



The Mercantile Investment Trust plc

April 2023

The home of tomorrow's UK market leaders

Guy Anderson
Portfolio Manager

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions.

Image source: J.P. Morgan

J.P.Morgan
ASSET MANAGEMENT

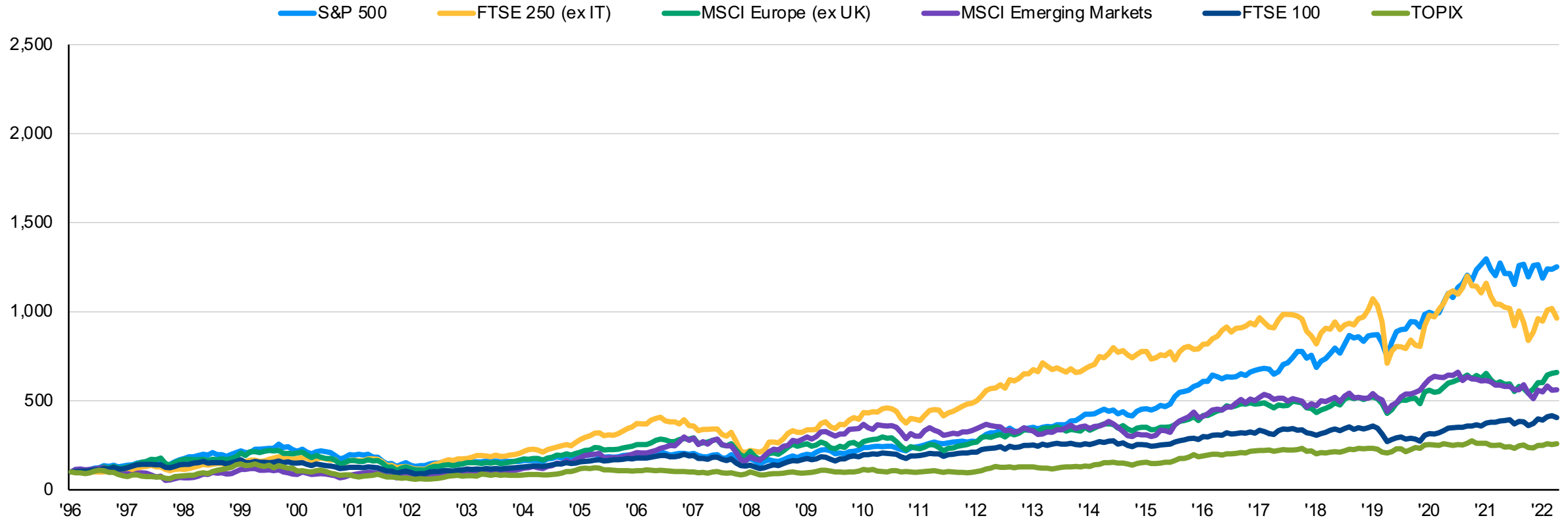
Agenda

- **The case for UK mid & small caps**
- **Portfolio strategy**
- **Outlook and positioning**

