

# River and Mercantile GLOBAL SUSTAINABLE OPPORTUNITIES FUND

CLASS F1 GBP (Accumulation)

## PAST PERFORMANCE

As this fund or share class has been running for fewer than 12 months there is insufficient data to provide a useful indication of past performance.

## PERFORMANCE SINCE INCEPTION

As this fund or share class has been running for fewer than 12 months we are not permitted to show any performance data.



## CUMULATIVE PERFORMANCE

As this fund or share class has been running for fewer than 12 months we are not permitted to show any performance data.

	1 month %	3 months %	1 year %	3 years %	Since inception %
F1 share class (Acc)	-	-	-	-	-
MSCI ACWI	-	-	-	-	-

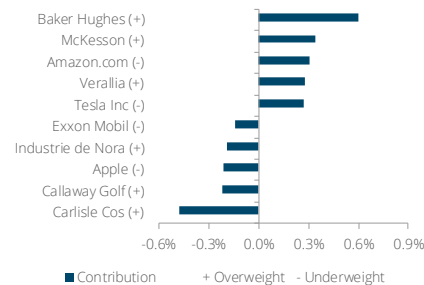
## DISCRETE 12 MONTH PERFORMANCE

As this fund or share class has been running for fewer than 12 months there is insufficient data to provide a useful indication of past performance.

	12 months to 31/10/2018	12 months to 31/10/2019	12 months to 31/10/2020	12 months to 31/10/2021	12 months to 31/10/2022
F1 share class (Acc)	-	-	-	-	-
MSCI ACWI	-	-	-	-	-

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

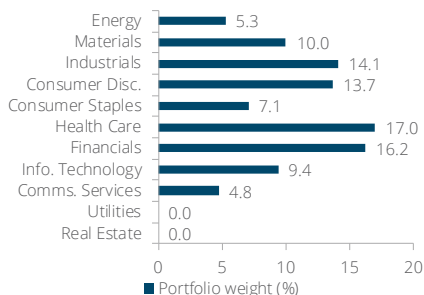
The best and worst contributors to the portfolio's performance relative to the MSCI All Country World index.



Source: Factset

## SECTOR WEIGHTS

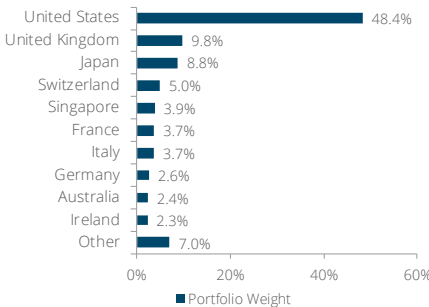
Portfolio weightings within specific industrial sectors.



Source: Factset

## TOP 10 COUNTRY WEIGHTS

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



Source: Factset

## TOP 10 HOLDINGS

The ten largest positions by weight held in the portfolio.

Company	Weight (%)
McKesson	4.0
Fiserv	4.0
DBS Holdings	3.9
Waters	3.7
Roche Holdings	3.2
Henry Schein	3.1
Willis Towers Watson	3.0
Citigroup	3.0
Baker Hughes	3.0
Sony Corp	2.7

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

## INVESTMENT OBJECTIVE

To achieve capital growth over a rolling 5-year period after the deduction of all fees. The Fund's investment policy seeks to promote environmental and/or social characteristics primarily by fully integrating consideration of sustainability risks and opportunities within the Investment Manager's investment philosophy and process, called Sustainable Potential Valuation and Timing ('S-PVT'). It assesses these through the pillars of People, Innovation, and Environment. The Fund focuses on the absolute improvement of these parameters, rather than selecting companies which are necessarily already leaders in them. In this sense, the Fund is focused on positive change. However, notwithstanding this focus on positive change, certain activities are considered to be in direct conflict with the sustainability characteristics promoted by the Fund and companies known to be engaged in these activities will be excluded.

## PORTFOLIO MANAGERS

William Lough & Hugh Sergeant

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	50
Fund Volatility	14.7%
MSCI ACWI Volatility	13.6%
Beta	1.04
Tracking error	4.4%
Active Money	94.9%

## KEY FACTS

Fund launch date	06/07/2022
Share class launch date	06/07/2022
Benchmark	N/A
Total fund size	£47.1m
Domicile	Ireland
Fund type	EU UCITS

## SFDR COMPLIANCE

Article 8 fund

## DEALING INFORMATION

Dealing frequency	Daily
Dealing cut-off time	12pm (UK)
Valuation point	12pm (UK)
Settlement (sub/red)	T+3/T+4

