

RIVER AND MERCANTILE
ASSET MANAGEMENT

**River and Mercantile Funds ICVC
Long Report for the Year Ended
31 March 2013**

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*Collectively, these comprise the Authorised Corporate Director's Report.

Company Information

Company	River and Mercantile Funds ICVC
Registered Office	30 Coleman Street, London, EC2R 5AL
Administrator and Registrar	The Bank of New York Mellon (International) Limited, BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG
Authorised Corporate Director ('ACD')	River and Mercantile Asset Management LLP
Designated Members of River and Mercantile Asset Management LLP	James Edward Ellis Barham Julian Christopher Cripps John Lionel Beckwith Mark Christopher Johnson
Depository	BNY Mellon Trust & Depository (UK) Limited, The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA

The Authorised Corporate Director's Report

The Authorised Corporate Director presents its report and financial statements of the Company for the year ended 31 March 2013.

Incorporation

The Company is an investment company with variable capital incorporated under the OEIC Regulations. The Company is incorporated in England and Wales with registered number IC000489. The head office of the Company is 30 Coleman Street, London, EC2R 5AL. This is also the address for the service on the Company of notices or other documents required or authorised to be served on it.

The Company shall issue shares in the following Funds:

- River and Mercantile UK Equity High Alpha Fund
- River and Mercantile UK Equity Smaller Companies Fund
- River and Mercantile UK Equity Unconstrained Fund
- River and Mercantile UK Equity Long Term Recovery Fund
- River and Mercantile UK Equity Income Fund
- River and Mercantile World Recovery Fund
- River and Mercantile Global Equity Fund
- River and Mercantile Global Opportunities Fund
- River and Mercantile Global High Income Fund

Principal Activities

The Company is a UCITS scheme as defined in the Collective Investment Schemes sourcebook (COLL) and also an umbrella company for the purposes of the OEIC Regulations. The property attributable to each of the sub-funds is managed as if such sub-fund belonged to the "UCITS Scheme" category as specified in the COLL. Holders of shares in a sub-fund are entitled to receive (or, in the case of accumulation shares, to have re-invested) the net revenue derived from the sub-fund and to redeem their shares at a price linked to the value of the property of the sub-fund. Shareholders do not have any proprietary interest in the underlying assets of any sub-fund. The shareholders of the Company will not be liable for the debts of the Company.

The base currency for the Company is pounds sterling. The maximum size of the Company's capital is £100,000,000,000 and the minimum size is £1.

The Company was authorised by an order made by FCA** with effect from 2 October 2006. The operation of the Company is governed by the Regulations, the Company's Instrument of Incorporation and its Prospectus.

Director's Statement

The financial statements are set out in detail in the relevant sections of this report.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).



Mr James Barham
16 May 2013



Mr Julian Cripps

Market Background

"Double, double toil and trouble; Fire burn, and cauldron bubble"

In Shakespeare's Macbeth, three Scottish witches are going about their business as is their want, creating suitably poisonous concoctions that can only be created from combining the exciting and wondrous ingredients which we are led to believe included entrails, eye of newt and toe of frog. This all undertaken whilst they await a visitation from Macbeth, the man they had predicted would be king. As some of us may remember from our "O" levels or equivalents "Double, double toil and trouble" is part of the refrain to their demonic incantation, an inspiring little number in tetrameter (four accents per line). Memories often cloud over time, however, and the words are often mistaken in everyday parlance as "Bubble, bubble, toil and trouble," which makes even less sense than the original! This lack of understanding on my part may explain my academic results although my basic understanding of what in fact was meant by the original text was that the witches were intending, with their spells, to pile up toil and trouble until they "double", yielding twice the toil, and double the trouble for Macbeth, presumably.

The latest announcements from the Treasury suggested that the UK Government borrowed £120.6bn in the financial year to April 2013, slightly lower than the amount it borrowed the previous year. The amount was just £0.3bn lower than the previous year's total of £120.9bn. Public sector net debt, the amount that the Government has borrowed over successive deficits, is now £1.2 trillion, or about 75.4% of GDP. This is somewhat higher than the original forecasts when the Coalition came into power that borrowing in the fiscal year ending 2013 was expected to hit a maximum of £89bn. The tinkering with austerity and the lack of structural and significant pro-growth supply-side tax reforms has meant the original forecasts have been disappointing. The problems that our economy faces are similar to many others and governments and oppositions alike are struggling to manage the "double trouble" of anaemic growth and crippling debts. Are Macbeth's witches' prophecies preordained, or do they simply encourage Macbeth to become active in constructing his own fate? Equally from an economic perspective, managing decline should not be preordained, nor should politicians be active in constructing our own demise. Economic decline should be abhorrence for any politician. It is time for governments to jettison fiscal conservatism and to embrace genuine supply side structural change.

Whilst the economy over the last twelve months has continued to suffer from the witches' incantations, financial markets have been oblivious to the demonic predictions. We have seen a rise in global markets of in excess of 16% over the period and the financial health of our corporate sector has recovered significantly over the last few years. We believe that there continues to be significant value in certain parts of global markets. Companies are creating genuine value through generating a lot of cash and investing it wisely. Economic policy is generally supportive, although as discussed earlier there is room for this to be more aggressive. On this front, Japan appears to be grasping the metal, where a serious attempt is being made to move beyond deflation through targeting nominal GDP growth, and closer to home it will be interesting to see how the pro-growth incoming Governor of the Bank of England starts his period in office. The eurozone continues to be the source of event risk, as we have seen with the ongoing political turmoil in Italy and the interesting approach to bank deposits in Cyprus. Beyond these headline-grabbing developments real progress is being made in a number of the peripheral countries, with the combined current account deficit of Greece, Ireland, Italy, Portugal and Spain narrowing to 0.6% last year compared to 7% in 2008. Perhaps not all of the gloom-laden predictions will materialise as effectively as the witches' prophecies.

River and Mercantile

2013 was the seventh year of growth for River and Mercantile (R&M) against challenging investment and market conditions. Whilst the markets oscillated between "risk on and risk off" our core markets are confronted with a myriad of challenges and issues. We have taken the opportunity to continue to invest in our business and the last year has seen some major developments and milestones.

- **R&M assets under management hit £2bn**

Assets under management reached £2bn for the first time in March 2013. We have continued to see strong growth in Global Equity Assets under management from a growing client base.

- **R&M take new office space**

We moved into new offices at 30 Coleman Street in March 2013 taking some much needed additional space further up the building.

River View (continued)

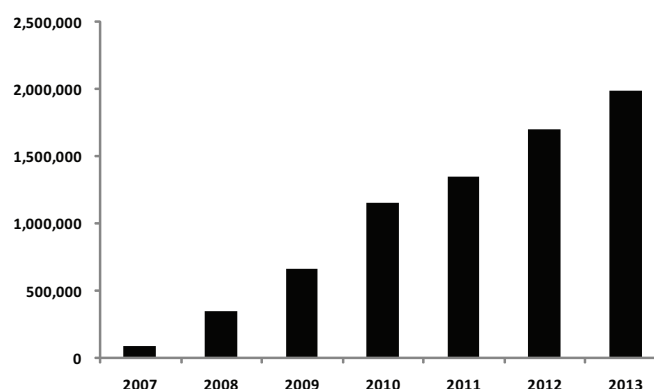
River and Mercantile (continued)

- **World Recovery Fund launched**

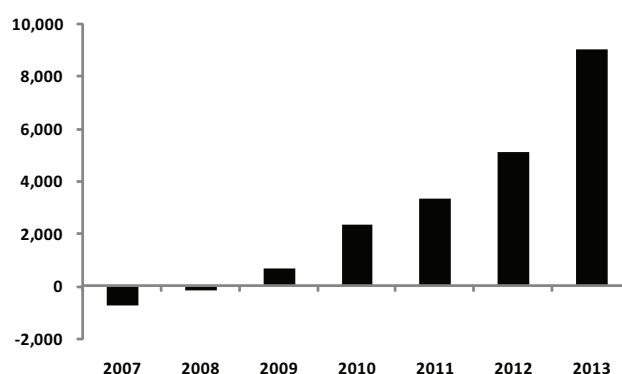
This is an extension of the very successful UK Long Term Recovery strategy managed by Hugh Sergeant applying the same deep value investment principles to a geographically unconstrained fund.

We have reported consistent growth in both assets and operating profit since we established the business in 2006 with the launch of the UK Equity Division.

Assets under management (£000's)



Operating Profit to 31 March 2013 (£000's)



We believe that good performance stems from the combination of having the right people in the right operating environment, applying a clear investment approach that has proven its value over time, where individuals are focused on their primary role and are properly incentivised and supported. We strongly believe that the structure we have in place means that we can achieve our clients' investment objectives, whilst avoiding the problems of uncontrolled growth, staff turnover, dilution of fund management time and consequent underperformance.

The growth in assets across the ICVC has been equally strong and we now manage a total of £1bn of our total assets through this platform; the balance is in segregated accounts. We have continued to expand our range of funds with the successful launch of the World Recovery Fund in March 2013.

Future plans

We look forward to 2013 with a growing sense of assurance and hope that our work in expanding our distribution horizons in the US and Australia will lead to fruition. We continue to seek opportunities to add a third division to our existing UK and Global long only equity divisions. However, we will not put at risk our Partnership purely for the sake of divisional expansion but we equally recognise the importance of maintaining our original beliefs in building a diversified and enduring business.

In the meantime I would like to take this opportunity to thank those clients who have continued to support our funds and to welcome the many new investors during the period. We do not take this support for granted and we hope that we have met your needs in providing clear and concise reporting on all of our activities across our range of funds.

I would also like to thank my fellow Partners and all our staff for their continuing hard work and dedicated commitment to the continued success of River and Mercantile.

Mr James Barham
Chief Executive
16 May 2013

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Aggregated Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains/(losses)	2		160,214,589		(9,703,609)
Revenue	3	24,319,709		16,512,040	
Expenses	4	(4,430,086)		(3,705,877)	
Finance costs: Interest	6	(4,996)		(2,050)	
Net revenue before taxation for the year		19,884,627		12,804,113	
Taxation	5	(904,111)		(386,648)	
Net revenue after taxation for the year			18,980,516		12,417,465
Total return before distributions			179,195,105		2,713,856
Finance costs: Distributions	6		(19,614,763)		(13,102,769)
Change in net assets attributable to Shareholders from investment activities			159,580,342		(10,388,913)

Aggregated Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

		1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Opening net assets attributable to Shareholders			759,011,668		420,290,019
Amounts received on creation of shares	181,492,428			260,997,750	
In-specie creations	–			145,890,101	
Amounts paid on cancellation of shares	(115,087,041)			(69,325,994)	
			66,405,387		337,561,857
Stamp Duty Reserve Tax			(115,751)		(96,951)
Change in net assets attributable to Shareholders from investment activities			159,580,342		(10,388,913)
Retained distribution on accumulation shares			16,642,226		11,645,656
Unclaimed distributions			–		–
Closing net assets attributable to Shareholders			1,001,523,872		759,011,668

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Aggregated Balance Sheet as at 31 March 2013

		31 March 2013		31 March 2012	
	Notes	£	£	£	£
ASSETS					
Investment assets			990,625,880		751,655,517
Debtors	7	22,670,938		28,600,357	
Cash and bank balances	8	12,015,272		13,363,104	
Total other assets			34,686,210		41,963,461
Total assets			1,025,312,090		793,618,978
LIABILITIES					
Investment liabilities			(225,786)		(14,640)
Creditors	9	(21,831,191)		(23,840,980)	
Bank overdrafts	8	(88,603)		(8,948,526)	
Distribution payable on distribution shares		(1,642,638)		(1,803,164)	
Total other liabilities			(23,562,432)		(34,592,670)
Total liabilities			(23,788,218)		(34,607,310)
Net assets attributable to Shareholders			1,001,523,872		759,011,668

The aggregated financial statements represent the sum of the individual sub-funds within the umbrella Company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual sub-funds.

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements

1 Accounting policies

a) Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010 ('the IMA SORP 2010').

b) Recognition of revenue

Revenue from quoted equities and non-equity instruments is recognised net of attributable tax credits when the security is quoted ex-dividend. Revenue from unquoted equity investments is recognised net of attributable tax credits when the dividend is declared.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Underwriting Commission is taken to revenue and recognised when the issue takes place, except where the sub-fund is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission is deducted from the cost of those shares.

Special dividends are treated as either revenue or capital depending on the facts of each particular case.

All other revenue is recognised on an accruals basis.

c) Treatment of expenses

For accounting purposes all expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue on an accruals basis. For distribution purposes, as detailed in d) below, the expenses of the UK Equity Income Fund and Global High Income Fund are charged to capital.

d) Distribution policy

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. In order to conduct a controlled dividend flow, interim distributions will be at the ACD's discretion, up to a maximum of the distributable revenue for the period. All remaining revenue is distributed in accordance with COLL.

All expenses are deducted from revenue for the purpose of calculating the distribution with the exception of UK Equity Income Fund and Global High Income Fund where they are offset against capital.

The ordinary element of stock dividends is treated as revenue and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

Distributions which have remained unclaimed by shareholders for over six years are credited to the capital property of the sub-fund.

e) Basis of valuation of investments

All investments are valued at their fair value as at close of business on the last business day of the accounting year. The fair value for non-derivative securities is bid-market price, excluding any accrued interest and the fair value for derivative instruments is the cost of closing out the contract at the balance sheet date.

Where values cannot be readily determined, the securities are valued at the ACD's best assessment of their value.

f) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

1 Accounting policies continued

g) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at close of business on the last business day of the accounting year.

h) Aggregation

The aggregated financial statements represent the sum of the individual sub-funds within the umbrella Company. Further analysis of the distribution and the net asset position can be found within the financial statements of the individual sub-funds.

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

2 Net capital gains/(losses)	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains/(losses) on investments during the year comprise:		
Currency losses	(94,464)	(245,673)
Forward currency contracts	1,211,306	19,483
Non-derivative securities	159,272,928	(9,349,295)
Transaction charges	<u>(175,181)</u>	<u>(128,124)</u>
Net capital gains/(losses)	<u>160,214,589</u>	<u>(9,703,609)</u>
3 Revenue	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	398	135
Franked UK dividends	15,385,816	11,757,241
HMRC interest	—	180
Non-taxable overseas dividends	8,498,965	4,162,821
Property distributions	115,416	119,246
Stock dividends	—	93,750
Taxable overseas dividends	<u>319,114</u>	<u>378,667</u>
	<u>24,319,709</u>	<u>16,512,040</u>

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

4 Expenses	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>3,578,996</u>	<u>2,904,163</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	155,257	123,174
Safe custody fees	<u>93,838</u>	<u>99,200</u>
	<u>249,095</u>	<u>222,374</u>
Other expenses:		
ADR issuance fees	3,579	4,771
Audit fee*	68,263	66,768
FCA** fee	2,898	2,928
Fund Accounting fees	308,615	287,168
Insurance fee	16,190	12,953
KIID publication fee	8,826	3,664
Legal fees	9,036	4,009
Printing costs	17,967	17,181
Registration fees	5,867	6,356
Securities and Exchange Board of India registration fees	4,658	8,562
Transfer Agency fees	<u>156,096</u>	<u>164,980</u>
	<u>601,995</u>	<u>579,340</u>
Total expenses	<u>4,430,086</u>	<u>3,705,877</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	904,111	386,648
Current tax (note 5b)	904,111	386,648
Deferred tax (note 5c)	—	—
Total taxation	904,111	386,648
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	19,884,627	12,804,113
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	3,976,925	2,560,821
Effects of:		
Expenses not deductible for tax purposes	24	—
Movement in taxation losses	806,299	642,896
Overseas tax	904,190	386,648
Relief for overseas tax treated as expense	(7,845)	(7,829)
Precompte as tax credit	(79)	—
Precompte @ 20%	16	—
Movement in taxable revenue accruals	—	6,874
Revenue not subject to taxation	(4,775,419)	(3,202,762)
Current tax	904,111	386,648

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-funds' portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £3,216,944 (£2,409,706 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-funds will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Interim dividend distribution:		
A-Class Distribution shares	841,815	465,324
B-Class Distribution shares	944,677	1,471,385
B-Class Accumulation shares	586,376	502,983
Z-Class Accumulation shares	8,336,639	5,120,165
Final dividend distribution:		
A-Class Distribution shares	372,653	547,703
B-Class Distribution shares	1,269,985	1,255,461
B-Class Accumulation shares	568,062	328,502
Z-Class Accumulation shares	7,151,149	5,694,006
	<u>20,071,356</u>	<u>15,385,529</u>
Add: revenue deducted on cancellation of shares	570,286	440,644
Deduct: revenue received on creation of shares	<u>(1,026,879)</u>	<u>(2,723,404)</u>
Distributions for the year	<u>19,614,763</u>	<u>13,102,769</u>
Interest		
Bank overdraft interest	<u>4,996</u>	<u>2,050</u>
Total finance costs	<u>19,619,759</u>	<u>13,104,819</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	18,980,516	12,417,465
Expenses offset to capital	638,568	694,524
Less: Taxation transferred to capital	(4,677)	(9,493)
Movement in undistributed revenue	73	(103)
Shortfall on revenue account	<u>283</u>	<u>376</u>
Distributions for the year	<u>19,614,763</u>	<u>13,102,769</u>

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	3,720,999	3,015,442
Amounts receivable for creation of shares	4,173,088	7,182,941
Prepaid expenses	4,493	3,937
Receivable for FX contracts	10,215,297	10,724,245
Recoverable income tax	—	1,372
Recoverable overseas tax	180,776	85,835
Sales awaiting settlement	<u>4,376,285</u>	<u>7,586,585</u>
	<u>22,670,938</u>	<u>28,600,357</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Bank overdrafts	(88,603)	(8,948,526)
Cash and bank balances	<u>12,015,272</u>	<u>13,363,104</u>
Net uninvested cash	<u>11,926,669</u>	<u>4,414,578</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	655,021	412,902
Amounts payable for cancellation of shares	7,693,901	1,496,542
Interest payable	2,336	—
Payable for FX contracts	10,211,976	10,731,499
Purchases awaiting settlement	<u>3,267,957</u>	<u>11,200,037</u>
	<u>21,831,191</u>	<u>23,840,980</u>

10 Contingent liabilities and outstanding commitments

The numerical disclosures in relation to contingent liabilities and outstanding commitments are contained within the financial statements for each sub-fund where relevant.

11 Related party transactions

The related party disclosures are detailed within the financial statements for each sub-fund.

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

12 Financial instruments

General

Each sub-fund's investment objective and strategy are stated within the respective Investment Manager's Report. In pursuing its objective each sub-fund holds financial instruments which expose the sub-fund's to various types of risk. The main risks and the ACD's policy for managing these risks, which were applied consistently throughout the current and preceding year, are set out below.

Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary sources of this risk to the sub-funds are the potential for borrowers to fail to meet their redemption commitments and for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the sub-funds are the liabilities to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the sub-funds are the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Instrument of Incorporation, Prospectus and the Collective Investment Schemes sourcebook governing the operation of Open Ended Investment Companies. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The sub-funds' only interest bearing financial instruments were its bank balances and overdraft facilities as disclosed in note 8. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR.

The numerical disclosures in relation to interest rate risk are contained within the financial statements for each sub-fund, where relevant.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates.

The numerical disclosures in relation to foreign currency risk are contained within the financial statements for each sub-fund, where relevant.

Derivative risk

Derivative risk arises from uncertainty about future market movements. This risk is managed by the policies shown within Market risk.

The sub-funds may also use derivative instruments other than forward currency contracts to mitigate risk and reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments other than forward currency contracts and warrants were not utilised during the current and preceding year.

The numerical disclosures in relation to economic exposure are contained within the financial statements for each sub-fund, where relevant.

Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

Aggregated Financial Statements of the River and Mercantile Funds ICVC

Notes to the Financial Statements continued

13 Portfolio transaction costs

The numerical disclosures in relation to portfolio transaction costs are contained within the financial statements for each sub-fund, where relevant.

River and Mercantile UK Equity High Alpha Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth by investing in a focused portfolio of investments which shall primarily consist of UK equities which offer the prospect of superior long term growth.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile UK Equity High Alpha Fund Z share class returned 23.14% over the twelve months to 31 March 2013, compared with the FTSE All-Share Index which returned 16.77%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. Most importantly, from a UK economic perspective, the banks started to lend again. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013. Value performed well, as did smaller companies, and our PVT stock picking was strong. Smaller companies contributed significantly to the portfolio's outperformance, with 888 Holdings, iomart Group, Optimal Payments and CSR amongst the greatest contributors. Our overweight in the Media sector also paid off, with Trinity Mirror and Daily Mail & General Trust both performing well. Although our underweight to some of the big names in the Oil & Gas sector aided the portfolio's return, our lack of exposure to larger capitalised defensives in the Beverages sector, Diageo and SABMiller, detracted from performance, as did disappointing returns from our Mining positions.

We added to our holding in HSBC over the period which now accounts for approximately 7% of capital and we remain high conviction that there is significant Value in financial services. Our Travel & Leisure holdings were increased, with new positions in Growth stock Ryanair and Recovery stock Thomas Cook. Capitalising on the continued growth of online betting platforms we instigated a new position in Betfair and made further investment into existing portfolio names such as Bwin.Party and Ladbrokes. Profits were taken in a number of strongly performing mid-cap stocks, which included International Personal Finance, Afren, Inchcape, Persimmon and UBM. We sold out of Oxford Instruments following a complete realisation of the PVT thesis and an increase in the share price of greater than 300%.

Outlook

Performance since the huge anti-value years of 2007/8 has been strong. Before this credit-crunch period the High Alpha approach was able to annualise at 5% per annum outperformance of the index; since the credit-crunch (end 2008) the strategy has returned to outperforming by over 6% per annum. There remains very significant upside in Value, and in Recovery category stocks. There remains no sustainable relative upside in the expensive defensives such as Consumer Staples. Assuming investors continue to return to making investments based on relative value and shareholder value creation, rather than relative safety, then we will continue to perform well.

Economic policy continues to be supportive, with promising anti-deflation initiatives coming from the Bank of Japan, the pending arrival of a pro-growth governor for the Bank of England, and a Europe in which the argument for austerity is more balanced. The eurozone, however, remains a concern, following the Italian election and the Cypriot bail-out, but progress in the region has certainly been made, with the combined current account deficit of Greece, Ireland, Italy, Portugal and Spain narrowing to 0.6%, compared with 7% in 2008. Equities remain good value, company profits are strong and likely to grow again this year, and cash flow generation is robust and is being used sensibly. There remains a high likelihood of credit-crunch related aftershocks, but the underlying economic picture remains one of reasonable global nominal GDP growth and an improving trend in the global imbalances that helped cause the credit-crunch.

River and Mercantile

UK Equity High Alpha Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (94.35%)	328,253,866	88.33
	Oil & Gas Producers (12.67%)	16,882,947	4.54
159,682	BG	1,802,809	0.48
3,020,482	BP	13,889,686	3.74
1,571,554	JKX Oil & Gas	1,190,452	0.32
	Oil Equipment, Services & Distribution (0.41%)	—	—
	Chemicals (1.33%)	4,888,304	1.32
396,885	AZ Electronic Materials	1,508,163	0.41
2,804,929	Scapa	1,879,302	0.51
701,983	Synthomer	1,500,839	0.40
	Industrial Metals & Mining (0.35%)	1,094,748	0.29
310,655	Vesuvius	1,094,748	0.29
	Mining (9.80%)	23,057,393	6.20
426,648	Anglo American	7,216,751	1.94
901,919	Lonmin	2,623,682	0.71
330,640	Rio Tinto	10,200,244	2.74
282,464	Xstrata	3,016,716	0.81
	Construction & Materials (1.11%)	2,978,920	0.80
1,512,142	Tyman	2,978,920	0.80
	Aerospace & Defence (0.35%)	4,457,898	1.20
587,300	Chemring	1,527,567	0.41
711,400	Cobham	1,727,991	0.47
580,000	QinetiQ	1,202,340	0.32
	General Industrials (1.68%)	—	—
	Electronic & Electrical Equipment (1.91%)	3,866,216	1.04
1,512,458	e2v technologies	1,784,700	0.48
591,049	Morgan Crucible	1,665,576	0.45
237,003	TT Electronics	415,940	0.11
	Industrial Engineering (1.03%)	—	—
	Support Services (6.41%)	29,700,327	7.99
165,311	Atkins (WS)	1,507,636	0.41
608,200	Electrocomponents	1,526,582	0.41
3,149,599	Fiberweb	2,629,915	0.71
3,027,161	Harvey Nash	2,028,198	0.55
2,693,457	Hays	2,597,839	0.70
2,800,000	Hogg Robinson	1,568,000	0.42
1,308,906	Interior Services	1,767,023	0.47
228,118	Interserve	1,136,940	0.31
1,129,799	Lavendon	2,016,691	0.54
639,396	Premier Farnell	1,422,017	0.38
1,450,200	Rentokil Initial	1,451,650	0.39
2,743,937	SIG	4,338,164	1.17
4,205,144	Speedy Hire	2,050,008	0.55
699,407	Tribal	1,007,146	0.27
2,001,900	Xchanging	2,652,518	0.71

River and Mercantile

UK Equity High Alpha Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Automobiles & Parts (0.62%)	2,356,646	0.63
891,993	GKN	2,356,646	0.63
	Food Producers (1.96%)	4,552,424	1.23
131,800	Tate & Lyle	1,119,641	0.30
123,304	Unilever	3,432,783	0.93
	Household Goods & Home Construction (1.84%)	6,095,346	1.64
2,609,455	Aga Rangemaster	2,178,895	0.58
714,797	Barratt Developments	1,958,544	0.53
375,000	Redrow	701,250	0.19
1,388,571	Walker Greenbank	1,256,657	0.34
	Tobacco (0.00%)	1,149,000	0.31
50,000	Imperial Tobacco	1,149,000	0.31
	Health Care Equipment & Services (0.65%)	1,143,807	0.31
150,600	Smith & Nephew	1,143,807	0.31
	Pharmaceuticals & Biotechnology (6.98%)	20,754,318	5.58
89,257	AstraZeneca	2,943,249	0.79
1,146,350	GlaxoSmithKline	17,636,595	4.74
447,369	GW Pharmaceuticals	174,474	0.05
	Food & Drug Retailers (0.41%)	1,144,268	0.31
299,900	Tesco	1,144,268	0.31
	General Retailers (3.26%)	16,756,300	4.51
1,383,205	CVS	2,531,265	0.68
1,145,300	Debenhams	947,736	0.26
1,800,755	Flying Brands	60,325	0.02
2,498,476	Home Retail	3,877,635	1.04
193,428	Inchcape	971,976	0.26
598,800	Kingfisher	1,719,754	0.46
1,816,550	Lookers	1,780,219	0.48
9,561,707	Pendragon	2,151,384	0.58
4,311,120	Topps Tiles	2,716,006	0.73
	Media (5.05%)	23,931,704	6.44
6,841,641	Centaur	3,112,947	0.84
417,857	Daily Mail & General Trust 'A'	2,962,606	0.80
118,100	Euromoney Institutional Investor	1,136,713	0.31
8,554,580	Future	1,689,530	0.45
2,830,868	ITV	3,657,481	0.98
1,262,865	Moneysupermarket.com	2,500,473	0.67
1,821,464	Next Fifteen Communications	2,003,610	0.54
271,464	Reed Elsevier	2,118,777	0.57
1,238,647	STV	1,548,309	0.42
3,442,213	Trinity Mirror	3,201,258	0.86

River and Mercantile

UK Equity High Alpha Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Travel & Leisure (3.03%)	19,398,869	5.22
2,885,878	888	4,836,732	1.30
267,125	Betfair	1,883,231	0.51
92,524	Carnival	2,131,753	0.57
849,474	Enterprise Inns	901,292	0.24
1,337,314	International Consolidated Airlines	3,384,742	0.91
900,600	Ladbrokes	2,033,555	0.55
229,766	Millennium & Copthorne Hotels	1,307,369	0.35
1,030,000	Thomas Cook	1,157,720	0.31
541,800	Tui Travel	1,762,475	0.48
	Fixed Line Telecommunications (0.00%)	3,042,912	0.82
4,710,000	Cable & Wireless	1,974,432	0.53
848,000	Colt	1,068,480	0.29
	Mobile Telecommunications (3.11%)	13,496,410	3.63
4,985,062	Monitise	1,844,473	0.50
6,244,339	Vodafone	11,651,937	3.13
	Banks (13.10%)	52,713,216	14.19
3,377,370	Barclays	9,833,213	2.65
3,641,365	HSBC	25,580,589	6.88
21,305,758	Lloyds Banking	10,373,774	2.79
1,886,016	Royal Bank Of Scotland	5,195,974	1.40
101,536	Standard Chartered	1,729,666	0.47
	Nonlife Insurance (0.89%)	1,952,081	0.53
460,940	Amlin	1,952,081	0.53
	Life Insurance (2.49%)	13,266,211	3.57
1,756,561	Aviva	5,202,934	1.40
341,600	Prudential	3,638,040	0.98
848,600	Resolution	2,311,586	0.62
579,400	Standard Life	2,113,651	0.57
	Real Estate Investment & Services (1.22%)	4,531,938	1.22
1,510,304	Grainger Trust	2,047,972	0.55
1,803,242	Songbird Estates	2,483,966	0.67
	Real Estate Investment Trusts (0.97%)	1,986,344	0.53
290,321	SEGRO	738,286	0.20
367,400	Workspace	1,248,058	0.33
	Financial Services (5.60%)	18,591,003	5.00
561,548	3i	1,773,930	0.48
31,681,000	ADVFN	1,409,805	0.38
200,000	Ashmore	699,600	0.19
36,136	Brewin Dolphin	74,368	0.02
194,095	Close Brothers	2,041,879	0.55
1,972,967	F&C Asset Management	2,059,778	0.55
1,155,500	Henderson	1,839,556	0.49
698,416	Intermediate Capital	2,954,998	0.79
383,519	International Personal Finance	1,706,660	0.46

