

# ES River and Mercantile UK EQUITY INCOME FUND

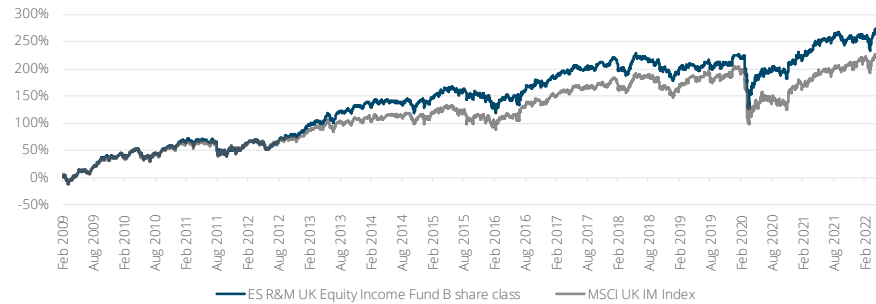
CLASS B GBP (Income)

## 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

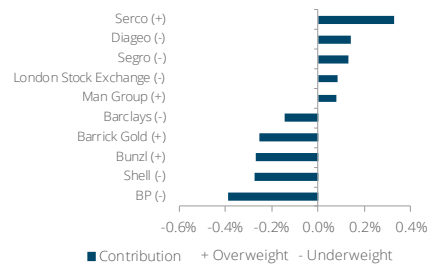
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Inc)	-0.2	3.7	4.8	25.0	20.8	142.9	269.3
MSCI UK IM Index	0.9	3.0	10.0	16.9	20.6	110.8	223.7

## 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 (Inc)	5.2%	-8.2%	-0.6%	20.0%	4.8%
MSCI UK IMI	6.6%	-3.1%	-12.7%	21.7%	10.0%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

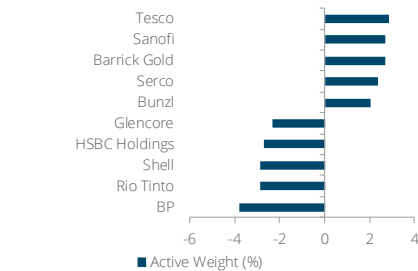
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

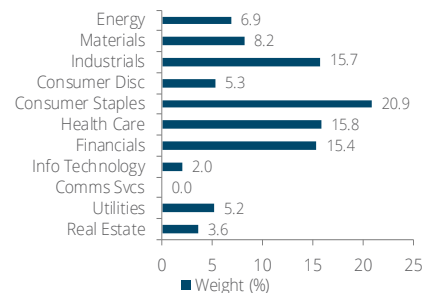
The securities in which the portfolio weight differs most from that of the benchmark.



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.

	Weight (%)
AstraZeneca	6.0
GlaxoSmithKline	5.7
Shell	5.3
British American Tobacco	3.9
Tesco	3.7
Reckitt Benckiser	3.5
National Grid	3.3
Unilever	3.3
RELX Group	3.0
BAE Systems	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	3.59%
Current yield	3.67%

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	59
Fund Volatility	12.9%
Benchmark Volatility	13.6%
Beta	0.92
Active Money	56.3%

## 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	£57.0m
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

Telephone	0345 603 3618
Email	enquiries@riverandmercantile.com

### MARKET CAPITALISATION

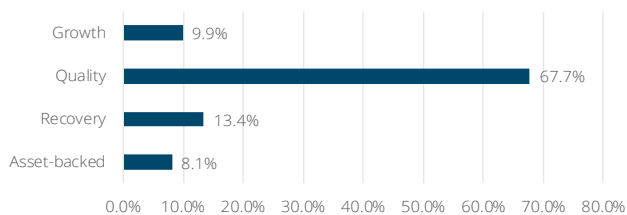
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	54.1%	64.2%	-10.1%
Large Cap	£4bn - £20bn	14.5%	22.2%	-7.7%
Mid Cap	£2bn - £4bn	12.5%	6.5%	6.0%
Small Cap	£100m - £2bn	17.6%	7.1%	10.5%
Micro Cap	£0m - £100m	0.4%	0.0%	0.4%

