

ES River and Mercantile UK DYNAMIC EQUITY 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 21 November 2012.

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

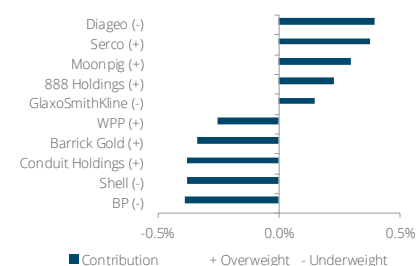
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	0.8	0.2	-3.7	16.1	11.6	117.1
MSCI UK IM Index	0.9	3.0	10.0	16.9	20.6	91.1

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)	5.3%	-8.6%	-5.9%	28.0%	-3.7%
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

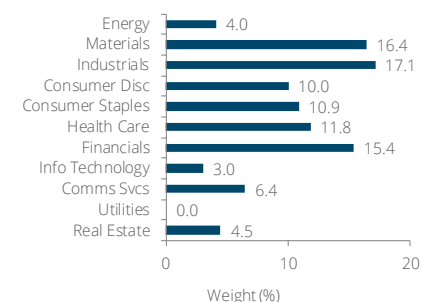
The securities in which the portfolio weight differs most from that of the benchmark.



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 (%)
AstraZeneca	4.8
Sanofi	4.0
Shell	3.8
Natwest Group	3.8
Essentra	3.5
Anglo American	3.5
Barrick Gold	3.4
Reckitt Benckiser	3.2
WPP	3.0
Conduit Holdings	2.9

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 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

William Lough

PORTFOLIO & RISK CHARACTERISTICS

Number of Holdings	49
Fund Volatility	15.0%
Benchmark Volatility	13.6%
Beta	1.04
Active Money	75.7%

KEY FACTS

Fund launch date	22/03/2007
Share class launch date	21/11/2012
Benchmark	MSCI UK Investable Markets Index
IA sector	UK All Companies
Total fund size	£70.3m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.93%

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

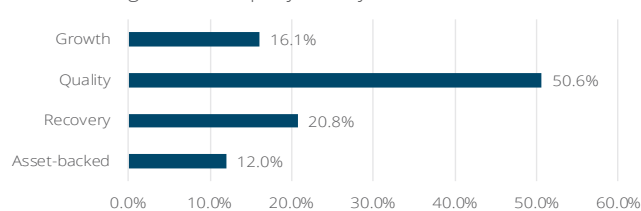
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	37.0%	64.2%	-27.2%
Large Cap	£4bn - £20bn	23.8%	22.2%	1.6%
Mid Cap	£2bn - £4bn	9.6%	6.5%	3.1%
Small Cap	£100m - £2bn	29.1%	7.1%	22.0%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

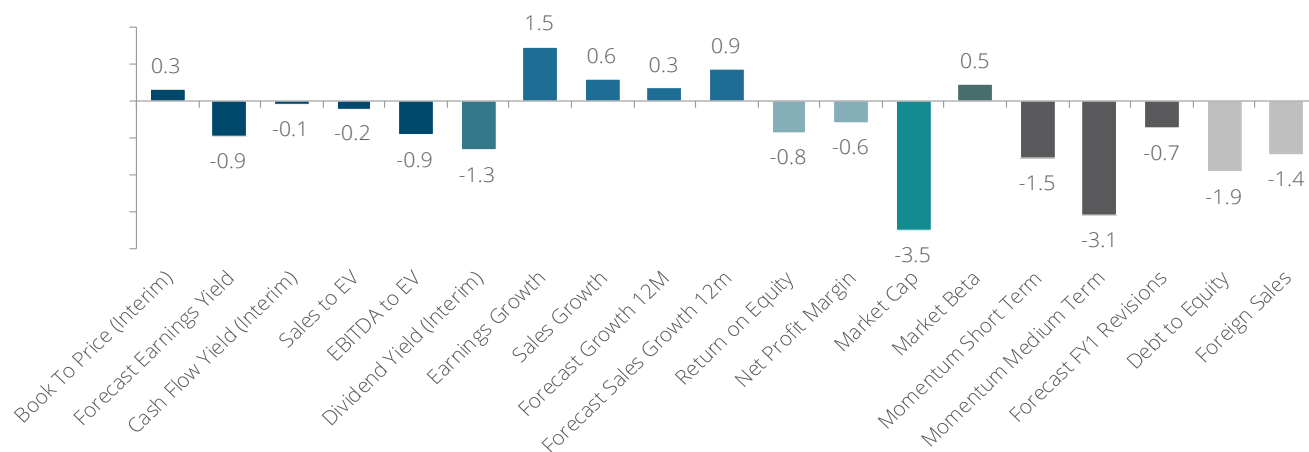
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP, excludes cash.

