

RIVER AND MERCANTILE
ASSET MANAGEMENT

River and Mercantile Funds ICVC
Short Report for the Year Ended
31 March 2011

Contents

River View	2
UK Equity High Alpha Fund	4
UK Equity Smaller Companies Fund	10
UK Equity Unconstrained Fund	15
UK Equity Fund	20
UK Equity Long Term Recovery Fund	23
UK Equity Income Fund	29
Global Equity Fund	34
Global Opportunities Fund	40
Global High Income Fund	46
Other Information	51

Introduction

The 'green shoots' that I referred to last year have continued to sprout. It appears that the global economic recovery has continued to strengthen in 2011 as policy settings remain highly stimulative in most of the developed world and companies are finally becoming confident enough to invest. They certainly have the firepower to do so, with extremely strong balance sheets, profits and cash flow. There are, as ever, two sides to every trade and whilst the corporate sector is clearly focused on a return to strength, the balance sheets of consumers and Governments continue to look pretty sick.

Markets have continued the recovery with the FTSE All-World Index rising a further 16.7% in 2010 following the 21.2% rise in 2009. Are the markets leading the global economies out of the abyss or are they blind to the ongoing problems besetting much of the developed world? As I discussed last year, both personal and government driven debt remains the major issue and it is only just becoming apparent to some that the medicine has to be forced and unpleasant.

As a business it is encouraging that we are, to a certain extent, masters of our own destiny. We are privately owned, have no debt and continue to grow strongly. As I have emphasised before, we continue to focus on those aspects which we can influence; to deliver on the core plan that we set out in 2006 and ensure that, in spite of prevailing market and economic conditions, we focus on delivering market leading returns for our investors and, for our Partners, a business that is growing strongly and steadily whilst maintaining a focus on our core values.

Current Position

2010 was a year of development for River & Mercantile; a year of strong asset growth, a year where we saw the Global Equity Division build on the very strong foundation established in 2009, and a year when the UK Equity Division consolidated in the face of challenging local conditions. At the time of writing we manage in the region of £1.5 billion on behalf of a growing range of institutional and professional intermediaries through both segregated accounts and the ICVC.

During the period we closed the UK Equity Fund. We took the decision to make this strategy only available to institutional investors on a segregated basis. The objective of having a pooled fund version of this strategy was to ensure that it was available to the broader retail market. Retail investor interest has been more focused on the other strategies within the range, namely UK High Alpha, UK Long Term Recovery and UK Income. The UK Income fund has recently gone through the £50 million barrier and is continuing to see strong demand from across the market. This means that we now manage a total of eight funds in the ICVC with total assets of circa £420 million.

River View continued

The UK Equity Division has continued to thrive and win a growing market share of available mandates. The Global Equities Division has fully established itself in a highly competitive market. We strengthened the Global product suite in April 2010 with the launch of the Global High Income Fund managed by Alex O'Reilly.

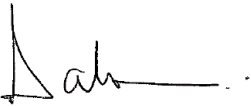
We continue to invest in the Partnership and have made a number of additions to the support team to ensure that we continue to deliver as our business grows and evolves. We must always ensure that service levels are not compromised as growth builds and this is a program that will continue over the coming years. Cost disciplines are always at the forefront of our minds and this should help the business achieve significant operational gearing over the coming years.

Future Plans

I hope this will be another year in which we can deliver 'more of the same'. We must continue to focus on, and invest in, our core business. The development of a further Investment Division will be reviewed during the year and we will examine those opportunities which we believe will develop our business in the measured manner of our first four years.

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. Our clients' continued support is imperative 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

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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 28 November 2006

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution Shares

The distribution payable on 31 May 2011 is 0.2448p net per share for distribution shares.

B-Class Accumulation Shares

The distribution payable on 31 May 2011 is 2.6918p net per share for accumulation shares.

Z-Class Accumulation Shares

The distribution payable on 31 May 2011 is 5.7633p net per share for accumulation shares.

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.64%	1.64%
B-Class Accumulation shares	0.90%	0.90%
Z-Class Accumulation shares	0.14%	0.15%

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.

UK Equity High Alpha Fund

Market Background

It has been a positive year for the UK equity market, following on more modestly from the strong gains witnessed in the previous year as global equity markets continued their recovery from the financial crisis.

However, it was a volatile period for UK equities. The year started negatively with a decline of over 10% in the three months to the end of June, as top-down fears dominated the period and macro-political risk, in the form of the sovereign debt crisis, broadened out to renewed fears of an economic double dip; the UK market also had to contend with sharp falls in the share price of Index heavyweight BP after the tragedy in the Gulf of Mexico.

Over the subsequent six months, the market put on a very strong performance, gaining over 22% as risk appetite returned and the market began to respond in a more balanced fashion to economic news flow. Whilst macro updates seemed to confirm a growth slowdown they did not point to a 'double dip'; this was supportive of an equity market rally, as was a robust company reporting season and increasing levels of mergers & acquisitions ("M&A") activity. The UK market was aided by BP successfully capping its Gulf of Mexico liability. Markets were strong during the final three months of 2010, culminating in a very merry 'Santa Rally' in December, one of the best on record. The aftershocks from the credit crunch continued (in the form of European sovereign debt divergence) but each successive shock has had a more modest impact.

After an early climb, 2011 has presented once again a more mixed picture for UK equities as the combined impact of Middle Eastern unrest (and the consequent impact on the oil price) and uncertainty over the consequences of the Japanese tsunami unsettled the market.

Portfolio Review & Activity

The River and Mercantile UK Equity High Alpha Fund achieved a return of 13.4% for the year to 31 March 2011, compared to the FTSE All-Share Index which returned 8.7%.

The outperformance was driven by good stock picking rather than returns to factors or size, with smaller companies proving particularly beneficial. Smaller technology stocks, Blinkx and IQE, were the stand-out performers over the period, alongside Scott Wilson Group, whose value tripled in the first half of 2010 in response to takeover activity. The Sub-fund also benefited from its zero position in Tesco, which ended the period poorly. Detractors to performance came in the form of UK domestic recovery stock Yell Group, which remained out of favour for most of the year, and companies such as 888 Holdings and CVS, where earnings updates were disappointing. The Sub-fund was also held back by its underweight exposure to the Oil sector when prices peaked in the first quarter of 2011.