## SYNTHETIC RISK & REWARD INDICATOR (SRII)

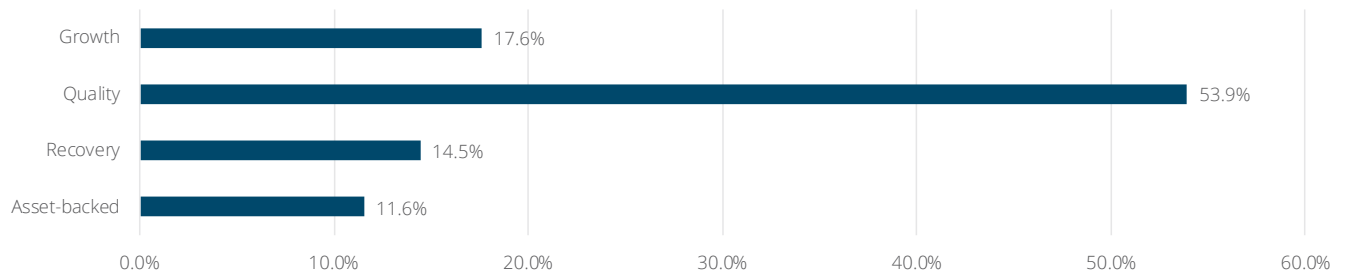


## CONTACT DETAILS

Telephone	+353 1900 6760
Email	riverandmercantile.TA@bnymellon.com

## CATEGORIES OF POTENTIAL

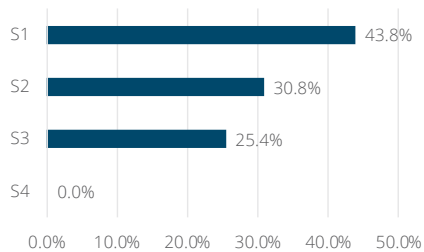
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP

## SUSTAINABILITY ANALYSIS

The weighting of the portfolio across our four sustainability scores.



Source: River and Mercantile Asset Management LLP

## SUSTAINABILITY SCORES

Our analysis determines a sustainability 'score' for each company we look at. These are broadly categorised as follows:

S1 – a sustainability leader in its field and/or a clear beneficiary of sustainable trends

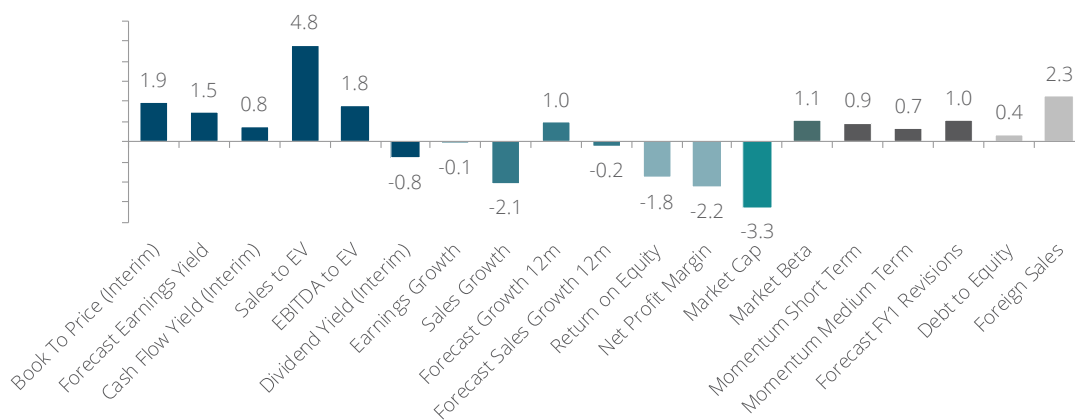
S2 – Solid SPVT credentials and no clear impediment to value creation or share price performance

S3 – SPVT improvement required, but evidence that this has started and/or of engagement potential

S4 – SPVT a clear barrier to value creation, no evidence of improvement and/or low likelihood of engagement success (including failed attempts)

## PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts™ of the portfolio against the MSCI All Country World index as calculated by StyleAnalytics.



Source: StyleAnalytics

## SHARE CLASSES & CHARGES

Share class	ISIN	Min investment	Ongoing charge
B (Acc) GBP	IE000U1W5324	£1000	0.85%
F1 (Acc) GBP	IE00055DG528	£50m	0.35%
F2 (Acc) GBP	IE000263CG95	£100m	0.55%
S1 (Acc) GBP	IE0006RJFOL7	£50m	0.69%
S1 (Acc) EUR	IE000E69JCJ5	£50m	0.69%
S1 (Inc) GBP	IE0006LH77T7	£50m	0.69%

There are no entry or exit charges. Other share classes may be available.

## OTHER INFORMATION

Manager	Carne Global Fund Managers (Ireland) Limited
Depository	BNY Mellon Trust Company (Ireland) Limited
Investment manager	River and Mercantile Asset Management LLP

## MANAGERS' REVIEW

### Investment background

Global equity markets rallied in October (MSCI ACWI +6.5% total return in USD). This came despite a further move up in the US 10-year bond yield from 3.8% to 4.1% at month end (over 4.2% intra-month). There was some respite from two recent macro pinch-points: the US dollar fell (DXY index -1%) and UK gilts and pound sterling stabilised following the appointment of Jeremy Hunt as Chancellor and, subsequently, Rishi Sunak as Prime Minister accompanied by policy U-turns around September's 'mini budget'. Oil was the best-performing major asset (Brent +9%). This was one component helping the value factor perform well within equity markets (MSCI ACWI Value +8.5% vs MSCI ACWI Growth +3.5%). Another feature of the month at large – relevant to this relative performance – was the slew of guidance downgrades from large cap tech companies in the US, which turn out not to be immune from the issues facing the rest of the corporate world.

