

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

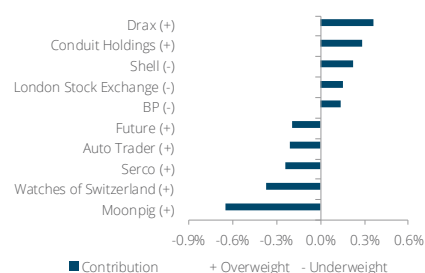
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since inception %
B share class (Acc)	-2.6	7.7	-13.4	-7.8	-5.5	95.6
MSCI UK IM Index	-1.4	8.8	1.6	6.4	13.6	88.3

DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/12/2018	12 months to 31/12/2019	12 months to 31/12/2020	12 months to 31/12/2021	12 months to 31/12/2022
B share class (Acc)	-16.5%	22.6%	-4.5%	11.6%	-13.4%
MSCI UK IM index	-9.8%	18.4%	-11.8%	18.7%	1.6%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

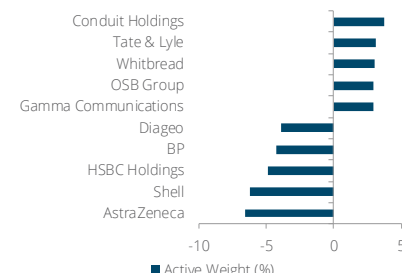
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

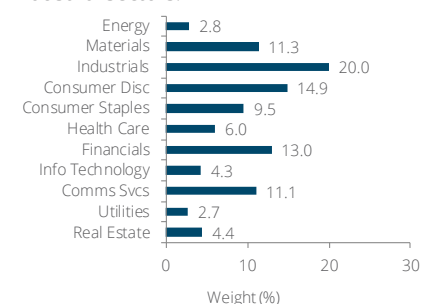
The securities in which the portfolio weight differs most from that of the benchmark.



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 (%)
Conduit Holdings	3.7
Whitbread	3.3
Tate & Lyle	3.2
ConvaTec Group	3.1
OSB Group	3.0
Serco	3.0
WPP	3.0
Gamma Communications	3.0
The Weir Group	3.0
Auto Trader	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	14.4%
Beta	1.14
Active Money	82.6%

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	£42.4m
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

Telephone 0345 603 3618
Email enquiries@riverandmercantile.com

MARKET CAPITALISATION

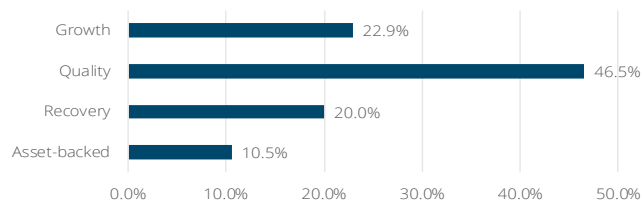
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	17.1%	66.7%	-49.5%
Large Cap	£4bn - £20bn	29.8%	20.0%	9.8%
Mid Cap	£2bn - £4bn	15.8%	5.9%	9.9%
Small Cap	£100m - £2bn	37.1%	7.4%	29.7%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

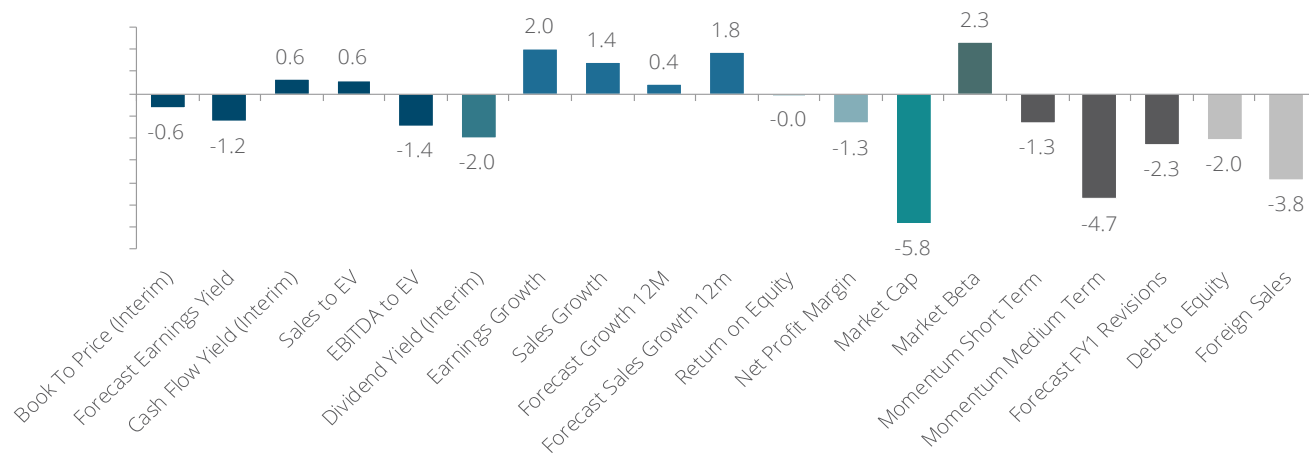
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



