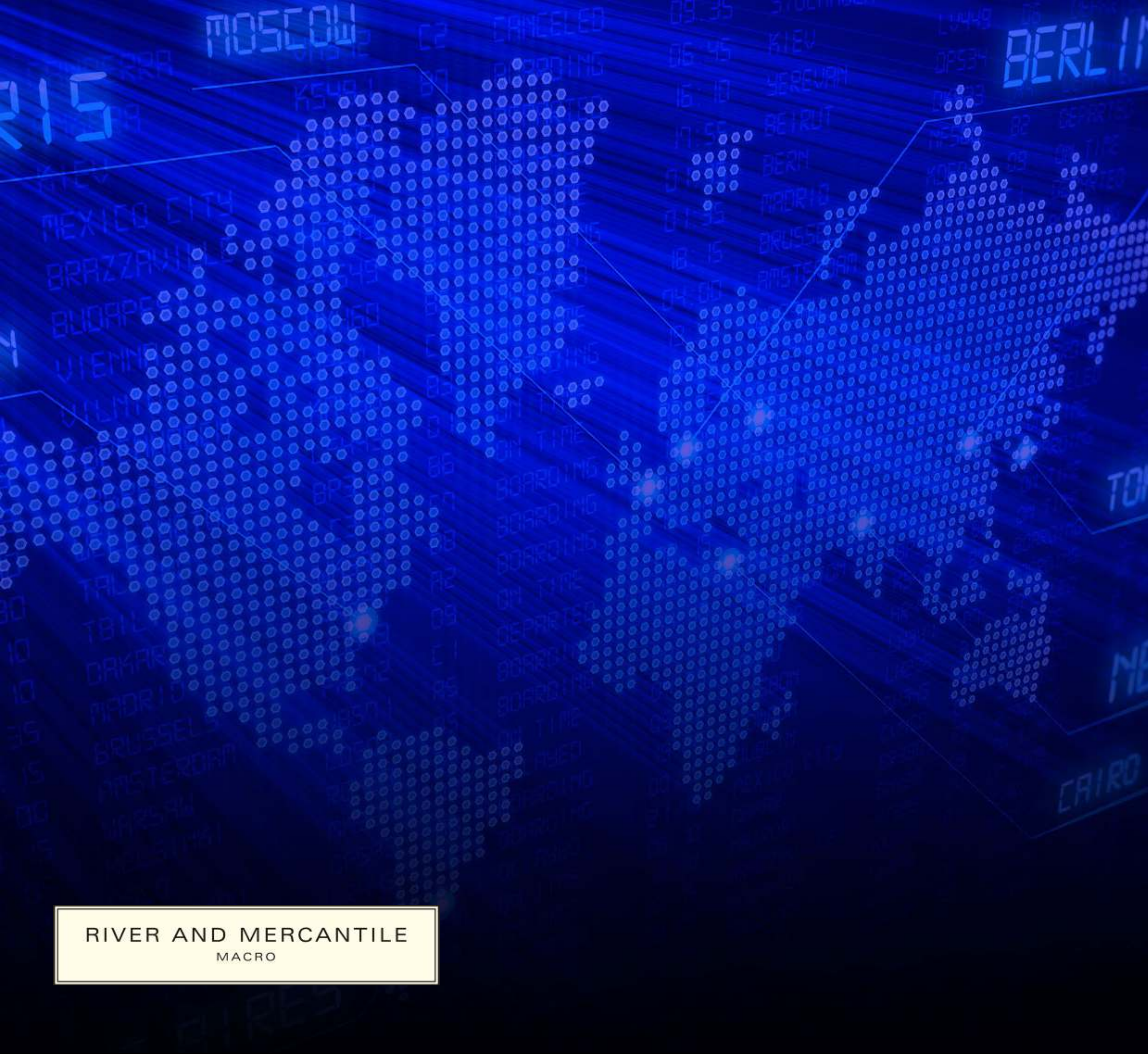


RIVER AND MERCANTILE
MACRO

Global Macro Fund

Quarterly Report
to 30 September 2020

RIVER AND MERCANTILE
MACRO

Global Macro Fund
Quarter 3, 2020

Investment objective and performance target

The fund aims to achieve long-term capital appreciation through compound growth. Compound growth is the annual growth rate of an investment applied year on year for a specified period of time.

The fund aims to produce double-digit returns over a cycle, with positive returns in equity market drawdowns.

