RIVER AND MERCANTILE

ES RIVER AND MERCANTILE UK RECOVERY FUND

Quarterly report to 30 September 2022

For unitholders only

ES River and Mercantile
UK RECOVERY FUND

Quarter 3, 2022

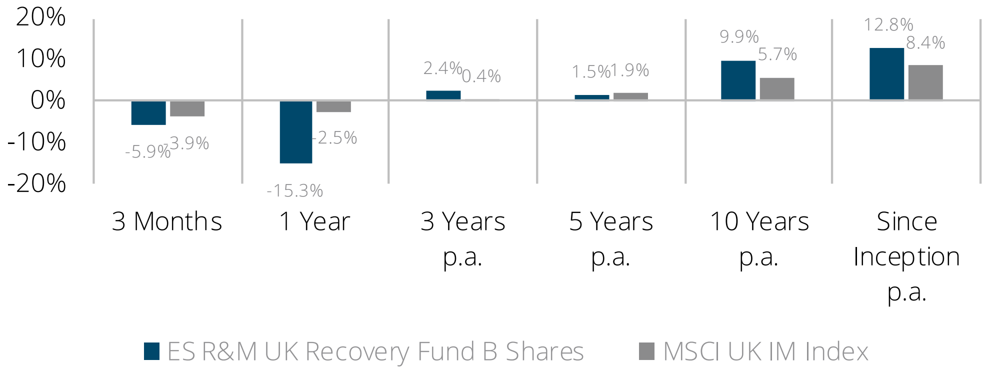
RIVER AND MERCANTILE

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 fees.

PERFORMANCE (NET OF FEES)

	B share class	Benchmark	Difference
3 Months	-5.9%	-3.9%	-2.1%
1 Year	-15.3%	-2.5%	-12.7%
3 Years p.a.	2.4%	0.4%	1.9%
5 Years p.a.	1.5%	1.9%	-0.4%
10 Years p.a.	9.9%	5.7%	4.2%
Since Inception p.a.	12.8%	8.4%	4.4%



PERFORMANCE (BEFORE FEES)

	Z share class	Benchmark	Difference
3 Months	-5.7%	-3.9%	-1.8%
1 Year	-14.4%	-2.5%	-11.9%
3 Years p.a.	3.4%	0.4%	3.0%
5 Years p.a.	2.5%	1.9%	0.6%
10 Years p.a.	11.0%	5.7%	5.3%
Since Inception p.a.	10.4%	6.2%	4.2%

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI UK Investable Market index, net GBP. Fund performance shown is of B share class (income units) which is net of an annual management charge of 1.00% per annum, and the Z share class (accumulation units) which reflects the fund's gross performance before any fees are deducted. Inception date of the B share class is 1 April 2009 and inception date of the Z share class is 17 July 2008. Fund performance is calculated using the midday published price. Please note that the benchmark performance is calculated using close of business mid-market prices. Other share classes may be available. ***Past performance is not a reliable indicator of future results***.

PORTFOLIO SUMMARY AND KEY RISK CHARACTERISTICS.

Fund AUM	£195.4m
Strategy capacity	£500m
Inception date	17/07/2008
Holdings (UK/Non-UK)	270/47

Tracking error	4.7 %
Active money	55.3 %
Portfolio beta	1.16

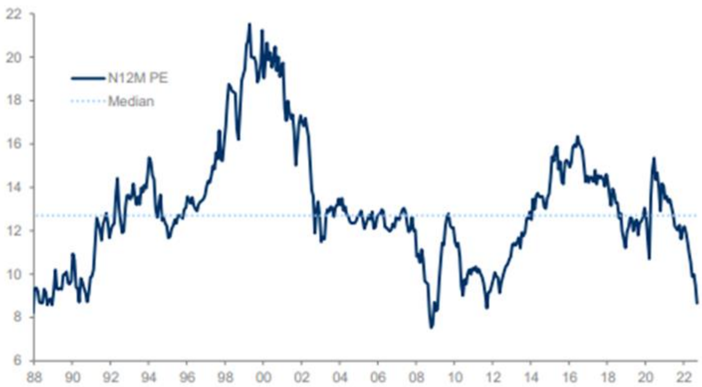
SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator (SRRI) is based on how much the returns of the shares have varied over the last five years, or since launch (whichever is the shorter period). The higher the rank the greater the potential reward but also the greater the risk of losing money.

"Buy low. Of course, you say, that's obvious. Well, it may be, but that isn't the way the market works. When prices are high, a lot of investors are buying a lot of stocks. Prices are low when demand is low. Investors have pulled back, people are discouraged and pessimistic…Buy when most people, including experts are pessimistic. So simple in concept. So difficult in execution." - Sir John Templeton

Catalysed by inflation pressures the world is being forced by Central Banks to move to a world of money costing a more normal (and ultimately more sustainable) amount. The monetary tightening and economic weakness associated with this transition is creating huge uncertainty, an aggressive discounting of risks and a few blow-ups (mini-budgets, pension fund liability management). As levels of uncertainty ramp up my message remains the same - 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 (SMID) equities are on bargain basements valuations. Any equity (and now bond) 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 often higher than earnings multiples. As uncertainty regarding the interest rate and economic outlook has increased so have asset prices moved to discount a more and more difficult outlook so that many charts that measure investment anomalies are now towards, or at, historical extremes. I will include a few of these in this report.

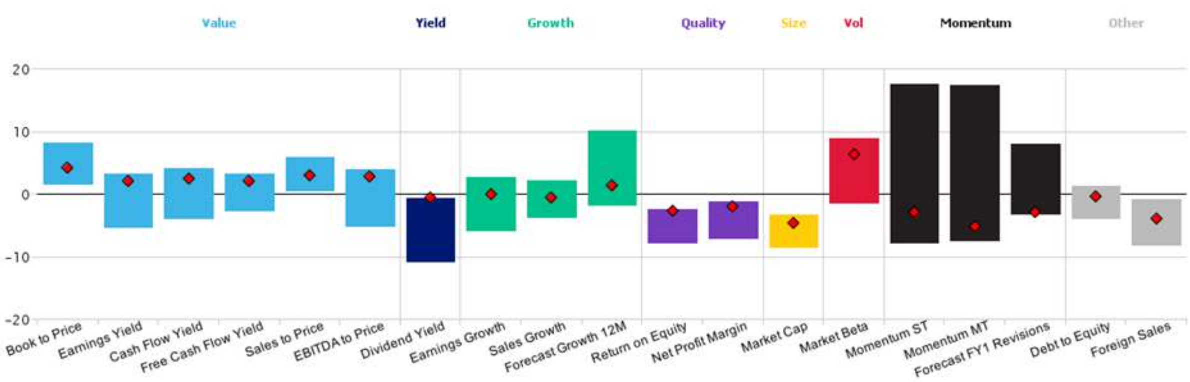
MSCI UK – 12m forward price to earnings (latest = 8.7)



Source: Morgan Stanley

Our portfolios – better value than ever

Our portfolios represent a huge store of value (at only around 1.1x price to book, less than 1x sales and double-digit cash flow yields) and as shown below (represented by the red diamonds) have rarely been cheaper versus the benchmark, with even the dividend yield the same or higher than the market. Also note we have no more leverage than the market and whilst we are bullish on SMIDs, we are only in the middle of the range as we have looked to manage this 'risk'.

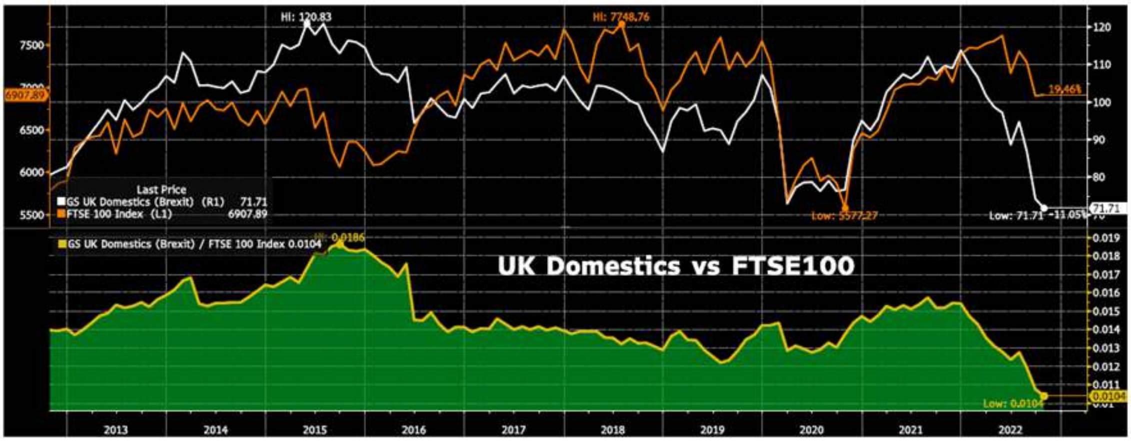


Source: StyleAnalytics

The UK

Wow, this is what panic looks like, catalysed by a recently elected PM and Chancellor deciding policy based on theoretical beliefs colliding with a very volatile interest rate pricing environment and suddenly the real world (one where financial markets matter) takes over and the academic economists have to learn a harsh lesson very quickly. Truss and Kwarteng were extremely naive and one hopes they have quickly learnt their lesson (as I write this Hunt has taken over as Chancellor, so things moved very quickly and policy is likely 'normalising' with tax cuts coming after recovery rather than before). Of course, it depends on your economic and political beliefs whether you like Liz Truss's policies, but at least conceptually we all like the idea of trying to increase our underlying growth rates through supply side reform and getting the tax structure right so that it encourages investment and growth (hardly radical, despite what everyone seems to be saying) but the clear lesson from recent events is that you can't do this without the support of financial markets or the electorate. Reassuringly the UK has neither a relative leverage or funding challenge with the second lowest level of debt to GDP in the G7 and the longest average debt maturity in the OECD. Meanwhile UK equities are really very good value, are not overly geared, are in general proxies for global rather than UK GDP growth and are universally unloved and have suffered lots of forced selling, most notably at the smaller companies (and anything UK domestic) end of the spectrum (see graph below, UK domestic stocks vs FTSE100). As we speak UK government long term debt can be purchased with a yield of 5% guaranteed for 30 years which, from my perspective, is a lot more attractive than the 0.5% one could get only a few months ago and further proof that one of the golden rules of investing remains that the price you pay is after all pretty important. If at some point long term investors start buying enough gilts to offset the forced sellers then gilts should stabilise, setting a floor under equity markets and sentiment generally and allowing the whole interest rate structure to stabilise (at lower levels versus today, but permanently higher than the free money post GFC (global financial crisis) days). By the way, US mortgage rates are over 6% at the moment – we are not alone!

Look at this - UK domestic stocks versus the FTSE100. UK domestics actually trading at a lower absolute level than they reached during the huge Covid drawdown:



Source: Bloomberg

Timing the nadir

When will the types of shares I favour become less cheap? I don't really know. How bad will the economic and profits downturn be? And in this fast market, with lots of passive and hot capital (and lots of forced selling), how much of a bad cycle is already reflected in share prices? Given where valuations have fallen to then it would seem that a lot of bad news is already factored in. My guess is that the inflationary worries will start to subside well before the profit cycle bottoms out. Will markets start to discount recovery at that point or wait for profits to bottom out? To be honest I'm not sure, so as ever it pays to be gradualist as we build up positions in new anomalies that have been created by these uncertainties. We haven't had a bad down cycle (we are not normally great in these anti-risk type markets), protected by our Value bias but it's been bad enough for me and you to lose sleep over. I am sorry but I have not been prepared for such a rapid change in narrative (from post-Covid recovery) and for how uncertain things have become. But we are where we are and it is incumbent on me to exploit the anomalies that are available today and as the yield curve in the US shows below (10 year versus 2 year), the fully inverted curves that clearly predict recessions don't tend to last very long, a classic case of better to travel than arrive (or once bond yields arrive at this point enough policy pain has been inflicted to catalyse peak tightening and the bottoming out of the cycle).