River and Mercantile

UK Equity High Alpha Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Financial Services continued		
450,115	Jupiter Fund Management	1,472,776	0.40
380,500	Paragon	1,231,298	0.33
512,700	Tullett Prebon	1,326,355	0.36
	Equity Investment Instruments (0.47%)	2,211,095	0.60
295,900	Candover Investments	1,145,133	0.31
10,659,623	SPARK Ventures	1,065,962	0.29
	Software & Computer Services (4.04%)	26,105,642	7.03
4,772,069	Blinkx	4,032,398	1.09
297,800	Computacenter	1,608,120	0.43
113,500	Fidessa	2,204,170	0.59
2,547,284	GB	2,343,501	0.63
9,529,752	Innovation	2,406,262	0.65
641,946	Invensys	2,251,305	0.61
1,518,741	iomart	3,462,729	0.93
669,594	Playtech	4,231,834	1.14
2,863,104	RM	2,226,063	0.60
340,000	SDL	1,339,260	0.36
	Technology Hardware & Equipment (1.61%)	6,147,579	1.65
310,655	Alent	1,170,548	0.30
451,510	CSR	2,175,827	0.59
801,757	Laird	1,737,407	0.47
607,884	Wolfson Microelectronics	1,063,797	0.29
	CHANNEL ISLANDS (1.46%)	4,226,746	1.14
	Construction & Materials (1.05%)	—	—
	Support Services (0.41%)	3,104,896	0.84
94,980	Wolseley	3,104,896	0.84
	Financial Services (0.00%)	1,121,850	0.30
138,500	Genel Energy	1,121,850	0.30
	NORTH AMERICA (0.10%)	884,253	0.24
	UNITED STATES (0.10%)	884,253	0.24
	Industrial Engineering (0.10%)	884,253	0.24
1,922,290	Somero Enterprises	884,253	0.24
	CONTINENTAL EUROPE (2.63%)	26,670,720	7.17

River and Mercantile

UK Equity High Alpha Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	IRELAND (0.70%)	5,963,986	1.61
	Construction & Materials (0.70%)	2,295,612	0.62
158,100	CRH	2,295,612	0.62
	Food & Drug Retailers (0.00%)	1,009,315	0.27
372,029	United Drug	1,009,315	0.27
	Travel & Leisure (0.00%)	1,623,964	0.44
322,800	Ryanair	1,623,964	0.44
	Banks (0.00%)	1,035,095	0.28
8,000,000	Bank of Ireland	1,035,095	0.28
	ISLE OF MAN (0.00%)	3,405,259	0.91
	Support Services (0.00%)	3,405,259	0.91
2,051,361	Optimal Payments	3,405,259	0.91
	LUXEMBOURG (0.38%)	—	—
	Chemicals (0.38%)	—	—
	NETHERLANDS (0.00%)	12,871,835	3.46
	Oil & Gas Producers (0.00%)	12,871,835	3.46
589,100	Royal Dutch Shell 'B'	12,871,835	3.46
	SPAIN (1.55%)	4,429,640	1.19
	Travel & Leisure (1.55%)	4,429,640	1.19
3,086,857	BWIN.Party Digital Entertainment	4,429,640	1.19
	MIDDLE EAST (0.71%)	2,331,351	0.63
	ISRAEL (0.28%)	1,770,686	0.48
	Technology Hardware & Equipment (0.28%)	1,770,686	0.48
9,571,275	BATM Advanced Communications	1,770,686	0.48
	UNITED ARAB EMIRATES (0.43%)	560,665	0.15
	Oil Equipment, Services & Distribution (0.43%)	560,665	0.15
429,628	Lamprell	560,665	0.15
	ASIA (0.00%)	6,240,403	1.68
	INDIA (0.00%)	5,466,335	1.47
	Oil & Gas Producers (0.00%)	3,150,815	0.85
2,283,199	Essar Energy	3,150,815	0.85
	Mining (0.00%)	2,315,520	0.62
230,400	Vedanta Resources	2,315,520	0.62

River and Mercantile UK Equity High Alpha Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	SINGAPORE (0.00%)	774,068	0.21
247,900	Oil Equipment, Services & Distribution (0.00%)	774,068	0.21
	Cape	774,068	0.21
Portfolio of investments		368,607,339	99.19
Net other assets		3,006,146	0.81
Net assets		371,613,485	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets at 31 March 2012.

Total purchases for the year: £188,843,625.

Total sales for the year: £191,610,727.

River and Mercantile

UK Equity High Alpha Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains	2		60,967,032		11,378,111
Revenue	3	10,193,696		6,249,556	
Expenses	4	(447,465)		(384,182)	
Finance costs: Interest	6	(233)		–	
Net revenue before taxation for the year		9,745,998		5,865,374	
Taxation	5	(14,240)		(10,415)	
Net revenue after taxation for the year			9,731,758		5,854,959
Total return before distributions			70,698,790		17,233,070
Finance costs: Distributions	6		(9,731,771)		(5,854,954)
Change in net assets attributable to Shareholders from investment activities			60,967,019		11,378,116

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		312,644,079		156,124,521
Amounts received on creation of shares	9,692,683		80,543,673	
In-specie creations	–		65,135,804	
Amounts paid on cancellation of shares	(21,307,747)		(7,212,727)	
		(11,615,064)		138,466,750
Stamp Duty Reserve Tax		(28,205)		(18,721)
Change in net assets attributable to Shareholders from investment activities		60,967,019		11,378,116
Retained distribution on accumulation shares		9,645,656		6,693,413
Closing net assets attributable to Shareholders		371,613,485		312,644,079

River and Mercantile

UK Equity High Alpha Fund

Balance Sheet as at 31 March 2013

	Notes	31 March 2013		to 31 March 2012	
		£	£	£	£
ASSETS					
Investment assets			368,607,339		310,309,100
Debtors	7	1,952,379		7,234,438	
Cash and bank balances	8	1,287,026		2,512,126	
Total other assets			3,239,405		9,746,564
Total assets			371,846,744		320,055,664
LIABILITIES					
Investment liabilities			—		—
Creditors	9	(208,684)		(5,383,834)	
Bank overdrafts	8	—		(2,006,679)	
Distribution payable on distribution shares		(24,575)		(21,072)	
Total other liabilities			(233,259)		(7,411,585)
Total liabilities			(233,259)		(7,411,585)
Net assets attributable to Shareholders			371,613,485		312,644,079

River and Mercantile UK Equity High Alpha Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains on investments during the year comprise:		
Currency losses	(15,766)	(2,654)
Non-derivative securities	61,004,220	11,399,648
Transaction charges	<u>(21,422)</u>	<u>(18,883)</u>
Net capital gains	<u>60,967,032</u>	<u>11,378,111</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	1	—
Franked UK dividends	9,552,987	6,025,219
HMRC interest	—	29
Non-taxable overseas dividends	560,059	163,553
Property distributions	80,649	35,683
Taxable overseas dividends	<u>—</u>	<u>25,072</u>
	<u>10,193,696</u>	<u>6,249,556</u>

River and Mercantile UK Equity High Alpha Fund

Notes to the Financial Statements continued

4 Expenses

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>233,322</u>	<u>199,945</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	47,175	32,967
Safe custody fees	<u>10,621</u>	<u>7,284</u>
	<u>57,796</u>	<u>40,251</u>
Other expenses:		
Audit fee*	10,118	10,656
FCA fee**	362	366
Fund accounting fees	64,013	68,092
Insurance fee	6,606	4,271
KIID publication fee	1,299	549
Legal fees	3,223	501
Printing costs	7,413	6,468
Registration fees	699	700
Transfer Agency fees	<u>62,614</u>	<u>52,383</u>
	<u>156,347</u>	<u>143,986</u>
Total expenses	<u>447,465</u>	<u>384,182</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile

UK Equity High Alpha Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	14,240	10,415
Current tax (note 5b)	14,240	10,415
Deferred tax (note 5c)	—	—
Total taxation	14,240	10,415
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	9,745,998	5,865,374
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	1,949,200	1,173,075
Effects of:		
Movement in taxable revenue accruals	—	2,569
Movement in taxation losses	73,656	62,917
Overseas tax	14,240	10,415
Relief for overseas tax treated as expense	—	(807)
Revenue not subject to taxation	(2,022,856)	(1,237,754)
Current tax	14,240	10,415

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £218,631 (£145,130 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile

UK Equity High Alpha Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	28,894	21,142
B-Class Accumulation shares	297,811	233,073
Z-Class Accumulation shares	4,697,970	2,257,579
Final dividend distribution:		
A-Class Distribution shares	24,575	21,072
B-Class Accumulation shares	270,914	243,802
Z-Class Accumulation shares	4,378,961	3,958,959
	9,699,125	6,735,627
Add: revenue deducted on cancellation of shares	101,111	43,631
Deduct: revenue received on creation of shares	(68,465)	(924,304)
Distributions for the year	9,731,771	5,854,954
Interest		
Bank overdraft interest	233	—
Total finance costs	9,732,004	5,854,954
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	9,731,758	5,854,959
Movement in undistributed revenue	13	(5)
Distributions for the year	9,731,771	5,854,954

River and Mercantile UK Equity High Alpha Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	1,773,853	1,745,494
Amounts receivable for creation of shares	160,701	35,630
Prepaid expenses	642	909
Recoverable overseas tax	17,183	26,108
Sales awaiting settlement	—	5,426,297
	<u>1,952,379</u>	<u>7,234,438</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Bank overdrafts	—	(2,006,679)
Cash and bank balances	<u>1,287,026</u>	<u>2,512,126</u>
Net uninvested cash	<u>1,287,026</u>	<u>505,447</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	80,816	50,605
Amounts payable for cancellation of shares	120,135	710,932
Purchases awaiting settlement	<u>7,733</u>	<u>4,622,297</u>
	<u>208,684</u>	<u>5,383,834</u>

10 Contingent liabilities and outstanding commitments

There were no commitments or contingent liabilities at the balance sheet date (31 March 2012: £128,000 in respect of a commitment on warrants).

	31 March 2013	31 March 2012
	£	£
Commitment on warrants	<u>—</u>	<u>128,000</u>
	<u>—</u>	<u>128,000</u>

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.03% of the shares in issue (0.03% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £23,518 (£19,185 as at 31 March 2012).

River and Mercantile

UK Equity High Alpha Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary. There were no such contracts utilised during the period (2012: nil).

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	66	2,659	2,725
Swiss Franc	9	—	9
US Dollar	634	—	634

Derivative risk

At the balance sheet date, no derivatives were held that could impact the sub-fund in a significant way (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		187,686,237		257,372,676
Commissions	302,254		267,002	
Taxes	855,134		889,265	
Total purchase costs		<u>1,157,388</u>		<u>1,156,267</u>
Gross purchases total		<u>188,843,625</u>		<u>258,528,943</u>
Analysis of total sale costs:				
Sales before transaction costs		191,927,304		115,334,678
Commissions	(315,846)		(199,277)	
Fees	(731)		(722)	
Total sale costs		<u>(316,577)</u>		<u>(199,999)</u>
Total sales net of transaction costs		<u>191,610,727</u>		<u>115,134,679</u>

River and Mercantile

UK Equity High Alpha Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	0.9200	—	0.9200	0.7020
Group 2	0.4014	0.5186	0.9200	0.7020
B-Class Accumulation shares				
Group 1	5.6663	—	5.6663	4.6544
Group 2	2.9613	2.7050	5.6663	4.6544
Z-Class Accumulation shares				
Group 1	9.7222	—	9.7222	8.3359
Group 2	5.0327	4.6895	9.7222	8.3359

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	0.7297	—	0.7297	0.6986
Group 2	0.4421	0.2876	0.7297	0.6986
B-Class Accumulation shares				
Group 1	5.1441	—	5.1441	4.5975
Group 2	1.2240	3.9201	5.1441	4.5975
Z-Class Accumulation shares				
Group 1	9.4243	—	9.4243	8.2083
Group 2	5.6385	3.7858	9.4243	8.2083

River and Mercantile

UK Equity High Alpha Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	2,551,353	105.33	2,422,154
B-Class Accumulation shares	21,636,400	454.24	4,763,200
Z-Class Accumulation shares	131,936,768	601.58	21,931,679
31 March 2012			
A-Class Distribution shares	3,038,725	100.74	3,016,255
B-Class Accumulation shares	23,568,855	444.45	5,302,922
Z-Class Accumulation shares	286,036,499	593.05	48,231,168
31 March 2013			
A-Class Distribution shares	4,050,313	120.27	3,367,662
B-Class Accumulation shares	28,578,137	542.65	5,266,448
Z-Class Accumulation shares	338,985,035	729.56	46,464,553

River and Mercantile

UK Equity High Alpha Fund

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2008	99.17p	55.48p	2.1272p
2009	92.63p	50.06p	1.6745p
2010	106.03p	80.64p	0.8265p
2011	110.83p	81.19p	0.9468p
2012	110.49p	89.19p	1.6186p
2013 ⁽²⁾	123.77p	111.77p	0.7297p
B-Class Accumulation shares			
2008 ⁽¹⁾	314.78p	226.97p	–
2009	390.10p	205.46p	8.3810p
2010	455.34p	343.28p	6.7198p
2011	476.41p	354.40p	7.3462p
2012	494.53p	393.98p	10.2638p
2013 ⁽²⁾	554.86p	500.35p	5.1441p
Z-Class Accumulation shares			
2008	508.39p	295.35p	17.5332p
2009	511.09p	267.99p	14.2170p
2010	601.91p	452.10p	12.5944p
2011	630.40p	471.16p	14.0992p
2012	663.59p	526.40p	17.9305p
2013 ⁽²⁾	745.69p	671.48p	9.4243p

⁽¹⁾ From 21 November 2008.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile UK Equity High Alpha Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.57%	1.59%
B-Class Accumulation shares	0.82%	0.84%
Z-Class Accumulation shares	0.07%	0.09%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.57%
B-Class Accumulation shares	0.82%
Z-Class Accumulation shares	0.07%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards



The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The sub-fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund. The following risks are materially relevant to the sub-fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.

River and Mercantile

UK Equity Smaller Companies Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth by investing in a portfolio of investments which shall primarily consist of UK equities which reside in the bottom 10% of the UK stock market in terms of market capitalisation.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile UK Equity Smaller Companies Fund B share class* returned 37.89% over the twelve months to 31 March 2013, compared with the Numis Smaller Companies (ex IT) Index which returned 23.53%, and the FTSE Smaller Companies (ex IT) Index which returned 28.01%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. Most importantly, from a UK economic perspective, the banks started to lend again. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013, 14.4% ahead of the benchmark and a top-decile performance against the smaller companies sector. Stock selection dominated relative performance. National and regional newspaper publisher Trinity Mirror was the greatest contributor to performance over the period, with its share price increasing almost 150% since March 2012. Growth company Iofina also rocketed up 93% after announcing significant progress with the roll-out of its innovative iodine extraction process in the US. Shares in construction company Keller Group responded well to the improvement in the US housing market whilst Optimal Payments benefited from the growing success of the internet gaming industry. The biggest disappointment was GW Pharmaceuticals which, at the very end of the period, announced an unsatisfactory pricing outcome with regard to its licensed Sativex product. The stock investment thesis is a long-term one, however, and material upside potential exists if they successfully complete cancer pain trials in the US in 2014. The drop in price presented a further buying opportunity.

Growth AIM holding, InternetQ, a provider of leading-edge marketing services to international telephone groups, was added to the portfolio in 2013 and has already made significant gains. Whilst I maintain a desire to increase exposure to Financial Services stocks, the excellent performance of some of the Fund Managers within the portfolio has led to the exit of both Henderson Group and Jupiter Asset Management. Repositioning has been effected via the purchase of high quality franchises Close Brothers and Tullett Prebon where much better valuation anomalies exist, scope for self-help resides and there is less reliance on market beta. A number of other successful investments were exited during the quarter where relative valuations appear to have become too rich. These included Anite, which had been in the portfolio for a number of years (trading below 30p in 2009), and was sold at an average price of 137p, following realisation of the investment thesis.

Outlook

The Fund remains significantly underweight FTSE 250 stocks in relation to the make-up of the Numis Index. This underweight of mid-caps has had a material bearing on the performance of the strategy over the last few years relative to the benchmark, with the Numis Index outperforming the FTSE Small Cap. Mid-caps have done exceptionally well, relative to smaller, less liquid equities. There is currently considerable relative value to be found lower down the market-cap spectrum rather than many of the £1bn+ market cap companies that pepper the top of the Numis Index.

The Fund is built via a bottom-up stock selection process based upon our PVT philosophy. I have high conviction in the holdings which represent a diverse mix of high Quality, Growth, Recovery and Asset-backed names with attractive valuation credentials and positive Timing attributes. They are generally liquid securities with strong balance sheets in a broad and attractively valued UK small-cap equity market which has significant profitability generated overseas.

*The Z share class was renamed the B share class in July 2012.

River and Mercantile

UK Equity Smaller Companies Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (93.10%)	30,114,930	85.27
	Oil & Gas Producers (3.95%)	1,810,570	5.13
350,000	Afren	496,300	1.41
325,000	Iofina	607,750	1.72
340,000	Salamander Energy	706,520	2.00
	Oil Equipment, Services & Distribution (0.00%)	355,400	1.01
40,000	Hunting	355,400	1.01
	Chemicals (1.08%)	316,400	0.90
80,000	Carclo	316,400	0.90
	Industrial Metals & Mining (0.98%)	—	—
	Mining (2.47%)	315,000	0.89
7,000,000	Mwana Africa	315,000	0.89
	Construction & Materials (2.66%)	1,203,250	3.41
85,000	Keller	691,050	1.96
260,000	Tyman	512,200	1.45
	Aerospace & Defence (1.01%)	676,260	1.91
260,000	Chemring	676,260	1.91
	General Industrials (2.20%)	417,375	1.18
105,000	RPC	417,375	1.18
	Electronic & Electrical Equipment (1.27%)	570,375	1.61
325,000	TT Electronics	570,375	1.61
	Industrial Transportation (2.59%)	—	—
	Support Services (23.29%)	7,029,085	19.90
1,000,000	Fiberweb	835,000	2.36
1,200,000	Hogg Robinson	672,000	1.90
250,000	HomeServe	501,250	1.42
140,000	Interserve	697,760	1.98
275,000	Lavendon	490,875	1.39
180,000	Mears	615,150	1.74
90,000	RWS	577,800	1.64
650,000	Shanks	507,000	1.43
500,000	SIG	790,500	2.24
1,100,000	Speedy Hire	536,250	1.52
600,000	St. Ives	805,500	2.28
	Food Producers (0.76%)	535,750	1.52
125,000	Dairy Crest	535,750	1.52
	Household Goods & Home Construction (1.46%)	333,887	0.95
287,215	McBride	333,887	0.95
	Health Care Equipment & Services (3.56%)	622,250	1.76
700,000	Advanced Medical Solutions	525,000	1.49
12,500	Consort Medical	97,250	0.27

River and Mercantile

UK Equity Smaller Companies Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Pharmaceuticals & Biotechnology (1.82%)	448,500	1.27
1,150,000	GW Pharmaceuticals	448,500	1.27
	General Retailers (7.51%)	2,624,030	7.43
350,000	CVS	640,500	1.81
390,000	Home Retail	605,280	1.71
550,000	Lookers	539,000	1.53
850,000	Topps Tiles	535,500	1.52
750,000	Vertu Motors	303,750	0.86
	Media (9.45%)	2,834,188	8.02
125,000	4imprint	557,188	1.58
150,000	Moneysupermarket.com	297,000	0.84
300,000	Next Fifteen Communications	330,000	0.93
500,000	STV	625,000	1.77
550,000	Trinity Mirror	511,500	1.45
325,000	Wilmington	513,500	1.45
	Travel & Leisure (2.64%)	1,927,875	5.46
450,000	888	754,200	2.14
250,000	Cineworld	696,250	1.97
32,500	Go-Ahead	477,425	1.35
	Fixed Line Telecommunications (2.80%)	690,200	1.95
850,000	KCOM	690,200	1.95
	Nonlife Insurance (1.35%)	995,550	2.82
150,000	Beazley	313,050	0.89
150,000	Novae	682,500	1.93
	Real Estate Investment & Services (5.82%)	522,500	1.48
475,000	Conygar Investment Company	522,500	1.48
	Real Estate Investment Trusts (1.04%)	—	—
	Financial Services (4.14%)	2,469,260	6.99
62,500	Close Brothers	657,500	1.86
650,000	F&C Asset Management	678,600	1.92
150,000	International Personal Finance	667,500	1.89
180,000	Tullett Prebon	465,660	1.32
	Software & Computer Services (7.23%)	2,502,575	7.09
575,000	GB	529,000	1.50
2,750,000	Innovation	694,375	1.97
200,000	InternetQ	584,000	1.65
110,000	Playtech	695,200	1.97
	Technology Hardware & Equipment (2.02%)	914,650	2.59
200,000	Laird	433,400	1.23
275,000	Wolfson Microelectronics	481,250	1.36
	CHANNEL ISLANDS (2.76%)	—	—
	Nonlife Insurance (1.73%)	—	—
	Software & Computer Services (1.03%)	—	—

River and Mercantile

UK Equity Smaller Companies Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	ISLE OF MAN (0.00%)	830,000	2.35
500,000	Support Services (0.00%)	830,000	2.35
	Optimal Payments	830,000	2.35
	CONTINENTAL EUROPE (0.74%)	1,149,550	3.25
	IRELAND (0.00%)	790,800	2.24
12,000,000	Oil & Gas Producers (0.00%)	790,800	2.24
	Petroceltic International	790,800	2.24
	SPAIN (0.74%)	358,750	1.01
250,000	Travel & Leisure (0.74%)	358,750	1.01
	BWIN.Party Digital Entertainment	358,750	1.01
	PACIFIC BASIN (0.80%)	66,000	0.19
	AUSTRALIA (0.80%)	66,000	0.19
6,000,000	Industrial Metals & Mining (0.80%)	66,000	0.19
	Ferrum Crescent	66,000	0.19
	ASIA (1.17%)	—	—
	SINGAPORE (1.17%)	—	—
	Electronic & Electrical Equipment (0.45%)	—	—
	Support Services (0.72%)	—	—
	MIDDLE EAST (1.71%)	—	—
	UNITED ARAB EMIRATES (1.71%)	—	—
	Oil Equipment, Services & Distribution (1.71%)	—	—
	AFRICA (0.00%)	307,125	0.87
	SOUTH AFRICA (0.00%)	307,125	0.87
650,000	Mining (0.00%)	307,125	0.87
	Aquarius Platinum	307,125	0.87
Portfolio of investments		32,467,605	91.93
Net other assets		2,849,369	8.07
Net assets		35,316,974	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets at 31 March 2012.

Total purchases for the year: £27,497,766.

Total sales for the year: £31,131,284.

River and Mercantile

UK Equity Smaller Companies Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains/(losses)	2		6,722,476		(745,697)
Revenue	3	653,452		898,548	
Expenses	4	(402,235)		(528,352)	
Finance costs: Interest	6	(16)		–	
Net revenue before taxation for the year		251,201		370,196	
Taxation	5	(2,333)		(1,065)	
Net revenue after taxation for the year			248,868		369,131
Total return before distributions			6,971,344		(376,566)
Finance costs: Distributions	6		(248,881)		(369,112)
Change in net assets attributable to Shareholders from investment activities			6,722,463		(745,678)

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		29,276,055		35,255,812
Amounts received on creation of shares	15,007,747		1,889,169	
Amounts paid on cancellation of shares	(15,770,133)		(7,118,832)	
		(762,386)		(5,229,663)
Stamp Duty Reserve Tax		(19,863)		(11,832)
Change in net assets attributable to Shareholders from investment activities		6,722,463		(745,678)
Retained distribution on accumulation shares		100,705		7,416
Closing net assets attributable to Shareholders		35,316,974		29,276,055

River and Mercantile

UK Equity Smaller Companies Fund

Balance Sheet as at 31 March 2013

		31 March 2013		31 March 2012	
	Notes	£	£	£	£
ASSETS					
Investment assets			32,467,605		29,357,212
Debtors	7	1,636,479		195,034	
Cash and bank balances	8	1,399,911		155,806	
Total other assets			3,036,390		350,840
Total assets			35,503,995		29,708,052
LIABILITIES					
Investment liabilities			—		—
Creditors	9	(100,765)		(123,509)	
Bank overdrafts	8	—		(132,152)	
Distribution payable on distribution shares		(86,256)		(176,336)	
Total other liabilities			(187,021)		(431,997)
Total liabilities			(187,021)		(431,997)
Net assets attributable to Shareholders			35,316,974		29,276,055

River and Mercantile

UK Equity Smaller Companies Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains/(losses)

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains/(losses) on investments during the year comprise:		
Currency gains	74	–
Non-derivative securities	6,734,155	(734,162)
Transaction charges	(11,753)	(11,535)
Net capital gains/(losses)	<u>6,722,476</u>	<u>(745,697)</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	5	–
Franked UK dividends	596,844	839,629
HMRC interest	–	23
Non-taxable overseas dividends	56,603	32,128
Property distributions	–	26,768
	<u>653,452</u>	<u>898,548</u>

River and Mercantile

UK Equity Smaller Companies Fund

Notes to the Financial Statements continued

4 Expenses	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>357,318</u>	<u>471,725</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	7,672	9,562
Safe custody fees	<u>822</u>	<u>1,225</u>
	<u>8,494</u>	<u>10,787</u>
Other expenses:		
Audit fee*	8,077	7,812
FCA fee**	362	366
Fund accounting fees	20,234	24,653
Insurance fee	502	887
KIID publication fee	862	367
Legal fees	301	501
Printing costs	694	852
Registration fees	1,308	1,652
Transfer Agency fees	<u>4,083</u>	<u>8,750</u>
	<u>36,423</u>	<u>45,840</u>
Total expenses	<u>402,235</u>	<u>528,352</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile

UK Equity Smaller Companies Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	2,333	1,065
Current tax (note 5b)	2,333	1,065
Deferred tax (note 5c)	–	–
Total taxation	2,333	1,065
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	251,201	370,196
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	50,240	74,039
Effects of:		
Movement in taxable revenue accruals	–	5,354
Movement in taxation losses	80,449	94,958
Overseas tax	2,333	1,065
Revenue not subject to taxation	(130,689)	(174,351)
Current tax	2,333	1,065

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £587,946 (£507,597 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile

UK Equity Smaller Companies Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	64,256	149,995
B-Class Accumulation shares*	17,194	4,710
Final dividend distribution:		
A-Class Distribution shares	86,256	176,336
B-Class Accumulation shares*	83,511	2,706
	<u>251,217</u>	<u>333,747</u>
Add: revenue deducted on cancellation of shares	94,857	43,077
Deduct: revenue received on creation of shares	<u>(97,193)</u>	<u>(7,712)</u>
Distributions for the year	<u>248,881</u>	<u>369,112</u>
Interest		
Bank overdraft interest	<u>16</u>	<u>—</u>
Total finance costs	<u>248,897</u>	<u>369,112</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	248,868	369,131
Movement in undistributed revenue	<u>13</u>	<u>(19)</u>
Distributions for the year	<u>248,881</u>	<u>369,112</u>

*On 16 July 2012 the Z-Class Accumulation share class was renamed B-Class Accumulation.

