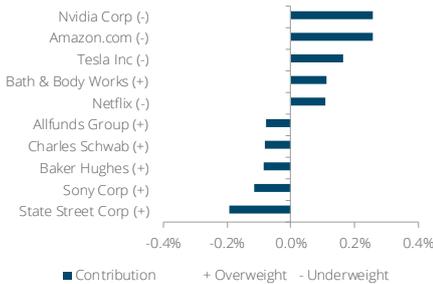
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Acc)	-2.0	0.0	-0.6	22.5	37.5	62.2
Benchmark	-3.5	-2.2	4.3	36.0	61.9	77.7

## DISCRETE 12 MONTH PERFORMANCE

	12 months to 30/04/2018	12 months to 30/04/2019	12 months to 30/04/2020	12 months to 30/04/2021	12 months to 30/04/2022
B share class (Acc)	10.6%	1.4%	-15.5%	45.8%	-0.6%
Benchmark	7.2%	11.0%	-1.8%	32.8%	4.3%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

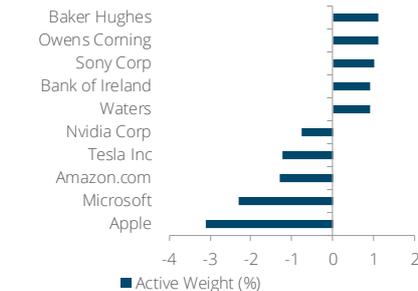
The best and worst contributors to the portfolio's performance relative to the benchmark.



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

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.

## PORTFOLIO MANAGERS

Hugh Sergeant & William Lough

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	196
Fund Volatility	14.0%
Benchmark Volatility	12.7%
Beta	1.05
Tracking error	4.28
Active Money	82.9%

## 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	£173.4m
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 (SRII)



## CONTACT DETAILS

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Email enquiries@riverandmercantile.com

## TOP 10 HOLDINGS

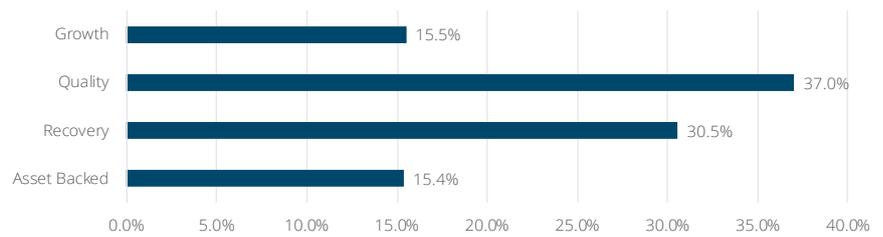
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alphabet class A	1.8
Roche Holdings	1.3
Procter & Gamble	1.2
Sony Corp	1.2
Johnson & Johnson	1.2
Baker Hughes	1.2
Apple	1.1
Owens Corning	1.1
Wal Mart Stores	1.0
Citigroup	1.0

Source: River and Mercantile Asset Management LLP

## CATEGORIES OF POTENTIAL

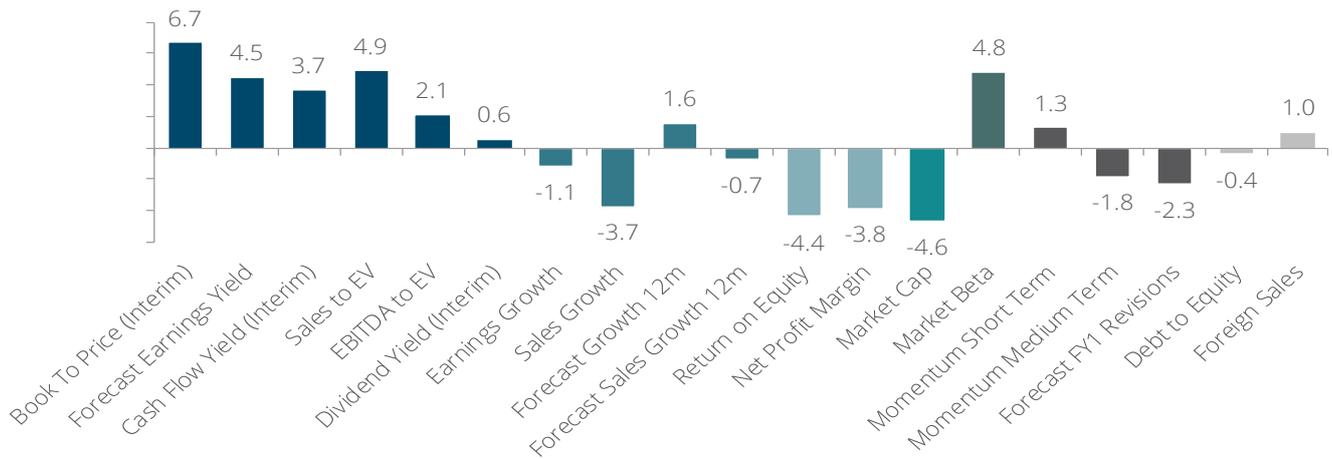
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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  
 Investment manager  
 Depository