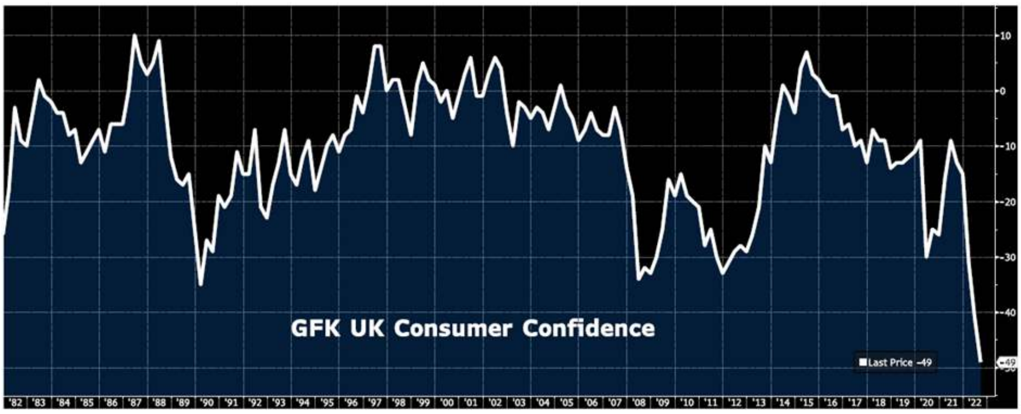
Source: Bloomberg

How low can it go?

I don't know. But in a few years' time if one didn't buy shares in the types of companies we favour at these bargain basement prices then there will be a huge amount of regret. My funds own stocks that are on as low as 3x earnings and out-of-favour digital platforms that are on less than 1x sales. Of course, cheap stocks can get cheaper, and in the GFC bear market (for example) they obviously did (about 10% cheaper, to 1x PB) but this is definitely not our central case, and if it comes to pass then permanent capital will not be lost but there will just be temporary share price corrections and we will stick to our knitting and apply our gradualist, diversified by stock count (but punchy in every other way) approach.

How bad is sentiment?

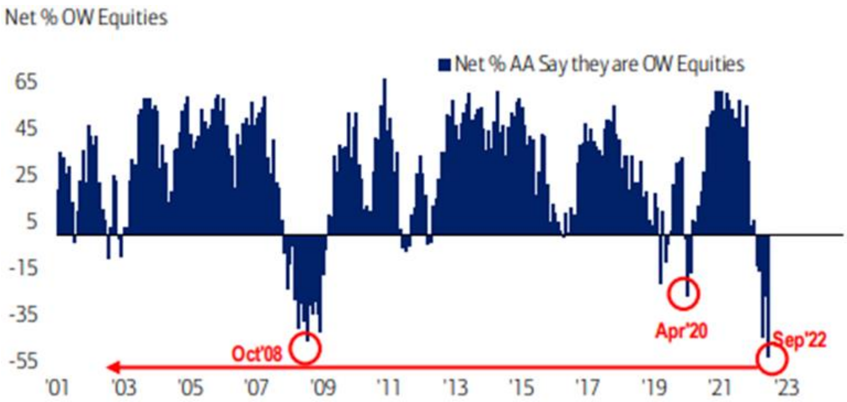
One of the best contra-indicators is consumer sentiment… let's look at UK consumer confidence today, this should speak for itself, at a lower low than when I showed it when making a similar point last quarter!



Source: Bloomberg

And the good news is that it's not just consumers who are now bearish, so are investors (below) and sell side strategists, and friends and family, and of course it's the end of the world if you dare to follow the press.

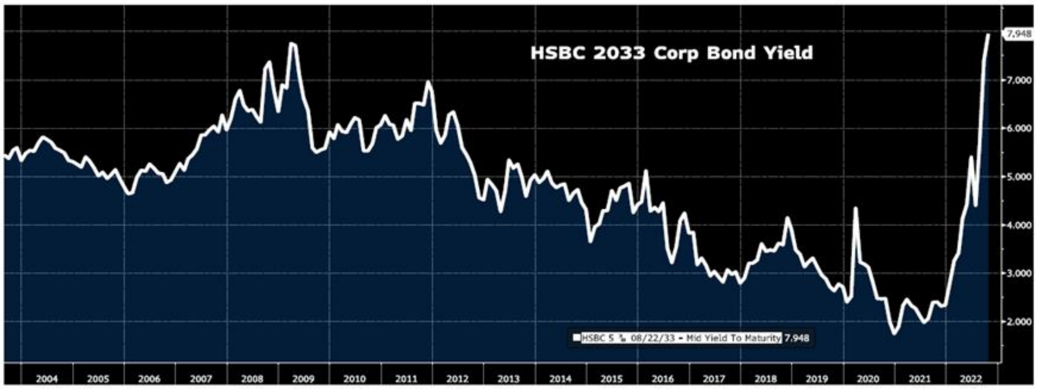
Bank of America Global Fund Manager Survey (net % overweight equities)



Source: Bank of America Fund Manager Survey

Bond markets

I don't really know much about bonds. Though I think I'm right in saying that when you buy UK gilts with a yield of 5%, or HSBC Bank 2033 Corp on a yield of 7.9%, this is a lot better value than when you could buy the former at the end of last year on 0.5% or the latter on less than 2%. Today, if you are about to retire you can get a yield of c.6.5% on a portfolio of gilts and blue-chip corporate bonds, whilst nine months ago one was lucky to get a third of that. Just have a look at this graph below - HSBC Corp Bond yield higher than the GFC high (who would have thought), and interestingly the equity price is up a bit in GBP over 2022. So, a number of corporate bonds are already discounting things being as bad as the GFC.



Source: Bloomberg

Inflation

Central banks, having missed the lead indicators of inflationary pressure (such as money supply, the semis cycle, asset prices and freight rates) as they started to build two years ago, are now busily focused on the lagging indicators of inflation, namely Putin's war and employment levels. It seems that the Fed needs US unemployment to rise before taking the foot off the brake. Meanwhile, most other indicators of inflation are falling whilst quite a few pips are starting to squeak….

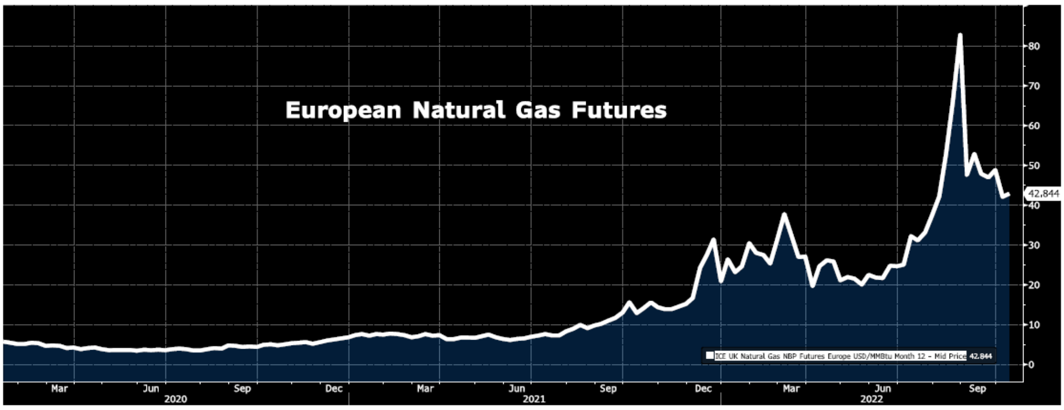
US Money Supply Growth – back to normal, actually negative in real terms:

Source: Bloomberg

Container Freight Rates (global) – heading back to normal:

Source: Bloomberg

Natural Gas Prices – Europe, still high but big drop form peaks and cost of government subsidies falling:



Source: Bloomberg

Semi-cycle, buoyant during Covid with demand ahead of supply but now this is reversing:

Source: Bloomberg

US Consumer inflation expectations started to roll over:

Source: Bloomberg

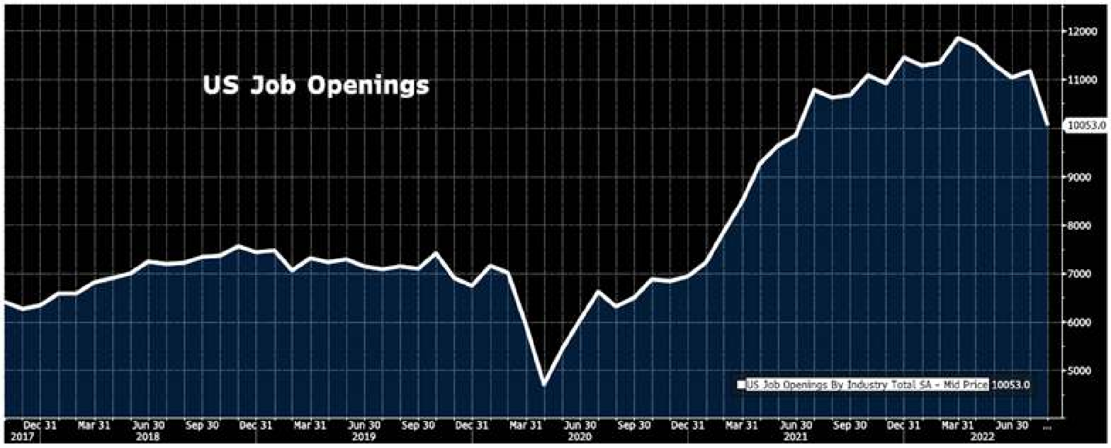
As US Manufacturing prices paid in retreat:

Source: Bloomberg

And this is why inflation is coming down – financial conditions squeeze after last year's largesse:

Source: Bloomberg

And is the US employment 'issue' starting to rollover, new job openings down from peak, this has been a global issue with big demand for casual labour as the service industry went from zero to hero (no one had enough staff when demand recovered), but this is now normalising as we move past peak demand for meals out and holidays:

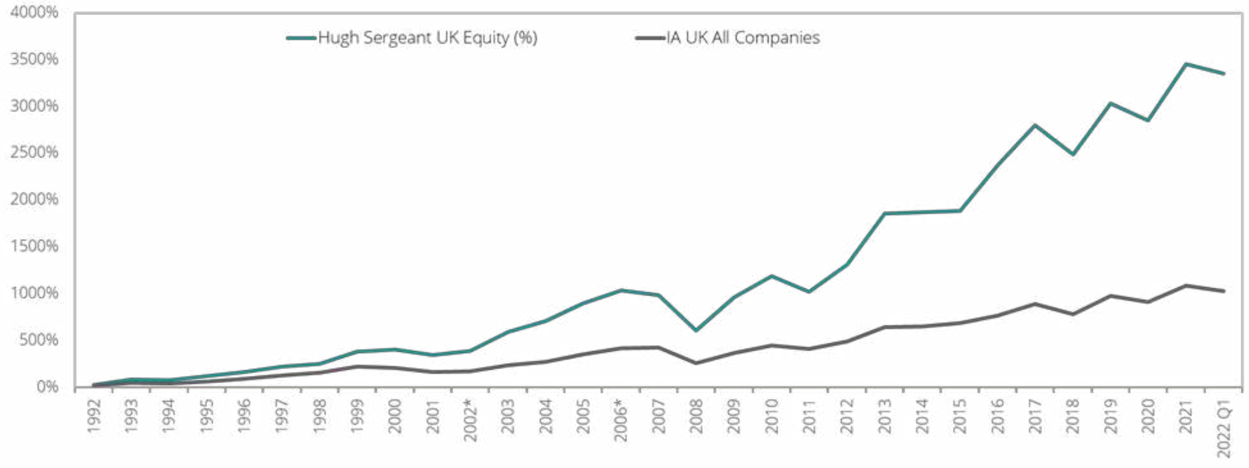


Source: Bloomberg

So, I conclude from the above that early cycle inflation pressures are reducing at a reasonable pace, that policy is now tight, that market panics are making things even tighter, that unemployment is a lagging indicator and even this is starting to peak. I recognise that the latest inflation print out of the US was not that supportive, though the pressure at the moment remains on the later cycle service sector with the early cycle goods inflation print clearly rolling over. At some point over the next few months policy tightening will max out and be supportive of a narrowing of all the huge valuation spreads that have developed over the last year.