The case for UK mid and small caps

Long term outperformance of UK mid and small caps

Cumulative returns

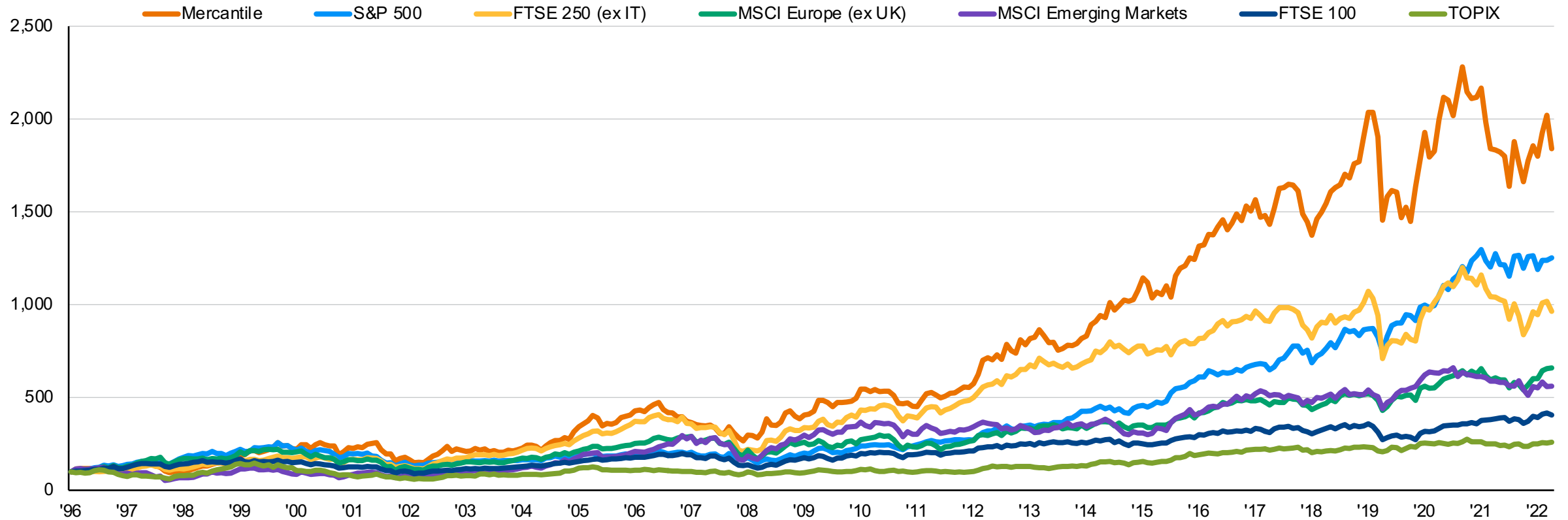


Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31 December 1996 to 31 March 2023. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment.

Past performance is not a reliable indicator of current and future results.

Long term outperformance of UK mid and small caps

Cumulative returns



Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31 December 1996 to 31 March 2023. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment. Trust performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

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Opportunities for extraordinary growth

Nimble
business
models

Innovators
or
disruptors

Rapidly
growing markets

WH Smith



Big Technologies



Ergomed



Image source: Shutterstock. The stock image for Big Technologies has been used with company permission. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Portfolio strategy

Mercantile: the home of tomorrow's UK market leaders

The Mercantile Investment Trust plc

Specialist Team

- Disciplined investment process
- Fundamental analysis
- 350+ management meetings per annum