### Strategy update

#### Performance

Energy services & technology company **Baker Hughes** rose +32% (in USD) following a stronger earnings performance than recent quarters, alongside the backdrop of a rising oil price. Management is making progress towards a re-organisation that will yield material cost savings, supporting our margin recovery investment case. **McKesson** continued to rise in anticipation of strong trading. Glass bottle manufacturer **Verallia** demonstrated particularly strong pricing power within its Q3 results and was rewarded with a +25% share price. Zero weights in **Amazon.com**, **Tesla**, **Microsoft** and **Meta Platforms** were supportive for relative results. The only material negative contributor was **Carlisle**, which had been strong into its Q3 report but highlighted some channel destocking impacting its full-year guidance. This is relevant to its residential business, ~15% of total revenues, while we see the bulk of Carlisle's value sitting in the visibility of growth in its non-resi revenues.

#### Activity

A small remaining position in swimming pool components manufacturer **Hayward Holdings** was sold. We reduced our position materially in the summer prior to a warning relating to de-stocking of inventory within the channel. While our subsequent meeting with the management suggested that the company has been conservative ahead of soft future trading, results from a peer (Fluidra) and the dark clouds around consumer spending suggest to us the profit guidance set during the summer may still prove optimistic.

In an otherwise quiet month for activity, we increased our **Treasury Wine Estates** position as conviction increased in its medium-term margin target, switching some capital out of **Procter & Gamble**. We roughly halved our weighting in **TopBuild** following the read-across from Carlisle's residential business. We continue to see this as a quality cyclical, which will gain market share and has a long tailwind of structural growth from increased insulation usage in the US to support buildings' energy efficiency, but are mindful of near-term challenges for new-build housing volumes. We also reduced **McKesson** into share price strength as it trades closer to our base case fair value.

### Outlook

We highlighted last month that the technically oversold nature of markets plus appearance of economic and market crash concerns on the front page of newspapers has historically coincided with sentiment bottoming. A sustainable market trough is likely to require consensus earnings forecasts to be reset and inflation rolling over, allowing less restrictive monetary policy. Both conditions appear to be emerging though timing this precisely is, of course, fraught with difficulty. What is clearer to us is that certain equities are much further through the process of adjustment to the intermediate outlook than others, allowing scope for stock picking alpha. We assess that our portfolio is a significant way through its own fall based on historical precedent. Earnings for our holdings have typically seen a 25-30% drawdown in prior recessions (~80% of benchmark declines), meaning if this comes to pass our well-balanced portfolio trades on ~15x trough earnings. This would be a more appropriate valuation for normalised, or mid-cycle, earnings. When it comes to looking for entry points to deploy capital, Voltaire had it right: "The perfect is the enemy of the good".



### William Lough & Hugh Sergeant

Portfolio Managers

November 2022

## IMPORTANT INFORMATION

River and Mercantile Global Sustainable Opportunities Fund (the "Fund") is approved by the Central Bank of Ireland and is an open-ended sub-fund of River and Mercantile Investments ICAV (the "ICAV"), an Irish collective asset management vehicle umbrella fund with segregated liability between sub-funds. The ICAV is registered in Ireland by the Central Bank of Ireland and authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as may be amended from time to time and any rules or notices made by the Central Bank of Ireland pursuant to them which are applicable to the ICAV.

Carne Global Fund Managers (Ireland) Limited acts as manager to the ICAV and has delegated the discretionary investment management and distribution of the Fund to River and Mercantile Asset Management LLP ("RAMAM"). RAMAM is authorised and regulated in the United Kingdom by the Financial Conduct Authority (Firm Reference No. 453087) and is registered in England (Company No. OC317647).

For further information on the Fund including the specific risks and the overall risk profile of the Fund, as well as the share classes within, please refer to the Fund's Prospectus, the Supplement to the Prospectus and the Key Investor Information Documents (KIIDs) (available from [riverandmercantile.com](http://riverandmercantile.com)).

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### Information for investors in the Isle of Man:

No offering of Shares is being made to retail investors resident in the Isle of Man. Shares are being offered only to institutional investors and a limited number of other investors in the Isle of Man. The Fund is not subject to approval in the Isle of Man and investors are not protected by any statutory compensation arrangements in the event of the Fund's failure. The Isle of Man Financial Services Authority does not vouch for the financial soundness of the Fund or for the correctness of any statement made or opinion expressed with regard to it.