

# River and Mercantile UK MICRO CAP INVESTMENT COMPANY



## PAST PERFORMANCE

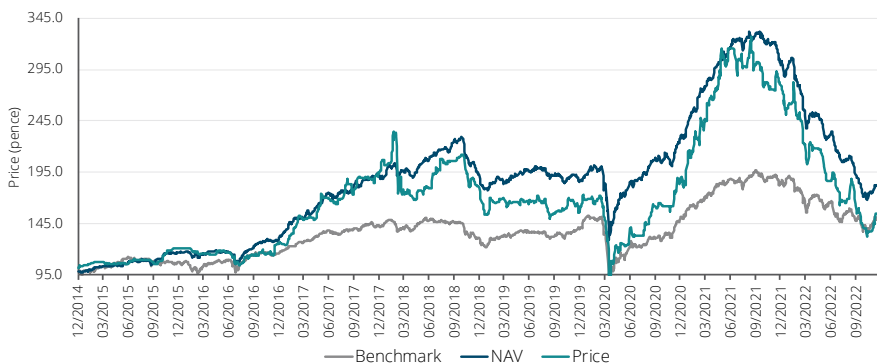
The chart and table below show the performance of the Company since its launch on 2 December 2014.

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	5.0	-5.7	-38.6	87.7
Share Price	13.1	-8.6	-40.5	58.2
Benchmark	6.0	-0.2	-21.0	53.7

## TOP 10 CONTRIBUTORS TO RETURN

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

	Relative contribution to return
Instem	0.8%
Aquis Exchange	0.8%
IOG	0.7%
DF Capital	0.6%
Alpha FX	0.5%
Virgin Wines UK	0.5%
MaxCyte	-0.5%
Keystone Law	-0.5%
eEnergy Group	-0.5%
Allergy Therapeutics	-1.0%

Source: River and Mercantile Asset Management LLP

## TOP 10 HOLDINGS

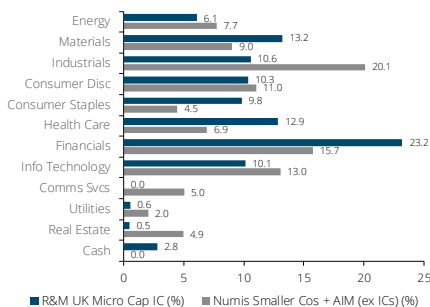
The ten largest positions by weight held in the portfolio.

	Weight
Instem	6.0%
Capital Limited	4.8%
Sigmaroc	4.1%
Alpha FX	4.1%
ActiveOps	4.0%
DF Capital	3.8%
Manolete Partners	3.5%
Litigation Capital Mgmt	3.5%
Keystone Law	3.5%
Shanta Gold	3.3%

Source: River and Mercantile Asset Management LLP

## SECTOR WEIGHTS

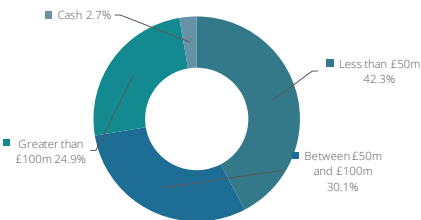
Portfolio weightings within specific industrial sectors.



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	£62.4m
Number of holdings	40
Domicile	UK
SEDOL	BNDMJJP1
ISIN	GG00BNDMJJP11
Ticker	RMMC LN

## FEES & CHARGES

AMC	0.75%
Performance fee	15% of outperformance

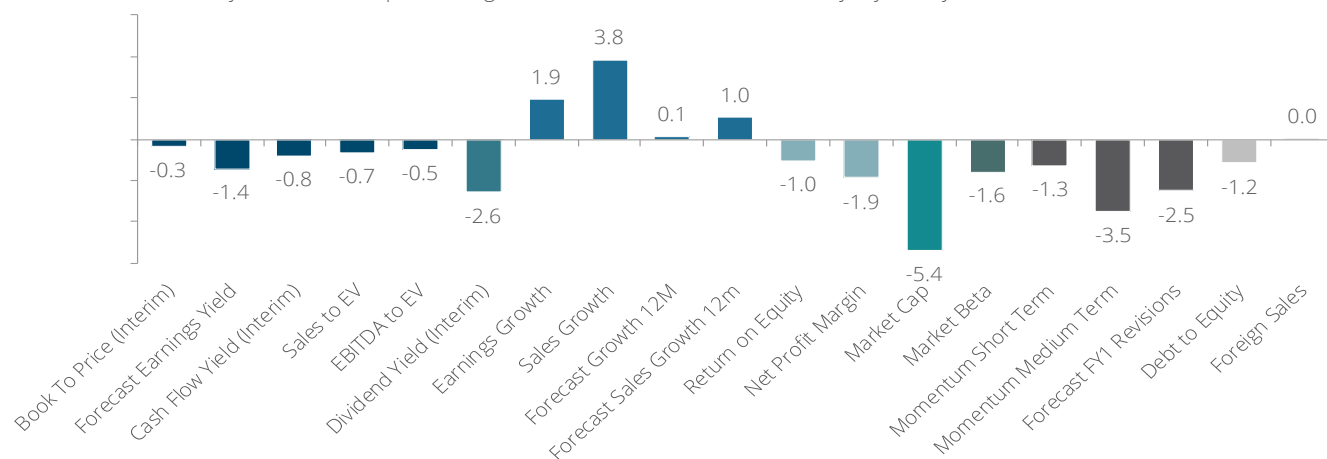
## CONTACT DETAILS

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

Equity performance has picked up since the market low in early October. The Numis Smaller Companies Index (inc. AIM excl. ITs) has gained 10.5% from the low to the end of November. The Company's NAV performance has slightly lagged the market recovery, gaining 8.9%. The Company's NAV gained 5.0% in November, closing at 184p per share, which compares to the benchmark return of 6%.

