31 MAY 2022

ES River and Mercantile
UK RECOVERY FUND

CLASS B GBP (Income)

RIVER AND MERCANTILE

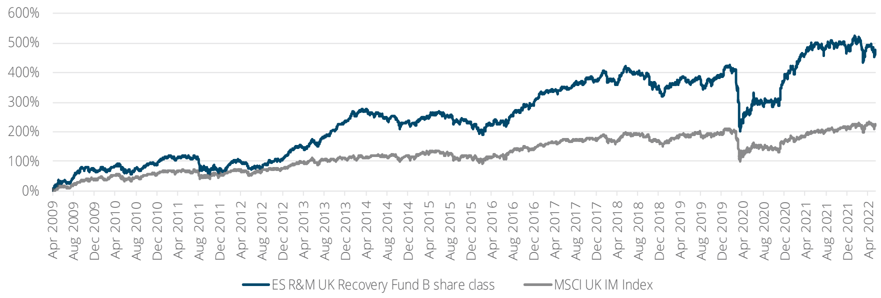
PAST PERFORMANCE

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 1 April 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

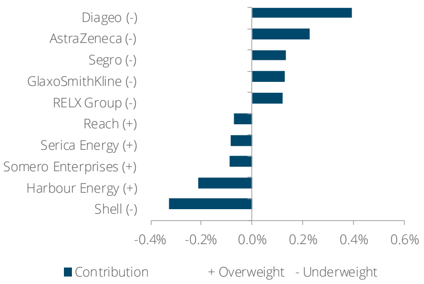
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 years %	Since inception %
B share class (Inc)	1.5	1.9	-0.4	28.2	31.2	237.1	492.4
MSCI UK IM Index	0.9	3.0	10.0	16.9	20.6	110.8	229.5

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)	12.7%	-9.3%	-15.6%	52.6%	-0.4%
MSCI UK IM index	6.6%	-3.1%	-12.7%	21.7%	10.0%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

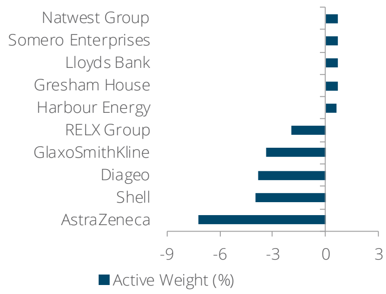
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

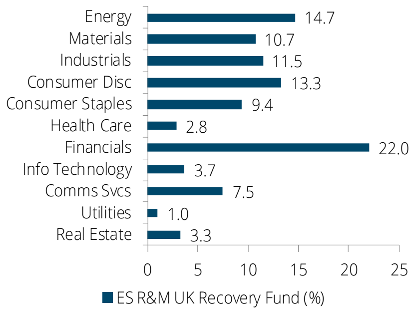
The securities in which the portfolio weight differs most from that of the benchmark



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 (%)
BP	4.3
Shell	4.2
HSBC Holdings	3.9
Unilever	3.0
Anglo American	2.3
Rio Tinto	2.3
Lloyds Bank	2.1
British American Tobacco	1.9
Barclays	1.9
Vodafone	1.8

Source: River and Mercantile Asset Management LLP

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

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	296
Fund volatility	16.4%
Benchmark volatility	13.6%
Beta	1.16
Active money	56.0%

KEY FACTS

Fund launch date	17/07/2008
Share class launch date	01/04/2009
Benchmark	MSCI UK Investable Markets index
IA sector	UK All Companies
Total fund size	£232.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	B614J05
ISIN	GB00B614J053
Bloomberg	RMUKEBB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.10%

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)

1	2	3	4	5	**6**	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

CONTACT DETAILS

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MARKET CAPITALISATION

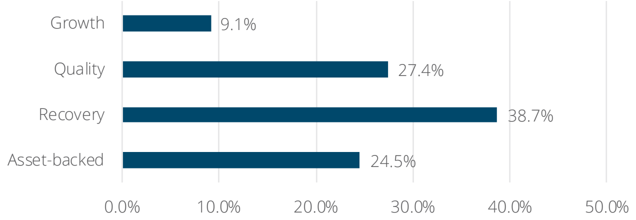
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	38.8%	64.2%	-25.5%
Large Cap	£4bn - £20bn	15.7%	22.2%	-6.5%
Mid Cap	£2bn - £4bn	9.2%	6.5%	2.7%
Small Cap	£100m - £2bn	30.9%	7.1%	23.8%
Micro Cap	£0m - £100m	5.4%	0.0%	5.4%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

