30 JUNE 2021

ES River and Mercantile UK RECOVERY FUND

CLASS B GBP (Income)

RIVER AND MERCANTILE

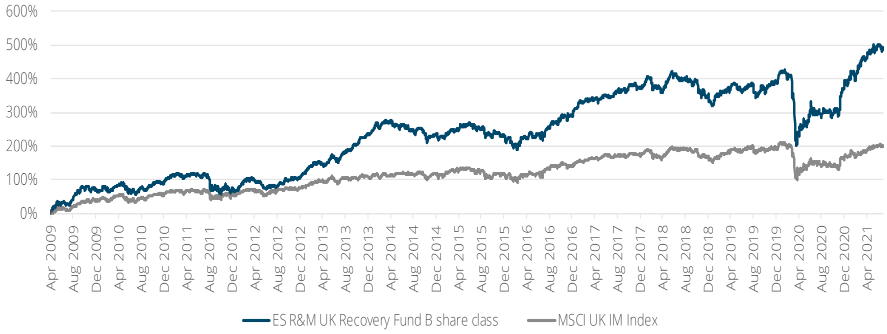
PAST PERFORMANCE

The chart and tables below show the performance of the fund's GBP B (Inc) share class since the launch of the share class on 1 April 2009.

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

Past performance is not a reliable guide to future results.

PERFORMANCE SINCE INCEPTION



CUMULATIVE PERFORMANCE

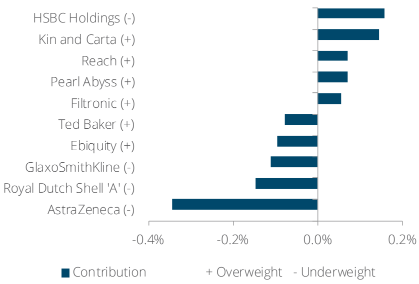
	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	10 years %	Since inception %
B share class (Inc)	-1.9	3.8	46.5	16.2	76.5	172.6	483.6
MSCI UK IM Index	0.0	5.5	20.2	3.0	32.3	77.9	199.5

DISCRETE 12 MONTH PERFORMANCE

	12 months to 30/06/2017	12 months to 30/06/2018	12 months to 30/06/2019	12 months to 30/06/2020	12 months to 30/06/2021
B share class (Inc)	35.2%	12.3%	-5.9%	-15.7%	46.5%
MSCI UK IM index	17.5%	9.2%	0.5%	-14.7%	20.2%

TOP 5 PERFORMANCE CONTRIBUTORS & DETRACTORS

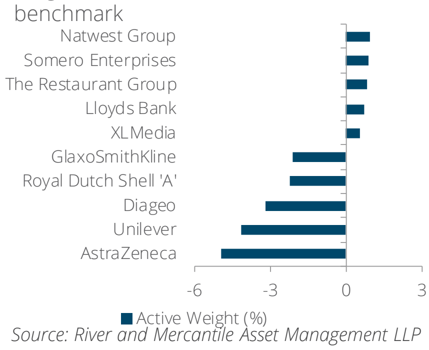
The best and worst contributors to the portfolio's performance relative to the benchmark



Source: River and Mercantile Asset Management LLP

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

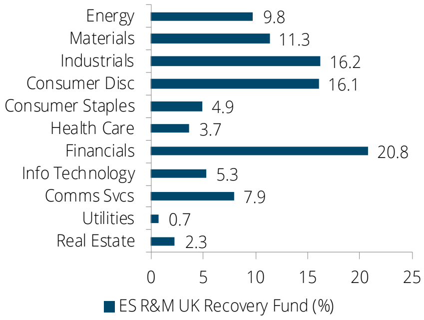
The securities in which the portfolio weight differs most from that of the benchmark



Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

The ten largest positions by weight held in the portfolio.