Portfolio characteristics and risk analysis

Fund assets under management (AUM)	USD 217.99m
Strategy capacity	$ 10bn
Inception date	28 February 2018[1]

Value at Risk (VaR)[2]	3.35%
Volatility	7.82%
Sharpe ratio	0.22
Percentage positive months	61%

Source: River and Mercantile Group, risk analysis based on USD (Acc) Class A shares.
[1]Inception date taken as the date of seeding following a test-trade period after the fund's official launch on 25 Jan 2018.
[2]Using 99% confidence over 22-day Monte Carlo value at risk scaled up from 1 day.

Past performance

The tables below represent the performance of the fund, calculated using published NAVs net of fees and expenses. Past performance is not a reliable guide to future results.

	Cumulative (%)			Annualised (% p.a.)		
	3 months	YTD	1 year	3 years	5 years	Since Inception
USD (Acc) - Class A	-0.31	-9.79	-11.09	-	-	3.48
USD (Dist) - Class A	-0.31	-9.79	-11.09	-	-	3.47
GBP (Acc) - Class B	-0.39	-10.44	-11.90	-	-	2.28

Source: River and Mercantile Group.

Discrete monthly portfolio performance

USD (Acc) – Class A Shares

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY[3]
2020	-0.75%	-9.04%	0.25%	0.15%	0.34%	-0.51%	1.01%	-1.49%	0.18%				-9.79%
2019	0.62%	-0.44%	3.49%	-1.08%	0.08%	4.04%	1.17%	0.89%	0.27%	-2.17%	0.21%	0.54%	7.73%
2018	-2.00%	-5.23%	1.06%	3.53%	2.79%	2.47%	-0.76%	0.26%	-0.12%	-0.27%	1.26%	1.66%	12.42%

USD (Dist) – Class A Shares

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY[3]
2020	-0.75%	-9.04%	0.25%	0.15%	0.34%	-0.51%	1.01%	-1.49%	0.18%				-9.79%
2019	0.62%	-0.44%	3.49%	-1.08%	0.08%	4.05%	1.17%	0.89%	0.27%	-2.17%	0.21%	0.54%	7.73%
2018	-2.00%	-5.23%	1.06%	3.53%	2.79%	2.47%	-0.77%	0.26%	-0.12%	-0.28%	1.26%	1.66%	12.41%

GBP (Acc) – Class B Shares

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY[3]
2020	-0.83%	-9.13%	-0.13%	0.11%	0.31%	-0.51%	0.96%	-1.46%	0.12%				-10.44%
2019	0.52%	-0.57%	3.40%	-1.27%	-0.06%	3.98%	1.04%	0.76%	0.17%	-2.17%	0.13%	0.42%	6.38%
2018	-2.01%	-5.32%	0.96%	3.41%	2.66%	2.46%	-0.95%	0.11%	-0.23%	-0.37%	1.24%	1.52%	11.26%

Source: River and Mercantile Group.
[3]The cumulative calendar year return shown for 2018 does not include the returns for January and February in line with the fund's inception date being taken as 28 February 2018 when the fund was seeded following a test-trade period.

Please note that any references to performance in the commentary below relate to the fund's gross performance in US dollars, before the deduction of any fees, unless otherwise stated.

Overview

Performance was broadly flat in Q3 and continues to be very much what we'd expect given the conditions.

As our regular readers will know, the most important thing for the strategy in building allocations is having supportive signals from both a macro and motion perspective. To allocate meaningfully in any market we have to be able to see positive signs from market trends combined with a supportive macro-economic environment. Without these, the strategy will remain very modestly exposed.

As we mentioned last quarter, although equities have "recovered" a lot of ground since the lows of March, there still just hasn't been any meaningful support from a macro perspective. And consistent with our process in these conditions, we don't expect to participate in these types of market rallies.

So we kept very modest exposure throughout the quarter (averaging around 190% gross), although slightly less tilted towards defensives than the previous quarter. Global rates exposure was on average around 66% – below where it has been in the recent past – whilst our biggest position continued to be high quality equity market neutral. At times throughout the quarter, we built up to around 20% long equity exposure; this was the highest level since early February of this year, although still very modest.

In terms of activity, the model tactically removed all equity exposure ahead of the c.10% correction at the end of September – on account of an excessive short term run up in valuations combined with poor VIX technicals. We expect we'll probably see more of these short-term corrections over the next few months, mainly driven by the level of overvaluation, so we were pleased to see our more tactical models protecting well.