Our Alpha and Recovery approaches

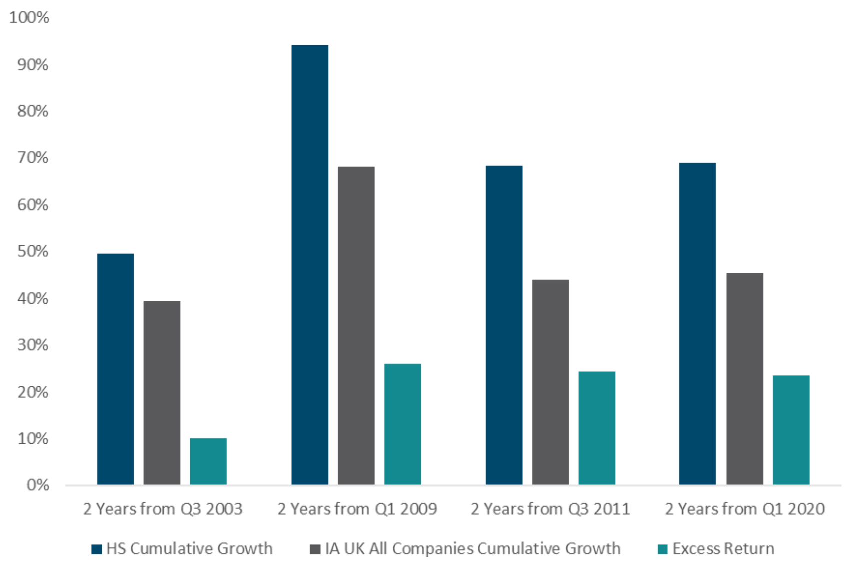
We invest in companies with Potential, Valuation and Timing and have a strong portfolio construction commitment to attractively valued companies, to good businesses with recovery potential, to multi-cap investment opportunities, to being interested in structural growth when it is temporarily unpopular and to getting most interested in an investment when it is out-of-favour but where the fundamentals are on the turn. We repeat this investment approach day-in and day-out, aided by systematic screening. We try to stick to our approach during the difficult times so that we nearly always participate when there is a following wind for our factors. Our Alpha strategies include being benchmark aware when constructing the portfolio; our Recovery strategies are unconstrained and focus on medium to long term wealth creation. Below is my 30 year returns for my UK Alpha product, and compared to peers:



*Notes: The ES R&M UK Equity Alpha Fund was launched on 28.11.2006. Performance since that date is sourced from River and Mercantile Asset Management LLP. Performance for the IA UK All Companies sector average is sourced from FE fundinfo. Source for other data: The WM Company, Lipper Hindsight. 1992 to 2001 = segregated account with FTSE All-Share Index +2% target, managed by Hugh during his time at PDFM/UBS. 2003 to 2005 = The SocGen UK Growth Fund, managed by Hugh at his time at SG Asset Management. Performance is not shown for Q1 to Q3 for 2002 and most of 2006 as Hugh was on gardening leave due to moves to SGAM and R&M, respectively. *N.B The 2002 return is Q4 2002 (30.09.2002 to 31.12.2002) and the 2006 return is from 31.12.2005 to 31.03.2006 and 28.11.2006 to 31.12.2006. Returns are calculated gross of fees using close of business prices for Hugh Sergeant's UK Equity track record. The IA UK All Companies sector is an average taken of the entire sector which is therefore a mixture of fund share classes that are both net and gross of fees and have been calculated using noon prices. Data to 31 March 2022, cumulative.* ***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 guide to future performance.***

And we do normally do well coming out of economic and certainty downturns, as shown by the performance of my UK Alpha approach coming out of previous difficult cycles, namely post the TMT bubble bursting, the GFC, the EU Sov debt crisis and Covid:

Hugh Sergeant 2 year performance after troughs in the market (vs. UK peers



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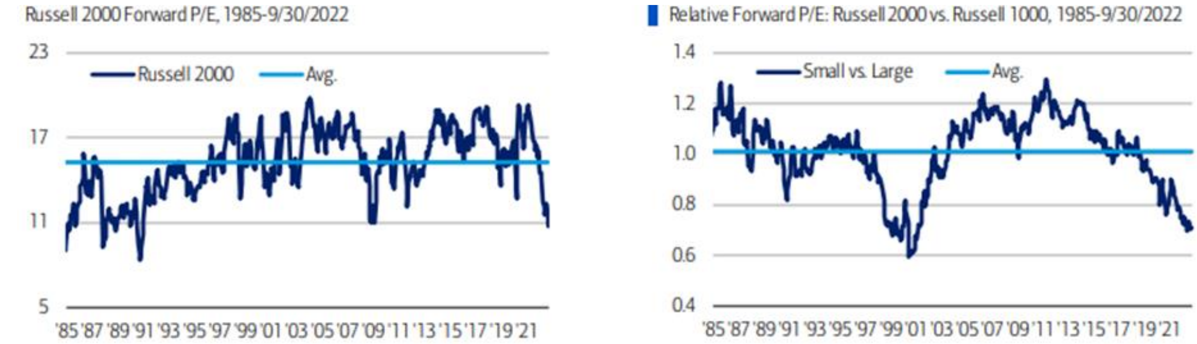
Smaller companies

Smaller companies peaked at the end of Q1 last year and have fallen almost 40% in real terms since this peak. This has created some really great opportunities in smaller companies around the world.

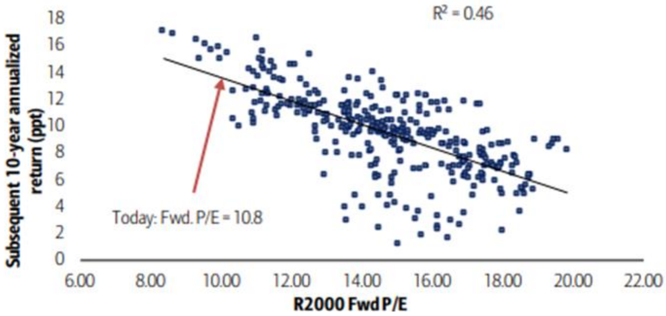
First in the US (updated from last quarter, after further correction), where the Russell 2000 has fallen to 2008/9 lows in absolute valuation terms and a very big discount to larger companies; the third graph below plots the ten year returns to US small cap depending on starting valuations, a re-assuring message both for US small cap and our portfolio in general with 10x earnings having driven double digit compounding in the past.

Russell 2000 forward PE, absolute and relative to larger companies:



Source: Bank of America

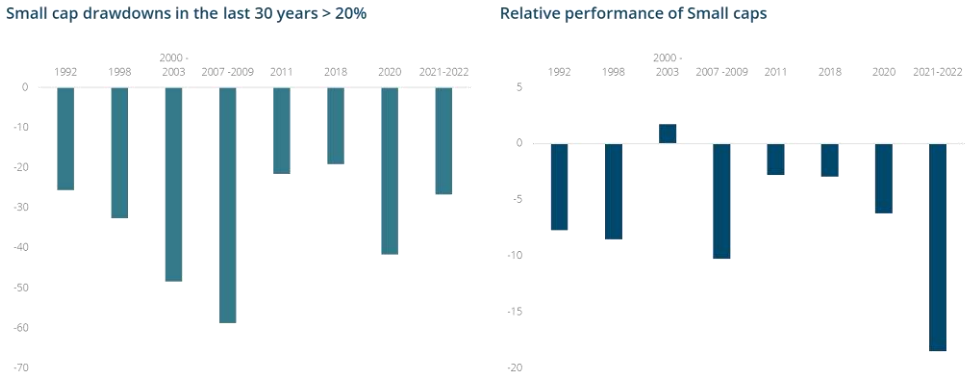
Russell 2000 forward PE vs subsequent ten-year annualised returns:



Source: Bank of America

Now the UK

The relative to large cap drawdown this time around has been particularly severe, the result being a huge de-rating so that smaller cap earnings multiples are trading close to a GFC nadir. And if you have that horrid combination of small and domestic then you are lucky not to have seen your share price halve.



Source: Bloomberg, MSCI (for further information please refer to the disclaimer at the end of this pack), Numis. Data to 23 September 2022.

Source: Bloomberg

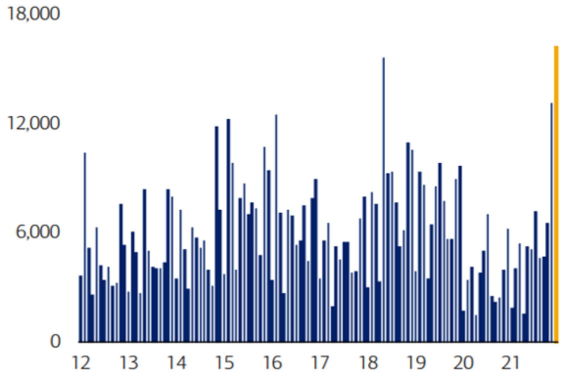
Earnings cycle

This is the weakest part of a bottom-of-the-market thesis as, whilst we are now seeing material downgrades, corporate profits remain better than mid-cycle. It would almost be preferable to get some big downgrades out of the way over Q4, to rebase profits lower, as this would allow the market to start to look through this worry. I would contend that quite a big part of the market where returns are high versus history are commodity related and these have been put on very low multiples of their 'peak' earnings. Meanwhile sectors where profits have already fallen towards cycle lows (consumer facing stocks such as retailers and housebuilders) are trading at cycle low valuations versus book and sales. Below I show the relative value in Europe of Cyclicals vs. Defensives, at the 2009 low:

Source: Exane

And actually, we have already seen a deterioration in the earnings cycle with a large number of negative pre-announcements starting in August in the US; this will get worse, but this is almost a good thing as the market does not believe that current returns are sustainable.