	Weight (%)
Royal Dutch Shell 'B'	2.9
BP	2.6
Lloyds Bank	2.2
HSBC Holdings	2.1
Anglo American	2.1
Prudential	2.0
Barclays	1.8
Rio Tinto	1.5
Natwest Group	1.4
BHP	1.4

Source: River and Mercantile Asset Management LLP

INVESTMENT OBJECTIVE

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

PORTFOLIO MANAGER

Hugh Sergeant

PORTFOLIO & RISK CHARACTERISTICS

Number of holdings	301
Fund volatility	16.3%
Benchmark volatility	14.1%
Beta	1.11
Active money	62.2%

KEY FACTS

Fund launch date	17/07/2008
Share class launch date	01/04/2009
Benchmark	MSCI UK Investable Markets index
IA sector	UK All Companies
Total fund size	£216.8m
Domicile	UK
Fund type	UK UCITS
SEDOL	B614J05
ISIN	GB00B614J053
Bloomberg	RMUKEBB
Distribution type	Income

FEES & CHARGES

Initial charge	Up to 5.25%
AMC	1.00%
Ongoing charge (including AMC)	1.17%

DEALING INFORMATION

Dealing frequency	Daily
Dealing cut-off time	12pm (UK)
Valuation point	12pm (UK)
Settlement	T+4
Minimum investment	£1000

SYNTHETIC RISK & REWARD INDICATOR (SRRI)

1	2	3	4	5	**6**	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

CONTACT DETAILS

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MARKET CAPITALISATION

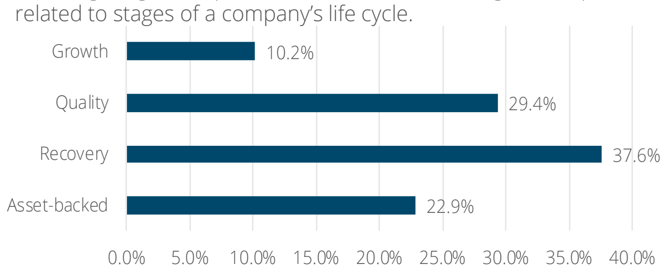
Comparison of portfolio and benchmark weightings across a range of sizes based on company value.

		Fund	Benchmark	Active
Mega Cap	£20bn +	29.7%	58.2%	-28.6%
Large Cap	£4bn - £20bn	16.5%	26.8%	-10.3%
Mid Cap	£2bn - £4bn	9.2%	7.6%	1.6%
Small Cap	£100m - £2bn	38.0%	7.3%	30.7%
Micro Cap	£0m - £100m	5.5%	0.0%	5.5%

Source: River and Mercantile Asset Management LLP

CATEGORIES OF POTENTIAL

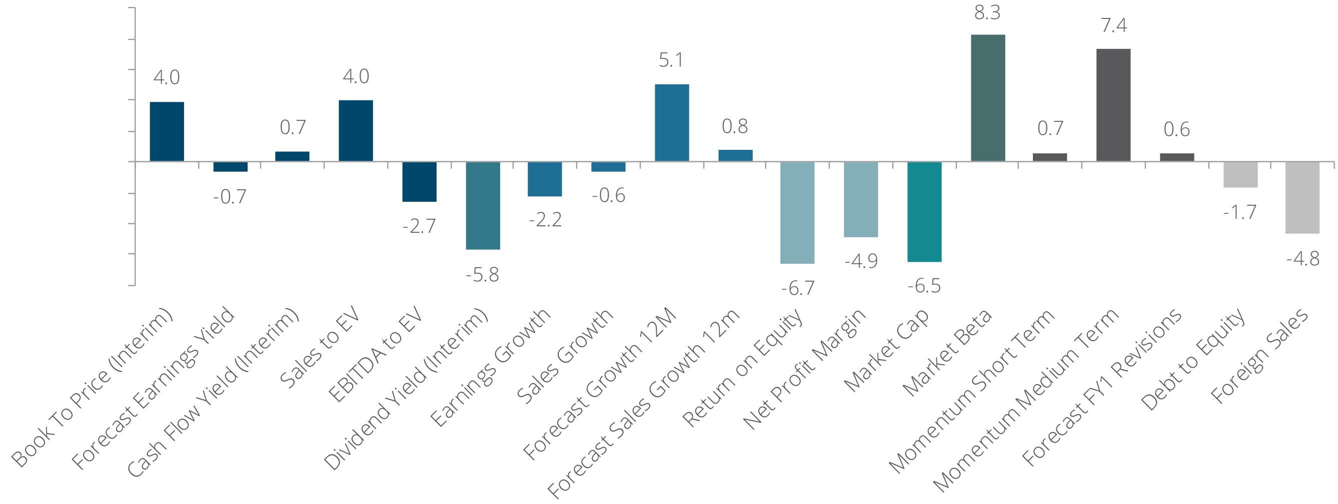
The weighting of the portfolio across the four categories of potential, related to stages of a company's life cycle.