From a discretionary perspective, this positioning still makes sense. It's difficult to make a case that any major asset classes aren't in "very expensive" territory at the moment. So regardless of economic conditions and the strength of trends, any directional exposure should be kept modest until this corrects (and as we wrote last quarter, there are a number of ways this can happen). Economically things are still very mixed. Yes, there is plenty of potential to improve from a very low base, but we're still very much in economic crisis mode, and the longer-term effects of prolonged global shutdowns probably won't rear their head for some time yet.

While we will probably continue to see more tactical opportunities over the next few months, overall market risks remain very elevated compared to normal, so the most attractive sources of return still look to be in the relative value space for the moment.

In terms of an outlook – there hasn't been a great deal of change since last quarter. As a reminder, we outlined four potential recovery scenarios last quarter. The aim was to provide some transparency of the type of exposures the models would be expected to generate in each scenario and to help guide expectations. To recap, the four scenarios were as follows:

1. Recovery already fully priced – markets move sideways for foreseeable future as economics strengthen alongside stimulus being withdrawn

2. Stimulus fuelled recovery – continuation of conditions we've seen over the past few months, albeit at a more moderate pace

3. Short term weakness followed by stimulus driven rally – markets more realistically price the current economic reality and the uncertainty around it, but stimulus continues to act as support

4. Significant weakness followed by valuation reset – economic recovery much slower than is currently priced or stimulus withdrawn too early causing meaningful correction then recovery

Scenario	Approximate equity return (12-18 mths)	Expected macro and motion drivers	Expected allocation changes	Approximate strategy return (12-18 mths)
Recovery already fully priced	-5% to +5%	• Economic indicators continue to catch up with market prices although only remain modestly supportive • Valuations remain expensive but get more attractive as economics improve • Prices generally move sideways and motion not meaningfully supportive in either direction	• Minimal changes expected given lack of supportive macro and motion drivers • Remain mostly in relative value • Directional risk exposure remains <25% • Directional defensive exposure remains <100%	-2.5% to +5%
Stimulus fuelled recovery	+5% to +15%	• Economic, credit and volatility related macro factors improve over next 1-3m, favouring more directional risk exposure • Valuations extend into very expensive territory in short term until economics "catch up" and they revert to fair in time • Equity and credit motion continues to strengthen, aligning with macro, while defensives weaken	• Building into directional risk as macro and motion converge • Exposure likely to remain modest (<100% net long on risk) given stretched valuations until we get to a point of convergence • Defensives likely to reduce to around 0-50%	+5% to +10%
Short term weakness followed by stimulus driven rally	+5% to +15% but with c.10% correction during the period	• Similar to above but with short period of weakness during • Macro factors take an extra month to recover as a result • Valuations touch more reasonable levels, though likely remain expensive • Equity and credit motion strengthens albeit slower than the above	• Building into directional risk as macro and motion converge • Period of weakness creates better valuation opportunity and subsequent exposure is higher as a result • >100% in directional risk • Defensives reduced to around 0-50%	+15% to +20%
Significant weakness followed by valuation reset	c.20% to 30% correction followed by 30% to 40% rally	• While longer term economic factors likely to improve from current levels, shorter term conditions remain weak • Valuations, however, get to a point where there is meaningful support despite near term macro weakness • Medium term motion factors weaken during sell off, but shorter-term motion turns strong in period following supporting tactical exposure given valuations	• Maintain current position until valuations approach cheap levels • Build into directional risk (max 200%) at point of cheap valuations AND as motion following the sell off recovers. • Defensives reduced to close to 0%	+20% to +30%

We believe these two scenarios are the most probable going forward

Source: River and Mercantile Investments Limited.

Simulated returns in USD. Simulated results are based on past performance of River and Mercantile's models with an allowance of LIBOR + 20bps for leverage costs but no allowance for ongoing costs and transaction costs which we conservatively estimate to be 1% p.a. Simulated performance is no indication of current or future performance. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested. Backtest returns are representative for the current Strategy models. The live fund may differ from that which the backtest is based upon. Changes in exchange rates may have an adverse effect on the value, price or income of investments.

