

River and Mercantile UK MICRO CAP INVESTMENT COMPANY

PAST PERFORMANCE

The chart and table below show the performance of the Company since its launch on 2 December 2014.

Source: River and Mercantile Asset Management LLP, BNP Paribas, Bloomberg.

Note: NAV data is based on daily unaudited estimations.

Past performance is not a reliable guide to future results.

PERFORMANCE SINCE INCEPTION



CUMULATIVE PERFORMANCE

	1 month %	3 months %	YTD %	Since inception %
NAV	4.0	25.7	4.0	159.2
Share Price	7.0	42.4	7.0	134.7
Benchmark	0.7	21.3	0.7	63.2

TOP 10 CONTRIBUTORS TO RETURN

The greatest contributors to the portfolio's performance relative to the benchmark

	Relative contribution to return
MaxCyte	0.9%
AFH Financial Group	0.6%
Sylvania Platinum	0.5%
Science In Sport	0.5%
The City Pub Group	0.4%
Keystone Law	0.4%
MaxCyte	0.4%
Sigma Capital Group	0.4%
Litigation Capital Mgmt	0.4%
Argentex	-0.4%

Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

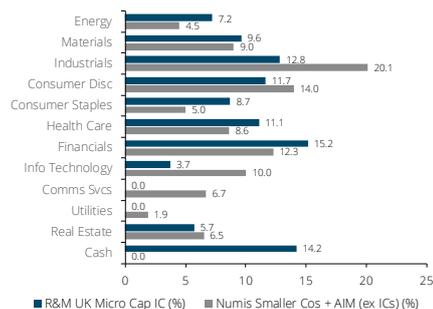
The ten largest positions by weight held in the portfolio.

	Weight
MaxCyte	4.0%
Sigma Capital Group	4.0%
Litigation Capital Mgmt	3.8%
Keystone Law	3.7%
Aquis Exchange	3.2%
Sylvania Platinum	3.2%
Science In Sport	3.1%
The City Pub Group	3.1%
Joules	3.0%
Diversified Gas & Oil	2.8%

Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

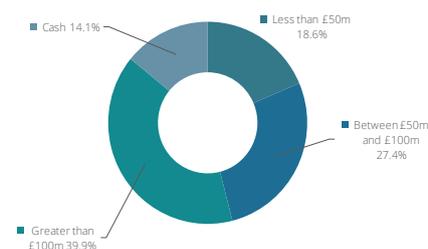
Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

ALLOCATION BY FREE FLOAT MARKET CAPITALISATION

Comparison of portfolio and benchmark weightings across a range of sizes based on company value



Source: Bloomberg

RIVER AND MERCANTILE

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 MANAGER

George Ensor

KEY FACTS

Company launch date	02/12/2014
Benchmark	Numis Smaller Companies + AIM (ex ICs) Index
Estimated NAV	£118.0m
Number of holdings	41
Domicile	UK
SEDOL	BMVHP75
ISIN	GG00BMVHP751
Ticker	RMMC LN

FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

CONTACT DETAILS

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PORTFOLIO STYLE SKYLINE

This chart shows the Style Tilts of the portfolio against the benchmark as calculated by StyleAnalytics.



Source: StyleAnalytics

MANAGER'S REVIEW

The Company's NAV gained 4% in January to finish the month at 254.0p per share, outperforming the Numis Smaller Companies plus AIM ex-IT benchmark, which gained 0.7%, by 3.3%. Smaller companies continued their recent outperformance against the wider UK market, as measured by the MSCI UK Investable Markets index (IMI), which finished the month down 0.8%.

The closing share price of 230p at the end of the month was a discount of 9%, a further improvement from the end of the prior month. The Company announced and completed its fourth return of capital to shareholders, with £15m returned at 253.35p. This takes cumulative capital returned to shareholders, a process that ensures we do not undermine the potential for strong performance by attempting to manage too much capital given the investment universe, to £57m. UK equities got off to a strong start before the much-publicised US retail trades forced hedge funds to reduce risk by cutting both long and short positions. Concerns over further lockdowns amid the slow rollout of vaccines in Europe also took momentum out of the pro-cyclical rally.

