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Dear Partners,

During the third quarter of 2020, Rhizome Partners generated a net return of 2.9%, bringing the year-to-date net return to 4.6%. The S&P 500 index returned 8.9% during the quarter and 5.6% year-to-date. The FTSE NAREIT All Equity REIT Total Return Index returned 1.2% during the quarter and is down 12.3% year-to-date. Despite not having much technology exposure, our performance is on par with the S&P 500 index which has benefited from its large weighting of technology companies whose valuations soared in the aftermath of the global pandemic.

With roughly half of our portfolio allocated to real estate companies, our year-to-date returns outperformed the FTSE NAREIT index by almost 17%. We believe the uncertainty of the ongoing pandemic environment has created overlooked investment opportunities in real estate with low risk/high reward profiles. We allocated almost 16% of the fund to one of these investments and subsequently created a Special Purpose Vehicle (SPV) to allow our partners to further concentrate in the idea. As of this writing, our existing partners have invested an additional $5.25mm to the SPV and we have fully deployed the capital. We made a conscious effort to present the SPV opportunity only to our existing partners. This is our way of showing our appreciation of your trust and patience. We will reach out to the waiting list of non-Rhizome investors shortly. Details about the SPV can be found at the end of the letter.

Time Period	S&P 500[1]	Hypothetical 10% Absolute Return	FTSE NAREIT All Equity REIT Total Return[2]	Rhizome Partners Class B Net Return[3,4]
April 10th thru Dec 31, 2013	18.2%	7.2%	-4.9%	19.50%
Full Year 2014	13.7%	10.0%	28.0%	19.2%
Full Year 2015	1.4%	10.0%	2.8%	-5.8%
Full Year 2016	12.0%	10.0%	8.6%	11.5%
Full Year 2017	21.8%	10.0%	8.7%	5.6%
Full Year 2018	-4.4%	10.0%	-4.0%	-7.2%
Full Year 2019	31.5%	10.0%	28.7%	17.8%
Q1 2020	-19.6%	2.4%	-23.4%	-14.0%
Q2 2020	20.6%	2.4%	13.3%	18.3%
Q3 2020	8.9%	2.4%	1.2%	2.9%
2020 YTD	5.6%	7.4%	-12.3%	4.6%
Cumulative Return Since Inception	146.7%	104.0%	60.2%	81.0%
Annualized Return Since Inception	**12.8%**	**10.0%**	**6.5%**	**8.2%**

1. S&P 500 returns include dividend reinvestments and are fully invested
2. FTSE NAREIT All Equity REIT Total Return Starts on 3/31/2013 and includes dividend reinvestments and are fully invested
3. Net return is net of expenses and incentive allocation for Class B. Individual partners may experience returns that are different than the Class B return.
4. Rhizome Partners Class B Net Return is accomplished while holding 30% cash and cash-like instruments while comparable indexes are fully invested. Class B Net Return also includes 13% of investments that are workouts/special situations/hedged

Performance Highlights

IPL Plastics received a take-private bid at $10.00 CAD per share during the quarter and shares were up over 80% during the quarter and over 140% since we built the position following the selloff. IPL Plastic contributed a 1.5% gross return to the fund during the quarter. An activist investor called for our Australian net-net to sell the company and return capital to shareholders. Shares were up 33% and contributed to an almost 1% gross

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return to the fund. Because high insider ownership presents a challenge to value realization, we used the opportunity to reduce our position size and reallocate the capital elsewhere. Due to a resurgence of Covid-19 cases during the summer and the Three Gorges Dam in China experiencing potential catastrophic failure, we hedged our portfolio via index puts and experienced a 1% gross loss associated with hedging during the quarter. Another detractor to our performance during the quarter is a multi-family REIT that sold off 25% after sizable appreciation and we subsequently took advantage of the volatility to increase our position by 32%. We believe this company is trading at one third of its private market equity value and it currently pays a healthy dividend.

