

ES River and Mercantile UK DYNAMIC EQUITY FUND

CLASS B GBP (Accumulation)

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 21 November 2012.

Source: River and Mercantile Asset Management LLP. Fund performance is calculated using midday published prices. Benchmark performance is calculated using close of business mid-market prices.

Past performance is not a reliable guide to future results.

PERFORMANCE SINCE INCEPTION



CUMULATIVE PERFORMANCE

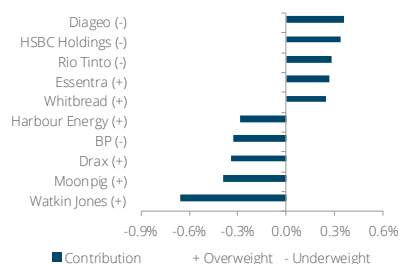
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	1.5	-11.9	-17.9	-8.0	-10.2	84.2
MSCI UK IM Index	3.0	-5.0	-1.4	6.0	10.9	78.3

DISCRETE 12 MONTH 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
B share class (Acc)	-8.9%	7.1%	-14.6%	31.2%	-17.9%
MSCI UK IM index	-1.4%	6.1%	-20.9%	35.9%	-1.4%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

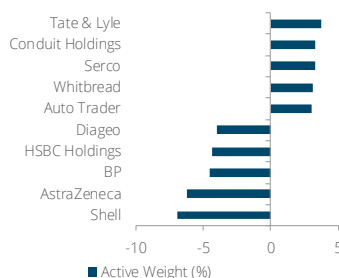
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

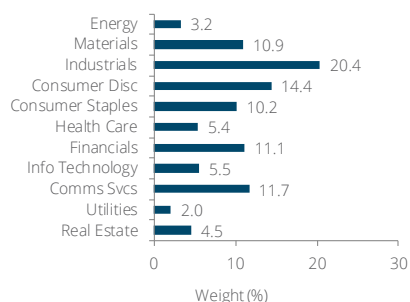
The securities in which the portfolio weight differs most from that of the benchmark.



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 (%)
Tate & Lyle	3.9
Serco	3.4
Whitbread	3.4
Conduit Holdings	3.3
Auto Trader	3.3
Mondi	3.2
WPP	3.2
Gamma Communications	3.0
ConvaTec Group	3.0
The Weir Group	2.9

Source: River and Mercantile Asset Management LLP

RIVER AND MERCANTILE

INVESTMENT OBJECTIVE

To grow the value of your investment (known as "capital growth") in excess of the MSCI United Kingdom Investable Market Index (IMI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

PORTFOLIO MANAGER

William Lough & Mayan Uthayakumar

PORTFOLIO & RISK CHARACTERISTICS

Number of Holdings	50
Fund Volatility	18.0%
Benchmark Volatility	14.2%
Beta	1.14
Active Money	83.4%

KEY FACTS

Fund launch date	22/03/2007
Share class launch date	21/11/2012
Benchmark	MSCI UK Investable Markets Index
IA sector	UK All Companies
Total fund size	£41.0m
Domicile	UK
Fund type	UK UCITS
SEDOL	B7H1R58
ISIN	GB00B7H1R583
Bloomberg	RIVMERB
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)



CONTACT DETAILS

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MARKET CAPITALISATION

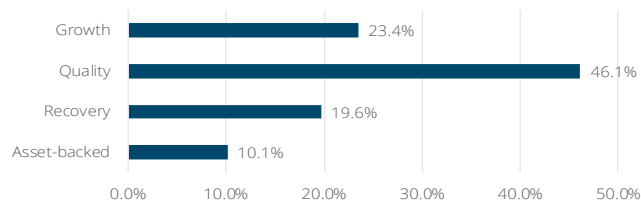
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	16.0%	68.0%	-52.0%
Large Cap	£4bn - £20bn	26.8%	17.2%	9.6%
Mid Cap	£2bn - £4bn	15.1%	6.8%	8.3%
Small Cap	£100m - £2bn	41.3%	7.9%	33.3%

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, excludes cash.

PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts™ of the portfolio against the benchmark as calculated by StyleAnalytics.