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

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.

MANAGERS' REVIEW

Investment background

The UK market as measured by our benchmark (MSCI United Kingdom IMI index) was down -1.4% in the month, outperforming the global market (MSCI World) which was down -4.3% largely bolstered by commodities and consumer staples strength (as it has been for much of the year).

Strategy update

Performance

The fund decreased by -2.6%¹ in December versus -1.4%² by its comparator benchmark, the MSCI United Kingdom IMI index. Absolute and relative performance for the calendar year was -13.4% and -15.0% respectively. For the calendar year, there was a significant divergence in performance between the FTSE 100 (+0.9%) and the more domestic focused FTSE 250 (-19.7%) which saw its biggest annual loss since 2008. The fund is overweight UK small and mid-caps relative to the comparator benchmark.

Key positive and negative contributors included the following stocks:

Drax (+15.6%) benefited from the UK government's positive windfall tax update which provides extra allowances for higher costs of electricity generation resulting in a material earnings upgrade following recent increases in the cost of biomass.

Conduit Re (+6.6%) has re-rated from 0.7x price/book to close to book value since the share price low in September catalysed by the ongoing hardening market in reinsurance rates. Constrained capacity has driven an improvement in rates which, alongside significantly higher investment returns, should deliver a much improved return on equity.

An underweight in **Shell** was a material positive contributor.

Auto Trader (-8.5%) did not report in the period but we suspect weakness was a function of interim results in November which resulted in downgrades for the recently acquired Autorama business which is exposed to new car production volumes which are lower than expected.

Serco Group (-9.2%) provided a positive trading update and suitably conservative guidance for next year. Rupert Soames, who stepped down as CEO at the end of the year, sold a third of his position which may have been the catalyst for the shares underperforming.

Watches of Switzerland Group (-20%) reversed most of the prior month's strong gains following interim results given higher stock levels year-on-year and unchanged FY guidance which factors in more challenging conditions for the second half. In our view, the higher stock levels are not a cause for concern because like-for-like stock growth significantly lags reported stock growth given tailwinds from acquisitions, FX and new showrooms.

Moonpig (-30.7%) acknowledged that trading had become more challenging, particularly for the more economically sensitive gifting business, but held guidance on profitability as marketing and promotional spend is pulled back. The caveat that there was limited scope within the cost base for further revenue weakness has likely driven the share price reaction. Whilst consensus might be too high, the company now trades on a single digit P/E ratio for April-2024 which is fairly remarkable given the dominant market position.

Activity

We exited **Aveva** which received a slightly improved offer from Schneider in November.

Outlook

Sentiment and positioning - as measured by record UK equity outflows and the UK proportion of the MSCI All Country World Index (c11% in 1990 vs 4.4% Dec 2022) both remain depressed. Valuation on a sector-adjusted basis relative to the US is still very depressed. UK interest rate and inflation expectations appear to have peaked however the rate of deterioration in economic activity has yet to conclusively abate. Typically, we would also need to see this for equity markets to rebound. Whilst we acknowledge that it is unlikely that we are at the end of the downgrade cycle, there will come a point when the market will look through the downgrades as happened in Financial Crisis of 2008/9.

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

January 2023

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