30 JUNE 2022

ES River and Mercantile GLOBAL HIGH ALPHA FUND

CLASS B GBP (Accumulation)

RIVER AND MERCANTILE

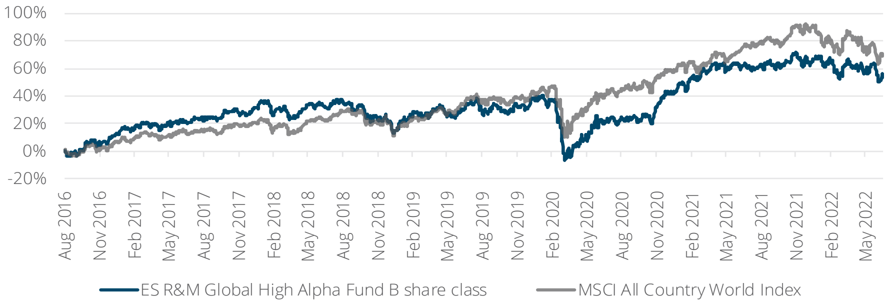
PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Acc) share class since the launch of the share class on 12 August 2016.

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

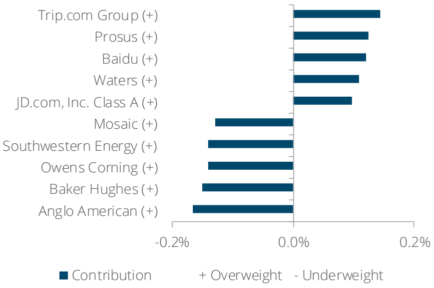
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Acc)	-6.3	-7.4	-5.2	17.0	27.4	53.2
Benchmark	-5.0	-8.6	-4.2	25.6	50.0	68.4

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 (Acc)	9.9%	-0.8%	-7.3%	33.1%	-5.2%
Benchmark	8.9%	9.7%	5.2%	24.6%	-4.2%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

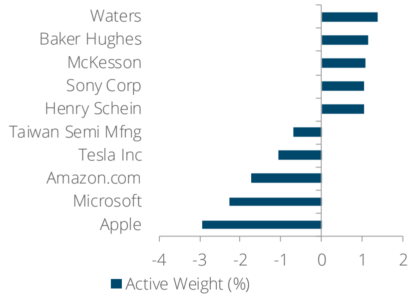
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

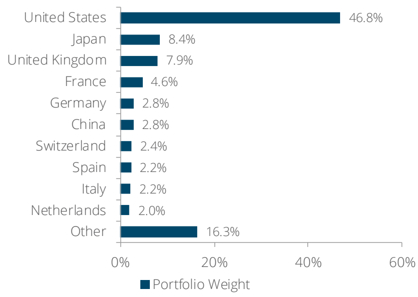
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 10 COUNTRY WEIGHTS

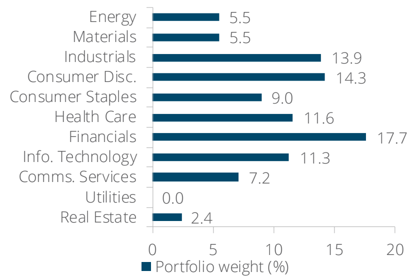
The portfolio's ten largest country holdings by total weight.



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

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.

PORTFOLIO MANAGERS

Hugh Sergeant & William Lough

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	195
Fund Volatility	14.0%
Benchmark Volatility	12.8%
Beta	1.04
Tracking error	4.16
Active Money	82.9%

KEY FACTS

Fund launch date	12/08/2016
Share class launch date	12/08/2016
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£155.7m
Domicile	UK
Fund type	UK UCITS
SEDOL	BZB1R49
ISIN	GB00BZB1R490
Bloomberg	RMGHABA
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.87%

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

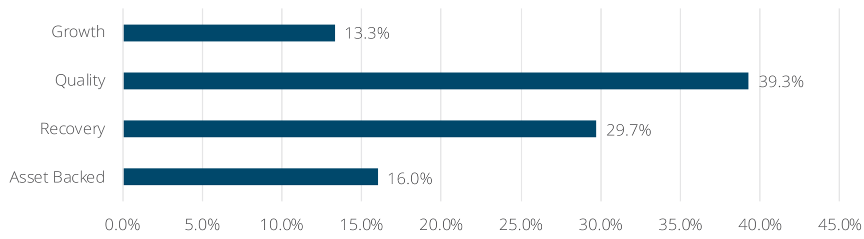
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alphabet class A	1.8
Waters	1.4
Sony Corp	1.2
Roche Holdings	1.2
Baker Hughes	1.2
Procter & Gamble	1.2
McKesson	1.2
Apple	1.1
Citigroup	1.1
Henry Schein	1.1

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

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

MANAGERS' REVIEW

Investment background

Global equity markets fell sharply in June (MSCI ACWI -8.4% 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 demand 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 (Brent oil -7%, copper -14%). The CRB raw materials index we watch has fallen sharply below its 50-day and 200-day moving averages. 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 (DXY +3%) 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 legendary macro investor Stanley Druckenmiller – Trucking, Homebuilding and Retail – have begun to bottom out and outperform the broader benchmark.