Source: StyleAnalytics

FUND RATINGS



OTHER INFORMATION

Authorised Corporate Director: Equity Trustees Fund Services Limited
 Investment manager: River and Mercantile Asset Management LLP
 Depository: The Bank of New York Mellon (International) Limited

This fund was renamed on 1 January 2016 and was previously known as the R&M UK Equity Unconstrained Fund.

MANAGER'S REVIEW

Investment background

The UK market, as measured by our benchmark (MSCI United Kingdom IMI index), was up +3.0% in the month. UK and global equity markets rallied in October 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%).

Strategy update

Performance

The fund increased by 1.5%¹ in October versus 3.0% by its comparator benchmark, the MSCI United Kingdom Investable Markets index².

Key positive and negative contributors include the following stocks:

Essentra (+23.2%) announced the sale of its Filters division completing the simplification of the business into a pure-play industrial Components manufacturer and distributor. The sale resulted in a significant positive share price reaction as the market had assumed that a spin-off at a lower than realised valuation was more likely.

Whitbread (+11.8%) reported interim results well ahead of consensus expectations driven by a stronger than expected recovery in RevPAR, to which the group is operationally leveraged. It is a well-capitalised market-leader with a structural margin advantage afforded through direct distribution that we expect to keep taking market share, particularly given the decline in UK and German independent hotels.

Watkin Jones (-37.9%) issued a profit warning as a result of rising investor funding costs which will impact development margins given the land required to support volumes over the next few years is already under option.

Moonpig Group (-13.7%) is running high leverage following recent acquisitions. Expectations for borrowing costs have significantly increased and the market is rightly cautious on companies with high leverage. We expect Moonpig to rapidly de-lever in the second half of their financial year (which includes both Mother's Day and Valentine's Day).

Drax (-13.2%) was impacted the double whammy of a BBC Panorama investigation into the group's biomass sourcing and the UK government legislating on a cost-plus revenue limit for low carbon generators creating a lot of uncertainty around the remuneration mechanism going forward. The Panorama investigation raised a number of issues which were considered in our S-PVT investment research where biomass sourcing was identified as a potential material sustainability risk factor. In our view, Drax is a sustainable producer and supplier of biomass for several key reasons: (1) It has a positive impact on the environment as biomass displaces more carbon intensive fossil fuels in the production of electricity and biomass provides dispatchable renewable power which is an enabler of intermittent renewables in the UK energy mix; (2) Drax sources from forests that are sustainably managed in a way that supports the health and growth of these forests over the long-term; (3) Forestry economics supports sustainable sourcing whereas cutting down trees for biomass sourcing is not economic; (4) There is no evidence that Drax causes deforestation: Canada has a 0% deforestation rate and, in the US South, forest inventory has more than doubled since the 1950s. In Canada, only 0.36% of forest area is harvested each year with pellets being a fraction of that demand. In the US, the biomass pellet industry is less than 3% of annual harvest; (5) There are independent assurances and oversights of Drax's biomass sourcing operations.

Harbour Energy (-15.6%), a UK gas leveraged E&P (exploration and production) business, was impacted by the weaker UK spot gas price, a function of unseasonably warm weather conditions postponing an increase in gas demand and nearly full European gas storage facilities. Forward curves however indicate that UK gas prices are expected to return to high levels as temperatures fall and gas storage requires refilling.

Future's (-7.7%) underperformance was most likely the result of read-across from Amazon's reported softening in retail activity through 3Q and entry into price comparison services in the UK, which is relevant to Future's e-commerce / affiliates business.

Zero weights in **Diageo**, **HSBC** and **Rio Tinto** were material positive contributors in the period. Our underweight position in **Shell** and zero weight in **BP** were material negative contributors given the strength of the oil price in the period.

Outlook

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 attempt to diversify our portfolios to protect against foreseen and unforeseen risks. We do this through our multi-factor PVT approach which enables us to invest in strong, cash generating companies at various stages of their corporate lifecycle.

William Lough & Mayan Uthayakumar

Portfolio Managers
November 2022

¹B share class (GBP), mid-day to mid-day pricing.

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

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