



RIVER AND MERCANTILE
ASSET MANAGEMENT

Emerging Market ILC Equity Fund

Quarterly Report
to 30 September 2020

Fund objective

The objective of the fund is to achieve the highest possible return in US dollars (Reference Currency), while taking due account of the principle of risk diversification, the security of the capital invested, and the liquidity of the invested assets.

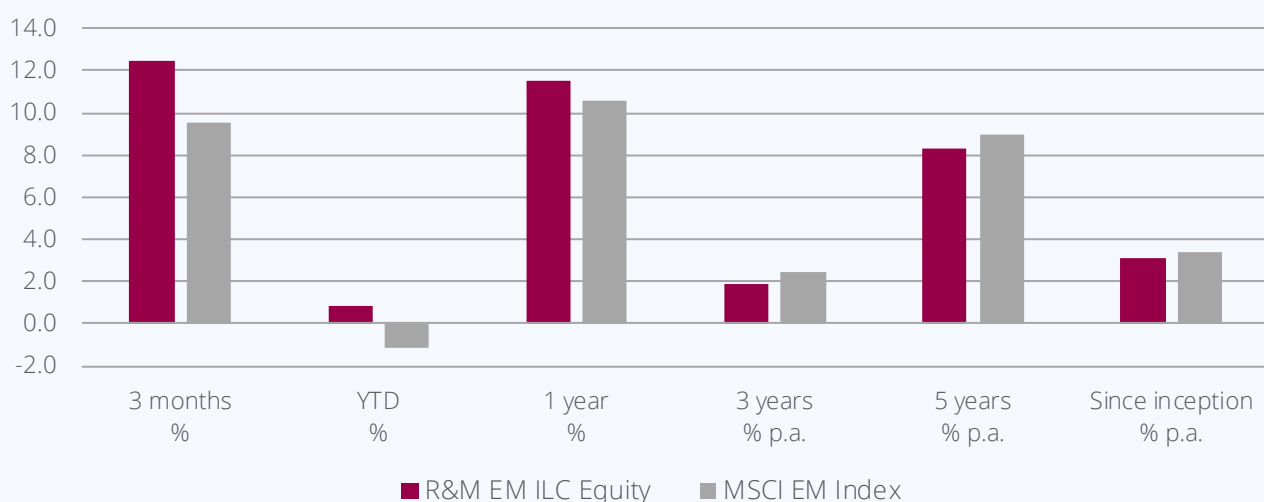
The investment process is driven by a proprietary bottom-up methodology for the stock selection based on the Industrial Life Cycle (ILC) process. The ILC process segments the universe of investable companies according to their life cycle stage and evaluates them accordingly. While stock selection is supported by the ILC process, the final investment decision remains with the Investment Manager.

Portfolio summary and key risk characteristics

Fund assets under management (AUM)	\$ 99.7m	Return on equity (ROE)	18.4%
Strategy capacity	\$ 1bn	Price/earnings (PE) ratio	13.8
Inception date	1 October 2012	Price/book (PB) ratio	1.9
Number of holdings	78	Dividend yield	2.6%
Active share	93.3%	Weighted average market cap	\$ 154.1bn

Performance (USD accumulation units, net of 0.50% p.a. AMC)

	Cumulative (%)			Annualised (% p.a.)		
	3 months	YTD	1 year	3 years	5 years	Since inception
R&M EM ILC Equity	12.43	0.87	11.50	1.93	8.27	3.11
MSCI EM Index	9.56	-1.16	10.54	2.42	8.97	3.36
MSCI EM Value Index	4.66	-14.23	-5.70	-2.89	4.45	-0.29



Calendar Year	R&M EM ILC Equity %	MSCI EM Index %	MSCI EM Value Index %
2012 (1 Oct - 31 Dec)	3.97	5.30	4.51
2013	0.02	-2.60	-5.14
2014	-1.02	-2.19	-4.08
2015	-18.08	-14.92	-18.57
2016	12.17	11.19	14.90
2017	32.77	37.28	28.07
2018	-13.52	-14.58	-10.74
2019	16.65	18.44	11.96

