

# River and Mercantile UK Micro Cap Investment Company Limited

31 August 2020

RIVER AND MERCANTILE  
ASSET MANAGEMENT

## Review of Investment Performance

The Company's NAV was 207.1p as at 28 August 2020, an increase of 7.0% since the end of July and a gain of 7.2% for the year to the end of August. For comparison, the Numis Smaller Companies plus AIM ex IC benchmark gained 6.3% in July and remains 12.7% lower year to date, leaving relative performance at 0.7% for August and 20.0% year to date. Small caps continued to outperform in August with the wider UK market, as measured by the MSCI United Kingdom Investable Market Index, returning 2.2%.

The closing share price of 161.5p on 28 August 2020 was a discount of 22%, a further improvement from the end of the prior month.

**MaxCyte** was, once again, a strong contributor with the shares gaining 44% in the month. There are two key catalysts for the company over the next 18 months. The first is the third-party investment into MaxCyte's CARMA platform meaning this earlier stage element of the investment case will be self-funding by the end of the year. The company is also looking to a dual listing on Nasdaq during 2021 given the higher rating biotech businesses receive in the US. We took some profits given the strong share price performance and it remains a high conviction position.

**RA International**, the leading provider of integrated facility management services in remote locations, also made a strong contribution over the month with a 28% gain in the shares. The company reported two large contract wins with one, a \$60m two-year contract, the largest contract the company has ever won. The contracts should, alongside the estimated \$200m order book, support earnings over the next few years. The company trades on a historic FY19 PE ratio of less than 10x despite a strong, net cash, balance sheet.

Three other top ten positions, namely **Litigation Capital Management**, **Venture Life** and **Diversified Gas and Oil**, also made contributions in excess of 0.5% with the shares gaining 17%, 15% and 15% respectively.

The notable underperformers were **Keystone Law** and **Tekmar Energy** which lost 12% and 22% respectively. Both saw share price weakness into the end of the month on low volumes. **Tekmar** has since released a trading statement highlighting strong new contract momentum.

Two new positions were introduced to the fund in the month. A small position was initiated in **SigmaRoc** which has a cyclical *Quality* investment case. The company is executing a buy and build strategy of construction materials businesses, a similar strategy to that of Breedon Group. To date, the company has executed on multiple acquisitions at attractive valuations and driven meaningful improvements in each business, improving profitability and further reducing acquisition multiples paid.

We also participated in the IPO of **Kooth**, the leading provider of digital health services to the NHS for children and young people in the UK. The trade settled in September meaning current cash is 3% as opposed to the 5% reported. The two trades were funded from taking profits in **MaxCyte** and **Shanta Gold**.

## Performance

Past performance is not a reliable indicator of future results.

	1 month	3 months	YTD	Since Inception
NAV	7.0%	14.0%	7.2%	111.3%
Share Price	12.9%	25.7%	-4.4%	64.8%
Benchmark*	6.3%	9.9%	-12.7%	34.9%



Source: River and Mercantile Asset Management LLP, BNP Paribas, Bloomberg  
Note: NAV data is based on daily unaudited estimations

## Top 10 Relative Contributors to Return

	Relative Contribution to Return
MaxCyte	1.6%
MaxCyte	0.9%
RA International	0.5%
Litigation Capital Mgmt	0.4%
Allergy Therapeutics	0.3%
Hummingbird Resources	-0.3%
SIS Science In Sport	-0.4%
Aquis Exchange	-0.4%
Tekmar Group	-0.7%
Keystone Law	-0.7%

Source: FactSet, held stocks, greatest relative contribution

## Top 10 Holdings

	Weight (%)
Litigation Capital Mgmt	4.9
MaxCyte	4.7
Diversified Gas & Oil	4.1
Venture Life	3.8
Shanta Gold	3.6
Keystone Law	3.5
Boku	3.4
Argentex	3.3
Sigma Capital Group	3.2
RA International	3.2

Source: River and Mercantile Asset Management LLP



Fund Manager:  
George Ensor



**River and Mercantile UK Micro Cap Investment Company Limited**  
31 August 2020

**Investment Objective**

The Company will aim to achieve long-term capital growth from investment in a diversified portfolio of UK micro cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase

**Portfolio Information**

Portfolio Manager **George Ensor**  
Inception date **2 December 2014**  
\*Benchmark Index **Numis Sm Co + AIM (ex ICs)**  
Estimated NAV **£99.4m**  
No. of Holdings **43**