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

This fund was renamed on 1 January 2016 and was previously known as the R&M UK Equity Unconstrained Fund.

MANAGER'S REVIEW

Investment background

The UK market as measured by our benchmark (MSCI United Kingdom IMI index) was slightly up (+0.88%) in the month. The narrative around monetary policy tightening continued to dominate investor concerns with fears that Fed action might induce a recession. The 1Q earnings season continued to provide evidence of inflationary pressure on costs and consumer demand, a tight labour market and ongoing supply chain disruption. Fixed income markets gave no clear signal in the period with the 10-2y Treasury Yield spread rising, falling and then rising again however since month-end the yield curve has flattened indicating a growing focus on the risk of recession as well as inflation fears. Oil was strong in the month with both Brent and WTI (West Texas Intermediate) gaining over 9% for May and both benchmarks up over 50% for the year. Precious and base metals ended the month down with gold dropping 2% and now only up 1% for the year. It appears that despite the rate hike cycle, gold's inflation hedge is helping offset the fact that it doesn't have any yield.

Strategy update

Performance

The fund increased 0.8%¹ in May versus 0.9% by its comparator benchmark, the MSCI United Kingdom Investable Markets index².

Serco, a new addition to the portfolio and **Moonpig**, which made a value accretive acquisition in the month, were significant positive contributors during the period. Relative performance also benefitted from our zero weighting in **Diageo** (3.8% of the benchmark).

The following stocks were significant negative contributors in the period. **Barrick Gold** fell -8.1% reflecting weakness in the gold price given pressure from higher real rates. **Conduit** fell -10.8% reflecting negative earnings revisions on the back of higher-than-expected Ukraine losses and mark-to-market unrealised losses on its investment portfolio due to rising yields. **WPP** fell -8.4% as the short-term ad-cycle makes it challenging to identify the structural growth trend fuelling the bear thesis that the agencies are likely to have a 'GDP minus' type growth profile going forward, a view we do not subscribe to as we think agencies are more relevant than ever in helping brands to navigate an increasingly challenging media landscape. Our zero weightings in **BP**, **HSBC** and below benchmark weighting in **Shell** were the other primary drags on performance during the period.

Activity

We initiated a position in **Future**, a data led multi-format expert content platform delivering high value, intent-led specialist audiences for marketers and retailers via a portfolio of leading brands across a range of lucrative verticals. Its seismic transformation from a print magazine publisher in structural decline to a data and content led scalable platform with strong cash generation augments growth and returns, underpinning estimates above consensus and justifying a re-rating from 10x consensus P/E.

We also initiated a position in **Serco**, which enables governments around the world to deliver public services in a cost-effective way. Return on capital, which has recovered from depressed levels following a prior cycle of aggressive contract pricing, can continue to grow given the potential for higher margin and organic revenue growth in a capital light business model. Organic growth is supported by Serco's scale, which enables strong execution at a fair margin, international presence and ongoing growth in government spending. We do not think that the current valuation reflects the earnings potential of the business and expect the company to continue to use excess cash to either acquire or buy back their own stock.

Outlook

UK Consumer Confidence has continued to deteriorate with a new all-time low of -40 in GfK's (Growth from Knowledge) 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 with the unintended consequence being that this support slows any normalisation in inflation.

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.



William Lough
Portfolio Manager
June 2022

This document has been prepared and issued by River and Mercantile Asset Management LLP ("R&M"), registered in England and Wales under Company No. OC317647, with its registered office at 30 Coleman Street, London EC2R 5AL. R&M is authorised and regulated by the UK Financial Conduct Authority (FRN 45308). Equity Trustees Fund Services Ltd is the Authorised Corporate Director (the "ACD") of the ES River and Mercantile Funds ICVC and of its sub-funds, including this fund. The ACD is authorised in the United Kingdom and regulated by the Financial Conduct Authority (FRN 227807) and has its registered office at Pountney Hill House, 4th floor, 6 Laurence Pountney Hill, London EC4R 0BL.

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. For further details of the specific risks and the overall risk profile of this fund; as well as the share classes within it, please refer to the Key Investor Information Documents and ES River and Mercantile Funds ICVC Prospectus which are available on our website www.riverandmercantile.com.

The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not a reliable guide to future results. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please refer to the ES River and Mercantile ICVC principal prospectus for further details of the financial commitments and risks involved in connection with an investment in this Fund. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by R&M, its partners or employees. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.

Please note that individual securities named in this report may be held by the Portfolio Manager or persons closely associated with them and/or other members of the Investment Team personally for their own accounts. The interests of clients are protected by operation of a conflicts of interest policy and associated systems and controls which prevent personal dealing in situations which would lead to any detriment to a client.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by R&M. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.