Equity Trustees Fund Services Limited  
 River and Mercantile Asset Management LLP  
 The Bank of New York Mellon (International) Limited

## MANAGERS' REVIEW

### Investment background

Global equity markets fell sharply in April (MSCI ACWI -8.0% total return in USD), and it was a weak month for returns from most financial assets. It was only the fourth month in nearly 50 years that the S&P 500 fell more than -5% and US Treasuries simultaneously returned less than -2%. For US equities it marked the worst 4-month start of year period since 1939 (and third worst on record), while for US 10-year bonds it is the worst total return since 1788, just before George Washington's presidency. Historic indeed. Headline CPI in the US topped 8% for the first time in four decades and repeat 50bps rate hikes from the Fed is now consensual. US real 10Y yields briefly turned positive and their greater than 100bps rise since the start of March has exerted significant pressure on longer duration equities (Nasdaq -13.3% in April & -21.2% year-to-date). Notable individual single-day share price moves such as Netflix falling -35% (shedding \$55bn in market cap) and Meta rising +18% (adding \$100bn market cap, having lost over \$200bn on the day of its last set of results) are reflective of broader volatility. The US dollar index (DXY) rose +4% to a 20 year high, which was a factor in the weaker performance of oil (Brent -3%) and copper (-7%).

### Strategy update

#### Performance

The fund fell 2.0%<sup>1</sup> in April versus a return of -3.5% by its comparator benchmark, the MSCI All Country World Index (GBP)<sup>2</sup>.

Glass bottle manufacturer Verallia (+21% in GBP) highlighted its pricing power by re-confirming its 2022 profit guide and giving an early indication that 2023 earnings are also likely to be higher than analysts forecast. Relative performance benefitted from under- or zero weights in Amazon.com, NVIDIA, Tesla, and Netflix. Sony and State Street were the primary drags on performance. Sony most likely was caught in the downdraft of other consumer and technology-related businesses, though we maintain high conviction that the margin of safety afforded by the modest valuation at Sony is substantial. State Street's update was weaker than expectations, particularly regarding capital requirements and, by extension, shareholder returns.

#### Activity

We built further conviction in the strength of the Waters Corp investment case and consequently added significantly to our weighting. Our analysis around its improving fundamentals allowed us to buy into share price weakness and build a ~3% weighting. We sold a holding in Eurazeo because our investment case has played out and the value gap has closed. We exited our remaining position in JPMorgan Chase where cost inflation is higher than we had forecast, lowering the rate at which earnings can compound. We consider this a breach of our original investment case and can redeploy the capital elsewhere. We also reduced our holdings in Sprouts Farmers Group and Johnson Controls. In Sprouts' case this was predominantly due to less attractive risk-reward following strong share price performance and some near-term risk to timing considerations. We de-risked Johnson Controls to a minimum weight as our updated analysis highlighted challenging consensus forecasts and have subsequently exited the remaining small position following confirmation of a meaningful cut to the profit outlook.

### Outlook

Since the Global Financial Crisis, the investment train 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 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  
May 2022

<sup>1</sup>B share class (GBP), mid-day to mid-day pricing.

<sup>2</sup>Close-of-business to close-of-business pricing.

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