

ES River and Mercantile UK EQUITY INCOME FUND

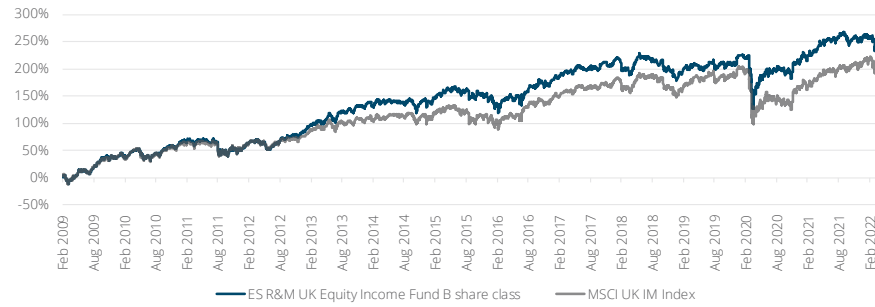
CLASS B GBP (Income)

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 3 February 2009.

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

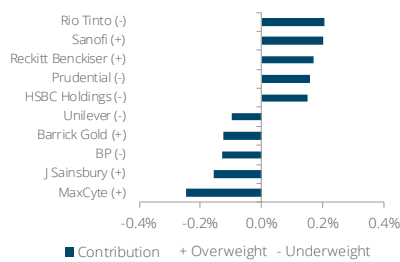
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Inc)	1.2	4.4	6.7	20.4	25.2	124.8	270.1
MSCI UK IM Index	0.5	2.1	10.3	12.4	24.9	94.9	220.8

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 (Inc)	6.7%	-2.5%	-6.5%	20.7%	6.7%
MSCI UK IMI	2.2%	2.5%	-18.0%	24.3%	10.3%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

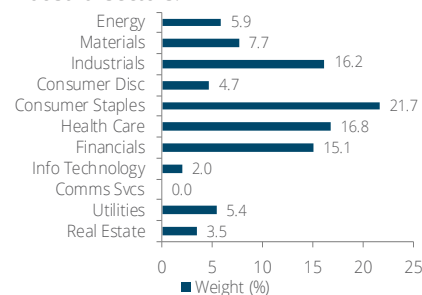
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

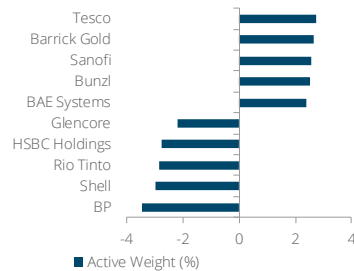
Portfolio weightings within specific industrial sectors.



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 HOLDINGS

The ten largest positions by weight held in the portfolio.

	Weight (%)
AstraZeneca	5.9
GlaxoSmithKline	5.9
Shell	4.5
British American Tobacco	3.8
Reckitt Benckiser	3.7
Tesco	3.7
BAE Systems	3.4
National Grid	3.4
Bunzl	3.0
RELX Group	2.9

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

To generate an average annual income above the dividend yield of the benchmark over a rolling 3-year period and achieve a total return (income and growth in the value of your investments (known as "capital growth")) above the total return of the benchmark over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

Matthew Hudson

YIELD

Historic yield	3.26%
Current yield	3.63%

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	59
Fund Volatility	13.0%
Benchmark Volatility	13.7%
Beta	0.92
Active Money	57.0%

KEY FACTS

Fund launch date	03/02/2009
Share class launch date	03/02/2009
Benchmark	MSCI UK Investable Markets index UK Equity Income
IA sector	UK
Total fund size	£65.9m
Domicile	UK
Fund type	UK UCITS
SEDOL	B3KQG44
ISIN	GB00B3KQG447
Bloomberg	RMUKEIB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.89%

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

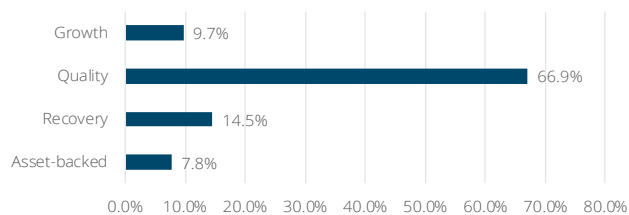
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	56.1%	64.1%	-8.0%
Large Cap	£4bn - £20bn	13.9%	22.7%	-8.9%
Mid Cap	£2bn - £4bn	8.7%	5.7%	2.9%
Small Cap	£100m - £2bn	20.2%	7.4%	12.8%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