Source: River and Mercantile Asset Management LLP

PORTFOLIO STYLE SKYLINE

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



Source: StyleAnalytics

FUND RATINGS

OTHER INFORMATION

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

This fund was renamed on 1 July 2018. It was previously known as the R&M UK Equity Long Term Recovery Fund.

MANAGER'S REVIEW

Investment background

Global equity markets continued to grind higher in June (MSCI ACWI +1.3% total return in USD). However, within positive equity markets there was quite significant rotation, as an apparently more hawkish Federal Reserve (Fed) catalysed a fall in US treasury yields, curve flattening and an aggressive move away from inflation hedges and value equities. UK equities, with their tilt to value, lagged other equity markets (MSCI UK IMI +0.0%). US equities, with their tilt to Growth led the way; Nasdaq was particularly strong. Commodities prices were generally weaker, though not oil as this market continued to see robust demand and constrained supply (Brent oil +8.4%, copper -8.1%, gold -7.2%). The US dollar rallied, supported by the Fed bringing forward the likely timing of it's first interest rate hike.

Strategy update

Performance

The fund returned -1.9%[1] in June versus 0.0% by its comparator benchmark, the MSCI United Kingdom Investable Markets Index[2].

The value factor was weak, as bond yields fell in response to what was seen as more hawkish Fed policy. In addition, a peaking in short term economic indicators and a surge in the Delta variant of Covid encouraged investors to step back from reflation and recovery plays and to return to the favoured deflation plays of the post Global Financial Crisis era. Positive contributors included several small cap recovery stocks, notably Reach, Kin and Carta and Pearl Abyss, and an underweight position in HSBC which underperformed against a background of falling interest rates. Negative contributors focused on underweight positions in Growth and Quality stocks (AstraZeneca, RELX) as they benefitted from rotation, and weakness in some of our re-opening plays (IAG).

Activity

We see the current aggressive pull back in many of our key exposures as a significant opportunity and have been adding to namely Value (adding to banks such as Lloyds and Secure Trust, and insurance stocks such as Old Mutual), Recovery (Staffline, Rolls Royce, Capital & Counties, Ocean Wilsons), re-opening beneficiaries (IAG, Restaurant Group, On the Beach), domestic facing stocks (buying back housebuilders on weakness, such as Berkeley Group, adding to Travis Perkins and Wickes), reflation plays (continuing to re-build the position in commodity related stocks, notably Antofagasta, Anglo American and Centamin), and out-of-favour Growth and Quality stocks (Prudential, Ping An).

We purchased a number of de-rated consumer staples and pharma stocks earlier in the year; these have rallied pretty aggressively and we now see these (AstraZeneca, Unilever) as a source of cash as we add capital to the themes and stocks described above. M&A activity continues to benefit the portfolio and has acted as a catalyst for capital realisations.

Outlook

After a difficult recent period (including early July), Value has retraced much of its outperformance since the middle of last year. Linked with this many recovery stocks, especially those that are geared to re-opening of economies or higher interest rates, have re-traced a substantial part of their one-year rally. Earlier this year there was a short period of over-enthusiasm for the 'inflation trade' and this led to some Value and Recovery stocks becoming over-bought. With the short term rally in global bond markets this has now more than unwound with Value and Recovery stocks trading close to the relative lows they reached a year ago and the market returning to its default playbook of deflation, low bond yields, growth and quality stocks and the safety of US growth equities rather than UK value stocks. Once more, Value investors are being tested and once more, we need to stick to our approach. From my perspective the relative stock picking opportunity I see today is as great as previous nadirs because starting valuations are modest, but the outlook is positive and more certain. We are closer to the beginning of the economic and profits recovery than the end. Our stocks are highly geared to this recovery cycle and I believe will, as a result, generate strong profits growth over the next few years; the reflationary world of higher nominal GDP growth and interest rates trending upwards has not suddenly gone away.

As you would expect I am sticking to my approach - Value, Recovery and Multi-Cap investing - and continue to commit my own capital to my funds.

Hugh Sergeant
Portfolio Manager
July 2021

[1]*B share class (GBP), mid-day to mid-day pricing.*
[2]*Close-of-business to close-of-business pricing.*