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI Emerging Markets Index, net USD. Fund performance shown is of IB share class (accumulation units) which is net of an annual management charge of 0.50% per annum. Please note that the benchmark performance is calculated using close of business mid-market prices. Other share classes may be available. **Past performance is not a reliable indicator of future results.**

Investment commentary

Review

The quarter brought relief to markets as the daily global cases of COVID-19 plateaued near 300K. The MSCI EM index led many global markets with a gain of 9.6% on the back of the continued recovery in China and its neighbors. Further evidence of a strong industrial recovery, ample stimulus funds and near dormant virus numbers drove the Chinese market to a 13% gain. Growth led Value by over 9%, small caps beat large caps by 2%, and strong stock selection across life cycles led to a strong absolute and relative quarter for the Fund.

Despite the heavy growth sentiment, our relative value stock picking driven process was able to generate results across the majority of stages, countries, and sectors. Key drivers for the quarter included Xinyi Solar in China, VS Industries in Malaysia, and Hyundai Motors in South Korea. Xinyi Solar is a Growth stage company benefitting from the Chinese government's push to diversify its energy needs into renewable sources. The latest solar installations initiated from 2020 stimulus have raised pricing on solar panels, to Xinyi's benefit. VS Industries was a recent Cash Cow addition that is a Malaysia based contract manufacturer benefitting from the continued diversification of supply chains towards SE Asia. Hyundai Motors is a longer-term portfolio position from the Restructuring stage that is taking share in India in low end cars, while also making strides in Korea and the US with new models.

Outlook

Legitimate concerns remain on the minds of investors as we look towards the end of a difficult year. The virus is still rising in India, and new Covid hotspots are appearing in the Developed World. Elections loom in the US, and the trade war continues to complicate supply chains. However, positives remain; a healthy dose of sovereign competition between EM and DM hints at a speedy arrival of an effective COVID vaccine, inflation remains benign in most parts of the world, and the three largest weights in the EM index, China, South Korea, and Taiwan have provided a calming force of normalcy for markets. This core of EM is no longer a reflexive sell candidate in a risk off world. Looking forward, economic growth in these markets remains at a premium to the developed world, and the remaining fiscal space in EM well positioned to provide cushion if needed. This is less certain in some developed markets.

One challenge of this market leadership is that pockets of Asian large cap growth are beginning to stretch valuations. The R&M solution to EM offers a unique way to temper these risks through its active combination of smaller cap Growth plays like Xinyi Solar in China and Jubilant Food in India. This smaller cap growth offering is complemented by large cap Restructuring ideas like Hyundai Motors in South Korea, Zoomlion in China, and Mahindra in India.

Al Bryant
Portfolio Manager
October 2020

Performance attribution

Top 10 contributors to return

	Active average weight (%)	Relative contribution (%)
Taiwan Semi Mfng	6.63	1.90
Xinyi Solar	1.46	0.70
Xinyi Glass Holdings	1.43	0.62
V.S. Industry Bhd.	0.78	0.52
Hyundai Motor Co	0.83	0.43
Reliance Industries	2.31	0.42
Country Garden Services	1.63	0.36
China Construction Bank	-1.13	0.29
Jubilant Foodworks Limited	1.01	0.25
China Lesso Group	1.05	0.22

Attribution by region

	Contribution from allocation (%)	Contribution from selection (%)
Asia Pacific Ex Japan	0.01	2.56
Europe	-0.22	0.42
Latin America	0.04	-0.04
Middle East And Africa	0.26	0.20
North America	-0.01	0.00
Cash	-0.13	0.00
Total	-0.06	3.14

Portfolio characteristics

Top 10 holdings

	Fund weight (%)
Alibaba Group	7.31
Taiwan Semi Mfng	6.65
Tencent	5.65
Samsung Electronics	4.95
Ping an Insurance	2.87
Reliance Industries	2.48
Xinyi Solar	2.09
JD.com	2.03
Country Garden Services	1.86
Xinyi Glass Holdings	1.81

