

River and Mercantile UK Micro Cap Investment Company Limited

30 September 2020

RIVER AND MERCANTILE
ASSET MANAGEMENT

Review of Investment Performance

The Company's NAV was 205.9p per share as at 30 September 2020, a decrease of 0.6% since the end of August and a gain of 6.6% since the end of last year. For comparison, the Numis Smaller Companies plus AIM ex-IT benchmark lost 1.1% in September and decreased 13.6% year to date, leaving relative performance at 0.5% for the month of September and 20.3% year to date. Small Caps continued to outperform in August with the wider UK market, as measured by the MSCI United Kingdom IMI index, losing 1.7%.

The closing share price of 163p on 30 September 2020 was a discount of 20.8%, a further improvement from the end of the prior month.

Sigma Capital, a pioneer of the UK Private Rented Sector, was the most significant positive contributor in the period with the shares gaining 34%. Sigma Capital is using partnerships with local authorities, Homes England, housebuilders and providers of capital to build thousands of high quality family homes to let which is helping to address the national shortage of housing stock. The most recent partnership with EQT Real Estate for a £1Bn joint venture to fund 3,000 homes in London was the catalyst for the share price improvement.

Science in Sport, the leading sports nutrition company, was another notable contributor with the shares gaining 23%. The company reported interim results in September and, whilst sales were 5% lower for the first half of the year, gross profit was higher year-on-year given the strength of higher margin eCommerce sales. The company expects this to continue, supported by the Digital (owns eComm) and Marketplace (Amazon) sales being 34% ahead in July and August when compared to the same period last year. The enterprise value is 0.8x historic (FY19) sales.

High conviction Growth holdings including **Aquis Exchange**, **Alpha FX** and **Keystone Law** also made useful contributions, with the former two gaining 19% and the later gaining 12% in the month.

The notable underperformers were **Litigation Capital Management (LCM)**, which lost 14%, and **Argentex** which lost 17%. LCM reported on their year to the end of June, with the key highlight being the quick deployment of the US\$150m third party fund which closed in March and was 61% committed by September. It is likely that further external capital will be raised once this is committed whilst LCM's ability to finance cases should be supported as cases invested in over the last three years are realised. The company has previously guided to some delays to legal proceedings in Australia which held back gross profit progression for the year.

There were no new positions initiated in the month. The position in **Clearstar** was exited following the bid from Hanover. Profits were taken in precious metal and healthcare names whilst consumer stocks including **Joules**, **City Pub Group**, **Science in Sport** and **Cake Box** were topped up.

For investors in UK small caps, September is dominated by companies reporting results for the six months to the end of June. It has been interesting to see that many companies have, despite an extremely challenging environment, been able to report results that range, in the main, from remarkably resilient to exceptionally impressive.

The imminent end to the furlough scheme coupled with the second spike in cases which is cycling through the northern hemisphere, not to mention Brexit negotiations and the US election, leaves little scope for

Performance

Past performance is not a reliable indicator of future results.

	1 month	3 months	YTD	Since Inception
NAV	-0.6%	10.2%	6.6%	110.1%
Share Price	0.9%	22.1%	-3.6%	66.3%
Benchmark*	-1.1%	7.7%	-13.6%	33.4%



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
Sigma Capital Group	1.1%
Science In Sport	0.5%
Aquis Exchange	0.5%
Alpha FX	0.5%
Keystone Law	0.4%
RA International	-0.4%
Tekmar Group	-0.4%
William Hill	-0.5%
Argentex	-0.5%
Litigation Capital Mgmt	-0.6%

Source: FactSet, held stocks, greatest relative contribution

Top 10 Holdings

	Weight (%)
MaxCyte	4.5
Sigma Capital Group	4.3
Litigation Capital Mgmt	4.2
Diversified Gas & Oil	3.9
Keystone Law	3.8
Venture Life	3.5
Shanta Gold	3.4
Boku	3.3
Aquis Exchange	3.1
Alpha FX	3.1

Source: River and Mercantile Asset Management LLP



Fund Manager:
George Ensor

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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 **£95.6m**
No. of Holdings **43**

Codes

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

Charges

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

Financial Calendar

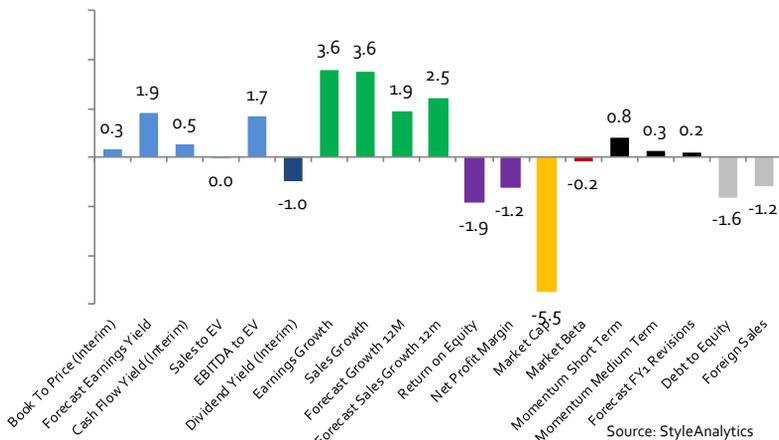
Year end **30-Sep**

For more information see our website
microcap.riverandmercantile.com

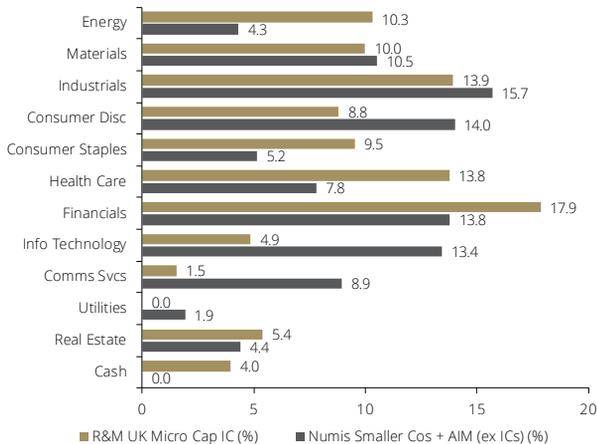
Review of Investment Performance (continued)

certainty over the next few months. Low starting valuations for UK micro caps, high intra sector valuation dispersions and a lack of guidance from companies leaves a great opportunity for active fund management and should support attractive future returns.

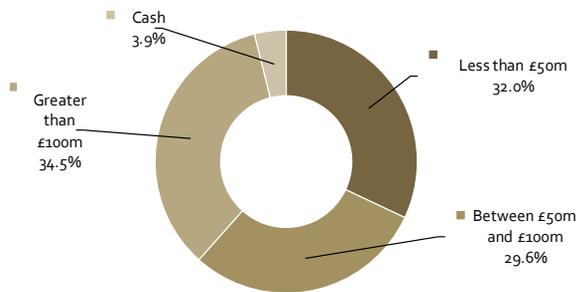
Style Skyline



Allocation by Sector



Allocation by Free Float Market Capitalisation



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