

RIVER AND MERCANTILE
ASSET MANAGEMENT

River and Mercantile Funds ICVC
Short Report for the Period Ended
30th September 2008

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Further information

This interim Short Report has been prepared in accordance with the Financial Services (Open-Ended Investment Companies) Regulations 2001. The Authorised Corporate Director's Long Form Financial Statements, which are unaudited, and the Prospectus, which contains a written statement of Terms and Conditions of the Company, can be obtained free of charge using the contact details shown at the back cover of the booklet.

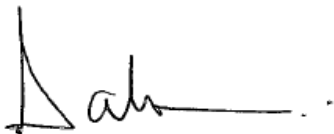
The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please contact River and Mercantile Asset Management LLP directly for further details of any information contained in this Short Report or refer to our website at www.riverandmercantile.com.

River View

'O Bother!' 'O Blow!' and 'O Gosh' just three expressions uttered by the ubiquitous Mole in Kenneth Grahame's *The Wind in the Willows* when describing his frustration with the annual task of spring cleaning his cellar. We all feel a little like Mole at the moment full of frustration and anguish as we deal with markets that have become erratic, nervous and highly volatile. Investment management during any period is challenging however in these times all the more so. Financial markets around the world are in turmoil. Share prices have been battered. The short-term outlook is difficult. However, as investors, we must stick to our core beliefs and remember that we do not invest our funds based on short term daily movements but as medium term investors with a longer horizon.

In spite of these difficulties the ICVC has continued to grow. We continue to be appointed to manage client assets. Assets under management at the last time of writing in May 2008 were £545m and now in spite of falls in the market of over 15%, are now £680m including assets in transition. We have also continued to grow assets under management on a segregated basis and manage 7 segregated accounts over 4 different strategies, up from the 4 accounts in 2 strategies we managed as at 31st of March.

We believe it will be some time before breaking into the warmth of the spring meadow and a period of more stable market, and economic conditions. In the meantime we continue to work hard to ensure that once those conditions return River and Mercantile will be in a very strong and competitive position. As in previous reports I would like to take this opportunity to thank you for your continued support.



James Barham
Chief Executive



UK Equity High Alpha Fund

Fund Aim

The investment objective of the Fund is to achieve capital growth by investing in the focussed portfolio of investments which shall primarily consist of UK equities which offer the prospect of superior long term growth.

Risk Profile

The fund is primarily invested in companies listed on the London Stock Exchange that reside within the FTSE All-Share Index. Therefore, it is open to risks associated with market movements.

Our approach to risk and portfolio construction reflects our overall investment philosophy and further information can be obtained from the River and Mercantile UK Equity Philosophy and Process document.

Fund Facts

Fund Inception 28th November 2006

Accounting Dates

Interim 30th September
Final 31st March

Distribution Payment Dates

Interim 30th November
Final 31st May

Total Expense Ratio

30th September 2008
A Class 1.58%
Z Class 0.09%

Distribution Details

A Class 1.2126 p per share
Z Class 9.3143 p per share

The Fund pays the full amount of income available for distribution on a semi-annual basis.

UK Equity High Alpha Fund

Portfolio Review

The Portfolio returned -15.7% for the six months to September 30 2008. The Fund benefited from an underweight exposure to resources, in particular Rio Tinto and BHP Billiton, and an overweight to GlaxoSmithKline. The main detractors for the Fund were a general underweight to defensives such as Tesco and BAT. Whilst we were generally underweight financials, specific banking stock selection; namely over-weight HBOS and underweight HSBC; hurt the overall performance of the Fund.

Outlook

The credit crunch is in full flight, impacting on risk premiums of all investments and having a serious knock-on affect on the real economy with the UK clearly now in recession. However policy measures are being taken to see us through the credit crunch and allow economies to bottom-out over the next year. Risk appetite has collapsed, the reason for the huge valuation anomalies that have opened up, and the reason for UK equities now yielding more than government bonds.