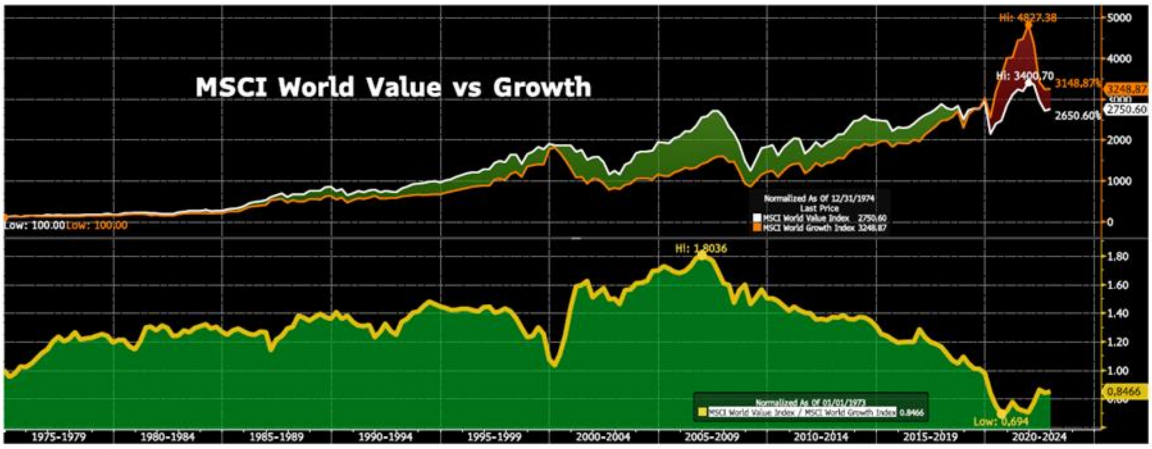
Bloomberg captured negative pre-announcements in the US (August 2022 data):



Source: Bloomberg

Value & Recovery – still towards the bottom of the cycle

Value vs. Growth, global and UK have rallied off the bottom of the cycle but have a long way to go:

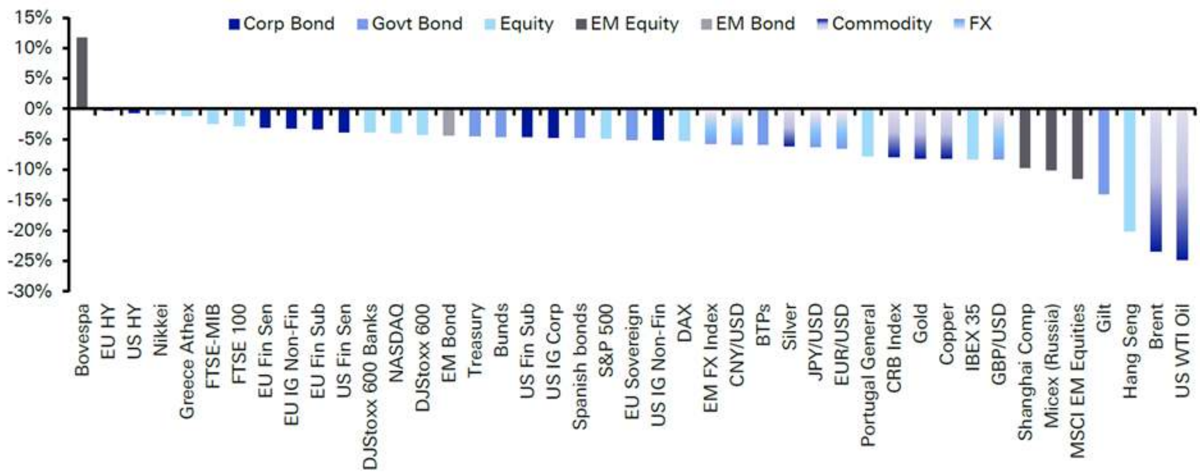


Source: Bloomberg

Source: Bloomberg

Market returns and our performance

Total Return of Financial Assets in Q3 2022 (local currency)



Source: Deutsche Bank

Global equity markets fell in Q3 2022 (MSCI ACWI -15.7% total return in USD) despite rallying hard in July and most of August. Losses were concentrated following Fed Chair Powell's speech at Jackson Hole on 26 August. Evidence of 'sticky' inflation measures increasing rather than declining sequentially have reinforced central bank commitment to fighting inflation, making summer considerations for a 'pivot' towards looser monetary policy a distant memory. The US 10-year bond yield had an interesting journey from 3.0% at the end of June to 2.6% in early August, finishing at 3.8% at quarter end, having breached 4% for the first time since 2008. Longer duration equities significantly outperformed until mid-August but subsequently fell sharply as bond yields rose. UK gilts had an even wilder ride. The UK government's 'mini-budget' is aimed at boosting economic growth, but its unfunded nature spooked financial markets and saw the Bank of England step in with a temporary bond buying programme to stem losses in gilts. Sterling was initially weak, though this appears as much a feature of US dollar strength as anything (DXY +7% in Q3, +19% over 1 year). Broad dollar strength is contributing to tightening financial conditions outside the US – contributing to falling commodity prices (Brent oil -23%, copper -8%) – and brings to mind former US Treasury Secretary Connally's comment in the 1970s: "The dollar's our currency, but it's your problem."

- UK equities again held up better than the rest of the world - supported by their more defensive characteristics - and sterling weakness helping a majority of quoted stocks, the MSCI UK IMI Index falling -3.9% over the quarter.
- Value moved sideways over the period, and again was split between defensive value doing well and uncertainty value (more sensitive to the economic cycle or other worries) and SMID cap value doing badly.
- Our other key factors, namely recovery, multi-cap, out-of-favour growth and regional diversification were all weak and we are underweight the strong USD, both in the UK and globally, despite having some hedging in place.
- Smaller companies in particular have been very weak recently, pretty well all around the world, including the UK which has seen over a year of selling (falling over 9% in the UK last quarter). Domestic stocks have also been very out-of-favour, most notably in the UK where, as I showed above, they are actually below the level they got to (in absolute terms) at the height of the Covid sell-off and are now down -38% this year!
- The Fund's performance during the quarter was weak in absolute terms and modest in relative terms, but during this drawdown phase remains reasonably robust compared to our peer multi-cap fund managers and previous experiences during cycle downturns.
- The ES R&M UK Recovery Fund returned -5.7% (gross of fees, Z share class) and -5.9% (net of fees, B share class), an underperformance versus the MSCI UK IMI of 1.8%.
- 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 transitioned to over the last few quarters.
- Our performance versus value? We have covered quite a lot of this already, but just to confirm. When there is a return to Value we normally fully participate. This time around we have lagged for three reasons: firstly we run multi-cap funds and the small and mid-cap stocks have significantly underperformed, including value SMIDs (note for example the MSCI UK Smaller Companies Index is down -29.6%); secondly we have been pro-cyclical as we looked to exploit the recovery post Covid re-opening, including an overweight Consumer stocks – this positioning has not worked as the market has moved to discount a recession associated with monetary tightening; thirdly only part of the Value universe has worked, inflation hedge value (which we are overweight) has been OK and defensive value (where we added last year but are not overweight), meanwhile economically sensitive value has really struggled.

- Our medium- and long-term returns remain robust, especially in the context of a value headwind over much of this period. Over three years the Fund has returned +3.4% p.a. (Z shares) and +2.4 % p.a. (B shares) versus +0.4% for the benchmark; over five years the Fund has returned +2.5% p.a. (Z shares) and +1.5% p.a. (B shares) versus +1.9% p.a. for the benchmark; over ten years the Fund has returned +11.0% p.a. (Z shares) and +9.9% (B shares) versus +5.7% p.a. for the index, and since inception the B shares have returned +10.4% p.a., 4.4% p.a. ahead of the benchmark after fees.
- Our long-term and (since PVT) inception returns are strong, especially versus value benchmarks and peers. My 30-year track record continues to annualise at over 4% p.a. ahead of the index.

Key performance contributors

Positive contributors during the quarter: US interest rate sensitives performed reasonably, underweight GSK; individual stock successes (TPICAP, Harbour, Swire Pacific).

Negative contributors: Overweight smaller companies; large cap defensive growth strong (Diageo); consumer cyclicals, industrials and UK financials weak; individual stock disappointments (Smoove).

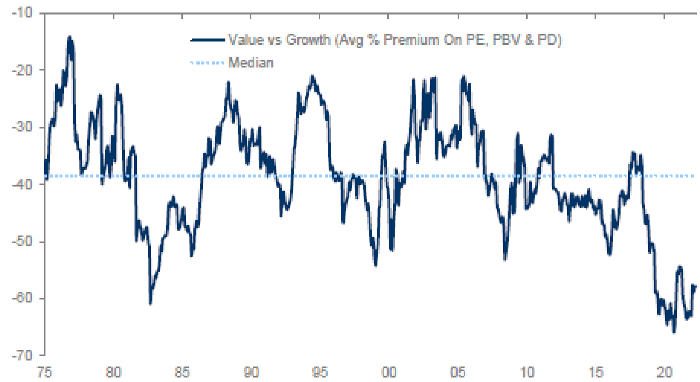
Some key charts that support our outlook

All around the world Value is still cheap relative to growth on all metrics including PE and price to book:

EU Value vs. Growth Average Valuation discount

Source: Morgan Stanley Research

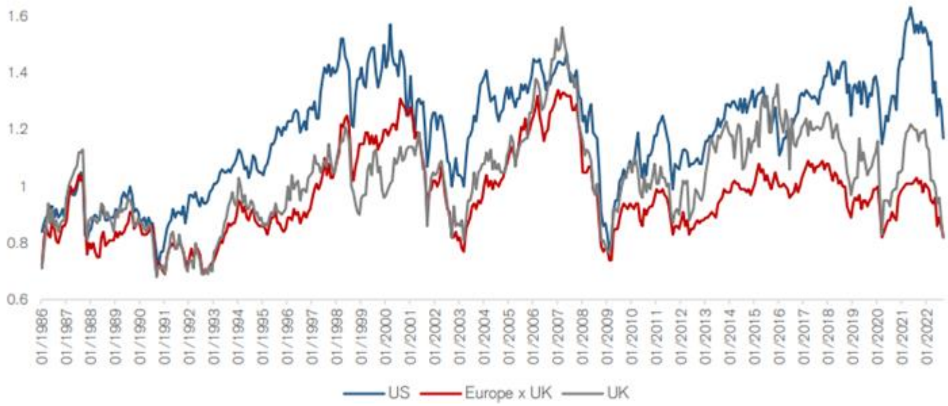
UK Value vs. Growth Average Valuation Premium



Source: Morgan Stanley Research

And value stocks in the UK and Europe are trading at Price to Books as low as they got during the depths of the GFC:

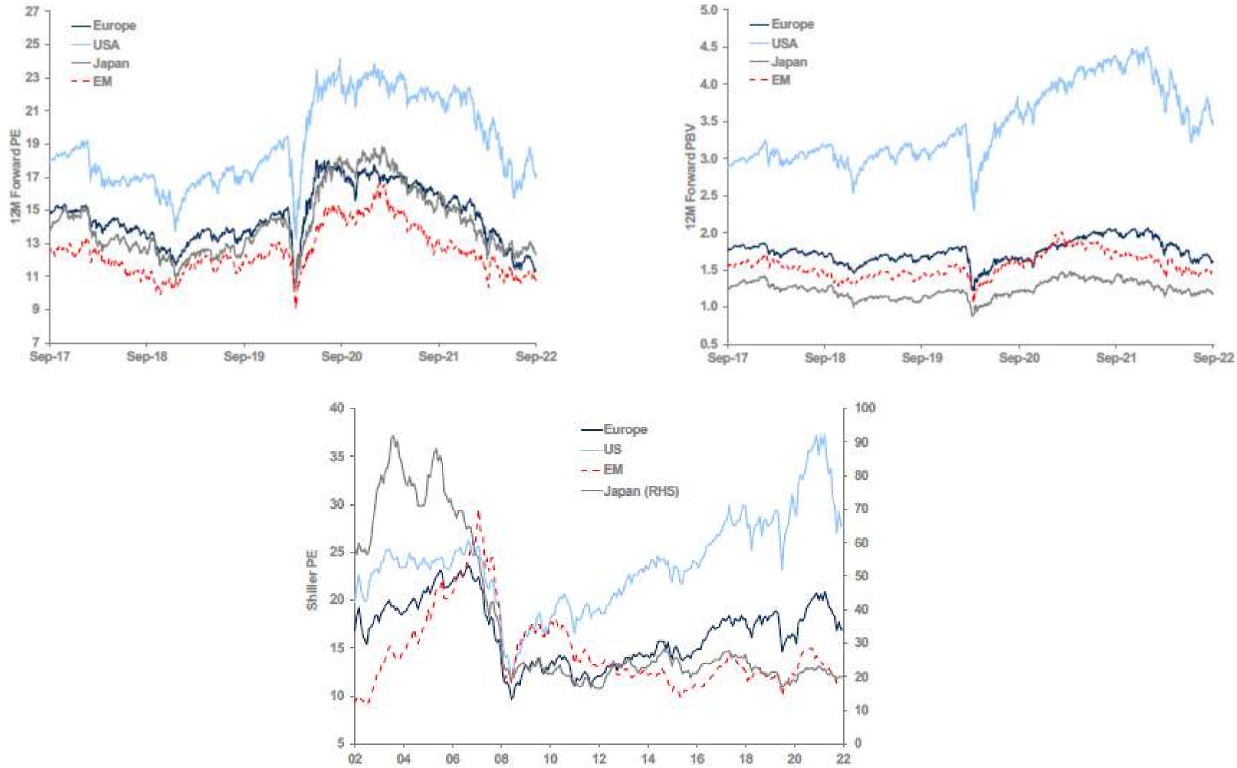
Median Holt P/B for Value Stocks (inc. Financials) – US, Europe and UK



