



RIVER AND MERCANTILE  
ASSET MANAGEMENT

# Emerging Market Opportunities ILC Equity Fund

Quarterly Report  
to 30 September 2020

### Fund Objective

The objective of the fund is to achieve long-term capital growth and the security of investments, while maintaining an adequate diversification of risks, by investing in a portfolio of equity securities issued by small and medium-sized companies with their registered office in emerging market countries worldwide. Small and medium-sized companies are defined as all companies with a market capitalization of less than 10 billion USD at the time the investment is made.

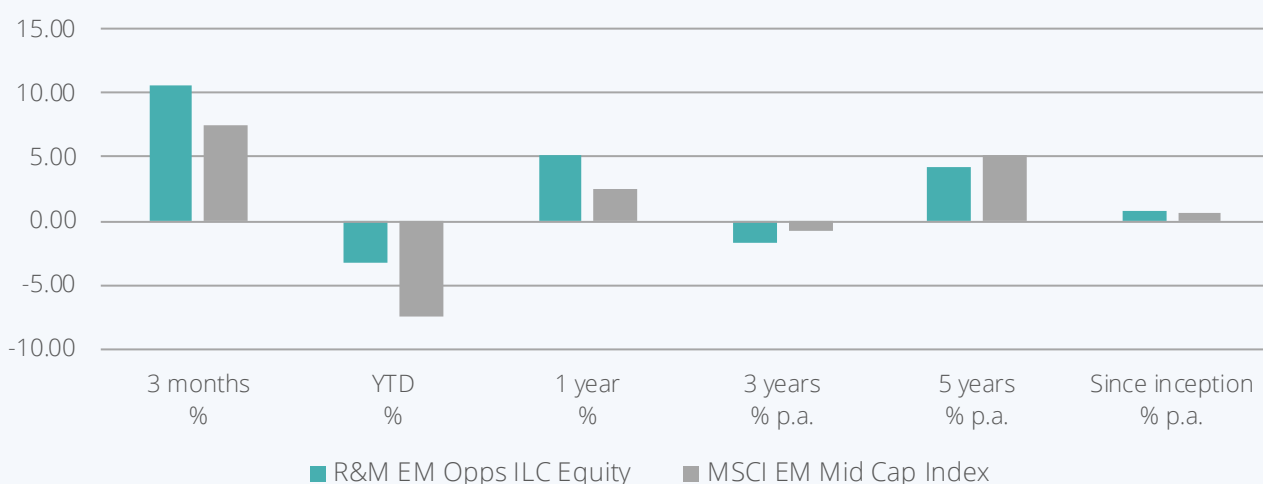
The investment process is driven by a proprietary bottom-up methodology for the stock selection based on the Industrial Life Cycle (ILC) process. The ILC process segments the universe of investable companies according to their life cycle stage and evaluates them accordingly. While stock selection is 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)	\$ 9.4m	Return on equity (ROE)	18.7%
Strategy capacity	\$ 1bn	Price/earnings (PE) ratio	12.9
Inception date (EB share class)	7 April 2015	Price/book (PB) ratio	2.2
Number of holdings	68	Dividend yield	2.6%
Active share	93.0%	Weighted average market cap	\$ 3.9bn

### Performance ('EB' class USD accumulation units, net of 0.75% p.a. AMC)

	Cumulative (%)			Annualised (% p.a.)		
	3 months	YTD	1 year	3 years	5 years	Since inception
<b>R&amp;M EM Opps ILC Equity</b>	<b>10.62</b>	<b>-3.31</b>	<b>5.17</b>	<b>-1.77</b>	<b>4.27</b>	<b>0.85</b>
MSCI EM Mid Cap Index	7.48	-7.41	2.44	-0.72	5.21	0.67
MSCI EM Small Cap Index	11.85	-2.40	6.89	-1.09	4.60	0.71



Calendar Year	R&M EM Opps ILC Equity %	MSCI EM Mid Cap Index %	MSCI EM Small Cap Index %
2015 (7 Apr - 31 Dec)	-15.58	-18.52	-13.12
2016	9.92	4.84	2.28
2017	25.21	35.14	33.84
2018	-12.18	-13.11	-18.59
2019	7.92	13.13	11.51

Source: River and Mercantile Asset Management LLP. Benchmark is the MSCI Emerging Markets Mid Cap Index, net USD. Fund performance shown is of EB share class (USD accumulation units) which is net of an annual management charge of 0.75% 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 guide to 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 Small Cap index led many global markets with a gain of 11.9% on the back of the continued recovery in Asia. Leadership in the small cap index was driven a bit more by Q2 laggards such as Malaysia and India and their respective health care sectors that include gloves and pharmaceuticals respectively. Growth led Value by over 9%, small caps beat large caps by 2%. The Fund participated in a majority of the upside this quarter with strong results in China.