Investment Updates

IPL Plastics

The IPL Plastics acquisition by private equity firm Madison Dearborn values IPL Plastic at roughly 9x EV/EBITDA. Per our commentary during the Q2 2020 investor letter "We estimated that in 2 years time, Berry could potentially pay 10x EBITDA multiple for IPL Plastics…But IPL Plastics enterprise value would likely be around 4x EBITDA after 2 years of debt pay down. Thus the upside at our purchase price of IPL Plastics could potentially be 4x our purchase price."

The Madison Dearborn acquisition further validates what we have been stating about the plastic packaging business. These are underrated businesses with recurring revenue and stable margins. Madison Dearborn paid a price that is roughly 143% higher than our purchase price which may seem quite a bit lower than the 4x projection that we made during the Q2 letter. This is largely because the acquisition occurred in 2020 rather than in 2022 when IPL would have paid down debt by 1x of EBITDA. Normalized 2022 EBITDA should also be higher. In addition, a private equity firm like Madison Dearborn cannot realize large scale synergies like Berry Global. Nonetheless, this is a fantastic outcome in merely five months as the following table illustrates:

Time Line	Aug/Sep 2019	Mar 2020	Mar 2020	Jul/Aug 2020
Action	Bought Berry Puts	Sold Berry Puts	Bought IPL Plastic	Sold IPL Plastic
Price Per Share	$2.20	$7.26	$4.09	$9.95
Returns of $1	$1.00	$3.30	$3.30	$8.03

IPL Plastics demonstrates how redeploying hedging windfalls after a large market selloff can result in outstanding returns. In this case, $1 of hedging became $8 in less than one year. We will continue to hedge our portfolio with puts when it is appropriate.

General Portfolio Update

As we articulated in the Q2 2020 letter, our companies ended up reporting operating results that were in line with our estimates. Despite double digit declines in revenue and EBITDA for our specialty chemical companies, their operating results are much better than commodity chemical companies. More importantly, none of our companies are currently facing a going-concern crisis like that being experienced by airlines and retailers.

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During a quarter when the annualized GDP fell over 30%, our operating companies reported EBITDA that experienced less than 20% decline year-over-year. Three of our companies, Berry Global, Griffin Industrial, and Asian Telco actually reported increases in organic EBITDA or NOI. Howard Hughes Corporation is the lone outlier in this list of eight companies due to its concentrated exposure to oil and gas, tourism, and the gaming industry.

Operating Company Performance	Q2 2020 Revenue YOY Change	Q2 2020 EBITDA YOY Change	Commentary
Berry Global	-6.1%	6.6%	Q2 results strips out contributions from acquisitions. YOY ogranic volume was up 2%. Revenue decline is not important as resin is a passthrough.
DuPont	-12%	-14.0%	Sales and EBITDA are actually up in 2 out of 4 segments. 3 out of 4 segments reported 27-31% EBITDA margin. Transportation and Industrials experienced 86% decline in EBITDA and a margin of 5.9%.
Univar	-22.3%	-18.8%	Despite sales decreasing by 22%, EBITDA margins was stable at about 8.1%
Australian Net-Net	0.0%	-5.7%	This company will be worth more if liquidated
Asian Telco	-3.6%	5.7%	Phone and broadband services became more essential during 2020

Berry Global's operating performance continues to validate the saying that "plastic packaging companies are bonds masquerading as equity." Berry experienced a 2% organic volume increase during Q2. In addition, the company has paid down several hundred millions of debt during 2020. These counter-cyclical results and behavior are reasons why plastic packaging is a favorite of private equity acquisitions. Three out of four DuPont segments reported EBITDA margins of 27-31%. The remaining segment suffered an 86% decline in EBITDA due to its exposure to auto and industrials. In aggregate, DuPont's Q2 EBITDA declined by 14% versus the same quarter in 2019. This is a testament to DuPont's portfolio of specialty products that can command pricing power even during the worst of the times. Univar also reported resilient results with EBITDA down about 18.8% versus an annualized decline rate of over 30% during the quarter for the US GDP. Univar also reported a healthy 8.1% EBITDA margin which is consistent with its historical norm.

