RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED

HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2021

THE COMPANY AT A GLANCE

Investment objective

River and Mercantile UK Micro Cap Investment Company Limited (the "Company") aims 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.

Investment strategy and policy

The Company's investment strategy is to take advantage of the illiquidity risk premium inherent in UK micro cap companies and exploit fully the underlying investment opportunities in that area of the market to deliver high and sustainable returns to shareholders, in the form of capital gains.

It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on the Alternative Investment Market of the London Stock Exchange. While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash or similar instruments.

Carne Global AIFM Solutions (C.I.) Limited (the "Manager") is the manager of the Company. It delegates portfolio management to River and Mercantile Asset Management LLP (the "Portfolio Manager").

About the Portfolio Manager

The Portfolio Manager is an active equity manager, specialising in UK and global equity strategies since its launch in 2006. Since 2014, it has been part of River and Mercantile Group PLC (the "Group"). The Group is an advisory and investment solutions business with a broad range of services, from consulting and advisory to fully delegated fiduciary management, liability driven investing and fund management.

George Ensor, the appointed portfolio manager, has been responsible for the Company's portfolio since February 2018.

Capital redemptions and dividend policy

The Company is committed to achieving long term capital growth and, where possible, returning such growth to shareholders throughout the life of the Company. Furthermore, the Board believes that a Net Asset Value ("NAV") in the region of £100 million will position the Company to take advantage of a portfolio of micro cap companies. Accordingly, the Directors operate a Capital Redemption Mechanism under which a portion of the Company's share capital is redeemed compulsorily to return the NAV back to around £100 million in order to:

- enable the Company to exploit fully the underlying investment opportunity and to deliver high and sustainable returns to shareholders, principally in the form of capital gains;
- enable portfolio holdings to have a meaningful impact on the Company's performance, which might otherwise be marginal within the context of a larger fund; and
- ensure that the Company can continually take advantage of the illiquidity risk premium inherent in micro cap companies.

The Company does not expect to pay significant dividends.

Management of your Company

The Board of the Company comprises a majority of independent non-executive directors with extensive knowledge of investment matters, the regulatory and legal framework within which the Company operates, as well as the various roles played by investment companies in shareholders' portfolios. The Board provides oversight of the Company's activities and ensures that the appropriate financial resources and controls are in place to deliver the investment strategy and manage the risks associated with such activities. The Board actively supervises both the Manager and the Portfolio Manager in the performance of their respective functions. The Portfolio Manager is authorised and regulated by the Financial Conduct Authority and the Manager is authorised and regulated by the Jersey Financial Services Commission.

Covid-19

Please refer to page 5 for a statement regarding Covid-19 and its impact on the Company.

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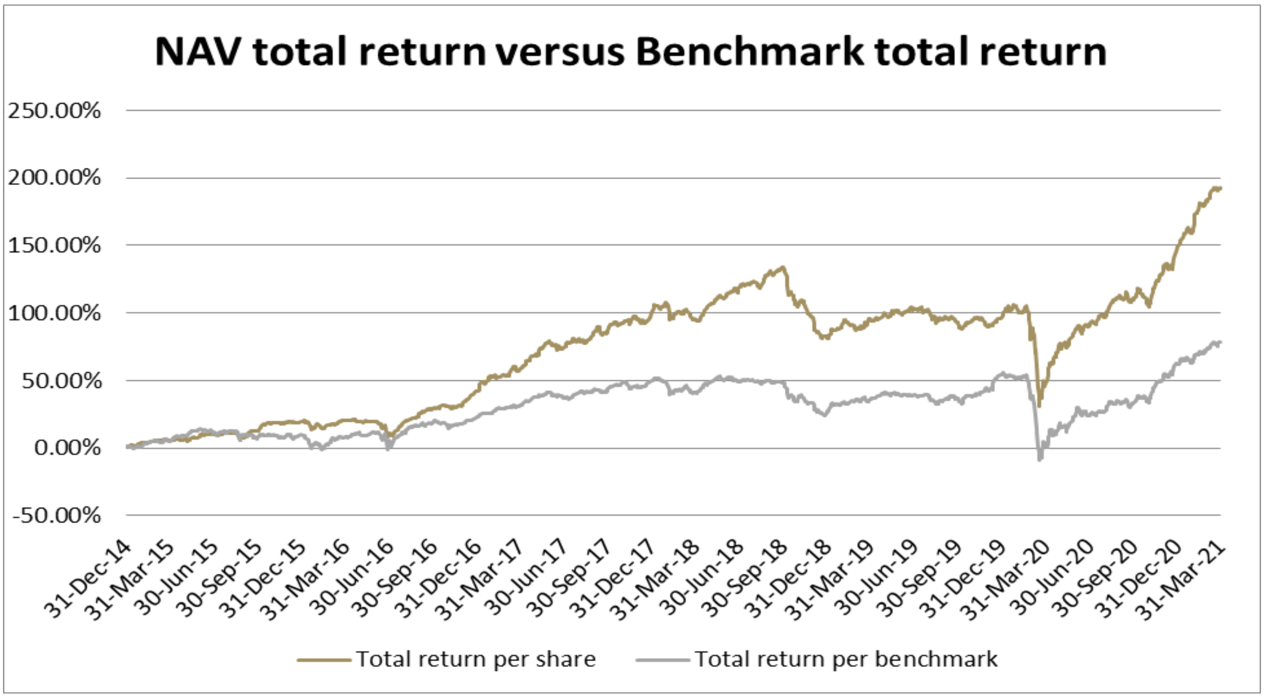
FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Key Performance Indicators

NAV total return

NAV on a total return[1] basis increased by 192.52% from inception (net of issue costs), outperforming the total return posted by the Numis Smaller Companies plus Alternative Investment Market ("AIM") (excluding Investment Companies) Index (the "Benchmark") total return[2] of 78.17%. Please refer to the chart below showing the NAV total return versus the Benchmark from inception:



NAV total return vs Benchmark for the six months ended 31 March 2021

Over the six months ended 31 March 2021, the NAV total return of the Company outperformed the Benchmark by 5.72%, recording a NAV total return of 39.25%, which compares with the total return of 33.53% posted by the Benchmark.

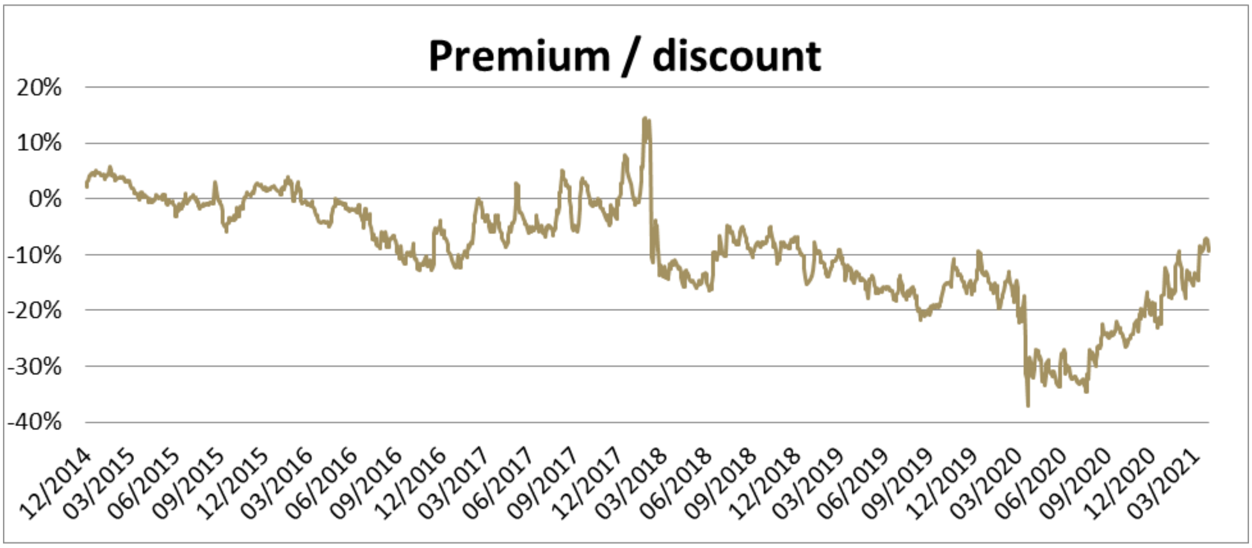
NAV and Share price

	As at 31 March 2021	**As at 30 September 2020**
NAV per Ordinary Share[3]	£2.8667	£2.0586
Ordinary Share price (bid price)[4]	£2.600	£1.5800
Discount	(9.30%)	(23.25%)

Period highs and lows

	Six months ended 31 March 2021 High	**Six months ended 31 March 2021 Low**	**Year ended 30 September 2020 High**	**Year ended 30 September 2020 Low**
NAV per Ordinary Share[3]	£2.8679	£2.0053	£2.1120	£1.2860
Ordinary Share price (bid price)[4]	£2.6500	£1.5700	£1.7100	£0.8450

Premium / discount[5]



Capital redemptions
From inception to 31 March 2021, the Company exercised its capital redemption mechanism on four separate occasions, as detailed below, redeeming a total of 27,984,157 Ordinary Shares and returning a total of £56,929,380 to shareholders.

Redemption Date	Redemption price per Ordinary Share[6]	Number of Ordinary Shares Redeemed	Amount returned to shareholders
9 June 2017	£1.7217	8,712,240	£14,999,864
1 December 2017	£1.9124	7,843,469	£14,999,850
27 July 2018	£2.1659	5,506,817	£11,927,215
29 January 2021	£2.5335	5,921,631	£15,002,451

Please refer to note 9 for full details of the Company's redemption mechanism, including the conditions required for the Company to be able to operate the capital redemption mechanism.

Post period end, the Company redeemed 6,625,458 Ordinary Shares on 7 May 2021 and paid a further £19,994,969 to shareholders on 14 May 2021. Refer to note 14 for further details.

Dividend history
In accordance with the Company's stated policy, no dividend was declared or paid during the period.

[1] – The NAV total return measures how the NAV per Ordinary Share has performed over a period of time, taking into account capital returns. The Company quotes NAV total return as a percentage change from the initial issuance of Ordinary Shares to 31 March 2021. The Company has not declared a dividend since inception. The Board monitors the Company NAV total return against the Benchmark.

[2] – Source: Numis Securities Limited

[3] – The NAV per Ordinary Share is the value of all the Company's assets, less any liabilities it has, divided by the total number of Ordinary Shares.