Key drivers for the quarter included Xinyi Solar and Zoomlion in China, and VS Industries in Malaysia. 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. Zoomlion is a Restructuring name that has recently made the successful transition to Fading Winner stage as their ROI has improved as a result of an intentional repositioning of the business towards its original crane and excavator beginnings. 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.

### 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. 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 EM Opportunities Fund 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 compelling turnaround ideas like 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 (%)
V.S. Industry Bhd.	2.11	1.76
Xinyi Solar	2.14	1.00
Xinyi Glass Holdings	1.46	0.66
China Lesso Group	2.51	0.57
Country Garden Services	2.04	0.52
Jubilant Foodworks Limited	1.52	0.42
Hansol Chemical Co.	2.81	0.33
Samsung Life Insurance	0.88	0.24
Zoomlion Heavy Ind. Science & Tech	1.34	0.21
FIBRA Macquarie Mexico	1.44	0.20

### Attribution by region

	Contribution from allocation (%)	Contribution from selection (%)
Asia Pacific Ex Japan	0.11	1.05
Europe	0.00	0.58
Latin America	0.40	0.08
Middle East And Africa	-0.48	0.12
Cash	-0.07	0.00
<b>Total</b>	<b>-0.04</b>	<b>1.83</b>

## Portfolio characteristics

### Top 10 holdings

	Fund weight (%)
Nice Information Service Co	2.99
Chailease Holding Co.	2.90
Xinyi Solar	2.90
Hansol Chemical Co.	2.85
Douzone Bizon Co	2.85
China Lesso Group	2.71
NEOWIZ	2.53
Silergy Corp	2.51
Mahanagar Gas	2.46
Far East Horizon	2.14

### Sector weightings

	Fund weight (%)	Benchmark weight (%)
Energy	1.25	3.20
Materials	9.92	13.09
Industrials	16.46	12.85
Consumer Discretionary	9.66	11.25
Consumer Staples	8.56	9.32
Health Care	1.06	10.10
Financials	13.32	12.04
Information Technology	19.98	14.50
Communications Services	10.22	5.11
Utilities	5.08	3.65
Real Estate	2.60	4.90
Cash	1.88	0.00

### Top 10 detractors from return

	Active average weight (%)	Relative contribution (%)
NIO Inc. Sponsored ADR Class A	-0.91	-1.07
Mahanagar Gas	2.82	-0.77
PT Media Nusantara Citra	2.10	-0.71
Wiwynn Corp	2.20	-0.47
Top Glove Corporation Bhd.	-0.67	-0.38
Silergy Corp	2.07	-0.37
NEOWIZ	2.73	-0.30
Gold Fields Limited	-0.80	-0.27
ASPEED Technology, Inc.	1.74	-0.25
TIM Participacoes	1.40	-0.24

### Attribution by sector

	Contribution from allocation (%)	Contribution from selection (%)
Energy	0.23	-0.05
Materials	-0.28	-0.69
Industrials	-0.17	2.18
Consumer Discretionary	-0.23	0.78
Consumer Staples	0.01	-0.18
Health Care	0.42	-0.05
Financials	-0.02	0.65
Information Technology	0.27	0.19
Communications Services	-0.11	-0.89
Utilities	-0.21	-0.30
Real Estate	0.16	0.19
Cash	-0.07	0.00
<b>Total</b>	<b>0.00</b>	<b>1.83</b>

### Country weightings

	Fund weight (%)	Benchmark weight (%)
Taiwan	18.84	14.00
China	18.29	21.36
South Korea	17.49	12.30
India	11.47	6.91
Russia	5.72	3.44
Malaysia	5.34	3.50
Philippines	3.98	1.23
Brazil	3.64	8.50
Indonesia	3.15	1.55
Poland	2.52	2.24
Other	7.69	24.97



## Important information

The River and Mercantile Emerging Market Opportunities 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](http://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 INDICATOR OF FUTURE RESULTS.

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