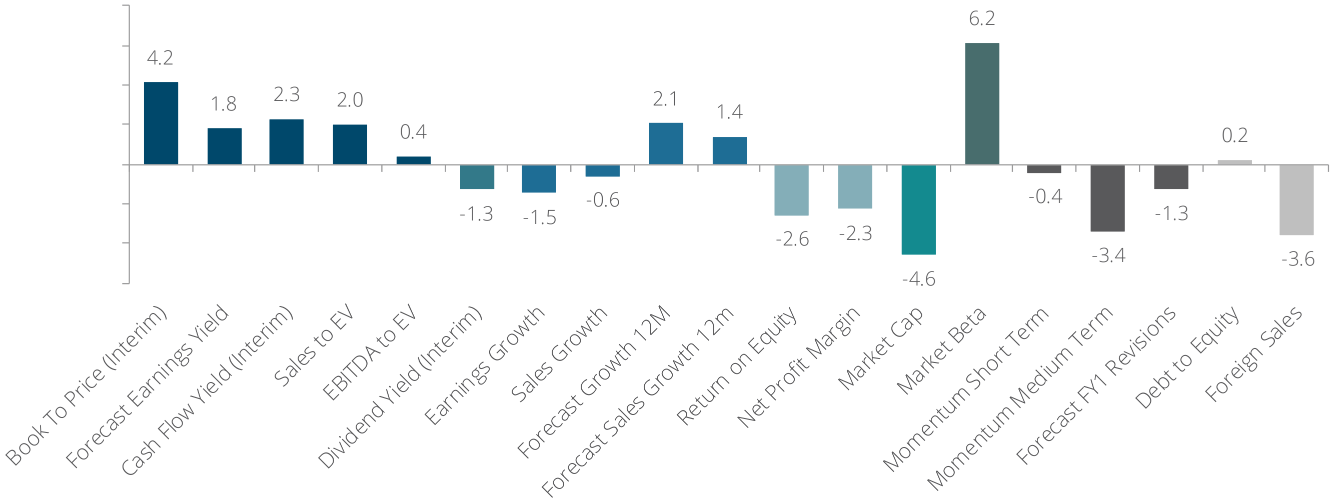
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

ELITE PROVIDER rated for equities by FundCalibre.com 2021

ELITE RATED by FundCalibre.com

RSMR RATED FUND

Square Mile AA

ii super 60 interactive investor

OTHER INFORMATION

Authorised Corporate Director	Equity Trustees Fund Services Limited
Investment manager	River and Mercantile Asset Management LLP
Depositary	The Bank of New York Mellon (International) Limited

This fund was renamed on 1 July 2018. It was previously known as the R&M UK Equity Long Term Recovery Fund.

MANAGER'S 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 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). 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." UK Equities were again relative outperformers, the MSCI United Kingdom IMI Index rising +0.9%.

Strategy update

Performance

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

The fund returned 1.5%[1] in May versus 0.9% by its comparator benchmark, the MSCI United Kingdom Investable Markets Index[2]. Economically sensitive stocks seem to be consolidating at these low levels whilst large cap defensives failed to push on. The Energy sector continued to be robust, though North Sea producing stocks came under a lot of pressure from the Windfall Tax.

Positive contributors during the month included our overweight position in Standard Chartered and Subsea7 underweight positions in Diageo and Segro, the latter as investors worry that the warehousing sector is reaching maturity.

The main negative contributions were our underweight positions in Shell and overweight positions in the UK Exploration and Production stocks such as Harbour and Serica. We think these stocks have been overly punished, trade on very low valuation multiples even after taking into account their additional tax burden and will be able to take some mitigating measures, such as organic and inorganic investment in order to reduce their tax payments.

Activity

Our activity is focused on continuing to exploit the ever-larger PVT anomalies that are appearing as the market becomes very risk averse. Repeating last month's example below, Close Brothers is a lender and wealth manager that has always achieved an attractive and only modestly volatile return on equity; it has been around a long time and understands business and credit cycles; it has never been cheaper on a simple price to book basis, not even during the GFC (global financial crisis).

Source: Bloomberg

I have become increasingly interested in Real Estate stocks, starting with the UK but looking for opportunities elsewhere. They have sold off quite aggressively during the latest bout of big picture worries. This has left stocks such as British Land and Capital & Counties trading at material discounts to NAV despite their strong inflation hedge credentials and their robust recent fundamentals. London seems to be back to its vibrant and busy self, with strong foot fall and activity, positive for both these property companies which nevertheless have seen their share prices fall significantly. We have continued to add to the sector, taking a new position in Great Portland Estates.

We are also slowly adding to de-rated structural growers, especially in the world of small cap which has been aggressively sold off. This has included starting to build a position (in our very gradualist way) in Maxcyte (world leading IP in Cell therapy, enhancing the productivity of drug discovery) and Sigmaroc (aggregates consolidator).

We sold off our recently purchased holding in Schroders Nil Voting shares as the Board moved to enfranchise the shares, providing a respectable value uplift and we exited Zynga after it was acquired.

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 market weakness 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.

Hugh Sergeant
Portfolio Manager
June 2022

[1]B share class (GBP), mid-day to mid-day pricing.
[2]Close-of-business to close-of-business pricing.