

River and Mercantile UK MICRO CAP INVESTMENT COMPANY

RIVER AND MERCANTILE

PAST PERFORMANCE

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

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

Note: NAV data is based on daily unaudited estimations.

Past performance is not a reliable guide to future results.

PERFORMANCE SINCE INCEPTION



CUMULATIVE PERFORMANCE

	1 month %	3 months %	YTD %	Since inception %
NAV	0.7	4.0	34.0	234.0
Share Price	0.3	-5.7	38.6	204.1
Benchmark	4.4	4.2	22.8	99.0

TOP 10 CONTRIBUTORS TO RETURN

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

	Relative contribution to return
Allergy Therapeutics	0.7%
Sigmaroc	0.3%
Brand Architekts Group	-0.3%
The City Pub Group	-0.3%
ActiveOps	-0.3%
Joules	-0.4%
Litigation Capital Mgmt	-0.5%
Ince Group	-0.6%
SDX Energy	-0.7%
Venture Life	-0.8%

Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

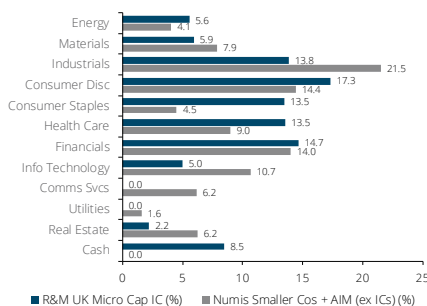
The ten largest positions by weight held in the portfolio.

	Weight
Science In Sport	5.2%
Allergy Therapeutics	4.4%
Instem	4.4%
Keystone Law	4.0%
Mind Gym	3.7%
Joules	3.6%
Litigation Capital Mgmt	3.5%
Sigmaroc	3.2%
Capital Limited	3.0%
Aquis Exchange	2.9%

Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

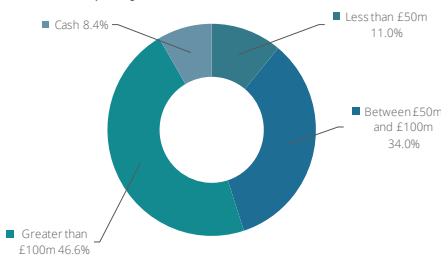
Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

ALLOCATION BY FREE FLOAT MARKET CAPITALISATION

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



Source: Bloomberg

INVESTMENT OBJECTIVE

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

PORTFOLIO MANAGER

George Ensor

KEY FACTS

Company launch date	02/12/2014
Benchmark	Numis Smaller Companies + AIM (ex ICs) Index
Estimated NAV	£110.9m
Number of holdings	39
Domicile	UK
SEDOL	BNDMJ1
ISIN	GG00BNDMJ11
Ticker	RMMC LN

FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

CONTACT DETAILS

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PORTFOLIO STYLE SKYLINE

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



Source: StyleAnalytics

MANAGER'S REVIEW

The Company's NAV was again broadly at 327.3p per share, which compares to 325.1p per share at the end of July, a gain of 0.7%. Our benchmark, the Numis Smaller Companies plus AIM ex-IT benchmark, gained 4.4% leaving relative performance for the month at -3.7%. The NAV has increased by 34% since the start of the year, outperforming the benchmark performance of 22.8% by 11.2%. Smaller companies outperformed the wider UK market in August which, as measured by the MSCI United Kingdom Investable Markets Index (IMI), finished the month 2.5% higher. The closing share price of 298p at the end of the month was a discount of 9%.

Whilst there were a few companies that contributed meaningfully (greater than 0.5% relative contribution) to the underperformance in the month, the key issue was that most of our holdings underperformed the benchmark. Corporate news and management roadshows are often the catalyst to drive volumes in micro caps and August is clearly a quiet month for this.

The holdings that contributed meaningfully to the underperformance in the month were: **Venture Life** (-24%/-0.8% contribution) which warned that two business opportunities were tracking behind expectations. Whilst this is disappointing, expectations have been re-based and the company now trades on a depressed multiple and should be able to continue to execute its value creative buy and build

strategy. **SDX Energy** (-32%/-0.7%) has a remarkably consistent record for adding cheap gas reserves in Egypt and Morocco but they failed to find gas in their key prospect. The subsequent fall in the share price leaves the company exceptionally undervalued. **Ince Group** (-20%/-0.6%), the legal services business reported their full year results that showed a return to free cash flow generation and net debt paydown which should drive a re-rating. However, working capital intensity has deteriorated in the UK and the UK insolvency moratorium which is expected to expire at the end of September has also negatively impacted activity and so margin. Finally, **Litigation Capital Management** (-10%/-0.5%) has again underperformed in what appears to be a retail/momentum unwind.

Allergy Therapeutics (+23%/+0.7%) was the only notable positive contributor with the shares responding to a positive update on their early-stage short course peanut allergy vaccine which is one of several exciting R&D projects that the company are progressing. There were no new positions initiated in August. We received the proceeds following the takeover of Sigma Capital which leaves our cash position elevated and 39 positions in the portfolio.

Whilst we are aware of the recent strong relative performance of smaller companies, consensus data shows us that our benchmark has the lowest forecast EPS growth of all the major UK indices for the current year despite

declines in 2020 that were broadly the same. That is an interesting set-up going into the September reporting season which should provide some clarity over the demand, supply and support dynamics that are a key feature of current growth rates and profitability.

We remain 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.

George Ensor
Portfolio Manager
September 2021

ABOUT THE COMPANY

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

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

The Company's investment objective is to achieve long term capital growth from investment in a diversified portfolio of UK Micro Cap Companies, typically comprising companies with a free float market capitalisation of less than £100m at the time of purchase.

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

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

MANAGER

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