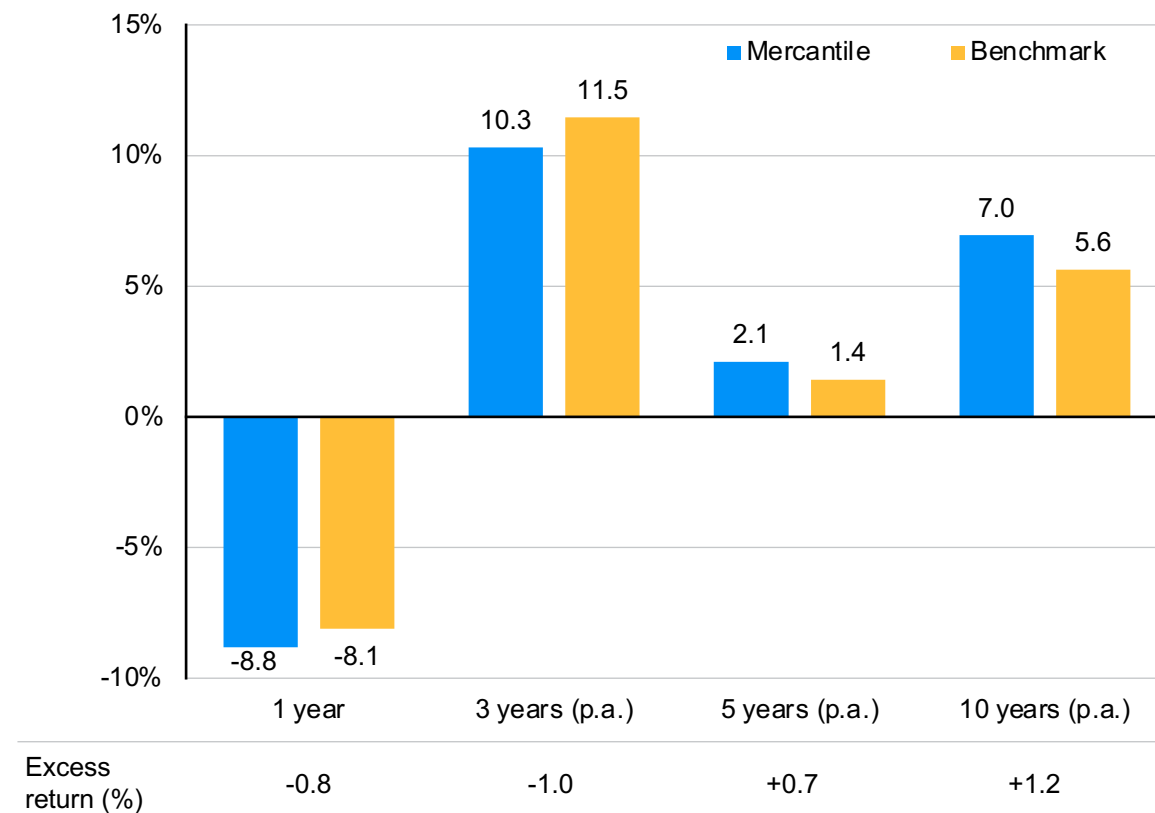
Large and Liquid

- Portfolio size £2.1bn
- Liquidity ADV ~£2.7m

Low cost

- Ongoing charges* 0.45%

Annualised return % (net of fees) vs benchmark



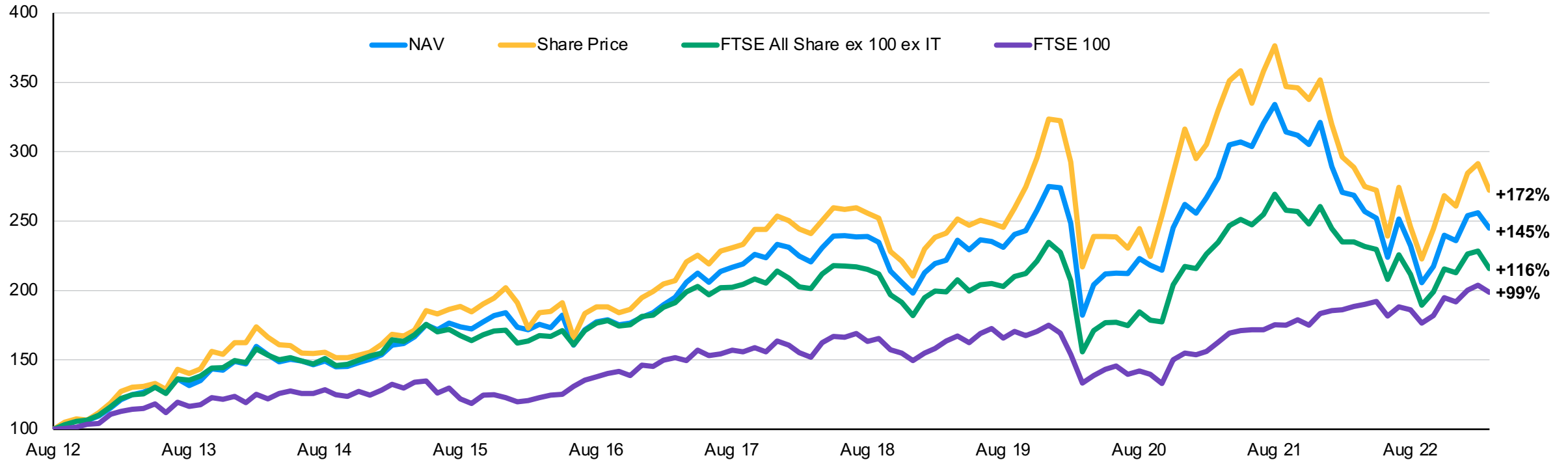
Source: (LHS) J.P. Morgan Asset Management; ADV = average daily volume (last 12 months to 31 March 2023), from Bloomberg; *Ongoing charges reflect annual management fees on market cap. Data as at 31 March 2023. Performance data using net asset value per share, cum income, with debt at par value in GBP. Geometric excess returns. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. Benchmark is the FTSE All-Share (ex FTSE 100, ex Investment Companies) Index. The benchmark is for comparative purposes only.