Strategy update

Performance

The fund returned -6.4%[1] in June versus a return of -5.0% by its comparator benchmark, the MSCI All Country World Index (GBP)[2].

The major performance detractors came from more cyclical sectors and those with commodity exposure. Energy services and producers, such as Baker Hughes, Southwestern Energy, Devon Energy, potash producer Mosaic and diversified miner Anglo American fell between -17% and -29% tied to underlying commodity price moves, where investor concern focuses on demand destruction. Derivative industrial exposure, such as agricultural machinery company AGCO (-20%) also fell back after recent strength. Owens Corning was down -19% due to exposure to new build housing volumes, for which monthly data weakened. Our strongest performer was again Chinese technology company Baidu +12%, which participated in a broad rally in Chinese equities. Prosus (+31%), Trip.com (+30%) and JD.com (+16%) all performed well with the same tailwind though were smaller positions. Prosus also indicated during its capital markets day that it will take more aggressive action, including buying back shares, to close the current large discount to NAV. Life science tools company Waters Corp (+5%) and McKesson (+3%) have less cyclically exposed end markets and share prices therefore held up better last month.

Activity

We were somewhat more active in June. Increased evidence of a rapidly deteriorated consumer demand backdrop in certain discretionary goods and services led us to introduce some attractively valued defensive exposure. US telco AT&T is a recovery investment case that has seen subscriber additions improve since 2018 and now has an improving free cash flow (FCF) margin due to a combination of a $1bn cost saving programme and stable industry capital intensity. The latter is aided by a consolidated market structure. With leverage falling to 2.5x net debt to EBITDA following the sale of its stake in WarnerMedia, the current ~10% FCF yield doesn't reflect the improving fundamentals. Cranswick is the leading producer in the UK pork and poultry markets. Long-term, these protein sources appear well placed due to a smaller carbon footprint than beef or lamb while in the short-term their low relative cost has historically led to demand support from customers 'trading down'. Market concern over the impact of cost increases, notably energy and feed, on margins is reflected in an entry multiple of 12-13x earnings vs a more normal ~17x over history. This fails to give sufficient credit to management's operational track record, or the protection afforded by contract cost pass-through. At Tate & Lyle, the divestment of the low-return, commoditised Primary Products division leaves a high ingredients business (FBS) with mid-single digit organic growth and 50-100bps per annum margin expansion. Growth is supported by sustainability tailwinds from healthy eating and with the passage of time we expect the gap to close between its current ~15x earnings multiple and the ~25x on which its specialty ingredients peers trade. Salmon farmer Bakkafrost's key shorter-term opportunity is to deliver operational and profitability improvements at the Scottish business it acquired in 2019. Should they close the gap half way to unit margins at its Faroe Islands operations, analyst forecasts will need to be revised materially upwards. Neither this nor the attractive longer-term growth profile or its sustainable competitive advantages are reflected in the share price today. These purchases were partly funded by sales of Amazon.com and Victoria's Secret. Amazon is evidently a phenomenally strong business, but a low quant score combined with our weakening fundamental conviction around the near-term prospects for AWS relative to market expectations led us to exit.

Elsewhere, we made direct switches from Intel into AMD (material forecast risk at Intel and lower conviction around the technology gap versus AMD); KLA Corp in place of Applied Materials (KLA has purer exposure to foundry and logic capex, where demand looks robust); Shell and Repsol for Eni (gas and US refining exposure respectively under-forecast, superior energy transition strategies). We also sold Qualicorp and SBI Holdings following a breakdown in our investment case for each.

Outlook

We have written extensively (and probably repetitively – sorry!) that the investment regime has changed. In short, market conditions have become, and are likely to remain, a lot harder. The cost of capital has risen, which pressures valuation multiples particularly in longer duration equities, even if nominal growth in earnings may be solid in certain areas. This hasn't changed, but we are also cognisant that nothing in investment ever happens in a straight line. It's highly probable there will be periods over the next several months in which parts of the global equity benchmark to which we have little or no exposure (which has been a positive year-to-date) experience sharp rallies which hurt this fund's relative performance. I therefore reiterate another refrain of previous months' notes – remaining focused on the robustness of the longer-term investment case for our holdings is also critical to investing amidst volatility. We are optimistic about their prospects.

A weakening real economic outlook and persistently high inflation are not conducive conditions to strong risk asset performance, but nominal growth is certainly preferable to outright deflation. Equity prices reflect far greater uncertainty today than at the start of the year, with the fall from peak comparable with "average" bear markets. Over the summer companies will adjust guidance, analysts will follow suit with their forecasts, and from these re-based forecasts a more constructive outlook can emerge. One final repetition: hindsight is always 20/20 and the future is always uncertain, so over the long term, we believe the best protection against wealth destruction (either from inflation or other external risks) and not knowing the future is a diversified portfolio of strong, cash generative companies at varying stages of their corporate lifecycle (high return compounding growth or positively inflecting recovery characteristics).

Hugh Sergeant & William Lough
Portfolio Managers
July 2022

[1] *B share class (GBP), mid-day to mid-day pricing.*
[2] *Close-of-business to close-of-business pricing.*