River and Mercantile

UK Equity Smaller Companies Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	67,817	74,418
Amounts receivable for creation of shares	1,567,224	101,234
Prepaid expenses	428	605
Receivable for FX contracts	1,010	—
Sales awaiting settlement	—	18,777
	<u>1,636,479</u>	<u>195,034</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Bank overdrafts	—	(132,152)
Cash and bank balances	<u>1,399,911</u>	<u>155,806</u>
Net uninvested cash	<u>1,399,911</u>	<u>23,654</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	54,691	51,852
Amounts payable for cancellation of shares	—	71,657
Payable for FX contracts	1,015	—
Purchases awaiting settlement	<u>45,059</u>	<u>—</u>
	<u>100,765</u>	<u>123,509</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.07% of the shares in issue (0.04% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £38,308 (£37,983 as at 31 March 2012).

River and Mercantile

UK Equity Smaller Companies Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary. There were no such contracts utilised during the period (2012: nil).

At the balance sheet date no significant foreign currency was held.

Derivative risk

At the balance sheet date, no derivatives were held (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		27,309,651		27,614,871
Commissions	60,356		61,431	
Taxes	127,759		122,906	
Total purchase costs		188,115		184,337
Gross purchases total		27,497,766		27,799,208
Analysis of total sale costs:				
Sales before transaction costs		31,201,935		32,101,144
Commissions	(70,122)		(72,838)	
Fees	(529)		(607)	
Total sale costs		(70,651)		(73,445)
Total sales net of transaction costs		31,131,284		32,027,699

River and Mercantile

UK Equity Smaller Companies Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	0.4260	—	0.4260	0.4927
Group 2	0.0000	0.4260	0.4260	0.4927
B-Class Accumulation shares*				
Group 1	4.4959	—	4.4959	9.4996
Group 2	0.0000	4.4959	4.4959	9.4996

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	0.5068	—	0.5068	0.6740
Group 2	0.0167	0.4901	0.5068	0.6740
B-Class Accumulation shares*				
Group 1	7.5805	—	7.5805	5.9617
Group 2	1.4120	6.1685	7.5805	5.9617

*On 16 July 2012 the Z-Class Accumulation share class was renamed B-Class Accumulation.

River and Mercantile

UK Equity Smaller Companies Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	34,582,485	111.52	31,011,292
Z-Class Accumulation shares	673,327	619.97	108,606
31 March 2012			
A-Class Distribution shares	28,989,060	110.80	26,162,650
Z-Class Accumulation shares	286,995	632.41	45,381
31 March 2013			
A-Class Distribution shares	25,672,638	150.87	17,016,336
B-Class Accumulation shares*	9,644,336	875.44	1,101,658

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2008	96.48p	59.40p	0.2579p
2009	93.05p	57.52p	1.2423p
2010	110.42p	87.16p	0.9207p
2011	115.54p	93.35p	0.4927p
2012	134.05p	99.46p	1.1000p
2013 ⁽¹⁾	156.52p	135.96p	0.5068p
B-Class Accumulation shares*			
2008	492.05p	311.33p	4.7589p
2009	502.09p	302.69p	8.2004p
2010	611.64p	475.61p	7.4159p
2011	645.00p	526.58p	13.9134p
2012	773.84p	562.23p	10.4576p
2013 ⁽¹⁾	904.89p	784.86p	7.5805p

⁽¹⁾ The above table shows highest and lowest share prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

*On 16 July 2012 the Z-Class Accumulation share class was renamed B-Class Accumulation.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile

UK Equity Smaller Companies Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.73%	1.68%
B-Class Accumulation shares*	0.95%	0.18%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

*On 16 July 2012 the Z-Class Accumulation share class was renamed B-Class Accumulation and a 0.75% AMC introduced.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.73%
B-Class Accumulation shares*	0.95%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards



The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The sub-fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund. The following risks are materially relevant to the sub-fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.

River and Mercantile

UK Equity Unconstrained Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth through investing in a concentrated portfolio which will primarily consist of UK equities. The sub-fund will not be restricted by reference to a benchmark, sector constraints or company size.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile UK Equity Unconstrained Fund Z share class returned 27.74% over the twelve months to 31 March 2013, compared with the FTSE All-Share Index which returned 16.77%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. Most importantly, from a UK economic perspective, the banks started to lend again. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013, led by our small-cap technology holdings Quindell Portfolio, iomart Group and EMIS Group. Our overweight in the Media sector also paid off, with Perform Group and ITV both performing well and the market also finally began to appreciate the qualities of some of the bombed-out financials which we had either owned for some time like Hiscox (Non-Life Insurance) or those that we had more recently purchased, like platform provider Hargreaves Lansdown. Our lack of exposure to larger capitalised defensives in the Beverages sector, Diageo and SABMiller, detracted from performance, as did disappointing returns from our Mining positions. At a stock level, disappointment came from some smaller holdings including Aquarius Platinum, which fell following a profit warning, and online dating business Cupid, which we exited before the shares plummeted on the back of rumours that the business was creating fake user profiles to entice new members.

Over the period we purchased a number of Growth, Quality and Recovery stocks across a range of sectors. BSkyB is at the Quality stage of its lifecycle with dominance of the UK pay-TV market and a growing position in the broadband internet space following its acquisition of Telefonica's UK business. BG Group holds considerable Recovery potential since disappointing results drove the share price down in November. We purchased at a point with limited downside risk, ensuring participation in any upside from bid speculation. We took profits in a number of companies (Advanced Computer Services, LSE, 3i Group) which continued to perform well, reflecting risk management as they reached higher valuations. We also took profits in our car retailers, Pendragon and Inchcape.

Outlook

The UK Equity portfolio continues to have attractive PVT characteristics and we own a portfolio of companies with strong prospects. In particular, Quality stocks with Valuation support and earnings visibility should outperform as we move through 2013. We remain firmly focused on selecting high quality stocks, capable of growing strongly on good valuations and where analyst expectations are too low.

Economic policy continues to be supportive, with promising anti-deflation initiatives coming from the Bank of Japan, the pending arrival of a pro-growth governor for the Bank of England, and a Europe in which the argument for austerity is more balanced. The eurozone, however, remains a concern, following the Italian election and the Cypriot bail-out, but progress in the region has certainly been made, with the combined current account deficit of Greece, Ireland, Italy, Portugal and Spain narrowing to 0.6%, compared with 7% in 2008. Equities remain good value, company profits are strong and likely to grow again this year, and cash flow generation is robust and is being used sensibly. There remains a high likelihood of credit-crunch related aftershocks, but the underlying economic picture remains one of reasonable global nominal GDP growth and an improving trend in the global imbalances that helped cause the credit-crunch.

River and Mercantile

UK Equity Unconstrained Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (83.24%)	15,943,390	91.44
	Oil & Gas Producers (7.71%)	1,677,243	9.62
400,000	Amerisur Resources	222,000	1.27
45,000	BG	508,050	2.92
168,000	BP	772,548	4.43
45,000	Premier Oil	174,645	1.00
	Oil Equipment, Services & Distribution (0.00%)	133,275	0.76
15,000	Hunting	133,275	0.76
	Chemicals (0.00%)	342,000	1.96
90,000	AZ Electronic Materials	342,000	1.96
	Mining (4.55%)	383,000	2.20
20,000	BHP Billiton (London listing)	383,000	2.20
	Construction & Materials (0.62%)	—	—
	Aerospace & Defence (3.26%)	732,982	4.20
67,000	Avon Rubber	268,000	1.54
60,000	Cobham	145,740	0.83
154,000	QinetiQ	319,242	1.83
	Electronic & Electrical Equipment (0.00%)	370,800	2.13
90,000	Xaar	370,800	2.13
	Support Services (6.66%)	442,860	2.54
30,500	Travis Perkins	442,860	2.54
	Automobiles & Parts (0.00%)	343,460	1.97
130,000	GKN	343,460	1.97
	Food Producers (5.08%)	1,083,490	6.21
62,000	Tate & Lyle	526,690	3.02
20,000	Unilever	556,800	3.19
	Health Care Equipment & Services (3.34%)	342,998	1.97
45,161	Smith & Nephew	342,998	1.97
	Pharmaceuticals & Biotechnology (7.64%)	1,239,343	7.11
13,852	AstraZeneca	456,770	2.62
50,866	GlaxoSmithKline	782,573	4.49
	Food & Drug Retailers (4.99%)	362,472	2.08
95,000	Tesco	362,472	2.08
	General Retailers (2.97%)	576,875	3.31
200,000	Debenhams	165,500	0.95
55,000	Inchcape	276,375	1.59
600,000	Pendragon	135,000	0.77
	Media (3.05%)	1,742,038	9.99
60,000	BSkyB	529,500	3.03
95,000	ITE	259,255	1.49
285,900	ITV	369,383	2.12
108,000	Next Fifteen Communications	118,800	0.68
100,000	Perform	465,100	2.67

River and Mercantile

UK Equity Unconstrained Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Travel & Leisure (8.82%)	569,605	3.27
160,000	888	268,160	1.54
7,500	Carnival	172,800	0.99
22,609	Millennium & Copthorne Hotels	128,645	0.74
	Fixed Line Telecommunications (0.00%)	314,400	1.80
750,000	Cable & Wireless	314,400	1.80
	Mobile Telecommunications (3.81%)	365,040	2.09
52,000	Inmarsat	365,040	2.09
	Gas, Water & Multiutilities (3.02%)	261,067	1.50
71,000	Centrica	261,067	1.50
	Banks (3.99%)	894,581	5.13
155,000	Barclays	451,282	2.59
63,103	HSBC	443,299	2.54
	Nonlife Insurance (2.29%)	1,259,442	7.22
90,000	Amlin	381,150	2.18
75,876	Hiscox	416,939	2.39
54,213	Jardine Lloyd Thompson	461,353	2.65
	Life Insurance (0.00%)	479,250	2.75
45,000	Prudential	479,250	2.75
	Financial Services (4.48%)	332,310	1.91
95,000	Ashmore	332,310	1.91
	Software & Computer Services (6.96%)	1,564,839	8.97
150,000	Advanced Computer Software	130,125	0.75
200,000	Blinkx	169,000	0.97
25,250	EMIS	185,588	1.06
73,485	iomart	167,546	0.96
35,000	Playtech	221,200	1.27
2,400,000	Quindell	246,000	1.41
130,000	Sage	445,380	2.55
	Technology Hardware & Equipment (0.00%)	130,020	0.75
60,000	Laird	130,020	0.75
	ISLE OF MAN (0.00%)	119,815	0.69
	Support Services (0.00%)	119,815	0.69
72,178	Optimal Payments	119,815	0.69
	NORTH AMERICA (3.78%)	—	—
	BERMUDA (3.78%)	—	—
	Mining (1.06%)	—	—
	Nonlife Insurance (2.72%)	—	—

River and Mercantile

UK Equity Unconstrained Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	CONTINENTAL EUROPE (2.71%)	530,795	3.04
	IRELAND (2.71%)	530,795	3.04
	Construction & Materials (2.71%)	—	—
	Pharmaceuticals & Biotechnology (0.00%)	530,795	3.04
26,500	OTC Shire	530,795	3.04
Portfolio of investments		16,594,000	95.17
Net other assets		841,259	4.83
Net assets		17,435,259	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets at 31 March 2012.

Total purchases for the year: £17,681,940.

Total sales for the year: £16,887,813.

River and Mercantile

UK Equity Unconstrained Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains	2		3,355,216		562,269
Revenue	3	486,474		446,992	
Expenses	4	(125,115)		(98,446)	
Finance costs: Interest	6	—		—	
Net revenue before taxation for the year		361,359		348,546	
Taxation	5	(764)		—	
Net revenue after taxation for the year			360,595		348,546
Total return before distributions			3,715,811		910,815
Finance costs: Distributions	6		(360,595)		(348,549)
Change in net assets attributable to Shareholders from investment activities			3,355,216		562,266

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		13,858,101		13,677,360
Amounts received on creation of shares	2,724,854		5,152,045	
Amounts paid on cancellation of shares	(2,793,743)		(5,791,011)	
		(68,889)		(638,966)
Stamp Duty Reserve Tax		(3,725)		(2,924)
Change in net assets attributable to Shareholders from investment activities		3,355,216		562,266
Retained distribution on accumulation shares		294,556		260,365
Closing net assets attributable to Shareholders		17,435,259		13,858,101

River and Mercantile

UK Equity Unconstrained Fund

Balance Sheet as at 31 March 2013

		31 March 2013		31 March 2012	
	Notes	£	£	£	£
ASSETS					
Investment assets			16,594,000		12,434,218
Debtors	7	446,622		332,371	
Cash and bank balances	8	1,474,864		1,849,320	
Total other assets			1,921,486		2,181,691
Total assets			18,515,486		14,615,909
LIABILITIES					
Investment liabilities			—		—
Creditors	9	(1,076,683)		(717,939)	
Distribution payable on distribution shares		(3,544)		(39,869)	
Total other liabilities			(1,080,227)		(757,808)
Total liabilities			(1,080,227)		(757,808)
Net assets attributable to Shareholders			17,435,259		13,858,101

River and Mercantile

UK Equity Unconstrained Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains on investments during the year comprise:		
Currency losses	(644)	(1,434)
Non-derivative securities	3,364,158	568,376
Transaction charges	(8,298)	(4,673)
Net capital gains	<u>3,355,216</u>	<u>562,269</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Franked UK dividends	468,641	422,995
HMRC interest	—	38
Non-taxable overseas dividends	<u>17,833</u>	<u>23,959</u>
	<u>486,474</u>	<u>446,992</u>

River and Mercantile

UK Equity Unconstrained Fund

Notes to the Financial Statements continued

4 Expenses

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>99,864</u>	<u>77,887</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	5,995	6,000
Safe custody fees	<u>2,915</u>	<u>473</u>
	<u>8,910</u>	<u>6,473</u>
Other expenses:		
Audit fee*	6,085	4,116
FCA fee**	362	365
Fund accounting fees	4,458	3,812
Insurance fee	314	327
KIID publication fee	991	367
Legal fees	146	501
Printing costs	329	374
Registration fees	489	524
Transfer Agency fees	<u>3,167</u>	<u>3,700</u>
	<u>16,341</u>	<u>14,086</u>
Total expenses	<u>125,115</u>	<u>98,446</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile

UK Equity Unconstrained Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	764	—
Current tax (note 5b)	764	—
Deferred tax (note 5c)	—	—
Total taxation	764	—
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	361,359	348,546
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	72,272	69,709
Effects of:		
Movement in taxation losses	25,073	19,682
Overseas tax	764	—
Revenue not subject to taxation	(97,345)	(89,391)
Current tax	764	—

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £516,021 (£491,176 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile

UK Equity Unconstrained Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	65,441	17,290
Z-Class Accumulation shares	167,207	140,554
Final dividend distribution:		
A-Class Distribution shares	3,544	39,869
B-Class Accumulation shares*	32,726	–
Z-Class Accumulation shares	94,623	119,811
	<u>363,541</u>	<u>317,524</u>
Add: revenue deducted on cancellation of shares	12,100	49,126
Deduct: revenue received on creation of shares	<u>(15,046)</u>	<u>(18,101)</u>
Distributions for the year	<u>360,595</u>	<u>348,549</u>
Interest		
Bank overdraft interest	<u>–</u>	<u>–</u>
Total finance costs	<u>360,595</u>	<u>348,549</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	360,595	348,546
Movement in undistributed revenue	<u>–</u>	<u>3</u>
Distributions for the year	<u>360,595</u>	<u>348,549</u>

*On 21 November 2012 B-Class Accumulation shares became available.

River and Mercantile

UK Equity Unconstrained Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	38,589	57,125
Amounts receivable for creation of shares	8,831	55,074
Prepaid expenses	642	605
Recoverable overseas tax	—	2,567
Sales awaiting settlement	398,560	217,000
	<u>446,622</u>	<u>332,371</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Cash and bank balances	1,474,864	1,849,320
Net uninvested cash	<u>1,474,864</u>	<u>1,849,320</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	16,531	17,177
Amounts payable for cancellation of shares	46,988	582,765
Purchases awaiting settlement	1,013,164	117,997
	<u>1,076,683</u>	<u>717,939</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.31% of the shares in issue (0.14% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £8,069 (£9,769 as at 31 March 2012).

River and Mercantile

UK Equity Unconstrained Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary. There were no such contracts utilised during the period (2012: nil).

At the balance sheet date no significant foreign currency was held.

Derivative risk

At the balance sheet date, no derivatives were held (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		17,572,992		15,635,095
Commissions	30,425		26,521	
Taxes	78,523		75,598	
Total purchase costs		<u>108,948</u>		<u>102,119</u>
Gross purchases total		<u>17,681,940</u>		<u>15,737,214</u>
Analysis of total sale costs:				
Sales before transaction costs		16,918,784		16,197,304
Commissions	(30,644)		(23,794)	
Fees	(327)		(344)	
Total sale costs		<u>(30,971)</u>		<u>(24,138)</u>
Total sales net of transaction costs		<u>16,887,813</u>		<u>16,173,166</u>

River and Mercantile

UK Equity Unconstrained Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	0.9178	—	0.9178	0.6491
Group 2	0.0470	0.8708	0.9178	0.6491
Z-Class Accumulation shares				
Group 1	9.9387	—	9.9387	7.9111
Group 2	6.2446	3.6941	9.9387	7.9111

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	0.2368	—	0.2368	0.5802
Group 2	0.0676	0.1692	0.2368	0.5802
B-Class Accumulation shares*				
Group 1	1.4173	—	1.4173	0.0000
Group 2	0.7028	0.7145	1.4173	0.0000
Z-Class Accumulation shares				
Group 1	6.6795	—	6.6795	7.6354
Group 2	3.3454	3.3341	6.6795	7.6354

*On 21 November 2012 B-Class Accumulation shares became available.

River and Mercantile

UK Equity Unconstrained Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	5,268,711	84.06	6,268,163
Z-Class Accumulation shares	8,408,649	475.49	1,768,413
31 March 2012			
A-Class Distribution shares	5,936,602	86.39	6,871,680
Z-Class Accumulation shares	7,921,499	504.83	1,569,146
31 March 2013			
A-Class Distribution shares	1,604,353	107.22	1,496,349
B-Class Accumulation shares	6,685,231	289.52	2,309,042
Z-Class Accumulation shares	9,145,675	645.60	1,416,610

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2008	102.09p	57.76p	0.4905p
2009	78.67p	56.45p	1.3098p
2010	84.16p	71.84p	1.0410p
2011	87.87p	76.52p	0.8714p
2012	97.56p	80.12p	1.4980p
2013 ⁽²⁾	108.45p	98.51p	0.2368p
B-Class Accumulation shares			
2012 ⁽¹⁾	262.34p	250.00p	0.0000p
2013 ⁽²⁾	292.19p	264.92p	1.4173p
Z-Class Accumulation shares			
2008	525.92p	302.40p	6.7145p
2009	428.61p	297.39p	13.3096p
2010	472.75p	397.86p	13.2049p
2011	499.47p	435.63p	13.6047p
2012	583.49p	469.35p	17.5741p
2013 ⁽²⁾	651.46p	589.37p	6.6795p

⁽¹⁾ From 21 November 2012.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile UK Equity Unconstrained Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.98%	1.91%
B-Class Accumulation shares	1.19%	N/A
Z-Class Accumulation shares	0.22%	0.16%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.98%
B-Class Accumulation shares	1.19%
Z-Class Accumulation shares	0.22%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)



Typically Lower Rewards

Typically Higher Rewards



The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The sub-fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund. The following risks are materially relevant to the sub-fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.
- Concentration risk: the sub-fund invests in a limited number of securities and hence experiences higher levels of volatility than more diverse funds.

River and Mercantile

UK Equity Long Term Recovery Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth by investing in a portfolio which will primarily consist of UK equities that meet the manager's recovery criteria of a turnaround in company profitability over the longer term.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile UK Equity Long Term Recovery Fund Z share class returned 24.11% over the twelve months to 31 March 2013, compared with the FTSE All-Share Index which returned 16.77%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. Most importantly, from a UK economic perspective, the banks started to lend again. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013. Value performed well, as did smaller companies, and our PVT stock picking was strong. Small- and mid-cap companies contributed significantly to the portfolio's outperformance, with Thomas Cook, Somero Enterprises, Telford Homes, Dixons Retail and 888 Holdings amongst the greatest contributors. Our overweight in the Media sector also paid off, with Trinity Mirror and Daily Mail & General Trust both performing well. Our underweight to some of the big names in the Oil & Gas sector, such as BG Group and Royal Dutch Shell, aided the portfolio's return, but our lack of exposure to larger capitalised defensives in the Beverages sector, Diageo and SABMiller, detracted from performance, as did smaller company names GW Pharmaceuticals and Wincanton (although both these assets bounced back following the period-end).

Over the period, our Travel & Leisure holdings were increased, with new positions in Growth stock Ryanair and Recovery stock Thomas Cook. Capitalising on the continued growth of online betting platforms we made further investment into Bwin.Party and Ladbrokes. Profits were taken in a number of strongly performing mid-cap stocks, which included International Personal Finance, Afren, Howden and Debenhams. We sold out of Oxford Instruments following a complete realisation of the PVT thesis and an increase in the share price of greater than 300%. Other sales were focused on taking profits in a number of strongly performing mid- and small-cap companies that had become overbought, such as LSE, Travis Perkins and Trifast.

Outlook

Since the credit-crunch (end 2008) the Long Term Recovery strategy has outperformed by almost 9% per annum. There remains very significant upside in Value, and in Recovery category stocks. There remains no sustainable relative upside in the expensive defensives such as Consumer Staples. Assuming investors continue to return to making investments based on relative value and shareholder value creation, rather than relative safety, then we will continue to perform well.

Economic policy continues to be supportive, with promising anti-deflation initiatives coming from the Bank of Japan, the pending arrival of a pro-growth governor for the Bank of England, and a Europe in which the argument for austerity is more balanced. The eurozone, however, remains a concern, following the Italian election and the Cypriot bail-out, but progress in the region has certainly been made, with the combined current account deficit of Greece, Ireland, Italy, Portugal and Spain narrowing to 0.6%, compared with 7% in 2008. Equities remain good value, company profits are strong and likely to grow again this year, and cash flow generation is robust and is being used sensibly. There remains a high likelihood of credit-crunch related aftershocks, but the underlying economic picture remains one of reasonable global nominal GDP growth and an improving trend in the global imbalances that helped cause the credit-crunch.

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (75.15%)	109,715,724	69.84
	Oil & Gas Producers (8.13%)	1,320,543	0.84
155,000	BP	712,768	0.45
402,500	Rockhopper Exploration	607,775	0.39
	Chemicals (1.23%)	1,044,552	0.67
748,000	Scapa	501,160	0.32
254,159	Yule Catto	543,392	0.35
	Mining (9.50%)	8,872,562	5.66
179,000	Anglo American	3,027,785	1.93
403,502	Lonmin	1,173,787	0.75
128,209	Rio Tinto	3,955,248	2.52
67,017	Xstrata	715,742	0.46
	Construction & Materials (1.67%)	2,477,251	1.57
8,250,000	Aukett Fitzroy Robinson	226,875	0.14
629,018	Lupus Capital	1,239,165	0.79
3,370,704	Michelmersh Brick	1,011,211	0.64
	Aerospace & Defence (0.35%)	1,257,012	0.80
292,000	Chemring	759,492	0.48
240,000	QinetiQ	497,520	0.32
	General Industrials (1.00%)	-	-
	Electronic & Electrical Equipment (1.16%)	852,725	0.54
206,972	Xaar	852,725	0.54
	Industrial Engineering (1.31%)	891,000	0.57
3,960,000	Renold	891,000	0.57
	Industrial Transportation (0.36%)	1,395,625	0.89
35,000	Clarkson	542,500	0.35
1,950,000	Wincanton	853,125	0.54
	Support Services (6.69%)	14,134,498	8.99
67,406	Atkins (WS)	614,743	0.39
164,999	Falkland Islands Holdings	536,247	0.34
991,766	Fiberweb	828,125	0.53
925,000	Hays	892,163	0.57
1,300,000	Hogg Robinson	728,000	0.46
174,674	Interserve	870,575	0.55
375,000	Lavendon	669,375	0.43
400,000	Regeneris	848,000	0.54
1,172,769	SIG	1,854,148	1.18
2,366,000	Speedy Hire	1,153,425	0.73
1,188,701	St. Ives	1,595,831	1.02
1,082,893	Tribal	1,559,366	0.99
1,100,000	Wyg	792,000	0.50
900,000	Xchanging	1,192,500	0.76
	Automobiles & Parts (0.65%)	771,977	0.49
292,194	GKN	771,977	0.49
	Food Producers (0.72%)	-	-

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Household Goods & Home Construction (1.40%)	3,166,354	2.02
945,622	Aga Rangemaster	789,594	0.50
325,000	Barratt Developments	890,500	0.57
718,000	Telford Homes	1,486,260	0.95
	Leisure Goods (0.54%)	692,645	0.44
109,078	Games Workshop	692,645	0.44
	Health Care Equipment Services (0.40%)	-	-
	Pharmaceuticals & Biotechnology (4.92%)	3,361,208	2.14
154,600	GlaxoSmithKline	2,378,521	1.51
1,401,315	GW Pharmaceuticals	546,513	0.35
969,276	SkyePharma	436,174	0.28
	General Retailers (2.49%)	6,623,694	4.23
5,425,000	Dixons	1,833,108	1.17
13,004,795	Findel	812,800	0.52
1,040,000	Home Retail	1,614,080	1.03
5,343,677	Pendragon	1,202,327	0.77
1,843,459	Topps Tiles	1,161,379	0.74
	Media (4.32%)	12,569,047	8.00
2,155,719	Centaur	980,852	0.62
164,622	Daily Mail & General Trust 'A'	1,167,170	0.74
5,210,000	Dotdigital	755,450	0.48
600,000	Ebiquity	558,000	0.36
75,000	Euromoney Institutional Investor	721,875	0.46
1,064,844	ITV	1,375,778	0.88
3,750,000	Johnston Press	543,750	0.35
700,000	Mecom	593,250	0.38
384,677	Moneysupermarket.com	761,660	0.48
1,911,111	Progressive Digital Media	592,444	0.38
1,453,500	Rangers International Football	1,017,450	0.65
857,654	STV	1,072,068	0.68
1,321,667	Trinity Mirror	1,229,150	0.78
467,500	Wilmington	738,650	0.47
650,000	YouGov	461,500	0.29
	Travel & Leisure (2.20%)	5,827,657	3.72
706,250	888	1,183,675	0.75
271,326	EasyDate	233,340	0.15
958,971	Enterprise Inns	1,017,468	0.65
482,400	International Consolidated Airlines	1,220,954	0.78
290,000	Ladbroke	654,820	0.42
1,350,000	Thomas Cook	1,517,400	0.97
	Fixed Line Telecommunications (0.00%)	1,507,961	0.96
1,977,000	Cable & Wireless	828,758	0.53
539,050	Colt Telecom	679,203	0.43
	Mobile Telecommunications (1.02%)	1,606,368	1.02
2,172,940	Monitise	803,988	0.51
430,000	Vodafone	802,380	0.51

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Banks (10.25%)	19,626,518	12.49
1,456,216	Barclays	4,239,773	2.70
888,300	HSBC	6,240,308	3.97
11,678,433	Lloyds Banking	5,686,229	3.62
1,255,974	Royal Bank Of Scotland	3,460,208	2.20
	Nonlife Insurance (0.31%)	1,329,125	0.84
150,000	Amlin	635,250	0.40
152,500	Novae	693,875	0.44
	Life Insurance (1.35%)	2,707,008	1.72
684,000	Aviva	2,026,008	1.29
250,000	Resolution	681,000	0.43
	Real Estate Investment & Services (1.81%)	1,900,466	1.21
408,037	Grainger Trust	553,298	0.35
531,432	Songbird Estates	732,048	0.47
240,000	St. Modwen Properties	615,120	0.39
	Real Estate Investment trusts (0.56%)	-	-
	Financial Services (3.80%)	5,790,259	3.67
741,700	F&C Asset Management	774,335	0.49
516,000	Henderson	821,472	0.52
259,300	Intermediate Capital	1,097,098	0.70
171,167	International Personal Finance	761,693	0.48
400,000	Liontrust	660,000	0.42
3,540,000	MAM Funds	1,150,500	0.73
203,000	Tullett Prebon	525,161	0.33
	Equity Investment Instruments (0.70%)	-	-
	Software & Computer Services (4.68%)	8,980,344	5.72
1,303,125	Advanced Computer Software	1,130,461	0.72
1,747,500	Blinkx	1,476,638	0.94
779,196	GB	716,860	0.46
3,435,861	Innovation	867,555	0.55
232,700	Invensys	816,079	0.52
386,001	iomart	880,082	0.56
277,397	Playtech	1,753,149	1.12
1,722,855	RM	1,339,520	0.85
	Technology Hardware & Equipment (1.63%)	1,009,325	0.64
131,143	Alent	494,147	0.31
237,738	Laird	515,178	0.33
	CHANNEL ISLANDS (1.08%)	1,131,499	0.72
	Construction & Materials (1.08%)	-	-
	Support Services (0.00%)	1,131,499	0.72
34,613	Wolseley	1,131,499	0.72
	ISLE OF MAN (0.00%)	1,502,499	0.96

