

# 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	-0.9	-8.7	22.7	205.8
Share Price	-7.1	-8.0	21.2	165.8
Benchmark	4.5	0.1	20.0	94.6

## TOP 10 CONTRIBUTORS TO RETURN

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

Relative contribution to return	Weight
Supreme	0.9%
Instem	0.4%
Litigation Capital Mgmt	-0.4%
Serabi Gold	-0.4%
DF Capital	-0.6%
Allergy Therapeutics	-0.7%
Mind Gym	-0.8%
Shanta Gold	-0.8%
Joules	-0.8%
Venture Life	-1.0%

Source: River and Mercantile Asset Management LLP

## TOP 10 HOLDINGS

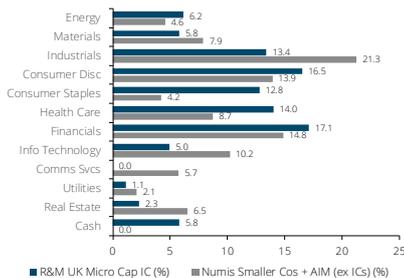
The ten largest positions by weight held in the portfolio.

Relative contribution to return	Weight
Instem	5.4%
Science In Sport	5.3%
Allergy Therapeutics	4.7%
Keystone Law	4.0%
Supreme	4.0%
Capital Limited	3.5%
LendInvest	3.0%
Mind Gym	3.0%
DF Capital	3.0%
Litigation Capital Mgmt	2.9%

Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

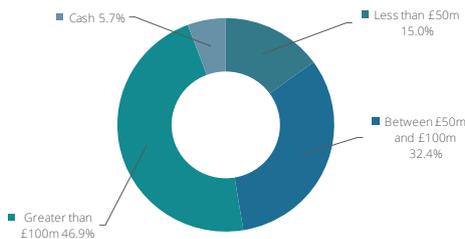
Portfolio weightings within specific industrial sectors.



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	£101.6m
Number of holdings	40
Domicile	UK
SEDOL	BNDMJ1
ISIN	GG00BNDMJ11
Ticker	RMMC LN

## FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

## CONTACT DETAILS

Email enquiries@riverandmercantile.com



## 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 per share ended 2021 at 299.7p, a decline of 0.9% since the end of November, underperforming the benchmark performance of 4.5% by 5.4%. The NAV has increased by 22.7% since the start of the year, outperforming the benchmark performance of 20% by 2.7%. Smaller companies marginally underperformed the wider UK market in December which, as measured by the MSCI United Kingdom Investable Markets Index, finished the month 4.7% higher.

Small caps have underperformed by over 6% since mid-September, leaving performance for the year just 1.4% ahead of the wider UK market. This is a challenging environment for us to outperform in and so, whilst it has been frustrating to give back most of our outperformance for the year (we were 16.5% ahead of the benchmark for the six months to the end of June) it is at least explainable. The closing share price of 260.5p at the end of the month was a discount of 13.1%.

Having had several months with limited stock specific attribution, there were six holdings that made a contribution of greater than -0.5 percentage points, and only one that contributed more than +0.5ppts. **DF Capital**, a specialist lender that was awarded a banking license in 2020, fell 14% over the month as Arrowgrass sold down their remaining 40% holding. The shares now trade at a discount to tangible book value and the obvious stock overhang has been removed. **Allergy Therapeutics** dropped 9% on no news but as a top conviction position this was expensive (0.7ppts relative performance impact). **MindGym**, the behavioural science based corporate training business, lost 17% in the month. The company guided to higher operating expenses at their interim results as they look to launch two new digital solutions which has resulted in small consensus

downgrades. We continue to believe that expectations look reasonably conservative. **Shanta Gold** fell by almost a third (32% / 0.8ppts impact) as supply chain disruption on two specific items means that they will not deliver to the lowered production guidance. The company has had a very strong track record of delivery which has unwound in 2021. **Joules** fell 22% (0.85ppts impact) as they lowered full year guidance following disappointing Black Friday sales and cost and stock availability challenges associated with global supply chain challenges. The shares now trade on 0.6x EV/Sales. Finally, trading has not improved at **Venture Life** – sell side expectations have now been fully rebased and following both insider buying and the announcement of a new distribution contract the shares have regained most of their December losses. The shares lost 37.5% in December which had a c.1% impact on relative performance.

**Supreme**, a company we purchased through the IPO in January 2021, was the most significant positive contributor to performance. The shares gained 33% (0.9 ppts impact) following a strong set of interim results. The shares finished the year 82% above the IPO price.

What are our thoughts for 2022? Consensus is for robust global growth with the key areas of concern being around continued high inflation prints driving incrementally tighter monetary conditions and continued supply chain challenges, as high demand for goods and Covid-19 outbreaks delay normalisation, impacting earnings. Both nominal and real yields have started the year moving higher supporting a rotation into value and out of the long duration growth stocks which drove the market in the second half of 2021. Could 2022 finally be the year that fundamentals and

valuation reunite – a higher global cost of money is one of the more obvious catalysts for this. Whilst household balance sheets are strong, energy prices and negative real wage growth are a concern for consumer confidence, albeit one that is probably priced into most consumer exposed stocks. Historically, bull markets have been ended by either one or both of higher rates and energy prices. Equity flows for UK equities have, once again, been poor with December being the seventh consecutive month of outflows. Data from Calastone shows that UK Equity funds lost £1.1Bn in 2021 and the UK equity market underperformed global equity indices for the ninth consecutive year. There is a very clear and historically wide valuation discount on UK equities and you would expect any reversal of this to support relative returns across the market.

Whilst short term performance has been disappointing, the fund has a seven-year track record of outperforming the UK equity market by c. 14% per annum. Smaller companies have outperformed by 5.3% per annum over the same period which is a little ahead of the long-term average. Small cap outperformance over the last four years has been 4.1% per annum and we have outperformed by c.9% per annum. There continues to be a fantastic opportunity to outperform by investing in illiquid companies and the Trust, with its fixed structure and capital return mechanism, should continue to benefit from this.

We remain committed to our strategy of building a high conviction portfolio exploiting investment opportunities in a part of the market that, in general, has greater scope for growth and is often overlooked by larger funds and the stockbroking community.

**George Ensor**  
Portfolio Manager  
January 2022

## 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

Carne Global AIFM Solutions (C.I.) Limited  
Channel House, Green Street, St Helier, Jersey JE2 4UH  
01534 679510  
[www.carnegroup.com](http://www.carnegroup.com)

## INVESTMENT MANAGER

River and Mercantile Asset Management LLP  
30 Coleman Street, London EC2R 5AL  
020 7601 6262  
[www.riverandmercantile.com](http://www.riverandmercantile.com)

## COMPANY REGISTRAR

Computershare Investor Services (Guernsey) Limited  
1st Floor, Tudor House, Le Boardage, St Peter Port, Guernsey, GY1 1DB

## COMPANY SECRETARY

BNP Paribas Securities Services S.C.A. Guernsey Branch  
BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA  
01481 750859  
[rmccosec@bnpparibas.com](mailto:rmccosec@bnpparibas.com)

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