

# ES River and Mercantile GLOBAL RECOVERY FUND

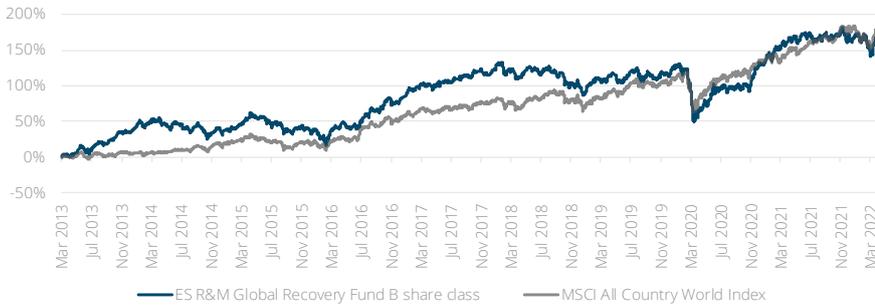
CLASS B GBP (Income)

## 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 4 March 2013.

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 (Inc)	-2.9	-1.8	-4.1	18.8	29.3	157.7
Benchmark	-3.5	-2.2	4.3	36.0	61.9	163.3

## 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)	11.0%	-2.0%	-17.4%	50.0%	-4.1%
Benchmark	7.2%	11.0%	-1.8%	32.8%	4.3%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

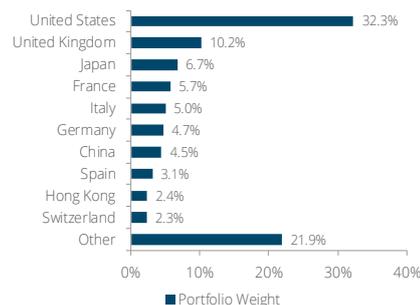
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 10 COUNTRY WEIGHTS

The portfolio's ten largest country holdings by total weight.



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

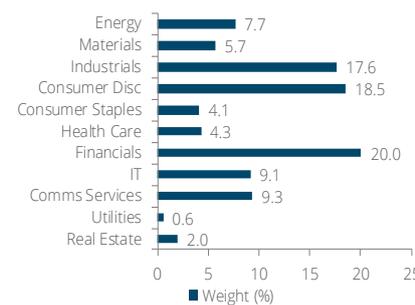
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

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 all fees.

## PORTFOLIO MANAGER

Hugh Sergeant

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	501
Fund Volatility	14.8%
Benchmark Volatility	12.7%
Beta	1.06
Active Money	83.2%

## KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£381.9m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

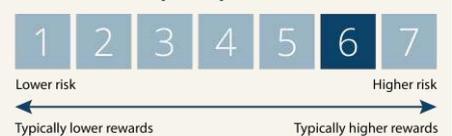
## FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.16%

## 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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Email enquiries@riverandmercantile.com

## TOP 10 HOLDINGS

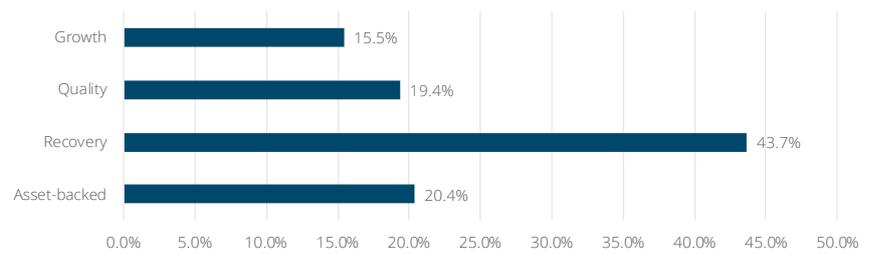
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alibaba Group	0.7
Meta	0.7
Citigroup	0.7
Baidu	0.7
PayPal	0.6
Wells Fargo & Co.	0.6
Pfizer	0.6
Tenaris	0.5
Marathon Oil	0.5
Alphabet class A	0.5