Sector weightings

	Fund weight (%)	Benchmark weight (%)
Energy	5.19	5.43
Materials	8.08	6.93
Industrials	11.45	4.36
Consumer Discretionary	18.79	20.21
Consumer Staples	3.30	6.08
Health Care	2.99	4.32
Financials	14.98	17.15
Information Technology	19.22	18.46
Communications Services	9.04	12.71
Utilities	3.11	1.95
Real Estate	2.09	2.38
Cash	1.75	0.00

Top 10 detractors from return

	Active average weight (%)	Relative contribution (%)
Taiwan Semi Mfng	-5.42	-1.32
Meituan Dianping Class B	-1.61	-0.39
Agricultural Bank Of China	1.33	-0.38
ZTO Express (Cayman) Spon ADR	1.19	-0.36
CNOOC Group	1.59	-0.34
Alibaba Group	-1.29	-0.28
Mahanagar Gas	0.90	-0.26
Reliance Industries Limited	-1.26	-0.25
Wiwynn Corp	0.93	-0.23
Bank of China	1.07	-0.21

Attribution by sector

	Contribution from allocation (%)	Contribution from selection (%)
Energy	0.03	0.26
Materials	0.04	-0.04
Industrials	-0.41	0.94
Consumer Discretionary	-0.35	0.61
Consumer Staples	0.08	0.05
Health Care	0.14	0.26
Financials	0.16	0.19
Information Technology	0.20	1.02
Communications Services	0.27	-0.03
Utilities	-0.16	-0.12
Real Estate	0.04	0.01
Cash	-0.13	0.00
Total	-0.09	3.15

Country weightings

	Fund weight (%)	Benchmark weight (%)
China	38.25	41.93
Taiwan	14.34	12.79
South Korea	13.29	12.09
India	10.04	8.25
Russia	5.89	3.03
Brazil	2.32	4.56
Philippines	2.23	0.74
South Africa	1.91	3.54
Hong Kong	1.81	0.00
Mexico	1.69	1.64
Other	6.48	11.44

Important information

The River and Mercantile Emerging Market ILC Equity Fund (the "Fund") is approved by the Commission de Surveillance du Secteur Financier as a sub-fund of the River and Mercantile Investment Funds SICAV, an undertaking for collective investment in transferable securities in the legal form of an investment company with variable capital (société d'investissement à capital variable, "SICAV"). The Fund registered as a "recognised scheme" for the purposes of Section 264 of the Financial Services and Markets Act 2000 (FSMA) of the United Kingdom and shares in the Fund may upon such registration be promoted and sold to the general public in the United Kingdom subject to compliance with FSMA and applicable regulations under FSMA. Potential investors in the United Kingdom should be aware that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Fund and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

The SICAV is managed by Multiconcept Fund Management S.A. and distributed by River and Mercantile Asset Management LLP as global distributor. River and Mercantile Asset Management LLP is authorized and regulated in the United Kingdom by the Financial Conduct Authority. River and Mercantile LLC is appointed as investment manager of the Fund and is registered as an investment advisor with the US Securities and Exchange Commission. River and Mercantile LLC's equity portfolio management business is conducted under the name "River and Mercantile Asset Management ILC Team".

This material has been prepared by River and Mercantile Asset Management LLP. None of MultiConcept Fund Management S.A., the registrar and transfer agent, the central administration or the custodian of the Fund has independently verified any information contained herein and no party makes any representation or warranty as to the accuracy, completeness, or reliability of such information.

Investors should refer to the latest prospectus of the SICAV (as amended or supplemented) and relevant key investor information document(s) for the Fund for further information (available from our website at riverandmercantile.com).

The information and opinions contained in this document do not constitute investment advice and are provided for background purposes only. References to specific securities are provided solely as illustrative examples of the River and Mercantile Asset Management ILC Team's analytical methods, and do not constitute a recommendation to buy or sell such securities. This information is subject to updating and verification. Portions of this report are based on data provided by third parties whom River and Mercantile Asset Management LLP deems to be reliable; however, there is no guarantee as to the accuracy and completeness of the information.

PAST PERFORMANCE IS NOT A RELIABLE GUIDE TO FUTURE RESULTS.

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