Source: Credit Suisse Holt

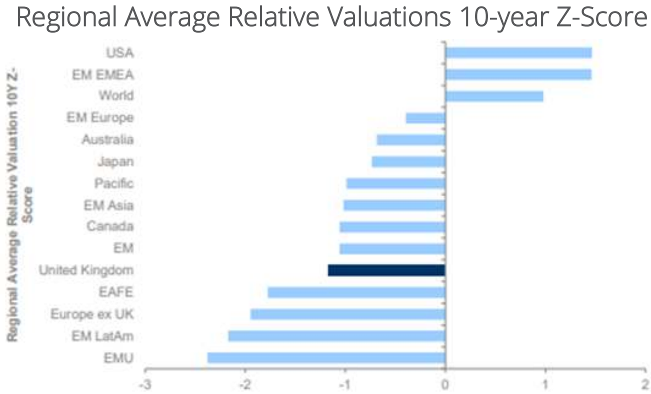
Most equity markets around the world look great value, with most valuation metrics towards the low point of the cycle. US equities remain notably more expensive, though below some still very expensive large cap stocks there is plenty of value to be found amongst small and mid-cap stocks in the US:

PEs, PBs and Shiller PEs around the world



Source: Morgan Stanley

Relative valuations around the world, based on a number of metrics paint the same picture: the US expensive, the rest of the world (RoW) including the UK looking attractive:



Source: Morgan Stanley Research

The UK continues to have stand out valuations, good value from an absolute value perspective (prospective PE of less than 9), and has rarely been cheaper on a relative basis.

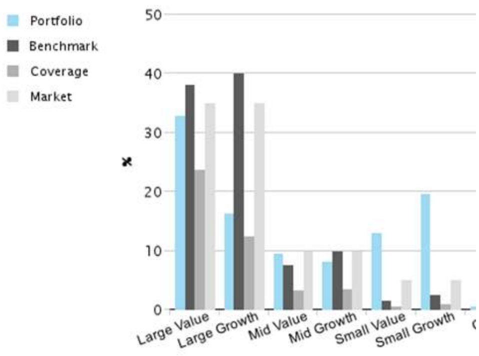
Source: Bloomberg

Activity and Positioning

We continue to position the portfolio for Value, Recovery, Multi-Cap investing, and for deeply out-of-favour structural / quality growers.

The portfolio's value characteristics have become even more committed over the quarter; as explained above most of our shares are really, really cheap, the portfolio trades on around 9x earnings for 2022, a 1.1x price to book valuation, 0.9x price to sales and high single digit normalised cashflow yields. There is a robust multi-cap bias.

Portfolio allocation to Value and Growth stocks by size and versus benchmark (StyleAnalytics), big exposure to large, mid and small Value, big underweight large growth, focus of growth is undiscovered and out-of-favour small cap though some of the overweight small cap growth is in value stocks, such as Harbour Energy *that have strong profits momentum:*



Source: StyleAnalytics

The market is paying quite full prices for certainty stocks (low volatility streams of profits and cash flow) and double discounting valuations for uncertainty stocks (any companies where there is a risk to short term profits and cash flow). The great thing at the moment is that the latter covers a very wide range of stocks, from deep value, to high quality (but a bit cyclical), to fast growth (but uncertain short term delivery), so my investable universe is very large. And in typical fashion I am buying a diversified portfolio of these opportunities, in a very gradual manner at very discounted valuations. The range (inter decile) of earnings multiples one is having to pay is say 3 to 13x or on sales 0.3 to 2x (my guide for de-rated digital platform stocks). And these are companies that on average have a history of growing at a reasonable pace. So, say the portfolio is on 9x earnings and grows over the next five years at nominal GDP of say 5% (2% GDP, taking into account the ex-UK component and 3% inflation), then one would hope you should be locking in double digit annualised returns for the next few years.

Looking at the component parts of the portfolio, we added to the large cap deeper value stocks where market uncertainty seemed to increase during the period depressing valuations, including Lloyds, South32, Tesco and GSK. Our focus (not deliberate, just catalysed by share price corrections) during the quarter continued to be adding to our exposure to medium term quality or growth compounders that have become recovery stocks because they are seen as exposed to the economic downturn and because forced sellers as capital flowed out of SMID cap funds created recovery type valuation anomalies, these included adding to our IMI and JD Sports positions, and buying initial positions in Segro, Genuit, Trustpilot, Dotdigital, Hollywood Bowl, Fulham Shore and Headlam. UK domestic stocks have continued to be very weak and we have been adding to them (Dominos, Wickes, Tortilla Mexican). We continued to add to our S-PVT focused holdings, including adding to SIG (leading insulation product distributor, also a classic recovery stock). And lastly, we continue to think about strategic value, especially at this time of crazy low valuations and a very weak pound, probably most of the above but including Rank, De La Rue and Capco.

Whilst we remain underweight GSK it was our largest purchase during the quarter as it de-rated significantly due to the surfacing of worries regarding Zantac product liability. The shares trade on a 50% discount to their peers, which falls to a 20% discount after estimating a conservative value for the Zantac liability and meanwhile their new drugs pipeline looks more robust than it has for some time and following the spin-out of Haleon any success here will have a more magnified impact on GSK. The low valuation is attractive in the context of much higher valuations put on 'defensive' earnings elsewhere.

We started buying back into Watches of Switzerland Group following a more than halving of the share price. Resilient demand for supply-constrained watches (Rolex accounts for c50% of sales) underpins its Growth trajectory, enabling continued outperformance of the UK market and expansion across the US. Watches of Switzerland is benefitting from brands consolidating their agency partners in the fragmented and relatively underpenetrated US market, driving share gains from a low base. Having de-rated by more than 50% since the start of the year, we believe the current valuation offers attractive risk/reward for a quality compounder generating improving returns on capital, with price increases and extending waitlists supporting continued positive operating momentum.

We are building our position in Balfour Beatty, the international infrastructure group whose shares are depressed following operational disappointments in its UK Construction division. This masks the underlying improvements in the core business (a shift towards contracts with more favourable risk-sharing characteristics), which, coupled with a robust outlook for infrastructure spending, supports Recovery potential. Its UK and US infrastructure portfolio provides asset backing equivalent to the bulk of the current market cap, providing a margin of safety, whilst the visibility of the order book and evidence of an inflection in margins increases our conviction in the recovery thesis.

We continue to like Harbour Energy, the largest pure-play E&P (exploration & production) on the UK continental shelf (c15% of the UK's O&G production). Although it has a mature asset base, it is an important source of domestic energy and it operates in a relatively low-cost region. Harbour is taking action to achieve its Net Zero goal by 2025. In 1H22, the company reduced its GHG (greenhouse gas) emission intensity (scope 1 and 2) by -13% YoY (year on year) through a range of actions almost all of which are NPV (net present value) positive since they deliver improved uptime and/or lower fuel usage. The company has a strong track-record of organic reserve additions, extending field-life and growth via M&A. It is poised to benefit from an environment of higher for longer gas prices which should provide it with significant balance sheet optionality to fund future growth whilst continuing to improve the environmental performance of the portfolio as emission intensity is a key M&A criterion.

We are slowly moving overweight Real Estate stocks following their interest rate related de-rating. Whilst NAV's will need to fall to reflect yield increases this is now more than reflected in share prices that trade at 30 – 60% discounts to net assets for high quality estates. Meanwhile London remains a great global city and London assets are now priced at a pittance in USD terms so as soon as the environment allows, they are likely to see M&A interest. We added to Capco, Workspace, and Great Portland.

Sales have included taking full profits where our PVT thesis has been delivered, most notably the continued recipients of M&A activity (Mediclinic, RPS); taking some profits in energy stocks following a strong run (BP, Serica); reducing or exiting into relative strength (Compass, Renewi, Beazley, Smart Metering, Serco), and re-focusing capital towards higher conviction ideas (Petrofac, Fresnillo).

UK Recovery International stocks – key comments from Eduard Hernandez

With the impacts of higher interest rates across a number of major economies having the expected effect of reducing global economic growth expectations[1], my focus continues to be on populating the sleeve with robust S-PVT stocks with a very good balance between cyclical and defensive end markets whilst we continue to sift through the increasingly number of ever cheaper stocks with the goal of unveiling tomorrow's *Recovery* opportunities.

Current market conditions are proving challenging leading to an underperformance of -4.1% in the third quarter of 2022, with the sleeve down -2.5% versus its comparable benchmark the MSCI ACWI ex-UK index up 1.7% (all figures in GBP)[2]. This compounds with the positive outperformance in the first half of 2022 to a performance of +5.0% ahead of our benchmark year to date.

Key Performance Contributors:

This quarter only two of the sleeve's stocks feature amongst the Top Contributors (above 50bps). Swire Pacific (+76bps), was up 31%[3] as the stock had a very positive reaction to the company's announcement of an increase in dividend and share buyback which slightly reduced the discount to the current book value, which currently stands at 0.3x. Netflix (+62bps) was up 47.3%[4] during the quarter after better than expected Q2 results and a more positive take from the sell side on Netflix expansion towards an ad-powered tier.

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[1] IMG Word Real GDP projections have been lowered since January 2022, from 4.4% in 2022 and 3.8% in 2023 to currently 3.2% and 2.9% respectively.

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

[3] In GBP terms.

[4] In GBP terms.

The only Top Detractors (below 50bps) during the quarter was Baidu (-56bps), even though we have taken some profits from the top contributor during last quarter it has still managed to become a top detractor in Q3, down 16% in GBP terms as it has been weak in line with the overall market in China.

Positioning & Activity:

As discussed in Q2 one of the main focuses of the quarter was centred around reducing the underweight to North America as this represents the sleeve's largest risk factor. During the third quarter we managed to close the gap increasing the weight to North American equities, mainly US, by c.12% bringing the underweight down from 43% at the end of June to 31.4% by the end of September. Going forward the focus continues to be on progressively closing the underweight in North America further as the current market dislocation is increasingly creating more attractive investment opportunities.

In order to raise capital to invest in the new ideas introduced in the portfolio presented below I have continued to exit some of the more late cycle exposed stocks, particularly in Europe, where we have grown increasingly uncertain regarding the Timing, examples of these are Dutch construction and developer Heijmans under risk of a deterioration in its fundamentals given that higher interest rates should slow down the Dutch residential sector and we took profits in toy retailer Jumbo which had been one of the best performing European stocks in the portfolio (+45bps YTD).

Meanwhile, we continued to add to high conviction names, most of which we have provided summaries of our investment theses in previous reports, such as Nintendo, Prosus, Repsol, Wells Fargo, TopGolf Callaway Brands and Netflix where we ended building our target position during the beginning of the quarter.

