

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	-4.7	-10.8	-4.7	191.4
Share Price	-4.0	-9.4	-4.0	155.1
Benchmark	-6.4	-5.7	-6.4	82.2

TOP 10 CONTRIBUTORS TO RETURN

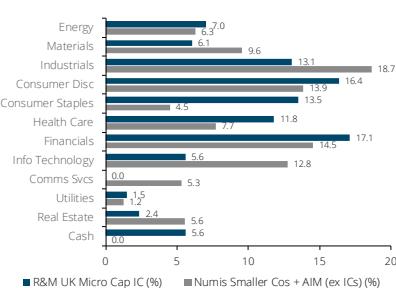
The greatest contributors to the portfolio's performance relative to the benchmark

	Relative contribution to return
Venture Life	1.2%
Ten Lifestyle	0.7%
Capital Limited	0.7%
Sigmaroc	0.4%
Keystone Law	0.4%
MaxCyte	-0.5%
Supreme	-0.5%
Instem	-0.6%
Allergy Therapeutics	-0.7%
Cake Box Holdings	-0.7%

Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

Portfolio weightings within specific industrial sectors.



Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

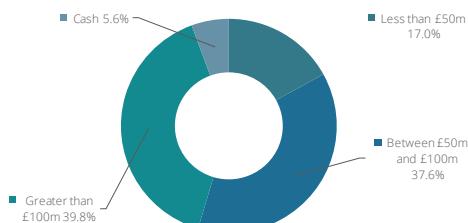
The ten largest positions by weight held in the portfolio.

	Weight
Science In Sport	5.4%
Instem	4.8%
Capital Limited	4.1%
Allergy Therapeutics	3.9%
Keystone Law	3.9%
Supreme	3.4%
Sigmaroc	3.3%
Mind Gym	3.3%
LendInvest	3.2%
Revolution Bars Group	3.1%

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

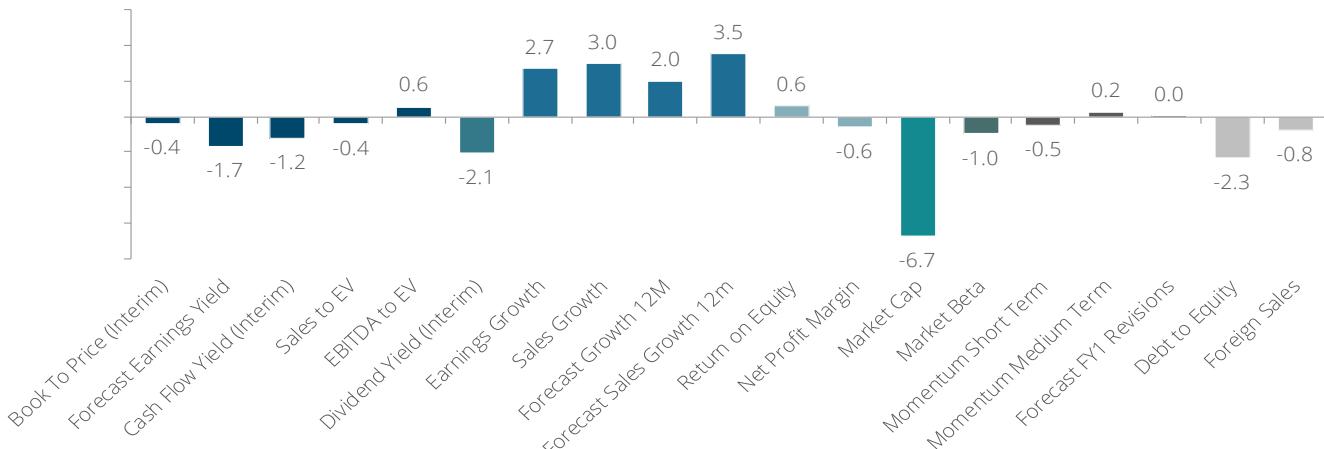


Source: Bloomberg



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 was 285.58p at the end of January, a decline of 4.7% since the start of the year and outperforming the benchmark performance, a decline of 6.4%, by 1.7%. On a rolling twelve-month basis, the NAV performance is 0.8% ahead of the benchmark performance. Smaller companies materially underperformed the wider UK market in January which, as measured by the MSCI United Kingdom Investable Markets index, (IMI) finished the month fractionally higher (0.1%). On a rolling twelve-month basis, smaller companies have underperformed by 8.2%.

The closing share price of 250p at the end of the month was a discount of 12.4%.

Venture Life, a stock we have commented on many times recently, was the most significant contributor to performance with the shares bouncing 71% in the month, delivering a relative contribution of c.1.2 percentage points (ppts). The company reduced expectations twice through 2021 and, unsurprisingly, de-rated. However, the c.70% decline from the summer peak compared to a c.25% reduction in expected profitability and so, with a little good news, the shares have recovered some of their losses. **Ten Lifestyle**, the digitally enabled B2B2C concierge business, and **Capital**, who provide outsourced drilling and mining services to gold miners in Africa, both performed well on positive updates.

The ratcheting up of interest rate expectations – market forecasts for the number of Fed hikes in 2022 increased from 3 to 5 – and guidance around excess liquidity withdrawal drove a sell-off in US Treasuries with the 10-year yield increasing by 27bps, albeit a larger move in short term rates resulted in a flattening of the yield curve. The

NASDAQ dropped as much as 16% intra month and finished 9% lower with long duration Healthcare and Technology stocks particularly weak. In this environment, it was not a surprise to see weakness in our Healthcare positions with **MaxCyte**, **Instem** and **Allergy Therapeutics** underperforming and contributing a combined negative relative contribution of 1.7ppts.

Cake Box was our most expensive position from a performance perspective (-0.7 ppts) as a blog highlighted several issues including the resignation of the prior auditor, the delayed reporting of the website breach and inaccuracies between the preliminary statement and the annual report. Most of these issues have been previously disclosed and the company has already taken steps to address them through investment in internal functions, which includes the appointment of BDO to assist with implementing improved internal audit practices. We cannot see any manipulation of revenue, profits or cash generation in the inaccuracies which points to poor reporting as opposed to anything more sinister.

Two new positions have been purchased this year. We participated in the IPO of **Strip Tinning plc** – a tier two auto supplier with a 65-year history and leading market share in the supply of glazing connectors; components that provide an electric connection to systems (heating/antennae/smart tinting etc) within automotive glazing. The company is raising capital to build on their initial success in electric vehicle connectors where light, complex connectors are required to combine individual battery cells. The second is a software business that we continue to purchase in the market so we will provide further detail on that in the future.

As announced last week, Dan Hanbury has resigned from River and Mercantile and I am stepping up from my previous position of alternate portfolio manager on the Smaller Companies Fund to lead portfolio manager. I was given a fantastic opportunity four years ago to lead on our Micro Cap Trust – I've thoroughly enjoyed every aspect of it and I remain absolutely committed to this strategy. I have an experienced and committed team supporting me on both products, providing sufficient resource to manage them effectively.

We remain dedicated 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
February 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

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