30 JUNE 2022

ES River and Mercantile EUROPEAN FUND

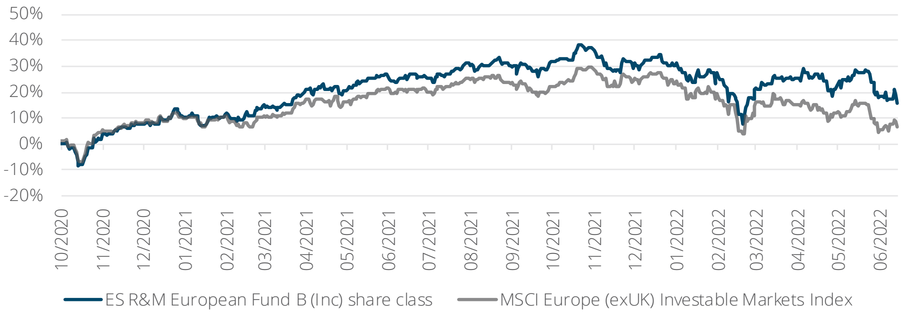
CLASS B GBP (Income)

RIVER AND MERCANTILE

PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Inc) share class since the launch of the share class on 16 October 2020.
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

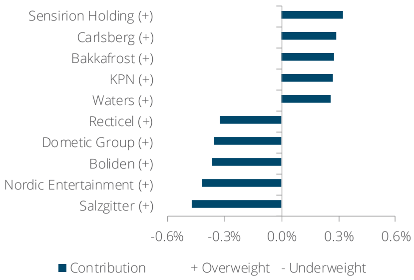
	1 month %	3 months %	1 year %	3 years %	Since inception %
B share class (Inc)	-9.6	-8.1	-7.6	-	15.6
Benchmark	-7.5	-9.3	-11.3	-	6.4

DISCRETE 12 MONTH PERFORMANCE

	12 months to 30/06/2018	12 months to 30/06/2019	12 months to 30/06/2020	12 months to 30/06/2021	12 months to 30/06/2022
B share class (Inc)	-	-	-	-	-7.6%
Benchmark	-	-	-	-	-11.3%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

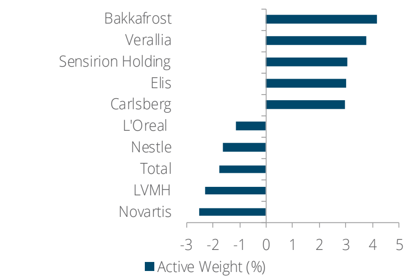
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: Factset

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

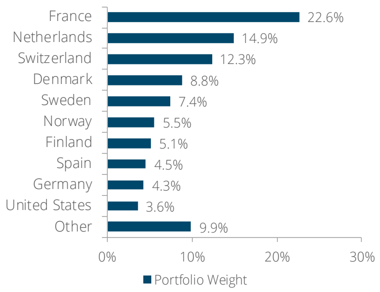
The securities in which the portfolio weight differs most from that of the benchmark.



Source: Factset

TOP 10 COUNTRY WEIGHTS

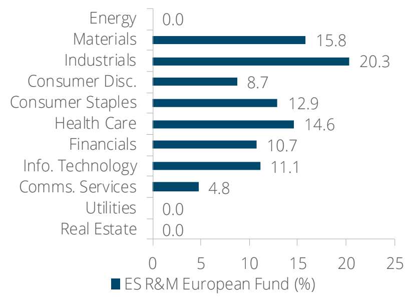
The portfolio's ten largest country holdings by total weight.



Source: Factset

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: Factset

INVESTMENT OBJECTIVE

To achieve a return (income and growth in the value of your investment (known as "capital growth) over a rolling period of at least five years, by investing in a core concentrated portfolio of shares of European companies.

PORTFOLIO MANAGER

James Sym

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	49
Fund Volatility	14.6%
Benchmark Volatility	13.4%
Beta	1.04
Tracking error	4.44
Active Money	80.2%

KEY FACTS

Fund launch date	30/09/2020
Share class launch date	16/10/2020
Benchmark	MSCI Europe (ex-UK) IM index
IA sector	Europe ex-UK
Total fund size	£108.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	BMX64P1
ISIN	GB00BMX64P13
Bloomberg	ESRMEBI
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.95%

DEALING INFORMATION

Dealing frequency	Daily
Dealing cut-off time	12pm (UK)
Valuation point	12pm (UK)
Settlement	T+4
Minimum investment	£1000

SYNTHETIC RISK & REWARD INDICATOR (SRRI)

1	2	3	4	**5**	6	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

CONTACT DETAILS

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TOP 10 HOLDINGS

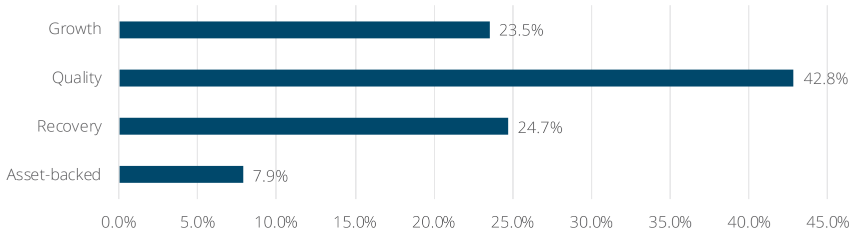
The ten largest positions by weight held in the portfolio.