UK Equity High Alpha Fund

In addition to the Scott Wilson Group, the portfolio benefited from other M&A activity throughout the year. In the second quarter we started a position in Growth stock Dimension Data, a leading supplier of internet networking equipment and services, only to sell it in the third quarter following a bid from Japanese telecom operator NTT, at a premium to the agreed bid price. We also sold out of oil services company, Wellstream, as they accepted GE's offer at the end of the year.

We purchased Renesola, the solar technology manufacturer, at the beginning of the period. Like a number of our positions in the Technology sector, this company was an attractively priced, growth oriented enterprise with a positive demand outlook. We sold the position in 2011 following further share price strength.

In smaller companies, we increased our holdings of Recovery stocks like Hogg Robinson and Scapa throughout 2010 as company announcements confirmed our PVT theses and the value of these companies started to show strength from depressed levels.

Outlook

The relatively reasoned response of equity markets to events in the Middle East and Japan should actually reassure investors, especially as we suggest that the equity market picture is supportive: corporate profit potential remains intact even with higher input prices; the UK equity valuation is attractive, particularly relative to government bonds; and timing is supported by positive corporate news flow and developing M&A activity. We continue to focus on these factors that underpin the River and Mercantile investment philosophy, namely Potential, Valuation and Timing. We believe these are strong factors and expect them to deliver equally strong returns in the future.

UK Equity High Alpha Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
HSBC Holdings	5.81	HSBC Holdings	6.60
BP	4.45	BP	4.51
GlaxoSmithKline	4.30	Vodafone Group	4.11
Rio Tinto	3.67	GlaxoSmithKline	4.10
Vodafone Group	3.59	Rio Tinto	3.90
Royal Dutch Shell (B)	3.14	Royal Dutch Shell (B)	3.72
Lloyds Banking Group	2.64	Barclays	3.46
Barclays	2.23	Lloyds Banking Group	3.02
Xstrata	1.76	Anglo American	2.91
Anglo American	1.63	AstraZeneca	2.64

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Oil & Gas	12.80	17.73	-4.93
Basic Materials	11.82	13.48	-1.66
Industrials	14.42	7.41	7.01
Consumer Goods	4.49	11.13	-6.64
Health Care	6.26	6.74	-0.48
Consumer Services	13.63	9.30	4.33
Telecommunications	4.90	6.26	-1.36
Utilities	0.80	3.67	-2.87
Financials	24.29	22.55	1.74
Technology	6.20	1.72	4.48

*Source: Style Research.

UK Equity High Alpha Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class Distribution shares	681,936	55.59	1,226,700
B-Class Accumulation shares	9,340	233.50	4,000
Z-Class Accumulation shares	16,891,212	304.68	5,543,919
31 March 2010			
A-Class Distribution shares	990,240	94.48	1,048,061
B-Class Accumulation shares	17,276,655	401.50	4,303,061
Z-Class Accumulation shares	45,149,685	527.77	8,554,795
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

UK Equity High Alpha Fund

Fund Performance continued

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2006 ⁽¹⁾	103.54p	100.00p	–
2007	115.30p	96.63p	0.9123p
2008	99.17p	55.48p	2.1272p
2009	92.63p	50.06p	1.6745p
2010	106.03p	80.64p	0.8265p
2011 ⁽³⁾	110.83p	100.73p	0.2448p
B-Class Accumulation shares			
2008 ⁽²⁾	314.78p	226.97p	–
2009	390.10p	205.46p	8.3810p
2010	455.34p	343.28p	6.7198p
2011 ⁽³⁾	476.41p	433.26p	2.6918p
Z-Class Accumulation shares			
2006 ⁽¹⁾	533.03p	500.00p	–
2007	580.36p	495.08p	11.0588p
2008	508.39p	295.35p	17.5332p
2009	511.09p	267.99p	14.2170p
2010	601.91p	452.10p	12.5944p
2011 ⁽³⁾	630.40p	573.60p	5.7633p

⁽¹⁾ From 28 November 2006.

⁽²⁾ From 21 November 2008.

⁽³⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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.

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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 30 November 2006

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

A shortfall for the Sub-fund arose because expenses exceeded the revenue of the Sub-fund. This being the case there is no distribution payable on 31 May 2011.

Z-Class Accumulation shares

The distribution payable on 31 May 2011 is 4.4138p net per share for accumulation shares.

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.65%	1.65%
Z-Class Accumulation shares	0.15%	0.14%

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.

UK Equity Smaller Companies Fund

Market Background

It has been a positive year for the UK equity market, following on more modestly from the strong gains witnessed in the previous year as global equity markets continued their recovery from the financial crisis.

However, it was a volatile period for UK equities. The year started negatively with a decline of over 10% in the three months to the end of June 2010, as top-down fears dominated the period and macro-political risk, in the form of the sovereign debt crisis, broadened out to renewed fears of an economic double dip; the UK market also had to contend with sharp falls in the share price of Index heavyweight BP after the tragedy in the Gulf of Mexico.

Over the subsequent six months, the market put on a very strong performance, gaining over 22% as risk appetite returned and the market began to respond in a more balanced fashion to economic news flow. Whilst macro updates seemed to confirm a growth slowdown they did not point to a 'double dip'; this was supportive of an equity market rally, as was a robust company reporting season and increasing levels of mergers & acquisitions ("M&A") activity. The UK market was aided by BP successfully capping its Gulf of Mexico liability. Markets were strong during the final three months of 2010, culminating in a very merry 'Santa Rally' in December, one of the best on record. The aftershocks from the credit crunch continued (in the form of European sovereign debt divergence) but each successive shock has had a more modest impact.

After an early climb, 2011 has presented once again a more mixed picture for UK equities as the combined impact of Middle Eastern unrest (and the consequent impact on the oil price) and uncertainty over the consequences of the Japanese tsunami unsettled the market.

Portfolio Review & Activity

The River and Mercantile UK Equity Smaller Companies Fund achieved a return of 21.7% for the year to 31 March 2011, compared to the benchmark Hoare-Govett Small Companies (Ex IT) Index which returned 20.4% and the FTSE Small Cap (Ex IT) Index which trailed at 15.2%.

Online fashion retailer Asos represented one of the strongest performers of the period, contributing significantly to the fund's overall return during the second quarter of 2010, when the market began to recognise and de-risk the medium term growth prospects and the valuation increased materially. Industrial holdings, such as Fiberweb and Elementis, performed strongly over the period. Elementis, the chemicals manufacturer, was sold in 2011 after a very successful year which saw its valuation driven to a level ahead of the market. We also saw our patience with Anite, the IT solutions provider, pay off in the second half of 2010. Corporate Travel services provider Hogg Robinson also contributed, rising 48% in the first three months of 2011 alone. The main detractors from performance over the year were veterinary services provider CVS Group and outdoor retailer Blacks Leisure, the latter's price suffering when takeover talks with Home Retail Group collapsed early in 2011.

