

ES River and Mercantile GLOBAL HIGH ALPHA FUND

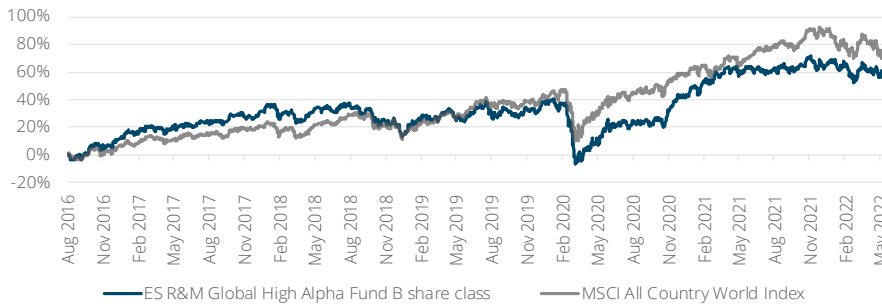
CLASS B GBP (Accumulation)

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

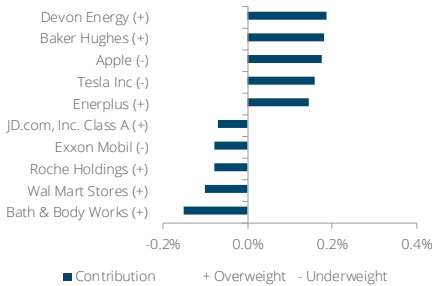
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Acc)	0.9	2.5	0.8	30.8	35.2	63.5
Benchmark	-0.3	0.2	5.1	39.4	57.6	77.3

DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/05/2018	12 months to 31/05/2019	12 months to 31/05/2020	12 months to 31/05/2021	12 months to 31/05/2022
B share class (Acc)	9.7%	-5.8%	-6.6%	38.9%	0.8%
Benchmark	8.5%	4.2%	7.5%	23.4%	5.1%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

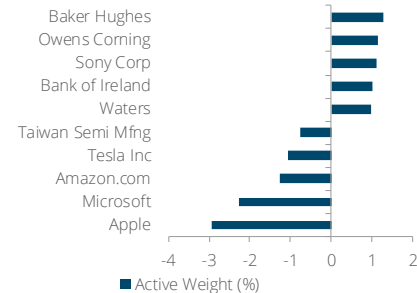
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

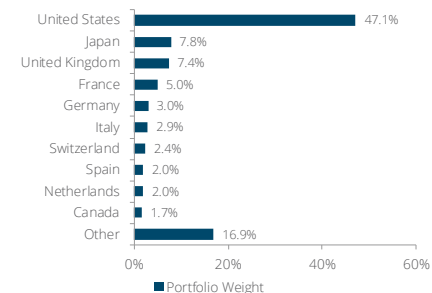
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

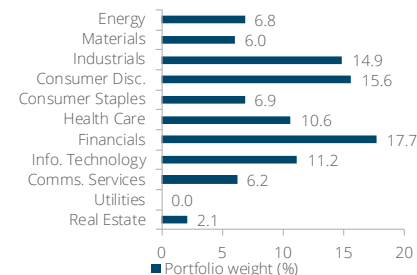
The portfolio's ten largest country holdings by total weight.



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	191
Fund Volatility	14.2%
Benchmark Volatility	12.7%
Beta	1.06
Tracking error	4.42
Active Money	83.2%

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	£174.8m
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 (SRRI)



CONTACT DETAILS

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TOP 10 HOLDINGS

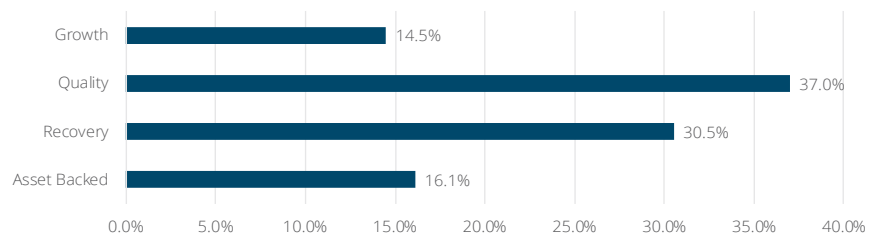
The ten largest positions by weight held in the portfolio.

