

ES River and Mercantile UK EQUITY SMALLER COMPANIES FUND

CLASS B GBP (Accumulation)

RIVER AND MERCANTILE

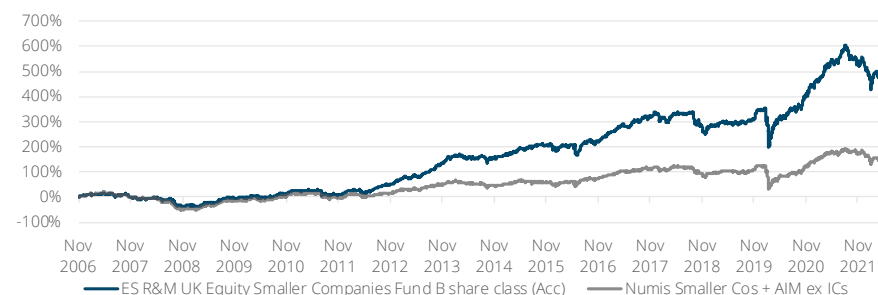
PAST PERFORMANCE

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 30 November 2006.

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

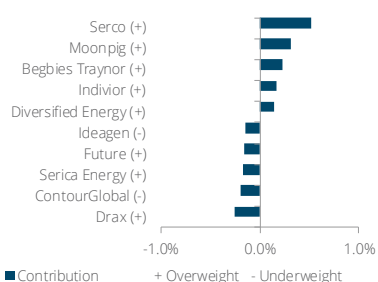
	1 month %	3 months %	1 year %	3 years %	5 years %	10 years %	Since inception %
B share class (Acc)	-1.5	-1.0	-10.3	44.7	47.0	389.3	473.6
Benchmark	-1.7	-2.6	-11.7	20.8	19.4	139.6	145.4

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%	-7.4%	4.8%	54.0%	-10.3%
Benchmark	6.3%	-7.0%	-12.1%	55.6%	-11.7%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

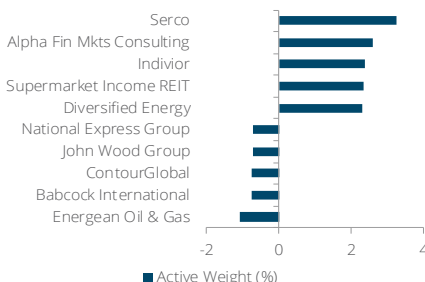
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

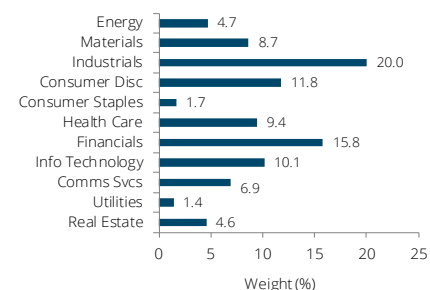
The securities in which the portfolio weight differs most from that of the benchmark.



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 (%)
Serco	3.3
Alpha Fin Mkts Consulting	2.8
Diversified Energy	2.8
Smart Metering Systems	2.8
Alpha FX	2.5
Indivior	2.4
Supermarket Income REIT	2.3
QinetiQ	2.1
EMIS	2.1
Bytes	2.1

Source: River and Mercantile Asset Management LLP

INVESTMENT OBJECTIVE

To grow the value of your investment (known as "capital growth") in excess of the Numis Smaller Companies + AIM (excluding Investment Companies) Index net total return (the "Benchmark") over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

George Ensor

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	74
Fund Volatility	16.3%
Benchmark Volatility	17.1%
Beta	0.92
Active Money	83.1%

KEY FACTS

Fund launch date	30/11/2006
Share class launch date	30/11/2006
Benchmark	Numis Smaller Companies + AIM (ex ICs) Index
IA sector	UK Smaller Companies
Total fund size	£497.5m
Domicile	UK
Fund type	UK UCITS
SEDOL	B1DSZS0
ISIN	GB00B1DSZS09
Bloomberg	RMUKSEA
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.83%

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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MARKET CAPITALISATION

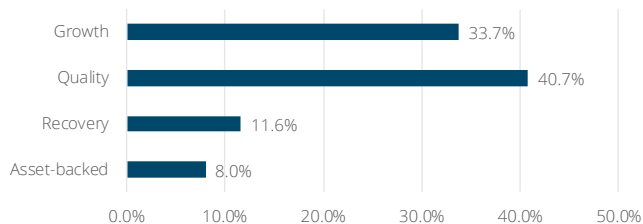
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	0.0%	0.0%	0.0%
Large Cap	£4bn - £20bn	0.0%	0.0%	0.0%
Mid Cap	£2bn - £4bn	12.7%	2.0%	10.7%
Small Cap	£100m - £2bn	79.8%	89.1%	-9.3%
Micro Cap	£0m - £100m	2.5%	8.9%	-6.4%