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
905,120	Support Services (0.00%)	1,502,499	0.96
	Neovia Financial	1,502,499	0.96
	NORTH AMERICA (8.00%)	1,446,941	0.92
	BERMUDA (0.29%)	-	-
	Travel & Leisure (0.29%)	-	-
170,000	CANADA (0.30%)	756,500	0.48
	Financial Services (0.00%)	756,500	0.48
	Canaccord Financial	756,500	0.48
	Industrial Metals & Mining (0.30%)	-	-
	CAYMAN ISLANDS (1.00%)	690,441	0.44
40,000	Media (0.00%)	690,441	0.44
	Soufun	690,441	0.44
	Mobile Telecommunications (0.27%)	-	-
	Software & Computer Services (0.31%)	-	-
	Travel & Leisure (0.42%)	-	-
89,000	UNITED STATES (6.41%)	11,372,315	7.24
	Oil & Gas Producers (0.30%)	-	-
	Industrial Metals & Mining (0.31%)	-	-
	Construction & Materials (0.00%)	802,404	0.51
	US Concrete	802,404	0.51
33,000	General Industrials (0.21%)	-	-
	Electronic & Electrical Equipment (0.34%)	585,913	0.37
	First Solar	585,913	0.37
	Industrial Engineering (0.24%)	1,602,935	1.02
	Somero Enterprises	1,602,935	1.02
30,800	Support Services (0.29%)	-	-
	Automobiles & Parts (0.00%)	564,094	0.36
	General Motors	564,094	0.36
	Household Goods & Home Construction (0.74%)	1,208,409	0.77
	Beazer Homes	584,543	0.37
19,750	D.R. Horton	623,866	0.40
	General Retailers (0.38%)	705,092	0.45
	eBay	705,092	0.45
	Travel & Leisure (0.19%)	659,804	0.42
	Avis Budget	659,804	0.42

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Banks (1.87%)	2,611,403	1.66
119,900	Bank of America	960,969	0.61
32,420	Citigroup	944,556	0.60
29,000	Wells Fargo	705,878	0.45
	Nonlife Insurance (0.32%)	-	-
	Life Insurance (0.00%)	690,803	0.44
105,000	Genworth Financial	690,803	0.44
	Financial Services (0.00%)	609,310	0.39
36,700	Fidelity National Title	609,310	0.39
	Software & Computer Services (0.89%)	1,332,148	0.85
40,000	Facebook	673,845	0.43
42,500	Yahoo!	658,303	0.42
	Technology Hardware & Equipment (0.33%)	-	-
	SOUTH AMERICA (1.20%)	697,869	0.44
	ARGENTINA (0.57%)	-	-
	Oil & Gas Producers (0.57%)	-	-
	BRAZIL (0.21%)	-	-
	Oil & Gas Producers (0.21%)	-	-
	BRITISH VIRGIN ISLANDS (0.42%)	-	-
	Software & Computer Services (0.42%)	697,869	0.44
634,538	Camelot Information Systems	697,869	0.44
	CONTINENTAL EUROPE (11.22%)	17,375,127	11.06
	BELGIUM (0.00%)	669,260	0.43
	Life Insurance (0.00%)	669,260	0.43
30,000	Ageas	669,260	0.43
	DENMARK (0.33%)	653,402	0.42
	Industrial Transportation (0.33%)	-	0.00
	Personal Goods (0.00%)	653,402	0.42
36,000	Pandora	653,402	0.42
	FRANCE (1.66%)	2,206,258	1.40
	Construction & Materials (0.00%)	569,801	0.36
13,000	Lafarge	569,801	0.36
	Automobiles & Parts (0.66%)	578,410	0.37
14,000	Renault	578,410	0.37
	Gas, Water & Multiutilities (0.23%)	-	-

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
23,000	Food & Drug Retailers (0.00%) Carrefour	414,778 414,778	0.26 0.26
19,000	Banks (0.77%) BNP Paribas	643,269 643,269	0.41 0.41
	GERMANY (1.24%)	2,598,370	1.65
	Alternative Energy (0.49%)	-	-
	Industrial Transportation (0.32%)	-	-
	Media (0.43%)	-	-
44,000	Travel & Leisure (0.00%) Deutsche Lufthansa (Regd.)	565,767 565,767	0.36 0.36
42,000	Electricity (0.00%) SMA Solar Technology	1,001,819 657,082	0.64 0.42
357,589	Centrotherm Photovoltaics	344,737	0.22
19,474	Real Estate Investment & Services (0.00%) GSW Immobilien	506,159 506,159	0.32 0.32
179,666	Software & Computer Services (0.00%) SQS Software Quality Systems	524,625 524,625	0.33 0.33
	GIBRALTAR (0.00%)	2,162,115	1.38
1,506,700	Travel & Leisure (0.00%) PartyGaming	2,162,115 2,162,115	1.38 1.38
	GREECE (1.03%)	1,785,237	1.13
	Beverages (0.40%)	-	-
	Banks (0.30%)	-	-
131,738	Leisure Goods (0.00%) Jumbo	628,332 628,332	0.40 0.40
116,000	Travel & Leisure (0.33%) Greek Organisation of Football Prognostics	599,374 599,374	0.38 0.38
164,000	Financial Services (0.00%) Hellenic Exchange	557,531 557,531	0.35 0.35
	IRELAND (0.67%)	2,019,426	1.28
42,500	Construction & Materials (0.67%) CRH	617,100 617,100	0.39 0.39
165,000	Support Services (0.00%) Grafton	690,698 690,698	0.44 0.44
5,500,000	Banks (0.00%) Bank of Ireland	711,628 711,628	0.45 0.45
	ITALY (2.26%)	2,816,781	1.80

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Construction & Materials (0.87%)	749,365	0.48
90,838	Italmobiliare	749,365	0.48
	Media (0.29%)	808,288	0.51
600,000	Mediaset	808,288	0.51
	Banks (1.10%)	637,564	0.41
190,000	Mediobanca	637,564	0.41
	Nonlife Insurance (0.00%)	621,564	0.40
350,000	Unipol Gruppo Finanziario	621,564	0.40
	LUXEMBOURG (0.31%)	-	-
	Industrial Metals & Mining (0.31%)	-	-
	NETHERLANDS (1.00%)	1,020,993	0.65
	Health Care Equipment & Services (0.22%)	-	-
	Life Insurance (0.46%)	494,820	0.32
125,000	Aegon	494,820	0.32
	Technology Hardware & Equipment (0.32%)	526,173	0.33
200,000	Tomtom	526,173	0.33
	PORTUGAL (0.00%)	507,400	0.32
	Electricity (0.00%)	507,400	0.32
250,000	Energias de Portugal	507,400	0.32
	SPAIN (2.53%)	935,885	0.60
	Gas, Water & Multiutilities (0.00%)	466,977	0.30
40,000	Gas Natural	466,977	0.30
	Travel & Leisure (1.62%)	-	-
	Banks (0.64%)	468,908	0.30
82,012	BBVA	468,908	0.30
	Software & Computer Services (0.27%)	-	-
	MIDDLE EAST (0.67%)	1,842,650	1.18
	ISRAEL (0.26%)	863,901	0.55
	Technology Hardware & Equipment (0.26%)	863,901	0.55
4,669,735	BATM Advanced Communications	863,901	0.55
	UNITED ARAB EMIRATES (0.41%)	978,749	0.63
	Oil Equipment, Services & Distribution (0.41%)	978,749	0.63
750,000	Lamprell	978,749	0.63

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	AFRICA (0.27%)	-	-
	SOUTH AFRICA (0.27%)	-	-
	Media (0.27%)	-	-
	ASIA (2.41%)	9,801,324	6.25
	CHINA (0.57%)	2,634,409	1.67
	Pharmaceuticals & Biotechnology (0.00%)	418,137	0.27
37,000	WuXi PharmaTech ADR	418,137	0.27
	Travel & Leisure (0.00%)	321,051	0.20
75,000	Country Style Cook ADR	321,051	0.20
	Nonlife Insurance (0.25%)	37,064	0.02
9,380	CNINSURE ADR	37,064	0.02
	Life Insurance (0.00%)	571,535	0.36
112,000	Ping An Insurance	571,535	0.36
	Real Estate Investment & Services (0.00%)	596,622	0.38
1,450,000	KWG Property	596,622	0.38
	Equity Investment Instruments (0.00%)	690,000	0.44
750,000	Fidelity China Special Situations	690,000	0.44
	Software & Computer Services (0.32%)	-	-
	HONGKONG (0.64%)	794,903	0.51
	General Industrials (0.33%)	-	-
	Life Insurance (0.31%)	-	-
	Travel & Leisure (0.00%)	794,903	0.51
6,500,000	Rexlot	369,469	0.24
400,000	Mandarin Oriental International	425,434	0.27
	INDIA (0.00%)	1,977,848	1.26
	Oil & Gas Producers (0.00%)	1,104,000	0.70
800,000	Essar	1,104,000	0.70
	Mining (0.00%)	873,848	0.56
86,950	Vedanta Resources	873,848	0.56
	JAPAN (0.79%)	3,135,245	2.00
	Industrial Engineering (0.00%)	773,301	0.49
60,000	Teikoku Electric	773,301	0.49
	Leisure Goods (0.00%)	631,039	0.40
55,000	Sony	631,039	0.40

River and Mercantile

UK Equity Long Term Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
500	Media (0.28%) Fuji Media	571,220 571,220	0.36 0.36
160,000	Banks (0.00%) Mitsubishi UFJ Financial	624,244 624,244	0.40 0.40
37,000	Nonlife Insurance (0.00%) Mitsui Sumitomo Insurance	535,441 535,441	0.35 0.35
	Real Estate Investment & Services (0.31%)	-	-
	Technology Hardware & Equipment (0.20%)	-	-
	MACAU (0.00%)	409,600	0.26
120,400	Travel & Leisure (0.00%) Sands China	409,600 409,600	0.26 0.26
	SINGAPORE (0.00%)	849,319	0.55
272,000	Oil Equipment, Services & Distribution (0.00%) Cape	849,319 849,319	0.55 0.55
	FORWARD CURRENCY CONTRACTS (0.10%)	-	-
Portfolio of Investments		154,885,948	98.61
Net Other Assets		2,185,951	1.39
Net Assets		157,071,899	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent sector holdings as at 31 March 2012.

Total purchases for the year: £171,684,969.

Total sales for the year: £136,311,101.

River and Mercantile

UK Equity Long Term Recovery Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains/(losses)	2		29,593,518		(4,588,420)
Revenue	3	2,720,559		1,801,114	
Expenses	4	(2,174,622)		(1,470,438)	
Finance costs: Interest	6	(1,007)		(524)	
Net revenue before taxation for the year		544,930		330,152	
Taxation	5	(46,704)		(28,220)	
Net revenue after taxation for the year			498,226		301,932
Total return before distributions			30,091,744		(4,286,488)
Finance costs: Distributions	6		(498,248)		(301,853)
Change in net assets attributable to Shareholders from investment activities			29,593,496		(4,588,341)

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		90,371,705		88,928,061
Amounts received on creation of shares	68,883,360		28,397,369	
Amounts paid on cancellation of shares	(31,766,735)		(22,345,684)	
		37,116,625		6,051,685
Stamp Duty Reserve Tax		(36,001)		(39,435)
Change in net assets attributable to Shareholders from investment activities		29,593,496		(4,588,341)
Retained distribution on accumulation shares		26,074		19,735
Closing net assets attributable to Shareholders		157,071,899		90,371,705

River and Mercantile

UK Equity Long Term Recovery Fund

Balance Sheet as at 31 March 2013

	Notes	31 March 2013		to 31 March 2012	
		£	£	£	£
ASSETS					
Investment assets			154,885,948		90,107,492
Debtors	7	2,970,779		1,622,537	
Cash and bank balances	8	25,874		1,136,576	
Total other assets			2,996,653		2,759,113
Total assets			157,882,601		92,866,605
LIABILITIES					
Investment liabilities			—		(14,640)
Bank overdrafts	8	(88,603)		(1,059,535)	
Creditors	9	(633,479)		(1,299,230)	
Distribution payable on distribution shares		(88,620)		(121,495)	
Total other liabilities			(810,702)		(2,480,260)
Total liabilities			(810,702)		(2,494,900)
Net assets attributable to Shareholders			157,071,899		90,371,705

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains/(losses)

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains/(losses) during the year comprise:	£	£
Currency gains/(losses)	49,903	(25,591)
Forward currency contracts	24,710	22,196
Non-derivative securities	29,571,884	(4,554,770)
Transaction charges	(52,979)	(30,255)
Net capital gains/(losses)	<u>29,593,518</u>	<u>(4,588,420)</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	301	67
Franked UK dividends	2,126,439	1,479,678
HMRC interest	—	90
Non-taxable overseas dividends	567,971	274,361
Property distributions	18,717	31,773
Taxable overseas dividends	7,131	15,145
	<u>2,720,559</u>	<u>1,801,114</u>

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements continued

4 Expenses

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>2,028,851</u>	<u>1,320,000</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	23,126	19,094
Safe custody fees	<u>10,122</u>	<u>14,630</u>
	<u>33,248</u>	<u>33,724</u>
Other expenses:		
ADR issuance fees	286	3,646
Audit fee*	9,260	9,060
FCA fee**	362	366
Fund accounting fees	72,487	72,858
Insurance fee	2,007	2,132
KIID publication fee	1,295	549
Legal fees	936	501
Printing costs	2,141	2,247
Registration fees	764	867
Transfer Agency fees	<u>22,985</u>	<u>24,488</u>
	<u>112,523</u>	<u>116,714</u>
Total expenses	<u>2,174,622</u>	<u>1,470,438</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	46,704	28,220
Current tax (note 5b)	46,704	28,220
Deferred tax (note 5c)	–	–
Total taxation	46,704	28,220
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	544,930	330,152
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	108,986	66,030
Effects of:		
Movement in taxation losses	429,788	284,778
Overseas tax	46,783	28,220
Overseas tax expensed	(144)	–
Precompte as tax credit	(79)	–
Precompte @ 20%	16	–
Revenue not subject to taxation	(538,646)	(350,808)
Current tax	46,704	28,220

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £1,388,524 (£958,208 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	440,918	66,373
B-Class Distribution shares	65,859	87,114
Z-Class Accumulation shares	14,442	9,948
Final dividend distribution:		
A-Class Distribution shares	23,649	59,677
B-Class Distribution shares	64,971	61,818
Z-Class Accumulation shares	11,632	9,787
	<u>621,471</u>	<u>294,717</u>
Add: revenue deducted on cancellation of shares	28,684	42,032
Deduct: revenue received on creation of shares	<u>(151,907)</u>	<u>(34,896)</u>
Distributions for the year	<u>498,248</u>	<u>301,853</u>
Interest		
Bank overdraft interest	<u>1,007</u>	<u>524</u>
Total finance costs	<u>499,255</u>	<u>302,377</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	498,226	301,932
Movement in undistributed revenue	<u>22</u>	<u>(79)</u>
Distributions for the year	<u>498,248</u>	<u>301,853</u>

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	580,798	344,468
Amounts receivable for creation of shares	1,813,824	41,616
Prepaid expenses	641	909
Receivable for FX contracts	179,796	346,293
Recoverable income tax	—	1,372
Recoverable overseas tax	20,831	9,890
Sales awaiting settlement	374,889	877,989
	<u>2,970,779</u>	<u>1,622,537</u>
8 Cash and bank balances	31 March 2013	31 March 2012
	£	£
Bank overdrafts	(88,603)	(1,059,535)
Cash and bank balances	25,874	1,136,576
Net uninvested cash	<u>(62,729)</u>	<u>77,041</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	277,814	147,039
Amounts payable for cancellation of shares	74,250	25,198
Bank interest payable	9	—
Payable for FX contracts	179,516	345,258
Purchases awaiting settlement	101,890	781,735
	<u>633,479</u>	<u>1,299,230</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.02% of the shares in issue (0.03% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £238,124 (£124,708 as at 31 March 2012).

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary.

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets/(liabilities)		
	Monetary	Non-monetary	Total
	exposures £'000	exposures £'000	£'000
Danish Krone	4	653	657
Euro	(45)	13,418	13,373
Hong Kong Dollar	–	1,947	1,947
Japanese Yen	30	3,135	3,165
Norwegian Krone	1	–	1
US Dollar	321	12,359	12,680

31 March 2012 Currency	Net foreign currency assets/(liabilities)		
	Monetary	Non-monetary	Total
	exposures £'000	exposures £'000	£'000
Canadian Dollar	1	268	269
Danish Krone	–	302	302
Euro	20	7,598	7,618
Hong Kong Dollar	3	1,021	1,024
Japanese Yen	(526)	714	188
South African Rand	–	242	242
Swiss Francs	7	–	7
US Dollar	(5,780)	7,564	1,784

Derivative risk

At the balance sheet date, no derivatives were held (2012: no derivatives other than forward currency contracts were held that could impact the sub-fund in a significant way).

River and Mercantile

UK Equity Long Term Recovery Fund

Notes to the Financial Statements continued

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		170,866,499		98,966,994
Commissions	251,995		161,496	
Taxes	<u>566,475</u>		<u>310,413</u>	
Total purchase costs		<u>818,470</u>		<u>471,909</u>
Gross purchases total		<u>171,684,969</u>		<u>99,438,903</u>
Analysis of total sale costs:				
Sales before transaction costs		136,517,743		93,727,853
Commissions	(202,473)		(154,350)	
Fees	<u>(4,169)</u>		<u>(2,320)</u>	
Total sale costs		<u>(206,642)</u>		<u>(156,670)</u>
Total sales net of transaction costs		<u>136,311,101</u>		<u>93,571,183</u>

River and Mercantile

UK Equity Long Term Recovery Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	0.4763	—	0.4763	0.1416
Group 2	0.1688	0.3075	0.4763	0.1416
B-Class Distribution shares				
Group 1	3.3921	—	3.3921	2.3836
Group 2	1.0684	2.3237	3.3921	2.3836
Z-Class Accumulation shares				
Group 1	8.4624	—	8.4624	7.1118
Group 2	2.1831	6.2793	8.4624	7.1118

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	0.0276	—	0.0276	0.1062
Group 2	0.0213	0.0063	0.0276	0.1062
B-Class Distribution shares				
Group 1	2.1256	—	2.1256	2.0474
Group 2	1.0201	1.1055	2.1256	2.0474
Z-Class Accumulation shares				
Group 1	7.2881	—	7.2881	6.3260
Group 2	N/A	N/A	N/A	6.3260

River and Mercantile

UK Equity Long Term Recovery Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	67,722,408	142.13	47,647,988
B-Class Distribution shares	20,430,490	520.93	3,921,917
Z-Class Accumulation shares	775,163	758.57	102,188
31 March 2012			
A-Class Distribution shares	74,575,740	132.71	56,192,657
B-Class Distribution shares	14,678,462	486.15	3,019,329
Z-Class Accumulation shares	1,117,503	722.35	154,704
31 March 2013			
A-Class Distribution shares	137,617,670	160.94	85,511,122
B-Class Distribution shares	18,026,274	589.76	3,056,552
Z-Class Accumulation shares	1,427,955	894.70	159,601

River and Mercantile

UK Equity Long Term Recovery Fund

Fund Facts continued

Performance records continued

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2008 ⁽¹⁾	113.97p	64.95p	0.3115p
2009	124.34p	59.53p	1.0984p
2010	139.34p	106.41p	–
2011	148.55p	105.23p	0.1416p
2012	146.36p	115.17p	0.5825p
2013 ⁽³⁾	166.94p	148.56p	0.0276p
B-Class Distribution shares			
2009 ⁽²⁾	454.54p	250.00p	2.9173p
2010	509.90p	389.33p	1.0488p
2011	544.15p	385.38p	2.5254p
2012	537.18p	422.56p	5.4395p
2013 ⁽³⁾	613.64p	545.34p	2.1256p
Z-Class Accumulation shares			
2008 ⁽¹⁾	581.00p	327.70p	3.3663p
2009	642.49p	301.93p	12.8871p
2010	740.47p	559.63p	4.5656p
2011	791.26p	567.45p	10.9296p
2012	809.96p	623.73p	14.7884p
2013 ⁽³⁾	927.19p	822.40p	7.2881p

⁽¹⁾ From 17 July 2008.

⁽²⁾ From 1 April 2009.

⁽³⁾ The above table shows highest and lowest share prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile

UK Equity Long Term Recovery Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.91%	1.93%
B-Class Distribution shares	1.17%	1.18%
Z-Class Accumulation shares	0.16%	0.18%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.91%
B-Class Distribution shares	1.17%
Z-Class Accumulation shares	0.16%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards

1	2	3	4	5	6	7
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The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The Fund may not achieve its investment objective and/or you could lose money on your investment in the Fund. The following risks are materially relevant to the fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the fund may be sold below their valuation due to insufficient liquidity in the market.
- Foreign exchange risk: the fund invests in international securities which are denominated in foreign currencies whose fluctuations may increase the funds volatility and losses.

River and Mercantile UK Equity Income Fund

Investment Objective and Policy

The investment objective of the sub-fund is to generate a rising level of revenue combined with the potential for capital growth through investing in a portfolio which shall primarily consist of UK equities, however, it may also invest in other instruments such as government gilts, corporate fixed income securities and convertibles.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile UK Equity Income Fund B share class returned 22.21% over the twelve months to 31 March 2013, compared with the FTSE All-Share Index which returned 16.77%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. Most importantly, from a UK economic perspective, the banks started to lend again. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013. Value performed well, as did smaller companies, and our PVT stock picking was strong. Although our exposure to some smaller names in the Oil & Gas sector detracted from performance, at a stock-specific level our zero position in BG Group represented the largest contributor to the portfolio's return, closely followed by South African exposed Anglo American. Our largest sector overweight in Media also paid off, with small-cap Trinity Mirror and Daily Mail & General Trust both performing well, but our lack of exposure to larger capitalised defensives in the Beverages sector, Diageo and SABMiller, detracted from performance. Chariot Oil & Gas was the portfolio's biggest detractor from performance when its shares slumped following the company's announcement in September that the second of their drilling projects off the coast of Namibia had come up dry.

A new position in Speedy Hire was established which offers considerable scope for margin Recovery as utilisation improves for its tool-hire fleet. Capitalising on the continued growth of online gaming we instigated new positions in Playtech and 888 Holdings in the second half of the period. Both businesses should benefit from gambling regulatory changes in the US which is opening up new growth opportunities. Owner of the Argos and Homebase brands, mid-cap Home Retail was added to the portfolio. Its new management team continue to beat the market's expectations. Early in the period, the portfolio exited British American Tobacco completely, leaving the portfolio's Tobacco exposure at zero. Small-cap Anite, which had been in the portfolio since April 2010 (purchased at 32.5p), was sold in January at 142.5p, following realisation of the investment thesis.

Outlook

The Fund reached its four-year anniversary in February, finishing the period up 101% since inception, 7.8% ahead of the benchmark, and achieving a top-quartile performance against the Income sector. I have used the recent pull-back to move overweight the Banks sector for the first time since launch, as the equities retain significant Recovery Potential, highly attractive Valuations and positive medium-term Timing characteristics.

The Fund is built via a bottom-up stock selection process based upon our PVT philosophy. I have high conviction in the holdings which are highly liquid securities with strong balance sheets in a deep, broad and attractively valued UK equity market which has significant profitability generated overseas. The Fund remains focused on achieving an above-average income from UK equities and a total return ahead of the market with active risk control at a sector and market-cap level.

River and Mercantile UK Equity Income Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (96.30%)	64,151,020	88.28
	Oil & Gas Producers (14.59%)	6,557,610	9.02
400,000	Afren	567,200	0.78
1,000,000	BP	4,598,500	6.33
275,000	Rockhopper Exploration	415,250	0.57
470,000	Salamander Energy	976,660	1.34
	Oil Equipment, Services & Distribution (0.00%)	432,000	0.59
1,200,000	Sterling Energy	432,000	0.59
	Mining (3.80%)	2,005,250	2.76
65,000	Rio Tinto	2,005,250	2.76
	Construction & Materials (0.00%)	469,600	0.65
200,000	Balfour Beatty	469,600	0.65
	Aerospace & Defence (1.39%)	2,216,805	3.05
285,000	BAE Systems	1,123,755	1.55
450,000	Cobham	1,093,050	1.50
	General Industrials (1.18%)	496,875	0.68
125,000	RPC	496,875	0.68
	Electronic & Electrical Equipment (0.00%)	614,250	0.85
350,000	TT Electronics	614,250	0.85
	Industrial Transportation (0.81%)	—	—
	Support Services (8.01%)	6,160,060	8.48
1,000,000	Fiberweb	835,000	1.15
1,000,000	Hogg Robinson	560,000	0.77
300,000	HomeServe	601,500	0.83
150,000	Interserve	747,600	1.03
265,000	Premier Farnell	589,360	0.81
750,000	Shanks	585,000	0.80
600,000	SIG	948,600	1.31
1,000,000	Speedy Hire	487,500	0.67
600,000	St. Ives	805,500	1.11
	Food Producers (2.88%)	2,502,895	3.44
170,000	Dairy Crest	728,620	1.00
45,000	Tate & Lyle	382,275	0.53
50,000	Unilever	1,392,000	1.91
	Household Goods & Home Construction (0.00%)	377,813	0.52
325,000	McBride	377,813	0.52
	Tobacco (0.98%)	—	—
	Health Care Equipment & Services (1.31%)	—	—
	Pharmaceuticals & Biotechnology (8.29%)	5,451,025	7.50
47,500	AstraZeneca	1,566,313	2.15
252,500	GlaxoSmithKline	3,884,712	5.35

River and Mercantile

UK Equity Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Food & Drug Retailers (2.87%)	1,191,960	1.64
315,000	Sainsbury (J)	1,191,960	1.64
	General Retailers (2.59%)	1,222,400	1.68
325,000	Home Retail	504,400	0.69
250,000	Kingfisher	718,000	0.99
	Media (6.49%)	5,461,475	7.52
150,000	4imprint	668,625	0.92
1,500,000	Centaur	682,500	0.94
70,000	Daily Mail & General Trust 'A'	496,300	0.68
115,000	Informa	605,475	0.83
725,000	ITV	936,700	1.29
300,000	Moneysupermarket.com	594,000	0.82
75,000	Reed Elsevier	585,375	0.81
450,000	Trinity Mirror	418,500	0.58
300,000	Wilmington	474,000	0.65
	Travel & Leisure (3.31%)	3,032,145	4.17
375,000	888	628,500	0.87
15,000	Carnival	345,600	0.48
215,000	Cineworld	598,775	0.82
32,500	easyjet	350,675	0.48
50,000	Go-Ahead	734,500	1.01
115,000	Tui Travel	374,095	0.51
	Fixed Line Telecommunications (1.21%)	872,900	1.20
1,075,000	KCOM	872,900	1.20
	Mobile Telecommunications (6.89%)	3,732,000	5.14
2,000,000	Vodafone	3,732,000	5.14
	Electricity (1.23%)	1,335,600	1.84
90,000	SSE	1,335,600	1.84
	Gas, Water & Multiutilities (3.34%)	—	—
	Banks (9.01%)	8,628,587	11.88
325,000	Barclays	946,237	1.30
785,000	HSBC	5,514,625	7.59
2,500,000	Lloyds Banking	1,217,250	1.68
345,000	Royal Bank Of Scotland	950,475	1.31
	Nonlife Insurance (1.49%)	682,500	0.94
150,000	Novae	682,500	0.94
	Life Insurance (3.93%)	3,024,350	4.16
350,000	Aviva	1,036,700	1.43
35,000	Prudential	372,750	0.51
325,000	Resolution	885,300	1.22
200,000	Standard Life	729,600	1.00
	Real Estate Investment & Services (2.25%)	—	—
	Real Estate Investment Trusts (0.80%)	584,890	0.81
230,000	SEGRO	584,890	0.81

River and Mercantile

UK Equity Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Financial Services (4.52%)	3,345,305	4.60
65,000	Close Brothers	683,800	0.94
700,000	F&C Asset Management	730,800	1.01
80,000	IG	426,800	0.59
300,000	3i	947,700	1.30
215,000	Tullett Prebon	556,205	0.76
	Software & Computer Services (2.33%)	2,652,205	3.65
3,000,000	Innovation	757,500	1.04
315,000	Invensys	1,104,705	1.52
125,000	Playtech	790,000	1.09
	Technology Hardware & Equipment (0.80%)	1,100,520	1.51
310,000	Laird	671,770	0.92
245,000	Wolfson Microelectronics	428,750	0.59
	CHANNEL ISLANDS (2.96%)	1,215,000	1.67
	Oil & Gas Producers (0.66%)	—	—
	General Industrials (0.99%)	—	—
	Media (0.87%)	—	—
	Software & Computer Services (0.44%)	—	—
	Financial Services (0.00%)	1,215,000	1.67
150,000	Genel Energy	1,215,000	1.67
	CONTINENTAL EUROPE (0.00%)	5,803,710	7.99
	IRELAND (0.00%)	691,950	0.95
	Oil & Gas Producers (0.00%)	691,950	0.95
10,500,000	Petroceltic International	691,950	0.95
	NETHERLANDS (0.00%)	4,096,875	5.64
	Oil & Gas Producers (0.00%)	4,096,875	5.64
187,500	Royal Dutch Shell 'B'	4,096,875	5.64
	SWITZERLAND (0.00%)	1,014,885	1.40
	Mining (0.00%)	1,014,885	1.40
285,000	Glencore International	1,014,885	1.40
	MIDDLE EAST (1.14%)	—	—
	UNITED ARAB EMIRATES (1.14%)	—	—
	Oil Equipment, Services & Distribution (1.14%)	—	—
	ASIA (0.00%)	593,275	0.82
	SINGAPORE (0.00%)	593,275	0.82

River and Mercantile UK Equity Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
190,000	Oil Equipment, Services & Distribution (0.00%) Cape	593,275 593,275	0.82 0.82
Portfolio of investments		71,763,005	98.76
Net other assets		900,857	1.24
Net assets		72,663,862	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets as at 31 March 2012.