[4] – Source: Bloomberg

[5] – As the Company's Ordinary Shares are traded on the London Stock Exchange's Main Market, the share price may be higher or lower than the NAV. The Company's discount / premium to NAV is the difference between the Ordinary Share price (bid price) and the NAV per Ordinary Share on the same day. This comparison is expressed as a percentage.

[6] – Excludes the cost of each redemption, which total £28,346.

CHAIRMAN'S STATEMENT

Ronseal: it does exactly what it says on the tin

In 1994 the advertising agency HHCL came up with this slogan for selling wood varnish. It was workmanlike, not trendy, but it struck a chord. Little did anyone know that the trademark line would eventually enter the Oxford Dictionary of English Idioms. In today's world there is much to be admired in someone that simply delivers on what they say they are going to do.

At the time of the Company's Initial Public Offering in 2014, the Prospectus stated that the Directors intended to operate a share redemption mechanism in the event that the NAV of the Company exceeded £100 million. This was because the Portfolio Manager had advised that a fund valued in the region of £100 million would best position the Company to profitably exploit a universe of micro-cap companies. Consequently, the Board was pleased to announce the completion of the Company's redemption of £15 million which was paid in February 2021, evidencing the extremely strong performance of the portfolio over the period. This was the fourth time since the Company's launch that we have been able to action a redemption at NAV to enhance the returns for our investors. Following the end of the period under review, a fifth redemption was announced in April 2021. This was for £20 million and meant that a total of £76.9 million has now been returned to investors – a figure that substantially exceeds the total amount (£70.1 million) raised from shareholders. The fifth redemption was done at a price of 302p which compares most favourably with the original issue price of 100p. At the time of writing, the Company's NAV remains above the £100 million target portfolio, the Board and Portfolio Manager will continue to monitor the NAV and evaluate when there will be further redemptions.

The Company also made clear in the original Prospectus that the premise for investing in micro-cap companies is that the smaller the market capitalisation of the company at the point of investment, the greater the scope, in general, for growth. Since inception, your Company has returned (to 31st March 2021) 193% versus the Benchmark which has returned 78%. Over the same period, the large company FTSE 100 Index returned 27%. Again, your Company has done what it said it would do. Over the last six month period, there have been glimmers of light shining through the gloom of the pandemic as we received news of global vaccines, but these were dimmed amidst another nationwide lockdown. However, within UK equity markets, smaller companies have continued to be the beacon of light shining through the wider UK market, maintaining their recent levels of outperformance.

George Ensor's commitment to his investment strategy, i.e. building a high conviction portfolio of micro-cap businesses, has demonstrated in times like those we have experienced over the last reporting period that it cannot only survive but flourish. This in turn has allowed the portfolio to perform so well.

On behalf of the whole Board, I would like to take this opportunity to congratulate George Ensor on the third anniversary as our fund manager in February 2021, and his performance more specifically over the last six months.

I also wish to extend a warm welcome to Stephen Coe who has joined the Board of the Company. Stephen will take over as Audit Committee Chairman from Ian Burns, upon his retirement from the Board on 30 September 2021. Stephen's biography appears on page 12 of this Half-Yearly Financial Report.

As mentioned in my last Chairman's Statement, the Board has been actively working to reduce the level of the discount to NAV (which then stood at over 20%). I am pleased to report that the discount fell to 9.3% in the six months covered by this Report, helped also by the steep rise in the NAV reminding investors of exactly what micro cap stocks can do. Your Board believes the Company is a unique vehicle for investors seeking to access smaller company stocks since it is the only fund to invest exclusively in AIM listed companies and for this reason alone I believe its shares should justifiably be priced at least on a par with the NAV. Further since the announcement of the fifth redemption, the share price has hovered around par to NAV.

On behalf of the Board, I would like to thank all our shareholders for their continued support.

Andrew Chapman
Chairman
16 June 2021

EXECUTIVE SUMMARY

This Executive Summary is designed to provide information about the Company's operation and results for the six months ended 31 March 2021. It should be read in conjunction with the Chairman's Statement on page 4 and the Portfolio Manager's Report on pages 13 to 19 which provides a detailed review of investment activities for the period and an outlook for the future.

Corporate summary
The Company was incorporated in Guernsey on 2 October 2014, with registered number 59106, as a non-cellular company with liability limited by shares. The Company is registered by the Guernsey Financial Services Commission ("GFSC") as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules ("RCIS Rules") 2018.

The Company's stated capital is denominated in Sterling and each share carries equal voting rights.

The Company's Ordinary Shares are listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange. As at 31 March 2021, the Company's issued stated capital comprised 40,523,412 Ordinary Shares (30 September 2020: 46,445,043 Ordinary Shares).

The Company has appointed the Manager to act as the Company's Alternative Investment Fund Manager ("AIFM"). The Manager has delegated portfolio management of the Company's investment portfolio to the Portfolio Manager. The Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

The Company has appointed BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Administrator") to provide administration, custodian and company secretarial services.

The Company is a member of the Association of Investment Companies ("AIC").

Significant events during the six months ended 31 March 2021
Capital return
On 21 January 2021, the Company announced its intention to undertake a compulsory redemption of its Ordinary Shares pursuant to the Company's redemption mechanism. The redemption mechanism is used periodically to return capital to shareholders so as to return the Company's NAV to around £100 million, in accordance with the Company's stated policy in the original Prospectus.

5,921,631 Ordinary Shares were redeemed, amounting to proceeds of £15,002,451 being paid to shareholders on 5 February 2021. A performance fee of £1,224,295 was paid to the Portfolio Manager.

Appointment of Director
On 21 December 2020, the company announced that Stephen Coe was appointed as a Non-Executive Director, with effect from 1 January 2021.

Following a period of handover, Mr Coe will take over as Audit Committee Chairman from Ian Burns, upon his retirement from the Board on 30 September 2021.

Covid-19
The Company has been well placed to withstand the effects of the COVID-19 pandemic since it has no gearing or constraints on liquidity, as at all times it holds sufficient cash reserves to meet on-going expenditure. The Portfolio Manager continues to monitor specific COVID-19 risks associated with the underlying investment portfolio. During the pandemic all service providers have moved to remote working but without any adverse impact to services.

Result of Annual General Meeting held on 2 March 2021
The Board has noted the votes against Resolutions 1 (to receive and consider the Annual Financial Report and Financial Statements for the year ended 30 September 2020) and 7 (to re-elect Mr Mark Hodgson as a Director of the Company).

The Board believes that the votes against Resolution 1 relate to a shareholder advisory group taking issue with a lack of a vote on dividends and dividends policy. As disclosed in the Company's Annual Financial Report, the policy is to pay no dividends and the portfolio is not managed with an objective of income production. The Board will, in future years, seek shareholder approval of the policy not to pay a dividend.

The Board believes that the votes against Resolution 7 relate to the fact that, as disclosed in the Annual Financial Report, Mark Hodgson is not considered an independent director because he is a director of the Manager. The Manager is the AIFM of the Company but is totally unrelated to the Portfolio Manager and the Group. The opinion of the other Directors is that Mark provides considerable and complementary expertise to the Board, particularly in the area of risk management, in which the Manger has a significant operation. In accordance with the recommendations of the AIC in relation to non-independent directors, Mark is subject to annual re-election.

While the Board considers the reasoning behind the advice to oppose Resolutions 1 and 7 to be inappropriate, it will contact those shareholders who voted against the resolutions, to better understand their views, and it remains available to speak with shareholders.

Company investment objective
The Company aims to achieve long term capital growth from investments 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.

Company investment policy
The Company invests in a diversified portfolio of UK Micro Cap companies. It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on AIM.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of high quality debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

The Company will not be benchmark-driven in its asset allocation.

Diversification
The number of holdings in the portfolio will usually range between 30 and 50.

The portfolio is expected to be broadly diversified across sectors and, while there are no specific limits placed on exposure to any sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

Investment restrictions
No exposure to any investee company will exceed 10% of NAV at the time of investment.

The Company may from time to time take sizeable positions in portfolio companies. However, in such circumstances, the Company would not normally intend to hold more than 25% of the capital of a single investee company at the time of investment.

Although the Company would not normally expect to hold investments in securities that are unquoted, it may do so from time to time but such investments will be limited in aggregate to 10% of NAV.

The Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure to UK Micro Cap companies but such exposure will be limited, in aggregate, to 10% of NAV at the time of investment.

Borrowing and gearing policy
The Company does not normally intend to employ gearing but at certain times it may be opportune to do so, for both investment and working capital purposes. Accordingly, the Company may employ gearing up to a maximum of 20% of NAV at the time of borrowing. As at 31 March 2021, the Company had no borrowings, refer to note 12 for further details.

Derivatives
The Company may use derivatives (both long and short) for the purposes of efficient portfolio management only. The Company will not enter into uncovered short positions. The Company did not use derivatives during the period under review and held no derivatives as at 31 March 2021 (30 September 2020: none).

Further information can be found in the Portfolio Manager's Report on pages 13 to 19.

Investment strategy and approach
The Company's investment strategy is to take advantage of the illiquidity risk premium inherent in UK micro cap companies and exploit fully the underlying investment opportunity in the UK micro cap market to deliver high and sustainable returns to shareholders, principally in the form of capital gains in line with the Company investment objective and policy.

The Company pursues its investment strategy through the appointment of the Manager as AIFM, whereby the Manager has been given responsibility, subject to the supervision of the Board, for the management of the Company in accordance with the Company's investment objective and policy. The Manager has delegated portfolio management to the Portfolio Manager, whose philosophy is to construct a portfolio of companies that have the **P**otential to create shareholder value at attractive **V**aluations with supportive **T**iming ("**PVT**"), as detailed further on pages 13 to 19. The Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager's investment professionals, in particular George Ensor, in identifying investment opportunities which are in line with the investment objective and policy of the Company.

The Portfolio Manager attends all Board meetings at which the investment strategy and performance of the Company is discussed and approved.

Director interests
The Board comprises five Directors, four of whom are independent: Andrew Chapman, Ian Burns, Trudi Clark and Stephen Coe; Mark Hodgson is managing director of the Manager and is therefore not regarded as independent. All the independent Directors are also members of the Audit Committee, Management Engagement Committee and Remuneration and Nomination Committee.

Information on the Directors' remuneration is detailed in note 6.