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

Investment background

UK smaller companies, as measured by our benchmark (Numis + AIM ex ICs) fell 1.7% in the month, continuing the recent trend of underperformance compared to the wider UK market which delivered a gain of 0.9%. Smaller companies have now underperformed the wider market by 21.6% over the last twelve months, the worst drawdown since 2007/08. UK equity flows have been particularly weak with May being the twelfth consecutive month of outflows with the three worst months in an eight-year data series all happening in 2022. Equities continue to be volatile with performance particularly reliant on changes in the US 10Y yield. Market participants are keen to see inflation at least stabilise, and we've returned to the odd reality of bad economic news being good news for equities.

Strategy update

Performance

The fund returned a loss of 1.5%, marginally outperforming our benchmark. On a rolling twelve-month basis, we have outperformed the benchmark performance, a decline of 11.7%, by 1.4%.

Serco, our largest position, was the top contributor to relative performance (+0.5ppts) with the shares gaining 17% on the back of a 15% improvement to profit guidance for the current year. We continue to see scope for return on capital to improve with margin and continued organic growth in a capital light business model. Government data shows increasing insolvency activity which has supported the two restructuring and insolvency businesses that we own – **Begbies Traynor** and **FRP Advisory** gained 15% and 25% respectively and combined contributed to 0.4ppts of relative performance. Finally, **Moonpig** bounced 34% from oversold levels (0.3ppt impact) on the back of acquiring the company that owns both Red Letter Day and Buyagift, for which they expect attractive cross-selling opportunities.

The key area of underperformance was through two companies that came under pressure on the back of the Government's plan to fund the cost-of-living crisis through a windfall tax on North Sea oil and gas (announced) and power generation (in consultation). **Serica Energy** fell 26% in the month, impacting performance by 0.2ppts, on the back of the new 65% tax rate for profits on UK oil and gas production. Their capex plans will provide some shelter given the 91.25% relief and likely reduce the net impact over the next few years from 25% to approximately 15%. **Drax** shares fell 17%, 0.25ppt impact, on concerns over a windfall tax on power generation. This is alongside reports that the Government is requesting coal-fired power stations to remain open this winter given concerns over the availability and price of gas – I think that is what you call having your cake and eating it.

Activity

There were no new positions initiated in May. We added to our position in **Serica Energy** which was weak on the back of both the gas price, which remains high but well off recent peak levels, and then the windfall tax. We also added to our non-life insurers, **Conduit Re** and **Lancashire**. Conduit is trading at a meaningful (c.25%) discount to book and Lancashire has also significantly de-rated, albeit from a higher starting point. These trades were partly funded from a small sale in **Sabre Insurance**. We also added to two of our UK consumer names – **Cranswick** following their strong results and **Focusrite** on share price weakness – where, as per the outlook comments, we see opportunity. Finally, we continued to build our recently initiated position in **Kenmare**.

We completed the exit of **Ultra Electronics** in the month which was trading at a tight (<4%) discount to the bid price. We also took profits in our aerospace and defence names, **QinetiQ** and **Chemring**, with both names reporting good numbers in the month.

Outlook

UK Consumer Confidence has continued to deteriorate with a new all-time low of -40 in GfK's (Growth for Knowledge - a provider of data and analytics to the consumer goods industry) data series which goes back to 1981. This is despite the recently announced £37Bn government support package to ease the cost-of-living crisis which includes a tax cut (£6bn via higher NI threshold) and a £15Bn energy bill rebate package which essentially covers the rise in the energy cap from October for all households. Whilst we cannot be sure, we think it is likely that support continues as required, slowing any normalisation in inflation as an unintended consequence.

Whilst we are seeing a normalisation of spend on goods versus services – as evidenced by profit warnings from stay-at-home beneficiaries (e.g. DFS and ProCook) – the data for overall consumer spending is (for now at least) less conclusive. Whilst BRC data showed a slowdown in year-on-year consumer spending since March, the data requires additional analysis given the opening up of the economy from lock-down in mid-April 2021. Comparing last month's data with data from May 2019 shows that growth in retail sales on a three-year basis was at its fastest rate this year at +8.8% (nominal not real). Wholesale and retail trade was also the most significant positive contributor to April's real GDP monthly change.

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. This approach has supported strong absolute and relative returns for this strategy over more than fifteen years.

As ever, thank you for your support.



George Ensor
Portfolio Manager
June 2022

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