UK Equity Smaller Companies Fund

Outlook

The relatively reasoned response of equity markets to events in the Middle East and Japan should actually reassure investors, especially as we suggest that the equity market picture is supportive: corporate profit potential remains intact even with higher output prices; the UK equity valuation is attractive, particularly relative to government bonds; and timing is supported by positive corporate news flow and developing M&A activity. We continue to focus on these factors that underpin the River and Mercantile investment philosophy, namely Potential, Valuation and Timing. We believe these are strong factors and expect them to deliver equally strong returns in the future. The portfolio holds 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.

UK Equity Smaller Companies Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
RPC Group	2.41	CVS	2.02
Fiberweb	2.10	Anglo Pacific Group	1.98
Innovation Group	2.07	Domino Printing Sciences	1.85
Anite	1.94	Hogg Robinson Group	1.81
Conygar Investment Company	1.94	Halfords Group	1.76
SIG	1.88	Synergy Healthcare	1.74
CSF Group	1.76	Innovation Group	1.68
RWS Holdings	1.76	CPP Group	1.66
Wolfson Microelectronics	1.71	Bodycote	1.63
Salamander Energy	1.71	Chesnara	1.62

Sector Breakup

Sector	Portfolio %	Benchmark Index*	Difference %
Oil & Gas	6.82	5.47	1.35
Basic Materials	4.24	4.77	(0.53)
Industrials	31.09	24.59	6.50
Consumer Goods	4.21	10.53	(6.32)
Health Care	2.87	2.39	0.48
Consumer Services	15.24	20.91	(5.67)
Telecommunications	3.47	2.16	1.31
Utilities	-	0.60	(0.60)
Financials	16.44	20.38	(3.94)
Technology	12.97	8.17	4.80

* Source: Style Research.



UK Equity Smaller Companies Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A Class - Distribution shares	25,068,722	57.92	43,281,538
Z Class - Accumulation shares	514,578	306.16	168,073
31 March 2010			
A Class - Distribution shares	36,087,198	92.92	38,838,166
Z Class - Accumulation shares	516,452	505.87	102,092
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

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2006 ⁽¹⁾	106.69p	99.38p	–
2007	113.97p	92.97p	0.4425p
2008	96.48p	59.40p	0.2579p
2009	93.05p	57.52p	1.2423p
2010	110.42p	87.16p	0.9207p
2011 ⁽²⁾	115.05p	106.54p	–
Z-Class Accumulation shares			
2006 ⁽¹⁾	526.76p	496.97p	–
2007	573.95p	476.83p	8.5676p
2008	492.05p	311.33p	4.7589p
2009	502.09p	302.69p	8.2004p
2010	611.64p	475.61p	7.4159p
2011 ⁽²⁾	638.51p	591.91p	4.4138p

⁽¹⁾ From 28 November 2006.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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 revenue of investments.



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 22 March 2007

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

The distribution payable on 31 May 2011 is 0.2223p net per share for distribution shares.

Z-Class Accumulation shares

The distribution payable on 31 May 2011 is 5.6936p net per share for accumulation shares.

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.97%	1.90%
Z-Class Accumulation shares	0.17%	0.24%

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.

UK Equity Unconstrained Fund

Market Background

It has been a positive year for the UK equity market, following on more modestly from the strong gains witnessed in the previous year as global equity markets continued their recovery from the financial crisis.

However, it was a volatile period for UK equities. The year started negatively with a decline of over 10% in the three months to the end of June 2010, as top-down fears dominated the period and macro-political risk, in the form of the sovereign debt crisis, broadened out to renewed fears of an economic double dip; the UK market also had to contend with sharp falls in the share price of Index heavyweight BP after the tragedy in the Gulf of Mexico.

Over the subsequent six months, the market put on a very strong performance, gaining over 22% as risk appetite returned and the market began to respond in a more balanced fashion to economic news flow. Whilst macro updates seemed to confirm a growth slowdown they did not point to a 'double dip'; this was supportive of an equity market rally, as was a robust company reporting season and increasing levels of mergers & acquisitions ("M&A") activity. The UK market was aided by BP successfully capping its Gulf of Mexico liability. Markets were strong during the final three months of 2010, culminating in a very merry 'Santa Rally' in December, one of the best on record. The aftershocks from the credit crunch continued (in the form of European sovereign debt divergence) but each successive shock has had a more modest impact.

After an early climb, 2011 has presented once again a more mixed picture for UK equities as the combined impact of Middle Eastern unrest (and the consequent impact on the oil price) and uncertainty over the consequences of the Japanese tsunami unsettled the market.

Portfolio Review & Activity

The River and Mercantile UK Equity Unconstrained Fund achieved a return of 7.1% for the year to 31 March 2011, compared to the FTSE All-Share Index which returned 8.7%.

The portfolio was held back by a number of poorly performing stocks: mid-cap Software Services company Micro Focus International warned of slowing sales growth in the second half of 2010 and large-cap supermarket chain Tesco also performed poorly, following concerns that trading in the UK may get more difficult. In Utilities, International Power contributed positively early in the period to performance whereas in the Oil & Gas sector, a positive contribution from BG Group was offset by having no exposure to a number of other FTSE oil companies, particularly Royal Dutch Shell, which responded well to the rising oil price at the end of the period. Satellite television company BSkyB contributed positively to performance following the takeover bid from Rupert Murdoch's News Corporation .

UK Equity Unconstrained Fund

During the period we purchased small cap growth stock Iomart, a UK leading provider of 'cloud' computing services, focused on value added services in the high growth IT Hosting market. The company has performed well and hence we took some profit later in the period. We also took profits in Food Wholesaler Booker after good performance.

Outlook

At the beginning of 2011, macro-led volatility has continued to play a part. The relatively reasoned response of equity markets to events in the Middle East and Japan has rightly or wrongly reassured investors. Expectations remain high with most predicting another year of double-digit returns but conditions in the markets look eerily similar to late 2007. A deflationary shock remains the greater risk for 2011 with consensus inflation expectations having already risen considerably.

We continue to focus on the factors that underpin the River and Mercantile investment philosophy, namely Potential, Valuation and Timing. We believe these are strong factors and we own a portfolio of companies with equally strong prospects, which we expect to deliver positive returns in the future.