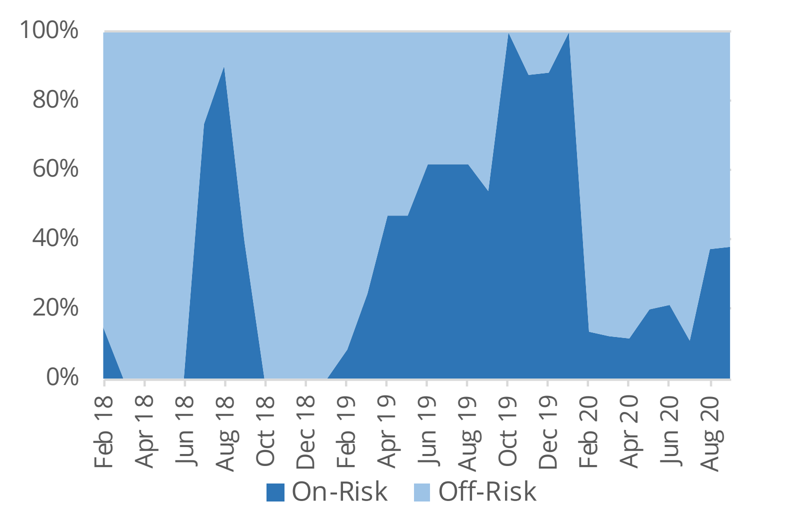
In summary, exposures (and returns) will continue to be modest until we get to an environment where macro and motion factors converge more conclusively. The primary way this happens is through valuations reverting closer to “fair”.

Scenarios 3 and 4 still seem most likely to us for the reasons we’ve previously stated. We expect conditions to get more challenging from here, but that will present substantial upside opportunities in future.

Mike Faulkner and Joe Andrews
Portfolio Managers
October 2020

Risk indicator

This chart shows a proprietary indicator which is the primary driver of the fund's on/off risk allocations over the last 12 months.



Source: River and Mercantile Investments Limited.

Allocation by asset class

This table shows the fund's asset allocation by notional exposure.

Underlying Asset Class	Gross Notional Exposure	Net Notional Exposure
Bonds and Rates	53.0%	53.0%
Credit	23.5%	23.5%
Equity	129.8%	21.1%
Currency (vs USD)*	0.0%	0.0%
Cash and Equivalents	100.6%	79.8%

Source: River and Mercantile Investments Limited.

Top 10 positions

This table shows the fund's ten largest positions by exposure.

	Gross Notional Exposure
Quality Relative Value	108.6%
United States Treasury Note/Bond 6.25 15/05/2030	16.9%
United States Treasury Bill 0 10/08/20	9.7%
United States Treasury Bill 0.00 10/15/2020	9.7%
United States Treasury Bill 0 10/22/2020	9.7%
United States Treasury Bill 0 11/05/20	9.7%
United States Treasury Bill 0 20201112	9.7%
United States Treasury Bill 0 12/03/20	9.7%
S&P500 EMINI FUT Dec20	9.5%
US 10YR NOTE (CBT)Dec20	7.7%

Source: River and Mercantile Investments Limited.

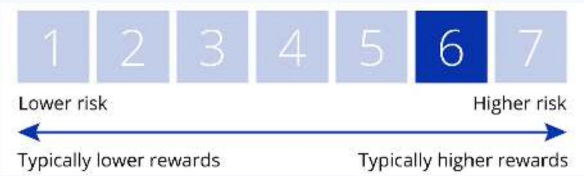
Fund information

Portfolio managers	Mike Faulkner and Joe Andrews
Management Co.	Carne Global Fund Managers (Ireland) Limited
Investment manager	River and Mercantile Investments Limited
Depositary	BNY Mellon Trust Company (Ireland) Limited
Fund launch date	25/01/2018
Fund base currency	USD
Domicile	Ireland
Fund type	UCITS
Entry charge	Nil
Exit charge	Nil
Ongoing charges	1.45% (1.0% AMC)
Performance fee	15% (of outperformance)
Dealing frequency	Weekly, Wednesday
Dealing cut-off time	Wednesday 4.30pm (Irish time)
Valuation	Wednesday 4.00pm (New York time)
Settlement	T+4
Minimum investment	USD 500k equivalent

Share classes

USD	Class A (Accumulation/Distribution), Class Y (Accumulation)
GBP	Class B (Accumulation/Distribution), Class Z (Accumulation)
JPY	Class C (Accumulation/Distribution), Class W (Accumulation)
CHF	Class U (Accumulation)
AUD	Class V (Distribution)
EUR	Class X (Accumulation)

Synthetic Risk & Reward Indicator (SRRI)



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Carne Global Fund Managers (Ireland) Limited manage the ICAV as UCITS management company and have delegated the discretionary investment management and distribution of the ICAV and the Fund to River and Mercantile Investments Limited. River and Mercantile Investments Limited is authorised and regulated in the United Kingdom by the Financial Conduct Authority (Firm Reference No. 195028; registered in England and Wales No. 3359127).

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