

ES River and Mercantile GLOBAL RECOVERY FUND

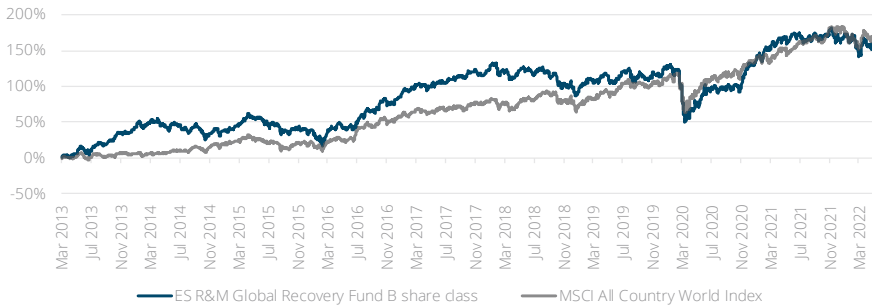
CLASS B GBP (Income)

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 4 March 2013.

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

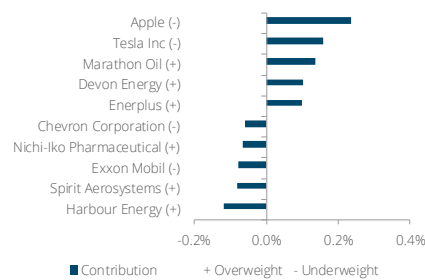
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Inc)	1.9	1.9	-2.5	27.6	28.2	162.7
Benchmark	-0.3	0.2	5.1	39.4	57.6	162.6

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)	8.6%	-7.5%	-9.5%	44.5%	-2.5%
Benchmark	8.5%	4.2%	7.5%	23.4%	5.1%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

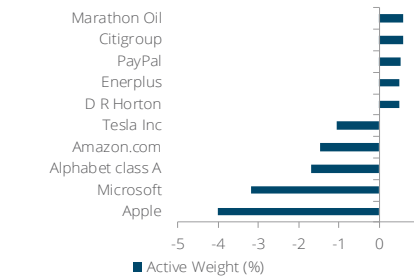
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

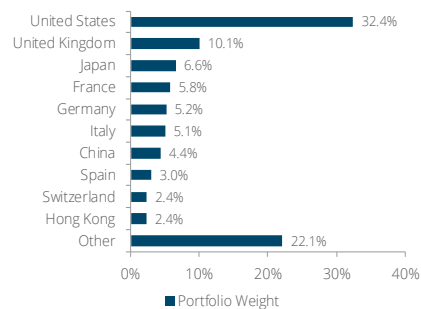
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

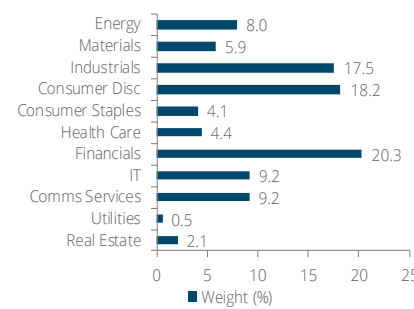
The portfolio's ten largest country holdings by total weight.



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 all fees.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	505
Fund Volatility	15.2%
Benchmark Volatility	12.7%
Beta	1.08
Active Money	82.9%

KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World Index
IA sector	Global
Total fund size	£389.9m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.16%

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

TOP 10 HOLDINGS

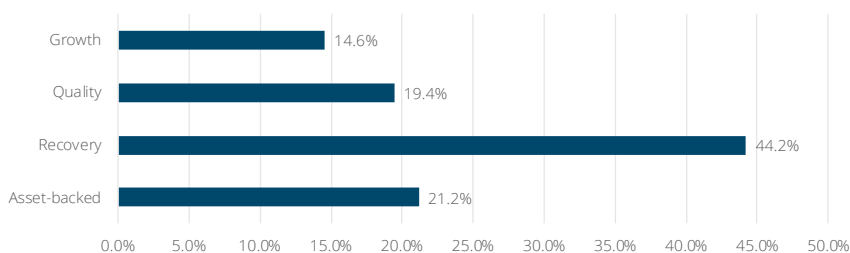
The ten largest positions by weight held in the portfolio.

	Weight (%)
Citigroup	0.8
Baidu	0.7
Alibaba Group	0.7
PayPal	0.7
Meta	0.6
Wells Fargo & Co.	0.6
Marathon Oil	0.6
Pfizer	0.6
D R Horton	0.5
State Street Corp	0.5

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

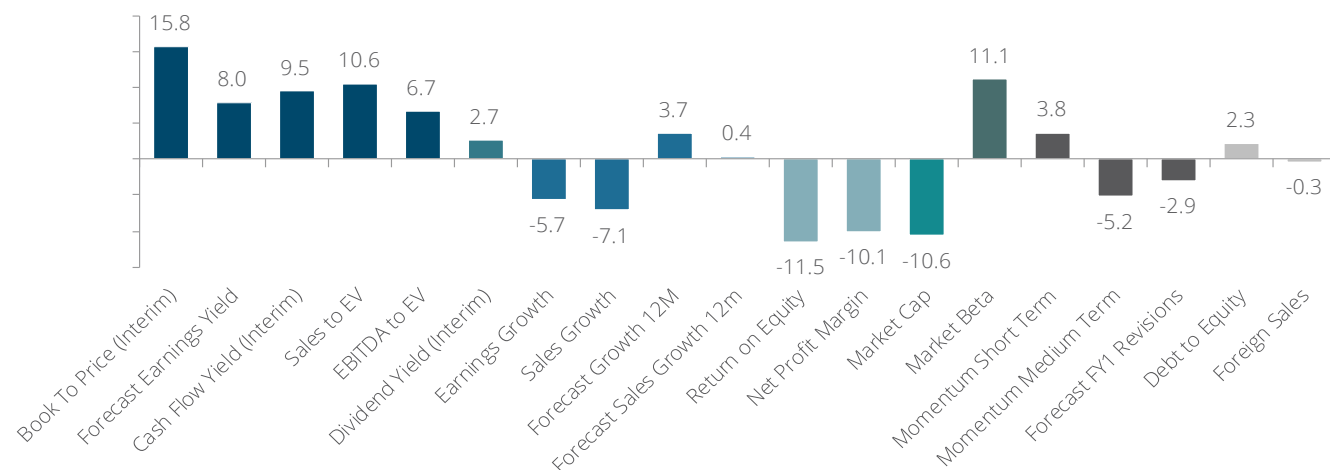
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

This fund was renamed on 1 July 2018. It was previously known as the R&M World 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."

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 1.9%¹ in May versus -0.3% by its comparator benchmark, the MSCI ACWI (All Country World 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.

Positive contributors during the month included our overweight position in **Marathon Oil** and **Cielo** and underweight positions in **Apple** and **Tesla**.

The main negative contributions were our underweight positions in **Exxon** and overweight positions in the UK Exploration and Production stocks such as **Harbour** which were impacted by the UK windfall tax. 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.

We are adding to our capital allocation in payment services companies, including starting a new position in **Global Payments**. This 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.

We exited our position in **Nintendo** following strong share price performance and fundamentals that are weakening in the short term as hardware sales peak.

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

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