As at the date of approval of the Half-Yearly Financial Report, Directors held the following number of Ordinary Shares in the Company:

Director	Ordinary Shares held
Andrew Chapman	15,009
Ian Burns	4,015
Trudi Clark	8,353
Mark Hodgson	7,721
Stephen Coe	-

No Director has any other interest in any contract to which the Company is a party with the exception of Mark Hodgson who acts as the managing director of the Manager.

Information on each Director is shown in the Board Members section of this Half-Yearly Financial Report.

Principal risks and uncertainties
When considering the total return of the Company, the Board takes account of the risk which has been taken in order to achieve that return. The Board looks at the following risk factors as listed below:

Investment and liquidity risk
The Company invests 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. These securities are likely to have higher volatility and liquidity risk than securities on the Main Market of the London Stock Exchange or the Financial Conduct Authority's Official List. The relatively small market capitalisation of micro cap companies could therefore have an adverse effect on the performance of these investments and can make the market in their shares illiquid. On this basis prices of micro cap companies are often more volatile than prices of larger capitalisation stocks, and even small cap companies. Many businesses are facing additional financial challenges due to demand fluctuations, and/or additional cost of supplies currently, due to the COVID-19 pandemic.

The Company may have difficulty in selling its investments which may lead to volatility in the NAV and, consequently, market price of shares in the Company. The Company may not necessarily be able to realise its investments within a reasonable period, and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices. There can therefore be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the valuation of that investment.

Risks are monitored by the Manager, which holds monthly AIFM Risk Committee meetings with the Portfolio Manager. The Manager provides an update of these AIFM Risk Committee meetings to the Board on a quarterly basis and the risks are discussed accordingly. The Board has introduced investment restrictions and guidelines to limit these risks. The Portfolio Manager also undertakes on-going reviews of the underlying investee companies, particularly those whose businesses are impacted by the pandemic.

Portfolio concentration and macro-economic risks
The Company predominantly invests in securities in the UK and has no specific limits placed on its exposure to any industry sector. Changes in economic conditions in the UK, (for example, uncertainties as a result of Covid-19, Brexit, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors), could substantially and adversely affect the Company's prospects, as could changes in global economic conditions. This exposes the Company to geographical concentration risk and may from time to time lead to the Company having significant exposure to portfolio companies from certain business sectors. Greater concentration of investments in any one geographical and / or industry sector may result in greater volatility in the value of the Company's investments, and consequently its NAV, and may materially and adversely affect the performance of the Company and returns to shareholders.

While the Company does not include any specific limits on exposures to any industry sector, the Company does have investment limits and risk diversification policies in place to mitigate market and concentration risk. Please refer to note 9 of the Annual Financial Report for the year ended 30 September 2020 for further details.

Reliance on third party service providers
The Company has no employees and is reliant on the performance of third-party service providers. Failure by the Portfolio Manager or any other third-party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company. This could include failure of a counterparty on whom the Company is reliant.

The Board considers this a principal risk in light of the increasing prevalence of cyber related events and the impact of COVID-19 testing business continuity plans of third party service providers. The Board monitors and receives reports on the performance of its key service providers and may in any event terminate all key contracts on normal commercial terms.

Share price discount
The imbalance of the Company's share price trading at a discount to NAV may diminish the attractiveness of the Company to existing investors.

The discount is reported and reviewed at least quarterly. The Company operates the redemption mechanism to return capital to investors as outlined in note 9. Discount control mechanisms such as share buy backs and tender offers are regularly considered with the Company's brokers. The Board has also appointed a public relations adviser to widen interest in the Company's shares.

The principal risks and uncertainties detailed above are consistent with those disclosed in the Annual Financial Report for the year ended 30 September 2020. In the view of the Board, these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were in the six months under review.

Going concern
Under the AIC Code and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the condensed financial statements.

The Board is satisfied that, at the time of approving the condensed financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for the foreseeable future, being 12 months after approval of the condensed financial statements. In addition, the Company's holdings of cash and cash equivalents, the liquidity of investments and the income deriving from those investments, means the Company has adequate financial resources to meet its liabilities as they fall due. Therefore, the Board consider it appropriate to adopt the going concern basis in preparing the condensed financial statements.

In making this assessment, the Board has considered the impact of Covid-19 on the Company, a statement on which can be found on page 5, and are confident that it remains appropriate to adopt the going concern basis.

Events after the reporting date
The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods which are not already disclosed in this report or note 14 of the attached condensed financial statements.

Future strategy
The Board continues to believe that the investment strategy and policy adopted is appropriate for and is capable of meeting the Company's objectives.

The overall strategy remains unchanged and it is the Board's assessment that the Manager and Portfolio Manager's resources are appropriate to properly manage the Company's investment portfolio in the current and anticipated investment environment.

Please refer to the Portfolio Manager's Report on pages 13 to 19 for details regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.

Related parties
There have been no material changes to related party transactions as described in the Annual Financial Report for the year ended 30 September 2020. Refer to note 13 for information on related party transactions.

BOARD MEMBERS

All Directors are non-executive.

CHAIRMAN

Andrew Chapman, (Independent). Appointed 2 October 2014.
Over his career, Andrew has gained experience investing in every major asset class. After beginning as a UK equity fund manager, Andrew was subsequently appointed as the Deputy Investment Manager for the British Aerospace Pension Fund. In 1991, he took the position of Investment Manager at United Assurance plc, where Andrew was responsible for asset allocation and leading a team of in-house fund managers. Andrew later became a director at Teather & Greenwood Investment Management Limited, before joining Hewitt Associates as a Senior Consultant. Between 1994 and 2003, Andrew served as a non-executive director of the Hambros Smaller Asian Companies Investment Trust plc (which subsequently became The Asian Technology Trust plc).

In 2003, Andrew was appointed as the first in-house Pension Investment Manager for the John Lewis Partnership Pension Fund, with responsibility for the overall investment strategy as well as the appointment and performance of 27 external fund managers across all asset classes. He retired from that role in 2012. Thereafter Andrew has developed a plural portfolio of roles, initially serving as the CIO (part-time) for The Health Foundation. His current portfolio includes membership of the following advisory committees: the endowment fund for Homerton College (Cambridge University); Coller Capital Partners; and the Property Charities Fund. Andrew is also a non-executive director of Steadfast International Limited, Steadfast Long Capital Limited, GT ERISA Fund, GT Offshore Fund, and a Trustee of Kidney Care UK.

Key Relevant Skills

- 42 years investment experience, with an emphasis on equity markets
- Extensive experience in selecting and managing external fund managers
- A current member of several fund boards
- Strong background in governance and risk management

DIRECTORS

Ian Burns, (Independent) - Chairman of the Audit Committee and Senior Independent Director. Appointed 2 October 2014.
Ian qualified as a Chartered Accountant with Ernst & Young. He spent 20 years working in private client fiduciary businesses, ending up as managing director of Investec Trust globally. He then spent two years with one of Guernsey's leading privately owned fund administration companies.

Subsequently, Ian founded Via Executive Limited, a specialist management consulting company and was appointed the managing director of Regent Mercantile Holdings Limited, a privately owned investment company. He is licensed by the Guernsey Financial Services Commission as a personal fiduciary.

Ian also holds a number of appointments as a non executive director of companies engaged in a diverse range of investment activities and is a non-executive director of the following public companies: Twenty Four Income Fund Limited (Audit Committee Chairman) and Fast Forward Innovations Limited (Chairman).

Key Relevant Skills

- Extensive operational and risk management knowledge
- Qualified chartered accountant with extensive financial experience including chairing audit committees of listed funds
- Working in financial services since 1988
- Providing strategic consulting advice to financial services companies
- Advising on modern corporate governance standards and developing risk management measurement and mitigation frameworks
- Family office, inheritance and private client trustee experience
- Supervising technical accounting issues including specialist disclosure of risk

Trudi Clark, (Independent) - Chairman of the Remuneration and Nomination Committee and Management Engagement Committee. Appointed 2 October 2014.
Trudi graduated with a first class honours degree in business studies and is a qualified Chartered Accountant.

Trudi spent 10 years working in chartered accountancy practices in the UK and Guernsey. In 1991, she joined the Bank of Bermuda to head their European internal audit function before moving into private banking in 1993.

Between 1995 and 2005, Trudi worked for Schroders (C.I.) Limited, an offshore private bank and investment manager. She was appointed to the position of banking director in 2000 and managing director in 2003. In 2005, Trudi left Schroders to establish and run a private family office.

In July 2009, Trudi established the Guernsey practice of David Rubin & Partners LLP, an internationally known insolvency and liquidation specialist. Since June 2018 she has been a full time non-executive director.

Trudi holds several non-executive directorships which include BMO Commercial Property Trust Limited, NB Private Equity Partners Limited, The Schiehallion Fund Limited and Taylor Maritime Investments Limited, which are listed on the London Stock Exchange. She also holds a personal fiduciary licence issued by the GFSC.

Key Relevant Skills
- Qualified chartered accountant with extensive financial experience
- Working in financial services since 1987
- Strong background in risk and corporate governance
- Experience of several Investment Company Boards

Mark Hodgson, Appointed 2 October 2014.
Mark Hodgson is a Channel Islands fund director based in Jersey, with considerable experience in the administration of Channel Islands funds. He has a broad fund expertise covering a wide range of differing asset classes, including real estate, infrastructure, credit and private equity.

Mark joined Carne in April 2014. He has over 25 years of financial services experience, with an extensive banking background. Mark spent over 20 years with HSBC Global Bank where he gained in depth knowledge of credit, financial markets and complex Real Estate structures. Prior to moving to Jersey Mark was Regional Director for HSBC Invoice Finance (UK) running their receivables finance business.

Mark moved to Jersey in 2006 to Head up HSBC’s Commercial Centre having full operational responsibility for credit and lending within the jurisdiction. In 2008 he moved to Capita Fiduciary Group as managing director Offshore Registration (a regulated role) with responsibility for Jersey, Guernsey and the Isle of Man. Mark also took on the responsibility as managing director of Capita Financial Administrators (Jersey) Limited (regulated role) together with directorship appointments of regulated and unregulated funds boards.

Mark sits on a number of very high-profile real estate boards including: Kennedy Wilson Investment Management Limited, Aviva Jersey Investors Jersey Unit Trust Management Ltd and LaSalle Investment Management (Jersey) Ltd. He has a broad range of funds experience covering a range of debt and credit funds.

Key Relevant skills
- 25 years financial services experience, 15 years of being the member of various boards
- Extensive fund risk management experience across multiple asset classes
- A strong background in board governance

Stephen Coe, (Independent). Appointed 1 January 2021.

