31 JULY 2022

ES River and Mercantile UK EQUITY ALPHA FUND

CLASS B GBP (Accumulation)

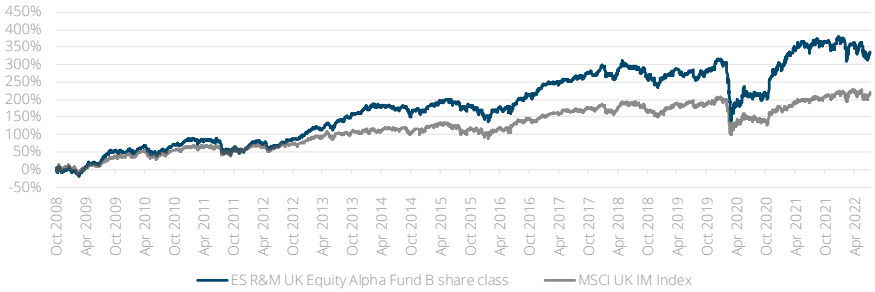
RIVER AND MERCANTILE

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 20 October 2008.

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

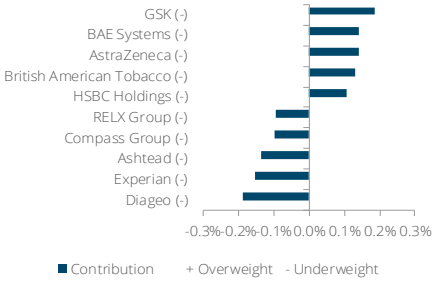
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Acc)	3.6	-3.4	-3.1	14.3	20.4	158.7	337.4
MSCI UK IMI	4.3	-0.9	7.4	8.8	20.0	94.8	220.1

DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/07/2018	12 months to 31/07/2019	12 months to 31/07/2020	12 months to 31/07/2021	12 months to 31/07/2022
B share class (Acc)	9.2%	-3.6%	-21.1%	49.5%	-3.1%
MSCI UK IMI	9.2%	1.0%	-19.7%	26.1%	7.4%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

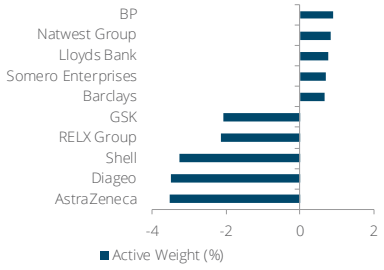
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

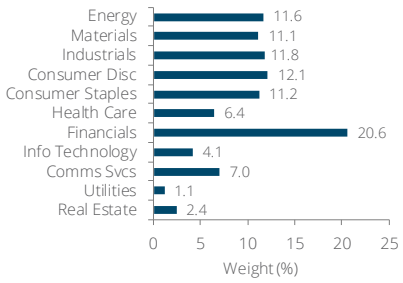
The securities in which the portfolio weight differs most from that of the benchmark



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	4.4
Shell	4.3
AstraZeneca	4.1
Unilever	3.5
HSBC Holdings	3.5
Rio Tinto	2.7
Lloyds Bank	2.2
British American Tobacco	2.1
Anglo American	1.9
Barclays	1.9

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 UK Investable Market Index (IMI) Net Total Return (the "Benchmark") over a rolling 5-year period, after the deduction of fees.

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	245
Fund Volatility	16.2%
Benchmark Volatility	13.8%
Beta	1.14
Active Money	48.3%

KEY FACTS

Fund launch date	28/11/2006
Share class launch date	20/10/2008
Benchmark	MSCI UK Investable Markets index
IA sector	UK All Companies
Total fund size	£78.3m
Domicile	UK
Fund type	UK UCITS
SEDOL	B3D79W3
ISIN	GB00B3D79W34
Bloomberg	RMUKEHG
Distribution type	Accumulation

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	0.75%
Ongoing charge (including AMC)	0.88%

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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Email enquiries@riverandmercantile.com

MARKET CAPITALISATION

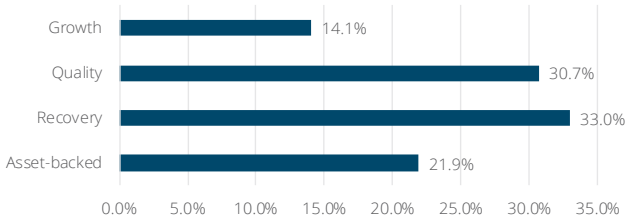
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	41.2%	64.9%	-23.7%
Large Cap	£4bn - £20bn	15.0%	20.5%	-5.5%
Mid Cap	£2bn - £4bn	7.9%	6.7%	1.2%
Small Cap	£100m - £2bn	31.0%	7.9%	23.1%
Micro Cap	£0m - £100m	4.5%	0.0%	4.5%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