New positions added in Q3 include:

Draftkings is a top decile *Recovery* stock in Moneypenny. As a fantasy operator the company was one of the first movers in the US online gambling space and a combination of its early entry and strong offering has meant that it has maintained a high market share across every state that has legalised betting activities so far, consistently amongst the top 3 players. The company enjoys a well-established robust medium term growth potential on the back of the progressive regulation across the remaining US states, which I believe should ultimately prove highly profitable given the increase in the cost of capital is ultimately a positive for the well established players as competitors who wanted to build size by spending big to win market share increasingly withdraw, leaving a more rational market where established players can achieve profitability much earlier. Meanwhile the stock Valuation has gone from above 20x EV/Sales in the first quarter of 2021 to the current 2.6x EV/Sales, at a time when top line estimates continue to improve. Timing seems supportive with 2Q22 results above expectations both on revenues and profitability than expected where the company was able to lower costs ahead of expectation, integration of the Golden Nugget acquisition and potential partnership with ESPN, one of the main sport broadcasters in the US.

Electronic Arts (EA), one of the few remaining independent listed game developers and a high scoring Quality S-PVT stock with very strong franchises in sports, in particular football and American football, but also good entries across F1, Hockey, UFC and Golf as well as other famous franchises such as Battlefield, Sims, Star Wars and Need for Speed. EA strategy has been highly successful and it has been rewarded with an increasing return profile over the last ten years. More recently the company has been focusing on diversifying its offering across platforms, having accelerated the growth in mobile after its acquisitions of Glu Mobile and Codemasters and also increasing its presence in PC growing revenues by 93% since FY19. The prospects going forward are encouraging as EA has been very successful at growing and transitioning a large part of its revenues from one-time full game purchases to a more recurring stream from Live Services (which have grown by 37% in the last two years) and has proven that it is willing to explore and adapt to industry changes with its launch of EA Play game membership or the embrace of free-to-play with Apex Legends which has become one of the top games in its genre. The Valuation discount is highly attractive, as the current PE of 16.3x, below 1std deviation of the last ten-year average PE of 20.4x, fails to properly value EA's increasing return and growth potential. Additionally, as we have seen with the frenzy of recent acquisitions in the space, these assets are highly south after given the expected long-term growth in the industry and increasing scarcity attracting a number of the large internet players, such as Amazon or Netflix, which have expressed an interest in growing in the gaming space.

Paypal benefited from the covid-induced increase in e-commerce volumes across the world and with shares down c.70% from the peak in mid21', the stock is a top decile Recovery S-PVT. The significant drop in stock price has been on the back of revenue growth expectations decreasing from c. 23% to currently 15%. The huge drop YTD has created a significant Valuation gap, with the stock trading below 1std deviation from the average since listing in mid15' on a number of multiples such as PE, EV/EBITDA or EV/Sales. The catalyst for our investment in Paypal was Activist investor Elliot Management taking a stake, which we believe accelerates the delivery of a number of initiatives, such as: 1) a higher focus to reduce costs, mgmt. had already announced a reduction of $1.3bn fully delivered by FY23, 2) increased focus on capital allocation, company announced a new $15bn share buyback (c.15% of market cap at the current price) and guide for $4bn to be completed by FY22, 3) shed more light and concentrate efforts in PayPal's crown jewels, Braintree (large enterprise payment processing showing high levels of revenue growth) and Venmo, one of the top digital wallets in the US, with over 80m users and high revenue growth.

Singapore Telecommunications is a conglomerate that fully owns and operates Singtel (#1 telecommunications operator in Singapore) and Optus (#2 in Australia) and owns stakes amongst the leading operators in South-East Asia, such as a 32% of Bharti Airtel (#2 in India & presence in 14 countries in Africa), 47% of Globe (#1 in Philippines), 35% in Telkomsel (#1 in Indonesia) and 23% of AIS (#1 in Thailand). Singtel's return profile has been in decline over the long term, however, the new management team set up a new strategy, driving its Recovery Potential with the goal of both improving the profitability of its various businesses and also dispose of underperforming businesses and recycle capital tied up in infra and/or digital assets. Valuation is underpinned by its 25% discount to a sum of the parts (SotP) fair value, including a 25% conglomerate discount. Additionally, SingTel currently trades c. 1 standard deviation below its L10Y average price to book value. Timing is positive as management have been delivering on their simplification strategy and the outlook for most of its businesses, including Bharti Airtel (the largest in the SotP), is for improving profitability.

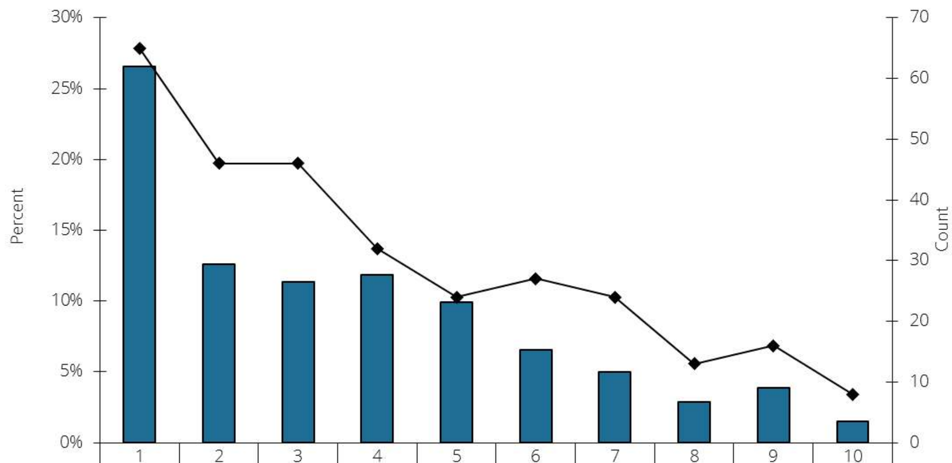
Waters Corp is an under-appreciated compounder with defensive revenue as a global leader in lab-based speciality measurement in the pharma, industrial (food, environment & materials) and government / academic markets. The current equity value is mispricing a confluence of factors which are creating an exciting flywheel for accelerating value creation. Under new management, a revitalisation of the instruments product set has refreshed the installed base growth engine towards the top end of the peer group, which will flow through to attractive growth in services and consumable revenues (these recurring revenues are ~55% of the total). Operational gearing plus productivity benefits will allow 20-30bps p.a. margin accretion even accounting for re-investment to support growth beyond 2024, while deployment of FCF generation and utilisation of the conservative balance sheet on both buybacks and bolt-on M&A further underpin medium-term value per share growth. The YTD c.25% fall in Waters Corp share price is the largest share price drawdown the stock has suffered since 2011, which amidst the current market rotation created our entry opportunity, with our purchase price baking in sub-4% growth in perpetuity compared to mid-to-high single digit we anticipate and that has historically been delivered. We expect earnings upgrades can catalyse a re-rating.

Finally, I have introduced two Brazilian stocks in the portfolio which should benefit significantly from the early response to inflation of its central bank which started raising rates as early as Mar21' and with the Selic reaching 13.75% the bank has already paused their rate increases and it seems inflation in the country has been tamed having peaked at 12% in the first half of 2022 and has fallen below 8% in September. Additionally, the market cheered the first round election result which ended with the main two candidates, Lula and Bolsonaro closer to each other, this results together with the Congress composition should act to ensure more moderate policies negotiated with a broad coalition base with center parties in the upcoming legislature. After the merger between Lojas Americanas and B2W into Americanas the company has become a leading omnichannel retailer in Brazil, we believe the investment case is very attractive driven by a continued improvement in profitability after the integration of the two businesses and the announcement of a management change in order to define the new strategy going forward, which seems to have been taken rather well by the market. The other stock we invested in Brazil is Sequoia Logistica e Transportes, a high Growth stock providing logistics and supply chain services both on a B2B and B2C model. The business was IPOed in late20' at BRL$12.4 and went on to a rapid rise until it peaked in Feb/Mar21' at c. BRL$31, since then the stock is down c. 80%. The company is very well exposed to the long-term growth of ecommerce in Brazil and has continued to deliver very solid revenue growth, above 30% YoY on a LTM basis. We believe the current Valuation multiples, below 10x PE, 5x EV/EBITDA and 0.7x EV/Sales, are very far from what you would expect from a profitable company with a robust long term Growth Potential.

Are we following our PVT and S-PVT Philosophy & Process and a consistently articulated style and factor bias?

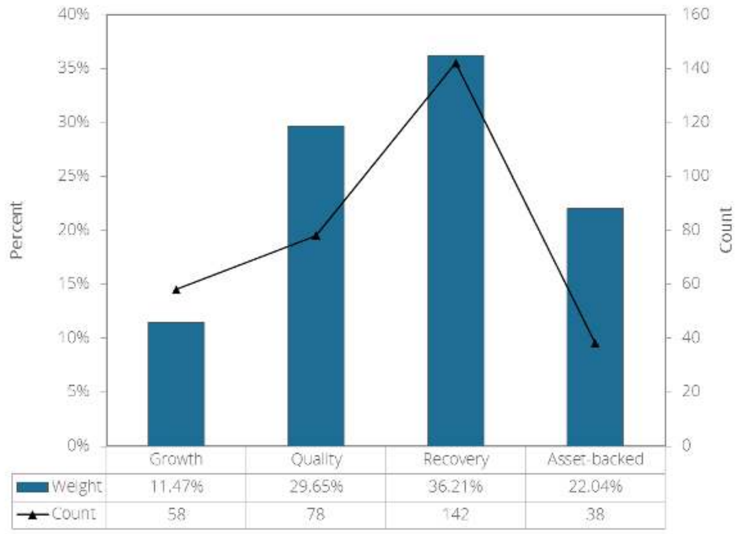
Yes. The portfolio remains clearly skewed towards high scoring MoneyPenny stocks; it has a clear Value bias; it has exposure to all four of our categories of Potential but with a greater tilt to *Recovery* and *Asset-backed*; it is a multi-cap portfolio.

Decile skew to 30 September 2022:



	1	2	3	4	5	6	7	8	9	10
Weight	26.5%	12.6%	11.4%	11.9%	9.9%	6.6%	5.0%	2.9%	3.9%	1.5%
Count	65	46	46	32	24	27	24	13	16	8

Category skew to 30 September 2022:



Source: River and Mercantile Asset Management LLP

Outlook

Catalysed by inflation pressures the world is being forced by Central Banks to move to a world of money costing a more normal (and ultimately more sustainable) amount. The monetary tightening and economic uncertainty associated with this transition is creating huge uncertainty, an aggressive discounting of risks and a few blow-ups (mini-budgets, pension fund liability management). But uncertainty creates investment opportunities and from my perspective there is amazing value out there. Who knows when the low point will be, though it should be pretty close given how 'end of the world' everything feels. I'm not sure I can ever remember having such a great combination of low valuations plus exposure to medium-term profits and cash growth in my equity portfolios. Very exciting, what more can I say. If one's not banging the table now and over the coming months of uncertainty, then I'm not quite sure when one would because these types of opportunities don't come along that often.

Thank you, as ever for your support and patience during these exacting times.