Source: River and Mercantile Asset Management LLP

## CATEGORIES OF POTENTIAL

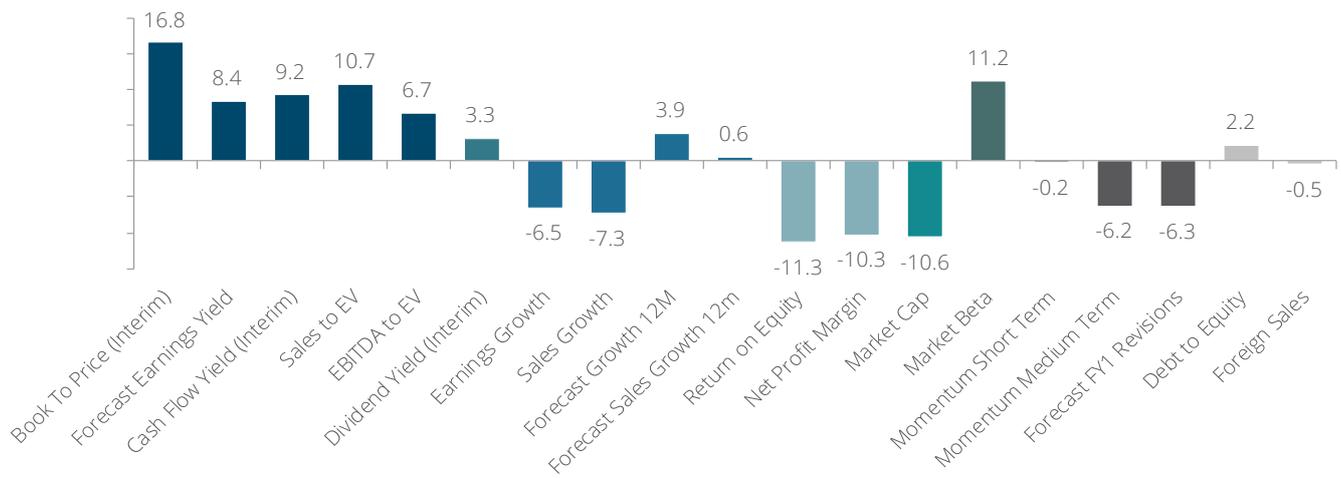
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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



**ELITE PROVIDER**  
rated for equities by FundCalibre.com  
2021



## 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 July 2018. It was previously known as the R&M World Recovery 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. 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

We are protecting capital values reasonably well during this difficult period. The Value factor is more supportive than it has been, though smaller companies and recovery cyclicals continue to act as a drag as they are higher beta during this period of risk aversion.

The fund returned -2.9%<sup>1</sup> in April versus -3.5% by its comparator benchmark, the MSCI All Country World Index (ACWI)<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**, **Alphabet**, **Apple** and **Microsoft**.

**Paypal** and **State Street** were the primary drags on performance. Paypal share price continued to weaken in line with other consumer and technology-related businesses, though we believe the current valuation multiples fail to properly reflect the business' long term growth potential. State Street's update was weaker than expectations, particularly regarding capital requirements and, by extension, shareholder returns.

#### Activity

Our activity is focused on trying to exploit the even larger PVT anomalies that are appearing as the market becomes very risk averse.

We built further conviction in the strength of the **Waters Corp** investment case supported by its improving fundamentals. We have been very selectively adding small positions in de-rated growth stocks where we believe the current price has fallen well below its intrinsic value offering a high return potential in the medium term, such as global recipe box delivery service **Hello Fresh** and Singaporean tech conglomerate **SEA**, whilst we also topped up our initial position in **Netflix** after the huge c.35% price correction on the back of reporting its first quarterly net loss of subscribers since the third quarter of 2011.

We exited tourism exposed stocks where valuations started to reflect a recovery post COVID-19, such as **Accor** and **Amadeus**. Additionally, we decided to cautiously downgrade our S-PVT rating to S4 of Chinese companies that might have a relevant exposure to refining Russian oil and hence exited both **Petrochina** and **China Petroleum & Chemical Corp**. Additionally, **Coima Residential** received a takeover bid at a significant premium which we used to take profits.

### Outlook

As I have articulated in my recent quarterly report, the big picture is confusing for most investors at the moment, so for me the current focus is the huge bottom-up stock picking opportunities, where this portfolio and indeed all three portfolios that I run are extremely lowly priced (following the weak April, my portfolios trade on less than 10x price to earnings and 1x sales) and have strong medium term shareholder value growth potential and strong balance sheets. The majority of shares that I own in my portfolios (there are quite a few!) trade at, or close to, their ten-year low valuations of profits, cash flow or assets.

In the short term it is difficult to say; perhaps the current fearful consensus is right and stagflation impacts and economic uncertainty will prevent these great value shares from rising in price; or perhaps the worries are consensual enough, having created such deeply discounted share prices for consumer and industrial cyclicals (for example) that any abating of stagflationary fears will lead to a quick shift in the narrative that will allow our lowly valued stocks to rebound vigorously. Probably a peaking in shorter term inflation indicators are required for beaten up shares to start to recover.

Meanwhile our key factors, Value, Recovery, Multi-Cap, out-of-favour Growth and value based regional allocation are all at, or close to, the low point of their cycles and all of the above should, in time, perform well in the more reflationary world we find ourselves in.



### Hugh Sergeant

Portfolio Manager  
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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