UK Equity Unconstrained Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
Vodafone Group	5.66	GlaxoSmithKline	5.66
GlaxoSmithKline	5.43	BP	5.48
British American Tobacco	5.32	British American Tobacco	5.33
HSBC Holdings	5.05	Anglo American	4.85
BP	4.78	HSBC Holdings	4.74
Hiscox	3.89	Vodafone Group	4.65
AstraZeneca	3.77	Amlin	4.62
Unilever	3.66	AstraZeneca	4.56
BG Group	3.65	Smith & Nephew	3.73
Smith & Nephew	3.30	BAE Systems	3.52

Sector Breakup

Sector	Portfolio %	Benchmark Index*	Difference %
Oil & Gas	9.08	17.73	(8.65)
Basic Materials	4.55	13.48	(8.93)
Industrials	13.80	7.41	6.39
Consumer Goods	11.48	11.13	0.35
Health Care	14.15	6.74	7.41
Consumer Services	9.00	9.30	(0.30)
Telecommunications	7.13	6.26	0.87
Utilities	0.49	3.67	(3.18)
Financials	14.67	22.55	(7.88)

* Source: Style Research.



UK Equity Unconstrained Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class Distribution shares	56,169,026	57.71	97,328,653
Z-Class Accumulation shares	4,085,252	307.40	1,328,948
31 March 2010			
A-Class Distribution shares	28,672,188	80.36	35,677,710
Z-Class Accumulation shares	7,416,476	443.09	1,673,804
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

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2007 ⁽¹⁾	105.33p	92.06p	0.5040p
2008	102.09p	57.76p	0.4905p
2009	78.67p	56.45p	1.3098p
2010	84.16p	71.84p	1.0410p
2011 ⁽²⁾	85.83p	80.79p	0.2223p
Z-Class Accumulation shares			
2007 ⁽¹⁾	534.95p	463.48p	7.0646p
2008	525.92p	302.40p	6.7145p
2009	428.61p	297.39p	13.3096p
2010	472.75p	397.86p	13.2049p
2011 ⁽²⁾	483.35p	455.48p	5.6936p

⁽¹⁾ From 22 March 2007.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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.

UK Equity Fund

Investment Objective and Policy

The River and Mercantile UK Equity Fund was terminated on 19 April 2011. The final day of dealing was 29 March 2011 at which time all the Sub-fund's assets were liquidated.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 25 February 2008

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

The Sub-fund closed on 29 March 2011 and as such there is no final distribution.

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.76%	1.63%
Z-Class Accumulation shares	0.15%	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.

UK Equity Fund

Top 10 Holdings

31 March 2010	% of Sub-fund
BP	7.34
HSBC Holdings	6.46
Royal Dutch Shell (B)	5.86
GlaxoSmithKline	5.32
Vodafone Group	5.29
British American Tobacco	3.74
AstraZeneca	3.33
Anglo American	3.10
Rio Tinto	3.02
BG Group	2.99

The Sub-fund closed on 29 March 2011 and as such there is no Top 10 Holdings as at 31 March 2011.

UK Equity Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class Distribution shares	7,693,688	67.25	11,440,141
Z-Class Accumulation shares	176,414	353.32	49,931
31 March 2010			
A-Class Distribution shares	13,617,762	95.18	14,307,630
Z-Class Accumulation shares	32,709,470	517.71	6,318,075
31 March 2011			
A-Class Distribution shares	157	–	–
Z-Class Accumulation shares	17	–	–

Share price range & net revenue

Year	Highest share price	Lowest share price	Net revenue
A-Class Distribution shares			
2008 ⁽¹⁾	106.45p	66.93p	0.5373p
2009	93.67p	64.85p	2.0573p
2010	98.54p	82.93p	0.8417p
2011 ⁽²⁾	99.98p	94.27p	–
Z-Class Accumulation shares			
2008 ⁽¹⁾	536.88p	344.45p	3.3442p
2009	503.14p	335.36p	16.6777p
2010	546.78p	452.84p	8.2250p
2011 ⁽²⁾	555.81p	524.09p	–

⁽¹⁾ From 25 February 2008.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011.

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.



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Currency Risk

This Sub-fund is invested in overseas financial securities. The performance of the Sub-fund may therefore be affected by changes in exchange rates.

Fund Facts

Fund Inception 17 July 2008

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

A shortfall for the Sub-fund arose because expenses exceeded the revenue of the Sub-fund. This being the case there is no distribution payable on 31 May 2011.

B-Class Distribution shares

The distribution payable on 31 May 2011 is 0.1418p net per share for distribution shares.

Z-Class Accumulation shares

The distribution payable on 31 May 2011 is 3.8178p net per share for distribution shares.

UK Equity Long Term Recovery Fund

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.93%	1.88%
B-Class Distribution shares	1.17%	1.14%
Z-Class Accumulation shares	0.18%	0.15%

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.

UK Equity Long Term Recovery Fund

Market Background

It has been a positive year for the UK equity market, following on more modestly from the strong gains witnessed in the previous year as global equity markets continued their recovery from the financial crisis.

However, it was a volatile period for UK equities. The year started negatively with a decline of over 10% in the three months to the end of June 2010, as top-down fears dominated the period and macro-political risk, in the form of the sovereign debt crisis, broadened out to renewed fears of an economic double dip; the UK market also had to contend with sharp falls in the share price of Index heavyweight BP after the tragedy in the Gulf of Mexico.

Over the subsequent six months, the market put on a very strong performance, gaining over 22% as risk appetite returned and the market began to respond in a more balanced fashion to economic news flow. Whilst macro updates seemed to confirm a growth slowdown they did not point to a 'double dip'; this was supportive of an equity market rally, as was a robust company reporting season and increasing levels of mergers & acquisitions ("M&A") activity. The UK market was aided by BP successfully capping its Gulf of Mexico liability. Markets were strong during the final three months of 2010, culminating in a very merry 'Santa Rally' in December, one of the best on record. The aftershocks from the credit crunch continued (in the form of European sovereign debt divergence) but each successive shock has had a more modest impact.

After an early climb, 2011 has presented once again a more mixed picture for UK equities as the combined impact of Middle Eastern unrest (and the consequent impact on the oil price) and uncertainty over the consequences of the Japanese tsunami unsettled the market.