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

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

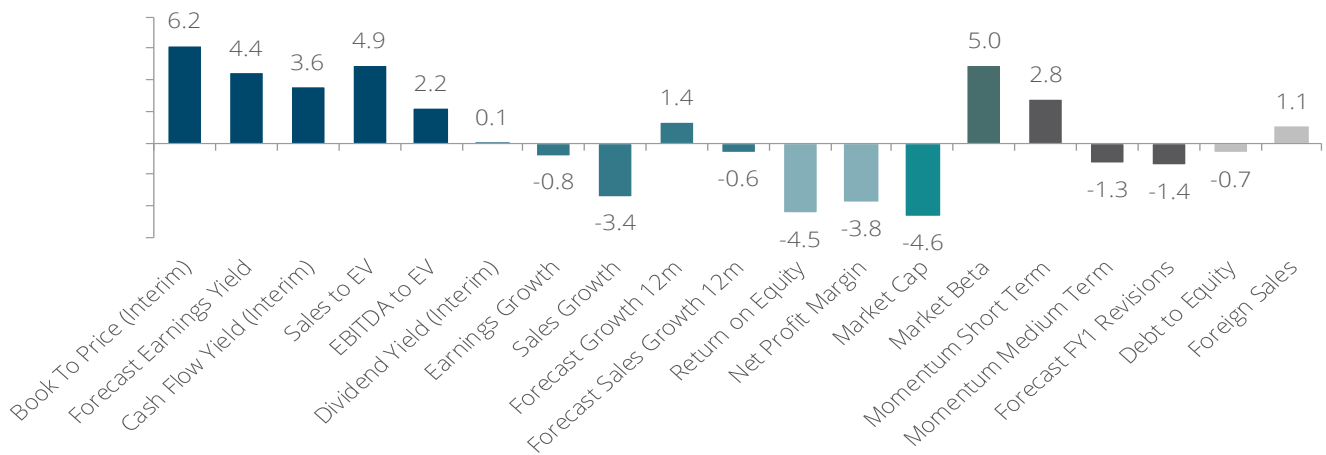
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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
 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 were flat in May (MSCI ACWI +0.1% total return in USD), having been -5.8% for the month at the low point. Longer duration equities continued to lag as the initial casualty of higher cost of capital (MSCI ACWI Growth index -2.0%, NASDAQ Composite -1.9%). Market focus shifted somewhat from high inflation towards softer growth. The latest activity data in the US (PMI, Empire survey, Philly Fed, Richmond Fed, Durable Goods orders, NAHB, Home sales, GDP), and more broadly globally, has generally been underwhelming versus expectations but business surveys remain at levels signalling expansion. In contrast, consumer sentiment surveys are at levels previously seen amid deep recessions. Inflation breakevens began to fall from peaks as did the US dollar index (DXY). Investors looking for more clarity on trends relating to consumer spending or the broader economy from the recent corporate reporting period will likely have been disappointed. Alongside the high-profile profit warnings (Walmart, Target, Snap), there were equally many companies updating on still strong current and forward-looking demand. In the current environment, we're reminded of a Charlie Munger quotation: "It's not supposed to be easy. Anyone who finds it easy is stupid."

Strategy update

Performance

The fund returned 0.9%¹ in May versus a return of -0.3% by its comparator benchmark, the MSCI All Country World Index (GBP)².

Our strongest performer was Chinese technology company **Baidu**, which rose +13% following results which were better than feared (post the Chinese lockdowns) and in the context of more supportive commentary around sector regulation by the Chinese state. Our energy sector holdings – **Baker Hughes** (+17%), **Devon Energy** (+28%), **Enerplus** (+20%), **Southwestern Energy** (+21%) and **Subsea 7** (+24%) – continued to rise to the backdrop of the oil price +9% during the month. **Walmart** (-16%) and **Bath & Body Works** (-23%) from the consumer sector were our only material detractors. Both companies pointed to inflationary pressures impacting consumer behaviour and their own cost base and lowered profit guidance for the year, while there was also a noticeable increase in inventories at Walmart. We are reviewing the investment case.

Activity

We added a single new position. **Global Payments** is a leading payment technology company delivering innovative software and services to customers globally and operating in three segments: Merchant Solutions, Issuer Solutions, and Business & Consumer Solutions. We expect its revenue growth to improve as its business model continues to evolve to address changes in the payments sector, bringing forward the digitisation of payments. It has guided to at least high teens earnings growth over the next 3 to 5 years, which we see as undervalued on 13x earnings. As mentioned last month, we exited the remaining small position in **Johnson Controls** early in May following confirmation of a meaningful cut to the profit outlook. We also exited a handful of smaller positions where, on review, we lacked sufficient conviction to build larger holdings (**Intesa Sanpaolo**, **Finacobank**, **Amadeus IT**, **TKH**, **Fourlis**, **CIMB**). We used the capital to top up several holdings in which we retain conviction, buying at attractive prices following recent weakness.

Outlook

Since a clear direction. 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

June 2022

¹B share class (GBP), mid-day to mid-day pricing.

²Close-of-business to close-of-business pricing.

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