What is completely absent at the moment though is confidence, with extreme fear and suspicion dominating the actions of bankers and investors. It is very difficult to say what brings fear to an end? Perhaps the activity of Governments and Central Banks starts to get ahead of the curve, perhaps valuations get to such a low point that some of the cash that is parked by institutions is put to work, or perhaps we just wake up one morning and think enough is enough. Until that moment we are working day-and-night on investment, managing the risk in the portfolio on one hand but also being very focused on the huge PVT opportunities that are out there.

Top 10 Holdings

September 30, 2008	% of Fund	March 31, 2008	% of Fund
BP	6.75	BP	5.57
GlaxoSmithKline	5.81	Vodafone	5.57
HSBC	5.72	GlaxoSmithKline	4.81
Vodafone	5.70	HSBC	3.77
Royal Dutch Shell "B"	3.40	Royal Dutch Shell "B"	3.27
Royal Bank of Scotland	2.71	Anglo American	3.23
Unilever	2.59	Royal Bank of Scotland	2.54
Lloyds TSB	2.47	Prudential	2.21
Astrazeneca	2.16	HBOS	2.06
Prudential	2.05	Unilever	2.05

UK Equity High Alpha Fund

Fund Performance

Net Asset Values

	Net Asset value of Fund £	Net asset value of share p	Shares in issue
31 March 2008			
A Class Shares	3,257,788	88.07	3,699,056
Z Class Shares	19,389,971	457.66	4,236,746
30 September 2008			
A Class	2,454,021	71.61	3,427,161
Z Class	19,140,668	380.80	5,026,460

Share Price Range & Net Income

	Highest Share Price p	Lowest Share Price p	Net Income p
Income Shares			
2006 (1)	103.54	100.00	-
2007	115.30	96.63	0.9123
2008 (2)	99.17	73.09	2.1272
Accumulation Shares			
2006 (1)	533.03	500.00	-
2007	580.36	495.08	11.0588
2008 (2)	508.39	382.38	17.5332

(1) From 28 November 2006

(2) Highest and lowest share price to 30 September 2008, net income to 30 November 2008

UK Equity Smaller Companies Fund

Fund Aim

The investment objective of the 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

The Fund primarily invested in companies listed on the London Stock Exchange that reside within the Hoare Govett Smaller Companies Index. Therefore, it is open to risks associated with market movements.

Our approach to risk and portfolio construction reflects our overall investment philosophy and further information can be obtained from the River and Mercantile UK Equity Philosophy and Process document.

Fund Facts

Fund Inception 30th November 2006

Accounting Dates

Interim 30th September
Final 31st March

Distribution Payment Dates

Interim 30th November
Final 31st May

Total Expense Ratio 30th September 2008

A Class 1.58%
Z Class 0.08%

Distribution Details

A Class 0.8471 p per share
Z Class 7.7737 p per share

The Fund pays the full amount of income available for distribution on a semi-annual basis.



UK Equity Smaller Companies Fund

Portfolio Review

The Portfolio outperformed the index considerably for the six months to September 30 2008, returning -14.1%. The Fund benefited from an underweight exposure to financials, some specific stock selections including BATM Advanced Communications and Telecom Plus; along with 5% of the Fund being invested in cash whilst market uncertainty soared. Our overweight position in Innovation Group, which suffered a profit warning during the period, was the most significant detractor on the Funds performance.

Outlook

The credit crunch is in full flight, impacting on risk premiums of all investments and having a serious knock-on affect on the real economy with the UK clearly now in recession. However policy measures are being taken to see us through the credit crunch and allow economies to bottom-out over the next year. Risk appetite has collapsed, the reason for the huge valuation anomalies that have opened up, and the reason for UK equities now yielding more than government bonds.

What is completely absent at the moment though is confidence, with extreme fear and suspicion dominating the actions of bankers and investors. It is very difficult to say what brings fear to an end? Perhaps the activity of Governments and Central Banks starts to get ahead of the curve, perhaps valuations get to such a low point that some of the cash that is parked by institutions is put to work, or perhaps we just wake up one morning and think enough is enough. Until that moment we are working day-and-night on investment, managing the risk in the portfolio on one hand but also being very focused on the huge PVT opportunities that are out there.