Portfolio Review & Activity

The River and Mercantile UK Equity Long Term Recovery Fund achieved a return of 17.3% for the year to 31 March 2011, compared to the FTSE All-Share Index which returned 8.7% and LIBOR which returned 4.66%.

The outperformance was driven by good stock picking rather than returns to factors or size. In smaller companies, technology stocks Blinkx, Xaar and IQE all contributed materially over the period, as did industrial cyclical Oxford Instruments and recovery stocks Scapa and Hogg Robinson. The portfolio's zero position in BP also helped performance as the share price tumbled during the crisis in the Gulf of Mexico. The main detractors from performance came in the last quarter of the period, when the increasing oil price did not help our modest exposure to the Oil & Gas sector (Royal Dutch Shell and BG Group in particular).

With the recovery phase of the economic cycle maturing we purchased later-cycle stock SIG, a leading supplier of insulation products which should benefit from increasing private sector building and maintenance activity in the coming year. We continue to believe that the leading

UK Equity Long Term Recovery Fund

UK banks have substantial profits and share price recovery potential, and have added our exposure to Lloyds, HSBC and RBS Group. Despite clear improvements in underlying profitability and returns on new business being strong, the market, worried about regulation in this sector, is selling stocks down to big discounts to their book value. We are prepared to be longer term in our view and put more emphasis on the profit recovery potential.

Outlook

The relatively reasoned response of equity markets to events in the Middle East and Japan should actually reassure investors, especially as we suggest that the equity market picture is supportive: corporate profit potential remains intact even with higher input prices; the UK equity valuation is attractive, particularly relative to government bonds; and timing is supported by positive corporate news flow and developing M&A activity. We continue to focus on these factors that underpin the River and Mercantile investment philosophy, namely Potential, Valuation and Timing. We believe these are strong factors and expect them to deliver equally strong returns in the future.

UK Equity Long Term Recovery Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
Rio Tinto	3.44	Rio Tinto	3.65
HSBC Holdings	2.95	HSBC Holdings	3.44
Lloyds Banking Group	2.83	Barclays	3.38
GlaxoSmithKline	2.79	Lloyds Banking Group	2.98
Barclays	2.07	Anglo American	2.64
Xstrata	1.69	GlaxoSmithKline	2.34
BP	1.67	Xstrata	2.17
Anglo American	1.63	Royal Bank of Scotland	1.47
Royal Bank of Scotland	1.41	Vodafone Group	1.43
Lonmin	1.18	Lonmin	1.36

Sector Breakup

Sector	Portfolio %	Benchmark Index*	Difference %
Oil & Gas	5.95	17.73	(11.78)
Basic Materials	10.63	13.48	(2.85)
Industrials	18.85	7.41	11.44
Consumer Goods	5.92	11.13	(5.21)
Health Care	3.50	6.74	(3.24)
Consumer Services	15.09	9.30	5.79
Telecommunications	0.93	6.26	(5.33)
Utilities	2.15	3.67	(1.52)
Financials	25.20	22.55	2.65
Technology	11.55	1.72	9.83

* Source: Style Research.



UK Equity Long Term Recovery Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class Distribution shares	61,858,158	67.48	91,673,078
Z-Class Accumulation shares	78,858	345.90	22,798
31 March 2010			
A-Class Distribution shares	69,288,694	123.11	56,280,632
B-Class Distribution shares*	11,053,254	449.50	2,459,002
Z-Class Accumulation shares	272,631	644.44	42,305
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	738.99	102,188

*B-Class Distribution shares became available from 1 April 2009.

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 ⁽³⁾	148.55p	135.58p	–
B-Class Distribution shares			
2009 ⁽²⁾	454.54p	250.00p	2.9173p
2010	509.90p	389.33p	1.0488p
2011 ⁽³⁾	544.15p	496.88p	0.1418p
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 ⁽³⁾	791.26p	723.04p	3.8178p

⁽¹⁾ From 17 July 2008.

⁽²⁾ From 1 April 2009.

⁽³⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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.



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 2 February 2009

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

The distribution payable on 31 May 2011 is 2.6921p net per share for distribution shares.

B-Class Distribution shares

The distribution payable on 31 May 2011 is 6.8173p net per share for distribution shares.

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.66%	1.64%
B-Class Distribution shares	0.90%	0.90%

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.

UK Equity Income Fund

Market Background

It has been a positive year for the UK equity market, following on more modestly from the strong gains witnessed in the previous year as global equity markets continued their recovery from the financial crisis.

However, it was a volatile period for UK equities. The year started negatively with a decline of over 10% in the three months to the end of June, as top-down fears dominated the period and macro-political risk, in the form of the sovereign debt crisis, broadened out to renewed fears of an economic double dip; the UK market also had to contend with sharp falls in the share price of index heavyweight BP after the tragedy in the Gulf of Mexico.

Over the subsequent six months, the market put on a very strong performance, gaining over 22% as risk appetite returned and the market began to respond in a more balanced fashion to economic news flow. Whilst macro updates seemed to confirm a growth slowdown they did not point to a 'double dip'; this was supportive of an equity market rally, as was a robust company reporting season and increasing levels of mergers & acquisitions ("M&A") activity. The UK market was aided by BP successfully capping its Gulf of Mexico liability. Markets were strong during the final three months of 2010, culminating in a very merry 'Santa Rally' in December, one of the best on record. The aftershocks from the credit crunch continued (in the form of European sovereign debt divergence) but each successive shock has had a more modest impact.

After an early climb, 2011 has presented once again a more mixed picture for UK equities as the combined impact of Middle Eastern unrest (and the consequent impact on the oil price) and uncertainty over the consequences of the Japanese tsunami unsettled the market.

Portfolio Review & Activity

The River and Mercantile UK Equity Income Fund achieved a return of 11.1% for the year to 31 March 2011, compared to the FTSE All-Share Index which returned 8.7%.

Industrial holdings, such as Fiberweb and Elementis, performed strongly over the period. Elementis, the chemicals manufacturer, was sold in 2011 after a very successful year which saw its valuation driven to a level ahead of the market. We also saw our patience with Anite, the IT solutions provider, pay off in the second half of 2010. Corporate Travel services provider Hogg Robinson also contributed, rising 48% in the first three months of 2011 alone. The main detractors from performance over the year were from the Oil & Gas sector, where our underweight in BG Group and Royal Dutch Shell prevented us from benefiting from the increase in oil prices that occurred in the New Year.

