

# ES River and Mercantile GLOBAL RECOVERY FUND

CLASS B GBP (Income)

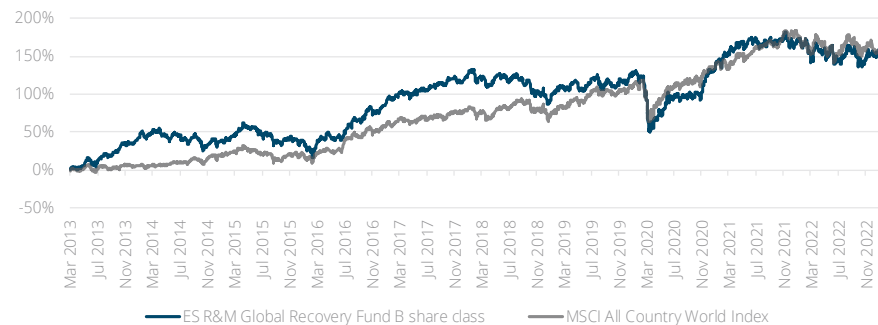
## PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Inc) share class since the launch of the share class on 4 March 2013.

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

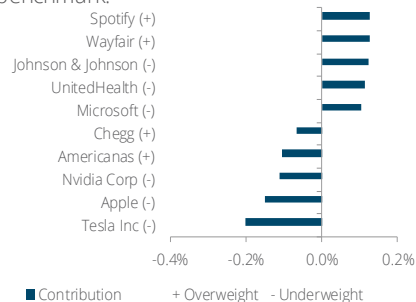
	1 month %	3 months %	1 year %	3 years %	5 years %	Since inception %
B share class (Inc)	8.1	13.9	5.4	27.8	21.3	176.5
Benchmark	4.7	3.7	0.3	30.5	51.2	169.8

## DISCRETE 12 MONTH PERFORMANCE

	12 months to 31/01/2019	12 months to 31/01/2020	12 months to 31/01/2021	12 months to 31/01/2022	12 months to 31/01/2023
B share class (Inc)	-10.1%	5.6%	9.0%	11.3%	5.4%
Benchmark	0.0%	15.8%	12.3%	15.9%	0.3%

## TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

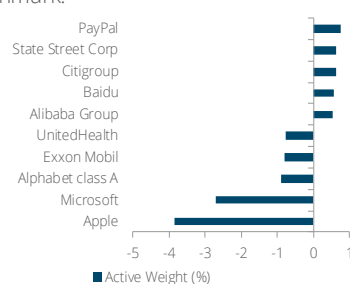
The best and worst contributors to the portfolio's performance relative to the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

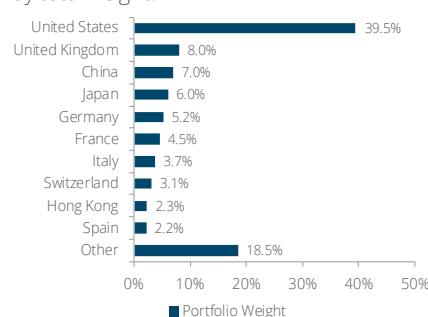
The securities in which the portfolio weight differs most from that of the benchmark.



Source: River and Mercantile Asset Management LLP

## TOP 10 COUNTRY WEIGHTS

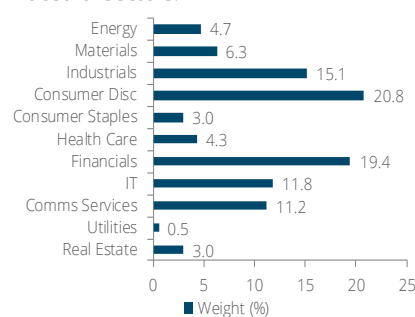
The portfolio's ten largest country holdings by total weight.



Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



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 All Country World Index (ACWI) net total return (the "Benchmark") over a rolling 5-year period, after the deduction of all fees.

## PORTFOLIO MANAGER

Hugh Sergeant

## PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	496
Fund Volatility	16.0%
Benchmark Volatility	13.9%
Beta	1.09
Active Money	79.1%

## KEY FACTS

Fund launch date	04/03/2013
Share class launch date	04/03/2013
Benchmark	MSCI All Country World index
IA sector	Global
Total fund size	£321.4m
Domicile	UK
Fund type	UK UCITS
SEDOL	B9428D3
ISIN	GB00B9428D30
Bloomberg	RMEWREB
Distribution type	Income

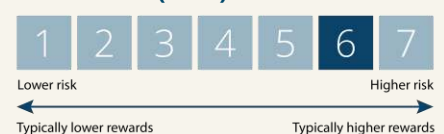
## FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.12%

## 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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## TOP 10 HOLDINGS

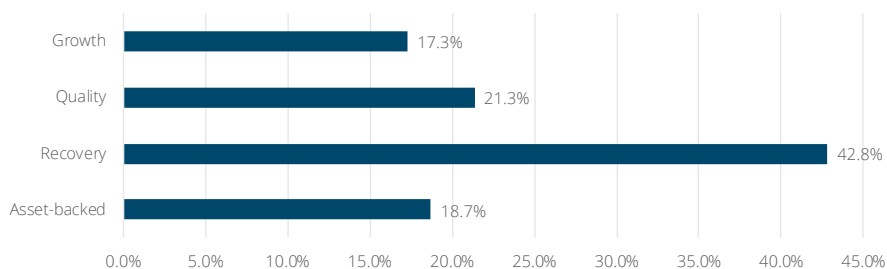
The ten largest positions by weight held in the portfolio.