Hugh Sergeant
Head of Value and Recovery strategies

October 2022

FUND HOLDINGS AND PORTFOLIO WEIGHT

Holding	Weight (%)
BP	4.61
Shell	4.04
HSBC Holdings	3.59
Unilever	3.35
Rio Tinto	2.50
Anglo American	2.23
Lloyds Bank	2.19
GSK	1.79
Barclays	1.74
Glencore	1.63
Prudential	1.57
British American Tobacco	1.42
NatWest Group	1.23
Vodafone	1.15
Standard Chartered	0.95
Imperial Brands	0.84
Somero Enterprises	0.72
Harbour Energy	0.72
Gresham House	0.65
Enquest	0.64
BT	0.55
Flutter Entertainment	0.55
Capital & Counties	0.55
Centrica	0.53
Seplat Petroleum Dev Co	0.51
Sands China	0.49
Reckitt Benckiser	0.47
Smith & Nephew	0.46
IMI	0.45
British Land	0.45
Whitbread	0.45
Gresham House Strategic	0.44
Trinity Exploration	0.40
Hargreaves Lansdown	0.39
Associated British Foods	0.38
Renold	0.38
McKesson	0.38
Antofagasta	0.37
TP ICAP	0.37
Moonpig	0.36
Swire	0.36
GVC Holdings	0.35
Baidu	0.35
Shaftesbury	0.35
Savannah Energy	0.34
Capita	0.34
Bank of Ireland	0.34
Prosus	0.33
Tosei	0.33
Ebiquity	0.32
Persimmon	0.32
CRH	0.32
Int'l Cons. Airlines	0.32
Aviva	0.31
ITV	0.31
Boku	0.31
Hunting	0.31
Tenaris	0.31
Wickes	0.31
South32	0.31
WPP	0.30
Workspace	0.30
Centamin	0.29
Essentra	0.29
Vesuvius	0.29
Reach	0.29
Eckoh	0.29
Crestchic	0.29
Indivior	0.29
Centaur Media	0.29

Holding	Weight (%)
Tullow Oil	0.29
RHI Magnesita	0.29
The Restaurant Group	0.29
SIG	0.29
First Derivatives	0.29
Walt Disney Company	0.28
Legal & General	0.28
Coats	0.28
Int'l Personal Finance	0.28
Marks & Spencer	0.28
Netflix	0.28
Tremor International	0.28
Trustpilot	0.28
Banca Farmafactoring	0.27
Ocean Wilson Holdings	0.27
Berkeley Gp Hldgs	0.27
Sony Corp	0.27
Tate & Lyle	0.27
Rolls-Royce	0.27
De La Rue	0.27
Mercia Asset Management	0.27
Kin and Carta	0.27
Taylor Wimpey	0.27
Premier Miton Group	0.26
Elis	0.26
John Wood Group	0.26
JD Wetherspoon	0.26
Applus Services	0.26
Fugro	0.26
Nintendo	0.26
Close Brothers	0.26
Filtronic	0.25
Baker Hughes	0.25
NCC Group	0.25
Repsol	0.25
Elementis	0.25
Tesco	0.25
Ashtead	0.25
Verallia	0.25
IQE	0.25
Compass Group	0.25
Xaar	0.25
Dr. Martens	0.24
Great Portland Estates	0.24
Bayer	0.24
Booking Holdings	0.24
Rotork	0.24
Mondi	0.24
Breedon Group	0.24
Vistry Group	0.24
Genuit	0.24
Johnson Matthey	0.23
Easyjet	0.23
Airbus	0.23
Next	0.23
Diversified Energy	0.23
Informa	0.23
Strix	0.23
Gamma Communications	0.23
Sigmaroc	0.23
Porsche Automobil	0.23
Provident Financial	0.23
MPAC Group	0.23
SSP Group	0.22
Take-Two Interactive	0.22
Liontrust Asset Mgmt.	0.22
Segro	0.22
Old Mutual	0.22
Hostelworld Group	0.22
Burberry Group	0.22

Holding	Weight (%)
Volex	0.22
Everyman Media Group	0.22
Johnson & Johnson	0.22
DFS Furniture	0.22
Tribal	0.22
dotDigital Group	0.21
Wells Fargo & Co.	0.21
WH Smith	0.21
Subsea 7	0.21
Haleon	0.21
Ricardo	0.21
Caixa Bank	0.21
Kraft Heinz Co	0.21
Draftkings	0.21
Morgan Advanced Materials	0.21
MJ Gleeson	0.20
Iomart Group	0.20
XLMedia	0.20
The Fulham Shore	0.20
Just Eat Takeaway	0.20
Grafton Group	0.20
Devro	0.20
PayPal	0.20
Serica Energy	0.20
Hiscox	0.20
Sage	0.20
Secure Trust Bank	0.20
Intermediate Capital Group	0.20
Mitie	0.20
JD Sports Fashion	0.20
Pearson	0.20
Barrick Gold	0.20
Speedy Hire	0.19
Severfield-Rowen	0.19
AT&T	0.19
Moneysupermarket.com	0.19
Victrex	0.19
ING Group	0.19
Allfunds Group	0.19
Pfizer	0.19
Alibaba Group	0.19
Meta	0.19
Virgin Money	0.19
Helical	0.18
ASOS Holdings	0.18
Dart Group	0.18
RWS Holdings	0.18
Galp Energia	0.18
Fidelity China Special	0.18
Carnival	0.18
Cairn Homes	0.18
Card Factory	0.18
PageGroup	0.18
Trainline	0.18
Revolution Bars Group	0.18
Grainger	0.18
Ibstock	0.18
Callaway Golf	0.18
Learning Technologies	0.18
Ping an Insurance	0.18
Dixons Carphone	0.18
Nichols	0.18
Crest Nicholson Holdings	0.18
Sequoia Logistica e Transp	0.17
Team17 Group	0.17
On the Beach Group	0.17
Costain Group	0.17
Rank Group	0.17
Singtel	0.17
Playtech	0.17

Source: River and Mercantile Asset Management LLP

FUND HOLDINGS AND PORTFOLIO WEIGHT (CONTINUED)

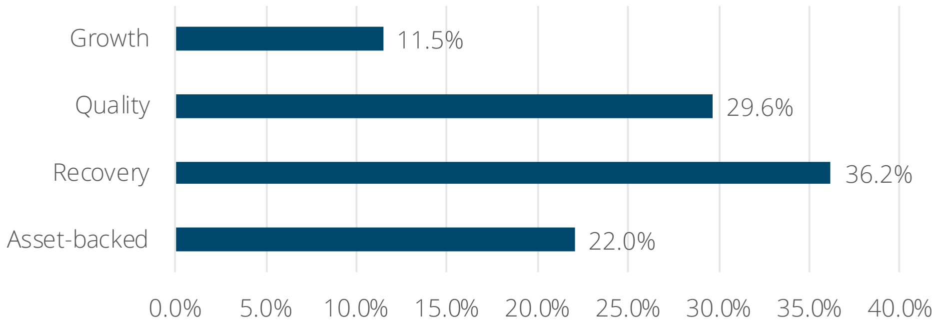
Holding	Weight (%)
Conduit Holdings	0.17
Bango	0.17
Drax	0.17
Waters	0.17
Fresenius	0.17
The Gym Group	0.17
Tyman	0.16
TT Electronics	0.16
Value Partners	0.16
Benchmark Holdings	0.16
Hollywood Bowl Group	0.16
Royal BAM Group	0.16
Ferguson	0.16
Bodycote	0.16
Schroder UK Public Private	0.16
Ocado Group	0.15
Central Asia Metals	0.15
Kingspan Group	0.15
Spirax-Sarco Engineering	0.15
AVI Japan Opps Tst	0.15
Bakkafrost	0.15
Headlam Group	0.15
Zotefoams	0.15
Melrose Industries	0.15
Smoove	0.15
The Weir Group	0.15
Marston's	0.15
Foxtons Group	0.15
Docusign	0.15
Montanaro UK Small Cap Inve:	0.15
A.G.Barr	0.14
Thruvision Group	0.14
Sabre Insurance Group	0.14
Balfour Beatty	0.14
Kier	0.14
B&M	0.14
Serco	0.14
Trifast	0.14
Owens Corning	0.14
Aberforth Smaller Co's Trust	0.14
888 Holdings	0.13
DS Smith	0.13
Cranswick	0.13
Marshalls	0.13
Banco Santander	0.13
Johnson Service	0.13
Capital Limited	0.13
Impax Asset Management	0.13
S4 Capital	0.13
MaxCyte	0.12
Instem	0.12
Southwestern Energy	0.12
EFG Eurobank Ergasias	0.12
Superdry	0.12
Jupiter Fund Management	0.12
Hyve Group	0.12
Inspired Energy	0.12
Nikon	0.12
Watches of Switzerland	0.12
Topps Tiles	0.12
Mears	0.12
Americanas	0.12
eEnergy Group	0.11
Time Out Group	0.11
Synthomer	0.11
Dunelm	0.11
Intl Biotechnology Trust	0.11
XP Power	0.11
Royal Mail	0.11
Ashmore Group	0.11

Source: River and Mercantile Asset Management LLP

Holding	Weight (%)
Tortilla Mexican Grill	0.10
IP Group	0.10
James Fisher & Sons	0.10
Flowtech Fluidpower	0.10
Spotify	0.10
GB Group	0.10
boohoo.com	0.10
Gooch & Housego	0.10
Accesso Technology Group	0.10
Saga	0.10
Polar Capital	0.10
LG Household & Health Care	0.09
Electronic Arts	0.09
Carclo	0.08
OPG Power Ventures	0.08
ADVFN	0.08
Norcros	0.08
Mind Gym	0.08
Science In Sport	0.07
R&M UK Micro Cap Investmer	0.07
Foresight Group	0.07
Argentex	0.06
Mortgage Advice Bureau	0.06
Aukett Swanke	0.06
Altitude Group	0.06
Electrocomponents	0.06
Serabi Gold	0.05
tinyBuild	0.05
IntegraFin	0.05
Halfords	0.05
Domino's Pizza	0.05
Standard Life Aberdeen	0.05
Driver Group	0.04
NEOWIZ	0.04
Cairn Energy	0.03
Tekmar Group	0.03
Rangers International FC	0.02
Cash	0.48
TOTAL	**100.00**

PVT CATEGORIES OF POTENTIAL

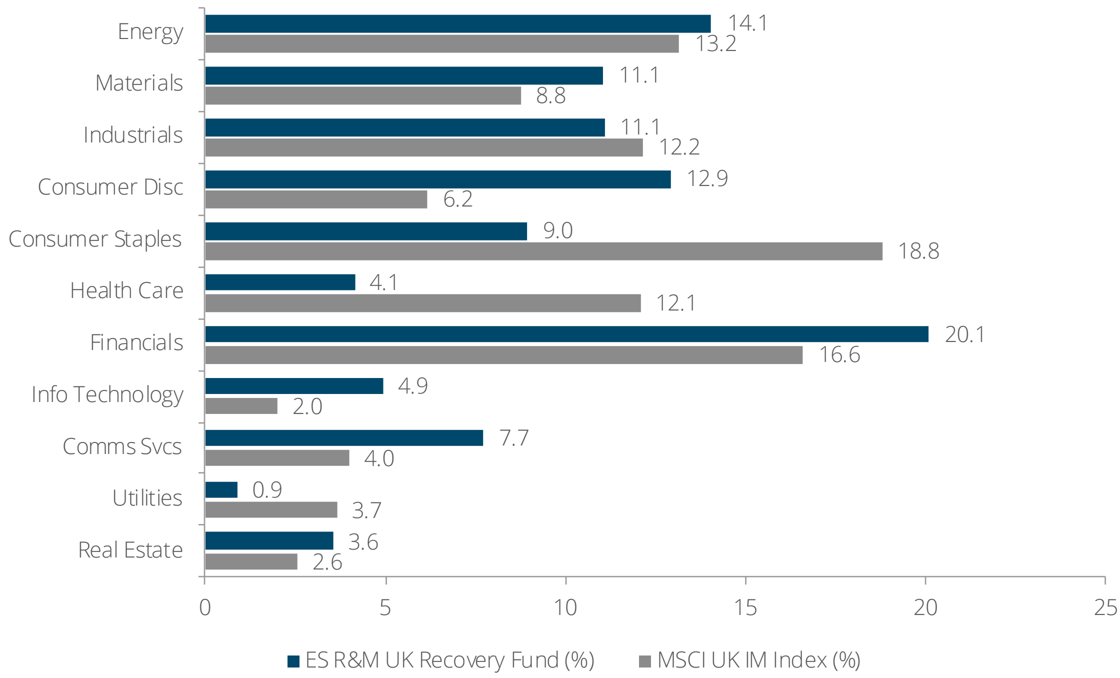
This chart shows the weighting of the fund's holdings across the four categories of Potential, related to the stages of a company's life cycle, as defined within the R&M investment philosophy known as 'PVT' – Potential, Valuation, Timing.



