

# ES River and Mercantile UK EQUITY INCOME FUND

CLASS B GBP (Income)

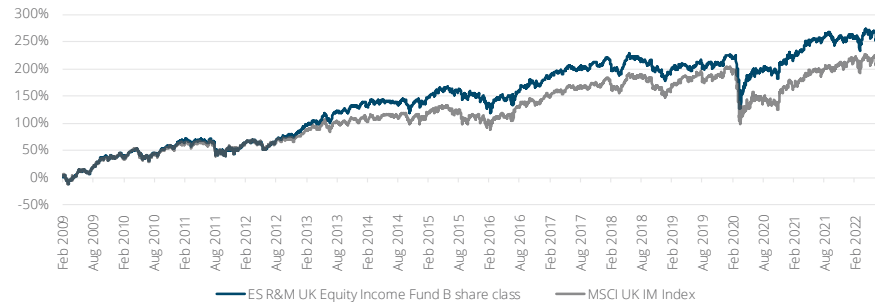
## PAST PERFORMANCE

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 3 February 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

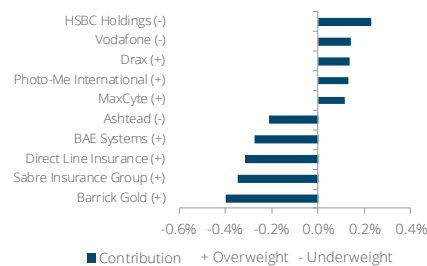
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 Years %	Since inception %
B share class (Inc)	2.6	-1.4	2.9	17.3	21.3	121.5	264.9
MSCI UK IM Index	4.3	-0.9	7.4	8.8	20.0	94.8	217.9

## 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 (Inc)	5.9%	-2.4%	-5.5%	20.6%	2.9%
MSCI UK IMI	9.2%	1.0%	-19.7%	26.1%	7.4%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

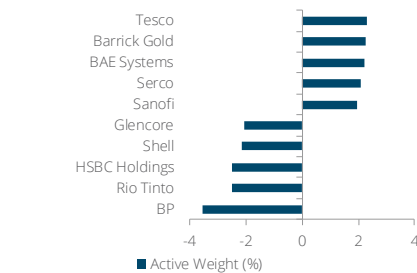
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

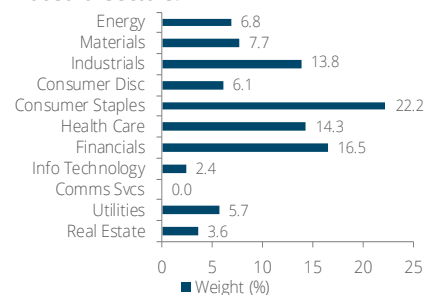
The securities in which the portfolio weight differs most from that of the benchmark.



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.

Company	Weight (%)
AstraZeneca	6.3
Shell	5.4
GSK	4.9
British American Tobacco	4.2
Unilever	3.8
National Grid	3.5
Reckitt Benckiser	3.5
RELX Group	3.3
BAE Systems	3.3
Tesco	3.2

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

## INVESTMENT OBJECTIVE

To generate an average annual income above the dividend yield of the benchmark over a rolling 3-year period and achieve a total return (income and growth in the value of your investments (known as "capital growth")) above the total return of the benchmark over a rolling 5-year period, after the deduction of fees.

## PORTFOLIO MANAGER

Matthew Hudson

## YIELD

Historic yield	3.62%
Current yield	3.73%

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	61
Fund Volatility	13.5%
Benchmark Volatility	13.8%
Beta	0.94
Active Money	54.7%

## KEY FACTS

Fund launch date	03/02/2009
Share class launch date	03/02/2009
Benchmark	MSCI UK Investable Markets index UK Equity Income
IA sector	UK
Total fund size	£51.2m
Domicile	UK
Fund type	UK UCITS
SEDOL	B3KQG44
ISIN	GB00B3KQG447
Bloomberg	RMUKEIB
Distribution type	Income

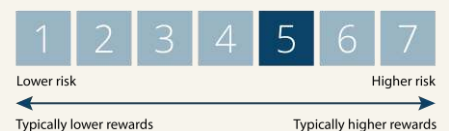
## FEES & CHARGES

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)



## CONTACT DETAILS

Telephone	0345 603 3618
Email	enquiries@riverandmercantile.com

## MARKET CAPITALISATION

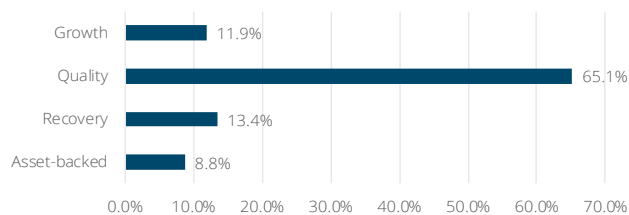
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	58.9%	65.6%	-6.8%
Large Cap	£4bn - £20bn	10.4%	20.7%	-10.3%
Mid Cap	£2bn - £4bn	10.4%	6.4%	4.0%
Small Cap	£100m - £2bn	19.4%	7.2%	12.2%
Micro Cap	£0m - £100m	0.0%	0.0%	0.0%

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

## MANAGER'S REVIEW

### Strategy update

After a bruising outing for investors last month, July brought a respite and a rally with the UK market up +4.3% (MSCI UK IMI) alongside a good dose of mean reversion with "Growth" and Industrial Cyclical stocks topping the leader board, while Commodities and Healthcare underperformed. We ascribed this rally to a combination of an oversold position coming into the month and – of more significance – investors anticipating the peaking of inflation and peaking of Central Banks' hawkishness.