Real Estate Company Performance	Q2 2020 Revenue	Q2 2020 NOI	Rent Collection	Portfolio Occupancy/ Lease %	Commentary
Griffin Industrial Realty	9.4%	12%	98%	94.3%	Griffin benefited from the shift to e-commerce during 2020
LAACO	-22%	-13%	Likely over 90%	Likely over 90%	The large revenue decline is mostly due to the Athletic Club being shut down
Howard Hughes Corporation	-24%	-32%	95% office 97% resi 50% retail	Over 90% for stabilized Office/Resi	Howard Hughes Corp was hurt due to retail and hospitality assets being forced to shut down. Office and multi-family assets performing better.

Griffin reported a 12% increase in NOI during Q2 2020 versus Q2 2019. The company recently raised $27.2mm of equity at $50 per share with some warrants and contingent value rights mixed in. While the equity raise was done at a discount to net asset value, it is an important first step towards building an institutional shareholder base. Years ago, we would have balked at such a transaction. Given the long-term structural tailwind of e-commerce, we believe that Griffin could potentially become an exciting growth story.

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Strategically it makes sense to attract a shareholder base that can contribute to value-add acquisitions and development at the cost of diluting current shareholders.

Laaco provides limited financials during the year. But the key operating stats are impressive with NOI down only 13% during Q2. This is despite the Athletic Club being shut down.

While our companies did not experience growth on par with e-commerce, SaaS, social media, and technology companies, they performed admirably during a difficult quarter. With the exceptions of Howard Hughes and the now exited Calumet position, our companies survived what will prove to be mere headwinds in their long-term value creation. It is important to point out that the resilience of our investment portfolio was not due to chance. We place an important emphasis on making sure that our portfolio companies can weather financial crises similar to the Great Recession of 2008 and the Covid Crisis of 2020. We take to heart the Buffett quote "over the years, a number of very smart people have learned the hard way that a long string of impressive numbers multiplied by a single zero always equals zero". This is why we did not own any airlines, commodity chemicals, restaurants, or other low moat businesses where a 10% decrease in revenue would result in a 50% decrease in operating earnings.

We are providing a chart on the next page to compare the performance of our portfolio companies against a collection of leading companies from various sectors. Our companies held up exceptionally well during the crisis compared to most companies outside of a few technology firms. Our company performance was similar to companies like Microsoft, Visa, Waste Management and Proctor and Gamble during Q2.

			Revenue			EBITDA		
Num	**Company**	**Industry**	**Q2 2019**	**Q2 2020**	**%**	**Q2 2019**	**Q2 2020**	**%**
1	Carnival	Hotels, Resorts & Cruise Lines	$4,837	$740	-85%	$1,058	($1,609)	-252%
2	Caterpillar	Construction Machinery & Heavy Trucks	$13,671	$9,310	-32%	$2,942	$1,520	-48%
3	Darden Restaurants	Restaurants	$2,229	$1,270	-43%	$307	($132)	-143%
4	Delta Air Lines	Airlines	$11,554	$786	-93%	$2,826	($1,705)	-160%
5	Exxon Mobil	Integrated Oil & Gas	$67,491	$32,277	-52%	$7,879	$3,265	-59%
6	General Electric	Industrial Conglomerates	$21,370	$16,060	-25%	$2,851	$234	-92%
7	General Motors	Automobile Manufacturers	$32,425	$13,363	-59%	$4,245	$427	-90%
8	Home Depot	Home Improvement Retail	$30,839	$38,053	23%	$5,456	$6,682	22%
9	Host Hotels & Resorts	Hotel & Resort REITs	$1,487	$78	-95%	$450	($210)	-147%
10	Illinois Tool Works	Industrial Machinery	$3,609	$2,564	-29%	$984	$552	-44%
11	LyondellBasell	Specialty Chemicals	$9,048	$5,546	-39%	$1,498	$681	-55%
12	Macy's	Department Stores	$5,546	$3,559	-36%	$393	($200)	-151%
13	Microsoft	Software—Infrastructure	$33,717	$38,033	13%	$15,247	$16,415	8%
14	Nucor	Steel	$5,896	$4,327	-27%	$752	$431	-43%
15	Omnicom Group	Advertising	$3,720	$2,801	-25%	$632	$372	-41%
16	Procter & Gamble	Household & Personal Products	$17,094	$17,698	4%	$4,495	$4,573	2%
17	Disney	Movies & Entertainment	$20,262	$11,779	-42%	$4,084	$1,433	-65%
18	Visa	Credit Services	$5,840	$4,837	-17%	$4,074	$3,197	-22%
19	Waste Management	Waste Management	$3,946	$3,561	-10%	$1,128	$1,004	-11%
20	Zoom Video Communications	Telecom Services	$146	$664	355%	$6	$195	3079%

