RIVER AND MERCANTILE

ES RIVER AND MERCANTILE GLOBAL RECOVERY FUND

Quarterly report to 30 June 2022

For unitholders only

ES River and Mercantile
GLOBAL RECOVERY FUND

Quarter 2, 2022

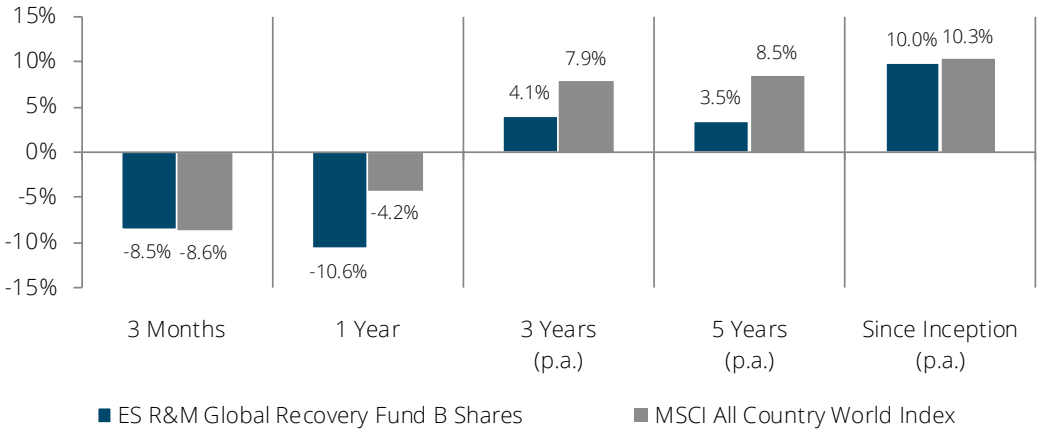
RIVER AND MERCANTILE

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 fees.

PERFORMANCE (NET OF FEES)

	B share class	Benchmark	Difference
3 months	-8.5%	-8.6%	0.1%
1 year	-10.6%	-4.2%	-6.5%
3 years (p.a.)	4.1%	7.9%	-3.8%
5 years (p.a.)	3.5%	8.5%	-4.9%
Since inception (p.a.)	10.0%	10.3%	-0.3%



PERFORMANCE (BEFORE FEES)

	Z share class	Benchmark	Difference
3 months	-8.2%	-8.6%	0.3%
1 year	-9.7%	-4.2%	-5.6%
3 years (p.a.)	5.1%	7.9%	-2.8%
5 years (p.a.)	4.6%	8.5%	-3.9%
Since inception (p.a.)	11.1%	10.3%	0.8%

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI All Country World Index (ACWI), net GBP. Fund performance shown is of B share class (income units) which is net of an annual management charge of 1.00% per annum, and Z share class (accumulation units) which reflects the fund's gross performance before any fees are deducted. Please note that the fund performance is calculated using midday published prices and the benchmark performance is calculated using close of business mid-market prices. Other share classes may be available.

Past performance is not a reliable indicator of future results.

PORTFOLIO SUMMARY AND KEY RISK CHARACTERISTICS.

Fund AUM	£345m	Portfolio volatility	14.9 %
Strategy capacity	£1.6bn	Benchmark volatility	12.8 %
Inception date	4 March 2013	Portfolio beta	1.07
Number of stocks	495	Tracking error	5.9 %
		Active money	82.5 %

SYNTHETIC RISK AND REWARD INDICATOR

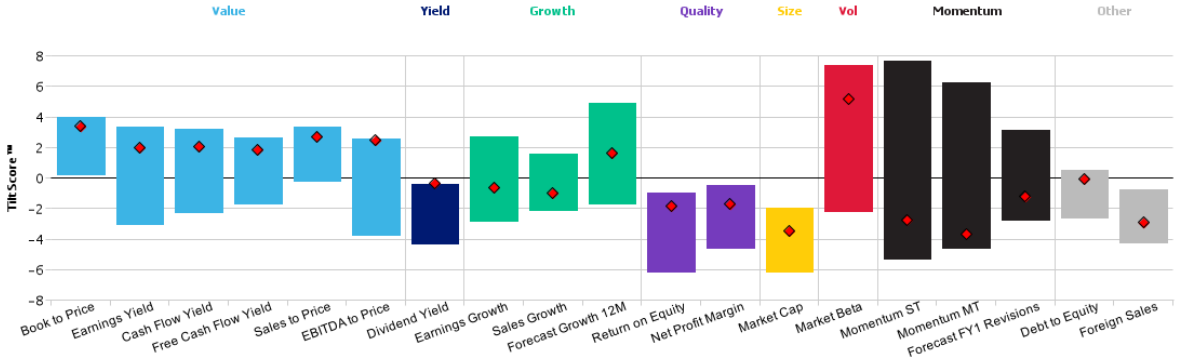
The Synthetic Risk and Reward Indicator (SRRI) is based on how much the returns of the shares have varied over the last five years, or since launch (whichever is the shorter period). The higher the rank the greater the potential reward but also the greater the risk of losing money.

My key message this quarter is that there are some amazing bargains out there. The UK and global stocks that make up our hunting ground are really very cheap now. Small and Mid-Cap equities are on bargain basement valuations. Any equity that has uncertainty associated with it is very depressed. Our types of shares, namely PVT, Value, Recovery, Multi-Cap and out-of-favour Growth are often stunning value with free cash (or capital) yields that are higher than earnings multiples. I will expand on this below, but this is my main message – really, very, very cheap.

Our portfolios – better value than ever

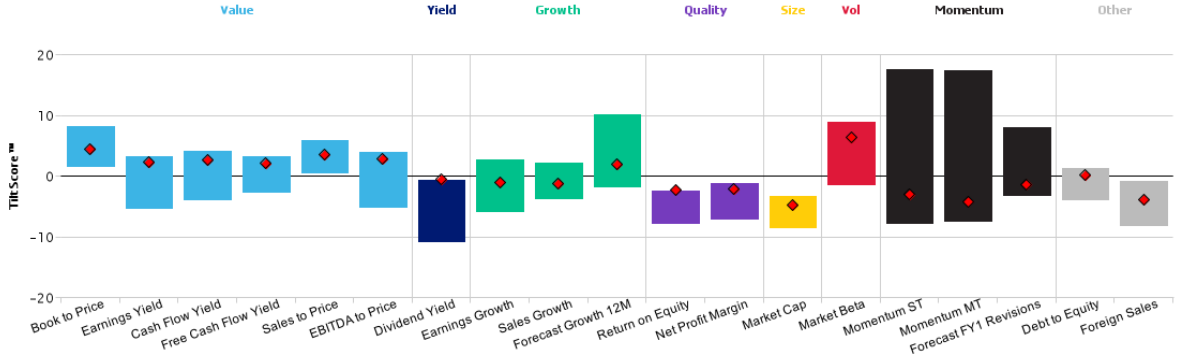
Our portfolios represent a huge store of value (at only around 1.2x price to book and double-digit cash flow yields) and as shown below (represented by the red diamonds) have rarely been cheaper versus the benchmark, with even the dividend yield the same or higher than the market. Also note we have no more leverage than the market and whilst we are bullish on SMIDs we are only in the middle of the range as we have looked to manage this 'risk'. And hopefully it's re-assuring that my three funds are aligned.

UK High Alpha



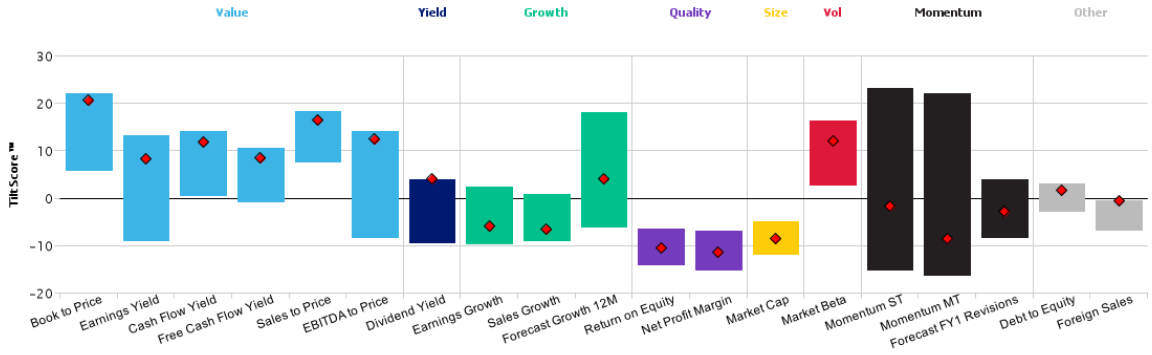
Source: StyleAnalytics

UK Recovery



Source: StyleAnalytics

Global Recovery



Source: StyleAnalytics

How did we get here?

... At the beginning of 2020 the economic background looked supportive, interest rates were trending up and value and economically sensitive UK domestic stocks were doing well; then along came Covid and economies and value tanked, but you had to make sure you bought into the big falls as Government support kicked in, and then Growth stocks led the way as they had the things that everyone wanted during lockdown....and then later in the year vaccines were discovered and investors moved back into value and hurrah, our recovery stocks did well and so did smaller companies...but this only lasted 6 months as other waves of Covid came along and the market started to fear something (not quite sure what it was) that was going to be bad for smaller companies, or maybe it was just that larger companies were the place for ETF cash. Anyway, consumer and industrial cyclicals and smaller companies and UK domestic stocks started a period of underperformance that has carried on until today...and then towards the back end of last year and into this we saw interest rates and bond yields move up, which was initially good for quite a lot of value, but then when Putin invaded Ukraine it was only good for value stocks that were inflation beneficiaries, and then good for large cap perceived defensives, and fast forward to July and an economic and profits downturn has become the new consensus so that the only place to be is certainty (defensive) stocks. But are these now getting expensive? And what if inflation starts to fall and supply chains improve and perhaps some compromise in the Ukraine is reached? The market could change tack again... easy this job is not and really too short term.

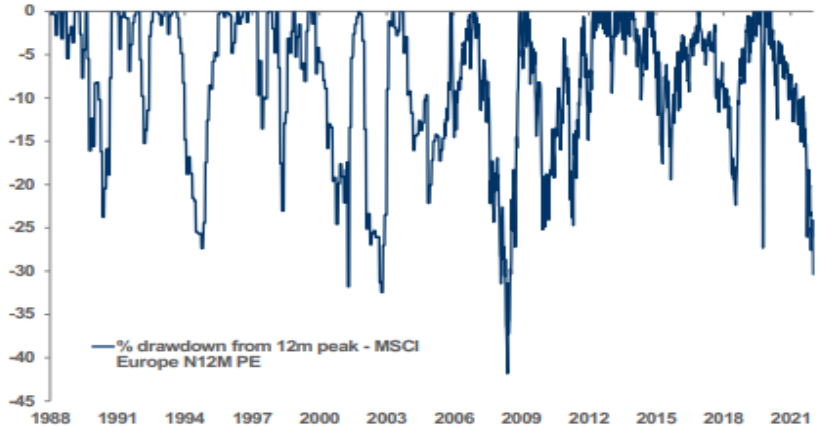
I suppose a point that could come out of the above is that investment cycles have been very short over the last few years, some no longer than 6 months. The current recession phase started with Putin's invasion, so five months ago. We of course shall see...

Timing the nadir

When will the types of shares I favour become less cheap? I don't really know. How bad will the economic and profits downturn be? And in this fast market, with lots of passive and hot capital how much of a bad cycle is already reflected in share prices? Given where valuations have fallen to then it would seem that a lot of bad news is already factored in. My guess is that the inflationary worries will start to subside well before the profit cycle bottoms out. Will markets start to discount recovery at that point or wait for profits to bottom out? To be honest I'm not sure, so as ever it pays to be gradualist as we build up positions in new anomalies that have been created by these uncertainties. We haven't had a bad down cycle (we are not normally great in these anti-risk type markets), protected by our Value bias but it's been bad enough for me and you to lose sleep over. I am sorry but I have not been prepared for such a rapid change in narrative.

How low can it go?

I don't know. But I do believe that in a few years' time if one didn't buy shares in the types of companies we favour at these bargain basement prices then there will be a huge amount of regret. Last quarter I provided a long list of very cheap stocks, it would be a bit dull to repeat that very same list. Suffice to say my funds own stocks that are on as low as 3x earnings and out-of-favour digital platforms that are on less than 1x sales. Of course, cheap stocks can get cheaper, and in the global financial crisis (GFC) bear market (for example) they obviously did (about 20% cheaper, to 1x PB). But this is definitely not our central case, and if it comes to pass then permanent capital will not be lost (just temporary share price corrections) and we will stick to our knitting and apply our gradualist, diversified by stock count (but punchy in every other way) approach. The chart below shows the current de-rating in Europe compared to previous bear markets, so quite extreme though this is yet to include the earnings downturn:



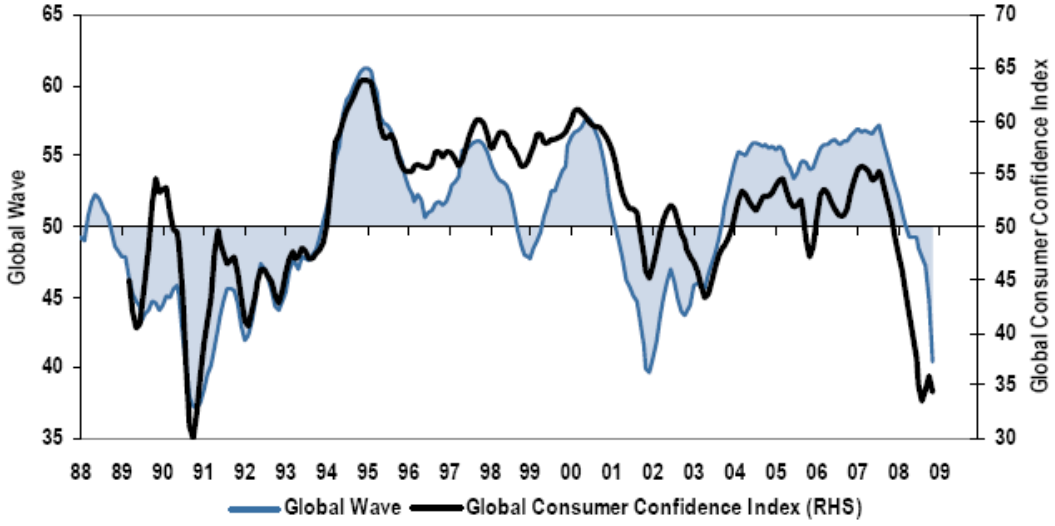
Source: Morgan Stanley

How bad is sentiment?

One of the best contra-indicators is consumer sentiment... this from my Q4 2008 Quarterly Report:

"As Tweedy, Browne identify in our introductory quotation the equity market looks forward not back. So, a key to understand where we are going from here is not how difficult things seem today, but what the consensus is expecting. If the consensus is already very depressed, then a lot of bad news is in the price:

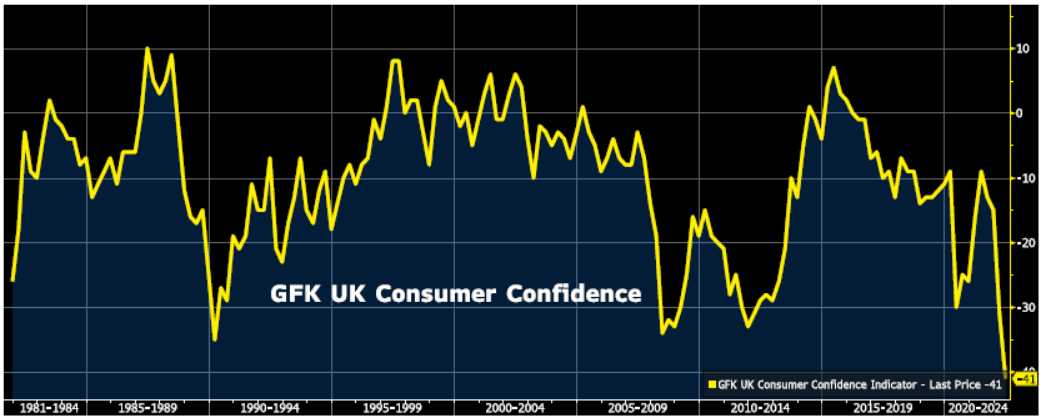
Global Consumer Confidence Index



Source: Merrill Lynch Global Quantitative Strategy, MSCI, IBES, Bloomberg, OECD, IMF

Looking at one key indicator of confidence, that of the global consumer, this is at its lowest point since the recession of the early nineties."

Let's look at consumer confidence today, this should speak for itself, again at a low point which historically has coincided with market lows (give or take a couple of quarters!):



Source: Bloomberg

Things to be positive about

Oh yes there are! We have recovered from Covid. Unemployment is low. Households have really strong balance sheets as their asset values have gone up and they have not binged on credit since the GFC. Wages are going up, not as much as short term inflation but they are still going up. Governments are committed to supporting economies. Banks are in decent shape. Interest rates are going up, but only to more sensible levels. Companies are decently profitable, have strong finances and low valuations so they are creating a lot of value by buying in shares. And aren't we great at a few things? For example, weren't the Jubilee celebrations amazing?! And the Rolling Stones, one of our great British exports still going strong after 60 years! Yes, the cost of living has gone up a lot, yes it will crimp consumer spending but the cure for high prices is high prices and most high prices have started falling because there is some demand destruction and because part of the rise was speculative.

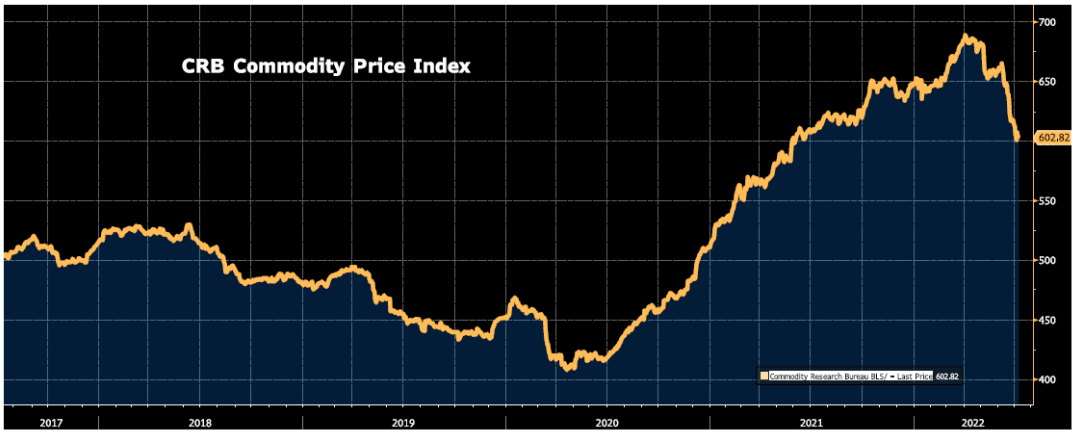
Inflation – long-term higher (James Sym) and short-term rolling over? (chart below)

James Sym and I have been touring the country with what was hopefully a clear message about the new regime of higher inflation and interest rates and how to try and manage client assets against this background. Our big picture assessment of the investment regime for this business cycle is reasonably straightforward. The policy responses to Covid, and a decade of underinvestment from corporates after the GFC, will lead to much tighter labour and, particularly, capital markets than the previous cycle and one where inflationary pressures are highly unlikely to be so supressed, as we became used to over the last 15 years (and for which portfolios around the globe largely remain designed in our opinion). We held this rather anti-consensual view from around 2017 when nascent signs – in the form of labour tightness and increasingly solid capacity-utilisation for example – became apparent. As somewhat of an aside, we are also of the view that the desirable societal pressure to decarbonise our economy will lead to a huge capital investment wave which itself is inflationary, and that finding companies that the market hasn't recognised are exposed to this dynamic is likely to be a very fruitful endeavour.

However, within this medium-term context we have more recently written about the likelihood of a welcome shorter-term abatement of the current very sharp inflationary pressure. This easing of inflationary pressure will be caused by the rise in rates and rate expectations, natural slowdown of demand from inflation itself and unpicking some of the remaining Covid-driven bottlenecks mostly in transportation and China. To be clear, this is a pull back from a high level to something less destructive

– not an expectation of a precipitous drop into the previous cycle's deflationary environment. Ironically, given I have become used to being a relatively lonely voice discussing the likelihood of an inflationary investment regime, this comes at precisely the time most investors are starting to seriously worry about the implications of inflation and the "cost of living crisis" which is plastered all over every major news outlet. Ever the contrarians I suppose!

As we know. volatility in inflation (i.e., unexpected inflation) is the key factor driving markets at the moment. Interestingly, the CRB Commodity Price Index (below) seems to have peaked and indeed did so just as Russia invaded Ukraine. Five-year inflation expectations in the US, Germany and UK have actually come back from >3% to 2-3% (below). Our view is that we are going into an investment cycle that is premised on higher inflation than the last cycle (2-5% not 0-2%) but not the 8-10%+ that we currently have, so a reflationary but not a high inflationary (or indeed deflationary) period.

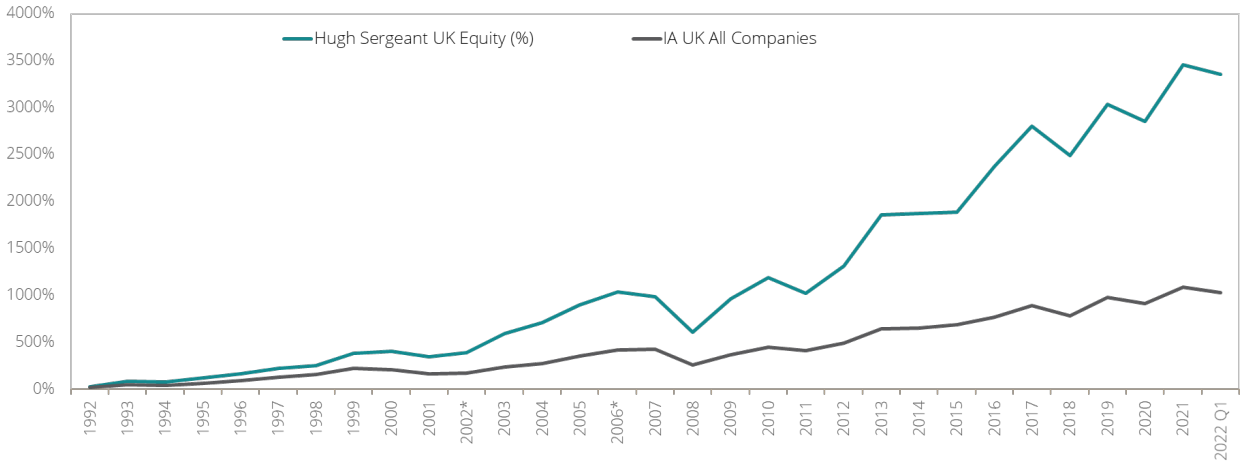


Source: Bloomberg

Source: Bloomberg

Our (High) Alpha and Recovery approaches

We invest in companies with Potential, Valuation and Timing and have a strong portfolio construction commitment to attractively valued companies, to good businesses with recovery potential, to multi-cap investment opportunities, to being interested in structural growth when it is temporarily unpopular and to getting most interested in an investment when it is out-of-favour but where the fundamentals are on the turn. We repeat this investment approach day-in and day-out, aided by systematic screening. We try to stick to our approach during the difficult times so that we nearly always participate when there is a following wind for our factors. Our (High) Alpha strategies include being benchmark aware when constructing the portfolio; our Recovery strategies are unconstrained and focus on medium to long term wealth creation. Below is my 30 year quite high returns for my UK High Alpha product:



*Notes: The ES R&M UK Equity High Alpha Fund was launched on 28.11.2006. Performance since that date is sourced from River and Mercantile Asset Management LLP. Performance for the IA UK All Companies sector average is sourced from FE fundinfo. Source for other data: The WM Company, Lipper Hindsight. 1992 to 2001 = segregated account with FTSE All-Share Index +2% target, managed by Hugh during his time at PDFM/UBS. 2003 to 2005 = The SocGen UK Growth Fund, managed by Hugh at his time at SG Asset Management. Performance is not shown for Q1 to Q3 for 2002 and most of 2006 as Hugh was on gardening leave due to moves to SGAM and R&M, respectively. *N.B The 2002 return is Q4 2002 (30.09.2002 to 31.12.2002) and the 2006 return is from 31.12.2005 to 31.03.2006 and 28.11.2006 to 31.12.2006. Returns are calculated gross of fees using close of business prices for Hugh Sergeant's UK Equity track record. The IA UK All Companies sector is an average taken of the entire sector which is therefore a mixture of fund share classes that are both net and gross of fees and have been calculated using noon prices. Data to 31 March 2022, cumulative. **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 guide to future performance.***

Value outperformance or a flight to safety

Of the key factors that we have looked to exploit over the last 30 years, only one has really worked this year. We buy Value, Recovery, Multi-Cap, out-of-favour structural growers and like regions around the world that are good value versus their history and are earlier in their stockmarket cycle. Over the last six months, the first worked, all the rest did not. In fact, what actually worked was protection against higher inflation (until the end of May) and higher economic uncertainty, so large cap energy and defensive stocks. Anything with uncertainty, got clobbered, though of course the worst uncertainty was under-delivery of a growth narrative.

UK Cyclicals vs Defensives 1m Forward Price to Earnings

Source: Morgan Stanley

A new British PM

Whatever your view on Brexit it was voted for and Boris delivered it. He also had a reasonable Covid (apart from not being able to stick to his own rules). However, he was not a competent manager and his Cabinet were weak because of the need to be surrounded by Brexiteers or BoJo supporters. I think this is a good time for change. I would be comfortable with either of the current front runners, Rishi Sunak or Penny Mordaunt. The former is articulate and competent, the latter less proven but if you read her book Greater: Britain After the Storm, she seems to understand this country, its strengths and weaknesses and she might have the most insightful reform agenda. It is likely that the Cabinet after Boris will be considerably stronger as it should be able to appoint the best, rather than the cheerleaders. And it should finally be able to move on from the politics of Brexit and actually focus on extracting the benefits and making our country properly competitive again.

River Strategy and the PVT Platform

With the completion of R&M's acquisition by AssetCo, there is now certainty regarding the ownership of our business and also our investment management team. We have spent fifteen years building a robust PVT equities platform that has created significant wealth for our end clients. We strongly believe in our platform, our team and everyone at River and Mercantile that makes this possible. We now have the opportunity to drive the business forward with a clear strategic vision and an eye on the medium to long-term investment and commercial opportunities. Over the last few years, we have invested in and broadened out the team and product set so that a younger generation of investors are as important as us oldies. We now have strong products in UK Multi-Cap, UK Smaller Companies, Income (now led by Matt Hudson), Value and Recovery, Global, Europe, S-PVT (now launched) and working more closely with the other investment experts under the AssetCo umbrella. Over time we should be a lot bigger than we are today.

My Products and team leadership

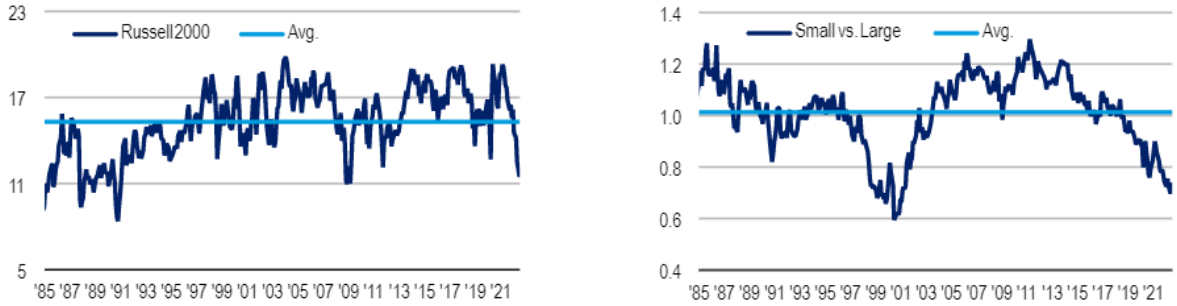
It is really exciting to see James Sym taking on the Equities leadership role; a young and talented investor and manager ready to drive the PVT platform forward. It was also exciting for Will Lough and George Ensor to be made Partners of River and Mercantile LLP and to see the successful launch of our European Change for Better and Global Sustainable Opportunities funds (SFDR 9 and 8 respectively). With Will Lough taking a leadership role in the non-recovery global portfolios, I am now very focused on my UK High Alpha/Recovery and Global Recovery funds. These I have managed for between 10 and 30 years, from inception. As I have suggested above this job has not become easier but during the difficult times, I always have the passion and excitement of finding anomalously valued PVT stock picks to fall back on.

Smaller Companies

Smaller companies peaked at the end of Q1 last year and have fallen over 30% in real terms since this peak. This has created some really great opportunities in smaller companies around the world.

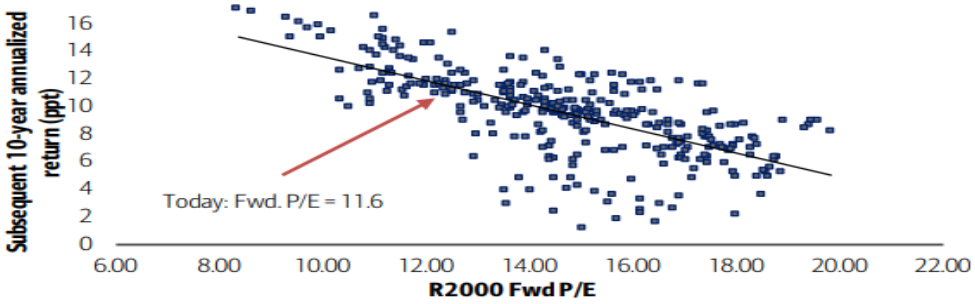
First in the US, where the Russell 2000 has fallen to 2008/9 lows in absolute valuation terms and a very big discount to larger companies; the third graph below plots the ten year returns to US small cap depending on starting valuations, a reassuring message both for US small cap and our portfolio in general with 10x earnings having driven double digit compounding in the past.

Russell 2000 forward PE, absolute and relative to larger companies:



Source: Morgan Stanley

Russell 2000 forward PE vs subsequent ten-year annualised returns:



Source: Bank of America

Now UK Smaller Companies (thanks to George Ensor)

We always like to talk about the 'Small Cap Premium' which is the historic 3-4% return premium (Charts 1 and 2) that has been realised from investing in smaller companies given (i) their higher growth rates (on average they are less mature companies) and (ii) that they are more frequent beneficiaries of M&A.

UK smaller companies have underperformed by 21% over the last 12 months – charts 3&4 put this move into context vs. the last five and twenty-five years. We need to go back to 2007/08 for a more significant drawdown (c.24%). There are a few things at play – exposure to energy, materials and banks (short duration, getting upgrades) probably being the most significant (much higher exposure in large cap); the Small Cap domestic bias is higher (everyone hates the UK), and liquidity / risk aversion is also a feature.

Chart 1: Annualised premium, 2000-22 (%)

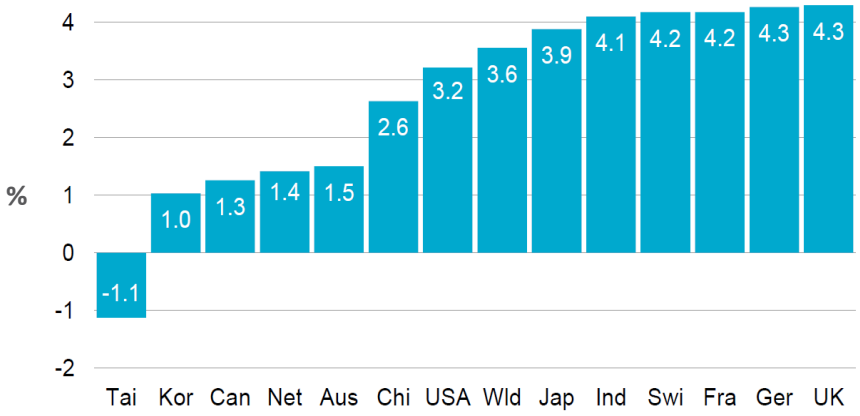


Chart 2: Cumulative return, 1955-2021 (all the equity indices are XIC)

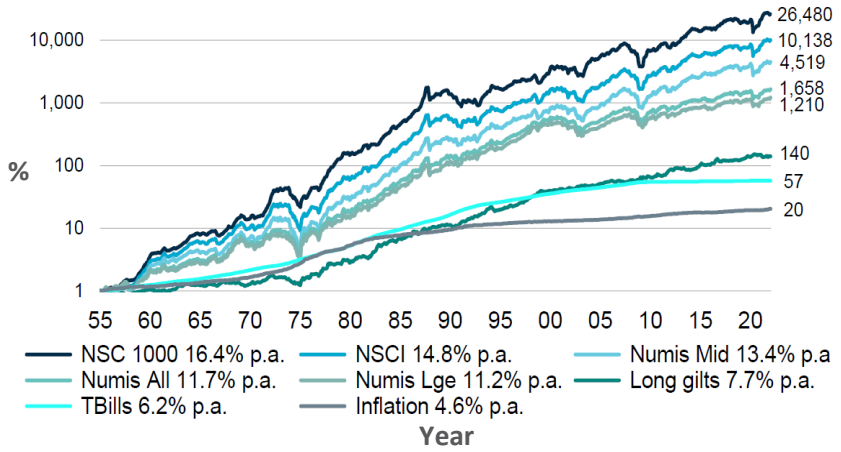


Chart 3: UK Large vs Small & Mid Caps Price Performance

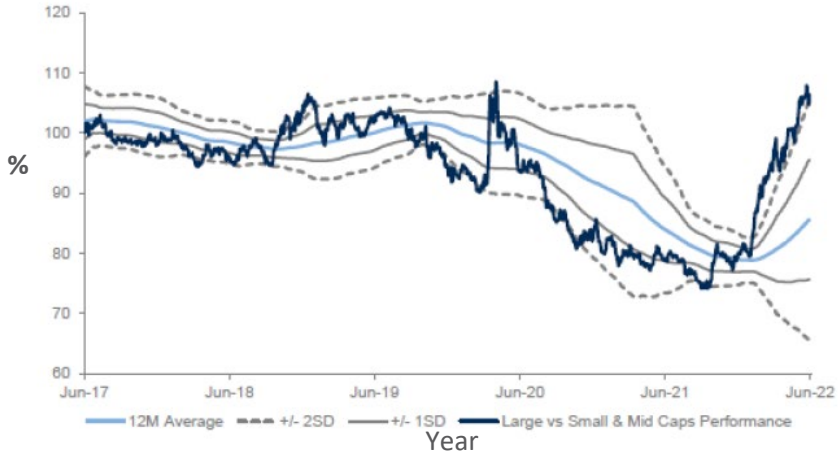
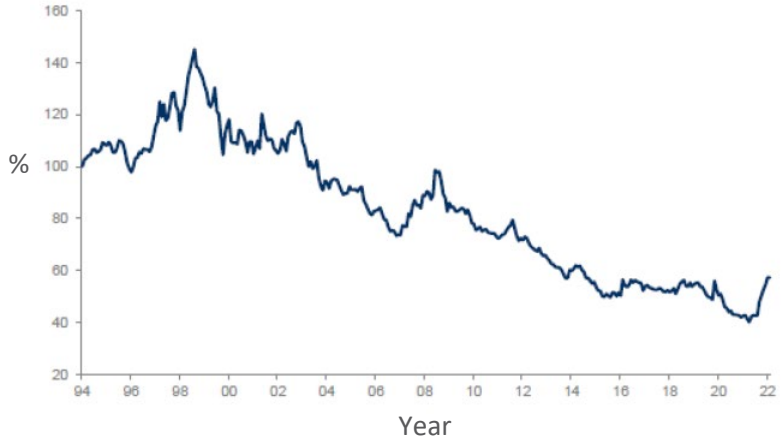


Chart 4: UK Large vs Small & Mid Caps Price Performance



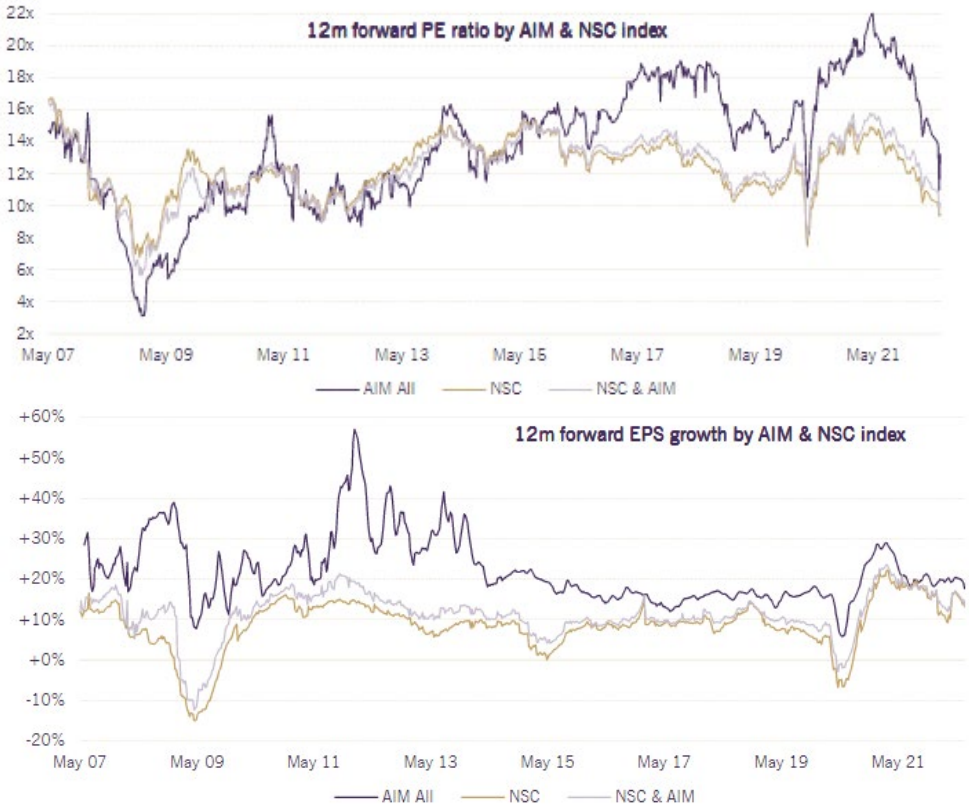
Source: Charts 1 & 2 Numis Indices 2022: Annual Review.

Charts 3 & 4 MSCI, IBES, Morgan Stanley Research. Data to 6 June 2022.

Valuations UK Smaller Companies:

The first chart below from Peel Hunt shows the 1 year forward PE multiple of the small cap benchmark (Numis Smaller Companies plus AIM which is the bottom 10% of UK listed companies) – at 10.2x. The

benchmark has rarely traded more cheaply in the last 15 years and has only done so in periods of extreme stress (GFC, European Debt Crisis and Covid19). It is important to think about earnings expectations which are shown on the second chart below – 12M forward earnings expectations sit at 13.2 % for our benchmark (Numis Smaller Companies plus AIM (excluding investment companies)) which has come down from c.20% at the start of the year and likely have further to fall. We will see to what extent as companies start to provide trading updates for the first half of 2022. The market will likely be ahead of the stabilisation in earnings (as it has been the downgrades).

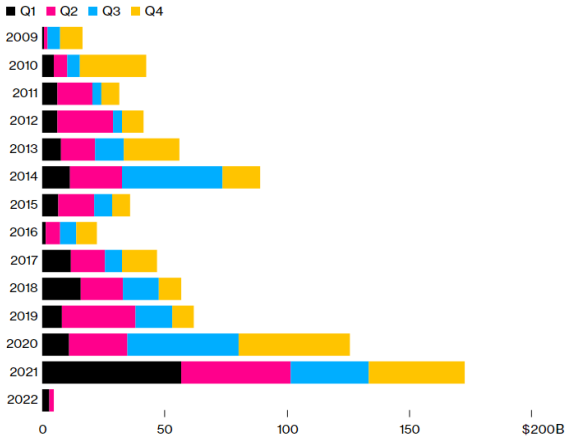


Source: Peel Hunt E&S: UK Market Valuations 27 June 2022

Animal Spirits – from feast to famine

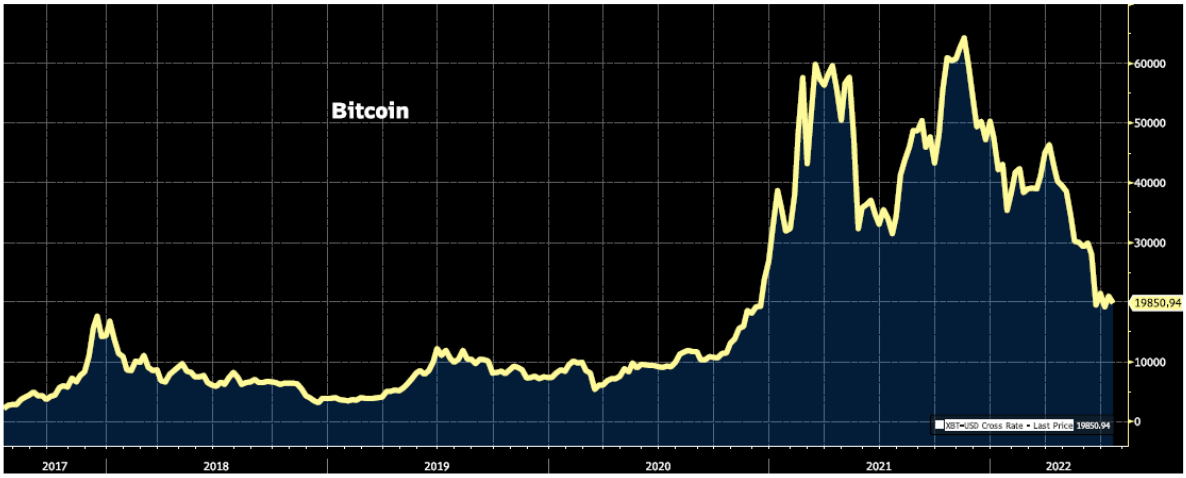
One of our gauges of where we are in the stockmarket cycle are animal spirits, well represented by a few charts:

US IPO Volumes have collapsed:



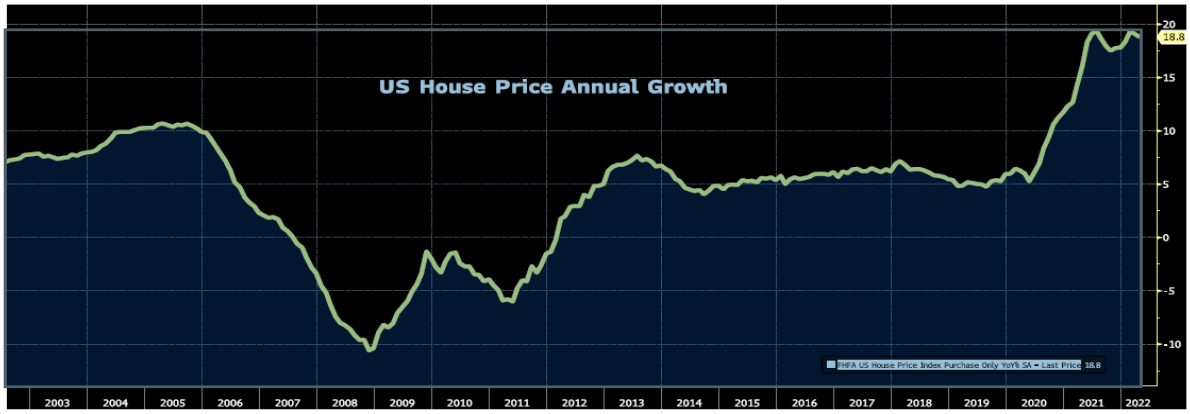
Source: Bloomberg

Bitcoin price has collapsed:



Source: Bloomberg

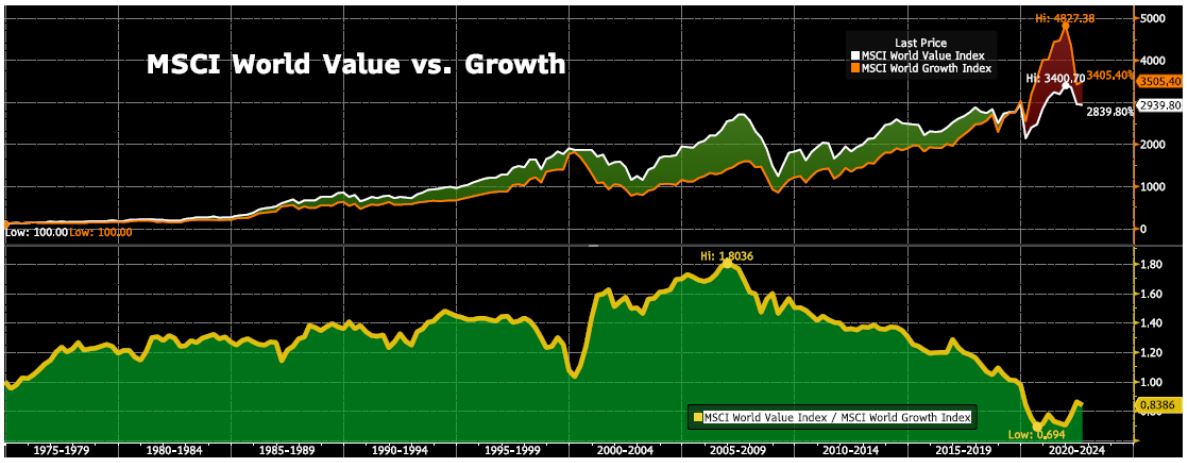
US House Price Growth are peaking, a lagging indicator which as in the UK will head to zero:



Source: Bloomberg

Value & Recovery – still towards the bottom of the cycle, especially if running a genuine global portfolio

MSCI World Value vs. Growth – rallied off the bottom of the cycle:



Source: Bloomberg

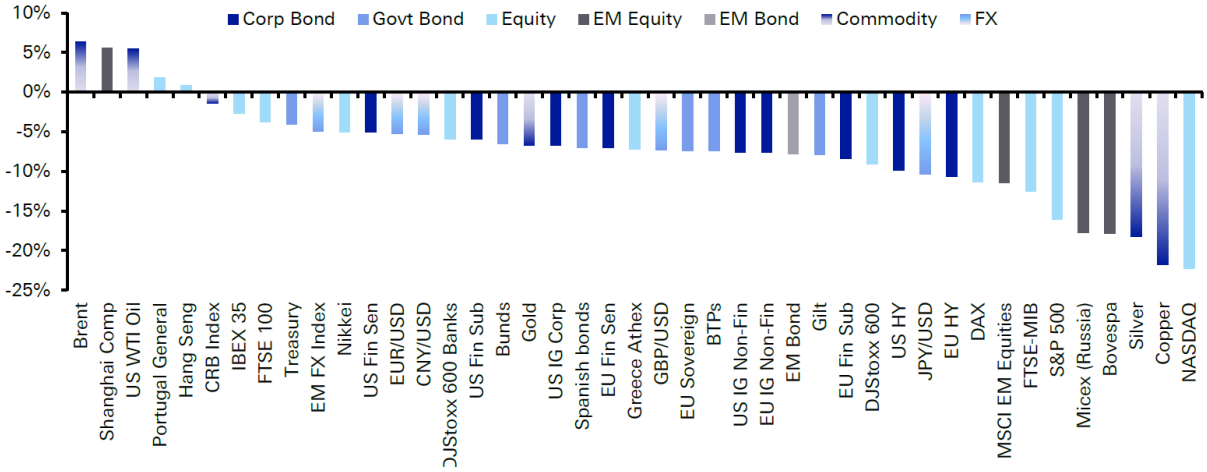
MSCI World value vs US Equities (S&P) – still at the bottom of the cycle, one reason why we have lagged the value rally as the Rest of the World has struggled:

Source: Bloomberg

Market returns and our performance

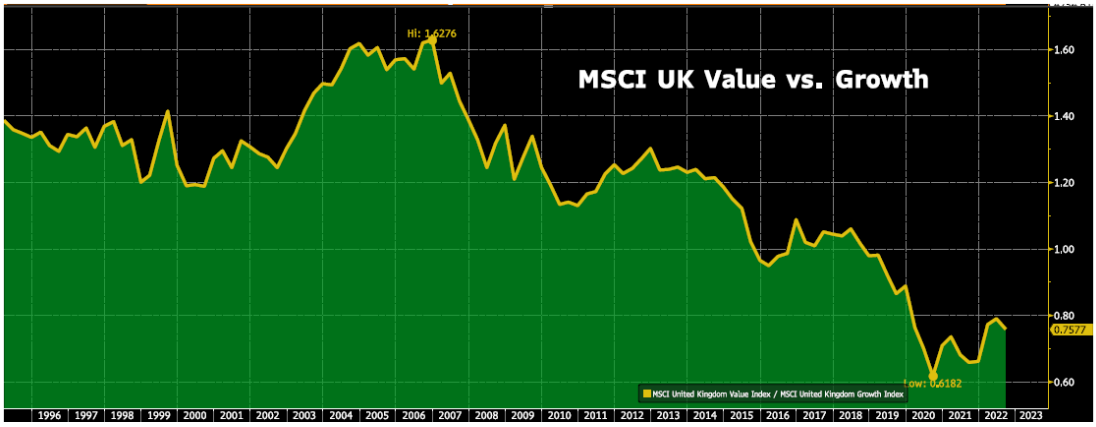
Global equity markets fell sharply in the second quarter (MSCI ACWI -15.7% total return in USD), completing the worst calendar first-half since the 1970s. The same was true for US Treasuries – there have been few places for investors to hide these past six months. Market focus maintained its shift from high inflation towards softer growth. Citi's global economic surprise indicator continues to signal that data is disappointing expectations. Expectations of demands destruction have led to flattening yield curves and inflation expectations continuing May's fall from the peak, the latter helped by a sharp fall in commodity prices. Following more downbeat corporate guidance, the breadth of analyst earnings downgrades has begun to increase. Low volatility as an equity factor has just delivered its best 6-month relative return since 2009. With yield spreads rising to 5-year highs and the dollar rising again the predominant investor stance is evidently risk aversion. In this context, we note with some interest that share prices in several sectors considered economic lead indicators by the great macro investor Stanley Druckenmiller – Trucking, Homebuilding and Retail – have begun to bottom out and outperform the broader benchmark. Whilst UK Equities were under pressure they were again relative outperformers, the MSCI United Kingdom IMI Index returning -4.5%. The median UK share fell a lot more than this, the MSCI UK Small Cap Index falling -12.1% and now down -22.5% for the year to date.

Total Return of Financial Assets in Q2 2022 (local currency)



Source: Deutsche Bank

Value continued to be robust early in the quarter but then rolled over as markets worried about the extent of the economic downturn, this hitting inflation hedge value; as in the first quarter value was a mixed bunch, consumer and industrial exposed value continued to be very weak, whilst only defensive value remained robust throughout the quarter; value within smaller companies lagged large cap value by a wide margin; large cap value in the US remained stronger than elsewhere.



Source: Bloomberg

Our other key factors, namely recovery, multi-cap, out-of-favour growth and regional diversification were all quite weak and for global portfolios we are underweight the strong USD, despite having some hedging in place. Smaller companies in particular have been weak recently, pretty well all around the world, including the UK which has seen over a year of selling pressure.

The Fund's performance during the quarter was weak in absolute terms and reasonable in relative terms, but remains robust compared to our peer multi-cap fund managers.

The ES R&M Global Recovery Fund returned -8.2% (gross of fees, Z share class) and -8.5% (net of fees, B share class), an outperformance versus the MSCI ACWI (GBP) of 0.3%%. Despite having put quite a lot of capital into more defensive shares over the last year, we are rarely that well placed when equity markets move to discount recession, essentially where we have been transitioning to over the last few months. Inflation hedges such as commodity producers moved to price in an economic downturn rather than continued inflation; value stocks had a correction, cyclical recovery stocks were very weak with the majority of consumer stocks now retracing the lows they fell to during the first wave of Covid, small and mid-cap companies underperformed. And the US dollar was strong. All of the above moves are acting as a drag on our performance at the moment, of course setting up a very strong recovery wave when economic fears bottom-out.

Our performance versus value? We have covered quite a lot of this already, but just to confirm. When there is a return to Value we normally fully participate. This time around we have lagged for three reasons: firstly we run multi-cap funds and the small and mid-cap stocks have significantly underperformed, including value SMIDs (note for example the MSCI UK Smaller Companies Index is down -22.5% this year); secondly we have been pro-cyclical as we looked to exploit the recovery post Covid re-opening, including an overweight Consumer stocks – this positioning has not worked as the market has moved to discount a recession associated with monetary tightening; thirdly only part of the Value universe has worked, inflation hedge value (which we are overweight) and defensive value (where we added last year but are not overweight), meanwhile economically sensitive value has really struggled.

Our long-term returns remain reasonable in the context of a value headwind over much of this period. Over three years the Fund has returned +5.2% p.a. (Z shares) and +4.0% p.a. (B shares) versus +8.5% for the benchmark and since inception the Z shares have returned 11.1% p.a. (B shares have returned +10.0% p.a.) versus 10.3% p.a. for the benchmark.

Our long-term and (since PVT) inception returns are strong, especially versus value benchmarks and peers. My 30-year track record continues to annualise at over 4% p.a. ahead of the index.

Key performance contributors

Positive contributors during the quarter: US tech stocks weak (Amazon, Tesla); robust performance of China stocks (Baidu, Prosus); individual stock successes (Enerplus, H&R Block).

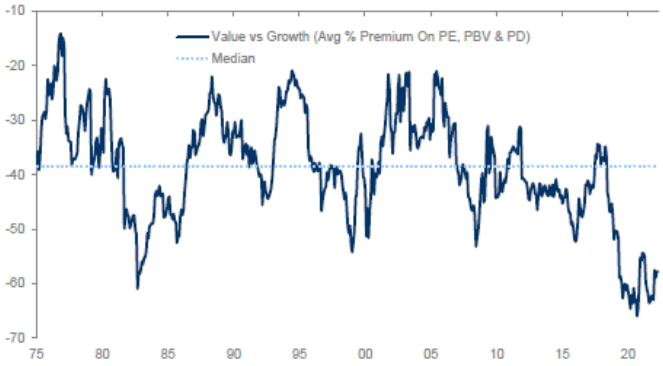
Negative contributors: Overweight smaller companies, underweight mega cap; large cap defensive growth strong (Johnson & Johnson, United Health); consumer cyclicals, industrials and financials weak; individual stock disappointments (Americanas).

Some key charts that support our outlook

All around the world Value is still cheap relative to growth on all metrics including PE and price to book:

Source: Morgan Stanley Research

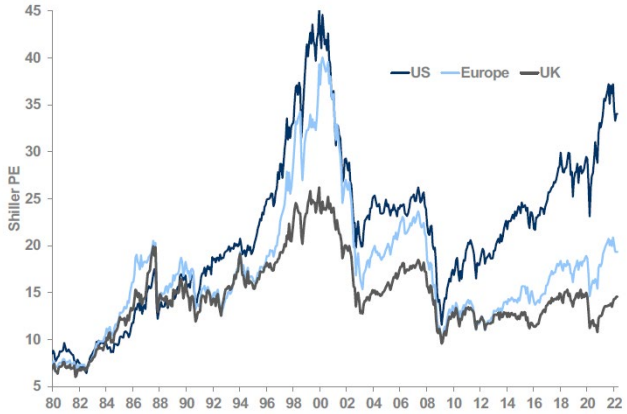
UK Value vs. Growth Average Valuation Premium



Source: Morgan Stanley Research

Some equity markets look quite expensive in absolute terms and relative to history, but many now look reasonable value. In simple terms it remains US equities (higher valuation, but attractive historic growth) versus the rest of the world (RoW) (often low valuations, but need global economic recovery to generate growth); the UK market continues to look attractive on this measure:

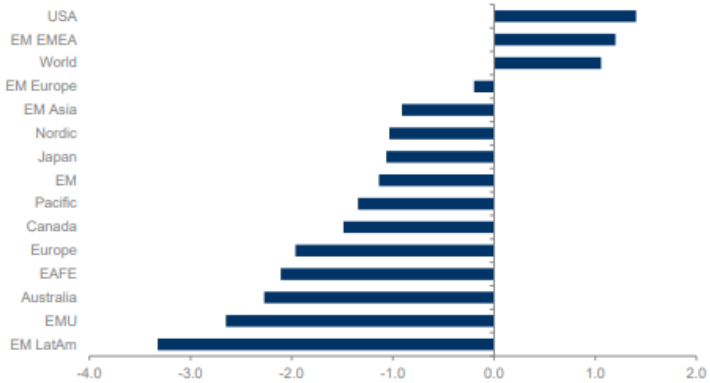
Shiller PEs around the world



Source: Morgan Stanley Research

Relative valuations around the world, based on a number of metrics paint the same picture, the US expensive, the RoW including the UK looking attractive:

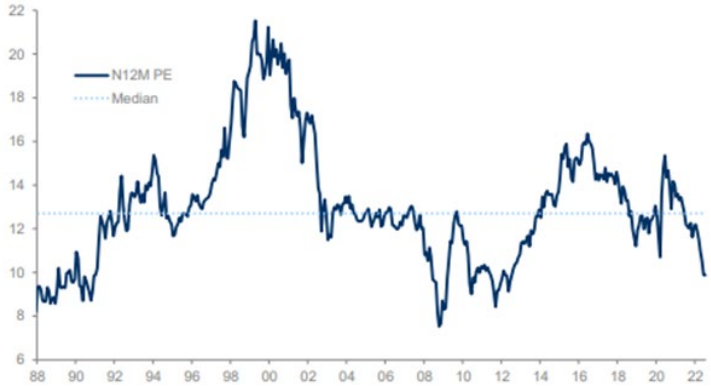
Regional Average Relative Valuations 10-year Z-Score



Source: Morgan Stanley Research

The UK continues to have stand out valuations, good value from an absolute value perspective (prospective PE of less than 10x, a discount to its 10-year history), and rarely been cheaper on a relative basis.

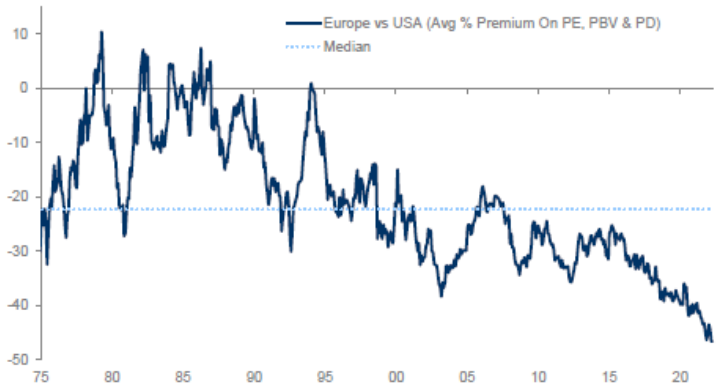
MSCI UK – 12m forward price to earnings



Source: Morgan Stanley Research

And the EU large discount to the US has opened up again following the Putin related set-back and greater exposure to economic risks:

Europe vs USA Average Valuation Premium



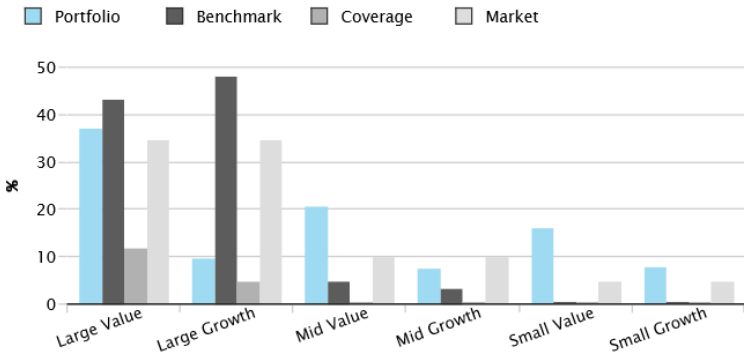
Source: Morgan Stanley Research

Activity and Positioning

We continue to position the portfolio for Value, Recovery, Multi-Cap investing, for deeply out-of-favour structural growers and quality stocks. The latter have made up a greater proportion of activity last quarter with quite a few SMID quality compounders having been de-rated due to fears about an economic downturn and lots of panic selling.

The portfolio's value characteristics have become even more committed over the quarter; as explained above most of our shares are really, really cheap, the portfolio trades on around 10x earnings for 2022, a 1.1x price to book valuation, 0.9x price to sales and high single digit normalised cashflow yields. There is a robust multi-cap bias.

Portfolio allocation to Value and Growth stocks by size and versus benchmark (StyleAnalytics), big exposure to large, mid and small Value, big underweight large growth, focus of growth is undiscovered and out-of-favour small cap though some of the overweight small cap growth is in value stocks that have strong profits momentum:



Source: StyleAnalytics

Looking at activity in the component parts of the portfolio, we modestly topped up our capital allocated to large cap deeper value stocks, adding to Citigroup and BP, this following a significant allocation of capital to this area over the previous two quarters. Our focus (not deliberate, just catalysed by share price corrections) during the quarter was adding to our exposure to medium term quality or growth compounders (in particular in the US) that have become recovery stocks because they are seen as exposed to the economic downturn and because forced sellers created recovery type valuation anomalies. These included significantly adding to our Netflix, Disney, Meta, Penn, Paypal,and Moonpig positions and buying initial positions in Warner Brothers, Nike and Waters Corp.. We added to high scoring *MoneyPenny* recovery stocks such as Fluor, Victoria's Secret and RHI Magnesita. To our detriment we remain overweight (and have been adding on continued weakness) stocks that have benefitted (apart from their share prices) from a post-Covid world, including Starbucks, South West Airlines and

Whitbread, all of which trade at or close to absolute lows achieved when they had no business during the first waves of Covid-19. We continued to add to our S-PVT focused holdings many of which have joined in the worried about the recession sell-off, including adding to Verallia and Danielli. Lastly, we continue to think about strategic value, especially at this time of huge anomalies for M&A activity to exploit, for example adding to Prosieben.

Sales have included taking full profits where our PVT thesis has been delivered, most notably the continued recipients of M&A activity (Mediaset, Grupo Sura), taking some profits in energy stocks following a strong run (Enerplus, Valero); reducing into relative strength (MakeMyTrip), and re-focusing capital towards higher conviction ideas (Unicredit).

More detail on a couple of high conviction stocks:

Kraft Heinz is the third largest food and beverage manufacturer in North America and a top decile *Recovery* stock which embarked on a profound Recovery journey after its new CEO joined the company in mid '19. The first phase of the restructuring was focused on addressing the most pressing issues the company was facing: reducing the number of brands and cutting the overall portfolio exposure to areas with high own label penetration, launching a cost cutting program, increasing cash flow generation, reducing the gearing and improving the company's assets efficiency. After two years of deep transformation, the company launched the second stage of its Recovery strategy in February targeting more ambitious growth both at the revenue and profitability levels providing us with conviction over the continued improvement in its fundamentals. The Valuation is very attractive vs peers, whist not trading at the lows of 2019, still significantly discounted at 13.9x NTM PE vs US Packaged food peers at 16.2x. Timing is supportive on the back of increased confidence from the company strategic update, good 1Q22 results and consensus revenue and profit upgrades year to date (YTD).

AT&T is an attractive top decile *Asset-backed* thesis with an improving fundamental profile on the back of: 1) simplified structure after the spin-off of WarnerMedia (WM); 2) $1bn corporate cost-cutting target; 3) Mobility segment (wireless) which represents 83% of profits has been under an improving trend since FY18 and it is expected to continue to add net subscribers at a healthy pace; 4) Within Consumer wireline, growth in Fibre is expected to offset the decline in voice services; 5) Leverage has been lowered significantly after the WM deal, expected to reach 2.5x ND/EBITDA by 23'. Valuation is very attractive, trading both at PE discount vs a comparable peer such as Verizon and where the company used to trade before its merger with WM. Ultimately, I believe the market should close the dividend yield premium gap vs Verizon. Timing is supportive given the recent WM spin off and positive 1Q22 results delivering wireless net adds above consensus. In addition, it has recently announced price increases ($6/$12) for some plans for the first time in 3Y, which seems to be followed by competitors.

I believe Netflix needs little introduction, being one of the most recognised brands around the globe[1]. It is a ubiquitous product and a name that has gone to lead and define an entire form of accessing media. Netflix is very well regarded by *MoneyPenny*, scored as second decile in *Growth* and *Quality*, a high Potential clearly reflecting the immaculate track record of growth and value creation with an increasingly attractive Valuation[2]. In the first half of the year, its shares derated by 71% with very marked falls around the announcement of the 4Q21 and 1Q22 results. It seems that within six months, streaming has gone from the preferred way to access viewers in the future to be deemed almost unworkable, judging by the share price reaction and valuation of listed streaming peers YTD[3]. Ultimately, there is little doubt that

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[1] Netflix was ranked the third best global brand in Yougov's Global Best Brands Rankings 2021, only below Google and Samsung.

[2] We explored the Netflix investment case in depth case last year but the potential upside was deemed not attractive enough, below 35% over a three year period.

[3] Coincidentally we believe a number of these are very attractive and have some widely owned across portfolios, such as Disney or Viaplay and we will be conducting further research on others like Warner Bros. Discovery and Paramount+.