In this environment, the defensive skew of the Fund was less than ideal; the Fund delivered a return of +2.6% in July, lagging the market return of 4.3% and the average return of the IA UK Equity Income sector of +3.8%, leaving the Fund ranked in the 75th percentile. Over the last 6 months, the Fund has delivered a return of +2.9% compared to the average return of the peer group of -1.6%, ranking in the top decile over this period.\*

With the portfolio's broad skew towards defensive and lower beta assets, it was a challenging month in performance terms, combined with some specific weakness in the UK motor insurance market. At a portfolio level, the overweight position in Utilities and underweight in Oil were positive contributors, offset by weak overall returns in Industrials and Financials and the overweight in the Pharma sector. The strongest positive contributors at a stock level included **Drax**, **PhotoMe**, **MaxCyte** and **Diversified Energy** while **Compass** was the best positive performer among the mega cap positions. Underweight positions in **HSBC**, **Vodafone** and **Rio Tinto** also helped. Conversely, negative contributors included **DFS**, **Sanofi** and **BAT** while both **Sabre** and **Direct Line** fell on warnings due to the challenging conditions in the UK motor insurance market where cost inflation is running ahead of premium pricing. Within Industrials our overall skew was too defensive for the rally in July, as illustrated by two industrial holdings that made it into the top 10 negative contributors; Defence stock **BAE Systems** (held) fell c7% while the more cyclical **Ashtead** (not held) was up 33% in the month.

We added to a range of existing cyclical and financial holdings including **Lloyds Banking Group**, **Hollywood Bowl** and **Kenmare Resources** and established a new position in online card and gifting retailer **Moonpig**. While the latter does not offer a dividend yield, it does provide the opportunity for ample top line growth (post the Covid hangover) and earnings accretion as Moonpig expands its personalised product range (attracting new customers) and the attachment rate for existing customers. Purchases were funded by reducing more defensive large cap assets including **Reckitt Benckiser**, **Tesco** and **Barrick Gold** as well as top slicing positions in **PhotoMe** and **Atrato Onsite Energy**.

Other portfolio "activity" included the long-anticipated demerger of **GSK's** consumer health businesses into a new listed entity, **Haleon**, which starts life with a not insubstantial market cap of c£28bn! Both companies now have a greater opportunity to drive higher returns and earnings growth in their respective markets, although the "split" has reduced the aggregate amount of dividends that were distributed by the old combined GSK, historically one of the largest payers in the market.

### Outlook

After two "rollercoaster" months for UK investors, other than a new (yet to be decided) Prime Minister, has anything changed? Certainly, there are stronger indications that the current inflationary cycle has peaked and recent corporate earnings have generally been better than expected, although we note that in the UK there is already subsidence in the earnings outlook for consumer facing businesses.

In our view the market has interpreted the Fed as "pivoting" away from rate hikes and followed a route one response, driving long duration stocks higher as bond yields tightened. Given what we can already observe about the current state and structure of the global economy, this seems more like a knee jerk reaction in a previously very bearish market and we will have to wait and see how it plays out. However, the opportunity set for UK investors generally and the Fund specifically is still very strong and is being validated by continued corporate activity among small and mid caps.

### Matt Hudson & Anna Pugh

Income team  
August 2022

---

This document has been prepared and issued by River and Mercantile Asset Management LLP ("R&M"), registered in England and Wales under Company No. OC317647, with its registered office at 30 Coleman Street, London EC2R 5AL. R&M is authorised and regulated by the UK Financial Conduct Authority (FRN 45308). Equity Trustees Fund Services Ltd is the Authorised Corporate Director (the "ACD") of the ES River and Mercantile Funds ICVC and of its sub-funds, including this fund. The ACD is authorised in the United Kingdom and regulated by the Financial Conduct Authority (FRN 227807) and has its registered office at Pountney Hill House, 4th floor, 6 Laurence Pountney Hill, London EC4R 0BL.

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. For further details of the specific risks and the overall risk profile of this fund; as well as the share classes within it, please refer to the Key Investor Information Documents and ES River and Mercantile Funds ICVC Prospectus which are available on our website [www.riverandmercantile.com](http://www.riverandmercantile.com).

The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not a reliable guide to future results. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please refer to the ES River and Mercantile ICVC principal prospectus for further details of the financial commitments and risks involved in connection with an investment in this Fund. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by R&M, its partners or employees. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.

Please note that individual securities named in this report may be held by the Portfolio Manager or persons closely associated with them and/or other members of the Investment Team personally for their own accounts. The interests of clients are protected by operation of a conflicts of interest policy and associated systems and controls which prevent personal dealing in situations which would lead to any detriment to a client.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by R&M. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.