Total purchases for the year: £57,817,688.

Total sales for the year: £43,154,028.

River and Mercantile UK Equity Income Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains/(losses)	2		8,535,019		(3,501,899)
Revenue	3	1,962,170		2,495,431	
Expenses	4	(517,197)		(561,658)	
Finance costs: Interest	6	(16)		(18)	
Net revenue before taxation for the year		1,444,957		1,933,755	
Taxation	5	–		(255)	
Net revenue after taxation for the year			1,444,957		1,933,500
Total return before distributions			9,979,976		(1,568,399)
Finance costs: Distributions	6		(1,958,955)		(2,489,556)
Change in net assets attributable to Shareholders from investment activities			8,021,021		(4,057,955)

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		48,336,443		54,053,234
Amounts received on creation of shares	28,600,751		16,597,652	
Amounts paid on cancellation of shares	(12,267,185)		(18,235,011)	
		16,333,566		(1,637,359)
Stamp Duty Reserve Tax		(27,168)		(21,477)
Change in net assets attributable to Shareholders from investment activities		8,021,021		(4,057,955)
Closing net assets attributable to Shareholders		72,663,862		48,336,443

River and Mercantile

UK Equity Income Fund

Balance Sheet as at 31 March 2013

		31 March 2013		to 31 March 2012	
	Notes	£	£	£	£
ASSETS					
Investment assets			71,763,005		48,529,091
Debtors	7	845,482		472,930	
Cash and bank balances	8	1,833,836		899,587	
Total other assets			2,679,318		1,372,517
Total assets			74,442,323		49,901,608
LIABILITIES					
Investment liabilities			–		–
Creditors	9	(541,463)		(328,093)	
Bank overdrafts	8	–		(55,174)	
Distribution payable on distribution shares		(1,236,998)		(1,181,898)	
Total other liabilities			(1,778,461)		(1,565,165)
Total liabilities			(1,778,461)		(1,565,165)
Net assets attributable to Shareholders			72,663,862		48,336,443

River and Mercantile UK Equity Income Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains/(losses)

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains/(losses) during the year comprise:		
Currency losses	(3,278)	—
Non-derivative securities	8,554,502	(3,484,476)
Transaction charges	(16,205)	(17,423)
Net capital gains/(losses)	<u>8,535,019</u>	<u>(3,501,899)</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	1	—
Franked UK dividends	1,913,507	2,361,661
Non-taxable overseas dividends	32,612	14,998
Property distributions	16,050	25,022
Stock dividends	—	93,750
	<u>1,962,170</u>	<u>2,495,431</u>

River and Mercantile UK Equity Income Fund

Notes to the Financial Statements continued

4 Expenses

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>445,888</u>	<u>470,831</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	13,745	15,404
Safe custody fees	<u>1,600</u>	<u>1,970</u>
	<u>15,345</u>	<u>17,374</u>
Other expenses:		
Audit fee*	9,260	11,820
FCA fee**	363	366
Fund accounting fees	32,551	40,708
Insurance fee	981	1,541
KIID publication fee	863	367
Legal fees	458	501
Printing costs	1,145	1,510
Registration fees	1,291	1,361
Transfer Agency fees	<u>9,052</u>	<u>15,279</u>
	<u>55,964</u>	<u>73,453</u>
Total expenses	<u>517,197</u>	<u>561,658</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile UK Equity Income Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	—	255
Current tax (note 5b)	—	255
Deferred tax (note 5c)	—	—
Total taxation	—	255
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	1,444,957	1,933,755
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	288,991	386,751
Effects of:		
Excess expenses for which no tax relief taken	—	—
Movement in taxable revenue accruals	—	595
Movement in taxation losses	100,232	106,736
Non taxable overseas dividends	—	—
Overseas tax	—	255
Revenue not subject to taxation	(389,223)	(494,082)
Current tax	—	255

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £288,046 (£187,914 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile

UK Equity Income Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	230,996	183,645
B-Class Distribution shares	675,563	1,135,316
Final dividend distribution:		
A-Class Distribution shares	226,503	236,746
B-Class Distribution shares	1,010,495	945,152
	<u>2,143,557</u>	<u>2,500,859</u>
Add: revenue deducted on cancellation of shares	118,932	175,105
Deduct: revenue received on creation of shares	<u>(303,534)</u>	<u>(186,408)</u>
Distributions for the year	<u>1,958,955</u>	<u>2,489,556</u>
Interest		
Bank overdraft interest	<u>16</u>	<u>18</u>
Total finance costs	<u>1,958,971</u>	<u>2,489,574</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	1,444,957	1,933,500
Expenses offset to capital	517,197	561,658
Less: Taxation transferred to capital	(3,207)	(5,596)
Movement in undistributed revenue	<u>8</u>	<u>(6)</u>
Distributions for the year	<u>1,958,955</u>	<u>2,489,556</u>

River and Mercantile UK Equity Income Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	313,060	280,716
Amounts receivable for creation of shares	531,994	192,214
Prepaid expenses	428	—
	<u>845,482</u>	<u>472,930</u>
8 Cash and bank balances	31 March 2013	31 March 2012
	£	£
Bank overdrafts	—	(55,174)
Cash and bank balances	1,833,836	899,587
Net uninvested cash	<u>1,833,836</u>	<u>844,413</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	76,510	53,504
Amounts payable for cancellation of shares	429,582	91,555
Purchases awaiting settlement	35,371	183,034
	<u>541,463</u>	<u>328,093</u>

10 Contingent liabilities and outstanding commitments

There were no commitments or contingent liabilities at the balance sheet date (31 March 2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.06% of the shares in issue (0.08% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £53,479 (£37,911 as at 31 March 2012).

River and Mercantile

UK Equity Income Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary. There were no such contracts utilised during the period (2012: Nil).

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
US Dollar	55	–	55

31 March 2012 Currency	Net foreign currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
US Dollar	48	–	48

This risk is not significant to the sub-fund.

Derivative risk

At the balance sheet date, no derivatives were held that could impact the sub-fund in a significant way (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		57,463,535		68,408,672
Commissions	90,440		116,279	
Taxes	263,713		325,527	
Total purchase costs		354,153		441,806
Gross purchases total		57,817,688		68,850,478
Analysis of total sale costs:				
Sales before transaction costs		43,227,952		71,653,940
Commissions	(73,135)		(120,453)	
Fees	(789)		(922)	
Total sale costs		(73,924)		(121,375)
Total sales net of transaction costs		43,154,028		71,532,565

River and Mercantile UK Equity Income Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	3.1500	-	3.1500	3.0000
Group 2	1.5559	1.5941	3.1500	3.0000
B-Class Distribution shares				
Group 1	8.0102	-	8.0102	7.6288
Group 2	3.6265	4.3837	8.0102	7.6288

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	2.7766	-	2.7766	3.4285
Group 2	0.8873	1.8893	2.7766	3.4285
B-Class Distribution shares				
Group 1	7.1829	-	7.1829	8.7481
Group 2	3.0276	4.1553	7.1829	8.7481

River and Mercantile UK Equity Income Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	7,475,414	148.41p	5,037,132
B-Class Distribution shares	46,577,820	376.88p	12,358,829
31 March 2012			
A-Class Distribution shares	9,660,534	139.90p	6,905,237
B-Class Distribution shares	38,675,909	357.97p	10,804,088
31 March 2013			
A-Class Distribution shares	13,342,864	163.57p	8,157,419
B-Class Distribution shares	59,320,998	421.68p	14,067,862

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2009 ⁽¹⁾	135.83p	88.25p	3.5688p
2010	151.39p	123.52p	5.6365p
2011	156.91p	122.64p	5.6921p
2012	154.15p	128.11p	6.5785p
2013 ⁽²⁾	169.89p	155.78p	2.7766p
B-Class Distribution shares			
2009 ⁽¹⁾	341.61p	220.78p	8.9193p
2010	383.69p	311.92p	14.2838p
2011	398.04p	312.65p	14.4461p
2012	396.65p	328.19p	16.7583p
2013 ⁽²⁾	437.83p	400.91p	7.1829p

⁽¹⁾ From 2 February 2009.

⁽²⁾ The above tables show highest and lowest share prices to 31st March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile UK Equity Income Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.68%	1.67%
B-Class Distribution shares	0.93%	0.92%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.68%
B-Class Distribution shares	0.93%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The Fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund. The following risks are materially relevant to the fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.
- Contagion risk: the sub-funds are not "ring-fenced" and hence in the event of the ICVC not being able to meet the liabilities of one sub fund, these may be met by the assets of the other sub funds.
- Capital risk: the charges and expenses of this sub-fund are paid for out of the capital of the sub-fund which may constrain capital growth.

River and Mercantile World Recovery Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth through investing in a portfolio which will primarily consist of international equities that the investment manager believes will benefit from a recovery in company profitability over the medium and longer term. The sub-fund will not be restricted by reference to a benchmark, territory, sector constraints or company size.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile World Recovery Fund Z share class returned 1.01% from its launch on 4 March 2013 to the period-end on 31 March 2013, compared with the FTSE All-World Index which returned 1.32%.

Although the full twelve month period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. Most importantly, from a UK economic perspective, the banks started to lend again. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The new investments that we have made in launching the World Recovery Fund cover a range of industries, markets and countries under a number of key themes we strongly believe in. We have established positions in Wolseley (UK), DR Horton (US), and Heidelberg (Germany) amongst other companies which we believe will benefit from the continuing improvement in the US housing and construction market. Anglo American (UK) and ENI (Italy) represent undervalued assets in the Resources sector, whilst Speedy Hire (UK), Jumbo (Greece) and Home Retail (UK) form part of our exposure to prominent smaller companies. We particularly like Financials, because valuations are very attractive due to the reluctance of other investors to embrace the change that is going on amongst these companies, because self-help is dominating the management of financials' strategic thinking so that the next few years will see very material uplifts in shareholder value, and where timing is turning positive as profits start to beat expectations and policy makers start to focus on policies for growth rather than 'banker bashing'. As such we have established holdings in Lloyds Banking Group (UK), BNP (France), Mediobanca (Italy), Wells Fargo (US) and Nomura (Japan).

Outlook

Share prices around the world have delivered attractive returns since the credit-crunch. However, these returns have been dominated by a "safety first" approach. The fear factor that has resulted from a succession of macro shocks has caused a flight to higher quality, less volatile equity investments and a related reluctance to invest in businesses that have had a more volatile recent history, and where returns are depressed. These latter types of shares, with recovery type characteristics are starting to generate a lot of shareholder value, but have been overlooked by the market which has become dangerously obsessed with already high return, consumer staple type enterprises. The bubble in the latter has meant that the Value factor, one of our key investment components, has surprisingly lagged over the last five years. So, recovery type stocks are out of favour, and the value factor is out of favour. Recovery and Value - these are the investment anomalies that the World Recovery Fund will exploit, and having the right time frame (three to five years) will allow us to do this.

River and Mercantile World Recovery Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM	2,376,261	24.37
	Mining	201,172	2.06
31,539	Lonmin	91,747	0.94
3,547	Rio Tinto	109,425	1.12
	Construction & Materials	47,280	0.48
24,000	Lupus Capital	47,280	0.48
	Aerospace & Defence	92,596	0.95
35,600	Chemring	92,596	0.95
	Industrial Engineering	52,080	0.53
31,000	Molins	52,080	0.53
	Support Services	311,111	3.19
55,400	Hays	53,433	0.55
85,000	SIG	134,385	1.38
60,500	Tribal	87,120	0.89
27,300	Xchanging	36,173	0.37
	Automobiles & Parts	87,252	0.90
33,025	GKN	87,252	0.90
	Household Goods & Home Construction	96,255	0.99
46,500	Telford Homes	96,255	0.99
	Food & Drug Retailers	67,320	0.69
102,000	Thorntons	67,320	0.69
	General Retailers	167,182	1.71
207,700	Dixons	70,182	0.72
62,500	Home Retail	97,000	0.99
	Media	201,178	2.07
70,675	ITV	91,312	0.94
40,500	STV	50,625	0.52
63,700	Trinity Mirror	59,241	0.61
	Travel & Leisure	98,386	1.01
58,703	888	98,386	1.01
	Fixed Line Telecommunications	72,438	0.74
172,800	Cable & Wireless	72,438	0.74
	Banks	298,782	3.06
395,000	Lloyds Banking	192,326	1.97
38,641	Royal Bank Of Scotland	106,456	1.09
	Real Estate Investment & Services	120,104	1.24
95,000	Quintain Estates & Development	62,938	0.65
41,500	Songbird Estates	57,166	0.59

River and Mercantile World Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Financial Services	287,408	2.95
17,200	Intermediate Capital	72,773	0.75
15,300	International Personal Finance	68,085	0.70
210,000	MAM Funds	68,250	0.70
54,000	Numis	78,300	0.80
	Software & Computer Services	102,700	1.05
16,250	Playtech	102,700	1.05
	Technology Hardware & Equipment	73,017	0.75
115,900	Filtronic	73,017	0.75
	NORTH AMERICA	2,465,921	25.30
	CANADA	77,317	0.79
	Financial Services	77,317	0.79
17,670	Canaccord Financial	77,317	0.79
	UNITED STATES OF AMERICA	2,388,604	24.51
	Oil & Gas Producers	62,193	0.64
2,076	Valero Energy	62,193	0.64
	Construction & Materials	43,276	0.44
4,800	US Concrete	43,276	0.44
	Electronic & Electrical Equipment	51,667	0.53
2,910	First Solar	51,667	0.53
	Industrial Engineering	103,500	1.06
225,000	Somero Enterprises	103,500	1.06
	Automobiles & Parts	98,350	1.01
5,370	General Motors	98,350	1.01
	Household Goods & Home Construction	126,613	1.30
7,915	D.R. Horton	126,613	1.30
	Leisure Goods	60,670	0.62
27,500	Zynga	60,670	0.62
	Health Care Equipment & Services	70,207	0.72
13,650	Boston Scientific	70,207	0.72
	Pharmaceuticals & Biotechnology	168,335	1.73
8,863	Pfizer	168,335	1.73
	General Retailers	283,307	2.91
5,425	eBay	193,677	1.99
3,591	Lowes	89,630	0.92
	Financials	45,955	0.47
6,985	Genworth Financial	45,955	0.47

River and Mercantile World Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Banks	449,971	4.62
22,250	Bank of America	178,328	1.83
6,113	Citigroup	178,102	1.83
3,843	Wells Fargo	93,541	0.96
	Nonlife Insurance	92,578	0.95
3,624	American International	92,578	0.95
	Real Estate Investment & Services	104,264	1.07
5,776	Leucadia National	104,264	1.07
	Financial Services	273,403	2.81
6,489	Blackstone	84,571	0.87
7,946	Charles Schwab	92,571	0.95
5,798	Fidelity National Title	96,261	0.99
	Software & Computer Services	354,315	3.63
11,753	Facebook	197,993	2.03
110	Google 'A'	57,468	0.59
6,382	Yahoo!	98,854	1.01
	CONTINENTAL EUROPE	3,136,020	32.17
	AUSTRIA	82,224	0.84
	Construction & Materials	82,224	0.84
10,500	Wienerberger	82,224	0.84
	BELGIUM	70,384	0.72
	Financials	70,384	0.72
3,155	Ageas	70,384	0.72
	DENMARK	74,415	0.76
	Personal Goods	74,415	0.76
4,100	Pandora	74,415	0.76
	IRELAND	64,271	0.66
	Banks	64,271	0.66
500,000	Bank of Ireland	64,271	0.66
	FINLAND	64,591	0.66
	Technology Hardware & Equipment	64,591	0.66
30,261	Nokia	64,591	0.66
	FRANCE	644,020	6.61
	Construction & Materials	77,931	0.80
1,778	Lafarge	77,931	0.80
	Automobiles & Parts	90,893	0.93
2,200	Renault	90,893	0.93
	Pharmaceuticals & Biotechnology	140,941	1.45
2,103	Sanofi	140,941	1.45

River and Mercantile World Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Food & Drug Retailers	73,993	0.76
4,103	Carrefour	73,993	0.76
	Travel & Leisure	77,438	0.79
3,379	Accor	77,438	0.79
	Banks	182,824	1.88
5,400	BNP Paribas	182,824	1.88
	GERMANY	373,628	3.84
	Construction & Materials	98,224	1.01
2,073	HeidelbergCement	98,224	1.01
	Food & Drug Retailers	56,296	0.58
3,000	Metro	56,296	0.58
	Travel & Leisure	166,307	1.71
7,429	Deutsche Lufthansa	95,525	0.98
10,000	TUI	70,782	0.73
	Electricity	52,801	0.54
3,375	SMA Solar Technology	52,801	0.54
	GIBRALTAR	120,956	1.24
	Travel & Leisure	120,956	1.24
84,290	PartyGaming	120,956	1.24
	GREECE	118,193	1.21
	Leisure Goods	65,343	0.67
13,700	Jumbo	65,343	0.67
	Financial Services	52,850	0.54
15,546	Hellenic Exchange	52,850	0.54
	ITALY	685,681	7.04
	Oil & Gas Producers	93,712	0.96
6,325	Eni	93,712	0.96
	Construction & Materials	74,768	0.77
19,500	Italcementi	74,768	0.77
	Media	180,554	1.85
110,000	Gruppo Editoriale L'Espresso	66,047	0.68
85,000	Mediaset	114,507	1.17
	Banks	173,421	1.78
51,681	Mediobanca	173,421	1.78
	Nonlife Insurance	163,226	1.68
9,000	Assicurazioni Generali	92,321	0.95
39,926	Unipol Gruppo Finanziario	70,905	0.73

River and Mercantile World Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	CHANNEL ISLANDS	61,098	0.63
1,869	Support Services Wolseley	61,098 61,098	0.63 0.63
	NETHERLANDS	202,330	2.08
18,400	Financials Aegon	72,837 72,837	0.75 0.75
11,981	Financial Services KAS Bank	90,782 90,782	0.93 0.93
14,714	Technology Hardware & Equipment Tomtom	38,711 38,711	0.40 0.40
	PORTUGAL	168,921	1.73
23,900	Fixed Line Telecommunications Portugal Telecom	78,097 78,097	0.80 0.80
44,750	Electricity Energias de Portugal	90,824 90,824	0.93 0.93
	SPAIN	327,224	3.35
19,696	Media Mediaset Espana	93,292 93,292	0.96 0.96
27,396	Electricity Iberdrola	84,169 84,169	0.86 0.86
5,197	Gas, Water & Multiutilities Gas Natural	60,672 60,672	0.62 0.62
15,582	Banks BBVA	89,091 89,091	0.91 0.91
	SWEDEN	78,084	0.80
9,500	Technology Hardware & Equipment Ericsson 'B'	78,084 78,084	0.80 0.80
	FAR EAST	1,679,583	17.23
	CHINA	239,471	2.45
3,100	Travel & Leisure Home Inns & Hotels Management ADR	60,798 60,798	0.62 0.62
20,500	Financials Ping An Insurance	104,611 104,611	1.07 1.07
180,000	Real Estate Investment & Services KWG Property	74,062 74,062	0.76 0.76

River and Mercantile World Recovery Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	INDIA	59,444	0.61
43,075	Oil & Gas Producers	59,444	0.61
	Essar	59,444	0.61
	JAPAN	1,380,668	14.17
	Chemicals	61,192	0.63
1,400	Shin-Etsu Chemical	61,192	0.63
	General Industrials	142,164	1.46
43,000	Toshiba	142,164	1.46
	Household Goods & Home Construction	80,377	0.82
9,000	Sekisui House	80,377	0.82
	Leisure Goods	80,314	0.82
7,000	Sony	80,314	0.82
	General Retailers	208,574	2.15
4,500	Gree	36,564	0.38
14,000	Paris Miki	48,639	0.50
3,800	Point	123,371	1.27
	Media	102,820	1.05
90	Fuji Media	102,820	1.05
	Banks	218,527	2.24
21,000	Mitsui Trust	65,163	0.67
5,800	Sumitomo Mitsui Financial	153,364	1.57
	Nonlife Insurance	144,714	1.48
10,000	Mitsui Sumitomo Insurance	144,714	1.48
	Real Estate Investment & Services	114,804	1.18
14,900	Daibiru	114,804	1.18
	Financial Services	142,825	1.47
35,400	Nomura	142,825	1.47
	Software & Computer Services	84,357	0.87
335	Simplex	84,357	0.87
Portfolio of investments		9,657,785	99.07
Net other assets		91,022	0.93
Net assets		9,748,807	100.00

All investments are in ordinary shares unless otherwise stated.

As the Fund launched on 4 March 2013, there are no comparatives.

Total purchases for the period: £10,354,857.

Total sales for the period: £615,902.

River and Mercantile World Recovery Fund

Statement of Total Return for the period ended 31 March 2013

	Notes	4 March 2013 to 31 March 2013	
		£	£
Income			
Net capital losses	2		(80,041)
Revenue	3	17,904	
Expenses	4	(6,562)	
Finance costs: Interest	6	(16)	
Net revenue before taxation for the period		11,326	
Taxation	5	(1,390)	
Net revenue after taxation for the period			9,936
Total return before distributions			(70,105)
Finance costs: Distributions	6		(9,936)
Change in net assets attributable to Shareholders from investment activities			(80,041)

Statement of Change in Net Assets attributable to Shareholders for the period ended 31 March 2013

	4 March 2013 to 31 March 2013	
	£	£
Opening net assets attributable to Shareholders		–
Amounts received on creation of shares	9,828,529	
Amounts paid on cancellation of shares	–	
		9,828,529
Change in net assets attributable to Shareholders from investment activities		(80,041)
Retained distribution on accumulation shares		319
Closing net assets attributable to Shareholders		9,748,807

As the Fund launched on 4 March, there are no prior year comparatives.

River and Mercantile World Recovery Fund

Balance Sheet as at 31 March 2013

	Notes	31 March 2013	
		£	£
ASSETS			
Investment assets			9,657,785
Debtors	7	68,967	
Cash and bank balances	8	40,237	
Total other assets			109,204
Total assets			9,766,989
LIABILITIES			
Investment liabilities			—
Creditors	9	(8,422)	
Distribution payable on distribution shares		(9,760)	
Total other liabilities			(18,182)
Total liabilities			(18,182)
Net assets attributable to Shareholders			9,748,807

As the Fund launched on 4 March, there are no prior year comparatives.

River and Mercantile World Recovery Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital losses

**4 March 2013
to 31 March 2013**
£

The net capital losses on investments during the period comprise:

Currency gains	1,130
Non-derivative securities	<u>(81,171)</u>
Net capital losses	<u>(80,041)</u>

3 Revenue

**4 March 2013
to 31 March 2013**
£

Franked UK dividends	3,292
Non-taxable overseas dividends	<u>14,612</u>
	<u>17,904</u>

River and Mercantile World Recovery Fund

Notes to the Financial Statements continued

4 Expenses

4 March 2013
to 31 March 2013

£

Payable to the ACD, associates of the
ACD and agents of either of them:

ACD's periodic charge

5,968

Payable to the Depositary, associates of the
Depositary and agents of either of them:

Depositary's fees

427

Other expenses:

Fund accounting fees

20

KIID publication fee

41

Legal fees

37

Printing costs

11

Registration fees

17

Transfer Agency fees

41

167

Total expenses

6,562

The audit fee excluding VAT of £4,200 and FCA fees** will be borne by the ACD.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile World Recovery Fund

Notes to the Financial Statements continued

5 Taxation

4 March 2013
to 31 March 2013

£

a) Analysis of taxation charge in period

Overseas tax	1,390
Current tax (note 5b)	1,390
Deferred tax (note 5c)	—
Total taxation	1,390

b) Factors affecting taxation charge for the period

Net revenue before taxation for the period	11,326
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20%	2,265
Effects of:	
Movement in taxation losses	1,316
Overseas tax	1,390
Revenue not subject to taxation	(3,581)
Current tax	1,390

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current period.

At the period end there is a potential deferred tax asset of £1,316 due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

River and Mercantile World Recovery Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

**4 March 2013
to 31 March 2013**

£

Final dividend distribution:

B-Class Distribution shares 9,760

Z-Class Accumulation shares 319

10,079

Add: revenue deducted on cancellation of shares –

Deduct: revenue received on creation of shares (143)

Distributions for the period 9,936

Interest

Bank overdraft interest 16

Total finance costs 9,952

Reconciliation between net revenue after taxation for the period and the distributions:

Net revenue after taxation for the period 9,936

Distributions for the period 9,936

River and Mercantile World Recovery Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013
	£
Accrued revenue	13,892
Amounts receivable for creation of shares	52,915
Receivable for FX contracts	1,853
Recoverable overseas tax	307
	<u>68,967</u>
8 Net uninvested cash	31 March 2013
	£
Cash and bank balances	<u>40,237</u>
Net uninvested cash	<u>40,237</u>
9 Creditors	31 March 2013
	£
Accrued expenses	6,562
Payable for FX contracts	<u>1,860</u>
	<u>8,422</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the period end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.16% of the shares in issue.

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £5,968.

River and Mercantile World Recovery Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary.

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Canadian Dollar	1	77	78
Danish Krone	1	74	75
Euro	1	2,801	2,802
Hong Kong Dollar	—	179	179
Japanese Yen	11	1,381	1,392
Swedish Krona	—	78	78
US Dollar	1	2,346	2,347

River and Mercantile World Recovery Fund

Notes to the Financial Statements continued

13 Portfolio transaction costs

4 March 2013
to 31 March 2013

£ £

Analysis of total purchase costs:

Purchases before transaction costs

10,332,791

Commissions

6,273

Taxes

15,793

Total purchase costs

22,066

Gross purchases total

10,354,857

Analysis of total sale costs:

Sales before transaction costs

616,842

Commissions

(930)

Fees

(10)

Total sale costs

(940)

Total sales net of transaction costs

615,902

River and Mercantile World Recovery Fund

Distribution tables for the period ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Final dividend distribution in pence per share	Period 04/03/2013 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13
B-Class Distribution shares			
Group 1	0.2566	—	0.2566
Group 2	0.2293	0.0273	0.2566
Z-Class Accumulation shares			
Group 1	0.8694	—	0.8694
Group 2	0.7752	0.0942	0.8694

As the Fund launched on 4 March, there are no prior year comparatives.

River and Mercantile World Recovery Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2013			
B-Class Distribution shares	9,564,061	251.52	3,802,500
Z-Class Accumulation shares	184,746	503.90	36,663

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
B-Class Distribution shares			
2013 ⁽¹⁾	262.23p	250.00p	0.2566p
Z-Class Accumulation shares			
2013 ⁽¹⁾	524.56p	500.00p	0.8694p

⁽¹⁾ The above table shows highest and lowest prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile World Recovery Fund

Fund Facts continued

Total Expense Ratios

31 March 2013	
B-Class Distribution shares	1.25%
Z-Class Accumulation shares	0.25%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

There are no comparatives as the sub-fund was launched on 4 March 2013.

Ongoing Charge Figures

31 March 2013	
B-Class Distribution shares	1.25%
Z-Class Accumulation shares	0.25%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards



The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The Fund may not achieve its investment objective and/or you could lose money on your investment in the Fund. The following risks are materially relevant to the fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the fund may be sold below their valuation due to insufficient liquidity in the market.
- Foreign exchange risk: the fund invests in international securities which are denominated in foreign currencies whose fluctuations may increase the funds volatility and losses.