Top 10 Holdings

30 September, 2008	% of Fund	31 March, 2008	% of Fund
Babcock	2.92	Babcock	3.65
Celsis	2.11	Dignity	2.25
BATM Advanced	2.00	Lamprell	2.23
Dignity	1.92	Chaucer Holdings	2.00
Connaught	1.89	Greggs	1.98
Victrex	1.84	Chemring Group	1.96
E2V Technologies	1.81	Dechra Pharma	1.95
Diploma	1.77	Interserve	1.93
Scott Wilson	1.72	Ultra Electronics	1.89
Interserve	1.70	Scott Wilson	1.88

UK Equity Smaller Companies Fund

Fund Performance

Net Asset Values

	Net Asset value of Fund £	Net asset value of share p	Shares in issue
31 March 2008			
A Class Shares	36,319,512	88.53	41,027,252
Z Class Shares	847,240	454.31	186,491
30 September 2008			
A Class	30,915,516	74.52	41,485,680
Z Class	652,510	389.67	167,454

Share Price Range & Net Income

	Highest Share Price p	Lowest Share Price p	Net Income p
Income Shares			
2006 (1)	106.69	99.38	-
2007	113.97	92.97	0.4425
2008 (2)	96.48	76.57	1.1050
Accumulation Shares			
2006 (1)	526.76	496.97	-
2007	573.95	473.83	8.5676
2008 (2)	492.05	395.87	12.5326

(1) From 30 November 2006

(2) Highest and lowest share price to 30 September 2008, net income to 30 November 2008

UK Equity Unconstrained Fund

Fund Aim

The investment objective of the Fund is to achieve capital growth through investing in a concentrated portfolio which will primarily consist of UK equities. The Fund will not be restricted by reference to a benchmark, sector constraints or company size.

Risk Profile

The Fund is primarily invested in companies listed on the London Stock Exchange that reside within the FTSE All-Share Index. Therefore, it is open to risks associated with market movements.

Our approach to risk and portfolio construction reflects our overall investment philosophy and further information can be obtained from the River and Mercantile UK Equity Philosophy and Process document.

Fund Facts

Fund Inception 22nd March 2007

Accounting Dates

Interim 30th September

Final 31st March

Distribution Payment Dates

Interim 30th November

Final 31st May

Total Expense Ratio 30th September 2008

A Class 1.78%

Z Class 0.04%

Distribution Details

A Class 0.6396 p per share

Z Class 7.3543 p per share

The Fund pays the full amount of income available for distribution on a semi-annual basis.



UK Equity Unconstrained Fund

Portfolio Review

The Portfolio returned -17.8% for the six months to September 30 2008. The Fund benefited from an underweight exposure to resources, in particular Rio Tinto, and specific stock selections including Cable & Wireless, FirstGroup and BAT. Whilst we were generally underweight financials, and benefited from RBS underweight, other specific banking stock selection; namely over-weight HBOS and underweight HSBC; had a detrimental effect on the Fund, as did our position in Innovation Group who issued a profit warning during the period.

Outlook

The credit crunch is in full flight, impacting on risk premiums of all investments and having a serious knock-on affect on the real economy with the UK clearly now in recession. However policy measures are being taken to see us through the credit crunch and allow economies to bottom-out over the next year. Risk appetite has collapsed, the reason for the huge valuation anomalies that have opened up, and the reason for UK equities now yielding more than government bonds.

What is completely absent at the moment though is confidence, with extreme fear and suspicion dominating the actions of bankers and investors. It is very difficult to say what brings fear to an end? Perhaps the activity of Governments and Central Banks starts to get ahead of the curve, perhaps valuations get to such a low point that some of the cash that is parked by institutions is put to work, or perhaps we just wake up one morning and think enough is enough. Until that moment we are working day-and-night on investment, managing the risk in the portfolio on one hand but also being very focused on the huge PVT opportunities that are out there.