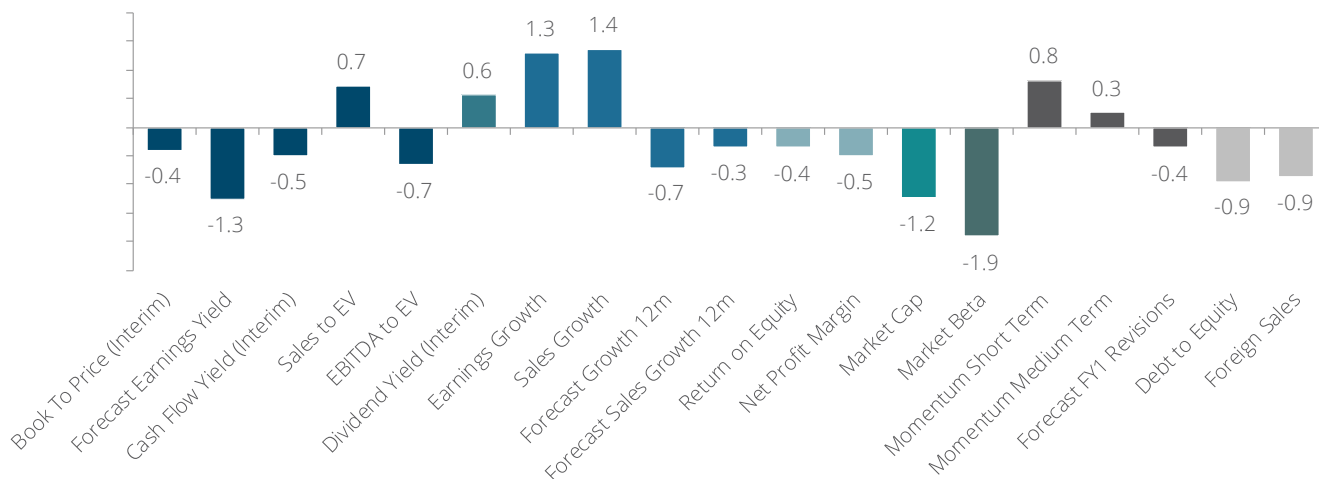
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP

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

MANAGER'S REVIEW

Strategy update

The Fund delivered a robust performance in April, returning 1.2% compared to the benchmark return of 0.5% and the average return for the IA (Investment Association) UK Equity Income sector of -0.4%, leaving the Fund in the top decile of the sector for the month*.

Fund performance was driven by the broad defensive skew of the underlying portfolio, combined with strong stock selection. Key contributors included Industrials – defensive positions such as **BAE Systems** and **QinetiQ** outperforming – and Materials, where the Fund is underweight the large cap diversified miners. The latter position helped to offset the negative impact from being underweight the other part of the Commodity Cyclical grouping, Energy. Other performance drivers included both Pharmaceuticals (overweight with key stocks **GlaxoSmithKline** and **Sanofi**) and Financials (underweight but with a skew to more defensive plays such as UK Non-Life Insurance). At the stock level, other noteworthy positive performers in the month were **Reckitt Benckiser** and **Bunzl** while **DFS**, **J Sainsbury** and **MaxCyte** were all negative contributors.

Overall, the Fund remains defensively positioned with *Quality* companies well represented in the portfolio, but we continue to investigate opportunities among both cyclical and growth-orientated small and mid cap stocks, especially where market valuations have become dislocated from the value of the fundamental franchises.

There was only limited activity in the portfolio in April, with a small addition to the position established last month in **Electrocomponents**, a company that has subsequently changed its name to **RS Group**, reflecting its current market branding but perhaps also harking back to its historic inception as a “radio spares” business! One stock, **Fresnillo**, was exited as we have lost confidence in our initial investment thesis following a series of disappointing reserve and production updates and rising cost pressures.

Outlook

Investors are facing up to a deterioration in the growth-inflation trade off in the global economy and we expect conditions to continue to deteriorate over the next few months. Further interest rate increases from the world's central bankers, to combat the not-so-“transitory” surge in inflation, will encourage the destruction of end demand but it will take time for inflationary pressures to subside especially as the conflict in Ukraine continues.

We are not convinced that medium term the global economy will become “stagflationary”, as many investment pundits expect, especially given the differences in the labour market, in the energy intensity of the global economy and in the monetary policy structure compared to the 1970s, the last period of stagflation. However, over the next 12-18 months, the tightening of global liquidity – driven by the end of QE (quantitative easing) and the strength of the US dollar – will be a tough headwind to counter, especially as the aggressive anti-Covid stance of the Chinese Communist Party puts more pressure on the world's second largest economy.

Of course, investors invest in stocks and not the real economy directly and therefore the more pertinent question is how should investors reflect these challenges in portfolios? The last few quarters have been difficult ones for investors as previously well-established correlations of returns have broken down and volatility has risen. We think that (finally) the market is starting to understand that the structure of returns is changing and that a more flexible approach is required.

Investors in the UK (and elsewhere) have understandably become very bearish and valuations have reacted accordingly, although in many cases earning forecasts have not yet reflected the dire scenarios suggested by their valuations. However, from a bottom-up perspective, the opportunity set remains strong with plenty of attractive income/dividend growth options.

Matt Hudson & Anna Pugh

Income team

May 2022

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