River and Mercantile Global Equity Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth by investing in a portfolio that has a balanced risk profile of global equities of established international companies which offer the prospect of long term capital growth.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile Global Equity Fund Z share class returned 21.68% over the twelve months to 31 March 2013, compared with the FTSE All-World Index which returned 16.42%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013, with returns from global equity markets boosted by a weak Sterling. The portfolio's biggest contributions came from a range of holdings in Japan, the Philippines and Thailand. Kiatnakin Bank and fellow Thai business Bangkok Expressway were the greatest contributors to performance over the twelve months, closely followed by Japan Exchange Group, benefiting from the completion of its merger and much increased trading volumes, and the Philippine real estate company Megaworld. Detractors from performance included Japanese holdings Nintendo and Canon, along with the US data storage provider EMC and mobile telecommunications business Millicom International Cellular.

Swiss-based pharmaceutical company Roche was added to the portfolio, representing a beneficiary of our theme Financial Darwinism, given its access to the liquid low-yielding Swiss bond market. Unlike many pharmaceutical companies, Roche does not suffer major imminent patent expiries but has an interesting profile of drugs to be launched. Following its period of strong performance, our holding in Japan Exchange Group was sold. Fletcher Building, the building materials company in New Zealand, was also sold from the portfolio, following good performance helped by a strong re-rating in its valuation and the pick-up in construction levels in New Zealand following the Christchurch earthquake. The proceeds were reinvested into new positions in Mead Johnson and Xylem.

Outlook

Once more it is the actions of government authorities that seem to dictate the short term direction and divergence of markets. In Japan, Prime Minister Shinzo Abe's 'Three arrows' programme for Japan's economic revival is off to a convincing start. Despite being later than other central banks, such as the Federal Reserve and Bank of England, to deploy aggressive quantitative easing, the BoJ's recently announced programme could potentially dwarf the others, as a percentage of gross domestic product. The portfolio retains its overweight in Japan as valuations remain supportive, as do Abe's policy actions.

As governments have continued to implement increasing levels of interventionist policy, distortions in markets remain apparent and present both opportunities and threats. The weakening of the Yen and the adoption of aggressive monetary policy in Japan has boosted sentiment, whilst the measure to 'tax' depositors in Cyprus is another demonstration of how far the EU is from a template, with different countries receiving very different solutions, all of which adds to uncertainty. Whilst we expect the European economy to remain sickly, and are cautious toward any domestically facing stocks in economies undergoing austerity measures, we remain invested in overly cheap equities that are quoted in the region. We continue to use our thematic investment approach to identify potential investments, and apply our valuation discipline to help determine the most appropriate ways to take advantage of these themes.

River and Mercantile Global Equity Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (7.14%)	5,805,258	4.51
	Oil & Gas Producers (1.67%)	—	—
	Oil Equipment, Services & Distribution (0.57%)	—	—
	Food Producers (1.52%)	1,392,000	1.08
50,000	Unilever	1,392,000	1.08
	Banks (1.41%)	924,000	0.72
60,000	Bank of Georgia	924,000	0.72
	Nonlife Insurance (1.97%)	2,016,870	1.57
237,000	Jardine Lloyd Thompson	2,016,870	1.57
	Financial Services (0.00%)	1,472,388	1.14
348,000	Intermediate Capital	1,472,388	1.14
	NORTH AMERICA (28.46%)	38,539,421	29.98
	CANADA (1.54%)	—	—
	Oil & Gas Producers (0.63%)	—	—
	Mining (0.91%)	—	—
	UNITED STATES (26.92%)	38,539,421	29.98
	Oil Equipment, Services & Distribution (1.48%)	753,927	0.59
30,000	Noble	753,927	0.59
	Chemicals (0.59%)	1,950,053	1.52
34,000	Air Products & Chemicals	1,950,053	1.52
	Industrial Metals & Mining (0.00%)	1,285,917	1.00
52,000	Southern Copper	1,285,917	1.00
	Construction & Materials (0.57%)	—	—
	Aerospace & Defence (0.00%)	1,627,844	1.27
26,459	United Technologies	1,627,844	1.27
	Industrial Engineering (0.00%)	1,815,009	1.41
100,000	Xylem	1,815,009	1.41
	Industrial Transportation (0.00%)	1,324,623	1.03
26,200	Kirby	1,324,623	1.03
	Support Services (1.01%)	—	—
	Beverages (1.53%)	—	—
	Food Producers (0.00%)	1,690,600	1.31
33,158	Mead Johnson Nutrition	1,690,600	1.31
	Health Care Equipment & Services (2.04%)	1,842,406	1.43
38,861	Varian Medical Systems	1,842,406	1.43

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
137,019	Pharmaceuticals & Biotechnology (3.08%)	2,602,408	2.02
	Pfizer	2,602,408	2.02
66,486	General Retailers (0.00%)	1,659,467	1.29
	Lowe's	1,659,467	1.29
92,000	Media (0.00%)	2,287,400	1.78
	Interpublic	788,857	0.61
39,484	Time Warner	1,498,543	1.17
34,000	Travel & Leisure (0.00%)	2,310,593	1.80
	Hyatt Hotels	967,750	0.75
32,000	Starwood Hotels & Resorts	1,342,843	1.05
342,000	Banks (3.21%)	1,995,535	1.55
	First Niagara Financial	1,995,535	1.55
32,000	Life Insurance (0.00%)	800,817	0.62
	Metlife	800,817	0.62
50,000	Financial Services (1.53%)	2,220,686	1.73
	American Express	2,220,686	1.73
5,349	Software & Computer Services (6.85%)	5,063,966	3.94
	Google 'A'	2,794,500	2.17
120,492	Microsoft	2,269,466	1.77
8,886	Technology Hardware & Equipment (5.03%)	7,308,170	5.69
	Apple	2,588,992	2.02
124,388	EMC	1,956,196	1.52
137,000	Intel	1,969,581	1.53
18,000	Qualcomm	793,401	0.62
SOUTH AMERICA (4.09%)		7,889,750	6.14
BRAZIL (3.36%)		1,152,436	0.90
Mining (0.64%)		—	—
Industrial Transportation (0.85%)		—	—
Support Services (0.70%)		—	—
Health Care Equipment & Services (0.52%)		—	—
108,300	General Retailers (0.00%)	1,152,436	0.90
	Anhanguera Educacional Participacoes	1,152,436	0.90
Electricity (0.65%)		—	—
CHILE (0.73%)		1,745,287	1.36
108,000	General Retailers (0.73%)	851,843	0.66
	S.A.C.I Falabella	851,843	0.66
100,000,000	Banks (0.00%)	893,444	0.70
	Corpbanca	893,444	0.70

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	COLOMBIA (0.00%)	804,892	0.63
	Banks (0.00%)	804,892	0.63
87,000	Banco Davivienda Pref.	804,892	0.63
	MEXICO (0.00%)	2,099,872	1.63
	Banks (0.00%)	951,186	0.74
180,000	Grupo Financiero Banorte	951,186	0.74
	Real Estate Investment Trusts (0.00%)	1,148,686	0.89
528,153	Fibra Uno	1,148,686	0.89
	PERU (0.00%)	2,087,263	1.62
	Construction & Materials (0.00%)	651,568	0.50
67,488	Cementos Pacasmayo ADR	651,568	0.50
	Food Producers (0.00%)	1,435,695	1.12
590,000	Alicorp	1,435,695	1.12
	CONTINENTAL EUROPE (30.82%)	31,060,990	24.16
	BELGIUM (1.01%)	—	—
	Beverages (1.01%)	—	—
	FRANCE (6.01%)	4,978,651	3.87
	Oil & Gas Producers (1.39%)	1,516,110	1.18
48,000	Total	1,516,110	1.18
	Electronic & Electrical Equipment (2.57%)	—	—
	Pharmaceuticals & Biotechnology (2.05%)	1,927,065	1.50
28,754	Sanofi	1,927,065	1.50
	Travel & Leisure (0.00%)	1,535,476	1.19
67,000	Accor	1,535,476	1.19
	GERMANY (5.78%)	9,405,706	7.32
	Chemicals (0.00%)	1,542,495	1.20
15,000	Brenntag	1,542,495	1.20
	Aerospace & Defence (1.05%)	1,377,196	1.07
22,037	MTU Aero Engines	1,377,196	1.07
	Health Care Equipment & Services (2.04%)	1,040,803	0.81
50,000	Carl Zeiss Meditec	1,040,803	0.81
	General Retailers (0.67%)	1,231,374	0.96
82,945	Tom Tailor	1,231,374	0.96
	Media (1.00%)	1,199,092	0.93
330,519	Sky Deutschland	1,199,092	0.93

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Real Estate Investment & Services (1.01%)	3,014,746	2.35
97,458	Deutsche Wohnen	1,163,727	0.91
120,000	GAGFAH	967,307	0.75
34,000	GSW Immobilien	883,712	0.69
	IRELAND (1.03%)	—	—
	Industrial Engineering (1.03%)	—	—
	ITALY (1.32%)	3,859,629	3.00
	Oil & Gas Producers (0.00%)	2,963,214	2.30
200,000	Eni	2,963,214	2.30
	Automobiles & Parts (1.32%)	—	—
	Nonlife Insurance (0.00%)	896,415	0.70
504,767	Unipol Gruppo Finanziario	896,415	0.70
	LUXEMBOURG (2.39%)	737,365	0.58
	Automobiles & Parts (0.73%)	—	—
	Mobile Telecommunication (1.04%)	737,365	0.58
14,000	Millicom International Cellular	737,365	0.58
	Real Estate Investment & Services (0.62%)	—	—
	NETHERLANDS (1.11%)	1,919,710	1.49
	Pharmaceuticals & Biotechnology (0.00%)	1,919,710	1.49
139,567	Qiagen	1,919,710	1.49
	Life Insurance (1.11%)	—	—
	NORWAY (2.47%)	1,032,335	0.80
	Banks (1.51%)	—	—
	Nonlife Insurance (0.00%)	1,032,335	0.80
403,650	Storebrand 'A'	1,032,335	0.80
	Life Insurance (0.96%)	—	—
	PORTUGAL (0.00%)	578,909	0.45
	Banks (0.00%)	578,909	0.45
860,000	Banco Espirito Santo	578,909	0.45
	RUSSIA (0.91%)	1,674,234	1.30
	Banks (0.91%)	1,674,234	1.30
800,000	Sberbank	1,674,234	1.30

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	SPAIN (2.71%)	1,300,110	1.01
73,000	Support Services (1.65%)	1,300,110	1.01
	Amadeus IT	1,300,110	1.01
	Health Care Equipment & Services (1.07%)	—	—
	SWEDEN (1.00%)	1,338,954	1.04
	Financial Services (1.00%)	—	—
116,574	Mobile Telecommunications (0.00%)	1,338,954	1.04
	Tele2	1,338,954	1.04
	SWITZERLAND (4.48%)	4,235,387	3.30
	Oil Equipment, Services & Distribution (1.40%)	—	—
	Electronics & Electrical Equipment (3.07%)	—	—
114,122	Industrial Engineering (0.00%)	1,699,309	1.32
	ABB	1,699,309	1.32
16,500	Pharmaceuticals & Biotechnology (0.00%)	2,536,078	1.98
	Roche	2,536,078	1.98
	TURKEY (0.61%)	—	—
	Financial Services (0.61%)	—	—
	ASIA (24.93%)	40,353,642	31.39
	CHINA (0.00%)	2,498,082	1.94
4,803,799	Support Services (0.00%)	713,201	0.56
	China Automation	713,201	0.56
1,178,000	Personal Goods (0.00%)	970,407	0.75
	Daphne International	970,407	0.75
726,200	Life Insurance (0.00%)	814,474	0.63
	China Taiping Insurance	814,474	0.63
	HONG KONG (1.53%)	5,566,095	4.33
80,000	General Industrials (0.00%)	2,085,284	1.62
	Jardine Strategic (Singapore quote)	2,085,284	1.62
1,600,000	Food Producers (0.00%)	1,427,990	1.11
	First Pacific	1,427,990	1.11
1,200,000	Travel & Leisure (0.00%)	1,276,301	0.99
	Mandarin Oriental International	1,276,301	0.99
270,000	Life Insurance (1.53%)	776,520	0.61
	AIA	776,520	0.61

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	INDIA (0.92%)	—	—
	Industrial Engineering (0.92%)	—	—
	JAPAN (10.89%)	16,865,293	13.12
	Chemicals (0.00%)	1,398,666	1.09
32,000	Shin-Etsu Chemical	1,398,666	1.09
	Forestry & Paper (0.58%)	—	—
	General Industrials (1.75%)	—	—
	Electronic & Electrical Equipment (0.70%)	1,593,532	1.24
32,500	Murata Manufacturing	1,593,532	1.24
	Support Services (0.00%)	1,562,292	1.22
170,000	Mitsui	1,562,292	1.22
	Automobiles & Parts (1.49%)	1,224,253	0.95
36,000	Toyota Motor	1,224,253	0.95
	Leisure Goods (1.59%)	1,271,624	0.99
18,100	Nintendo	1,271,624	0.99
	Pharmaceuticals & Biotechnology (0.00%)	1,560,242	1.21
114,700	Shionogi	1,560,242	1.21
	Food & Drug Retailers (1.87%)	2,115,818	1.65
69,600	FamilyMart	2,115,818	1.65
	Mobile Telecommunications (0.00%)	995,366	0.77
36,862	KDDI	995,366	0.77
	Banks (0.00%)	2,666,557	2.08
67,400	Sumitomo Mitsui Financial	1,782,199	1.39
285,000	Sumitomo Mitsui Trust	884,358	0.69
	Real Estate Investment & Services (0.91%)	1,188,109	0.92
154,200	Daibiru	1,188,109	0.92
	Real Estate Investment Trusts (0.00%)	1,288,834	1.00
400	Kenedix Realty Investment	1,288,834	1.00
	Technology Hardware & Equipment (2.00%)	—	—
	MALAYSIA (0.00%)	1,263,333	0.98
	Real Estate Investment & Services (0.00%)	1,263,333	0.98
2,200,000	UEM Land Holdings	1,263,333	0.98
	PHILIPPINES (2.84%)	4,554,402	3.54
	General Industrials (1.01%)	—	—

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Food & Drug Retailers (0.76%)	1,032,792	0.80
1,600,000	Puregold Price Club	1,032,792	0.80
	Mobile Telecommunications (0.00%)	1,361,915	1.06
28,435	Philippine Long Distance Telephone	1,361,915	1.06
	Banks (1.07%)	1,116,061	0.87
380,000	Security Bank	1,116,061	0.87
	Real Estate Investment & Services (0.00%)	1,043,634	0.81
16,668,000	Megaworld	1,043,634	0.81
	SINGAPORE (3.42%)	4,368,620	3.40
	Aerospace & Defence (0.80%)	—	—
	Industrial Transportation (0.95%)	2,663,656	2.07
518,000	SIA Engineering	1,303,387	1.01
2,430,000	Hutchison Port Holdings Trust	1,360,269	1.06
	Real Estate Investment Trusts (1.67%)	1,704,964	1.33
886,000	CapitaCommercial Trust (Accumulation Units)	745,467	0.58
1,500,000	Mapletree Logistics Trust	959,497	0.75
	SOUTH KOREA (2.12%)	988,815	0.77
	Tobacco (2.12%)	988,815	0.77
21,837	KT&G	988,815	0.77
	THAILAND (3.21%)	4,249,002	3.31
	Industrial Transportation (1.10%)	804,515	0.63
900,000	Bangkok Expressway	804,515	0.63
	Banks (2.11%)	2,600,084	2.02
160,000	Kasikornbank	744,809	0.58
1,200,000	Kiatnakin Bank	1,855,275	1.44
	Technology Hardware & Equipment (0.00%)	844,403	0.66
465,000	Shin Corp	844,403	0.66
	PACIFIC BASIN (4.06%)	4,414,785	3.43
	AUSTRALIA (3.06%)	3,131,672	2.43
	Mining (0.77%)	—	—
	Beverages (0.85%)	1,154,329	0.89
296,000	Treasury Wine Estates	1,154,329	0.89
	Health Care Equipment & Services (1.44%)	1,977,343	1.54
180,000	Ansell	1,977,343	1.54
	NEW ZEALAND (1.00%)	1,283,113	1.00
	Construction & Materials (1.00%)	—	—
	Fixed Line Telecommunications (0.00%)	1,283,113	1.00
1,000,000	Telecom Corporation of New Zealand	1,283,113	1.00

River and Mercantile Global Equity Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	FORWARD CURRENCY CONTRACTS (0.00%)	(22,146)	(0.02)
€(6,996,515)*	Sold Euro	37,226	0.03
\$9,044,450*	For US Dollar (Expiry 31/05/2013)		
¥(551,872,972)**	Sold Japanese Yen	24,852	0.02
\$5,909,242**	For US Dollar (Expiry 17/05/2013)		
\$(3,442,077)*	Sold US Dollar	(84,224)	(0.07)
€2,579,906*	For Euro (Expiry 31/05/2013)		
Portfolio of investments		128,041,700	99.59
Net other assets		525,562	0.41
Net assets		128,567,262	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets as at 31 March 2012.

Total purchases for the year: £120,079,736.

Total sales for the year: £85,203,890.

*The Bank of New York Mellon are the counterparties for these forward currency contracts detailed above.

**Goldman Sachs are the counterparties for these forward currency contracts detailed above.

River and Mercantile Global Equity Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains	2		21,194,510		2,913,837
Revenue	3	2,670,946		564,346	
Expenses	4	(139,031)		(75,118)	
Finance costs: Interest	6	(2,709)		(396)	
Net revenue before taxation for the year		2,529,206		488,832	
Taxation	5	(277,772)		(45,220)	
Net revenue after taxation for the year			2,251,434		443,612
Total return before distributions			23,445,944		3,357,449
Finance costs: Distributions	6		(2,251,423)		(443,638)
Change in net assets attributable to Shareholders from investment activities			21,194,521		2,913,811

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		72,730,310		3,301,503
Amounts received on creation of shares	43,892,143		67,809,622	
Amounts paid on cancellation of shares	(11,808,731)		(2,253,513)	
		32,083,412		65,556,109
Stamp Duty Reserve Tax		(557)		(693)
Change in net assets attributable to Shareholders from investment activities		21,194,521		2,913,811
Retained distribution on accumulation shares		2,559,576		959,580
Closing net assets attributable to Shareholders		128,567,262		72,730,310

River and Mercantile Global Equity Fund

Balance Sheet as at 31 March 2013

		31 March 2013		31 March 2012	
	Notes	£	£	£	£
ASSETS					
Investment assets			128,125,924		72,366,999
Debtors	7	4,028,297		1,228,666	
Cash and bank balances	8	345,299		463,780	
Total other assets			4,373,596		1,692,446
Total assets			132,499,520		74,059,445
LIABILITIES					
Investment liabilities			(84,224)		–
Creditors	9	(3,847,896)		(1,033,676)	
Bank overdrafts	8	–		(295,459)	
Distribution payable on distribution shares		(138)		–	
Total other liabilities			(3,848,034)		(1,329,135)
Total liabilities			(3,932,258)		(1,329,135)
Net assets attributable to Shareholders			128,567,262		72,730,310

River and Mercantile Global Equity Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains on investments during the year comprise:		
Currency (losses)/gains	(40,825)	86,943
Forward currency contracts	439,508	(2,713)
Non-derivative securities	20,826,605	2,843,540
Transaction charges	(30,778)	(13,933)
Net capital gains	<u>21,194,510</u>	<u>2,913,837</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	23	18
Franked UK dividends	192,062	66,934
Non-taxable overseas dividends	2,384,843	469,802
Taxable overseas dividends	<u>94,018</u>	<u>27,592</u>
	<u>2,670,946</u>	<u>564,346</u>

River and Mercantile Global Equity Fund

Notes to the Financial Statements continued

4 Expenses

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>3,074</u>	<u>8,231</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	20,279	7,904
Safe custody fees	<u>28,474</u>	<u>13,941</u>
	<u>48,753</u>	<u>21,845</u>
Other expenses:		
ADR issuance fees	627	788
Audit fee*	9,260	7,814
FCA fee**	363	366
Fund Accounting fees	54,660	27,344
Insurance fee	1,790	516
KIID publication fee	1,315	549
Legal fees	1,371	501
Printing costs	1,672	945
Registration fees	198	170
Securities and Exchange Board of India registration fees	2,174	–
Transfer Agency fees	<u>13,774</u>	<u>6,049</u>
	<u>87,204</u>	<u>45,042</u>
Total expenses	<u>139,031</u>	<u>75,118</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile Global Equity Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	277,772	45,220
Current tax (note 5b)	277,772	45,220
Deferred tax (note 5c)	—	—
Total taxation	277,772	45,220
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	2,529,206	488,832
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	505,841	97,766
Effects of:		
Movement in taxable revenue accruals	—	(905)
Movement in taxation losses	12,691	11,200
Overseas tax	277,772	45,220
Relief for overseas tax treated as expense	(3,186)	(714)
Revenue not subject to taxation	(515,346)	(107,347)
Current tax	277,772	45,220

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £29,590 (£17,127 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile Global Equity Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	199	199
B-Class Accumulation shares	6,441	5,742
Z-Class Accumulation shares	1,422,999	479,765
Final dividend distribution:		
A-Class Distribution shares	138	–
B-Class Accumulation shares	43	1,854
Z-Class Accumulation shares	1,130,093	472,219
	<u>2,559,913</u>	<u>959,779</u>
Add: revenue deducted on cancellation of shares	70,505	25,107
Deduct: revenue received on creation of shares	<u>(378,995)</u>	<u>(541,248)</u>
Distributions for the year	<u>2,251,423</u>	<u>443,638</u>
Interest		
Bank overdraft interest	<u>2,709</u>	<u>396</u>
Total finance costs	<u>2,254,132</u>	<u>444,034</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	2,251,434	443,612
Shortfall on revenue account	–	20
Movement in undistributed revenue	<u>(11)</u>	<u>6</u>
Distributions for the year	<u>2,251,423</u>	<u>443,638</u>

River and Mercantile Global Equity Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	320,191	123,530
Amounts receivable for creation of shares	5,654	–
Prepaid expenses	642	–
Receivable for FX contracts	1,835,958	561,447
Recoverable overseas tax	46,881	5,746
Sales awaiting settlement	1,818,971	537,943
	<u>4,028,297</u>	<u>1,228,666</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Bank overdrafts	–	(295,459)
Cash and bank balances	345,299	463,780
Net uninvested cash	<u>345,299</u>	<u>168,321</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	40,378	18,349
Interest payable	2,005	–
Purchases awaiting settlement	1,971,631	454,804
Payable for FX contracts	1,833,882	560,523
	<u>3,847,896</u>	<u>1,033,676</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.09% of the shares in issue (0.13% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £103 (£434 as at 31 March 2012).

River and Mercantile Global Equity Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary.

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian Dollar	12	3,132	3,144
Brazilian Real	–	1,152	1,152
Chilean Peso	–	1,745	1,745
Columbian Peso	9	805	814
Euro	(3,723)	22,043	18,320
Hong Kong Dollar	–	4,703	4,703
Japanese Yen	(3,722)	16,865	13,143
Malaysian Ringgit	1	1,263	1,264
Mexican Peso	–	2,100	2,100
New Zealand Dollar	43	1,283	1,326
Norwegian Krone	3	1,032	1,035
Peruvian Nuevo Sol	–	1,436	1,436
Philippine Peso	77	4,554	4,631
Singapore Dollar	1	3,008	3,009
South Korean Won	–	989	989
Swedish Krona	(1,322)	2,076	754
Swiss Franc	24	4,235	4,259
Thai Baht	1	4,249	4,250
US Dollar	7,559	45,587	53,146

River and Mercantile Global Equity Fund

Notes to the Financial Statements continued

12 Financial instruments continued

Foreign currency risk continued

31 March 2012 Currency	Net foreign currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian Dollar	22	2,226	2,248
Brazilian Real	4	2,447	2,451
Canadian Dollar	—	1,124	1,124
Chilean Peso	—	531	531
Euro	5	13,257	13,262
Hong Kong Dollar	—	1,113	1,113
Japanese Yen	51	7,916	7,967
Norwegian Krone	1	1,794	1,795
New Zealand Dollar	16	730	746
Philippine Peso	—	2,067	2,067
Singapore Dollar	1	1,799	1,800
South Korean Won	—	1,539	1,539
Swedish Krona	—	1,484	1,484
Swiss Francs	1	1,074	1,075
Thai Baht	—	2,336	2,336
Turkish Lira	—	444	444
US Dollar	261	25,703	25,964

Derivative risk

At the balance sheet date, no derivatives other than forward currency contracts were held that could impact the sub-fund in a significant way (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		119,852,308		95,141,356
Commissions	167,484		88,618	
Taxes	59,944		48,751	
Total purchase costs		227,428		137,369
Gross purchases total		120,079,736		95,278,725
Analysis of total sale costs:				
Sales before transaction costs		85,363,075		29,102,306
Commissions	(135,294)		(48,122)	
Fees	(23,891)		(5,967)	
Total sale costs		(159,185)		(54,089)
Total sales net of transaction costs		85,203,890		29,048,217

River and Mercantile Global Equity Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	0.6788	—	0.6788	0.6430
Group 2	0.1586	0.5202	0.6788	0.6430
B-Class Accumulation shares				
Group 1	3.0268	—	3.0268	2.6981
Group 2	N/A	N/A	N/A	2.6981
Z-Class Accumulation shares				
Group 1	8.4110	—	8.4110	7.6333
Group 2	1.4895	6.9215	8.4110	7.6333

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	0.2858	—	0.2858	0.0000
Group 2	0.2376	0.0482	0.2858	0.0000
B-Class Accumulation shares				
Group 1	0.3807	—	0.3807	0.8714
Group 2	N/A	N/A	N/A	0.8714
Z-Class Accumulation shares				
Group 1	6.3110	—	6.3110	3.8527
Group 2	5.2893	1.0217	6.3110	3.8527

River and Mercantile Global Equity Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	33,549	117.92	28,450
B-Class Accumulation shares	1,838,404	299.20	614,438
Z-Class Accumulation shares	1,429,550	604.96	236,303
31 March 2012			
A-Class Distribution shares	32,965	112.18	29,387
B-Class Accumulation shares	614,298	288.67	212,801
Z-Class Accumulation shares	72,083,047	588.11	12,256,824
31 March 2013			
A-Class Distribution shares	64,448	133.67	48,215
B-Class Accumulation shares	39,003	349.36	11,164
Z-Class Accumulation shares	128,463,811	717.41	17,906,609

River and Mercantile Global Equity Fund

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2009 ⁽¹⁾	102.71p	93.12p	0.0000p
2010	119.16p	97.36p	0.0759p
2011	120.22p	95.58p	0.6430p
2012	116.92p	103.17p	0.6788p
2013 ⁽²⁾	136.65p	117.06p	0.2858p
B-Class Accumulation shares			
2009 ⁽¹⁾	257.16p	232.88p	0.0000p
2010	301.78p	243.97p	0.9756p
2011	304.48p	245.06p	3.5529p
2012	304.31p	265.01p	3.8982p
2013 ⁽²⁾	356.23p	304.71p	0.3807p
Z-Class Accumulation shares			
2009 ⁽¹⁾	515.11p	465.88p	0.0000p
2010	609.02p	489.06p	3.6291p
2011	614.93p	497.41p	11.5778p
2012	623.72p	538.90p	12.2637p
2013 ⁽²⁾	731.23p	624.61p	6.3110p

⁽¹⁾ From 14 October 2009.

⁽²⁾ The above tables show highest and lowest prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile Global Equity Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.68%	1.76%
B-Class Accumulation shares	0.95%	1.02%
Z-Class Accumulation shares	0.17%	0.25%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.68%
B-Class Accumulation shares	0.95%
Z-Class Accumulation shares	0.17%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards

1	2	3	4	5	6	7
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The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The sub-fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund.

The following risks are materially relevant to the sub-fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.
- Foreign exchange risk: the sub-fund invests in international securities which are denominated in foreign currencies whose fluctuations may increase the sub-funds volatility and losses.
- Emerging market risk: the sub-fund may invest in emerging markets which may be more volatile than developed markets and be more susceptible to unforeseen events such as devaluations, political instability, etc.

River and Mercantile Global Opportunities Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve capital growth by investing in a concentrated portfolio of global equities of companies which the Manager believes represent the most attractive opportunities to achieve above average returns. The sub-fund will not be restricted by reference to a benchmark, sector constraints or company size.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile Global Opportunities Fund Z share class returned 17.80% over the twelve months to 31 March 2013, compared with the FTSE All-World Index which returned 16.42%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed ahead of the benchmark over the year to 31 March 2013, with returns from global equity markets boosted by a weak Sterling. The portfolio's biggest contributions came from a range of holdings. Thai financial Kiatnakin Bank was the greatest contributor to performance over the twelve months, closely followed by our media positions in German pay-TV business Sky Deutschland and US titan Time Warner. Our real estate positions also contributed with both CapitaCommercial Trust (Singapore) and Megaworld (Philippines) performing strongly. Detractors from performance included Japanese video games maker Nintendo and a range of technology holdings, including Apple, Canon, EMC and Intel, which disappointed over the period.