UK Equity Income Fund

Outlook

The relatively reasoned response of equity markets to events in the Middle East and Japan should actually reassure investors, especially as we suggest that the equity market picture is supportive: corporate profit potential remains intact even with higher input prices; the UK equity valuation is attractive, particularly relative to government bonds; and timing is supported by positive corporate news flow and developing M&A activity. We continue to focus on these factors that underpin the River and Mercantile investment philosophy, namely potential, valuation and timing. We believe these are strong factors and expect them to deliver equally strong returns in the future. The portfolio holds a diverse mix of high Quality, Growth, Recovery and Asset-backed names with attractive valuation credentials and positive Timing attributes. They are highly liquid securities with strong balance sheets in a 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 size level.

UK Equity Income Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
HSBC Holdings	7.40	HSBC Holdings	5.94
Vodafone Group	5.93	BP	5.69
Royal Dutch Shell (B)	5.70	Vodafone Group	5.68
BP	5.24	Royal Dutch Shell (B)	5.48
GlaxoSmithKline	4.64	GlaxoSmithKline	5.00
British American Tobacco	3.59	BHP Billiton	4.08
AstraZeneca	3.43	Barclays	3.88
Rio Tinto	2.64	British American Tobacco	3.46
Unilever	2.64	AstraZeneca	3.30
BHP Billiton	1.94	Diageo	2.84

Sector Breakup

Sector	Portfolio %	Benchmark Index*	Difference %
Oil & Gas	14.02	17.73	(3.71)
Basic Materials	6.02	13.48	(7.46)
Industrials	15.54	7.41	8.13
Consumer Goods	8.29	11.13	(2.84)
Health Care	9.11	6.74	2.37
Consumer Services	14.97	9.30	5.67
Telecommunications	8.27	6.26	2.01
Utilities	1.65	3.67	(2.02)
Financials	19.31	22.55	(3.24)
Technology	4.01	1.72	2.29

* Source: Style Research.

UK Equity Income Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class Distribution shares	36,804	94.28	39,035
B-Class Distribution shares	3,489,628	235.99	1,478,740
31 March 2010			
A-Class Distribution shares	158,915	138.91	114,405
B-Class Distribution shares	13,144,384	350.16	3,753,817
31 March 2011			
A-Class Distribution shares	7,475,414	148.41	5,037,132
B-Class Distribution shares	46,577,820	376.88	12,358,829

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 ⁽²⁾	156.91p	145.12p	2.6921p
B-Class Distribution shares			
2009 ⁽¹⁾	341.61p	220.78p	8.9193p
2010	383.69p	311.92p	14.2838p
2011 ⁽²⁾	398.04p	368.40p	6.8173p

⁽¹⁾ From 2 February 2009

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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.



Global Equity Fund

Investment Objective and Policy

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

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Currency Risk

This Sub-fund is invested in overseas financial securities. The performance of the Sub-fund may therefore be affected by changes in exchange rates.

Fund Facts

Fund Inception 14 October 2009

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

A shortfall for the Sub-fund arose because expenses exceeded the revenue of the Sub-fund. This being the case there is no distribution payable on 31 May 2011.

B-Class Accumulation shares

The distribution payable on 31 May 2011 is 0.8548p net per share for accumulation shares.

Z-Class Accumulation shares

The distribution payable on 31 May 2011 is 3.9445p net per share for accumulation shares.

Global Equity Fund

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	2.03%	1.79%
B-Class Accumulation shares	1.30%	1.04%
Z-Class Accumulation shares	0.54%	0.29%

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.

Market Background

The past twelve months has been a volatile period for equity markets worldwide. At the start of the period they were dominated by the increased macro economic policy and regulatory risks across the major geographical areas, with Western Europe leading the decline as the sovereign debt crisis unwound further and the threat of sovereign default remained ever present. In the US, weaker than expected housing, labour and consumer confidence data prompted speculation of a 'double dip' recession but these fears were proved unfounded when the economic data stabilised early in the second half of 2010 and equities rallied on the back of Obama's extension of tax cuts and the Federal Reserve's quantitative easing programme. Throughout most of the period we continued to see developing markets outperform those higher indebted developed nations, where the sustainability of massive fiscal stimulus had been questioned. This position altered at the end of the period with developed markets starting 2011 ahead of their emerging counterparts, the former buoyed by ample central bank liquidity, improving economic data and a perception of containment of the European sovereign debt issue; the latter markets were sold on concerns of rising inflation and increasing interest rates. This trend was reversed in February, however, following heightening tension in the Middle East and, more profoundly, the devastating earthquake and tsunami in Japan.

Portfolio Review & Activity

The River and Mercantile Global Equities Fund achieved a return of 9.9% to 31 March 2011, compared to the FTSE All-World Index which returned 8.4% over the same period.

Stocks which contributed to the Fund's outperformance included US software company Ariba; National Oilwell Varco, a market leading provider of equipment for oil rigs and consumables, and Anhanguera Educacional Participacoes a beneficiary of the growth in the Brazilian education market.

Amongst several new names added to the portfolio over the year, a position in Toshiba was created from our Energy and Network Externalities themes at the end of 2010. A key beneficiary of the increase in nuclear power generation capacity and the growing demand for flash memory in devices such as Apple's iPad, the company's improved earnings and reduced gearing produced a rapid return on our investment and we sold it towards the end of the period, concluding that it was fully valued, and fortuitously before the Japanese earthquake and tsunami. Our position in BM&F, the Brazilian integrated financial exchange and clearing house, was also sold after strong performance led it to meet our price objective, and we disposed of YES Bank in India as inflation risks within that country continued to build.

Outlook

Our theme 'Hyperstimulus' remains a critical determinant in the outlook for markets. At the time of writing, the European Central Bank had increased interest rates by 0.25%. This highlights the divergence between the major economies of Northern Europe where growth is strong and those economies hampered by excessive levels of debt. Furthermore, countries which are dealing with some of the consequences of significantly loose monetary policy are allowing (sometimes begrudgingly) their exchange rates to appreciate in an attempt to moderate inflationary pressures – such as Singapore. This is in stark contrast to policy in countries which are in a weaker economic position, where interest rates are being suppressed to alleviate the pressures of over-indebtedness, resulting in weak currencies.