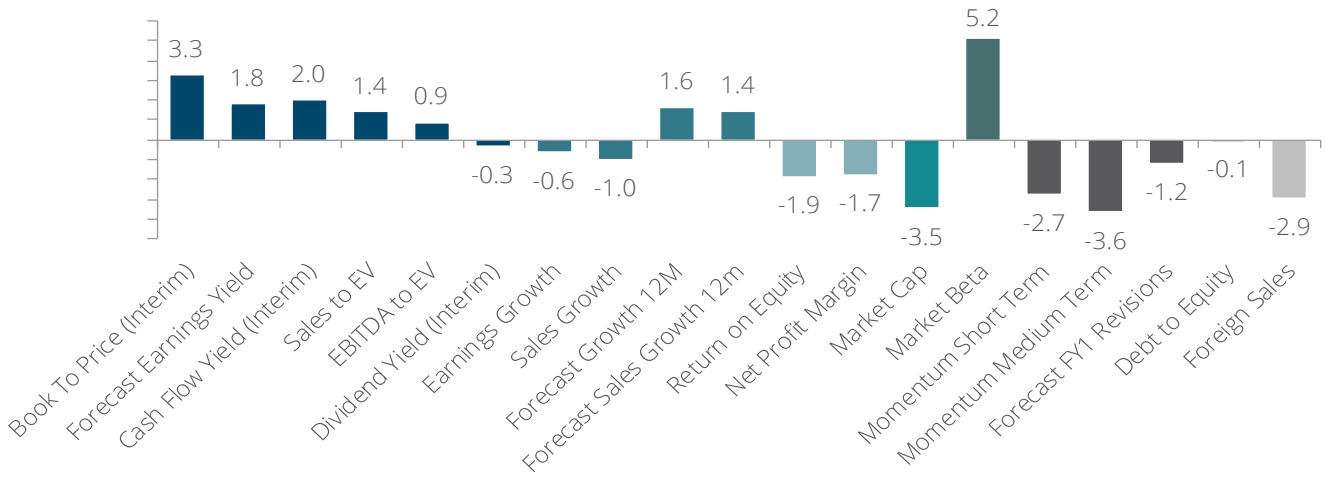
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

ELITE PROVIDER
rated for equities by FundCalibre.com
2021

FE CROWN FUND RATING

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

This fund was previously called the ES River and Mercantile UK Equity High Alpha Fund.

MANAGER'S REVIEW

Investment background

The UK market as measured by our benchmark (MSCI United Kingdom IMI index) was up +4.3% in the month following the aggressive sell off in June. The market rally seems to have been a response to both the potential (short term) peak in the rate of year-on-year price inflation and extremely bearish investor sentiment. The US 10-year bond yield has rolled from a high of 3.5% in June to 2.6% at the time of writing, supporting equity valuations in general and longer duration equities in particular.

Strategy update

I have been banging the table about the fantastic investment opportunities that have developed during this latest bout of uncertainty. I hope my clear message is useful to readers. Hopefully all the PVT anomalies I have identified will soon allow my funds to generate robust absolute and relative returns.

Performance

We protected capital reasonably well during this year's drawdown period and have tried very hard to purchase stocks that have become completely the wrong price and will at some point benefit from the rally. Indeed, many of the stocks we have been purchasing have now bottomed out and are starting to appreciate, some aggressively, but despite this we are no more than matching the rally (so far) given that it has been led by longer duration stocks.

The fund returned 3.6%[1] in July versus 4.3% by its comparator benchmark, the MSCI United Kingdom Investable Markets Index[2].

Positive contributors during the month included our overweight positions in small and mid-cap stocks as they started to rally, such as **Volex** and Enquest and underweight positions in **GSK** and **AstraZeneca**, the latter likely to have seen the peak in its performance.

The main negative contributions were our underweight positions in large cap growth stocks as they rallied and, whilst we have started to purchase these companies, we remain underweight the likes of **Ashtead** and **Ferguson**. We were also impacted by cautious updates from a handful of consumer stocks, such as **Wickes**, which have become even cheaper as a result of not un-anticipated difficult short-term trading.

Activity

Our activity is focused on continuing to exploit the ever-larger PVT anomalies that are appearing as the market remains very risk averse.

We continue to add to de-rated structural growers, especially in the world of small cap which has been aggressively sold off. This has included buying **Gamma Communications**, a legacy issue-less, first to market provider of displacement communication services to UK businesses with distribution through a large and growing wholesale channel for whom Gamma offer seamless integration and support. The shares were purchased at an attractive valuation discounting lower growth and returns in the future which we think is unwarranted and provides a margin of safety.

We continue to benefit from M&A activity and use this as a source of funding for new high conviction ideas. In line with this we sold our position in **Mediclinic**, a classic recovery stock that has attracted take-private interest.

Outlook

I have been banging the table about the attractive opportunity set created by this latest round of uncertainty. Hopefully my clear stance has been helpful to readers. I have yet to produce the performance that my identifying of multiple anomalies should deliver but I hope for both our sakes that this is just a question of time. My key message remains that there are some amazing bargains out there. The UK and global stocks that make up our hunting ground are really very cheap now. Small and Mid-Cap equities 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. If you would like some more insight into my views please see my recently published Q2 report.

Hugh Sergeant
Portfolio Manager
August 2022

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

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