Swiss-based pharmaceutical company Roche was added to the portfolio, representing a beneficiary of our theme Financial Darwinism, given its access to the liquid low-yielding Swiss bond market. Unlike many pharmaceutical companies, Roche does not suffer major imminent patent expiries but has an interesting profile of drugs to be launched. Following its period of strong performance, our holding in Fletcher Building, the building materials company in New Zealand, was sold from the portfolio, following good performance helped by a strong re-rating in its valuation and the pick-up in construction levels in New Zealand following the Christchurch earthquake. CapitaCommercial Trust was also sold after its strong performance closed the excessive discount to its valuation. The proceeds were reinvested into new positions in Mead Johnson and Xylem.

Outlook

Once more it is the actions of government authorities that seem to dictate the short term direction and divergence of markets. In Japan, Prime Minister Shinzo Abe's 'Three arrows' programme for Japan's economic revival is off to a convincing start. Despite being later than other central banks, such as the Federal Reserve and Bank of England, to deploy aggressive quantitative easing, the BoJ's recently announced programme could potentially dwarf the others, as a percentage of gross domestic product. The portfolio retains its overweight in Japan as valuations remain supportive, as do Abe's policy actions.

As governments have continued to implement increasing levels of interventionist policy, distortions in markets remain apparent and present both opportunities and threats. The weakening of the Yen and the adoption of aggressive monetary policy in Japan has boosted sentiment, whilst the measure to 'tax' depositors in Cyprus is another demonstration of how far the EU is from a template, with different countries receiving very different solutions, all of which adds to uncertainty. Whilst we expect the European economy to remain sickly, and are cautious toward any domestically facing stocks in economies undergoing austerity measures, we remain invested in overly cheap equities that are quoted in the region. We continue to use our thematic investment approach to identify potential investments, and apply our valuation discipline to help determine the most appropriate ways to take advantage of these themes.

River and Mercantile Global Opportunities Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (8.18%)	9,260,114	4.66
	Oil & Gas Producers (1.91%)	—	—
	Food Producers (1.89%)	3,173,760	1.60
114,000	Unilever	3,173,760	1.60
	Banks (1.91%)	—	—
	Nonlife Insurance (2.47%)	3,999,700	2.01
470,000	Jardine Lloyd Thompson	3,999,700	2.01
	Financial Services (0.00%)	2,086,654	1.05
493,182	Intermediate Capital	2,086,654	1.05
	NORTH AMERICA (27.75%)	71,192,497	35.80
	CANADA (2.19%)	—	—
	Oil & Gas Producers (0.86%)	—	—
	Mining (1.33%)	—	—
	UNITED STATES (25.56%)	71,192,497	35.80
	Oil Equipment, Services & Distribution (1.97%)	—	—
	Chemicals (0.00%)	3,957,463	1.99
69,000	Air Products & Chemicals	3,957,463	1.99
	Industrial Metals & Mining (0.00%)	3,057,019	1.54
123,620	Southern Copper	3,057,019	1.54
	Aerospace & Defence (0.00%)	3,094,743	1.56
50,302	United Technologies	3,094,743	1.56
	Industrial Engineering (0.00%)	3,893,357	1.96
214,509	Xylem	3,893,357	1.96
	Industrial Transportation (0.00%)	2,022,325	1.02
40,000	Kirby	2,022,325	1.02
	Support Services (1.88%)	—	—
	Beverages (2.02%)	—	—
	Food Producers (0.00%)	4,215,692	2.12
82,683	Mead Johnson Nutrition	4,215,692	2.12
	Health Care Equipment & Services (2.56%)	3,774,372	1.90
79,611	Varian Medical Systems	3,774,372	1.90
	Pharmaceuticals & Biotechnology (3.07%)	3,985,065	2.00
209,817	Pfizer	3,985,065	2.00
	General Retailers (0.00%)	2,995,160	1.51
120,000	Lowe's	2,995,160	1.51

River and Mercantile Global Opportunities Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Media (0.00%)	3,506,001	1.76
92,377	Time Warner	3,506,001	1.76
	Travel & Leisure (0.00%)	4,028,529	2.02
96,000	Starwood Hotels & Resorts	4,028,529	2.02
	Banks (3.91%)	4,176,853	2.10
715,840	First Niagara Financial	4,176,853	2.10
	Life Insurance (0.00%)	2,151,269	1.08
85,963	Metlife	2,151,269	1.08
	Financial Services (1.78%)	4,308,130	2.17
97,000	American Express	4,308,130	2.17
	Software & Computer Services (5.84%)	9,081,864	4.56
9,230	Google 'A'	4,822,066	2.42
226,164	Microsoft	4,259,798	2.14
	Technology Hardware & Equipment (2.53%)	12,944,655	6.51
17,154	Apple	4,997,926	2.51
249,343	EMC	3,921,308	1.97
280,000	Intel	4,025,421	2.03
	SOUTH AMERICA (4.49%)	6,888,086	3.46
	BRAZIL (4.49%)	2,341,052	1.18
	Mining (0.83%)	—	—
	Industrial Transportation (1.60%)	—	—
	Support Services (1.29%)	—	—
	Health Care Equipment & Services (0.77%)	—	—
	General Retailers (0.00%)	2,341,052	1.18
220,000	Anhanguera Educacional Participacoes	2,341,052	1.18
	CHILE (0.00%)	2,352,814	1.18
	Banks (0.00%)	2,352,814	1.18
263,341,979	Corpbanca	2,352,814	1.18
	MEXICO (0.00%)	2,194,220	1.10
	Real Estate Investment Trusts (0.00%)	2,194,220	1.10
1,008,878	Fibra Uno	2,194,220	1.10
	CONTINENTAL EUROPE (30.05%)	48,657,329	24.47
	BELGIUM (2.02%)	—	—
	Beverages (2.02%)	—	—

River and Mercantile Global Opportunities Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	FRANCE (6.20%)	9,964,788	5.01
	Oil & Gas Producers (1.40%)	2,934,620	1.48
92,910	Total	2,934,620	1.48
	Electronic & Electrical & Equipment (1.87%)	—	—
	Pharmaceuticals & Biotechnology (2.93%)	3,703,136	1.86
55,255	Sanofi	3,703,136	1.86
	Travel & Leisure (0.00%)	3,327,032	1.67
145,174	Accor	3,327,032	1.67
	GERMANY (2.91%)	8,653,216	4.35
	General Retailers (0.86%)	1,977,205	0.99
133,184	Tom Tailor	1,977,205	0.99
	Media (0.97%)	2,720,930	1.37
750,000	Sky Deutschland	2,720,930	1.37
	Real Estate Investment & Services (1.08%)	3,955,081	1.99
331,224	Deutsche Wohnen	3,955,081	1.99
	ITALY (2.07%)	6,362,182	3.20
	Oil & Gas Producers (0.00%)	4,944,937	2.49
333,755	Eni	4,944,937	2.49
	Automobiles & Parts (2.07%)	—	—
	Nonlife Insurance (0.00%)	1,417,245	0.71
798,044	Unipol Gruppo Finanziario	1,417,245	0.71
	LUXEMBOURG (2.07%)	2,029,227	1.02
	Mobile Telecommunications (2.07%)	2,029,227	1.02
38,528	Millicom International Cellular	2,029,227	1.02
	NETHERLANDS (1.31%)	4,051,876	2.04
	Pharmaceuticals & Biotechnology (0.00%)	4,051,876	2.04
294,580	Qiagen	4,051,876	2.04
	Life Insurance (1.31%)	—	—
	NORWAY (3.46%)	2,046,001	1.03
	Banks (2.02%)	—	—
	Nonlife Insurance (1.44%)	2,046,001	1.03
800,000	Storebrand 'A'	2,046,001	1.03
	PORTUGAL (0.00%)	875,095	0.44
	Banks (0.00%)	875,095	0.44
1,300,000	Banco Espirito Santo	875,095	0.44

River and Mercantile Global Opportunities Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	RUSSIA (0.94%)	3,621,917	1.82
	Banks (0.94%)	3,621,917	1.82
430,000	Sberbank of Russia Sponsored ADR	3,621,917	1.82
	SPAIN (1.99%)	3,027,653	1.52
	Support Services (1.99%)	3,027,653	1.52
170,000	Amadeus IT	3,027,653	1.52
	SWITZERLAND (6.47%)	8,025,374	4.04
	Oil Equipment, Services & Distribution (1.88%)	—	—
	Industrial Engineering (4.59%)	3,807,953	1.92
255,734	ABB	3,807,953	1.92
	Pharmaceuticals & Biotechnology (0.00%)	4,217,421	2.12
27,439	Roche	4,217,421	2.12
	TURKEY (0.61%)	—	—
	Financial Services (0.61%)	—	—
	ASIA (22.92%)	54,257,682	27.28
	CHINA (0.00%)	3,858,019	1.94
	Personal Goods (0.00%)	2,046,258	1.03
2,484,000	Daphne International	2,046,258	1.03
	Life Insurance (0.00%)	1,811,761	0.91
1,615,400	China Taiping Insurance	1,811,761	0.91
	HONG KONG (1.96%)	4,092,371	2.06
	General Industrials (0.00%)	4,092,371	2.06
157,000	Jardine Strategic (Singapore quote)	4,092,371	2.06
	Life Insurance (1.96%)	—	—
	INDIA (0.70%)	—	—
	Technology Hardware & Equipment (0.70%)	—	—
	JAPAN (10.37%)	27,282,032	13.72
	Chemicals (0.00%)	2,010,582	1.01
46,000	Shin-Etsu Chemical	2,010,582	1.01
	General Industrials (1.94%)	—	—
	Electronic & Electrical Equipment (0.00%)	3,138,032	1.58
64,000	Murata Manufacturing	3,138,032	1.58
	Support Services (0.00%)	2,860,831	1.44
311,300	Mitsui	2,860,831	1.44

River and Mercantile Global Opportunities Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Automobiles & Parts (1.44%)	—	—
	Leisure Goods (1.96%)	1,967,154	0.99
28,000	Nintendo	1,967,154	0.99
	Pharmaceuticals & Biotechnology (0.00%)	3,100,080	1.56
227,900	Shionogi	3,100,080	1.56
	Food & Drug Retailers (2.06%)	4,255,956	2.14
140,000	FamilyMart	4,255,956	2.14
	Mobile Telecommunications (0.00%)	2,055,321	1.03
76,116	KDDI	2,055,321	1.03
	Banks (0.00%)	3,834,107	1.93
145,000	Sumitomo Mitsui Financial	3,834,107	1.93
	Real Estate Investment & Services (1.02%)	2,619,696	1.32
340,000	Daibiru	2,619,696	1.32
	Real Estate Investment Trusts (0.00%)	1,440,273	0.72
447	Kenedix Realty Investment	1,440,273	0.72
	Technology Hardware & Equipment (1.95%)	—	—
	PHILIPPINES (1.47%)	8,062,143	4.05
	Mobile Telecommunications (0.00%)	3,831,658	1.92
80,000	Philippine Long Distance Telephone	3,831,658	1.92
	Banks (1.47%)	2,026,006	1.02
689,821	Security Bank	2,026,006	1.02
	Real Estate Investment & Services (0.00%)	2,204,479	1.11
35,208,000	Megaworld	2,204,479	1.11
	SINGAPORE (3.64%)	3,117,422	1.57
	Industrial Transportation (1.64%)	3,117,422	1.57
5,569,000	Hutchison Port Holdings Trust	3,117,422	1.57
	Real Estate Investment Trusts (2.00%)	—	—
	SOUTH KOREA (2.58%)	2,453,856	1.23
	Tobacco (2.58%)	2,453,856	1.23
54,191	KT&G	2,453,856	1.23
	THAILAND (2.20%)	5,391,839	2.71
	Banks (2.20%)	5,391,839	2.71
427,600	Kasikornbank	1,990,501	1.00
2,200,000	Kiatnakin Bank	3,401,338	1.71

River and Mercantile Global Opportunities Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	PACIFIC BASIN (4.74%)	7,831,935	3.94
	AUSTRALIA (3.78%)	5,857,406	2.95
	Mining (0.94%)	—	—
	Beverages (0.96%)	1,860,185	0.94
477,000	Treasury Wine Estates	1,860,185	0.94
	Health Care Equipment & Services (1.88%)	3,997,221	2.01
363,872	Ansell	3,997,221	2.01
	NEW ZEALAND (0.96%)	1,974,529	0.99
	Construction & Materials (0.96%)	—	—
	Fixed Line Telecommunications (0.00%)	1,974,529	0.99
1,538,859	Telecom Corporation of New Zealand	1,974,529	0.99
	FORWARD CURRENCY CONTRACTS (0.00%)	(53,518)	(0.03)
€(11,469,295)*	Sold Euro		
\$14,826,449*	For US Dollar (Expiry 31/05/2013)	61,025	0.03
¥(599,991,468)**	Sold Japanese Yen		
\$6,424,476**	For US Dollar (Expiry 17/05/2013)	27,019	0.01
\$(5,785,379)*	Sold US Dollar		
€4,336,258*	For Euro (Expiry 31/05/2013)	(141,562)	(0.07)
Portfolio of investments		198,034,125	99.58
Net other assets		831,721	0.42
Net assets		198,865,846	100.00

All investments are in ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets as at 31 March 2012.

Total purchases for the year: £117,838,831.

Total sales for the year: £126,266,132.

*The Bank of New York Mellon are the counterparties for these forward currency contracts detailed above.

**Goldman Sachs are the counterparties for these forward currency contracts detailed above.

River and Mercantile Global Opportunities Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains/(losses)	2		28,246,276		(14,684,403)
Revenue	3	5,133,550		3,498,792	
Expenses	4	(496,482)		(454,669)	
Finance costs: Interest	6	(918)		(1,041)	
Net revenue before taxation for the year		4,636,150		3,043,082	
Taxation	5	(515,060)		(266,810)	
Net revenue after taxation for the year			4,121,090		2,776,272
Total return before distributions			32,367,366		(11,908,131)
Finance costs: Distributions	6		(4,121,401)		(2,776,627)
Change in net assets attributable to Shareholders from investment activities			28,245,965		(14,684,758)

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		180,272,173		57,319,051
Amounts received on creation of shares	2,623,172		57,417,386	
In-specie creations	–		80,754,297	
Amounts paid on cancellation of shares	(16,290,662)		(4,238,816)	
		(13,667,490)		133,932,867
Stamp Duty Reserve Tax		(142)		(134)
Change in net assets attributable to Shareholders from investment activities		28,245,965		(14,684,758)
Retained distribution on accumulation shares		4,015,340		3,705,147
Closing net assets attributable to Shareholders		198,865,846		180,272,173

River and Mercantile Global Opportunities Fund

Balance Sheet as at 31 March 2013

		31 March 2013		31 March 2012	
	Notes	£	£	£	£
ASSETS					
Investment assets			198,175,687		176,909,379
Debtors	7	10,541,626		16,305,031	
Cash and bank balances	8	5,571,148		5,380,817	
Total other assets			16,112,774		21,685,848
Total assets			214,288,461		198,595,227
LIABILITIES					
Investment liabilities			(141,562)		–
Creditors	9	(15,281,053)		(13,760,099)	
Bank overdrafts	8	–		(4,562,955)	
Total other liabilities			(15,281,053)		(18,323,054)
Total liabilities			(15,422,615)		(18,323,054)
Net assets attributable to Shareholders			198,865,846		180,272,173

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains/(losses)

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains/(losses) on investments during the year comprise:		
Currency losses	(95,531)	(296,298)
Forward currency contracts	696,859	—
Non-derivative securities	27,664,741	(14,372,783)
Transaction charges	(19,793)	(15,322)
Net capital gains/(losses)	<u>28,246,276</u>	<u>(14,684,403)</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	54	39
Franked UK dividends	467,389	517,013
Non-taxable overseas dividends	4,477,274	2,700,075
Taxable overseas dividends	<u>188,833</u>	<u>281,665</u>
	<u>5,133,550</u>	<u>3,498,792</u>

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements continued

4 Expenses	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>320,086</u>	<u>258,313</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	30,843	26,250
Safe custody fees	<u>36,952</u>	<u>49,370</u>
	<u>67,795</u>	<u>75,620</u>
Other expenses:		
ADR issuance fees	2,661	189
Audit fee*	10,118	10,834
FCA fee**	362	366
Fund accounting fees	41,688	49,701
Insurance fee	3,752	2,967
KIID publication fee	1,295	549
Legal fees	2,447	502
Printing costs	4,287	4,442
Registration fees	505	511
Securities and Exchange Board of India registration fees	2,484	8,562
Transfer Agency fees	<u>39,002</u>	<u>42,113</u>
	<u>108,601</u>	<u>120,736</u>
Total expenses	<u>496,482</u>	<u>454,669</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in year		
Overseas tax	515,060	266,810
Current tax (note 5b)	515,060	266,810
Deferred tax (note 5c)	—	—
Total taxation	515,060	266,810
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	4,636,150	3,043,082
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	927,230	608,616
Effects of:		
Movement in taxable revenue accruals	—	(685)
Movement in taxation losses	63,987	41,415
Overseas tax	515,060	266,810
Relief for overseas tax treated as expense	(3,846)	(5,928)
Revenue not subject to taxation	(987,371)	(643,418)
Current tax	515,060	266,810

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £136,376 (£71,127 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Interim dividend distribution:		
A-Class Distribution shares	4,629	2,699
B-Class Accumulation shares	264,930	264,168
Z-Class Accumulation shares	2,034,021	2,227,609
Final dividend distribution:		
A-Class Distribution shares	—	—
B-Class Accumulation shares	180,868	82,846
Z-Class Accumulation shares	1,535,521	1,130,524
	4,019,969	3,707,846
Add: revenue deducted on cancellation of shares	110,318	5,205
Deduct: revenue received on creation of shares	(8,886)	(936,424)
Distributions for the year	4,121,401	2,776,627
Interest		
Bank overdraft interest	918	1,041
Total finance costs	4,122,319	2,777,668
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	4,121,090	2,776,272
Shortfall on revenue account	283	356
Movement in undistributed revenue	28	(1)
Distributions for the year	4,121,401	2,776,627

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	543,805	358,472
Amounts receivable for creation of shares	–	6,757,173
Prepaid expenses	642	909
Receivable for FX contracts	8,196,680	9,158,035
Recoverable overseas tax	78,445	30,442
Sales awaiting settlement	<u>1,722,054</u>	<u>–</u>
	<u>10,541,626</u>	<u>16,305,031</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Bank overdrafts	–	(4,562,955)
Cash and bank balances	<u>5,571,148</u>	<u>5,380,817</u>
Net uninvested cash	<u>5,571,148</u>	<u>817,862</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	81,256	56,527
Amounts payable for cancellation of shares	7,003,772	14,435
Interest payable	322	–
Payable for FX contracts	8,195,703	9,165,150
Purchases awaiting settlement	<u>–</u>	<u>4,523,987</u>
	<u>15,281,053</u>	<u>13,760,099</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.04% of the shares in issue (0.04% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £31,726 (£20,410 as at 31 March 2012).

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary.

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets/(liabilities)		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Australian Dollar	30	5,857	5,887
Brazilian Real	—	2,341	2,341
Chilean Peso	—	2,353	2,353
Euro	(5,996)	32,935	26,939
Hong Kong Dollar	201	3,858	4,059
Japanese Yen	(3,944)	27,282	23,338
Mexican Peso	—	2,194	2,194
New Zealand Dollar	65	1,975	2,040
Norwegian Krone	8	2,046	2,054
Philippine Peso	446	8,062	8,508
South Korean Won	—	2,454	2,454
Swedish Krona	—	2,029	2,029
Swiss Franc	32	8,025	8,057
Thai Baht	—	5,392	5,392
US Dollar	9,687	82,024	91,711

River and Mercantile Global Opportunities Fund

Notes to the Financial Statements continued

12 Financial instruments continued

Foreign currency risk continued

31 March 2012 Currency	Net foreign currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian Dollar	(42)	6,824	6,782
Brazilian Real	(121)	8,095	7,974
Canadian Dollar	(3)	3,953	3,950
Euro	(476)	29,749	29,273
Hong Kong Dollar	(115)	3,539	3,424
Japanese Yen	(160)	18,686	18,526
New Turkish Lira	–	1,089	1,089
New Zealand Dollar	37	1,728	1,765
Norwegian Krone	(14)	6,235	6,221
Philippine Peso	(24)	2,653	2,629
Singapore Dollar	(444)	3,612	3,168
South Korean Won	–	4,658	4,658
Swedish Krona	(179)	3,741	3,562
Swiss Franc	(53)	4,451	4,398
Thai Baht	–	3,945	3,945
US Dollar	1,866	59,205	61,071

Derivative risk

At the balance sheet date, no derivatives other than forward currency contracts were held that could impact the sub-fund in a significant way (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		117,577,455		304,804,859
Commissions	203,211		368,847	
Taxes	58,165		90,627	
Total purchase costs		261,376		459,474
Gross purchases total		117,838,831		305,264,333
Analysis of total sale costs:				
Sales before transaction costs		126,510,268		171,000,363
Commissions	(207,073)		(288,863)	
Fees	(37,063)		(18,587)	
Total sale costs		(244,136)		(307,450)
Total sales net of transaction costs		126,266,132		170,692,913

River and Mercantile Global Opportunities Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	0.5642	—	0.5642	0.6965
Group 2	0.1675	0.3967	0.5642	0.6965
B-Class Accumulation shares				
Group 1	2.4706	—	2.4706	2.8614
Group 2	0.4806	1.9900	2.4706	2.8614
Z-Class Accumulation shares				
Group 1	7.9113	—	7.9113	8.7787
Group 2	5.4296	2.4817	7.9113	8.7787

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	0.0000	—	0.0000*	0.0000
Group 2	0.0000	0.0000	0.0000*	0.0000
B-Class Accumulation shares				
Group 1	1.6398	—	1.6398	0.7843
Group 2	1.6387	0.0011	1.6398	0.7843
Z-Class Accumulation shares				
Group 1	6.5356	—	6.5356	4.4003
Group 2	3.9528	2.5828	6.5356	4.4003

* A shortfall for this class arose because expenses exceeded the revenue of the distribution shares. This being the case, there is no distribution payable on 31 May 2013.

River and Mercantile Global Opportunities Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	547,091	123.46	443,139
B-Class Accumulation shares	29,301,567	312.93	9,363,679
Z-Class Accumulation shares	27,470,393	635.08	4,325,513
31 March 2012			
A-Class Distribution shares	369,407	110.64	333,884
B-Class Accumulation shares	30,053,815	284.54	10,562,408
Z Class Accumulation shares	149,848,951	583.26	25,691,535
31 March 2013			
A-Class Distribution shares	322,561	127.76	252,471
B-Class Accumulation shares	36,696,556	332.72	11,029,257
Z-Class Accumulation shares	161,846,729	688.87	23,494,553

River and Mercantile Global Opportunities Fund

Fund Facts continued

Performance records continued

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2009 ⁽¹⁾	104.98p	94.52p	—
2010	124.40p	100.66p	0.0000p
2011	125.61p	95.61p	0.6965p
2012	114.68p	101.58p	0.5642p
2013 ⁽²⁾	131.05p	113.62p	⁽³⁾ 0.0000p
B-Class Accumulation shares			
2009 ⁽¹⁾	262.88p	236.42p	—
2010	314.72p	252.25p	0.3999p
2011	317.81p	245.03p	3.5731p
2012	297.55p	261.50p	3.2549p
2013 ⁽²⁾	341.14p	295.33p	1.6398p
Z-Class Accumulation shares			
2009 ⁽¹⁾	526.92p	473.18p	—
2010	637.13p	506.18p	3.2229p
2011	643.51p	499.82p	12.8024p
2012	613.13p	536.78p	12.3116p
2013 ⁽²⁾	705.94p	609.99p	6.5356p

⁽¹⁾ From 8 October 2009.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

⁽³⁾ A shortfall for this class arose because expenses exceeded the revenue of the distribution shares. This being the case, there is no distribution payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile Global Opportunities Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.85%	1.89%
B-Class Accumulation shares	1.11%	1.13%
Z-Class Accumulation shares	0.11%	0.13%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.85%
B-Class Accumulation shares	1.11%
Z-Class Accumulation shares	0.11%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards

1	2	3	4	5	6	7
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The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The sub-fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund.

The following risks are materially relevant to the sub-fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.
- Concentration risk: the sub-fund invests in a limited number of securities and hence experiences higher levels of volatility than more diverse sub-funds.
- Foreign exchange risk: the sub-fund invests in international securities which are denominated in foreign currencies whose fluctuations may increase the sub-funds volatility and losses.
- Emerging market risk: the sub-fund may invest in emerging markets which may be more volatile than developed markets and be more susceptible to unforeseen events such as devaluations, political instability, etc.

River and Mercantile Global High Income Fund

Investment Objective and Policy

The investment objective of the sub-fund is to achieve a high and rising level of revenue with capital growth over the long term through investing in a portfolio which shall primarily consist of global equities, providing an above average yield, however, it may also invest in other instruments such as government bonds, corporate fixed income securities and convertibles.

Investment Manager's Review

Portfolio Review & Activity

The River and Mercantile Global High Income Fund B share class returned 19.68% over the twelve months to 31 March 2013, compared with the FTSE All-World Index which returned 16.42%.

Although the period started poorly for stock markets worldwide, with investor confidence low on the back of yet another eurozone crisis, and depressed prospects for global growth, sentiment changed in June as the European Central Bank introduced an initiative to stabilise the cost of borrowing, and the US housing market (whose weakness in 2006/7 had led to the credit-crunch) started to recover. With less 'big picture' uncertainty, which had led the flight to safety early in the period, markets rallied over the remainder of the year as investors shifted their focus from expensive and over-bought low-risk assets to equities with more attractive value characteristics.

The portfolio performed strongly over the year to 31 March 2013, with returns from global equity markets boosted by a weak sterling. The portfolio's biggest contributions came from a range of holdings in Japan, the Philippines and Thailand. Kiatnakin Bank and fellow Thai business Bangkok Expressway were the greatest contributors to performance over the twelve months, closely followed by Japan Exchange Group, benefiting from the completion of its merger and much increased trading volumes, and the Singapore real estate company CapitaCommercial Trust. The main detractors from performance were mining stocks Barrick Gold and Rio Tinto and technology holding Intel, which all disappointed over the period.

Swiss-based pharmaceutical company Roche was added to the portfolio, representing a beneficiary of our theme Financial Darwinism, given its access to the liquid low-yielding Swiss bond market. Unlike many pharmaceutical companies, Roche does not suffer major imminent patent expiries but has an interesting profile of drugs to be launched. Following its period of strong performance, our holding in Japan Exchange Group was sold, as was Telekom Malaysia. New entries to the portfolio late in the period included Japanese pharmaceuticals company Shionogi and real estate business Kenedix Realty Investment, both likely to benefit from the country's new economic policies.

Outlook

Once more it is the actions of government authorities that seem to dictate the short term direction and divergence of markets. In Japan, Prime Minister Shinzo Abe's 'Three arrows' programme for Japan's economic revival is off to a convincing start. Despite being later than other central banks, such as the Federal Reserve and Bank of England, to deploy aggressive quantitative easing, the BoJ's recently announced programme could potentially dwarf the others, as a percentage of gross domestic product. The portfolio retains its overweight in Japan as valuations remain supportive, as do Abe's policy actions.

As governments have continued to implement increasing levels of interventionist policy, distortions in markets remain apparent and present both opportunities and threats. The weakening of the Yen and the adoption of aggressive monetary policy in Japan has boosted sentiment, whilst the measure to 'tax' depositors in Cyprus is another demonstration of how far the EU is from a template, with different countries receiving very different solutions, all of which adds to uncertainty. Whilst we expect the European economy to remain sickly, and are cautious toward any domestically facing stocks in economies undergoing austerity measures, we remain invested in overly cheap equities that are quoted in the region. We continue to use our thematic investment approach to identify potential investments, and apply our valuation discipline to help determine the most appropriate ways to take advantage of these themes.