Global Equity Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
Pfizer	2.45	Pfizer	1.95
Inpex Holdings	2.01	Altria Group	1.94
Jardine Lloyd Thompson Group	1.79	Cap Gemini	1.94
Telecom Italia (RNC)	1.79	Canadian Natural Resources	1.77
HSBC Holdings	1.76	Nestlé	1.72
Unilever	1.73	Kasikornbank	1.67
Metro	1.68	Kinnevik	1.66
JPMorgan Chase & Co	1.66	Rio Tinto	1.61
CapitaCommercial Trust (Accumulation Units)	1.66	Anhanguera Educacional Participacoes	1.59
Diagnosticos da America	1.63	JPMorgan Chase & Co	1.59

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Oil & Gas	14.65	11.78	2.87
Basic Materials	8.04	8.84	(0.80)
Industrials	14.49	12.29	2.20
Consumer Goods	11.63	11.42	0.21
Health Care	10.52	7.42	3.10
Consumer Services	6.01	8.56	(2.55)
Telecommunications	5.77	4.70	1.07
Utilities	1.87	3.82	(1.95)
Financials	21.44	21.55	(0.11)
Technology	5.40	9.62	(4.22)

*Source: Style Research.



Global Equity Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2010			
A-Class Distribution shares	22,610	109.99	20,557
B-Class Accumulation shares	2,041,608	276.10	739,440
Z-Class Accumulation shares	1,376,212	554.09	248,375
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

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 ⁽²⁾	120.22p	111.03p	0.0000p
B-Class Accumulation shares			
2009 ⁽¹⁾	257.16p	232.88p	0.0000p
2010	301.78p	243.97p	0.9756p
2011 ⁽²⁾	304.48p	281.61p	0.8548p
Z-Class Accumulation shares			
2009 ⁽¹⁾	515.11p	465.88p	0.0000p
2010	609.02p	489.06p	3.6291p
2011 ⁽²⁾	614.57p	569.20p	3.9445p

⁽¹⁾ From 14 October 2009.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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.



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Currency Risk

This Sub-fund is invested in overseas financial securities. The performance of the Sub-fund may therefore be affected by changes in exchange rates.

Fund Facts

Fund Inception 8 October 2009

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

A shortfall for the Sub-fund arose because expenses exceeded the revenue of the Sub-fund. This being the case there is no distribution payable on 31 May 2011.

B-Class Accumulation shares

The distribution payable on 31 May 2011 is 0.7117p net per share for accumulation shares.

Z-Class Accumulation shares

The distribution payable on 31 May 2011 is 4.0237p net per share for accumulation shares.

Global Opportunities Fund

Total Expense Ratios

	31 March 2011	31 March 2010
A-Class Distribution shares	1.99%	2.00%
B-Class Accumulation shares	1.22%	1.27%
Z-Class Accumulation shares	0.24%	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.

Global Opportunities Fund

Market Background

The past twelve months has been a volatile period for equity markets worldwide. At the start of the period they were dominated by the increased macro, economic policy and regulatory risks across the major geographical areas, with Western Europe leading the decline as the sovereign debt crisis unwound further and the threat of sovereign default remained ever present. In the US, weaker than expected housing, labour and consumer confidence data prompted speculation of a 'double dip' recession but these fears were proved unfounded when the economic data stabilised early in the second half of 2010 and equities rallied on the back of Obama's extension of tax cuts and the Federal Reserve's quantitative easing programme. Throughout most of the period we continued to see developing markets outperform those higher indebted developed nations, where the sustainability of massive fiscal stimulus had been questioned. This position altered at the end of the period with developed markets starting 2011 ahead of their emerging counterparts, the former buoyed by ample central bank liquidity, improving economic data and a perception of containment of the European sovereign debt issue; the latter markets were sold on concerns of rising inflation and increasing interest rates. This trend was reversed in February, however, following heightening tension in the Middle East and, more profoundly, the devastating earthquake and tsunami in Japan.

Portfolio Review & Activity

The River and Mercantile Global Opportunities Fund achieved a return of 11.4% to 31 March 2011, compared to the FTSE All-World Index which returned 8.4% over the same period.

Stocks which contributed to the Fund's outperformance included US software company Ariba; National Oilwell Varco, a market leading provider of equipment for oil rigs and consumables, and Anhanguera Educacional, a beneficiary of the growth in the Brazilian education market.

Amongst several new names added to the portfolio over the year, a position in Toshiba was created from our Energy and Network Externalities themes at the end of 2010. A key beneficiary of the increase in nuclear power generation capacity and the growing demand for flash memory in devices such as Apple's iPad, the company's improved earnings and reduced gearing produced a rapid return on our investment and we sold it towards the end of the period, concluding that it was fully valued, and fortuitously before the Japanese earthquake and tsunami. Our position in BM&F, the Brazilian integrated financial exchange and clearing house, was also sold after strong performance led it to meet our price objective, and we disposed of YES Bank in India as inflation risks within that country continued to build.

Outlook

Our theme 'Hyperstimulus' remains a critical determinant in the outlook for markets. At the time of writing, the European Central Bank had increased interest rates by 0.25%. This highlights the divergence between the major economies of Northern Europe where growth is strong and those economies hampered by excessive levels of debt. Furthermore, countries which are dealing with some of the consequences of significantly loose monetary policy are allowing (sometimes begrudgingly) their exchange rates to appreciate in an attempt to moderate inflationary pressures – such as Singapore. This is in stark contrast to policy in countries which are in a weaker economic position, where interest rates are being suppressed to alleviate the pressures of over-indebtedness, resulting in weak currencies.

Global Opportunities Fund

Top 10 Holdings

31 March 2011	% of Sub-fund	31 March 2010	% of Sub-fund
Pfizer	2.69	Cap Gemini	2.65
Inpex Holdings	2.33	Ariba	2.51
Southwestern Energy Company	2.13	Jardine Cycle & Carriage	2.29
Sanofi-Aventis	2.10	Kasikornbank	2.25
Total	2.09	Redecard	2.24
Samsung Electronics	2.08	Kinnevik	2.21
Millicom International Cellular	2.06	Diagnosticos da America	2.18
Jardine Lloyd Thompson Group	2.06	Rio Tinto	2.16
Holcim	2.06	Union Pacific	2.15
Weatherford International	2.06	Fresenius	2.14

Sector Breakup

Sector	Portfolio %	Benchmark Index*	Difference %
Oil & Gas	18.16	11.78	6.38
Basic Materials	8.13	8.84	(0.71)
Industrials	12.03	12.29	(0.26)
Consumer Goods	13.04	11.42	1.62
Health Care	8.71	7.42	1.29
Consumer Services	6.30	8.56	(2.26)
Telecommunications	5.96	4.70	1.26
Utilities	–	3.82	(3.82)
Financials	22.29	21.55	0.74
Technology	4.32	9.62	(5.30)

* Source: Style Research.