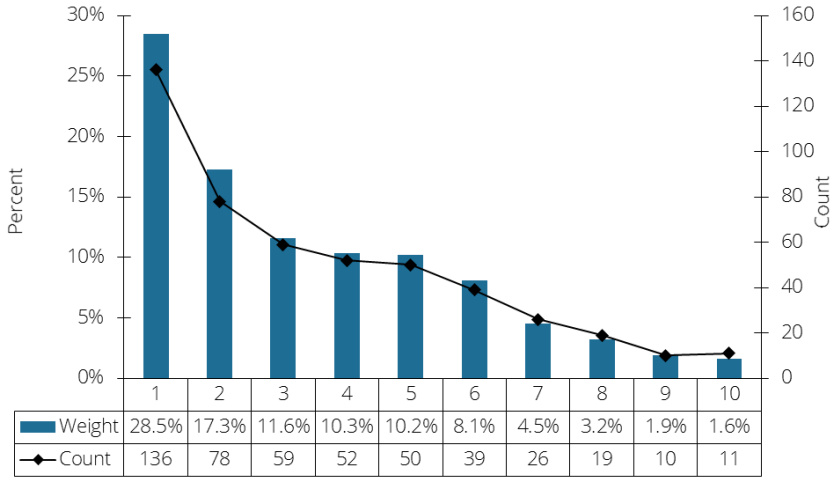
the streaming space has become more competitive, however given the secular growth drivers are still relevant and should continue well into the future, we believe Netflix is well positioned to continue delivering a decent level of growth over the medium term: 1) as a market leader with over 200m subscribers it can be a beneficiary or driver of consolidation whilst also being one of the best positioned to (re)attract third party content from companies not big enough to launch their own streaming service, 2) as already discussed in its latest results update, management are exploring to launch a cheaper, ad-supported tier in order to both reduce churn and attract an additional cohort of users, 3) the management team is also testing higher monetisation of their content by tactically cracking down on password sharing, incentivising users to pay up for additional screens, 4) expanding beyond traditional video formats, as announced a year ago, Netflix is already exploring how it can become a relevant player in the highest growth media segment, video games. After the headline grabbing stock price decline during the first half of the year, we believe the shares of Netflix represent very good Value, with its shares trading below 1stantard deviation of the last ten year average in most of the common multiples we often track, significantly undervaluing the strength of the franchise and growth potential well into the future. To put that into perspective, you would have to have bought Netflix before the launch of its first big original series, House of Cards, back in February 2013 in order to have found the stock at a cheaper PE, BV, EV/EBITDA or EV/Sales multiple. *Timing*, though, is still highly uncertain but we are encouraged by the management team proactiveness, showing already signs that they are both exploring how to further monetise the non-paying user base and offer a lower priced ad-supported subscription.

Moonpig (1st decile *Quality*, S-PVT 1) is the dominant online greeting card retailer in the UK and Netherlands. Since IPO a couple of years ago, it has delivered robust growth but has recently been hugely derated as the benefits of Covid (to its online business model) rolled over and it got caught up in the flood of capital out of UK SMIDs (shares halved this year). This has left the valuation on a modest 15x earnings with our analyst valuing it at over 100% premium to the current share price. They have a relatively modest c10% of the UK card market, this will continue to grow as will the take-up of gifts that are bought alongside cards. Revenue, profits and cash flow will grow robustly as a result. In a normal (non-Covid rollover) year it would not be cyclical.

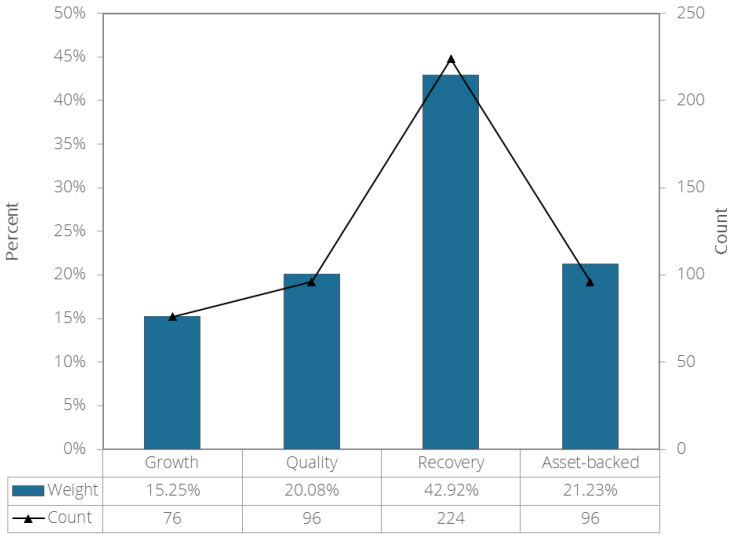
Are we following our PVT and S-PVT Philosophy & Process and a consistently articulated style and factor bias?

Yes. The portfolio remains clearly skewed towards high scoring *MoneyPenny* stocks; it has a clear Value bias; it has exposure to all four of our categories of Potential but with a greater tilt to *Recovery* and *Asset-backed* due to the richer anomaly set in this part of the market; it is a multi-cap portfolio.

Decile skew to 30 June 2022:



Category skew to 30 June 2022:



Source: River and Mercantile Asset Management LLP

Outlook

As I have articulated above, 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 and have strong medium term shareholder value growth potential. It is a portfolio that should create significant wealth over the medium term and should not lose permanent capital for patient investors.

In the short term it is difficult to say; perhaps the current fearful consensus is right and stagflation impacts and economic uncertainty will prevent good 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 inflationary fears will lead to a quick shift in the narrative that will allow our lowly valued stocks to rebound vigorously.

Meanwhile our key factors - Value, Recovery, Multi-Cap, out-of-favour Growth and value based regional allocation - are all at, or close to the low point of their cycles. There is a lot of potential performance in this portfolio.

Thank you, as ever for your support and patience.

Hugh Sergeant
Head of Value and Recovery strategies

July 2022

FUND HOLDINGS AND PORTFOLIO WEIGHT

Holding	Weight (%)
Alibaba Group	0.84
Meta	0.80
Citigroup	0.78
Baidu	0.77
Pfizer	0.70
PayPal	0.66
Wells Fargo & Co.	0.64
State Street Corp	0.58
Alphabet class A	0.57
Walt Disney Company	0.53
Somero Enterprises	0.51
D R Horton	0.51
Prosus	0.49
Berkshire Hathaway	0.49
Cemex	0.48
Marathon Oil	0.47
Naspers	0.47
Avnet	0.45
Raytheon Technologies	0.44
Bank of America	0.44
Bayer	0.44
Lloyds Bank	0.43
Rio Tinto	0.43
Bank of Ireland	0.42
Cielo	0.42
Gresham House	0.42
Tencent	0.41
Subsea 7	0.41
Unilever	0.40
BNP Paribas	0.40
Huntington Bancshares	0.40
NOV	0.40
ING Group	0.39
Banco Santander	0.39
Las Vegas Sands	0.38
Prada	0.38
Tenaris	0.38
Total	0.37
JPMorgan Chase	0.37
APA Corp	0.37
Roche Holdings	0.37
Baker Hughes	0.36
Harbour Energy	0.36
Anglo American	0.36
Amazon.com	0.35
Starbucks	0.35
JD.com, Inc. Class A	0.35
Charles Schwab	0.35
Trip.com Group	0.35
CGG	0.35
Verallia	0.35
China Lesso Group	0.34
Coca-Cola	0.34
Devon Energy	0.34
Prudential	0.34
Richemont	0.34
Mohawk Industries	0.34
AT&T	0.34
Citizens Financial Group	0.34
Owens Corning	0.33
UBS Group	0.33
Eni	0.33
Nikon	0.33
Danieli & C Officine	0.32
Societe Generale	0.32
Intesa	0.32
Heidelberg Cement	0.32
Galp Energia	0.32
General Electric Co	0.32
Applus Services	0.31

Holding	Weight (%)
Bangkok Bank	0.31
Swire	0.31
Sumitomo Mitsui Financial	0.31
Netflix	0.31
Smith & Nephew	0.30
Boeing	0.30
Standard Chartered	0.30
Schlumberger	0.30
Bank of Kyoto	0.30
Omnicom Group	0.30
Natwest Group	0.29
Southwestern Energy	0.29
East West Bank	0.29
Spotify	0.29
Delta Air Lines	0.29
Shell	0.28
Whitbread	0.28
Capital & Counties	0.28
Blsa De Vals De Colombia	0.28
Harley Davidson	0.28
Northbridge	0.28
HSBC Holdings	0.28
Treasury Wine Estates	0.28
iQIYI	0.27
JAPEX	0.27
SKF	0.27
Titan Cement International	0.27
H&R Block	0.27
Resideo Technologies	0.27
Wal Mart Stores	0.27
Ping an Insurance	0.27
Wynn Macau	0.27
IBM	0.27
Tosei	0.27
Delivery Hero	0.27
Fugro	0.27
Tencent Music Ent.	0.27
Zions Bancorporation	0.26
Zimmer Biomet Holdings	0.26
Iberdrola	0.26
CK Hutchinson Holdings	0.26
American Express	0.26
Knight-Swift Transportation	0.26
Japan Post Holdings	0.26
Spirit Aerosystems	0.26
Tune Protect	0.26
First Interstate Bank	0.26
FLSmidth & Co	0.26
Siemens	0.26
Stericycle	0.26
Parker-Hannifin	0.26
Bristol-Myers Squibb	0.26
Intel	0.26
Fidelity China Special	0.25
Uber Technologies	0.25
Viatris	0.25
Airbus	0.25
MS&AD Insurance	0.25
Vistry Group	0.25
Valid	0.25
CIMB Group	0.25
China Everbright Int'l	0.25
Aumann	0.25
Mediobanca	0.25
Singtel	0.24
Fiserv	0.24
Pinterest	0.24
Booking Holdings	0.24
Penn National Gaming	0.24
Noah Holdings	0.24

Holding	Weight (%)
EFG Eurobank Ergasias	0.24
Mosaic	0.23
Elis	0.23
McKesson	0.23
Capri Holdings	0.23
Henkel	0.23
Capita	0.23
SATS	0.23
Coca-Cola West Company	0.23
Southwest Airlines	0.23
Oracle	0.23
Neinor Homes	0.23
Yageo	0.22
Criteo	0.22
Artisan Partners A.M.	0.22
Dai-ichi Life Insurance	0.22
Genting Berhad	0.22
Industria De Diseno Textil	0.22
Cisco Systems	0.22
Greentown Service Group	0.22
Moonpig	0.22
Hunting	0.22
Caixa Bank	0.22
Bloomin' Brands	0.22
Banco Bilbao Vizcaya	0.22
3M	0.22
PPC	0.22
ABSA Group	0.22
eBay	0.22
Schibsted	0.22
Société Bic	0.21
2U	0.21
Antofagasta	0.21
Fu Shou Yuan Int'l	0.21
Marriott International	0.21
Vitesco Technologies	0.21
Vodafone	0.21
Danone	0.21
Aryzta	0.21
Banca Farmafactoring	0.21
Softbank	0.21
Sansei Technologies	0.21
Cegedim	0.21
ViacomCBS	0.21
Canada Goose Holdings	0.21
Continental AG	0.21
Fresenius	0.21
Bank of China (Hong Kong)	0.20
Westrock	0.20
Swatch Group	0.20
Sime Darby Property	0.20
Jardine Cycle & Carriage	0.20
Hutchison Port Holdings	0.20
Hongkong Land Holdings	0.20
MFE-MediaForEurope	0.20
Link Net	0.20
Ocean Wilson Holdings	0.20
Bankinter	0.20
Veolia Environment	0.20
GAM	0.20
RHI Magnesita	0.20
Affiliated Mgers Grp	0.20
Applied Materials	0.20
Gilead Sciences	0.20
Tremor International	0.20
Kraft Heinz Co	0.20
Sime Darby	0.20
Van Lanschot	0.20
Wickes	0.20
Imax	0.20

Source: River and Mercantile Asset Management LLP

FUND HOLDINGS AND PORTFOLIO WEIGHT (CONTINUED)

Holding	Weight (%)
Adecco	0.19
DBS Holdings	0.19
Coca-Cola Icecek	0.19
Axa	0.19
Nokia (AB)	0.19
Deutsche Lufthansa	0.19
Tullow Oil	0.19
Coats	0.19
Eucatex	0.19
Unipol	0.19
HDFC Bank	0.19
Allfunds Group	0.19
Sage	0.19
Telefonica	0.19
Axalta	0.18
Kendrion	0.18
Nomura Holdings	0.18
Kitz Corp	0.18
Weyerhaeuser	0.18
Almawave	0.18
Beijing Capital Intl Airport	0.18
Fedex Corp	0.18
Semen Indonesia	0.18
Fluor Corporation	0.18
Anima	0.18
Exor	0.18
DeNA	0.18
Infineon	0.18
ThyssenKrupp	0.18
Yum China	0.18
The Restaurant Group	0.18
Autohome	0.18
Mega Manunggal Prop.	0.18
Societe TV Francaise 1	0.18
Wisdomtree Investments	0.18
Sprouts Farmers Market	0.17
Snap-On	0.17
Volkswagen	0.17
Shop Apotheke	0.17
IJM Corporation	0.17
Grab Holdings	0.17
FinecoBank	0.17
Univar Solutions	0.17
Samsung Life Insurance	0.17
Novabase	0.17
Warner Bros Discovery	0.17
Shangri-La Asia	0.17
Draftkings	0.17
Caterpillar	0.17
Iveco	0.17
Eastman Chemical	0.17
BASF	0.17
Mitsubishi Estate	0.17
AP Moller Maersk	0.17
General Motors	0.17
GAN	0.17
Banco Do Brasil	0.17
Gresham House Strategic	0.17
Vimeo	0.17
Callaway Golf	0.17
Consorcio ARA	0.17
Siemens Energy	0.17
Filtronic	0.16
Chegg	0.16
Koninklijke Philips	0.16
LG Chem	0.16
Johnson Controls	0.16
MakeMyTrip	0.16
Willis Towers Watson	0.16
Genting Singapore	0.16