River and Mercantile Global High Income Fund

Portfolio Statement as at 31 March 2013

Holding	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM (10.71%)	754,647	7.37
31,067	Oil & Gas Producers (2.97%) BP	142,862 142,862	1.40 1.40
	Oil Equipment, Services & Distribution (0.98%)		
5,789	Mining (1.49%) Rio Tinto	178,591 178,591	1.74 1.74
7,910	Food Producers (1.99%) Unilever	220,214 220,214	2.15 2.15
	Banks (1.50%)		
25,027	Nonlife Insurance (1.78%) Jardine Lloyd Thompson	212,980 212,980	2.08 2.08
	NORTH AMERICA (26.53%)	2,465,277	24.07
	CANADA (1.28%)	173,726	1.69
	Mining (1.28%)	—	—
3,822	Fixed Line Telecommunications (0.00%) Telus	173,726 173,726	1.69 1.69
	UNITED STATES (25.25%)	2,291,551	22.38
	Oil & Gas Producers (1.41%)	—	—
1,954	Oil Equipment, Services & Distribution (0.95%) Schlumberger	96,294 96,294	0.94 0.94
2,897	Chemicals (0.00%) Air Products & Chemicals	166,156 166,156	1.62 1.62
3,948	Industrial Metals & Mining (0.00%) Southern Copper	97,631 97,631	0.95 0.95
2,969	Industrial Transportation (0.00%) Norfolk Southern	150,694 150,694	1.47 1.47
	Support Services (1.58%)	—	—
	Beverages (1.57%)	—	—
7,219	Tobacco (1.42%) Reynolds American	211,466 211,466	2.07 2.07
	Health Care Equipments & Services (2.01%)	—	—
14,546	Pharmaceuticals & Biotechnology (3.19%) Pfizer	276,273 276,273	2.70 2.70

River and Mercantile

Global High Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Media (1.19%)	397,159	3.88
5,933	Time Warner	225,176	2.20
2,720	Time Warner Cable	171,983	1.68
	Banks (3.34%)	339,653	3.32
9,605	Fifth Third Bancorp	103,106	1.01
40,540	First Niagara Financial	236,547	2.31
	Real Estate Investment & Services (1.26%)	—	—
	Financial Services (1.64%)	168,017	1.64
3,783	American Express	168,017	1.64
	Software & Computer Services (2.54%)	171,813	1.68
9,122	Microsoft	171,813	1.68
	Technology Hardware & Equipment (3.15%)	216,395	2.11
15,052	Intel	216,395	2.11
	SOUTH AMERICA (5.09%)	282,144	2.76
	BRAZIL (4.07%)	86,796	0.85
	Industrial Transportation (0.99%)	—	—
	General Retailers (1.10%)	—	—
	Electricity (1.18%)	86,796	0.85
13,600	AES Tiete pref.	86,796	0.85
	Real Estate Investment & Services (0.80%)	—	—
	MEXICO (0.00%)	195,348	1.91
	Real Estate Investment Trusts (0.00%)	195,348	1.91
89,819	Fibra Uno	195,348	1.91
	PERU (1.02%)	—	—
	Construction & Materials (1.02%)	—	—
	CONTINENTAL EUROPE (24.62%)	3,049,823	29.78
	BELGIUM (1.16%)	191,883	1.87
	Beverages (1.16%)	191,883	1.87
2,938	Anheuser-Busch InBev	191,883	1.87
	CZECH REPUBLIC (1.42%)	—	—
	Electricity (1.42%)	—	—
	FRANCE (3.61%)	646,275	6.31
	Oil & Gas Producers (1.37%)	134,365	1.31
4,254	Total	134,365	1.31

River and Mercantile Global High Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Pharmaceuticals & Biotechnology (2.24%)	245,089	2.39
3,657	Sanofi	245,089	2.39
	Media (0.00%)	110,088	1.08
4,745	Eutelsat Communications	110,088	1.08
	Travel & Leisure (0.00%)	156,733	1.53
6,839	Accor	156,733	1.53
	GERMANY (1.96%)	349,928	3.42
	Personal Goods (0.97%)	—	—
	Media (0.99%)	148,597	1.45
6,323	ProSieben Sat.1 Media pref.	148,597	1.45
	Real Estate Investment & Services (0.00%)	201,331	1.97
7,746	GSW Immobilien	201,331	1.97
	ITALY (2.71%)	245,976	2.40
	Oil & Gas Producers (0.00%)	245,976	2.40
16,602	Eni	245,976	2.40
	Real Estate Investment & Services (1.57%)	—	—
	Financial Services (1.14%)	—	—
	LUXEMBOURG (1.15%)	38,501	0.38
	Mobile Telecommunications (0.51%)	38,501	0.38
731	Millicom International Cellular	38,501	0.38
	Real Estate Investment & Services (0.64%)	—	—
	NETHERLANDS (0.00%)	138,246	1.35
	Oil & Gas Producers (0.00%)	138,246	1.35
6,495	Royal Dutch Shell 'A'	138,246	1.35
	NORWAY (2.69%)	—	—
	Banks (2.02%)	—	—
	Financial Services (0.67%)	—	—
	RUSSIA (0.00%)	205,389	2.00
	Chemicals (0.00%)	76,087	0.74
152,207	Nizhnekamskneftekh pref.	76,087	0.74
	Banks (0.00%)	129,302	1.26
15,351	Sberbank of Russia Sponsored ADR	129,302	1.26
	SPAIN (3.49%)	218,240	2.13
	Support Services (2.07%)	218,240	2.13
12,254	Amadeus IT	218,240	2.13

River and Mercantile Global High Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Health Care Equipment & Services (1.42%)	—	—
	SWEDEN (1.07%)	188,931	1.84
	Mobile Telecommunications (1.07%)	188,931	1.84
16,449	Tele2	188,931	1.84
	SWITZERLAND (5.36%)	826,454	8.08
	Oil Equipment, Services & Distribution (1.89%)	—	—
	Electronic & Electrical Equipment (3.47%)	—	—
	Industrial Engineering (0.00%)	160,339	1.57
10,768	ABB (Regd.)	160,339	1.57
	Food Producers (0.00%)	318,268	3.11
6,666	Nestlé (Regd.)	318,268	3.11
	Pharmaceuticals & Biotechnology (0.00%)	206,421	2.02
1,343	Roche	206,421	2.02
	Fixed Line Telecommunications (0.00%)	141,426	1.38
463	Swisscom	141,426	1.38
	ASIA (29.13%)	3,064,889	29.93
	HONG KONG (1.07%)	101,136	0.99
	Mobile Telecommunications (1.07%)	—	—
	Travel & Leisure (0.00%)	101,136	0.99
95,090	Mandarin Oriental International	101,136	0.99
	JAPAN (10.55%)	1,480,426	14.46
	Chemicals (0.00%)	122,383	1.19
2,800	Shin-Etsu Chemical	122,383	1.19
	Forestry & Paper (0.55%)	—	—
	Construction & Materials (0.00%)	146,059	1.43
2,600	Daito Trust Construction	146,059	1.43
	General Industrials (1.75%)	—	—
	Electronic & Electrical Equipment (0.00%)	147,095	1.44
3,000	Murata Manufacturing	147,095	1.44
	Automobiles & Parts (1.33%)	—	—
	Pharmaceuticals & Biotechnology (0.00%)	209,483	2.05
15,400	Shionogi	209,483	2.05
	Food & Drug Retailers (2.13%)	191,518	1.87
6,300	FamilyMart	191,518	1.87

River and Mercantile Global High Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Fixed Line Telecommunications (1.56%)	—	—
3,940	Mobile Telecommunications (0.00%) KDDI	106,390 106,390	1.04 1.04
62,000	Gas, Water & Multiutilities (1.03%) Tokyo Gas	222,786 222,786	2.17 2.17
6,200	Banks (0.00%) Sumitomo Mitsui Financial	163,941 163,941	1.60 1.60
53	Real Estate Investment Trusts (1.17%) Kenedix Realty Investment	170,771 170,771	1.67 1.67
	Technology Hardware & Equipment (1.03%)	—	—
	MALAYSIA (2.24%)	—	—
	Fixed Line Telecommunications (2.24%)	—	—
	PHILIPPINES (3.22%)	312,887	3.06
	Food & Drug Retailers (1.44%)	—	—
4,400	Mobile Telecommunications (0.00%) Philippine Long Distance Telephone	210,741 210,741	2.06 2.06
34,779	Banks (1.78%) Security Bank	102,146 102,146	1.00 1.00
	SINGAPORE (5.26%)	526,352	5.14
	Aerospace & Defence (1.43%)	—	—
43,000	Industrial Transportation (1.95%) SIA Engineering	264,375 108,196	2.58 1.06
279,000	Hutchison Port Holdings Trust	156,179	1.52
122,000	Real Estate Investment Trusts (1.88%) CapitaCommercial Trust (Accumulation Units)	261,977 102,649	2.56 1.00
249,080	Mapletree Logistics Trust	159,328	1.56
	SOUTH KOREA (3.03%)	188,236	1.84
	Leisure Goods (1.21%)	—	—
4,157	Tobacco (1.82%) KT&G	188,236 188,236	1.84 1.84
	TAIWAN (1.77%)	—	—
	Industrial Transportation (1.77%)	—	—
	THAILAND (1.99%)	455,852	4.44
118,200	Industrial Transportation (0.00%) Bangkok Expressway	105,660 105,660	1.03 1.03

River and Mercantile Global High Income Fund

Portfolio Statement continued

Holding	Investment	Market Value £	% of Net Assets
	Banks (1.99%)	273,923	2.67
25,200	Kasikornbank	117,307	1.14
101,300	Kiatnakin Bank	156,616	1.53
	Technology Hardware & Equipment (0.00%)	76,269	0.74
42,000	Shin	76,269	0.74
	PACIFIC BASIN (4.95%)	727,988	7.11
	AUSTRALIA (2.48%)	383,193	3.74
	Industrial Transportation (0.00%)	155,821	1.52
56,316	Aurizon Holdings	155,821	1.52
	Beverages (1.06%)	—	—
	Health Care Equipment & Services (1.42%)	227,372	2.22
20,698	Ansell	227,372	2.22
	NEW ZEALAND (2.47%)	344,795	3.37
	Construction & Materials (1.47%)	143,214	1.40
30,811	Fletcher Building	143,214	1.40
	Automobiles & Parts (1.00%)	—	—
	Fixed Line Telecommunications (0.00%)	201,581	1.97
157,103	Telecom Corporation of New Zealand	201,581	1.97
	FORWARD CURRENCY CONTRACTS (0.00%)	3,819	0.04
€(262,096)**	Sold Euro	1,621	0.02
\$339,158**	For US Dollar (Expiry 31/05/2013)		
¥(48,818,196)*	Sold Japanese Yen	2,198	0.02
\$522,726*	For US Dollar (Expiry 17/05/2013)		
Portfolio of investments		10,348,587	101.06
Net other assets		(108,109)	(1.06)
Net assets		10,240,478	100.00

All investments are ordinary shares unless otherwise stated.

The percentages in brackets show the equivalent percentage of net assets at 31 March 2012.

Total purchases for the year: £8,687,161.

Total sales for the year: £11,618,731.

*Goldman Sachs are the counterparties for these forward currency contracts detailed above.

**UBS are the counterparties for these forward currency contracts detailed above.

River and Mercantile Global High Income Fund

Statement of Total Return for the year ended 31 March 2013

	Notes	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
		£	£	£	£
Income					
Net capital gains/(losses)	2		1,680,583		(1,037,407)
Revenue	3	480,958		557,261	
Expenses	4	(121,377)		(133,014)	
Finance costs: Interest	6	(81)		(71)	
Net revenue before taxation for the year		359,500		424,176	
Taxation	5	(45,848)		(34,663)	
Net revenue after taxation for the year			313,652		389,513
Total return before distributions			1,994,235		(647,894)
Finance costs: Distributions	6		(433,553)		(518,480)
Change in net assets attributable to Shareholders from investment activities			1,560,682		(1,166,374)

Statement of Change in Net Assets attributable to Shareholders for the year ended 31 March 2013

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Opening net assets attributable to Shareholders		11,522,802		11,630,477
Amounts received on creation of shares	239,189		3,190,834	
Amounts paid on cancellation of shares	(3,082,105)		(2,130,400)	
		(2,842,916)		1,060,434
Stamp Duty Reserve Tax		(90)		(1,735)
Change in net assets attributable to Shareholders from investment activities		1,560,682		(1,166,374)
Closing net assets attributable to Shareholders		10,240,478		11,522,802

River and Mercantile Global High Income Fund

Balance Sheet as at 31 March 2013

	Notes	31 March 2013		to 31 March 2012	
		£	£	£	£
ASSETS					
Investment assets			10,348,587		11,642,026
Debtors	7	180,307		1,209,350	
Cash and bank balances	8	37,077		965,092	
Total other assets			217,384		2,174,442
Total assets			10,565,971		13,816,468
LIABILITIES					
Investment liabilities			—		—
Creditors	9	(132,746)		(1,194,600)	
Bank overdrafts	8	—		(836,572)	
Distribution payable on distribution shares		(192,747)		(262,494)	
Total other liabilities			(325,493)		(2,293,666)
Total liabilities			(325,493)		(2,293,666)
Net assets attributable to Shareholders			10,240,478		11,522,802

River and Mercantile Global High Income Fund

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the sub-fund are the same as those disclosed in the aggregated financial statements.

2 Net capital gains/(losses)

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
The net capital gains/(losses) on investments during the year comprise:		
Currency gains/(losses)	10,473	(6,639)
Forward currency contracts	50,229	—
Non-derivative securities	1,633,834	(1,014,668)
Transaction charges	(13,953)	(16,100)
Net capital gains/(losses)	<u>1,680,583</u>	<u>(1,037,407)</u>

3 Revenue

	1 April 2012 to 31 March 2013	1 April 2011 to 31 March 2012
	£	£
Bank interest	13	11
Franked UK dividends	64,655	44,112
Non-taxable overseas dividends	387,158	483,945
Taxable overseas dividends	<u>29,132</u>	<u>29,193</u>
	<u>480,958</u>	<u>557,261</u>

River and Mercantile Global High Income Fund

Notes to the Financial Statements continued

4 Expenses

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Payable to the ACD, associates of the ACD and agents of either of them: ACD's periodic charge	<u>84,625</u>	<u>97,231</u>
Payable to the Depositary, associates of the Depositary and agents of either of them: Depositary's fees	5,995	5,993
Safe custody fees	<u>2,332</u>	<u>10,307</u>
	<u>8,327</u>	<u>16,300</u>
Other expenses:		
ADR issuance fees	5	148
Audit fee*	6,085	4,656
FCA fee**	362	367
Fund Accounting fees	18,504	8,750
Insurance fee	238	312
KIID publication fee	865	367
Legal fees	117	501
Printing costs	275	343
Registration fees	596	571
Transfer Agency fees	<u>1,378</u>	<u>3,468</u>
	<u>28,425</u>	<u>19,483</u>
Total expenses	<u>121,377</u>	<u>133,014</u>

*The audit fee is inclusive of VAT.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

River and Mercantile Global High Income Fund

Notes to the Financial Statements continued

5 Taxation

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
a) Analysis of taxation charge in the year		
Overseas tax	45,848	34,663
Current tax (note 5b)	45,848	34,663
Deferred tax (note 5c)	—	—
Total taxation	45,848	34,663
b) Factors affecting taxation charge for the year		
Net revenue before taxation for the year	359,500	424,176
Return on ordinary activities before taxation at the applicable rate of Corporation tax in the UK of 20% (2012: 20%)	71,900	84,835
Effects of:		
Expenses not deductible for tax purposes	24	—
Movement in taxation losses	19,107	21,240
Movement in taxable revenue accruals	—	(84)
Overseas tax	45,848	34,663
Relief for overseas tax treated as expense	(669)	(380)
Revenue not subject to taxation	(90,362)	(105,611)
Current tax	45,848	34,663

Open Ended Investment Companies are not liable to Corporation tax on capital gains arising on the disposal of investments or revaluation of the sub-fund's portfolio. Therefore, any capital return is not included in the above reconciliation.

c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

At the year end there is a potential deferred tax asset of £50,494 (£31,427 as at 31 March 2012) due to surplus management expenses. It is unlikely the sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (same as at 31 March 2012).

River and Mercantile Global High Income Fund

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and deducted on the cancellation of shares, and comprise:

	1 April 2012 to 31 March 2013 £	1 April 2011 to 31 March 2012 £
Interim dividend distribution:		
A-Class Distribution shares	6,482	23,981
B-Class Distribution shares	203,255	248,955
Final dividend distribution:		
A-Class Distribution shares	7,988	14,003
B-Class Distribution shares	184,759	248,491
	<u>402,484</u>	<u>535,430</u>
Add: revenue deducted on cancellation of shares	33,779	57,361
Deduct: revenue received on creation of shares	<u>(2,710)</u>	<u>(74,311)</u>
Distributions for the year	<u>433,553</u>	<u>518,480</u>
Interest		
Bank overdraft interest	<u>81</u>	<u>71</u>
Total finance costs	<u>433,634</u>	<u>518,551</u>
Reconciliation between net revenue after taxation for the year and the distributions:		
Net revenue after taxation for the year	313,652	389,513
Expenses offset to capital	121,371	132,866
Less: Taxation transferred to capital	(1,470)	(3,897)
Movement in undistributed revenue	<u>—</u>	<u>(2)</u>
Distributions for the year	<u>433,553</u>	<u>518,480</u>

River and Mercantile Global High Income Fund

Notes to the Financial Statements continued

7 Debtors	31 March 2013	31 March 2012
	£	£
Accrued revenue	68,994	31,219
Amounts receivable for creation of shares	31,945	—
Prepaid expenses	428	—
Receivable for FX contracts	—	658,470
Recoverable overseas tax	17,129	11,082
Sales awaiting settlement	61,811	508,579
	<u>180,307</u>	<u>1,209,350</u>
8 Net uninvested cash	31 March 2013	31 March 2012
	£	£
Bank overdrafts	—	(836,572)
Cash and bank balances	37,077	965,092
Net uninvested cash	<u>37,077</u>	<u>128,520</u>
9 Creditors	31 March 2013	31 March 2012
	£	£
Accrued expenses	20,463	17,849
Amounts payable for cancellation of shares	19,174	—
Payable for FX contracts	—	660,568
Purchases awaiting settlement	93,109	516,183
	<u>132,746</u>	<u>1,194,600</u>

10 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

11 Related party transactions

River and Mercantile Asset Management LLP, as authorised corporate director (ACD), is a related party, and acts as principal in respect of all the transactions of shares in the company. The aggregate monies received through the creation and cancellation of shares are disclosed in the Statement of Change in Net Assets attributable to Shareholders. The amounts outstanding at the year end are disclosed in notes 7 and 9 as amounts receivable on creation of shares and amounts payable on cancellation of shares respectively.

As at 31 March 2013, River and Mercantile Asset Management LLP held 0.37% of the shares in issue (0.28% as at 31 March 2012).

Amounts paid to River and Mercantile Asset Management LLP in respect of the ACD's, associates and agents periodic fees are disclosed in note 4. The balance outstanding as at the year end was £7,377 (£7,180 as at 31 March 2012).

River and Mercantile Global High Income Fund

Notes to the Financial Statements continued

12 Financial instruments

The main risks, and the ACD's policy for managing these risks, are stated within the aggregated financial statements.

Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. The risk may be managed by the utilisation of forward currency contracts as necessary.

The currency profile for the sub-fund's net assets at the balance sheet date was:

31 March 2013 Currency	Net foreign currency assets/(liabilities)		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Australian Dollar	2	526	528
Brazilian Real	3	87	90
Canadian Dollar	2	174	176
Euro	(216)	1,652	1,436
Japanese Yen	(294)	1,480	1,186
Mexican Peso	18	195	213
New Zealand Dollar	10	202	212
Philippine Peso	18	313	331
Singapore Dollar	–	370	370
South Korean Won	–	188	188
Swedish Krona	(89)	227	138
Swiss Franc	3	826	829
Thai Baht	–	456	456
US Dollar	603	2,754	3,357

River and Mercantile

Global High Income Fund

Notes to the Financial Statements continued

12 Financial instruments continued

Foreign currency risk continued

31 March 2012 Currency	Net foreign currency assets/(liabilities)		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Australian Dollar	5	455	460
Brazilian Real	91	469	560
Canadian Dollar	–	148	148
Danish Krone	–	164	164
Euro	4	1,514	1,518
Hong Kong Dollar	1	124	125
Japanese Yen	12	1,216	1,228
Malaysian Ringgit	–	258	258
New Zealand Dollar	4	–	4
Norwegian Krone	6	310	316
Philippine Peso	–	371	371
Singapore Dollar	–	381	381
South Korean Won	–	209	209
Swedish Krona	–	182	182
Swiss Francs	2	202	204
Thai Baht	(27)	433	406
US Dollar	45	4,084	4,129

Derivative risk

At the balance sheet date, no derivatives other than forward currency contracts were held that could impact the sub-fund in a significant way (2012: same).

13 Portfolio transaction costs

	1 April 2012 to 31 March 2013		1 April 2011 to 31 March 2012	
	£	£	£	£
Analysis of total purchase costs:				
Purchases before transaction costs		8,668,963		17,918,219
Commissions	15,224		31,355	
Taxes	2,974		7,602	
Total purchase costs		18,198		38,957
Gross purchases total		8,687,161		17,957,176
Analysis of total sale costs:				
Sales before transaction costs		11,641,516		16,616,671
Commissions	(19,209)		(27,875)	
Fees	(3,576)		(2,134)	
Total sale costs		(22,785)		(30,009)
Total sales net of transaction costs		11,618,731		16,586,662

River and Mercantile Global High Income Fund

Distribution tables for the year ended 31 March 2013

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. As capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

Interim dividend distribution in pence per share		Period 01/04/2012 — 30/09/2012		
	Net Revenue	Equalisation	Distribution paid 30/11/12	Distribution paid 30/11/11
A-Class Distribution shares				
Group 1	1.9353	—	1.9353	2.2000
Group 2	0.8490	1.0863	1.9353	2.2000
B-Class Distribution shares				
Group 1	4.9073	—	4.9073	5.5460
Group 2	2.0637	2.8436	4.9073	5.5460

Final dividend distribution in pence per share		Period 01/10/2012 — 31/03/2013		
	Net Revenue	Equalisation	Distribution payable 31/05/13	Distribution paid 31/05/12
A-Class Distribution shares				
Group 1	2.1263	—	2.1263	2.2608
Group 2	0.6037	1.5226	2.1263	2.2608
B-Class Distribution shares				
Group 1	5.4245	—	5.4245	5.6741
Group 2	3.2333	2.1912	5.4245	5.6741

River and Mercantile Global High Income Fund

Fund Facts

Performance records

Net asset values

	Net asset value of sub-fund £	Net asset value per share p	Shares in issue
31 March 2011			
A-Class Distribution shares	1,259,866	108.35	1,162,729
B-Class Distribution shares	10,370,611	272.78	3,801,811
31 March 2012			
A-Class Distribution shares	608,368	98.22	619,393
B-Class Distribution shares	10,914,434	249.22	4,379,396
31 March 2013			
A-Class Distribution shares	423,717	112.79	375,673
B-Class Distribution shares	9,816,761	288.22	3,405,997

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2010 ⁽¹⁾	109.05p	90.79p	1.4000p
2011	110.73p	86.28p	4.0228p
2012	103.21p	91.54p	4.1961p
2013 ⁽²⁾	115.94p	100.76p	2.1263p
B-Class Distribution shares			
2010 ⁽¹⁾	274.00p	227.28p	3.5000p
2011	278.76p	218.08p	10.1477p
2012	261.74p	232.45p	10.5814p
2013 ⁽²⁾	296.17p	257.02p	5.4245p

⁽¹⁾ From 27 April 2010.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2013. This table also shows net revenue payable on 31 May 2013.

The value of investments and any revenue 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 necessarily a guide to future performance.

Changes in exchange rates may have an adverse effect on the value, price or income of investments.

River and Mercantile Global High Income Fund

Fund Facts continued

Total Expense Ratios

	31 March 2013	31 March 2012
A-Class Distribution shares	1.96%	1.81%
B-Class Distribution shares	1.22%	1.05%

The Total Expense Ratio is the ratio of the sub-fund's operating costs (excluding overdraft interest) to the average net assets of the sub-fund.

Ongoing Charge Figures

	31 March 2013
A-Class Distribution shares	1.96%
B-Class Distribution shares	1.22%

As the sub-fund is part of a UCITS compliant scheme and following the introduction of UCITS IV bringing the requirement for KIID publication, the ongoing charge figure (OCF) now replaces the existing TER disclosure requirement. The OCF has been calculated in accordance with the COLL sourcebook and is designed to be indicative of future costs to investors, as such there will be no comparative figure.

Synthetic Risk Return Indicator (SRRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards

Typically Higher Rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The Synthetic Risk & Reward Indicator 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.

The shaded area in the Indicator shows the sub-fund's ranking on the Synthetic Risk & Reward Indicator. The Indicator uses a standard calculation method that is used by all EU companies who offer such funds to allow you to compare funds. Historical data is used to calculate the ranking and this may not be a reliable indication for the future ranking and might change.

The sub-fund may not achieve its investment objective and/or you could lose money on your investment in the sub-fund. The following risks are materially relevant to the sub-fund but may not be adequately captured by the Risk and Reward Indicator, and may cause additional loss:

- Liquidity risk: securities in the sub-fund may be sold below their valuation due to insufficient liquidity in the market.
- Foreign exchange risk: the sub-fund invests in international securities which are denominated in foreign currencies whose fluctuations may increase the funds volatility and losses.
- Emerging market risk: the sub-fund may invest in emerging markets which may be more volatile than developed markets and be more susceptible to unforeseen events such as devaluations, political instability, etc.
- Contagion risk: the sub-funds are not "ring-fenced" and hence in the event of the ICVC not being able to meet the liabilities of one sub-fund, these may be met by the assets of the other sub-funds.
- Capital risk: the charges and expenses of this sub-fund are paid for out of the capital of the sub-fund which may constrain capital growth.

Authorised Corporate Director's (ACD) Responsibilities

Statement of the Authorised Corporate Director's responsibilities in respect of the financial statements of the company.

The Open-Ended Investment Company regulations 2001 and the Collective Investment Schemes sourcebook (COLL), as issued (and amended) by the Financial Conduct Authority (FCA**), require the Authorised Corporate Director (ACD) to prepare the financial statements for each financial year which give a true and fair view of the financial position of the Company and of each sub-fund, and its the net revenue and the net capital gains or losses of the Company and each sub-fund for the period. In preparing the financial statements, the ACD is required to:

- Comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010, the Instrument of Incorporation, United Kingdom Generally Accepted Accounting Principles (UK GAAP) and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- Keep proper accounting records, which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation, for the foreseeable future.

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities.

**With effect from 1 April 2013 the Financial Services Authority (FSA) ceased to exist and was replaced by the Financial Conduct Authority (FCA).

Statement of Depositary's Responsibilities in respect of the ICVC

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Schemes sourcebook ("COLL"), the Open-Ended Investment Companies Regulations 2001 ("SI 2001/1228"), as amended ("the OEIC Regulations") and its Instrument of Incorporation and the prospectus in relation to the pricing of, and dealings in, shares in the Company, the application of income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Report of the Depositary to the Shareholders of River and Mercantile Funds ICVC

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Company, it is our opinion that based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- i) has carried out the issue, sale, redemption, cancellation and calculation of the price of the Company's shares, and the application of the Company's income in accordance with the COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and prospectus of the Company; and
- ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

16 May 2013

BNY Mellon Trust & Depositary Services (UK) Limited

Independent Auditors' report to the Shareholders of River and Mercantile Funds ICVC ("the Company")

We have audited the financial statements of River and Mercantile Funds ICVC (the "Company") for the year ended 31 March 2013 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Director and Auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 31 March 2013 and of the net revenue/(expenses) and the net capital gains/(losses) of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

Other Information

Subscription and redemption applications for shares issued by the sub-funds should be received by 11 a.m. to ensure inclusion in the following 12 noon valuation point.

With effect from 31 March 2011 the ACD at its discretion may apply the Tax Elected Fund (TEF) rules as reflected in the Principal Prospectus.

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Directory

The Open-Ended Investment Company	River and Mercantile Funds ICVC 30 Coleman Street London EC2R 5AL (authorised and regulated by the Financial Conduct Authority)
Registered in England	The Company is incorporated in England and Wales with registered number IC000489.
The Authorised Corporate Director (ACD)	River and Mercantile Asset Management LLP 30 Coleman Street London EC2R 5AL (authorised and regulated by the Financial Conduct Authority) Registered and Head Office of the Company 30 Coleman Street London EC2R 5AL
Depository	BNY Mellon Trust & Depositary (UK) Limited The Bank of New York Mellon Centre, 160 Queen Victoria Street London EC4V 4LA (authorised and regulated by the Financial Conduct Authority)
Administrator and Registrar	The Bank of New York Mellon (International) Limited BNY Mellon House Ingrave Road Brentwood Essex CM15 8TG (authorised and regulated by the Financial Conduct Authority)
The Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT