

# 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

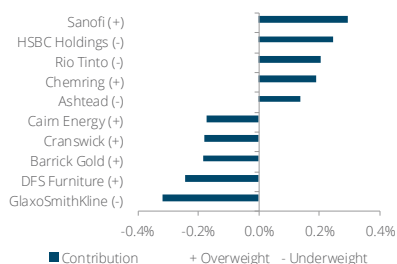
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	-1.2	-3.4	-2.8	9.4	13.9	115.4
MSCI UK IM Index	0.5	2.1	10.3	12.4	24.9	89.4

## 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)	5.4%	-1.2%	-12.2%	28.3%	-2.8%
MSCI UK IM index	8.4%	2.5%	-18.0%	24.3%	10.3%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

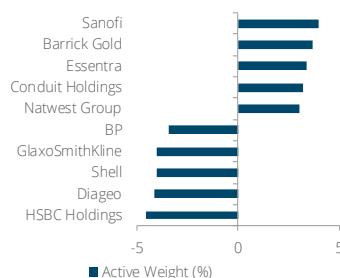
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

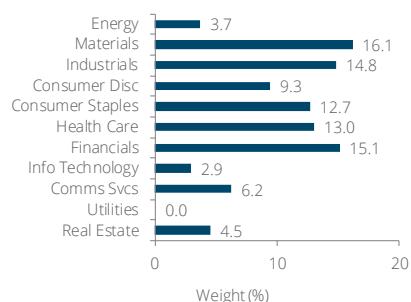
The securities in which the portfolio weight differs most from that of the benchmark.



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
Sanofi	4.0
Barrick Gold	3.7
Natwest Group	3.6
Essentra	3.4
Shell	3.4
Tesco	3.4
Reckitt Benckiser	3.2
Conduit Holdings	3.2
WPP	3.2

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	47
Fund Volatility	14.7%
Benchmark Volatility	13.7%
Beta	1.01
Active Money	76.4%

## 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	£71.5m
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

Telephone 0345 603 3618  
Email enquiries@riverandmercantile.com

## MARKET CAPITALISATION

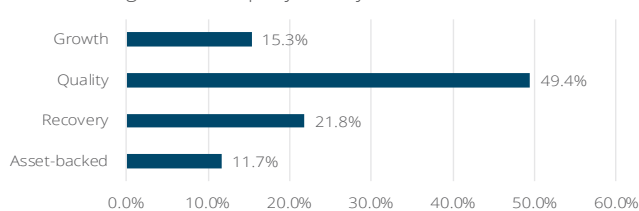
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	39.1%	64.1%	-25.0%
Large Cap	£4bn - £20bn	24.3%	22.7%	1.6%
Mid Cap	£2bn - £4bn	5.9%	5.7%	0.2%
Small Cap	£100m - £2bn	29.0%	7.4%	21.6%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

## CATEGORIES OF POTENTIAL

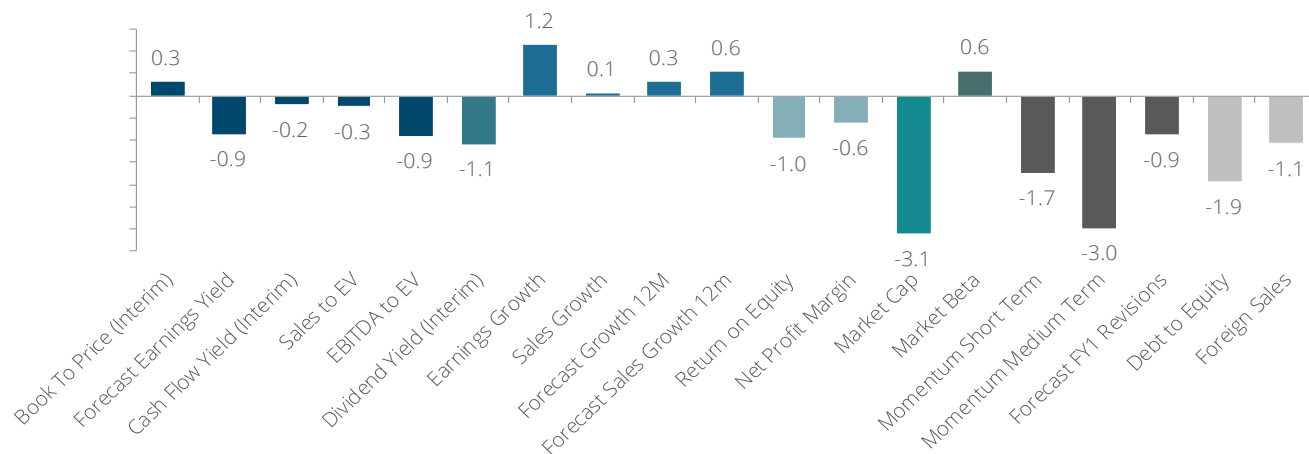
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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 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), with notable individual single-day 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). 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 1.2%<sup>1</sup> in April versus a 0.5% gain by its comparator benchmark, the MSCI United Kingdom Investable Markets index<sup>2</sup>.

**Sanofi**, a defensive quality holding was a significant positive contributor during the period. Relative performance also benefitted from our zero weighting in **HSBC** and **Rio Tinto** (4.6% and 2.9% of the benchmark respectively). **DFS Furniture** and our zero weighting in **GSK** (4.0% weight in the benchmark) were the primary drags on performance during the period. DFS underperformed on the back of macro concerns, specifically the depressed level of UK consumer confidence and growing pressure on consumer discretionary spend from rising inflation. In our view, DFS is a quality cyclical with operational and financial characteristics that should enable it to take market share as competitors disproportionately suffer on macro weakness.

#### Activity

We exited **Hyve**, the global events business which had close to a 30% Russia sales exposure. Hyve disposed of its Russian operations during the period. We initially purchase Hyve on a Recovery thesis; however, the disposal of the Russian business has resulted in higher-than-expected financial leverage and presents a potential risk to short-term margin recovery as the cost base has to be readjusted to a smaller group size.

### Outlook

Given the many headwinds to consumer real income, it is hardly a surprise to see consumer confidence continue to deteriorate. GfK's long running UK consumer confidence index decreased to -38, the second lowest reading in its 40-year history, one point higher than the all-time low of -39 which was recorded in July 2008, suggesting we might be close to a low for sentiment.

Central Banks' actions are resulting in a normalisation of the real cost of capital which has reduced valuations – especially in the more speculative parts of the markets (bitcoin is down a third year-to-date and more than 50% since the 2021 high). The spread between corporate return on capital and cost of capital remains positive which should support investment, driving productivity and growth over the medium term.

We attempt to diversify our portfolios to protect against foreseen and unforeseen risks. We do this through our multi-factor PVT approach which enables us to invest in strong, cash generating companies at various stages of their corporate lifecycle.



**William Lough**  
Portfolio Manager  
May 2022

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