

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	2.7	-15.7	-41.5	78.8
Share Price	-2.8	-17.0	-47.4	39.8
Benchmark	2.1	-9.5	-25.5	45.0

TOP 10 CONTRIBUTORS TO RETURN

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

	Relative contribution to return
Argentex	0.7%
Sigmaroc	0.7%
The City Pub Group	0.6%
Supreme	0.6%
Manolete Partners	0.3%
Alpha FX	0.3%
Revolution Bars Group	-0.3%
LendInvest	-0.6%
Allergy Therapeutics	-0.7%
IQG	-0.9%

Source: River and Mercantile Asset Management LLP

TOP 10 HOLDINGS

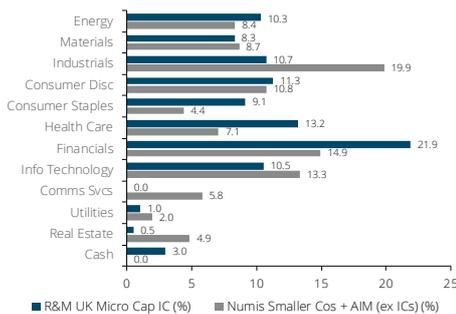
The ten largest positions by weight held in the portfolio.

	Weight
Instem	5.2%
Capital Limited	4.7%
ActiveOps	4.3%
Allergy Therapeutics	4.1%
Alpha FX	3.8%
Litigation Capital Mgmt	3.8%
Sigmaroc	3.7%
Shanta Gold	3.7%
Keystone Law	3.6%
Mind Gym	3.5%

Source: River and Mercantile Asset Management LLP

SECTOR WEIGHTS

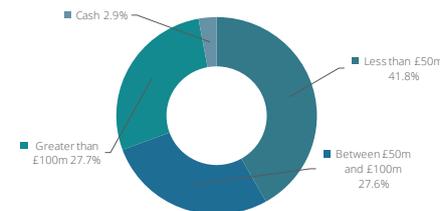
Portfolio weightings within specific industrial sectors.



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	£59.4m
Number of holdings	41
Domicile	UK
SEDOL	BNDMJ1
ISIN	GG00BNDMJ11
Ticker	RMMC LN

FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

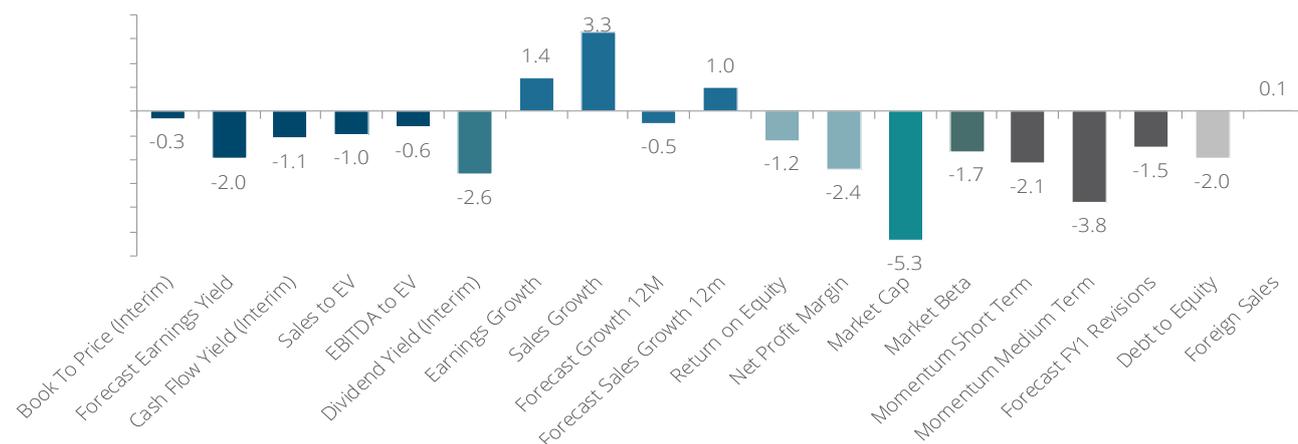
CONTACT DETAILS

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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 increased from 170.6p at the end of September to 175.2p at the end of October, an increase of 2.7% and outperforming the benchmark performance of 2.1% by 0.6%. Smaller companies underperformed the wider UK market which gained 3.0%. Global markets rallied in October despite a further move up in the US 10-year bond yield from 3.8% to 4.1%. A short conservative leadership contest has bought about a more balanced approach to fiscal spending which provided support to UK gilts and the pound. Expectations for the terminal Bank of England base rate have fallen from 6.2% to 4.7%. High storage levels and reduced demand given unseasonably warm weather has seen spot gas prices in both Europe and the UK collapse, with European prices trading below levels seen all year.

On a rolling twelve-month basis, the NAV performance is 20.3% behind the benchmark performance whilst UK smaller companies have underperformed the UK market by 23.5%. The 31% peak-to-trough decline of the smaller companies' benchmark (+AIM ex ITs) from September 2021 to October 2022 is the worst period of performance relative to the wider UK market for over thirty years.

Argentex, a high growth FX broking business which has seen strong demand as FX volatility drives need for hedging solutions, provided a positive trading update in the period which implied that over 90% of full year revenues have been delivered in just nine months. The shares gained 29% in the period and are up over 70%

from their March 2022 low. **City Pubs**, the owner of a portfolio of premium and largely freehold pubs, gained 33% in the month which was likely supported by the share buy back and insider purchases. **Supreme** bounced strongly off its post IPO lows following a first half trading update which confirmed that its vaping business, the dominant driver of profits, continues to grow robustly and its lighting business is showing signs of recovery, validating management's claim that depressed lighting profitability is temporary. **SigmaRoc** gained 20% following their strong third quarter trading update which reported strong like-for-like revenue growth with margins ahead of management's expectations.

Allergy Therapeutics decided to voluntarily shut-down its manufacturing facilities in the peak production months ahead of the pollen season to improve quality control processes which led to a 13% decline in the shares. This disappointing news is expected to have a material impact on short-term profits given that costs are almost entirely fixed in the short-term. **IOG** has had further operational issues and will therefore need to extend the planned shutdown of their Southern North Sea gas platforms from two to four weeks. The company have confirmed that they have the necessary funding, but execution has been poor and, with the unhelpful backdrop of weaker gas demand given the unusually warm weather, the shares declined by 43%. **LendInvest** is a prop-tech platform that matches institutional capital with property backed loans. The company has

delivered a solid first half but is, given the change in the cost of borrowing, reducing expectations for growth for the rest of the year and the shares declined 21%.

Tight financial conditions and expectations of low/negative economic growth have created an investment environment characterised by wide valuation dispersion where the premium for certainty, liquidity and strong balance sheets is high. The technically oversold nature of markets plus appearance of economic and market crash concerns on the front page of newspapers has historically coincided with sentiment bottoming. A sustainable market trough is likely to require consensus earnings forecasts to be reset and inflation rolling over, allowing less restrictive monetary policy. Both conditions appear to be emerging though timing this precisely is impossible. What is clearer to us is that certain equities are much further through the process of adjustment to the intermediate outlook than others, allowing scope for stock picking alpha.

We remain dedicated to our strategy of building a high conviction portfolio which exploits 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
November 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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