

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	-6.4	-9.7	-23.1	135.1
Share Price	-13.1	-16.6	-28.6	89.8
Benchmark	-1.7	-2.6	-13.3	68.7

TOP 10 CONTRIBUTORS TO RETURN

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

	Relative contribution to return
Manolete Partners	0.6%
Venture Life	-0.3%
LendInvest	-0.3%
eEnergy Group	-0.3%
ActiveOps	-0.3%
Revolution Bars Group	-0.4%
Sigmaroc	-0.4%
Capital Limited	-0.4%
Strip Tinning	-0.6%
Supreme	-0.6%

Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

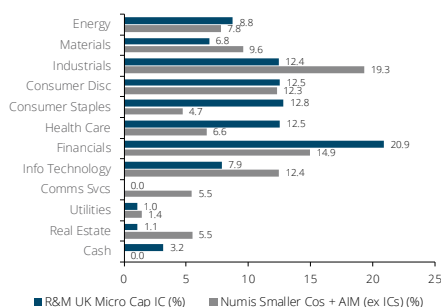
The ten largest positions by weight held in the portfolio.

	Weight
Science In Sport	5.6%
Instem	5.6%
Capital Limited	4.6%
Allergy Therapeutics	4.2%
Litigation Capital Mgmt	3.9%
Keystone Law	3.8%
LendInvest	3.3%
Manolete Partners	3.3%
Mind Gym	3.2%
Alpha FX	3.1%

Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

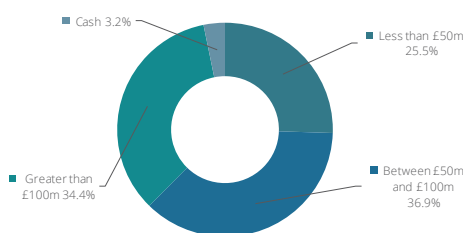
Portfolio weightings within specific industrial sectors.



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	£78.1m
Number of holdings	42
Domicile	UK
SEDOL	BNDMJ1
ISIN	GG00BNDMJ11
Ticker	RMMC LN

FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

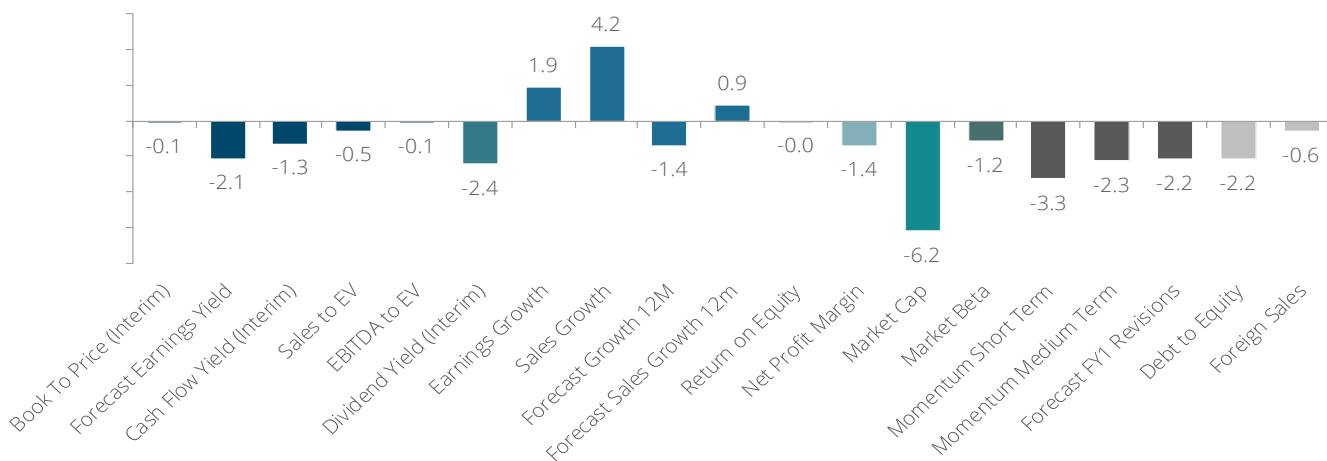
CONTACT DETAILS

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 was 230p at the end of May, a decline of 6.4% over the month, underperforming the benchmark performance, a decline of 1.7%, by 4.8%. On a rolling twelve-month basis, the NAV performance is 15.2% 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 0.9%. On a rolling twelve-month basis, smaller companies have underperformed by 21.6%.

The closing share price of 186p at the end of the month was a discount of 19.1%.

The list of positive contributors to performance is short; **Manolete**, a company that is geared to the rebounding insolvency cycle, was the top contributor with a gain of 21.6% (0.6ppt contribution to relative performance). Other contributors included **Instern** (0.3ppts) and **SDXEnergy** (0.3ppts) which was bid for in the month by a Canadian business that is consolidating cheap international oil and gas businesses. The company is currently trading at a meaningful (>30%) discount to the bid despite positive drilling results which have been released by the company since the bid was announced.

With a few exceptions, the majority of the holdings that contributed to our poor performance in May did not provide any updates to the market. These include **Supreme** (0.6ppt impact), **Capital** (0.4ppts), **SigmaRoc**, **Revolution Bars** and **ActiveOps** (each 0.35ppts), **LendInvest** (0.3ppts) and **Mind Gym** (0.25ppts). The exceptions were **Venture Life** (0.3ppts) which actually reported a fairly robust set of results that provide good support for the current year

expectations. The valuation remains depressed (c.9x Dec-22 PER) following the two profit warnings last year. eEnergy shares fell 26.5% (0.33ppt impact) as the company conceded that they were not going to manage to deliver what looked to be a very challenging expectation set for the second half. As an enabler for UK SMEs to decarbonise through more efficient use of energy, less waste and green procurement, the growth opportunity remains attractive. Finally, **Strip Tinning** - a tier two auto supplier with leading market share in specialist automotive glazing connectors - downgraded expectations given inflationary cost pressures, depressed OEM (original equipment manufacturer) production volumes and supply disruptions. The shares declined 36% which impacted relative performance by 0.6ppts. In our view, the key value driver is the electric vehicle growth opportunity. This is performing ahead of expectations with annual volumes from their first German OEM client now expected to be 33% higher than at the time of the IPO.

There were no new positions initiated or positions exited in the month. The most substantial trade in the month was in **ActiveOps**, an early-stage software business that has de-rated from approximately 5x EV/Sales at the 2021 IPO to less than 2x EV/Sales. The company has marginally outperformed IPO expectations which probably would not have been enough to hold their rating given the market backdrop. We've added to our position at a 64% discount to the IPO price which we think is an attractive opportunity on a three-year view. We've also added to our position in **SDXEnergy** following the announcement of an all-share bid for the company which we did at a 40% discount to the bid price.

UK Consumer Confidence has continued to deteriorate with a new all-time low of -40 in GfK (Growth from Knowledge's data series which goes back to 1981). This is despite the recently announced £37Bn government support package to ease the cost-of-living crisis which includes a tax cut (£6bn via higher NI threshold) and a £15Bn energy bill rebate package which essentially covers the rise in the energy cap from October for all households. Whilst we cannot be sure, we think it is likely that support continues as required, slowing any normalisation in inflation as an unintended consequence.

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
June 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

INVESTMENT MANAGER

River and Mercantile Asset Management LLP
30 Coleman Street, London EC2R 5AL
020 7601 6262
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
rmmccosec@bnpparibas.com

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