Stephen is currently a director of the following listed entities: Chrysalis Investments Limited and Weiss Korean Opportunities Fund Limited. He is Chairman of the Audit Committee for these companies.

He has been involved with offshore investment funds and managers since 1990 with significant exposure to property, debt, emerging markets and private equity investments.

He qualified as a Chartered Accountant with Price Waterhouse Bristol in 1990 and remained in audit practice, specialising in financial services, until 1997. From 1997 to 2003 he was a director of the Bachmann Group of fiduciary companies and Managing Director of Bachmann Fund Administration Limited, a specialist third party fund administration company. From 2003 to 2006 Stephen was a director with Investec in Guernsey and Managing Director of Investec Trust (Guernsey) Limited and Investec Administration Services Limited. He became self employed in August 2006 providing executive and non-executive services to financial services clients.

Key Relevant skills

- Over 30 years in the finance sector with an emphasis on investment funds
- Has held many Audit Chair positions covering companies investing in equities, land and property, mining and alternative asset classes
- Specialisms in risk management and valuations
- Fellow of the Institute of Chartered Accountants in England & Wales

PORTFOLIO MANAGER'S REPORT

This Portfolio Manager Report is compiled with reference to the investment portfolio. Therefore, all positions are calculated by reference to their official closing prices (as opposed to the closing bid prices basis within the condensed financial statements). The estimated unaudited NAV referenced below is calculated on a daily basis utilising closing bid prices and is inclusive of all estimated charges and accruals.

REVIEW OF PERFORMANCE

In contrast to the first six months of the prior year, the six months to 31 March 2021 have been a rewarding period for investing in equities, particularly so for micro caps. The closing NAV for the Company was 286.7p, a six month gain of 39.3%. We have delivered a gain of 96.4% since the end of March 2020 which was close to the recent market low (19 March 2020). The benchmark gained 33.5% over the six-month period, leaving positive relative performance, after all fees, of 5.7%.

The long-term performance, net of all fees, remains strong. Since inception, the NAV has increased by 192.5% with the benchmark up 78.2% over the same period.

PERFORMANCE

	NAV	Benchmark	Active Return
6 Months	39.3%	33.5%	5.7%
12 Months	96.4%	71.3%	25.0%
3 Years p.a.	14.3%	8.1%	6.2%
5 Years p.a.	19.4%	10.4%	9.1%
Since Inception (p.a.)	18.5%	9.5%	8.9%

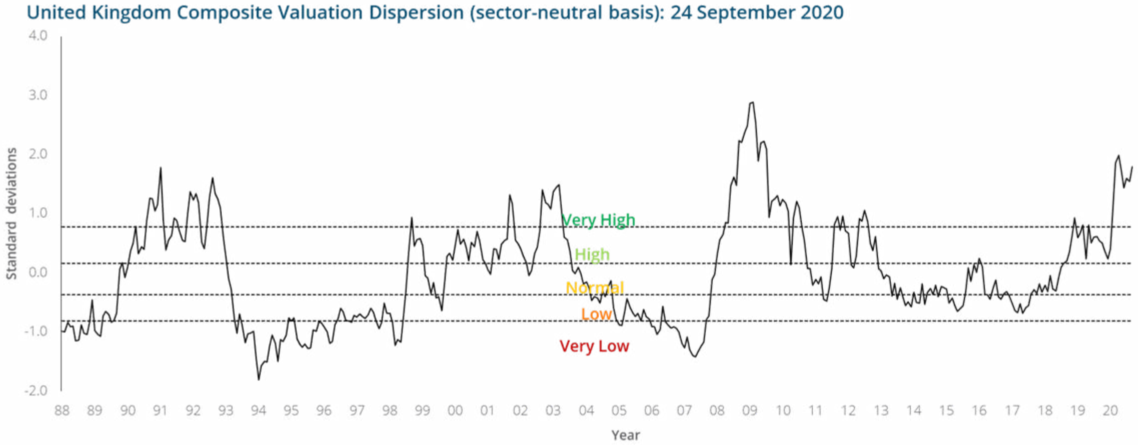
*Source: River and Mercantile Asset Management LLP, BNP Paribas, Bloomberg. Performance to 31 March 2021. Inception is 2 December 2014. *Benchmark: Numis Smaller Companies plus AIM (excluding Investment Companies).*

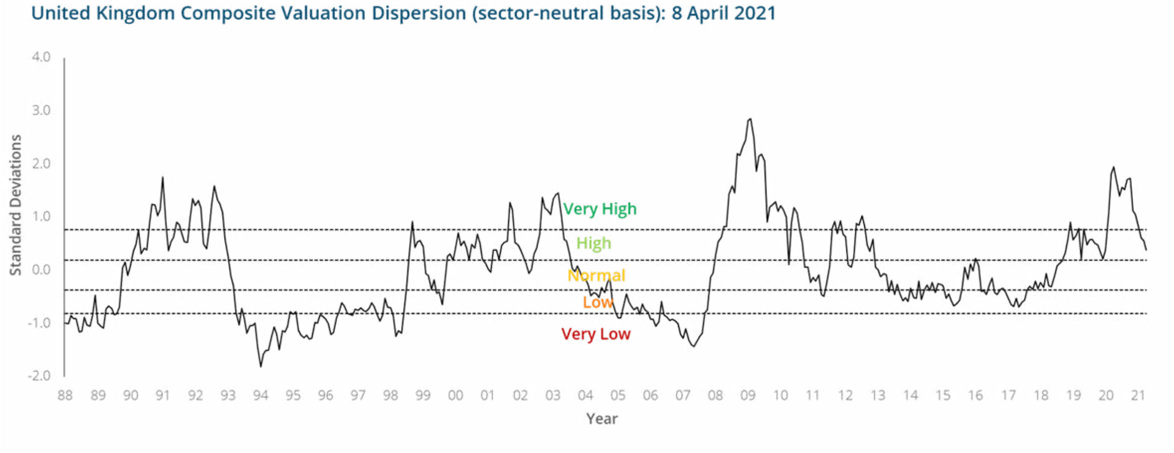
MARKET BACKDROP

I will start by stating the obvious; it has been an exceptional period for equity returns. Global equity indices, as measured by the MSCI ACWI Index, delivered a six month return of 20.2%. UK equities, as measured by the MSCI UK IMI Index, slightly underperformed with a return of 18.2%. UK Smaller Companies, as measured by the Numis Smaller Companies Index, delivered a phenomenal 33.5%, no doubt supported by the success of the UK vaccination programme.

Another notable dynamic has been the steepening of the US yield curve. Short term rates are being held low, punishing savers, whilst accelerating global growth and fiscal spending plans that seek to deliver higher nominal growth as a tool for societal levelling up have pushed the US ten-year yield higher. Having bottomed in August at 0.5%, the US ten-year yield finished the period a touch below 1.75%. This has clear consequences for equity investors with shorter duration assets, typically cyclicals and Value, outperforming long duration Quality and Growth assets.

The charts overleaf show the valuation dispersion, a composite of Price/Book, Price/Sales, Cash Flow Yield and Dividend Yield, on a sector neutral basis. When dispersions are high, as they were in late September 2020 (top chart), there is a significant gap between the cheapest and most expensive stocks in each sector. The equivalent data for the 11 March 2021 (bottom chart) shows valuation dispersions have narrowed but still remain higher than normal. Essentially, the recent outperformance of short duration cyclicals has offset the outperformance of long duration Growth stocks that we saw through the first half of 2020, with valuation dispersions returning to pre-crisis levels.





Source: Bernstein, sector neutral composite of Price/Book, Price/Sales, Cashflow Yield and Dividend Yield (as of 11 March 2021).

I mentioned in the equivalent section in the Annual Financial Report that we had, given the then recent outperformance of Growth, built positions in Recovery and Asset-backed investment cases. As you will see from the performance attribution, those additions contributed to the strong relative performance in the period. We also started the period with a portfolio that was, despite a strong Growth bias, cheaper than the benchmark and this factor bias has also supported performance.

SUSTAINABILITY

"A sustainable business compounds value for all stakeholders over the long term.
It is a responsible steward of capital with a culture of longevity.
We evaluate sustainability through the pillars of People, Innovation and the Environment, including companies undergoing change leading to positive long-term outcomes."

The latest evolution of our philosophy and process is our approach to sustainable investing. As investors, we believe we can play an important role in driving the sustainable agenda forward. This is particularly relevant for investing in microcaps as we typically take meaningful stakes in the businesses we invest in. Not only is it the right thing to do, but it is also in the interest of long-term shareholders that companies are managed for the long-term to the benefit of all stakeholders. Simply put, a business that does not consider the outcome of its actions on its customers or employees or the relationship it has with the regulator or environment, is unlikely to succeed in compounding attractive returns over the medium to long term.

Some managers' approach to ESG is to screen out companies based on their business activities or third party ESG rating. Our emphasis is on two things: firstly, as is the case for our fundamental research, we do not rely on third party research for our sustainability analysis; and second, we believe that through engagement, as opposed to exclusion, we can drive improvement which should benefit all stakeholders. Whilst we have always considered the wider stakeholder analysis, this is now part of our formal process and, as part of that, we are allocating sustainability ratings (from S1 to S4) to portfolio companies. The detail of these can be found below:

As at mid-April, on an ex cash basis, c.55% of the portfolio is invested in companies with an S2 rating, 35% is invested in companies rated S1 and the balance, 10%, is invested in companies rated S3. There are no S4 rated companies in the portfolio. One of the important outcomes of this rating system is that it allows us to focus our engagement on the companies where the potential for improvement is high. I will report in more detail at the end of the year on these specific companies.

Whilst we aim, in a similar way to how we use data for our fundamental analysis, to incorporate the use of data into both our analysis and reporting, we are not in a position to do this yet. It will take time for microcap companies to provide the necessary disclosure, but this is already improving and is something that we can play a role in developing.

For more detail, our Sustainable PVT report can be found on the River and Mercantile website (https://riverandmercantile.com/).

