

# ES River and Mercantile GLOBAL 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 4 March 2013.

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

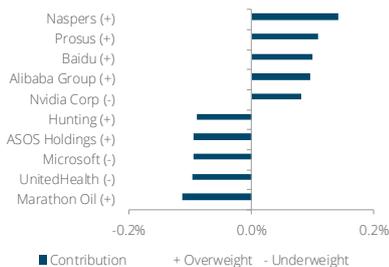
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Inc)	-7.5	-8.5	-10.6	12.7	19.0	142.9
Benchmark	-5.0	-8.6	-4.2	25.6	50.0	149.5

## 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)	7.1%	-1.4%	-9.5%	39.4%	-10.6%
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

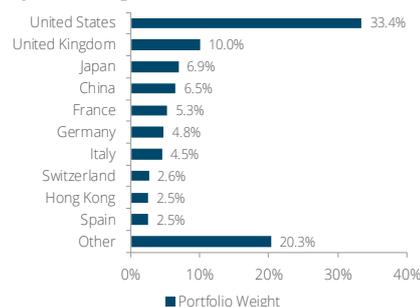
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 10 COUNTRY WEIGHTS

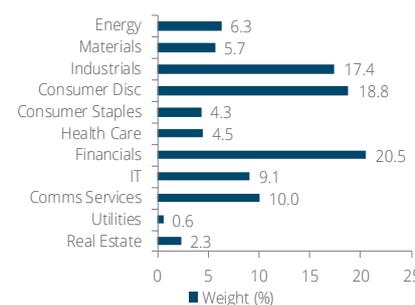
The portfolio's ten largest country holdings by total weight.



Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

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 all fees.

## PORTFOLIO MANAGER

Hugh Sergeant

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	495
Fund Volatility	14.9%
Benchmark Volatility	12.8%
Beta	1.07
Active Money	82.5%

## KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£345.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

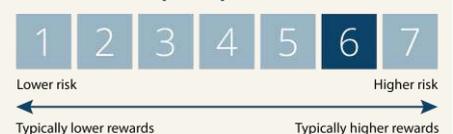
## FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.16%

## 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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### TOP 10 HOLDINGS

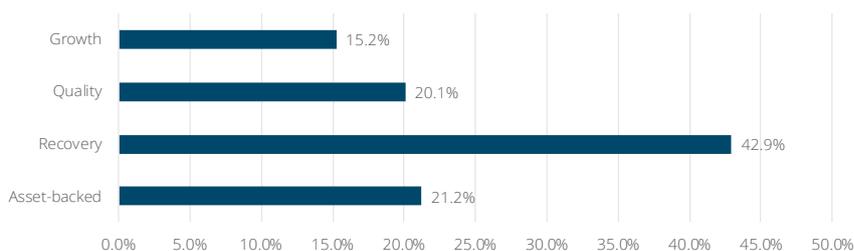
The ten largest positions by weight held in the portfolio.

	Weight (%)
Alibaba Group	0.8
Meta	0.8
Citigroup	0.8
Baidu	0.8
Pfizer	0.7
PayPal	0.7
Wells Fargo & Co.	0.6
State Street Corp	0.6
Alphabet class A	0.6
Walt Disney Company	0.5

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



### 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 World 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 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 (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.

### Strategy update

#### Performance

The fund returned -7.5%<sup>1</sup> in June versus -5.0% by its comparator benchmark, the MSCI ACWI (All Country World Index)<sup>2</sup>.

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 USD strengthened further. 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 **Naspers**, **Baidu** and **Prosus**) and underweight positions in **Nvidia** and **Taiwan Semi**.

The main negative contributions were our underweight positions in large, perceived as defensive stocks such as **Microsoft** and **United Health** and our overweight consumer cyclicals such as **Delta Airlines**.

### 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.

We are also slowly adding to de-rated growth and quality stocks, especially in the world of small and mid-caps which have been aggressively sold off. There continues to be more opportunities in US equities in these areas and we have added to our US exposure including **Nike** (sold off due to consumer worries) and **Warner Brothers Discovery** (poor technicals following its spin out of AT&T leaving it on a modest valuation).

We took profits in some of our Energy names early in the month, including a profitable exit from **Enerplus** and **Valero**. M&A continues allowing an exit from **Mediaset Espana**. **Indra Sistemas** was downgraded to an S4\* due to governance issues (the Spanish Government taking effective control of the Board) and we exited.

### Outlook

My key message this quarter is that there are some amazing bargains out there. The stocks that make up our hunting ground for global shares are really very cheap now. Small and Mid-Cap stocks are on bargain basements 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 quarterly report but this is my main message – really, very, very cheap.



### Hugh Sergeant

Portfolio Manager  
July 2022

<sup>1</sup>B share class (GBP), mid-day to mid-day pricing.

<sup>2</sup>Close-of-business to close-of-business pricing.

\* Please visit <https://riverandmercantile.com/equity/philosophy-and-process/> for more information.

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