

ES River and Mercantile UK RECOVERY FUND

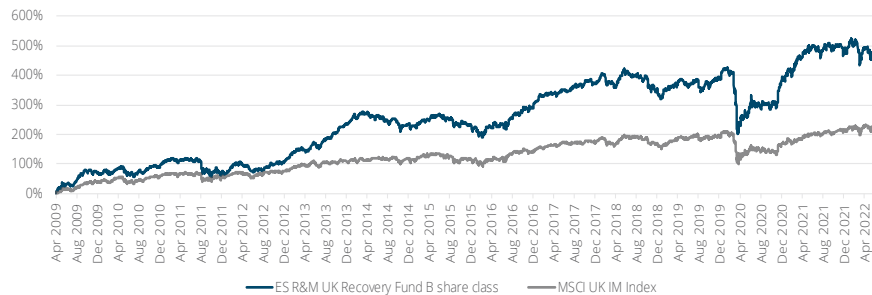
CLASS B GBP (Income)

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 1 April 2009.

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

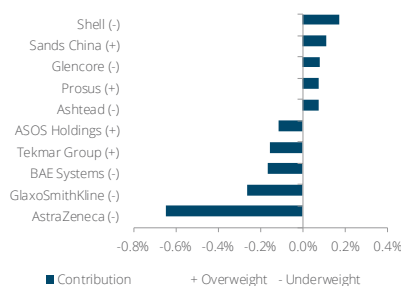
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 years %	Since inception %
B share class (Inc)	-8.9	-8.4	-7.5	14.2	20.8	199.0	439.9
MSCI UK IM Index	-5.8	-4.5	3.7	6.3	16.7	89.4	210.5

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)	12.3%	-5.9%	-15.7%	46.5%	-7.5%
MSCI UK IM index	9.2%	0.5%	-14.7%	20.2%	3.7%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

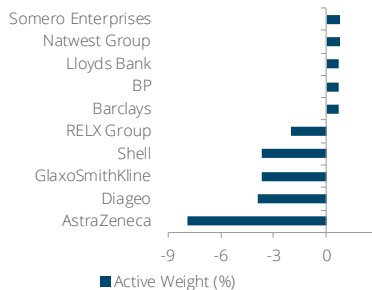
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

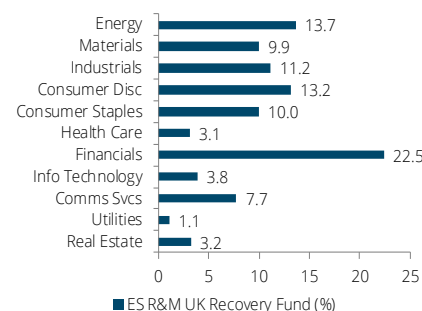
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

The ten largest positions by weight held in the portfolio.

	Weight (%)
BP	4.3
Shell	4.0
HSBC Holdings	4.0
Unilever	3.3
Rio Tinto	2.2
Lloyds Bank	2.1
Anglo American	2.0
British American Tobacco	2.0
Prudential	1.9
Barclays	1.9

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

To grow the value of your investment (known as "capital growth") in excess of the MSCI United Kingdom Investable Market Index (IMI) net total return ("the Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	303
Fund volatility	16.6%
Benchmark volatility	13.7%
Beta	1.17
Active money	56.1%

KEY FACTS

Fund launch date	17/07/2008
Share class launch date	01/04/2009
Benchmark	MSCI UK Investable Markets index
IA sector	UK All Companies
Total fund size	£204.2m
Domicile	UK
Fund type	UK UCITS
SEDOL	B614J05
ISIN	GB00B614J053
Bloomberg	RMUKEBB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.10%

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

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MARKET CAPITALISATION

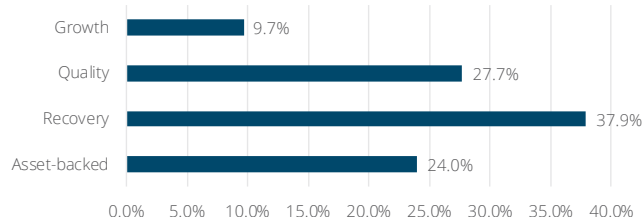
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	39.4%	64.9%	-25.5%
Large Cap	£4bn - £20bn	15.3%	20.5%	-5.2%
Mid Cap	£2bn - £4bn	8.2%	6.7%	1.5%
Small Cap	£100m - £2bn	31.1%	7.9%	23.2%
Micro Cap	£0m - £100m	5.4%	0.0%	5.4%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