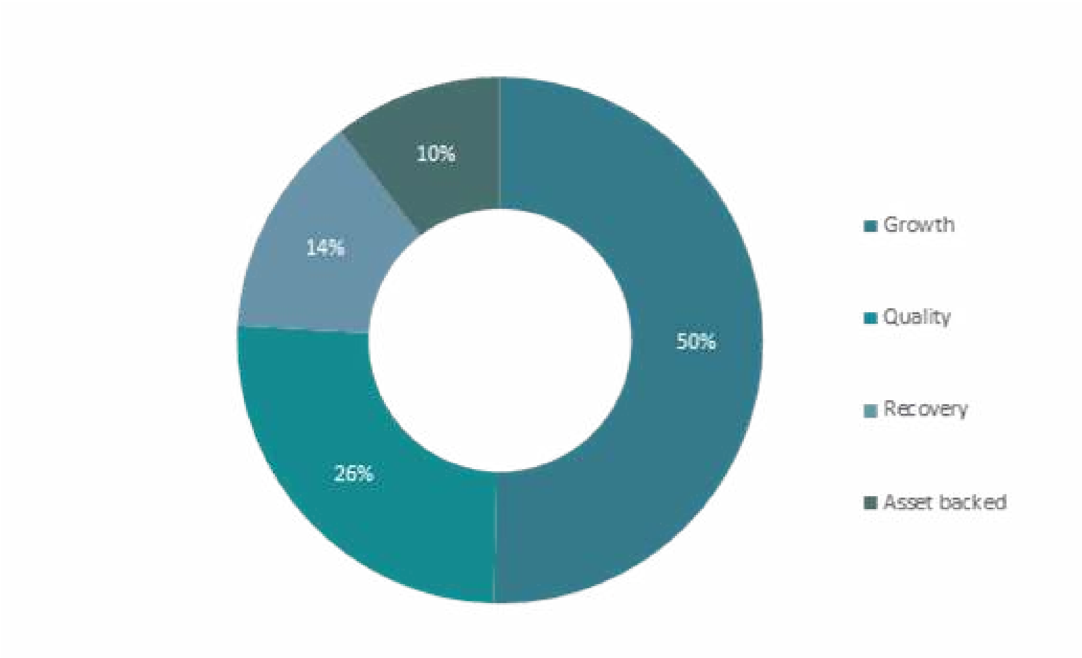
PORTFOLIO POSITIONING

In line with our philosophy, we will continue to construct a portfolio of companies that have the **P**otential to create shareholder value at attractive **V**aluations with supportive **T**iming. Our PVT philosophy has delivered the Company's strong performance since inception and will continue to be at the heart of everything we do.

Investors will be aware that within our PVT Philosophy there are four forms of Potential: Growth, Quality, Recovery and Asset-backed. The portfolio continues to have a bias to Growth; that is investing in companies that have the potential to grow revenues, profits and cash flows at a higher rate than average. Quality, companies that have high and improving return on capital, remains the second largest category.

Recovery and Asset-backed opportunities make up the balance of the portfolio. When we invest in Recovery stocks, we are looking to buy into companies where margins are depressed when compared to history but have begun to improve. And with Asset-backing, confidence in the value of the assets is key and we look for changes in the asset scarcity (e.g. supply side consolidation), driving asset value upgrades and share price performance.

The exposure to different categories at the end of the period, which is broadly unchanged from prior periods, is shown below. The allocation to Recovery and Asset-backed investments has increased slightly, from 21% to 24%, on the back of strong performance in these names. Within that, Recovery exposure is 5% higher and Asset-backed exposure is 2% lower. We hold our gold E&P holdings, which were one of the largest detractors from performance in the period, in the Asset-backed category which explains the change between the two categories.



Source: River and Mercantile Asset Management LLP

The following table illustrates some of the key factor characteristics of the portfolio and the equivalent data for the benchmark for both the start and end of the period being reported.

		River & Mercantile UK Micro Cap Investment Company	Numis Smaller Companies Ex-IT Benchmark	River & Mercantile UK Micro Cap Investment Company	Numis Smaller Companies Ex-IT Benchmark
		March 2021		September 2020	
P	Historic 3Y Sales per Share	20.3%	9.6%	23.0%	11.7%
	1Y Forecast Sales Growth	20.6%	11.4%	15.5%	6.9%
	Historic 3Y Earnings Growth	23.4%	6.5%	34.4%	10.6%
	1Y Forecast Earnings Growth	22.0%	27.5%	24.7%	8.2%
	Net Profit Margin	5.7%	11.4%	8.4%	12.6%
V	One Year Fwd PE Ratio	23.1	20.9	18.3	24.3
	Two Year Fwd PE Ratio	19.7	17.2	11.8	15.9
	Free Cash Flow Yield	9.2%	7.8%	5.4%	5.4%
	Enterprise Value / EBITDA	16.7	16.7	8.3	14.3
T	3 Month Earnings Revisions	3.3%	5.1%	3.9%	3.0%

Source: Style Research

We are looking to invest in companies that have delivered higher than average growth in sales and earnings. The data shows that at a portfolio level, the realised three-year historic sales and earnings growth was 20% and 23% respectively which compares to the benchmark at 10% and 7%. Both the portfolio and benchmark data were lower at the end of the period than they were at the start, understandable given the Covid-19 circumstances. One data point that we have typically had a positive tilt to is the 1-year forecast earnings growth rate. The data shows that the forecast earnings growth for the portfolio is lower than the market (22% compares to 27.5%). It is hard to draw any firm conclusions from this but it is comforting to see that the earnings growth forecast for our portfolio is in line with the realised rate over the last three years (22% versus 23%) whilst the forecast market growth is materially higher than the historic rate for the market (27.5% versus 6.5%).

The portfolio trades on a modest premium when considering price to earnings ratios but in line on enterprise value to EBITDA (earnings before interest, tax, depreciation and amortisation) which is indicative of the portfolio holdings being better capitalised/less indebted. The cash flow yield is the only trailing valuation measure (i.e. based on historic results as opposed to forecasts) and I would argue the absolute number for both the market and the portfolio has been flattered by companies being managed for cash through the crisis. Despite the absolute number being potentially misleading, the portfolio scores better than the benchmark which supports our value credentials.

We have seen a lower level of upgrades, as illustrated by the three-month earnings revisions, than the benchmark. This is likely a result of our lack of exposure to oil and other industrial commodities where higher prices have driven upgrades.

In summary, the portfolio has maintained the growth bias that has supported long term returns whilst remaining broadly neutral on valuation.

PORTFOLIO ATTRIBUTION: HOLDINGS WITH A CONTRIBUTION TO RELATIVE RETURN OF GREATER THAN +/- 1%.

It will come as no surprise to shareholders that the most significant contributor in the six month period was **MaxCyte** (+4.7ppts), the US based pioneer in non-viral cell engineering technology that enables many of the world's largest gene therapy companies. The company announced a further placing to introduce five new crossover funds to the shareholder register ahead of their imminent Nasdaq listing which was oversubscribed and at a premium to the prevailing share price. Whilst the company remains exceptionally well placed given the licensing agreements already in place, we did reduce our position given the share price performance (+136%).

A few of the investments which we initiated in 2020 in the UK consumer cyclicals sector also performed very well. We ran large positions in both **City Pub Group** (+2.1ppts) and **Joules** (+2ppts), and a smaller position in **Revolution Bars Group** (+1ppt); each performed well, +129% for both Joules and City Pubs and +204% for Revolution Bars, on the back of the excellent progress made in the UK vaccination programme and the clear pathway out of lockdown. Whilst Joules and Revolution Bars are Recovery investment cases with margin understandably depressed, City Pubs has freehold backing, supporting the Asset-backed investment case.

I wrote in the prior Portfolio Manager's Report that I thought that the significant share price weakness we had seen in **Ince Group** (+2.1ppts) was unjustified. The shares gained 233% from a very depressed valuation on the back of their resilient interim results which importantly included free cash generation and net debt paydown. The shares remain undervalued and can re-rate further as the company continues to deliver on the Recovery investment case.

DX Group (+1.3ppts). The Recovery investment case we invested in during the summer of 2018 gained 81% as the company executed on the turnaround plan. The move in the share price met our base case scenario for the level to which margins could return to and so we exited the position, in part funding the return of capital that was completed in February.

Boku (+1.6ppts) is a Growth company we have owned since the IPO (at 59p) in November 2017. The shares originally performed very well, moving up to c.180p in September 2018. They then, like many other smaller companies, underperformed with the shares falling back below the IPO price to a low of 49p in March 2020. I think it is an interesting example of the volatility we can see, and take advantage of, in micro caps. There have been two acquisitions (one successful, one less successful) between the peaks, but, beyond that, the business has largely delivered or outperformed expectations. We did add to our position around the lows and have again, on the back of the strong share price (+93% in the period) and re-rating, reduced our exposure.

Finally, **Sylvania Platinum** (+1.5ppts) the platinum group metals producer gained 89%, broadly in line with the gain in the rhodium price which rose 93%. Whilst I cannot admit to this increase being part of the original investment case, it has played out very nicely and we have recently completed our exit at c.120p, a 200% gain on our average purchase cost of c.40p and a higher total return, which will have benefitted from the yield which included one special dividend.

In a period where the benchmark performance was +33.5%, clearly any share price weakness delivered a material relative underperformance. Our exposure to gold was the single largest detractor to performance with **Shanta Gold** (-1.7ppts), **Serabi Gold** (-1.0ppt), **Hummingbird** (-1.2ppts) and **Capital Limited** (-1.3ppts) all making negative contributions of more than 1%. Unsurprisingly, the falls of 31%, 36%, 37% and 15% respectively were driven in part by the gold price which fell 9% in USD and 16% in GBP. There were some additional operational disappointments at Hummingbird and Serabi, as discussed in the trading activity section, and we consolidated our gold E&P exposure to two investments with the sale of Hummingbird. Capital announced several encouraging contract updates including their largest ever to date, a new mining services contract at Centamin's Sukari mine. They have also recently, post period end, announced a strong Q1 trading update and look well set for 2021.

Argentex (-1.0ppt) finished the period 7% lower; they reported a fall in trading volumes which have since recovered. **RA International** (-1.2ppts) also saw trading impacted by the pandemic and, more recently, the unrest in Mozambique which will delay projects. The shares lost 14%.

Finally, **Venture Life** (-1.5ppts) lost 10% following an exceptional share price performance in 2020. The company completed a large fundraising to continue their buy and build strategy which has driven excellent results since our original investment. As with RA International and Argentex, this hasn't been a period of perfect execution for Venture Life with a large impairment made against debt owed by their Chinese partner. As with the other two companies, we believe Timing can improve from here.

