

# 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	-7.1	-14.8	-28.6	118.3
Share Price	-4.8	-19.2	-32.1	80.6
Benchmark	-9.4	-12.3	-21.4	52.8

## TOP 10 CONTRIBUTORS TO RETURN

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

	Relative contribution to return
Instem	0.8%
SDX Energy	0.6%
ActiveOps	0.5%
Mind Gym	0.4%
Supreme	0.4%
Venture Life	0.3%
Manolete Partners	0.3%
John Wood Group	0.2%
Alpha FX	-0.4%
Science In Sport	-0.9%

Source: River and Mercantile Asset Management LLP

## TOP 10 HOLDINGS

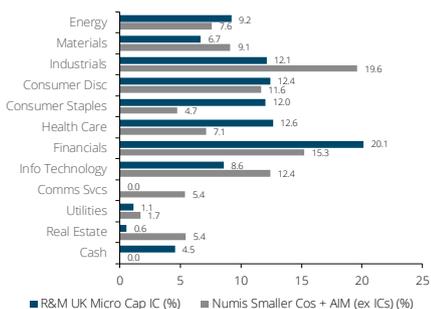
The ten largest positions by weight held in the portfolio.

	Weight
Instem	5.6%
Science In Sport	4.5%
Capital Limited	4.5%
Allergy Therapeutics	4.2%
Litigation Capital Mgmt	3.8%
Mind Gym	3.5%
ActiveOps	3.5%
Manolete Partners	3.4%
Keystone Law	3.4%
LendInvest	3.3%

Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

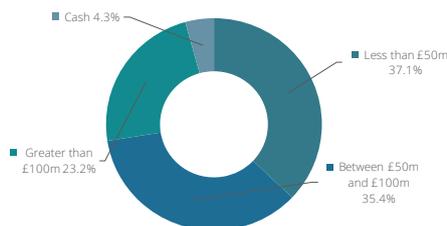
Portfolio weightings within specific industrial sectors.



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	£72.5m
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 214p at the end of June, a decline of 7.1% over the month, outperforming the benchmark performance, a decline of 9.4%, by 2.3%. On a rolling twelve-month basis, the NAV performance is 15.1% 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 down 5.8%. On a rolling twelve-month basis, smaller companies have underperformed by 22.7%.

The closing share price of 177p at the end of the month was a discount of 17.3%.

**Instem**, a provider of software solutions to the life sciences market and the portfolio's largest position, gained 6% and contributed 0.8 percentage points of relative performance. The shares were likely a beneficiary of the bid by United Health Inc for Emis which came at a 49% premium and at a valuation of 31x PER. **SDX Energy** gained 15%, a relative contribution of 0.6ppts, as the share price moved up towards the bid price post the announcement of a cash alternative – we flagged in the previous update the significant discount to the bid that we had been acquiring stock at. Post month end, we sold approximately half our position at a 55% premium to the price we paid in May. Both bidders are North American and illustrate the exceptionally attractive valuations that are on offer in the UK, particularly given the weakness of the Pound. Finally, **Active Ops** – an early-stage software business that we also added to in the previous month – gained 6.5%, contributing to 0.5ppts of relative performance. The company announced a solid set of financials in early July.

Direct to consumer eCommerce businesses were the most significant underperformers in the portfolio. **Joules** (lifestyle clothing brand), **CMO Group** (market leading pure play online retailer of building materials), **Science in Sport** (sports nutrition) and **Virgin Wines** each declined by approximately 25% and had a combined negative impact on relative performance of 1.5ppts. **Alpha FX** and **Aquis Exchange**, both long duration growth stocks, also contributed negatively in the month (0.6 ppts combined) – neither company provided updates.

There were no new positions or positions exited in the month. We added to our position in **Venture Life** – a consumer healthcare business on a single digit PE rating – and **Revolution Bars** which guided to full year results ahead of expectations and confirmed they are seeing a 50% RoI (return on investment) on refurbishment capex. We raised cash from **Instem, RA International** and **Real Estate Investors**.

Our benchmark, the Numis Smaller Companies plus AIM ex ICs, is down by 25.5% since the September 2021 high which is, with the exception of the very short sharp Covid-19 drawdown, the most significant since the financial crisis in 2007-2009 (59% drawdown). Consumer and investor sentiment is extremely weak. However, we are likely close to a short-term easing of inflationary pressures driven by the significant move in interest rate expectations, a natural slowdown in demand from inflation itself and the unpicking of some of the remaining supply side bottle necks. The CRB Raw Materials index – a benchmark of predominantly energy and agricultural commodities – is not only back below levels seen ahead of the Russia

invasion of Ukraine but also below levels seen throughout the second half of 2021. Central Banks need to rebuild their credibility so a short-term pivot on monetary policy is unlikely but the market leadership in several sectors considered to be lead economic indicators – trucking, homebuilding and retail – have each begun to outperform the broader 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  
July 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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## INVESTMENT MANAGER

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