	Weight (%)
Amazon.com	1.4
Meta	1.0
Alphabet class A	1.0
PayPal	0.9
Alibaba Group	0.9
Citigroup	0.8
Wells Fargo & Co.	0.8
State Street Corp	0.7
Baidu	0.6
Pfizer	0.6

Source: River and Mercantile Asset Management LLP

## CATEGORIES OF POTENTIAL

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



Source: River and Mercantile Asset Management LLP

## PORTFOLIO STYLE SKYLINE

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



Source: StyleAnalytics

## 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 July 2018. It was previously known as the R&M World Recovery Fund.

## MANAGER'S REVIEW

### Investment background

Equity markets ripped higher in January (MSCI ACWI +7.2% total return in USD). It was the second-best January in 35 years for global equities. Risk assets rallied strongly on data suggesting improving odds of a soft landing in the US, and better growth prospects in Europe and China. The dominant feature of greater risk appetite could be observed across asset classes, with bitcoin surging 40%, as well as within equities. Higher beta segments such as emerging markets, unprofitable tech (as a proxy, the ARK Innovation ETF +28%) and cyclical companies led the rally. In fact, all major asset classes delivered positive returns in January except the dollar (DXY index -1%), which investors continue to unwind as inflation data rolls over in US. Earnings reports thus far have generally supported a more sanguine outlook, but in aggregate profit forecasts continue to see cuts so, in this sense, investors are currently happy to 'look through' to better times.

### Strategy update

#### Performance

The fund returned +8.1%<sup>1</sup> in January versus +4.7%<sup>2</sup> by its comparator benchmark, the MSCI ACW index (all in GBP).

Our key positioning is starting to work, namely our recovery positions, our consumer and industrial cyclical and small and mid-cap exposures, our China recovery overweight and our cheap RoW versus expensive USA regional allocation. We are closer to the beginning of this cycle than the end.

Our largest contributors to positive performance were weighted towards de-rated growth tech companies such as **Spotify** (+39% in GBP), **Wayfair** (+80%), **Meta** (+21%) and **Asos** (+71%). On the other hand, underweights across defensive healthcare names such as **Johnson & Johnson**, **United Health Group**, consumer staples like **Procter & Gamble** and software stalwart **Microsoft** also contributed positively.

Alternatively, underweights in **NVIDIA**, **Apple** and **Tesla** were the top 3 detractors from relative performance. In addition, **Americanas** had a negative impact after the company reported material accounting inconsistencies with the impact of doubling the debt position of the company.

#### Activity

The market continues to pay quite full prices for certainty stocks (low volatility streams of profits and cash flow) and double discounted 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.

New positions were started in classic Recovery opportunities such as **Stanley Black & Decker** and **Accor** and we continue to find attractive growth Recovery amongst de-rated digital stocks like **Match** and **Boohoo**. In addition, we added capital to the de-rated mega cap tech stocks such as **Amazon** and **Alphabet**.

We exited copper miner **Antofagasta** on the back of strong expectations for the price of copper due to the rapid opening of the Chinese economy and also have been recycling capital from strong performers such as **American Express**, **DR Horton**, **Eucatex** and **MercadoLibre**. Finally, we took quick action to exit the small position in Brazilian e-commerce company **Americanas** upon receipt of news that "accounting inconsistencies" had been discovered.

### Outlook

Sentiment, positioning and valuations in our hunting ground (recovery, consumer and industrial cyclicals, small and mid-cap, China recovery and our cheap RoW versus expensive USA regional allocation) remain low but have had a strong start to the year. This should just be the beginning. Interest rate and inflation expectations appear to have topped-out and the cost of living crisis is peaking. China has now firmly committed to restoring economic growth which will support the global economy as the US sees its much anticipated slowdown. The profit cycle is less supportive than it has been but the good news here is that Q4 saw a lot of re-setting of expectations allowing the market to be better positioned for a year of lower corporate profits. I really banged the table for equities at the end of last quarter; since then shares have rallied a bit but the opportunity to create wealth from our types of equities remains significant.



#### Hugh Sargeant

Portfolio Manager  
February 2023

<sup>1</sup>B share class (GBP), mid-day to mid-day pricing.

<sup>2</sup>Close-of-business to close-of-business pricing.

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