Holding	Weight (%)
China Merchants Bank	0.16
Western Union	0.16
Ipsos	0.16
Saint-Gobain Group	0.16
Taiheiyo Cement	0.16
Legal & General	0.16
Value Partners	0.16
WW Grainger	0.16
NKT	0.16
Hi Sun Technology	0.16
Ping Identity Holding	0.16
Hong Kong Exchanges	0.16
Re/Max Holdings	0.16
Dufry	0.16
Toyota Industries	0.16
Agco Corp	0.16
RWS Holdings	0.15
Herige	0.15
Vicat	0.15
Haitong Securities	0.15
TripAdvisor	0.15
TraXion	0.15
Bpost	0.15
Nippon Indosari Corpindo	0.15
Poste Italiane	0.15
Kyndryl Holdings	0.15
Victoria's Secret & Co	0.15
Incitec Pivot	0.15
Wing Tai	0.15
BorgWarner	0.15
ASE Technology Holding	0.15
Trend Micro Japan	0.15
Lumber Liquidators	0.15
Blue Apron	0.15
Nike	0.15
Sleep Country Canada	0.15
Toyota	0.15
Chow Sang Sang	0.15
Carnival	0.15
Tsubakimoto Chain	0.15
Dormakaba Holding	0.15
Scor	0.15
SBI Group	0.15
Eckoh	0.14
Deutsche Bank	0.14
Rolls-Royce	0.14
Antares Vision	0.14
Micron Technology	0.14
Bukalapak.com	0.14
Daimler Truck	0.14
FNAC Darty	0.14
Seco Tools	0.14
Bang & Olufsen	0.14
Dometic Group	0.14
Waters	0.14
21Vianet	0.14
Samsung Electronics	0.14
Yunnan Baiyao Group	0.14
Take-Two Interactive	0.14
Grupo Sura	0.14
ASOS Holdings	0.14
Anritsu Corp	0.14
Kyocera Corp	0.14
Brasil Bolsa Balcao	0.14
Darden Restaurants	0.14
Dropbox	0.14
Global Payments	0.13
Americanas	0.13
ABB Ltd	0.13
Jumbo	0.13

Holding	Weight (%)
Multichoice Group	0.13
Ceconomy	0.13
Toyo Tanso	0.13
Universal Music Group	0.13
Melia Hotels International	0.13
Industrias Penoles	0.13
Qualicorp	0.13
Kingsoft Cloud	0.13
Alkemy	0.13
Hello Group	0.13
Hellofresh	0.13
Tsubaki Nakashima	0.13
Sony Corp	0.13
Falabella	0.12
Dowa	0.12
Beyond Meat	0.12
Eiffage	0.12
Cairn Homes	0.12
Okamoto Industries	0.12
CJ Group	0.12
Hyundai Motor Company	0.12
Eurazeo	0.12
Adidas	0.12
Cosco Pacific	0.12
GDS Holdings	0.12
Porsche Automobil	0.12
Mattel	0.12
Digital Value	0.12
Salvatore Ferragamo	0.12
Rakuten	0.12
Fraser and Neave	0.12
BMV	0.12
Gourmet Master Co	0.12
Upland Software	0.12
Alibaba Health IT	0.12
Tadano	0.12
Frankfurt Airport	0.12
Henry Schein	0.12
Kerlink	0.12
Farfetch	0.12
Gruppo MutuiOnline	0.12
Volvo	0.12
LG Corp	0.12
Hayward Holdings	0.12
Tinexta	0.11
Prosiebensat.1 Media	0.11
Sabre Corp	0.11
Inversiones La Construcción	0.11
Carlsberg	0.11
WP Inwestor	0.11
Roblox	0.11
Tsumura & Co	0.11
Nitto Denko	0.11
The Cheesecake Factory	0.11
Royal BAM Group	0.11
Trisul	0.11
Piaggio	0.11
Essilorluxottica	0.11
ams	0.11
Centrica	0.11
Lojas Renner	0.11
Minwise	0.11
SAP	0.10
The Weir Group	0.10
Atos	0.10
Profarma	0.10
Fukuda Denshi	0.10
BP	0.10
Bath & Body Works	0.10
Manchester United	0.10

Source: River and Mercantile Asset Management LLP

FUND HOLDINGS AND PORTFOLIO WEIGHT (CONTINUED)

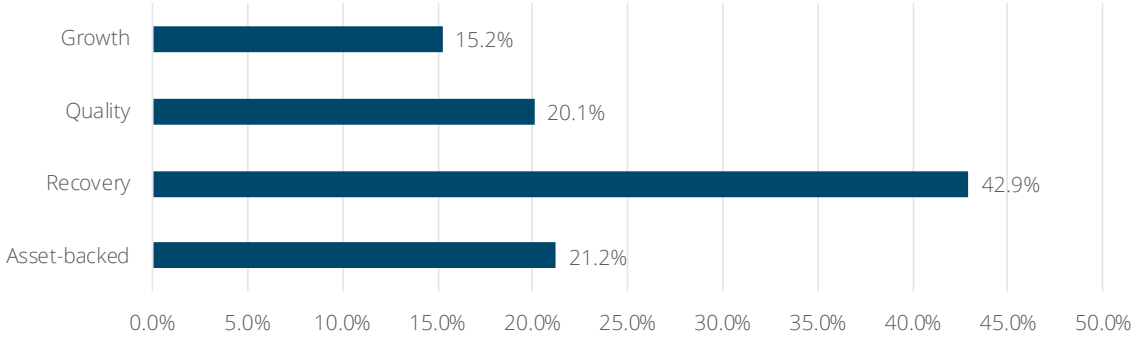
Holding	Weight (%)
Fourlis Holdings	0.10
Mercadolibre	0.10
Rent the Runway	0.10
OMV Group	0.10
British Land	0.10
Piraeus Port Authority	0.10
Kingsoft Corp	0.10
Acerinox	0.10
FANUC	0.09
Geely Automobile Holdings	0.09
Nexi	0.09
Clear Sale	0.09
Hyundai Glovis	0.09
Heijmans	0.09
Meyer Burger	0.09
Cie des Alpes	0.09
JAFCO Co	0.09
Aker Carbon Capture	0.09
Hellenic Exchanges	0.09
Imerys	0.09
Toppa	0.09
Hyundai Mobis	0.09
MFE-MediaForEurope	0.09
Seino Holdings	0.09
JD Logistics	0.08
LG Household & Health Care	0.08
Landis+Gyr	0.08
Yahoo Japan	0.08
Chanjet Info Technology	0.08
Solocal Group	0.08
On the Beach Group	0.08
Ping An Good Doctor	0.08
Sunac China Holdings	0.08
GMO Internet	0.08
Telenet	0.08
Nordic Entertainment	0.07
Vital KSK	0.07
Keppel	0.07
Cosco Capital	0.07
Stellantis	0.07
Logitech International	0.07
CJ O Shopping	0.07
Datalogic	0.07
Repsol	0.07
RealReal	0.07
Metso Outotec	0.06
Bilibili	0.06
Sea Limited	0.06
PT Indofood CBP Sukses	0.06
Nichi-Iko Pharmaceutical	0.06
Kering	0.06
Nippon Parking Dev.	0.05
Base	0.05
Nippon Paint	0.05
Nucor	0.05
Valmet	0.05
Pola Orbis	0.05
Whirlpool Corporation	0.05
Xometry	0.05
Recticel	0.05
Splunk	0.05
Covestro	0.05
Denyo Co	0.04
ZimVie	0.04
Rangers International FC	0.04
Tachi-S Co	0.04
Marisa Lojas	0.04
Airbnb	0.04
SIT	0.03
CIE Financiere Richemont	0.00

Holding	Weight (%)
Valid	0.00
Marisa Lojas	0.00
Mail.ru	0.00
Banco Espirito Santo	0.00
Qiwi	0.00
Cash	0.52
TOTAL	**100.00**

Source: River and Mercantile Asset Management LLP

PVT CATEGORIES OF POTENTIAL

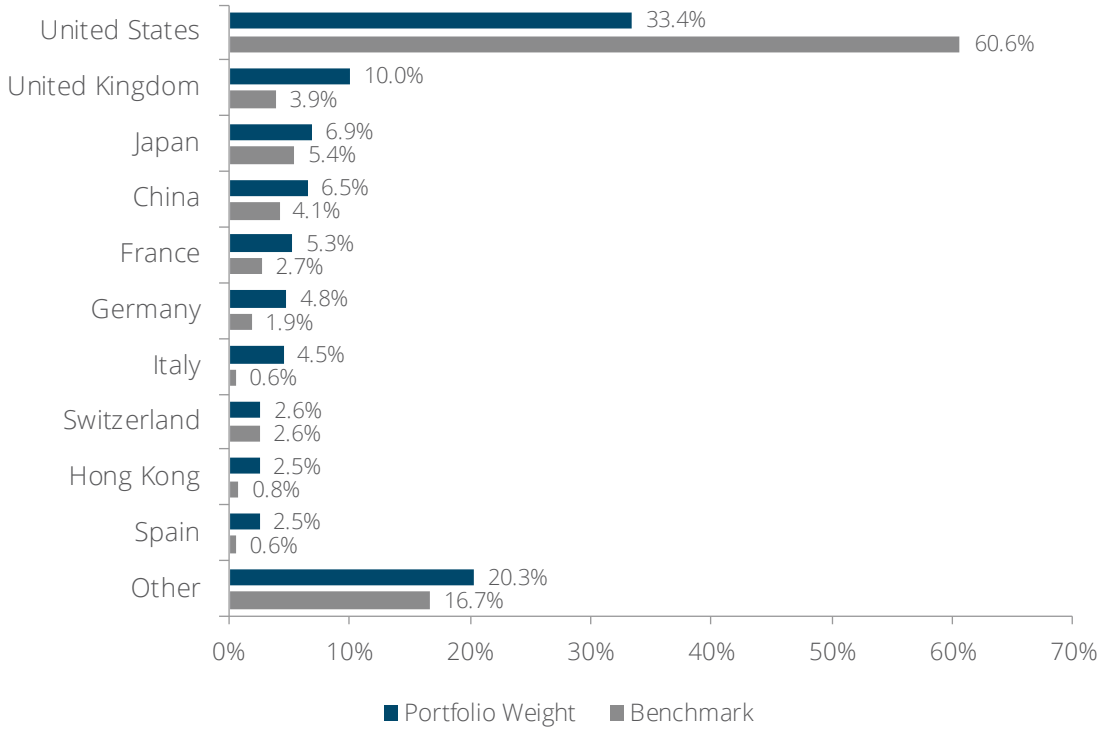
This chart shows the weighting of the fund's holdings across the four categories of Potential, related to the stages of a company's life cycle, as defined within the R&M investment philosophy known as 'PVT' – Potential, Valuation, Timing.



Source: River and Mercantile Asset Management LLP

COUNTRY WEIGHTS

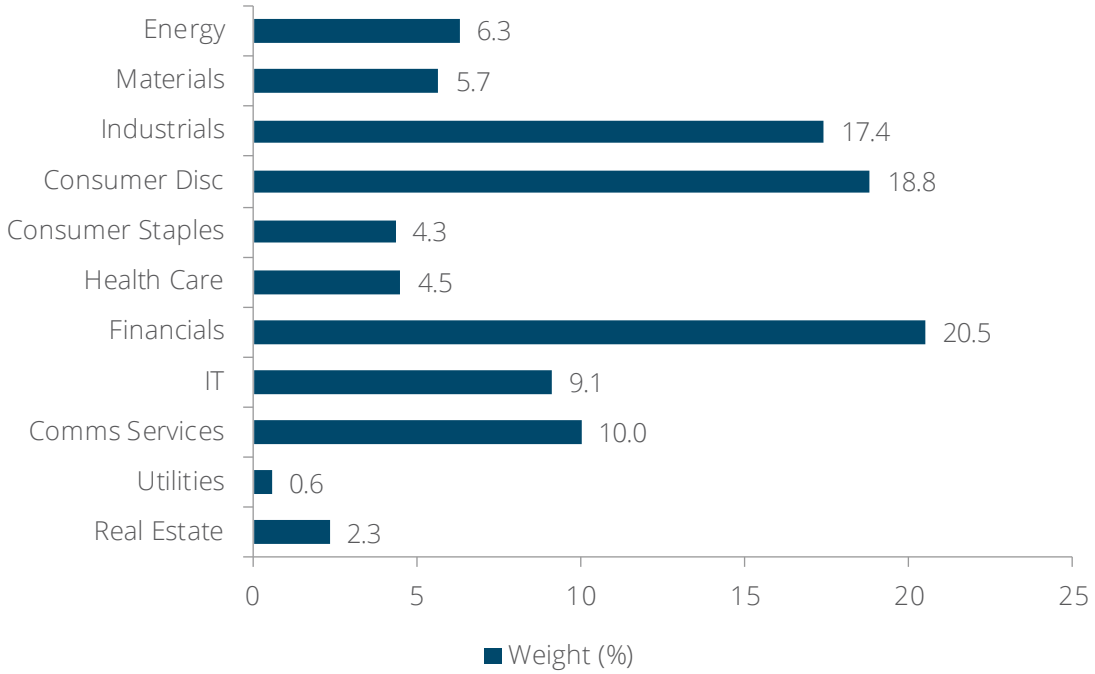
This table shows a comparison of fund and benchmark weightings across a range of company values



Source: FactSet

INDUSTRIAL SECTOR WEIGHTS

This graph shows fund weightings across the industrial sectors classified by the MSCI Global Industry Classification Standard (GICS).