We saw M&A activity return with one of our holdings, **AFH Financial**, bid for at a 33.5% premium to the price at the start of the year. **Science in Sport**, the leading sports nutrition brand, gained a further 18% in the month following a strong trading statement. **Sylvania Platinum**, +17%, performed on the back of the strong rhodium price

supported by a supply deficit set against growing demand as carmakers deliver to NOx (Nitrogen Oxides) emission standards.

Poor share price performance was seen in two of our smaller holdings, meaning the impact on performance was limited. **Manolete** lost 22% as it warned that government support through the crisis has impacted new case enquires whilst lockdown has impacted the pace of existing case realisations. This update should see cash generation improve, something that the company has been accused of being poor at, and I expect case enquires will rebound later in the year. **Revolution Bars** lost 19% given concerns of a later than expected end to lockdown.

We had a busy month for trading activity given the return of capital. We took profits in names that have delivered exceptional performance over the last twelve months including **MaxCyte**, **DX Group**, **Boku**, **Shanta Gold** and **Sylvania Platinum**. We also exited a couple of poorer performing stocks where the investment case has not worked; namely **Tekmar Energy**, which is seeing increased competition, and **Adept Technology**. We also exited **AFH Financial** following the bid given limited potential for a counter bid. Proceeds from this were invested into the **Supreme** IPO and a fundraise in **Distribution Finance Capital Holdings**. Given both of these actually completed in February, I will provide further details in the next update.

There is a good balance in the

portfolio between exciting growth stocks capable of compounding high earnings and cash generation and more cyclically sensitive stocks, particularly those that fall into the "back to school" (the antithesis to the companies that have benefitted from everyone working from home) basket. At an aggregate level, the portfolio remains cheaper than the benchmark with a strong Growth bias.

Increasing retail investor participation, rising levels of margin financing and plentiful liquidity are among a number of ticks in a growing list indicating bubble risk. We would venture that this risk is most elevated where future growth is considered all but guaranteed, but visibility over when this growth might convert into free cash flow is low.

What remains curious, in an investment world with enough highly priced assets to raise the prospect of bubbles in multiple asset classes, is how easy it is to find attractively valued equities of companies capable of compounding value for shareholders (and broader stakeholders) over a multi-year horizon. The UK stock market is possibly unparalleled from this perspective. Wide dispersion of valuations – that is, the gap between high-priced and low-priced shares – even within this attractively valued market continue to offer a rich hunting ground in which we can exercise our disciplined investment process to find mispricings.

ABOUT THE COMPANY

River and Mercantile UK Micro Cap Investment Company Limited is a closed-ended investment company limited by shares, registered and incorporated in Guernsey under the Companies Law on 2 October 2014, with registered number 59106. It is regulated in Guernsey by the Guernsey Financial Services Commission (GFSC).

The Company is a non-cellular investment company and has been declared by the GFSC to be a registered closed-ended collective investment scheme. The manager of the Company is Carne Global AIFM Solutions (C.I.) Limited (the "Manager"), which has delegated portfolio management to River and Mercantile Asset Management LLP (the "Portfolio Manager"). However, the Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

The Company's investment objective is 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 £100m at the time of purchase.

Carne Global AIFM Solutions (C.I.) Ltd has been appointed as Manager to the fund under the terms of the AIFM Agreement.

Carne Global AIFM Solutions (C.I.) Ltd is a Jersey incorporated company specialising in the provision of AIFM Management Company Services and is regulated by the Jersey Financial Services Commission for the conduct of Fund Services Business. The company was incorporated on the 21 July 2014 and is 100% owned by the ultimate parent company being Carne Cayman Limited, a privately owned company incorporated in the Cayman Islands.

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