New Best Idea Investment

We recently allocated almost 16% of the portfolio towards a real estate company that could double in share price in 2-3 years time. This is currently the largest position in the fund because it has the rare combination of

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high quality assets, deep discounts, and great corporate governance. We created a new Special Purpose Vehicle (SPV), Rhizome Real Asset Opportunity Fund 1 LP, and reached out solely to our existing Rhizome investors. From our existing partners, we raised $5.25mm within weeks. We gave our existing Rhizome investors a "priority window" to consider the investment as we strongly believe that our partners deserve the first look at high conviction ideas like this one. In the coming weeks, we will reach out to a list of non-Rhizome investors who have expressed strong interest in our best ideas. We believe this SPV has a $20mm capacity and we have already filled a good portion of the capacity with just existing Rhizome investors.

We believe the diagram below is a good way to visualize ways that Rhizome can add value to our partners. Rhizome Partners will continue to be a diversified fund. When we find a high conviction idea that warrants a double digit portfolio allocation, we will create a best idea SPV to allow additional participation. We believe we may uncover one best idea every 1-2 years which would equate to about 20 ideas in an investing career. Our unique deep-dive research process for real estate companies often uncovers opportunities with "private equity"-like returns but with lower leverage and higher diversification. Due to Covid, we believe this is currently a target rich environment. The feedback on the maiden SPV has been stellar and we look forward to uncovering additional best ideas. We will continue to offer priority access to our existing partners and previous investors in the SPVs.

Other New Investments

We did more planting during the quarter by allocating towards mostly smaller market cap companies with hidden growth prospects. We made a conscious effort to allocate towards companies that trade at value multiples yet have the potential to become exciting growth companies in 1-3 years time. We are now fully allocated in our portfolio. Please feel free to reach out at bill@rhizomepartners.com if you have any questions or if you are interested in our best idea SPV.

Regards,

Chong Tong "Bill" Chen

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The Fund commenced operations in April 2013 and has limited performance history. All performance of the Fund shown is from inception, net of applicable fees and expenses, presumes reinvestment of income and reflects the performance of the Class B Interests with a 1% Management Fee and a 15% Performance Allocation. The performance of Class A, which is also currently being offered and charges a 2% Management Fee and a 20% Performance Allocation, is not shown but is available upon request. Past performance is not indicative of future results. No representation is made that the Fund will or is likely to achieve its objectives, that the Investment Manager's investment process or risk management will be successful, or that any investor will make any profit or will not sustain losses.

Any descriptions involving investment process, investment examples, statistical analysis, investment strategies or risk management techniques are provided for illustration purposes only, will not apply in all situations, may not be fully indicative of any present or future investments, may be changed in the discretion of the Investment Manager and are not intended to reflect performance. Portfolio characteristics and limits reflect guidelines only and are implemented, and may change, in the discretion of the Investment Manager. Investments are selected by, and will vary in the discretion of, the Investment Manager and are subject to availability and market conditions, among other factors. Portfolio information shown may not be fully indicative of future portfolios.

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