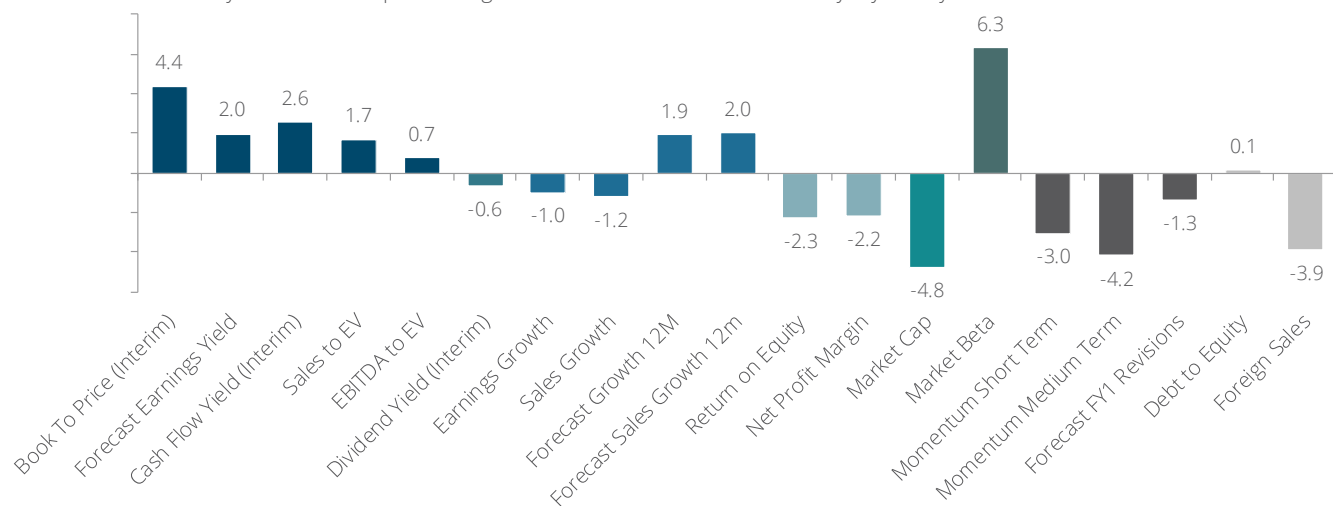
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

ELITE PROVIDER
rated for equities by FundCalibre.com
2021



ELITE RATED
by FundCalibre.com



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 UK Equity Long Term Recovery Fund.

MANAGER'S 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%)). 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 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 -5.8%. The median UK share fell more than this, the MSCI UK Small Cap Index falling -9.0% and now down -22.5% for the year to date.

Strategy update

Performance

The fund returned -8.8%¹ in June versus -5.8% by its comparator benchmark, the MSCI United Kingdom Investable Markets Index².

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. 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.

Positive contributors during the month included our overweight position in **China** (including **Fidelity China**, **Sands** and **Prosus**) and underweight positions in **Shell** and **Ashtead**.

The main negative contributions were our underweight positions in large, perceived as defensive stocks such as **AstraZeneca** and our overweight consumer cyclicals such as **Easyjet**.

Activity

Our activity is focused on continuing to exploit the ever-larger PVT anomalies that are appearing as the market becomes very risk averse and very fearful of the next recession. This has included slowly adding to our Real Estate exposure, through **Great Portland Estates** and building-related stocks such as **Breedon** and **SIG**.

We are also slowly adding to de-rated structural growers, especially in the world of small and mid-caps which have been aggressively sold off. This has included adding to positions (in our very gradualist way) in **Maxcyte** (world leading IP in Cell Therapy, enhancing the productivity of drug discovery) and **Sigmaroc** (aggregates consolidator) and starting a position in **Intertek** and **Synthomer**.

We sold off our recently purchased holding in **Schroders Nil Voting** shares as the Board moved to enfranchise the shares and stocks that have been subject to M&A (**Biffa**).

Outlook

UK shares are really very cheap now. UK small and mid-cap stocks 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 in my Q2 report but this will be my main message – really very, very cheap.



Hugh Sergeant
Portfolio Manager
July 2022

¹B share class (GBP), mid-day to mid-day pricing.

²Close-of-business to close-of-business pricing.

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