	Weight (%)
Bakkafrost	4.2
Roche Holdings	4.2
Verallia	3.8
Sanofi	3.6
Air Liquide	3.5
Carlsberg	3.1
Sensirion Holding	3.1
Elis	3.0
ING Group	2.9
NKT	2.9

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

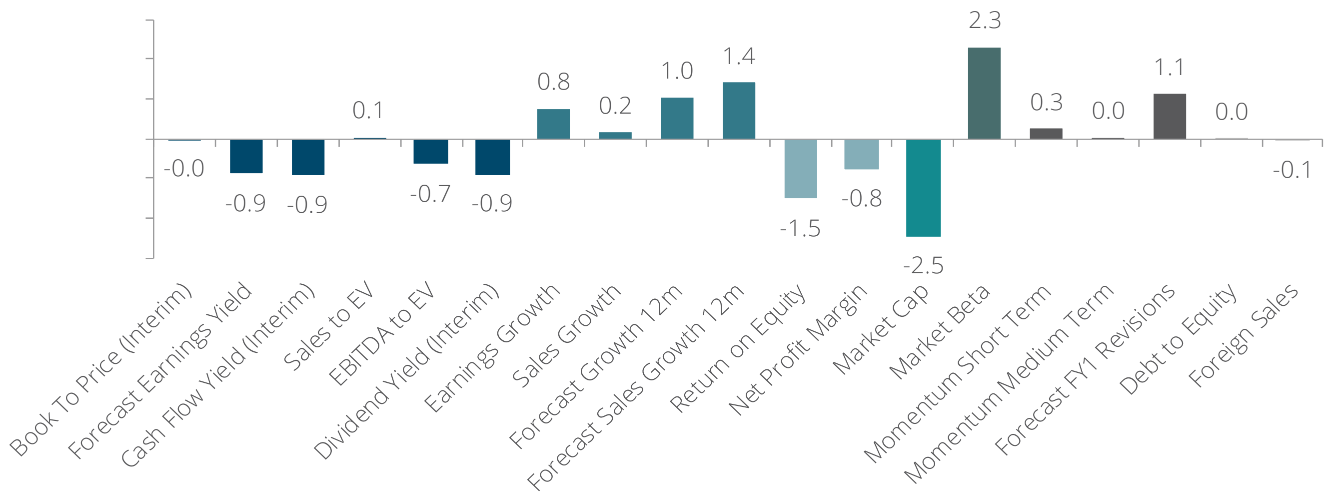
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

SQUARE MILE
P+
POSITIVE PROSPECT

OTHER INFORMATION

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

MANAGER'S REVIEW

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 Global Financial Crisis (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). I've 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, I am 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.

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" is plastered all over every major news outlet. Ever the contrarians I suppose!

On the back of this dynamic, last month we discussed the logical conclusion that it was time to start to selectively increase exposure to an unloved part of the market most pressurised by the squeeze on real incomes, namely Consumer Cyclicals, where through cycle valuation metrics such as EV/Sales or Price to Book can be found at March 2020 crisis levels. We should extend the same logical conclusion to certain duration assets, or in equity terms the Growth style, where in many cases share prices have perhaps halved or more. We are not however looking for 'TAM' (Total Addressable Market) type concept stocks, or those who relied on the infinite availability of liquidity and capital in a world of QE to run their businesses, as we are not going back there. Nor are we particularly interested in growth stocks for whom the last 2 years of lockdown - one way or another - created a multi-year pull forward of demand, possibly never to be repeated.

What has now become much more interesting is strong businesses that may have been around for some decades, which grow profits, but which were formerly very overvalued and hence vulnerable to derating while the cost of capital has been increasing over the last 18 months. Such companies' PE ratios have now dropped from, say, 40x to 20x while some continue to have relatively robust outlooks. Some of these companies will actually experience a better demand cycle than the last one. This has been a valuation-driven significant underweight for our portfolio – which has been a positive contributor to our relative returns – and while I appreciate this is again rather anti-consensual, it would be logically inconsistent to retain a large underweight if forward-looking inflation and rate expectations are likely to be a bit lower in 6 months' time, especially when there is now attractive relative value on offer. While I would caution against a wholesale shift into the very high growth darlings of the last cycle, we have deployed around 10-15% of our capital into some attractive opportunities during the malaise of the last month. In line with our Business Cycle and S-PVT process, this is a pragmatic response to a slightly shifting investment backdrop, but it must be made clear that your portfolio retains a strong level of medium-term inflation protection and, of course, valuation discipline.

James Sym
Portfolio Manager
July 2022