PORTFOLIO ACTIVITY – NEW POSITIONS AND EXITS

New Positions – in order of position size at the end of the period:

ActiveOps – 2.6%: an early stage Growth business which has a first mover advantage in a large market, providing a data driven approach to organising work and managing capacity for large, globally distributed back offices. ActiveOps' software typically delivers a 15% productivity improvement, something the company are willing to risk their training and implementation (T&I) revenues for (i.e. clients can choose not to pay T&I costs if the productivity improvements are not delivered), which delivers a return on investment of c.100% for the customer. The position was purchased through the IPO in late March.

Distribution Finance Capital – 1.8%: a specialist lender providing "pay as sold" finance to dealers and Original Equipment Manufacturers ("OEMs") to finance their forecourt inventory. The company provides finance on a range of products, typically vehicles, with over half the loan book currently lent to finance caravans and motorhomes. The business has been transformed by the recent award of a banking license, enabling the business to fund through low cost retail deposits. The position was purchased through a fund raise to provide the business with the necessary capital to grow the loan book.

Supreme – 1.4%: a business with a history as a distributor of licensed products, Supreme is building a portfolio of value brands that leverage the businesses' strong route to market with discount retailers. The company has built the market leading (by volume) vaping brand in the UK, 88vape. A high returns business model that has a strong track record of delivering organic growth. The company came to market via IPO on an attractive valuation, in part due to the uncertainty around vaping regulation. Public Health England see vaping as one of the key contributors to the delivery on their ambition for England to be smokefree by 2030.

Virgin Wine – 1.3%: a direct to consumer wine merchant which also came to market via IPO in the period. The company has a low cost partnership approach to acquiring members and excellent retention which delivers a good LTV:CAC ratio (a ratio of more than 1 implies that users contribute more value to the business than they cost to acquire, a prerequisite for a successful ecommerce business, Virgin Wines have a ratio of 4.5x). Trading over the last 18 months has benefitted materially from the Covid-19 pandemic, and we expect that they should retain a good portion of the excess customers that have been acquired.

Exits:

We exited seven positions in the period, with a further position exited post period end. The most significant exits were **DX Group** and **AFH Financial.** DX Group was purchased as a Recovery thesis in May 2018 and whilst there is a compelling case for further margin upside in the business, with the shares having re-rated from less than 0.2x EV/Sales at the time of purchase to over 0.6x EV/Sales, this is arguably allowed for in the current valuation. AFH Financial was bid for by private equity and is another example of what happens when the market fails to recognise the quality of earnings of particularly listed businesses.

Adept Technology, Harvest Minerals, STM Group and Tekmar were all exited in the process of raising funds for our fourth return of capital which was completed in February. Of the four, the most disappointing was Tekmar which had previously been one of our largest holdings, and was sold at a lower price than when the Company purchased it. Whilst the attractive growth opportunity in offshore wind remains, it appears that competition is increasing for the company's core products.

Within the precious metals space, we exited **Hummingbird Resources,** consolidating our gold E&P exposure into our two remaining names, **Shanta Gold** and **Serabi Gold.** Hummingbird has, from an operational perspective, been the least consistent. Due to their relatively high cost of production, it is also the most geared to the gold price. Finally, post period end, we completed the exit of **Sylvania Platinum;** the investment case is now heavily exposed to the price of rhodium, a commodity which is trading at very elevated levels and not something we have a huge amount of insight on.

PORTFOLIO STATISTICS

Top 10 Holdings

The ten largest positions by weight held in the portfolio.

	Weight
Science In Sport	4.8%
Joules	4.2%
MaxCyte	4.2%
Sigma Capital Group	4.2%
Keystone Law	4.1%
Litigation Capital Mgmt	3.9%
Aquis Exchange	3.7%
Instem	3.5%
The City Pub Group	3.5%
Ince Group	2.9%

OUTLOOK

Whilst we have seen a rapid recovery in both prospects for economic growth and equity valuations, UK equities remain unpopular. This is particularly true when considering the relative valuation either against other regional equities but also other asset classes. I would also point to the long-term track record which, over more than 6 years, illustrates the structural not cyclical opportunity for delivering attractive shareholder returns. In fact, one of the many lessons from the pandemic has been the benefits of the easy access to capital that listed businesses have, which should continue to underpin the structural opportunity.

The debate around a regime change to a higher level of inflation fueled by accommodative monetary conditions alongside expansive fiscal policy will continue. We are going to see inflation return in the short term and central banks have been clear that they will be slow to react to this. This creates a compelling case for higher medium-term inflation, but many of the influences that have depressed inflation over the previous cycle (demographics, technology and debt to name three) remain. We will continue to run a portfolio that seeks to invest in business that can deliver attractive levels of Growth but without having to pay a premium.

As I wrote in a recent monthly update, February marked the third anniversary of my management of the fund and I wanted to take this opportunity to thank shareholders again for their support over the last three years. The team remains committed to the same strategy that was put in place at the IPO; to build a high conviction portfolio exploiting opportunities in a part of the market that, in general, has greater scope for growth and is often overlooked by larger funds and the investment broking community.

Thank you for your ongoing support.

George Ensor
Portfolio Manager
16 June 2021

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable Guernsey law and regulations.

The Directors confirm to the best of their knowledge that:

- the condensed financial statements contained within the Half-Yearly Financial Report have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and provide a fair, balanced and understandable view of the affairs of the Company as at 31 March 2021, as required by the Financial Conduct Authority ("FCA") through the Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R;

- the combination of the Chairman's Statement, the Portfolio Manager's Report and the Executive Summary includes a fair review of the information required by:

  a) DTR 4.2.7R, being an indication of important events that have occurred during the period up to 31 March 2021 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R, being related party transactions that have taken place during the period up to 31 March 2021 and that have materially affected the financial position or performance of the Company during that period; and any changes in the related parties transactions in the Annual Financial Report that could have a material impact on the financial position or financial performance of the Company in the first six months of the current financial year.

Andrew Chapman
Chairman
16 June 2021

Ian Burns
Audit Committee Chairman
16 June 2021

INDEPENDENT REVIEW REPORT TO RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED

Report on the condensed financial statements

Our conclusion

We have reviewed River and Mercantile UK Micro Cap Investment Company Limited's (the "company") condensed financial statements (the "interim financial statements") in the Half-Yearly Financial Report of the company for the 6-month period ended 31 March 2021. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed statement of financial position as at 31 March 2021;
- the condensed statement of comprehensive income for the period then ended;
- the condensed statement of cash flows for the period then ended;
- the condensed statement of changes in shareholders' equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-Yearly Financial Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the company is The Companies (Guernsey) Law, 2008 and International Financial Reporting Standards (IFRSs).

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Yearly Financial Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Financial Report in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Yearly Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED (CONTINUED)

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
16 June 2021

(a) The maintenance and integrity of the River and Mercantile UK Micro Cap Investment Company Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 March 2021

	Notes	Six months ended 31 March 2021 (Unaudited) £	Six months ended 31 March 2020 (Unaudited) £
Income			
Investment income	3	476,726	736,217
Net gain/(loss) on financial assets designated at fair value through profit or loss	7	36,903,150	(20,196,674)
Total income/(loss)		**37,379,876**	**(19,460,457)**
Expenses			
Portfolio performance fees	4	(1,083,852)	-
Portfolio management fees	4	(412,761)	(318,497)
Operating expenses	5	(317,770)	(215,943)
Finance costs	12	-	(4,589)
Foreign exchange loss		(1,729)	(9,254)
Total expenses		**(1,816,112)**	**(548,283)**
Profit/(loss) before taxation		**35,563,764**	**(20,008,740)**
Taxation		-	-
Total comprehensive income/(loss)		**35,563,764**	**(20,008,740)**
Basic and diluted earnings/(loss) per Ordinary Share	10	0.7987	(0.4308)

The Company has no items of other comprehensive income, and therefore the income/(loss) for the period is also the total comprehensive income/(loss).

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 27 to 35 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	31 March 2021 (Unaudited) £	30 September 2020 (Audited) £
Non-current assets			
Financial assets designated at fair value through profit or loss	7	110,991,483	92,934,986
Current assets			
Cash and cash equivalents		5,773,233	3,929,910
Trade receivables – securities sold awaiting settlement		387,126	73,663
Other receivables		93,867	73,083
Total current assets		**6,254,226**	**4,076,656**
Total assets		**117,245,709**	**97,011,642**
Current liabilities			
Trade payables – securities purchased awaiting settlement		-	(104,945)
Other payables		(1,076,129)	(1,293,784)
Total current liabilities		**(1,076,129)**	**(1,398,729)**
Net assets		**116,169,580**	**95,612,913**
Capital and reserves			
Stated capital	9	-	-
Share premium	9	13,384,755	28,391,852
Retained earnings		102,784,825	67,221,061
Equity shareholders' funds		**116,169,580**	**95,612,913**

The condensed financial statements on pages 23 to 35 were approved and authorised for issue by the Board of Directors on 16 June 2021 and signed on its behalf by:

Andrew Chapman
Chairman

Ian Burns
Audit Committee Chairman

The notes on pages 27 to 35 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 31 March 2021 (Unaudited)

	Stated capital £	Share premium £	Retained earnings £	Total £
Opening equity shareholders' funds at 1 October 2020	**-**	**28,391,852**	**67,221,061**	**95,612,913**
Total comprehensive income for the period	-	-	35,563,764	35,563,764
Redemption of ordinary shares	-	(15,002,451)	-	(15,002,451)
Ordinary share redemption costs	-	(4,646)	-	(4,646)
Closing equity shareholders' funds at 31 March 2021	**-**	**13,384,755**	**102,784,825**	**116,169,580**

For the six months ended 31 March 2020 (Unaudited)

	Stated capital £	Share premium £	Retained earnings £	Total £
Opening equity shareholders' funds at 1 October 2019	**-**	**28,391,852**	**59,426,342**	**87,818,194**
Total comprehensive loss for the period	-	-	(20,008,740)	(20,008,740)
Closing equity shareholders' funds at 31 March 2020	**-**	**28,391,852**	**39,417,602**	**67,809,454**

The notes on pages 27 to 35 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 31 March 2021

	Note	Six months ended 31 March 2021 (Unaudited) £	Six months ended 31 March 2020 (Unaudited) £
Cash flow from operating activities			
Profit/(loss) after taxation and total comprehensive income/(loss) for the period		35,563,764	(20,008,740)
Adjustments to reconcile profit/(loss) after taxation to net cash flows:			
- Realised (gain)/loss on financial assets designated at fair value through profit or loss	7	(15,169,162)	2,766,944
- Unrealised (gain)/loss on financial assets designated at fair value through profit or loss	7	(21,733,988)	17,429,730
Purchase of financial assets designated at fair value through profit or loss[1]	7	(15,187,961)	(14,305,819)
Proceeds from sale of financial assets designated at fair value through profit or loss[2]	7	33,616,206	11,024,225
Changes in working capital			
(Increase)/decrease in other receivables and prepayments		(20,784)	24,784
Decrease in other payables		(217,655)	(30,639)
Net cash from/(used in) operating activities		**16,850,420**	**(3,099,515)**
Cash inflow from financing activities			
Redemption of ordinary shares		(15,002,451)	-
Ordinary share issue costs paid		(4,646)	-
Net cash used in financing activities		**(15,007,097)**	**-**
Net increase/(decrease) in cash and cash equivalents in the period		**1,843,323**	**(3,099,515)**
Cash and cash equivalents at beginning of the period		3,929,910	6,543,864
Cash and cash equivalents at the end of the period		**5,773,233**	**3,444,349**

[1] – Payables relating to purchases of financial assets designated at fair value through profit or loss at 31 March 2021 amounted to £nil (31 March 2020: £1,004,715).

