

ES River and Mercantile UK DYNAMIC EQUITY FUND

CLASS B GBP (Accumulation)

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 21 November 2012.

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)	-7.4	-7.8	-9.2	4.3	6.9	100.9
MSCI UK IM Index	-5.8	-4.5	3.7	6.3	16.7	80.0

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)	9.3%	-6.3%	-7.3%	24.1%	-9.2%
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 (%)
AstraZeneca	4.8
Sanofi	4.2
Natwest Group	4.0
Reckitt Benckiser	3.5
Barrick Gold	3.4
Shell	3.3
Conduit Holdings	3.2
Serco	3.1
Essentra	3.0
WPP	2.9

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

William Lough and Mayan Uthayakumar

PORTFOLIO & RISK CHARACTERISTICS

Number of Holdings	48
Fund Volatility	15.6%
Benchmark Volatility	13.7%
Beta	1.07
Active Money	76.3%

KEY FACTS

Fund launch date	22/03/2007
Share class launch date	21/11/2012
Benchmark	MSCI UK Investable Markets Index
IA sector	UK All Companies
Total fund size	£64.5m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
Distribution type	Accumulation

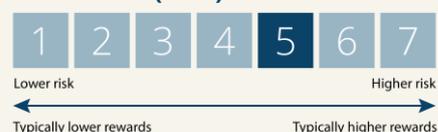
FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.93%

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

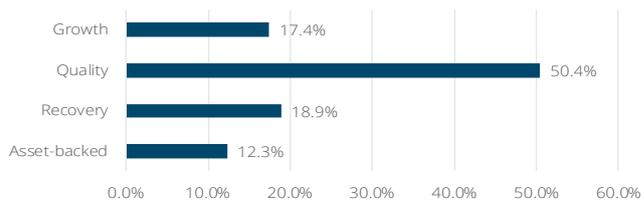
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	36.5%	64.9%	-28.4%
Large Cap	£4bn - £20bn	22.4%	20.5%	1.9%
Mid Cap	£2bn - £4bn	12.7%	6.7%	6.0%
Small Cap	£100m - £2bn	27.4%	7.9%	19.4%

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, excludes cash.

PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts™ of the portfolio against the benchmark as calculated by StyleAnalytics.



Source: StyleAnalytics

FUND RATINGS



OTHER INFORMATION

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

This fund was renamed on 1 January 2016 and was previously known as the R&M UK Equity Unconstrained Fund.

MANAGER'S REVIEW

Investment background

The UK market, as measured by our benchmark (MSCI United Kingdom IMI index), was down (-5.8%) in the month.

Market narrative has been dominated by inflation, the Fed policy response and growing concerns about a recession. The +75bps Fed rate rise in the month was as expected and consensus is for another rate rise of +75bps in July. Tighter monetary policy, coupled with Fed Chair Powell's statement that a recession was a possibility and the path to a soft landing is a narrow one, has not helped market sentiment. The key debate is whether or not the Fed can successfully navigate this delicate balancing act without triggering a recession as well as the extent to which the negative outlook is reflected in prices.

Interestingly, high commodity prices have rolled over with the Bloomberg Commodity Index down -10.9% in the period. Recessionary concerns appear to be dampening demand for commodities, particularly industrial metals which have fallen sharply. Gold stood out as one of the best performing commodities, down only -2%, perhaps a signal of less hawkish interest rate expectations being priced in. In fact, as recession fears grow, the rates market has begun to price cuts to the Fed policy rate in 2023, implying a recession will moderate inflation and reverse the Fed's aggressive tightening programme.

Strategy update

Performance

The fund fell 7.4%¹ in May versus -5.8% by its comparator benchmark, the MSCI United Kingdom Investable Markets index².

Spirent was a significant positive contributor during the period, a key beneficiary of sterling weakness relative to its predominantly US dollar earnings. Relative performance also benefitted from a zero weight in **Rio Tinto** and **Glencore**. The following stocks were significant negative contributors in the period. **Essentra**, a manufacturer and distributor of small but essential components to a range of end markets, achieved a disposal price for its Packaging business below market expectations resulting in the shares falling -21.9% over the period. We continue to believe that the core Components business trades at a material discount to peers. **888 Holdings** dropped -20.3% over the period, reflecting an ongoing lack of regulatory clarity in the UK market, a higher-than-expected cost of debt on new debt facilities and a deteriorating consumer environment. In our view, the current depressed rating discounts an improbably high cut to future earnings as a result of regulatory change. Zero weights in **GSK** and **HSBC** were also material contributors to relative underperformance.

Activity

We exited **TP ICAP**, a business that connects buyers and sellers in global financial, energy and commodity markets. Although trading on a very depressed rating, timing is unattractive with low conviction in the group's ability to meet market expectations given uncertainty around the magnitude of the impact of LIBOR discontinuation on global broking volumes which could potentially shift from the dealer-to-dealer market to exchange-traded venues.

Outlook

If there is a recession ahead, we enter it from a stronger starting point with unemployment at record low levels, households have excess savings to counter the pressure on real incomes, the government is increasing investment and support to ease the cost-of-living crisis and financial institutions are largely in good health compared to the last downturn. The Bank of England's recently published Financial Stability Report reveals some reassuring insights about the resilience of UK households amidst all the doom mongering in the UK media. It shows that most of the debt sits with higher income households which have a much higher capacity to withstand inflationary pressure. Overall, the fundamentals look strong but there is of course a range of outcomes. We are encouraged by evidence of inflation expectations moderating as illustrated by the reference to lower commodity prices above. This is positive for UK consumers and investors in the mid-term, however the short-term path to lower inflation is uncertain and might necessitate a recession if inflation expectations become well entrenched.

We attempt to diversify our portfolios and pursue a balanced approach. We do this through our multi-factor PVT approach which enables us to invest in strong, cash generating companies at various stages of their corporate lifecycle.

William Lough & Mayan Uthayakumar

Portfolio Managers

July 2022

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

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

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