Source: River and Mercantile Asset Management LLP

### CATEGORIES OF POTENTIAL

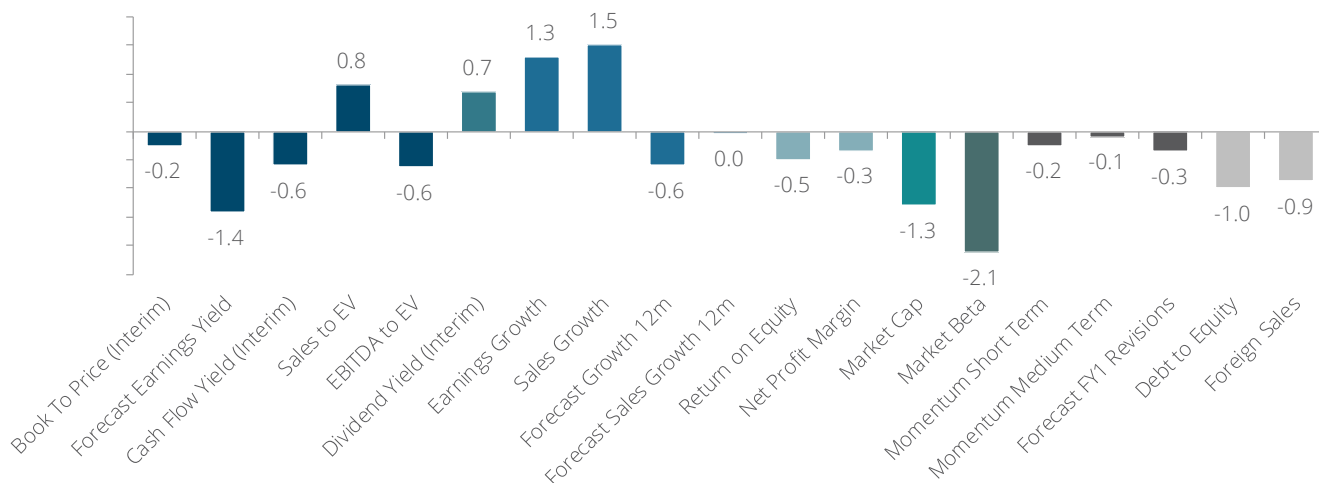
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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 market (as measured by the MSCI United Kingdom IMI index) rose in May after a difficult start to the month, delivering a return of +0.9%. The Fund gave back some of its' recent outperformance, delivering a small negative return of -0.2%, behind the benchmark index and lagging the average return of the IA UK Equity Income sector return of +1.1%.\*

Despite the ongoing macro uncertainty, it was another "value" oriented month with Commodity Cyclical (mining and oils) and Value Defensives (especially Telcos) outperforming. Large cap Banks also fared well while "higher rated" defensive areas (where the portfolio is well represented) generally struggled with Healthcare and to some extent Consumer Staples underperforming.

Turning to attribution, the defensive skew of the Fund was a significant headwind in the month given the large variation in sector returns; Energy was +10% whilst the Tech, Utilities and Real Estate sectors fell by more than 4%. The Fund lagged behind the index as a result of the underweight position in the Banks and Oils sectors and to a lesser extent Materials where the portfolio is skewed to precious over industrial metals. Although the Fund is overweight in Value Defensives, Utilities generally struggled while Telcos (zero weighted in the Fund) rallied.

At the stock level, **Serco** – one of the Fund's largest active weights – outperformed following a positive unscheduled trading update which revealed organic growth ahead of management and the market's expectations. Strong performances from **Man Group** and **QinetiQ** also added value as did the recovery in the share price of **Ashmore**. These positives were outweighed by the weakness in **Restaurant Group**, **MaxCyte** and **Drax Group** but where, for different specific reasons, we retain confidence in the prospects for the individual franchises.

As discussed above, we remain defensively positioned and there was limited portfolio activity in the month. We exited our holding in **Smith & Nephew** where a slower recovery in elective volumes coupled with question marks over its longer-term market positioning lowered our conviction in our initial investment thesis. Reductions to our overweight positions in **Sainsbury** and in **Reckitt Benckiser** were also made. There were no new positions established in the month, although the Fund gained a "new" holding in **euroAPI**, which was spun out from Sanofi in May. euroAPI is a leading manufacturer of active ingredients for the global health industry, with a portfolio of over 200 molecules, mid single digit top line growth and a leading market share in small molecule manufacturing.

### Outlook

Investors continue to grapple with the twin challenges of inflationary pressures and a substantial deterioration in the levels of global economic activity, in response to and partly in anticipation of higher future interest rates and increasing funding costs. We expect these two challenges to drive markets for the rest of the year. While there is some evidence that much of the bad news is "priced in" at a stock level, we doubt that markets will be willing to look through the negative newsflow until the economic clouds start to clear, hence we remain in the cautious camp, holding a defensively positioned portfolio with a high weighting in "Quality" PVT investments.

However, from our vantage point, we can see a number of more positive trends starting to develop. Firstly, from a UK economic position, at a system level, cash balances at corporates and households remain robust, providing an offset to the weaker demand and higher cost environment while recent government actions are offsetting some of the shorter-term inflationary pressures for the "average" UK household. We think that this will probably result in less downside risk to actual "activity", although conversely a longer period of inflationary pressure.

### Matt Hudson & Anna Pugh

Income team

June 2022

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