Top 10 Holdings

30 September, 2008	% of Fund	31 March, 2008	% of Fund
BAT	5.23	BAT	5.58
BP	4.88	BAE Systems	4.49
BAE Systems	4.88	Unilever	4.41
GlaxoSmithKline	4.51	BP	3.83
Prudential	4.36	Babcock International	3.77
Unilever	4.31	Reed Elsevier	3.50
Cable & Wireless	3.81	Sibir Energy	3.47
Reed Elsevier	3.80	Xstrata	3.26
FirstGroup	3.81	Vodafone	3.16
Babcock	3.37	John Wood Group	3.03

UK Equity Unconstrained Fund

Fund Performance

Net Asset Values

	Net Asset value of Fund £	Net asset value of share p	Shares in issue
31 March 2008			
A Class Shares	22,134,239	92.84	23,841,402
Z Class Shares	370,940	477.07	77,753
30 September 2008			
A Class	74,018,454	74.19	99,764,744
Z Class	4,235,193	388.01	1,091,515

Share Price Range & Net Income

	Highest Share Price p	Lowest Share Price p	Net Income p
Income Shares			
2007 (1)	105.33	92.06	0.5040
2008 (2)	102.09	75.51	1.1312
Accumulation Shares			
2007 (1)	534.95	463.48	7.0646
2008 (2)	525.92	391.48	14.0765

(1) From 22 March 2007

(2) Highest and lowest share price to 30 September 2008, net income to 30 November 2008

UK Equity Fund

Fund Aim

The investment objective of the Fund is to achieve capital growth by investing in the equities of established UK companies which offer the prospect of long term capital growth within a portfolio that has a balanced risk profile.

Risk Profile

The Fund is primarily invested in companies listed on the London Stock Exchange that reside within the FTSE All-Share Index. Therefore, it is open to risks associated with market movements.

Our approach to risk and portfolio construction reflects our overall investment philosophy and further information can be obtained from the River and Mercantile UK Equity Philosophy and Process document.

Fund Facts

Fund Inception 25th February 2008

Accounting Dates

Interim 30th September

Final 31st March

Distribution Payment Dates

Interim 30th November

Final 31st May

Total Expense Ratio 30th September 2008

A Class 1.79%

Z Class 0.31%

Distribution Details

A Class 1.1001 p per share

Z Class 9.1866 p per share

The Fund pays the full amount of income available for distribution on a semi-annual basis.



UK Equity Fund

Portfolio Review

The Portfolio returned -10.8% for the six months to September 30 2008, considerably outperforming the FTSE All Share index. The Fund benefited from an underweight exposure to resources, in particular Rio Tinto and specific stock selection including underweight RBS and over-weight British Energy and Lamprell. Our underweight to the safe haven of HSBC detracted from the Funds performance as did our holdings of Cattles and Aquarius Platinum.

Outlook

The credit crunch is in full flight, impacting on risk premiums of all investments and having a serious knock-on affect on the real economy with the UK clearly now in recession. However policy measures are being taken to see us through the credit crunch and allow economies to bottom-out over the next year. Risk appetite has collapsed, the reason for the huge valuation anomalies that have opened up, and the reason for UK equities now yielding more than government bonds.

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Top 10 Holdings

30 September, 2008	% of Fund	31 March, 2008	% of Fund
HSBC	7.04	Vodafone Group	5.66
GlaxoSmithKline	5.50	BP	5.21
Royal Dutch Shell "B"	5.45	Royal Dutch Shell 'B'	5.13
BP	5.34	HSBC Hldgs	4.41
Vodafone	5.06	BAT	4.10
BAT	3.60	GlaxoSmithKline	4.01
Astrazeneca	3.50	Tesco	2.89
Imperial Tobacco Group	2.75	Imperial Tobacco	2.76
Unilever	2.19	Unilever	2.65
Tesco	2.06	Anglo American	2.54

UK Equity Fund

Fund Performance

Net Asset Values

	Net Asset value of Fund £	Net asset value of share p	Shares in issue
31 March 2008			
A Class Shares	3,009,910	95.67	3,146,129
Z Class Shares	240,575	481.81	49,931
30 September 2008			
A Class	6,195,481	83.47	7,422,200
Z Class	214,188	428.97	49,931

Share Price Range & Net Income

	Highest Share Price p	Lowest Share Price p	Net Income p
Income Shares			
2008 (1)	507.90	472.00	0.5373
2008 (2)	536.88	426.76	1.6374
Accumulation Shares			
2008 (1)	101.58	94.32	3.3442
2008 (2)	106.45	84.14	12.5308

(1) Highest and lowest share price from 25 February 2008 to 31 March 2008.