Global equity markets rallied as expectations build that we are past the peak in inflation and interest rate expectations. A falling cost of capital – the US 10-year bond yield fell from 4% to 3.6% – provided support to equity valuations and a weaker USD, a safe haven asset, evidenced improving risk sentiment. We are some way off a sustained period of disinflation which will be required to support the case for easier monetary conditions, but the latest CPI releases from the US and Europe have surprised to the downside.

On a rolling twelve-month basis, the NAV performance is 21.7% behind the benchmark performance whilst UK smaller companies have underperformed the UK market by 25.4%. The extent of the underperformance of UK smaller companies to the wider UK market over the last fourteen months is, by some distance, the largest in over thirty years.

There were strong share price performances from positions that were oversold: **Aquis Exchange** gained 41% following their capital markets day; **Virgin Wines** gained

38%; **DF Capital** gained 25%; and **Kooth** gained 21%. With the exception of Aquis Exchange, we have added to each of those positions recently. **Ten Lifestyle**, a company that helps banks retain high net worth clients, gained 22% on the back of strong results. **SigmaRoc**, another name we have added to recently, continues to recover, gaining 16% in the month. Our two largest positions, **Instem** and **Capital**, continued to deliver strong performance, gaining 20% and 15% respectively. Finally, **IOG**, a recent addition that has had some poor operational performance recently, gained 55% as they brought gas production back online.

Underperformance was largely driven by a collection of holdings that lagged a strong market with **Litigation Capital**, **City Pubs**, **Mind Gym**, **ActiveOps**, **Shanta Gold** and **Keystone Law** all down by single-digit percentages in a strong market; they delivered a combined 2.3% drag on performance. **MaxCyte** dropped 19% having bounced aggressively over the summer (>100% gain from the low). **eEnergy**, a company that helps SMEs reduce energy use and procure green energy, fell 44% as the working capital dynamics of the business have deteriorated resulting in an expensive new debt funding package. Finally, **Allergy Therapeutics** continued to sell off, down 20%, following their challenges which we discussed last month. We continue to see strategic value well ahead of the current market valuation.

There were no new positions or positions exited in the month.

Despite the bounce from the market lows, sentiment remains depressed, and positioning remains cautious. It will take time for risk sentiment to return and capital markets to re-open. These are cyclical facets of the small and micro-cap universe. Whilst the recovery is unlikely to be linear and further downside to earnings expectations is probable, the medium-term opportunity for shareholder valuation creation is extremely attractive.

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  
December 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](http://www.carnegroup.com)

## INVESTMENT MANAGER

River and Mercantile Asset Management LLP  
30 Coleman Street, London EC2R 5AL  
020 7601 6262  
[www.riverandmercantile.com](http://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 SA Guernsey Branch  
BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA  
01481 750859  
[rmmccosec@bnpparibas.com](mailto:rmmccosec@bnpparibas.com)

River and Mercantile UK Micro Cap Investment Company Limited is Registered with the Guernsey Financial Services Commission as a Closed Ended Collective Investment Scheme. Carne Global AIFM Solutions (C.I.) Ltd is the Alternative Investment Fund Manager which has delegated the discretionary investment management to River and Mercantile Asset Management LLP. The information in this document has been prepared and issued by River and Mercantile Asset Management LLP (trading as "River and Mercantile" and "River and Mercantile Asset Management"), in conjunction with Carne Global AIFM Solutions (C.I.) Ltd which is regulated by the Jersey Financial Services Commission. River and Mercantile Asset Management LLP registered in England and Wales under Company No. OC317647, with its registered office at 30 Coleman Street, London EC2R 5AL. River and Mercantile Asset Management LLP is authorised and regulated by the UK Financial Conduct Authority (Firm Reference Number 453087), is registered with the U.S. Securities and Exchange Commission (SEC) as an Investment Adviser under the Investment Advisers Act of 1940. This document is directed at professional clients only. Retail clients should not rely on the information provided for this investment product. Retail clients requiring any information should seek the advice/assistance of a Financial Advisor. The information contained in this document is strictly confidential and may not be reproduced or further distributed. The value of investments and any income generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please refer to the River and Mercantile UK Micro Cap Investment Company Limited prospectus for further details of the financial commitments and risks involved in connection with this investment. The information and opinions contained in this document are subject to updating and verification and may be subject to amendment. The information and opinions do not purport to be full or complete. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by River and Mercantile or Carne Global AIFM Solutions (C.I.) Ltd. No liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document. Please note that securities named in this report may be held by the Portfolio Manager and/or another member of the Investment Team personally for their own accounts.