Source: FactSet

TOP 10 ACTIVE POSITIONS VS THE BENCHMARK

This table highlights the securities in which the fund weight differs most from that of the benchmark, with the 'overweights' showing 10 securities with the greatest weight difference above the benchmark's position, and the 'underweights' showing 10 securities with the greatest weight difference below the benchmark's position. The difference is known as the 'active weight'.

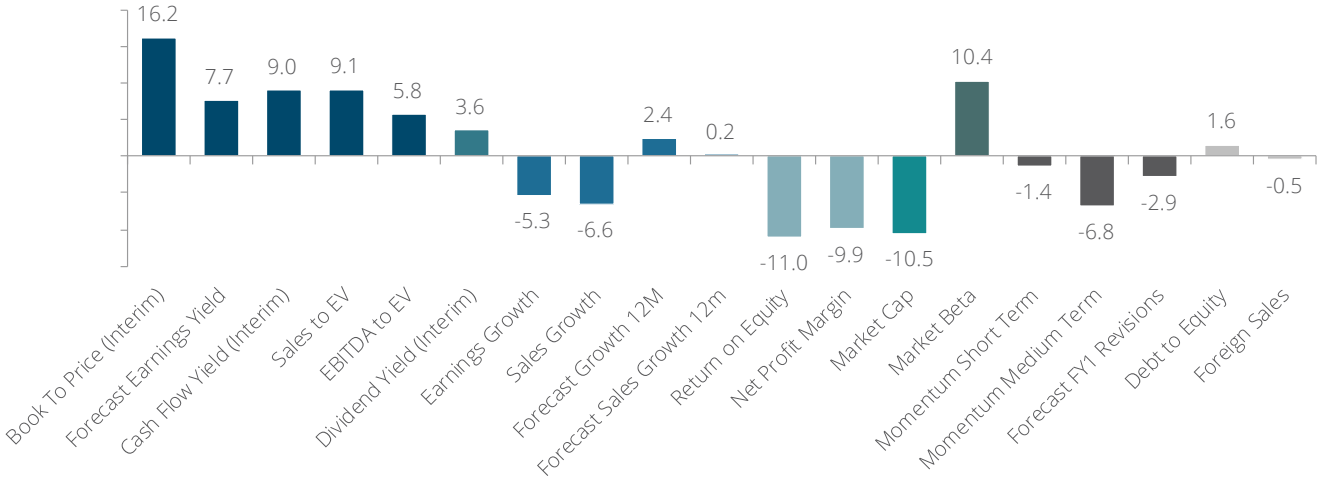
Overweights	Sector	Fund	% Benchmark	Active
Baidu	Communication Services	0.77	0.08	0.69
Citigroup	Financials	0.78	0.16	0.62
State Street Corp	Financials	0.58	0.04	0.54
PayPal	Information Technology	0.66	0.14	0.52
Somero Enterprises	Industrials	0.51	0.00	0.51
Cemex	Materials	0.48	0.01	0.47
D R Horton	Consumer Discretionary	0.51	0.04	0.47
Avnet	Information Technology	0.45	0.00	0.45
Alibaba Group	Consumer Discretionary	0.84	0.39	0.45
Marathon Oil	Energy	0.47	0.03	0.44

Underweights	Sector	Fund	% Benchmark	Active
Apple	Information Technology	0.00	4.01	-4.01
Microsoft	Information Technology	0.00	3.29	-3.29
Alphabet class A	Communication Services	0.57	2.30	-1.73
Amazon.com	Consumer Discretionary	0.35	1.75	-1.40
Tesla Inc	Consumer Discretionary	0.00	1.06	-1.06
UnitedHealth	Health Care	0.00	0.87	-0.87
Johnson & Johnson	Health Care	0.00	0.84	-0.84
Taiwan Semi Mfng	Information Technology	0.00	0.71	-0.71
Nvidia Corp	Information Technology	0.00	0.68	-0.68
Exxon Mobil	Energy	0.00	0.65	-0.65

Source: FactSet

PORTFOLIO STYLE SKYLINE

This graph shows the Style Tilts™ of the fund against the benchmark as calculated by StyleAnalytics, highlighting stylistic differences between the fund and its benchmark.



Source: StyleAnalytics

STOCK LEVEL PERFORMANCE ATTRIBUTION

This table shows the best and worst contributors to the fund's performance relative to the benchmark. The average active weight highlights whether the fund held a larger or smaller position in a stock than the benchmark did, on average over the period. As performance is relative to the benchmark, outperformance of the benchmark can come from the fund holding a larger position than the benchmark in a stock that performs well, or a lower position than the benchmark (or even a zero holding) in a stock that performs poorly. The contribution to active return is the return that the position has contributed relative to the benchmark.

Greatest Positive Contribution	Average Active Weight	Contribution to Active Return
Amazon.com	-1.53%	0.37%
Tesla Inc	-1.17%	0.33%
Nvidia Corp	-0.79%	0.32%
Apple	-4.12%	0.28%
Enerplus	0.44%	0.18%
Baidu	0.60%	0.17%
Naspers	0.35%	0.16%
Alphabet class A	-1.78%	0.13%
Prosus	0.30%	0.12%
H&R Block	0.26%	0.12%

Greatest Negative Contribution	Average Active Weight	Contribution to Active Return
PayPal	0.49%	-0.14%
UnitedHealth	-0.78%	-0.13%
Johnson & Johnson	-0.78%	-0.13%
Americanas	0.17%	-0.12%
Carnival	0.20%	-0.12%
Exxon Mobil	-0.64%	-0.12%
Eli Lilly & Co	-0.40%	-0.11%
Tremor International	0.24%	-0.10%
Spirit Aerosystems	0.28%	-0.10%
Merck & Co	-0.37%	-0.09%

Source: FactSet

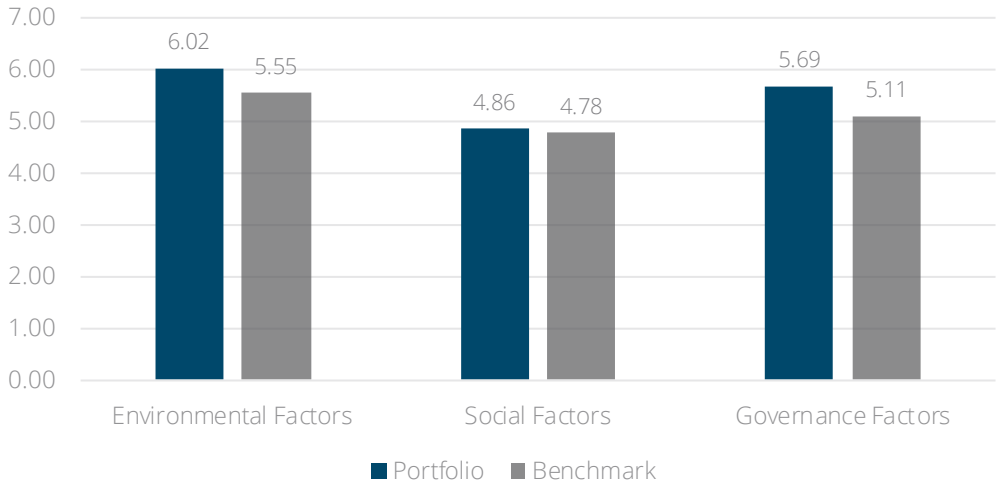
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTOR ANALYSIS

This report is designed to give a broad overview of the portfolio from the perspective of Environmental, Social and Governance factors. Whilst the portfolio is not run to be optimised with these factors in mind, we may expect to take major risks into consideration when analysing stocks.

This table compares the portfolio and benchmark asset weightings by value with data from MSCI ESG Research.

	Portfolio	Benchmark
Assets covered by MSCI ESG Research	89.5%	99.8%
Assets scoring in the bottom decile	0.3%	0.5%

The chart below illustrates how the portfolio and its benchmark compare on average Environmental, Social and Governance scores. Scores are based on a 1 to 10 scale, where 1 is the lowest/worst and 10 is the highest/best.



10 highest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Societe Generale	0.3%	0.0%	AAA	10.0
Galp Energia	0.3%	0.0%	AAA	10.0
Banco Bilbao Vizcaya	0.2%	0.1%	AAA	10.0
Société Bic	0.2%	0.0%	AAA	10.0
Sage	0.2%	0.0%	AAA	10.0
Sprouts Farmers Market	0.2%	0.0%	AAA	10.0
Johnson Controls	0.2%	0.1%	AAA	10.0
Legal & General	0.2%	0.0%	AAA	10.0
Sony Corp	0.1%	0.2%	AAA	10.0
Royal BAM Group	0.1%	0.0%	AAA	10.0

10 lowest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
Toyo Tanso	0.1%	0.0%	CCC	0.4
Hyundai Mobis	0.1%	0.0%	CCC	0.7
Cosco Pacific	0.1%	0.0%	CCC	0.9
Porsche Automobil	0.1%	0.0%	B	1.4
Pfizer	0.7%	0.5%	B	1.5
Hutchison Port Holdings	0.2%	0.0%	B	1.5
Semen Indonesia	0.2%	0.0%	B	1.6
Vitesco Technologies	0.2%	0.0%	B	1.7
Carnival	0.1%	0.0%	B	1.7
Digital Value	0.1%	0.0%	B	1.7

Source: MSCI ESG Research, ©2022 MSCI ESG Research LLC. Reproduced by permission.

BROKER COMMISSIONS ANALYSIS

Counterparty	Total (£)	Commission Paid (£)
		Execution Only
ABG SUNDAL COLLIER	240,354.73	144.22
ATLANTIC SECURITIES	4,141,410.49	2,484.87
BANCO ITAU	185,085.30	185.08
BARCAP	1,497,299.38	940.68
BERENBERG	452,061.73	325.86
BofA MERRILL LYNCH	0.00	0.00
BTG PACTUAL	1,379,555.73	1,379.55
CANACCORD ALGO	3,091,121.96	1,236.41
CANACCORD GENUITY	0.00	0.00
CENKOS	0.00	0.00
CITI PROG	373,972.34	74.80
CITIGROUP	2,179,920.19	1,300.85
CLSA	993,767.04	767.80
CREDIT SUISSE	3,124,302.40	2,011.70
DEUTSCHE BANK	0.00	0.00
EXANE	1,061,608.09	636.97
FINNCAP	0.00	0.00
GBM	81,793.92	81.80
GOLDMAN SACHS	0.00	0.00
GOODBODY	125,525.00	75.32
HSBC	1,939,682.70	1,354.46
ING	143,115.08	85.87
INSTINET	249,128.02	149.48
INVESTEC	1,807,353.08	1,181.90
ITG	389,186.34	233.52
ITG ALGO	796,762.71	318.71
J&E DAVY	111,020.00	88.82
JANE STREET	0.00	0.00
JEFFERIES	4,502,041.40	3,248.67
JEFFERIES ALGO	2,519,935.24	1,007.98
JPMORGAN CHASE	3,902,316.32	2,352.82
KEPLER CHEUVREUX	1,767,067.56	1,060.24
LIBERUM	126,763.92	76.05
LIQUIDNET	2,608,550.91	1,552.24
MEDIOBANCA	1,749,705.20	1,049.82
MIZUHO	2,153,070.33	916.59
MORGAN STANLEY	2,508,672.43	1,625.63
NORTHERN TRUST CORP	440,123.64	298.26
NPLUS1 SINGER	381,471.77	305.18
NUMIS	0.00	0.00
PANMURE GORDON	0.00	0.00
PEEL HUNT	304,002.30	243.20
RAYMOND JAMES	4,750,639.09	2,850.40
RBC	0.00	0.00
RBC ALGO	557,252.07	222.90
REDBURN	0.00	0.00
SANTANDER	1,268,957.17	2,021.70
SHORE CAPITAL	91,988.49	63.83
SOCIETE GENERALE	0.00	0.00
STIFEL EUROPE	88,172.98	70.54
STIFEL NICOLAUS	1,241,546.66	744.92
SUSQUEHANNA INTERNATIONAL GRO	0.00	0.00
UBS	3,891,692.35	2,469.73
UBS PROG	10,440,158.10	4,161.78
WINTERFLOOD	53,867.25	43.09
FLOWTRADERS	0.00	0.00
CONFIRMED FUND PRICE	0.00	0.00
OPTIVER	0.00	0.00
LLOYDSCRE	0.00	0.00
BANK OF MONTREAL	7,814,075.83	4,688.46
BTIG	0.00	0.00
LIQUIDNET ALGO	156,201.13	46.86
JEFFRIES	156,179.20	156.18
	£ 77,838,477.57	**£ 46,335.74**

Firm Wide Comparators

All Equity Trading	**£**	**728,291,722.26**	**£414,710.82**
Trades:	**£**	**77,838,477.57**	**£46,335.74**
Average Firm-Wide Commission Rate (%)			0.06%
Average Commission Rate (%)			0.06%

Source: River and Mercantile Asset Management LLP

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