(2) Highest and lowest share price from 31 March 2008 to 30 September 2008, net income to 30 November

UK Equity Long Term Recovery Fund

Fund Aim

The investment objective of the Fund is to achieve capital growth through 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. The Fund will not be restricted by reference to a benchmark, sector constraints or company size.

Risk Profile

The Fund is primarily invested in companies listed on the London Stock Exchange that reside within the FTSE All-Share Index. Therefore, it is open to risks associated with market movements.

Our approach to risk and portfolio construction reflects our overall investment philosophy and further information can be obtained from the River and Mercantile UK Equity Philosophy and Process document.

Fund Facts

Fund Inception 17th July 2008

Accounting Dates

Interim 30th September
Final 31st March

Distribution Payment Dates

Interim 30th November
Final 31st May

Total Expense Ratio 30th September 2008

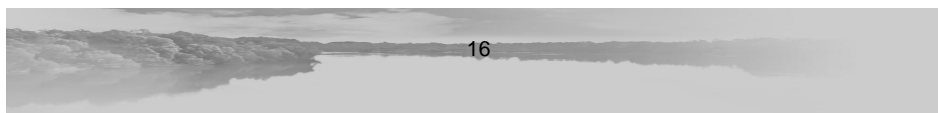
A Class 1.77%
Z Class 0.05%

Please note that as the Fund launched on 17th of July 2008, we are unable to provide an audited TER.

Distribution Details

A Class 0.3115 p per share
Z Class 3.3663 p per share

The Fund pays the full amount of income available for distribution on a semi-annual basis.



UK Equity long Term Recovery Fund

Portfolio Review

The River and Mercantile UK Equity Long Term Recovery Fund was launched on the 17th of July 2008 and to date has returned -6.6%.

Outlook

The credit crunch is in full flight, impacting on risk premiums of all investments and having a serious knock-on affect on the real economy with the UK clearly now in recession. However policy measures are being taken to see us through the credit crunch and allow economies to bottom-out over the next year. Risk appetite has collapsed, the reason for the huge valuation anomalies that have opened up, and the reason for UK equities now yielding more than government bonds.

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Top 10 Holdings

30 September, 2008	% of Fund
Vodafone	3.40
Astrazeneca	3.13
GlaxoSmithKline	3.06
Citigroup	2.66
Lloyds TSB	2.65
Invensys	2.61
Daily Mail	2.59
Legal & General	2.42
Prudential	2.33
Royal Bank of Scotland	2.28

UK Equity Long Term Recovery Fund

Fund Performance

Net Asset Values

	Net Asset value of Fund £	Net asset value of share p	Shares in issue
30 September 2008			
A Class	68,863,767	91.13	75,562,868
Z Class	89,790	458.84	19,569

Share Price Range & Net Income

	Highest Share Price p	Lowest Share Price p	Net Income p
Income Shares			
2008 (1)	113.97	92.84	0.3115
Accumulation Shares			
2008 (1)	571.21	465.79	3.3663

(1) Highest and lowest share price from 17 July 2008 to 30 September 2008, net income to 30 November 2008

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 Asset Servicing B.V Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA (authorised by the Dutch Central Bank (De Nederlandsche Bank) and the Financial Services Authority)
Administrator and Registrar	Administrators and Registrars Bank Of New York Mellon Corporation (London Branch) Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA (authorised and regulated by the Financial Services Authority) Address where Register will be kept:- BNYMellon House Ingrave Road Brentwood Essex CM15 8TG
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Solicitors	Burges Salmon LLP Narrow Quay House Narrow Quay Bristol BS1 4AH

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