[2] – Proceeds outstanding at 31 March 2021 relating to sales of financial assets designated at fair value through profit amounted to £387,126 (31 March 2020: £957,007).

The notes on pages 27 to 35 form an integral part of these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General information
The Company was incorporated as a non-cellular company with liability limited by shares in Guernsey under The Companies (Guernsey) Law 2008 (the "Companies Law") on 2 October 2014. It listed its Ordinary Shares on the Premium Segment of the Official List of the UK Listing Authority and was admitted to trading on the Main Market of the London Stock Exchange on 2 December 2014. The Company has been registered by the GFSC as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2018. The Company registered number is 59106.

The Company's registered address is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

2. Accounting policies
The Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and the Disclosure Guidance and Transparency Rules sourcebook of the FCA. The condensed financial statements do not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 30 September 2020. The Half-Yearly Financial Report has also been prepared using the same accounting policies applied for the year ended 30 September 2020 Annual Financial Report, which was prepared in accordance with International Financial Reporting Standards ("IFRS"), except for new standards and interpretations adopted by the Company as set out below and the Companies Law.

New standards, amendments and interpretations issued and effective for the financial year beginning 1 October 2020

Definition of material (amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)

The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments are not expected to have a material impact on the Company's condensed financial statements.

During the period, a number of other new standards, amendments and interpretations became applicable for the current reporting period which are not relevant to the Company's operations.

2.1 Going Concern
The Directors consider it is appropriate to adopt the going concern basis in preparing the condensed financial statements as no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for 12 months after the date of approval of the condensed financial statements.

2.2 Segmental reporting
The Directors view the operations of the Company as one operating segment, being investment in UK Micro Cap Companies. All significant operating decisions are based upon analysis of the Company's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Portfolio Manager).

2.3 Seasonality
The Company's business is not subject to seasonal fluctuations.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. Investment income

	Six months ended 31 March 2021 (Unaudited) £	Six months ended 31 March 2020 (Unaudited) £
Dividend income	476,726	731,701
Bank interest	-	4,516
Total investment income	**476,726**	**736,217**

4. Portfolio management and performance fees

On 3 November 2014, the Company signed an Investment Management Agreement with the Manager and the Portfolio Manager, whereby the Manager delegated to the Portfolio Manager overall responsibility for the discretionary management of the Company assets in accordance with the Company's investment objective and policy.

The Manager or the Portfolio Manager may voluntarily terminate the Investment Management Agreement by providing six months' notice in writing. The Manager's power to terminate the appointment of the Portfolio Manager under the Investment Management Agreement may only be exercised under the direction of the Board and the Manager has agreed to comply with the instructions of the Board as regards to any proposed termination of the Portfolio Manager's appointment.

Under the agreement, the Portfolio Manager is entitled to receive a base fee and performance fee. The Portfolio Manager base fee is payable monthly in arrears at a rate of one-twelfth of 0.75% of NAV. A performance fee equal to 15% of the amount by which the Company's NAV outperforms the total return on the Benchmark will be payable to the Portfolio Manager over a performance period.

The performance period is the period between two redemptions, being the first business day after the calculation date, (referable to the earlier redemption (opening date)), and the end day of the calculation date (referable to the later redemption (closing date)). The first opening date was the date of admission and in circumstances in which a performance fee may be payable upon termination of this Agreement, the final closing date shall be the date in which the agreement is terminated. The calculation date is the date determined by the Board for the calculation of the price to be paid on any particular exercise of the redemption mechanism.

The performance fee is only paid when the Company implements the redemption mechanism as detailed in note 9.

During the six month period ended 31 March 2021, the Company recognised performance fees of £1,083,852 (31 March 2020: £nil). As at 31 March 2021, performance fees accrued amounted to £905,986 (30 September 2020: £1,046,428) as the Company's NAV total return performed favourably against the Benchmark during the performance period and performance fees of £1,224,295 were paid during the period (30 September 2020: £nil). Please refer to the Financial Highlights and Performance Summary for details of the Company's previous redemptions on page 3.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

5. Operating expenses

	Six months ended 31 March 2021 (Unaudited) £	Six months ended 31 March 2020 (Unaudited) £
Administration fees	74,351	64,597
Directors' fees	66,082	60,000
AIFM fees	29,099	27,000
Audit fees	24,756	22,500
Broker fees	20,000	20,000
Transaction fees	32,127	16,755
Non-audit fees	19,135	18,400
Custody fees	12,051	8,879
Registrar fees	10,469	7,452
Legal and professional fees	2,411	3,334
Sundry expenses	27,289	(32,974)
Total operating expenses	**317,770**	**215,943**

Non-audit fees
Non-audit fees incurred during the six months ended 31 March 2021 relating to interim review services amounted to £19,135 (31 March 2020: £18,400).

AIFM fee
On 21 October 2014, the Company signed an AIFM agreement with the Manager to act as the Company's AIFM. Under the agreement, the Manager is entitled to an annual fixed fee of £58,000 (increased from £54,000 effective 1 September 2020). The annual fixed fee is paid quarterly in arrears. The AIFM agreement can be terminated by either the Company or the Manager by giving the other not less than ninety days' written notice or on immediate notice on the occurrence of certain "cause" events.

Custody fee
On 21 October 2014, the Company signed a Global Custody Agreement with the Manager and the Administrator, whereby the Company appointed the Administrator to carry out custodian services. In its role as custodian, the Administrator is entitled to a fee payable by the Company on a transaction by transaction and ad-valorem fee basis.

Registrar fee
The Company's registrar is Computershare Investor Services (Guernsey) Limited. The registrar is entitled to an annual maintenance fee plus disbursements.

Administration fee
On 21 October 2014, the Company signed an agreement with the Administrator to provide administrative, compliance oversight and company secretarial services to the Company. Under the administration agreement, the Administrator is entitled to a minimum annual fixed fee for fund administration services, company secretarial and compliance services. These fees are paid monthly in arrears. Ad hoc other administration services are chargeable on a time cost basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses.

Broker fee
On 1 July 2020, the Company appointed Nplus1 Singer Advisory LLP ("N+1 Singer"), to provide corporate stockbroker and financial adviser services to the Company, as the Company's sole broker. Under the agreement, N+1 Singer is entitled to a fee payable by the Company of £40,000 per annum payable quarterly in advance.

5. Operating expenses (continued)
In addition, N+1 Singer is entitled to a one-off bonus fee contingent upon the average daily discount over the three months to 31 December 2021. The bonus will be payable to N+1 Singer only if the Company's average daily discount will be no greater than 8% during this period; with a maximum bonus payable to N+1 Singer of £11,800 per annum, should the Company's shares be trading at a premium during this period, reduced accordingly if the average daily discount lies between 8% and 0% during this period.

Total broker fees incurred during the six months ended 31 March 2021 were £20,000 (six months ended 31 March 2020: £20,000).

6. Directors' fees and interests
The Directors of the Company were remunerated for their services at a fee of £25,000 per annum from 1 October 2020 to 31 December 2020, increasing to £27,000 per annum effective 1 January 2021, with the Chairman of the Board and the Chairman of the Audit Committee receiving an additional £15,000 and £5,000 respectively.

The Company has no employees other than the Directors. Directors' fees incurred for the six months ended 31 March 2021 were £66,082 (six months ended 31 March 2020: £60,000). Directors' fees payable as at 31 March 2021 were £36,246 (30 September 2020: £30,165).

As at 31 March 2021, Andrew Chapman, Trudi Clark, Mark Hodgson, Ian Burns and Stephen Coe held 17,941, 9,985, 9,230, 4,798 and nil Ordinary Shares in the Company respectively. No pension contributions were payable in respect of any of the Directors.

7. Financial assets designated at fair value through profit or loss
The Company has invested the proceeds raised from the initial Ordinary Share issue and subsequent Ordinary Share tap issues in a portfolio of UK Micro Cap Companies in line with its investment strategy. These investments are predominantly comprised of companies whose securities are admitted to trading on the AIM, with a free float market capitalisation of less than £100 million at the time of purchase. The Company does not hold any unlisted investments as at 31 March 2021 (30 September 2020: nil).

Fair value hierarchy
IFRS 13 'Fair Value Measurement' ("IFRS 13") requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

The Company categorises its financial assets according to the following fair value hierarchy detailed in IFRS 13 that reflects the significance of the inputs used in determining their fair values:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets designated at fair value through profit or loss (continued)
Fair value hierarchy (continued)

The Directors determined that an active market exists based on the frequency and volume of transactions of each asset. As all the Company's financial assets are quoted securities which are traded in active markets as at 31 March 2021, in the opinion of the Directors, the quoted price for the financial assets as at 31 March 2021 is representative of fair value.

31 March 2021

Financial assets	Level 1 (Unaudited) £	Level 2 (Unaudited) £	Level 3 (Unaudited) £	Total (Unaudited) £
Financial assets designated at fair value through profit or loss	110,991,483	-	-	110,991,483

30 September 2020

Financial assets	Level 1 (Audited) £	Level 2 (Audited) £	Level 3 (Audited) £	Total (Audited) £
Financial assets designated at fair value through profit or loss	92,934,986	-	-	92,934,986

Financial assets designated at fair value through profit or loss reconciliation
The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 1 to 3 between the beginning and the end of the reporting period.