Global Opportunities Fund

Fund Performance

Net asset values

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2010			
A-Class Distribution shares	516,958	113.74	454,517
B-Class Accumulation shares	7,076,735	285.35	2,480,005
Z-Class Accumulation shares	24,801,876	573.39	4,325,513
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

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 ⁽²⁾	125.61p	116.79p	0.0000p
B-Class Accumulation shares			
2009 ⁽²⁾	262.88p	236.42p	–
2010	314.72p	252.25p	0.3999p
2011 ⁽²⁾	317.81p	295.91p	0.7118p
Z-Class Accumulation shares			
2009 ⁽¹⁾	526.92p	473.18p	–
2010	637.13p	506.18p	3.2229p
2011 ⁽²⁾	643.51p	600.27p	4.0237p

⁽¹⁾ From 8 October 2009.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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.



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Currency Risk

The Sub-fund is invested in overseas financial securities. The performance of the Sub-fund may therefore be affected by changes in exchange rates.

Fund Facts

Fund Inception 27 April 2010

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class Distribution shares

The distribution payable on 31 May 2011 is 1.8228p net per share for distribution shares.

B-Class Distribution shares

The distribution payable on 31 May 2011 is 4.6017p net per share for distribution shares.

Total Expense Ratios

31 March 2011

A-Class Distribution shares	1.87%
B-Class Distribution shares	1.10%

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.

The Sub-fund launched on 27 April 2010 and as such there are no prior year comparatives.

Global High Income Fund

Market Background

The past twelve months has been a volatile period for equity markets worldwide. At the start of the period they were dominated by the increased macro, economic policy and regulatory risks across the major geographical areas, with Western Europe leading the decline as the sovereign debt crisis unwound further and the threat of sovereign default remained ever present. In the US, weaker than expected housing, labour and consumer confidence data prompted speculation of a 'double dip' recession but these fears were proved unfounded when the economic data stabilised early in the second half of 2010 and equities rallied on the back of Obama's extension of tax cuts and the Federal Reserve's quantitative easing programme. Throughout most of the period we continued to see developing markets outperform those higher indebted developed nations, where the sustainability of massive fiscal stimulus had been questioned. This position altered at the end of the period with developed markets starting 2011 ahead of their emerging counterparts, the former buoyed by ample central bank liquidity, improving economic data and a perception of containment of the European sovereign debt issue; the latter markets were sold on concerns of rising inflation and increasing interest rates. This trend was reversed in February, however, following heightening tension in the Middle East and, more profoundly, the devastating earthquake and tsunami in Japan.

Portfolio Review & Activity

From its inception on 27 April 2010, the River and Mercantile Global High Income Fund achieved a return of 12.9% to 31 March 2011, compared to the FTSE All-World Index which returned 8.1% over the same period.

Stocks which contributed to the Fund's outperformance included US software company Ariba; National Oilwell Varco, a market leading provider of equipment for oil rigs and consumables, and Sky Deutschland, the German media company which added an encouraging number of subscribers towards the end of 2010.

Amongst several new names added to the portfolio over the year, a position in Toshiba was created from our Energy and Network Externalities themes at the end of 2010. A key beneficiary of the increase in nuclear power generation capacity and the growing demand for flash memory in devices such as Apple's iPad, the company's improved earnings and reduced gearing produced a rapid return on our investment and we sold it towards the end of the period, concluding that it was fully valued, and fortuitously before the Japanese earthquake and tsunami. Our position in India's YES Bank was also sold as inflation risks within that country continued to build and we felt that the company was fully valued against its peers.

Outlook

Our theme 'Hyperstimulus' remains a critical determinant in the outlook for markets. At the time of writing, the European Central Bank had increased interest rates by 0.25%. This highlights the divergence between the major economies of Northern Europe where growth is strong and those economies hampered by excessive levels of debt. Furthermore, countries which are dealing with some of the consequences of significantly loose monetary policy are allowing (sometimes begrudgingly) their exchange rates to appreciate in an attempt to moderate inflationary pressures – such as Singapore. This is in stark contrast to policy in countries which are in a weaker economic position, where interest rates are being suppressed to alleviate the pressures of over-indebtedness, resulting in weak currencies.

Global High Income Fund

Top 10 Holdings

31 March 2011	% of Sub-fund
Pfizer	2.27
Shin-Etsu Chemical	2.00
Royal Dutch Shell (A)	2.00
Telecom Italia (RNC)	1.99
Metro	1.92
Frontier Communications Corporation	1.86
Svenska Handelsbanken (A)	1.65
Tele2	1.56
Forest Oil	1.55
Unilever	1.55

The Sub-fund launched on 27 April 2010, as such there are no prior period comparatives.

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Oil & Gas	12.49	11.78	0.71
Basic Materials	6.55	8.84	(2.29)
Industrials	9.01	12.29	(3.28)
Consumer Goods	7.62	11.42	(3.80)
Health Care	7.83	7.42	0.41
Consumer Services	12.83	8.56	4.27
Telecommunications	9.61	4.70	4.91
Utilities	1.18	3.82	(2.64)
Financials	26.45	21.55	4.90
Technology	3.47	9.62	(6.15)

*Source: Style Research.

Global High Income Fund

Fund Performance

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

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 ⁽²⁾	110.73p	104.47p	1.8228p
B-Class Distribution shares			
2010 ⁽¹⁾	274.00p	227.28p	3.5000p
2011 ⁽²⁾	278.76p	262.91p	4.6017p

⁽¹⁾ From 27 April 2010.

⁽²⁾ The above table shows highest and lowest share prices to 31 March 2011. This table also shows net revenue payable on 31 May 2011.

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 revenue of investments.

Other Information

Subscription and redemption applications for shares issued by the Sub-funds should now 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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Members of River and Mercantile Asset Management LLP	James Edward Ellis Barham Julian Christopher Cripps John Lionel Beckwith Mark Christopher Johnson
The Open-Ended Investment Company	River and Mercantile Funds ICVC 30 Coleman Street London EC2R 5AL (authorised and regulated by the Financial Services 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 Services Authority) Registered and Head Office of the Company 30 Coleman Street London EC2R 5AL
Depository	BNY Mellon Trust & Depository (UK) Limited The Bank of New York Mellon Centre, 160 Queen Victoria Street London EC4V 4LA (authorised and regulated by the Financial Services 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 Services Authority)
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