

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	-6.1	-15.3	-34.9	99.0
Share Price	2.7	-8.9	-34.9	73.0
Benchmark	-3.9	-8.7	-20.9	54.0

TOP 10 CONTRIBUTORS TO RETURN

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

Company	Relative contribution to return
Keystone Law	0.7%
Aquis Exchange	0.4%
Capital Limited	-0.3%
Litigation Capital Mgmt	-0.3%
Revolution Bars Group	-0.3%
Strip Tinning	-0.3%
Micro Focus	-0.4%
ILOG	-0.5%
Sigmaroc	-0.5%
Cake Box Holdings	-0.7%

Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

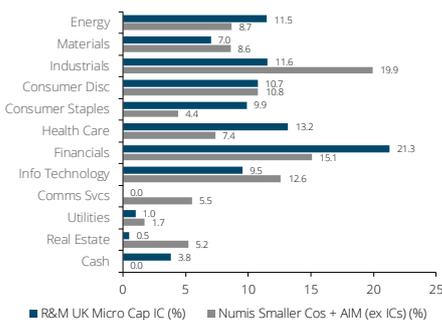
The ten largest positions by weight held in the portfolio.

Company	Weight
Instem	5.3%
Capital Limited	4.9%
ActiveOps	4.5%
Allergy Therapeutics	4.4%
Keystone Law	4.0%
Mind Gym	3.6%
LendInvest	3.3%
Litigation Capital Mgmt	3.3%
Manolete Partners	3.3%
Science In Sport	3.2%

Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

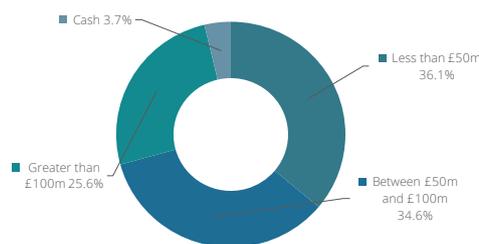
Portfolio weightings within specific industrial sectors.



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	£66.1m
Number of holdings	41
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

Like so many, it was with great sadness that we learnt about the death of Her Majesty, Queen Elizabeth II. A remarkable woman, she was an inspiration to us all and her steadfast leadership and sense of duty throughout her long reign will forever be remembered as her eternal legacy. We mourn her passing but celebrate her incredible life.

The Company's NAV per share declined from 207.8p at the end of July to 195p at the end of August, a decline of 6.1%, underperforming the benchmark performance, a drop of 3.9%, by 2.2%. A relatively brief bear market rally which was initiated by extremely negative sentiment and a lower-than-expected increase in inflation in the US was extinguished as central bank commentary remained hawkish. A key development over the last few months which is likely to drive policy divergence between the UK and Europe and the US is the exceptional move in the gas price which traded at double the year-to-date average in August and which has driven a large fiscal bailout from Germany.

On a rolling twelve-month basis, the NAV performance is 17.8% behind the benchmark performance. Smaller Companies underperformed the wider UK market by 1.8% in August and have underperformed by 25.1% on a rolling twelve-month basis.

Positive performance was largely driven by a recovery in some of our high conviction Growth holdings, including **Keystone Law** and **Aquis Exchange** which gained 17% and 12% respectively.

Both **City Pub Group** and **Revolution Bars** underperformed as higher energy costs impacted expectations for both demand and costs; the shares declined 13% and 15% respectively in the month. Revolution Bars provided a reassuring

update at the start of the month confirming that trading was in line with expectations and that the business is well funded with a net cash balance sheet. **Litigation Capital Management** provided a disappointing update as two large cases have been delayed and will not contribute to the now completed financial year. There is no impact on the financial performance of the cases and the business is, with the introduction of third-party funds, evolving to a more diversified approach which should be less vulnerable to this issue. As we commented last month, we added a new position in **IOG**, a North Sea gas production business which delivered its first gas earlier this year. Whilst the gas price remains supportive, the company has continued to experience operational challenges at their existing production assets. Full year production guidance has been reduced resulting in a 24% decline in the share price. **Strip Tinning**, the tier 2 auto supplier, announced the loss of an EV (electric vehicle) battery control system contract that had been awarded by a leading German OEM (Original Equipment Manufacturer). Although disappointing, it is important to note that the lost contract represents less than 10% of the group's EV pipeline and the EV growth opportunity remains intact. The 30% decline leaves the shares trading on less than one times revenue with a net cash balance sheet and a track record of EBITDA margins in excess of 20%. **SigmaRoc**, down 20% in the month, gave back gains realised post their strong trading update announced at the end of July. Finally, **CakeBox** downgraded expectations given a soft demand environment and high inflation in raw material and distribution costs which will take time to be passed on to franchisees, on which the company has a strong track record. The share price decline, 35% in the month, leaves the

cash flow yield supported by a strong net cash, balance sheet.

Sentiment towards UK equities continues to deteriorate – we are particularly vulnerable to spikes in the gas price given a lack of storage capacity which, amongst other factors and compounded by the lack of political leadership, directly impacts the cost-of-living crisis and consumer confidence. It is clear that a large fiscal bailout will be required to protect consumers and small and medium-sized businesses through this winter – the challenge comes that any fiscal support is likely to drive further monetary tightening. We need to remember that sentiment is a coincident and not a lead indicator and it is creating huge valuation dispersion between business that are defensive, liquid, well capitalised and delivering to short term expectations versus those that are not. In short – the premium for certainty, safety and liquidity has moved higher and this creates a great opportunity for those who are willing to look through short term earnings volatility and low liquidity.

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
September 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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