Source: River and Mercantile Asset Management LLP

INDUSTRIAL SECTOR WEIGHTS

This graph shows a comparison of fund and benchmark weightings across the industrial sectors classified by the MSCI Global Industry Classification Standard (GICS).



Source: FactSet

MARKET CAP DISTRIBUTION

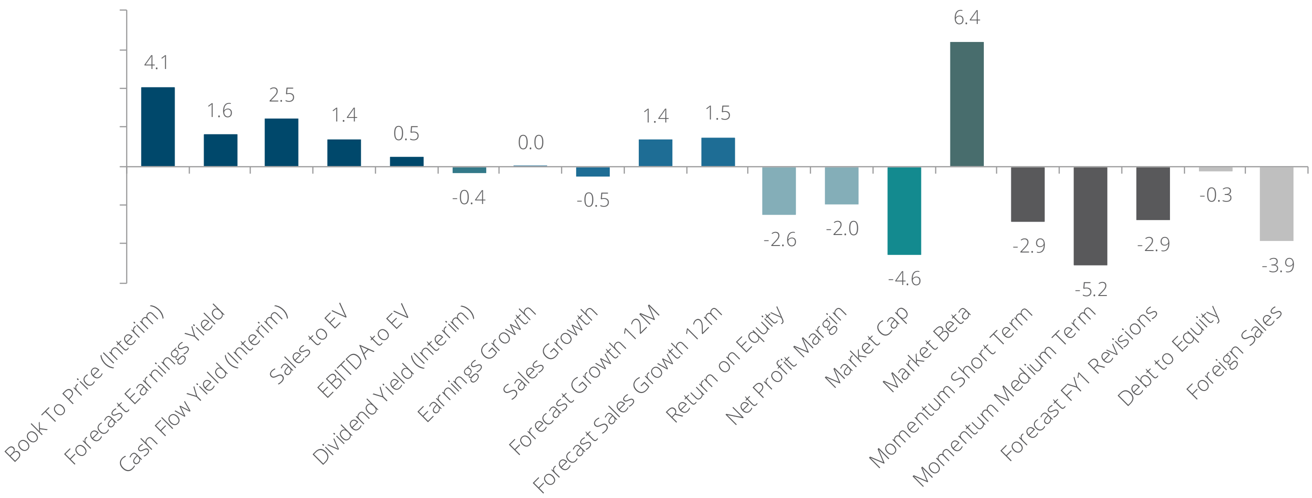
This table shows a comparison of fund and benchmark weightings across a range of company values

		Fund	Benchmark	Active
Mega Cap	£20bn +	40.1%	66.8%	-26.7%
Large Cap	£4bn - £20bn	15.0%	18.4%	-3.4%
Mid Cap	£2bn - £4bn	6.3%	6.2%	0.1%
Small Cap	£100m - £2bn	32.7%	8.6%	24.1%
Micro Cap	£0m - £100m	5.4%	0.0%	5.4%

Source: River and Mercantile Asset Management LLP. Excludes cash and any applicable ETF positions.

PORTFOLIO STYLE SKYLINE

This graph shows the Style Tilts™ of the fund against the benchmark as calculated by StyleAnalytics, highlighting stylistic differences between the fund and its benchmark.



Source: StyleAnalytics

STOCK LEVEL PERFORMANCE ATTRIBUTION

This table shows the best and worst contributors to the fund's performance relative to the benchmark. The average active weight highlights whether the fund held a larger or smaller position in a stock than the benchmark did, on average over the period. As performance is relative to the benchmark, outperformance of the benchmark can come from the fund holding a larger position than the benchmark in a stock that performs well, or a lower position than the benchmark (or even a zero holding) in a stock that performs poorly. The contribution to active return is the return that the position has contributed relative to the benchmark.

Greatest Positive Contribution	Average Active Weight	Contribution to Active Return
GSK	-2.05%	0.56%
AstraZeneca	-7.77%	0.27%
Harbour Energy	0.57%	0.14%
TP ICAP	0.24%	0.14%
National Grid	-1.86%	0.14%
Crestchic	0.33%	0.13%
Flutter Entertainment	0.47%	0.12%
Tesco	-0.69%	0.11%
Swire Pacific	0.33%	0.10%
HSBC Holdings	-1.17%	0.09%

Greatest Negative Contribution	Average Active Weight	Contribution to Active Return
Diageo	-4.06%	-0.49%
Shell	-3.84%	-0.38%
Unilever	-1.41%	-0.20%
Experian	-1.17%	-0.15%
Ashtead	-0.62%	-0.12%
Compass Group	-1.20%	-0.12%
The Restaurant Group	0.39%	-0.12%
Science In Sport	0.13%	-0.11%
Smoove	0.25%	-0.10%
Moonpig	0.39%	-0.10%

Source: FactSet

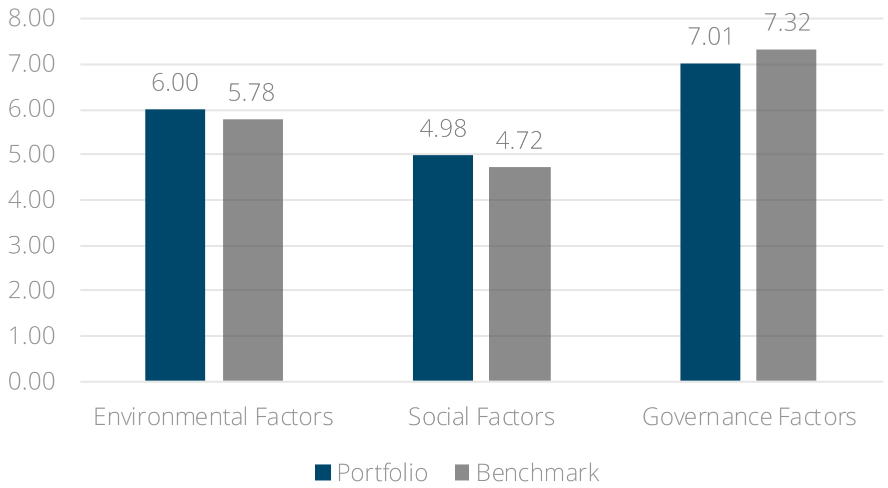
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTOR ANALYSIS

This report is designed to give a broad overview of the portfolio from the perspective of Environmental, Social and Governance factors. Whilst the portfolio is not run to be optimised with these factors in mind, we may expect to take major risks into consideration when analysing stocks.

This table compares the portfolio and benchmark asset weightings by value with data from MSCI ESG Research.

	Portfolio	Benchmark
Assets covered by MSCI ESG Research	87.6%	99.0%
Assets scoring in the bottom decile	0.0%	0.1%

The chart below illustrates how the portfolio and its benchmark compare on average Environmental, Social and Governance scores. Scores are based on a 1 to 10 scale, where 1 is the lowest/worst and 10 is the highest/best.



10 highest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
British Land	0.5%	0.2%	AAA	10.0
CRH	0.3%	0.0%	AAA	10.0
ITV	0.3%	0.1%	AAA	10.0
SIG	0.3%	0.0%	AAA	10.0
Legal & General	0.3%	0.7%	AAA	10.0
Marks & Spencer	0.3%	0.1%	AAA	10.0
Sony Corp	0.3%	0.0%	AAA	10.0
Mondi	0.2%	0.3%	AAA	10.0
Segro	0.2%	0.5%	AAA	10.0
Burberry Group	0.2%	0.4%	AAA	10.0

10 lowest rated ESG companies held by fund	Portfolio Weight	Benchmark Weight	Company Rating	Industry Adjusted Score
NEOWIZ	0.0%	0.0%	CCC	0.9
Porsche Automobil	0.2%	0.0%	B	1.4
Carnival	0.2%	0.0%	B	1.7
Meta	0.2%	0.0%	B	2.2
Nichols	0.2%	0.0%	B	2.8
Value Partners	0.2%	0.0%	B	2.8
Tremor International	0.3%	0.0%	BB	3.1
IntegraFin	0.1%	0.0%	BB	3.1
Hargreaves Lansdown	0.4%	0.2%	BB	3.2
Savannah Energy	0.3%	0.0%	BB	3.3

BROKER COMMISSIONS ANALYSIS

Counterparty	Total (£)	Commission Paid (£)
		Execution Only
ABG SUNDAL COLLIER	195,814.35	117.48
ATLANTIC SECURITIES	873,859.65	524.35
BANCO ITAU	53,220.83	53.22
BARCAP	1,617,757.73	1,119.05
BERENBERG	204,766.25	163.82
BofA MERRILL LYNCH	0.00	0.00
BTG PACTUAL	525,618.19	525.63
CANACCORD ALGO	4,955,926.04	1,982.48
CANACCORD GENUITY	1,364,656.26	1,076.40
CENKOS	85,218.76	68.18
CITI PROG	1,000,457.66	400.24
CITIGROUP	382,140.89	238.40
CLSA	41,813.15	33.45
CREDIT SUISSE	349,132.86	236.89
EXANE	624,308.14	442.50
FINNCAP	357,337.56	285.93
GBM	0.00	0.00
GOLDMAN SACHS	0.00	0.00
GOODBODY	485,247.13	354.02
HSBC	1,286,948.93	873.53
ING	214,535.40	128.72
INSTINET	195,768.21	142.66
INVESTEC	3,314,984.98	2,590.26
ITG	1,070,726.41	642.46
ITG ALGO	1,121,918.69	448.79
J&E DAVY	342,827.93	241.92
JANE STREET	0.00	0.00
JEFFERIES	2,178,639.72	1,581.98
JEFFERIES ALGO	4,078,789.36	1,631.59
JPMORGAN CHASE	1,141,604.85	817.96
KEPLER CHEUVREUX	211,412.94	146.24
LIBERUM	730,860.52	555.72
LIQUIDNET	5,496,331.32	3,297.87
MEDIOBANCA	0.00	0.00
MIZUHO	337,020.42	202.22
MORGAN STANLEY	1,398,894.41	1,036.75
NORTHERN TRUST CORP	249,256.07	165.55
NPLUS1 SINGER	1,807,476.98	1,446.13
NUMIS	1,950,930.69	1,411.19
PANMURE GORDON	85,749.45	68.60
PEEL HUNT	3,238,280.11	2,562.94
RAYMOND JAMES	465,413.84	279.25
RBC	327,424.40	252.80
RBC ALGO	4,410,744.72	1,764.36
REDBURN	121,711.75	97.37
SANTANDER	0.00	0.00
SHORE CAPITAL	375,966.64	288.72
STIFEL EUROPE	361,388.85	289.12
STIFEL NICOLAUS	537,422.52	322.48
SUSQUEHANNA INTERNATIONAL GROUI	0.00	0.00
UBS	1,765,579.87	1,199.41
UBS PROG	336,277.42	134.53
WINTERFLOOD	453,218.84	362.58
FLOWTRADERS	0.00	0.00
CONFIRMED FUND PRICE	0.00	0.00
OPTIVER	0.00	0.00
LLOYDSCRE	0.00	0.00
BANK OF MONTREAL	891,437.84	534.87
BTIG	147,884.23	118.30
LIQUIDNET ALGO	6,060.21	1.82
JEFFRIES	200,671.37	200.67
NUMIS ALGO	2,078,989.66	831.60
DEUTSCHE (DATI)	0.00	0.00
	£ 56,050,425.00	**£ 34,293.00**

Firm Wide Comparators

All Equity Trading	**£ 580,491,977.86**	**£329,573.14**
Trades:	**£ 56,050,425.00**	**£34,293.00**
Average Firm-Wide Commission Rate (%)		0.06%
: Average Commission Rate (%)		0.06%

Source: River and Mercantile Asset Management LLP

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