31 March 2021	Level 1 (Unaudited) £	Level 2 (Unaudited) £	Level 3 (Unaudited) £	Total (Unaudited) £
Opening valuation as at 1 October 2020	**92,934,986**	**-**	**-**	**92,934,986**
Purchases during the period	15,083,016	-	-	15,083,016
Sales - proceeds during the period	(33,929,669)	-	-	(33,929,669)
Realised gain on financial assets designated at fair value through profit or loss[1]	15,169,162	-	-	15,169,162
Unrealised gain on financial assets designated at fair value through profit or loss[2]	21,733,988	-	-	21,733,988
Closing valuation as at 31 March 2021	**110,991,483**	**-**	**-**	**110,991,483**
Total net gain on financial assets for the period ended 31 March 2021	36,903,150	-	-	36,903,150

[1] Realised gain on financial assets designated at fair value through profit or loss is made up of £18,910,415 gain and £(3,741,253) loss.
[2] Unrealised gain on financial assets designated at fair value through profit or loss is made up of £30,885,196 gain and £(9,151,208) loss.

7. Financial assets designated at fair value through profit or loss (continued)
Financial assets designated at fair value through profit or loss reconciliation (continued)

30 September 2020	Level 1 (Audited)	Level 2 (Audited)	Level 3 (Audited)	Total (Audited)
	£	£	£	£
Opening valuation as at 1 October 2019	**81,386,681**	**-**	**-**	**81,386,681**
Purchases during the year	32,218,190	-	-	32,218,190
Sales - proceeds during the year	(29,574,088)	-	-	(29,574,088)
Realised gain on financial assets designated at fair value through profit or loss[1]	2,344,487	-	-	2,344,487
Unrealised gain on financial assets designated at fair value through profit or loss[2]	6,559,716	-	-	6,559,716
Closing valuation as at 30 September 2020	**92,934,986**	**-**	**-**	**92,934,986**
Total net gain on financial assets for the year ended 30 September 2020	8,904,203	-	-	8,904,203

[1] Realised gain on financial assets designated at fair value through profit or loss is made up of £10,898,127 gain and £(8,553,640) loss.
[2] Unrealised gain on financial assets designated at fair value through profit or loss is made up of £20,669,693 gain and £(14,109,977) loss.

During the six months ended 31 March 2021, there were no transfers between levels of the fair value hierarchy (30 September 2020: no transfers).

As at 31 March 2021, none of the investments held are illiquid in nature and on this basis are not subject to any special arrangements.

The carrying amount of the trade and other receivables/payables is a reasonable approximation of fair value.

8. Contingent liabilities and commitments
As at 31 March 2021, the Company had no contingent liabilities or commitments (30 September 2020: nil).

9. Stated capital
Authorised
The authorised share capital of the Company is represented by an unlimited number of redeemable Ordinary Shares at no par value.

Ordinary Shares
As at 31 March 2021, the Company had 40,523,412 Ordinary Shares (30 September 2020: 46,445,043) in issue. 5,921,631 Ordinary Shares were redeemed on 29 January 2021 utilising the Company's redemption mechanism (30 September 2020: nil).

Each holder of Ordinary Shares is entitled to attend and vote at all general meetings that are held by the Company. Each holder is also entitled to receive payment of a dividend should the Company declare such a dividend payment. Any dividends payable by the Company will be distributed to the holders of the Company's Ordinary Shares, and on the winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of shares in accordance with the provisions of the Articles and the Companies Law), the Company's surplus assets, after payment of all creditors, will be distributed among the holders of the Company Ordinary Shares.

The Board anticipates that returns to shareholders will be made through the Company's redemption mechanism and therefore does not expect that the Company will pay any dividends.

No dividends have been declared or paid during the period (30 September 2020: £nil).

Redemption mechanism
As the Company has been established as a closed-ended collective investment scheme, there is no right or entitlement attaching to the Ordinary Shares that allows them to be redeemed or repurchased by the Company at the option of the shareholder.

9. Stated capital
Redemption mechanism (continued)

The redemption mechanism allows the Board to redeem any number of shares at the prevailing NAV per share at the calculation date, (being the date determined by the Board for the calculation of the price to be paid on any particular exercise of the redemption mechanism), less the cost of redemption. This right will only be exercised in specific circumstances and for the purpose of returning capital growth.

Accordingly, assuming that the NAV exceeds £100 million, the Directors intend to operate the redemption mechanism to return the NAV back to around £100 million in order to:

- enable the Company to exploit fully the underlying investment opportunity and to deliver high and sustainable returns to shareholders, principally in the form of capital gains;
- enable portfolio holdings to have a meaningful impact on the Company's performance, which might otherwise be marginal within the context of a larger fund; and
- ensure that the Company can continually take advantage of the illiquidity risk premium inherent in micro cap companies.

The Directors are not obliged to operate the redemption mechanism and will not do so if:

- calculation and publication of the NAV has been suspended; or
- the Directors are unable to make the solvency statement required by Guernsey law; or
- other circumstances exist that the Board believes make the operation of the redemption mechanism undesirable or impracticable.

Redemptions will, subject to compliance with all applicable law and regulation, be carried out pro rata to a shareholder's holding of Ordinary Shares, but all redemptions will normally be subject to a de minimis value to be returned of approximately £10 million (before costs). The Company will not redeem fractions of shares.

The price at which any Ordinary Shares are redeemed under the redemption mechanism will be calculated by reference to unaudited NAV calculations. To the extent that any redemption takes place at a time when the Ordinary Shares are trading at a significant premium to the prevailing unaudited NAV, shareholders may receive an amount in respect of their redeemed Ordinary Shares that is materially below the market value of those shares prior to redemption.

In order to facilitate any redemptions, the Company may be required to dispose of assets within the investment portfolio. There is no certainty of the price that can be achieved on such sales and any sale price could be materially different from the carrying value of those assets. Consequently, the value received in respect of redeemed Ordinary Shares may be adversely affected where the Company is not able to realise assets at their carrying values. In addition, during any period when the Company is undertaking investment portfolio realisations, it may hold the sale proceeds (which could, in aggregate, be a material amount) in cash, which could impact the Company's returns, until the redemption is implemented and the cash is distributed to shareholders.

Investors should note that the redemption mechanism has a specific and limited purpose, and no expectation or reliance should be placed on the redemption mechanism being operated on any one or more occasions or as to the proportion of Ordinary Shares that may be redeemed or as to the price at which they will be redeemed. The redemption mechanism may also lead to a more concentrated and less liquid portfolio, which may adversely affect the Company's performance and value.

In the absence of the availability of the redemption mechanism, shareholders wishing to realise their investment in the Company will be required to dispose of their shares on the stock market. Accordingly, shareholders' ability to realise their investment at any particular price and/or time may be dependent on the existence of a liquid market in the shares.

Please refer to the Financial Highlights and Performance Summary section on page 3 for details of the Company's historical redemptions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

10. Basic and diluted earnings/(loss) per Ordinary Share

	Six months ended 31 March 2021 (Unaudited) £	Six months ended 31 March 2020 (Unaudited) £
Total comprehensive income/(loss) for the period	35,563,764	(20,008,740)
Weighted average number of Ordinary Shares during the period	44,525,393	46,445,043
Basic and diluted earnings/(loss) per Ordinary Share	0.7987	(0.4308)

11. Net asset value per Ordinary share

	31 March 2021 (Unaudited) £	30 September 2020 (Audited) £
Net asset value	116,169,580	95,612,913
Number of Ordinary Shares at period/year end	40,523,412	46,445,043
Net asset value per Ordinary Share	2.8667	2.0586

12. Finance costs

On 9 December 2016, the Company entered into a Sterling Facility Agreement (the "Facility") for a £2,000,000 revolving credit facility with BNP Paribas Securities Services S.C.A. (the "Lender") and BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") and a Security Interest Agreement between the Company, the Lender and Custodian. Any amount drawn under the Facility was subject to interest of 2.05% per annum over LIBOR.

In addition, a loan commitment of 0.50% per annum was payable on any undrawn amounts. The Facility was subject to an original arrangement fee of £8,000 and subsequent annual extensions were subject to an extension fee of £8,000 per annum.

The Facility was extended and amended on 13 December 2017, with an increased facility amount of £5,000,000 and the loan interest was amended to 1.75% per annum over LIBOR. The Facility was further extended on 11 December 2018 to 6 December 2019 and it expired on this date, as the Board decided not to renew the Facility further.

13. Related party disclosure

The Manager

The Manager is a related party and is entitled to an annual fixed fee as disclosed in note 5. Mark Hodgson is the managing director of the Manager.

The Portfolio Manager

The Portfolio Manager is a related party and is entitled to management and performance fees as disclosed in note 4.

George Ensor is also a related party as he is the fund manager of the Portfolio Manager.

As at 31 March 2021, the Portfolio Manager and George Ensor held the following voting rights in the Company:

	31 March 2021	30 September 2020
Portfolio Manager	3,586,646	4,110,768
George Ensor	52,350	60,000

13. Related party disclosure (continued)

The Directors

The Directors are entitled to remuneration for their services and also hold Ordinary Shares in the Company as disclosed in note 6.

All transactions between these related parties and the Company were conducted on terms equivalent to those prevailing in an arm's length transaction.

14. Material events after the Condensed Statement of Financial Position date

There were no events which occurred subsequent to the period end until the date of approval of the condensed financial statements, which would have a material impact on the condensed financial statements of the Company as at 31 March 2021.

Capital return

On 28 April 2021, the Company announced its intention to undertake a compulsory redemption of its Ordinary Shares pursuant to the Company's redemption mechanism. The redemption mechanism is used periodically to return capital to shareholders so as to return the Company's NAV to around £100 million, in accordance with the Company's stated policy in the original Prospectus.

6,625,458 Ordinary Shares were redeemed on 7 May 2021, with proceeds of £20 million being paid to shareholders on 14 May 2021.

Following the redemption, 33,897,954 Ordinary Shares remain in issue.

NAV per share

During the period from 31 March 2021 to 14 June 2021, the NAV per share increased by 12.83% from £2.8667 to £3.2345.

15. Controlling party

In the Directors' opinion, the Company has no ultimate controlling party.

COMPANY INFORMATION

Board members
Andrew Chapman (Chairman)
Ian Burns (Chairman of the Audit Committee and Senior Independent Director)
Trudi Clark (Chairman of the Remuneration and Nomination Committee and Management Engagement Committee)
Mark Hodgson
Stephen Coe (appointed 1 January 2021)

Advocates to the Company (as to Guernsey law)
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[1] BNP Paribas Securities Services S.C.A. Guernsey Branch is regulated by the Guernsey Financial Services Commission.