**Codes**

Sedol **BZ8VFG0**  
ISIN **GG00BZ8VFG05**  
Bloomberg **RMMC:LN**

**Charges**

AMC **0.75%**  
Performance fee **15% of outperformance**

**Financial Calendar**

Year end **30-Sep**

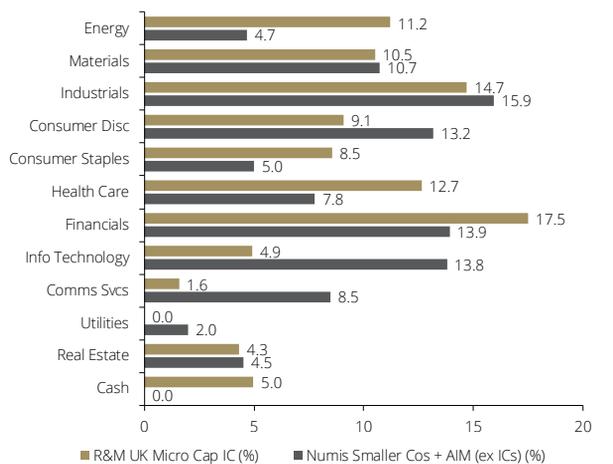
For more information see our website  
[microcap.riverandmercantile.com](http://microcap.riverandmercantile.com)

**Review of Investment Performance (continued)**

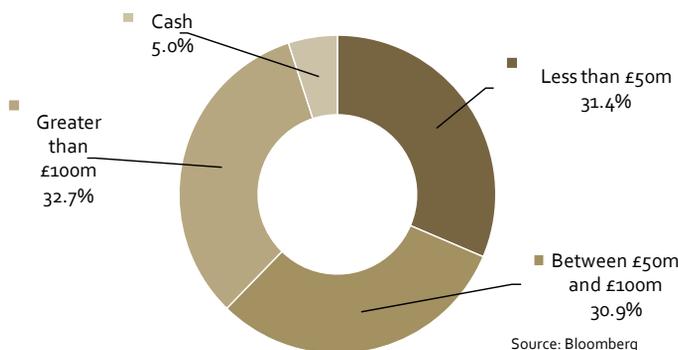
We have started to see some exuberance in global equity valuations, particularly so for US tech companies which have contributed to narrow market leadership. It is likely that volatility features, and will continue to feature, in financial markets given the upcoming US Election and associated stand-off to further stimulus, the imminent end to the UK furlough scheme and another fast-approaching Brexit deadline.

Valuations in the UK remain compelling, especially within the small and micro cap universe, with limited energy and wide valuation dispersions within sectors, creating an attractive environment for valuation conscious strategies. The lack of financial guidance from companies and uncertainty over short term trading continues to offer opportunities to build conviction in well capitalised franchises.

**Allocation by Sector**



**Allocation by Free Float Market Capitalisation**



River and Mercantile UK Micro Cap Investment Company Limited is Registered with the Guernsey Financial Services Commission as a Closed Ended Collective Investment Scheme. Carne Global AIFM Solutions (C.I.) Ltd are the Alternative Investment Fund Manager who have delegated the discretionary investment management to River and Mercantile Asset Management LLP. The information in this document has been prepared and issued by River and Mercantile Asset Management LLP (trading as "River and Mercantile" and "River and Mercantile Asset Management"), in conjunction with Carne Global AIFM Solutions (C.I.) Ltd who are regulated by the Jersey Financial Services Commission. River and Mercantile Asset Management LLP registered in England and Wales under Company No. OC317647, with its registered office at 30 Coleman Street, London EC2R 5AL. River and Mercantile Asset Management LLP is authorised and regulated by the UK Financial Conduct Authority (Firm Reference Number 453087), is registered with the U.S. Securities and Exchange Commission (SEC) as an Investment Adviser under the Investment Advisers Act of 1940. River and Mercantile Asset Management LLP is a subsidiary of River and Mercantile Group Plc which is registered in England and Wales under Company No. 04035248, with its registered office at, 30 Coleman Street, London EC2R 5AL. This document is directed at professional clients only. Retail clients should not rely on the information provided for this investment product. Retail clients requiring any information should seek the advice/assistance of a Financial Advisor. The information contained in this document is strictly confidential and may not be reproduced or further distributed. 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 refer to the River and Mercantile UK Micro Cap Investment Company Limited prospectus for further details of the financial commitments and risks involved in connection with this investment. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by River and Mercantile or Carne Global AIFM Solutions (C.I.) Ltd. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document. Please note that securities named in this report may be held by the Portfolio Manager and/or another member of the Investment Team personally for their own accounts.