

# River and Mercantile UK MICRO CAP INVESTMENT COMPANY



## PAST PERFORMANCE

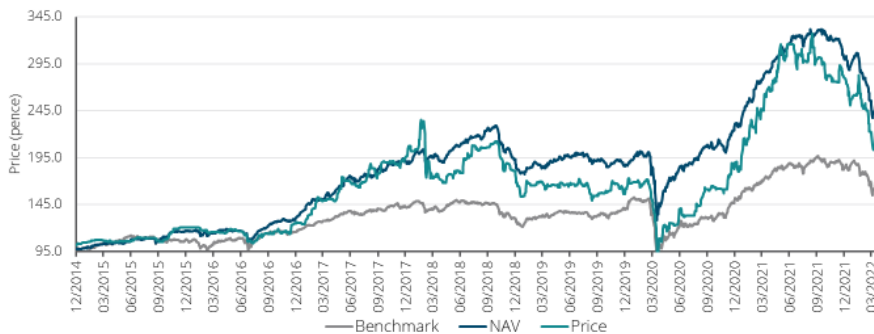
The chart and table below show the performance of the Company since its launch on 2 December 2014.

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

Note: NAV data is based on daily unaudited estimations.

Past performance is not a reliable guide to future results.

## PERFORMANCE SINCE INCEPTION



## CUMULATIVE PERFORMANCE

	1 month %	3 months %	YTD %	Since inception %
NAV	-1.6	-16.2	-16.2	156.2
Share Price	-1.8	-15.9	-15.9	123.5
Benchmark	0.6	-10.4	-10.4	74.4

## TOP 10 CONTRIBUTORS TO RETURN

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

	Relative contribution to return
Allergy Therapeutics	0.9%
Capital Limited	0.6%
Cake Box Holdings	0.5%
Alpha FX	0.5%
Instem	0.4%
Keystone Law	-0.4%
Supreme	-0.4%
Brand Architekts Group	-0.5%
Ten Lifestyle	-0.6%
ActiveOps	-1.1%

Source: River and Mercantile Asset Management LLP

## TOP 10 HOLDINGS

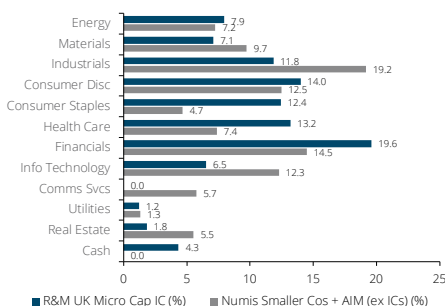
The ten largest positions by weight held in the portfolio.

	Weight
Instem	5.4%
Science In Sport	5.3%
Capital Limited	4.8%
Allergy Therapeutics	4.6%
Litigation Capital Mgmt	3.6%
Supreme	3.6%
LendInvest	3.4%
Mind Gym	3.4%
Keystone Law	3.3%
DF Capital	3.3%

Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

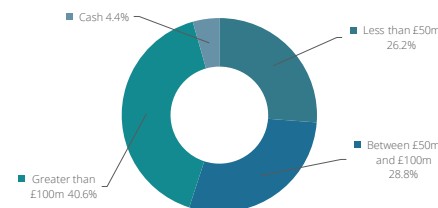
Portfolio weightings within specific industrial sectors.



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	£84.9m
Number of holdings	42
Domicile	UK
SEDOL	BNDMJ1
ISIN	GG00BNDMJ11
Ticker	RMMC LN

## FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

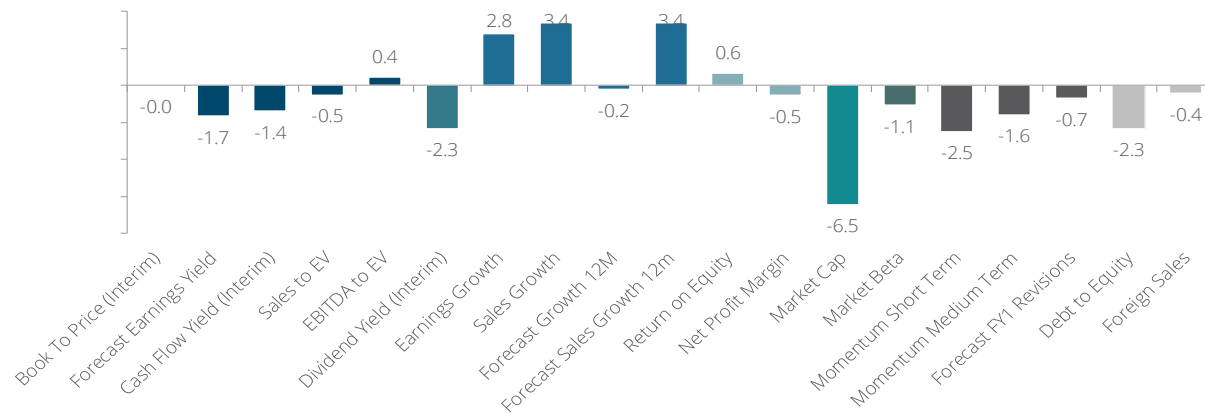
## CONTACT DETAILS

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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 per share was 251.1p at the end of March, a decline of 1.6% over the month, underperforming the benchmark performance, a gain of 0.6%, by 2.2%. On a rolling twelve-month basis, the NAV performance is 10.3% behind the benchmark performance. Smaller Companies continued their recent trend of underperformance versus the wider market which, as measured by the MSCI United Kingdom IMI index, finished the month up 1.6%. On a rolling twelve-month basis, smaller companies have underperformed by 16.6%.

The closing share price of 219p at the end of the month was a discount of 12.7%.

Further to commentary over the last few months, the breadth of underperformance in the portfolio is informative; of the 42 holdings we owned at the end of March, 35 of them have delivered a negative relative contribution over the last six months leaving just 7, or one in six, delivering positive relative performance. This correlation is the result of our key factor bet – we invest in micro-cap companies. Of course, there are examples of stocks that we've owned which – in hindsight – we either shouldn't have or should have owned with less conviction. But I am confident that the long-term trend of smaller companies will, at some stage, return. We anticipate benefitting from capital that we have put to work over the last six months – a benefit enabled by our closed ended structure.

One-month relative winners include holdings that have bounced following share price weakness over the last six months and include **Cake Box** (+39%), **Allergy Therapeutics** (+27%), **Alpha FX** (+23%) and **MaxCyte** (+22%). **Capital**, the African gold drilling and mining business,

was the final material contributor. The shares gained 14% in the month following strong results and remains good value despite trading at all-time highs. We also promoted Capital from an S3 to S2 sustainability rating which follows a few years of engagement with the company and recognises the progress they have made on our key pillars.

**Ten Lifestyle**, a global concierge business that operates through a B2B2C model and delivers improved retention of high value customers to their clients (typically banks), provided a disappointing update in the month. A slow, Omicron-impacted December and January impacted full year profit expectations and resulted in a 26% decline in the shares. **Brand Architekts** lost 37% following their interim results which is impressive given the market cap ahead of the fall (£18.3m) was a premium of just £1m to the net cash on the balance sheet. The company also announced a synergistic acquisition which should drive scale and we are encouraged by meaningful share purchases by management. Finally, the software business **Active Ops** fell 27%, costing the fund over 1% of performance. Whilst trading is in-line, the company have guided that completing deals in the US has been slow. Again, we are encouraged by management investing in their own stock and the shares now trade an attractive 45% discount to the March 2021 IPO price.

There were no new positions or positions exited in the month. We continued to build our recently initiated position in the software business **1Spatial**. We also added to our positions in **Renold**, **GetBusy** and **Keystone Law** on weakness.

Despite a positive month for equities, investor sentiment remains poor. The hit to consumer income that is now being realised is evident in consumer confidence, a measure that has historically been a contrarian indicator for the market, which is close to the low of March 2020. Earnings revisions have rolled and are only just positive, likely about to go negative. Calling the end of the underperformance of smaller companies is impossible – sentiment and earnings revisions are likely to be critical – but there are, once again, some fantastic opportunities in the market.

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  
April 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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