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Strong long-term investment performance...

A track record of outperformance

Cumulative returns – August 2012 to March 2023



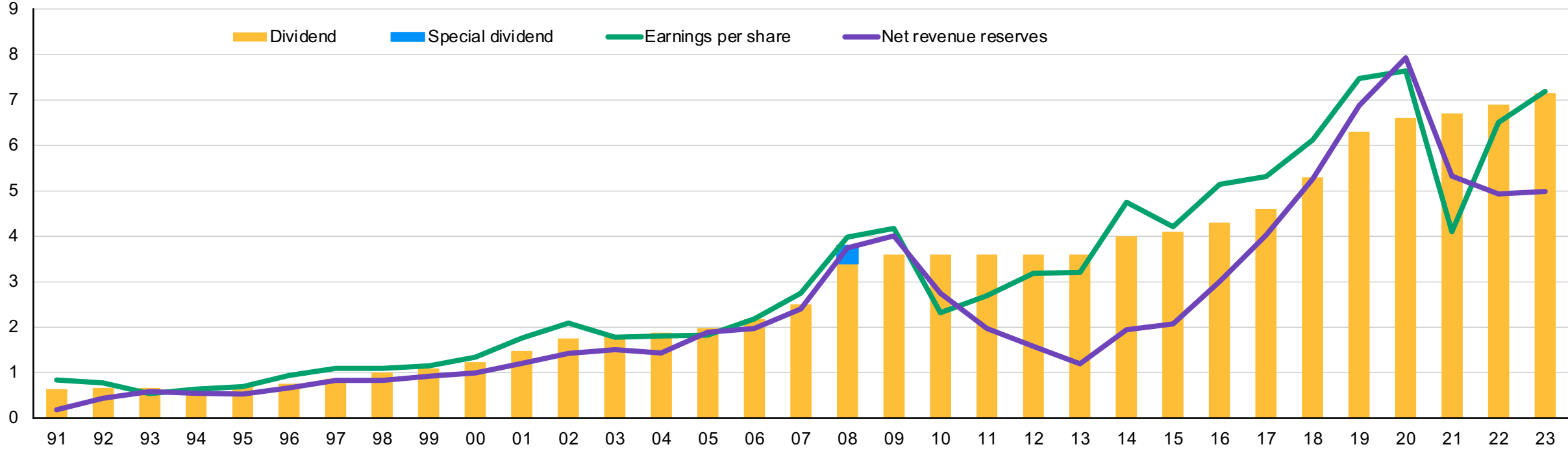
... 8.8% annualised NAV and 9.9% annualised shareholder return over 10 years and 7 months

Source: J.P. Morgan Asset Management. Rebased to 100 at 31 August 2012. Performance data has been using net asset value per share, cum income, with debt at par value in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment.

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...complemented by a strong track record of income generation

Dividend policy smoothing income return



... 7.8% dividend per share CAGR* over 32 years

Source: J.P. Morgan Asset Management. All figures based on the current trust total shares, after the 10 for 1 stock split in mid 2018. Data as at 11 April 2023. *Compound annual growth rate.

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Our investment philosophy

Rigorously identifying investments with specific characteristics

Is it a good business?

We consider the quality of the company through its profitability, sustainability of earnings and capital allocation discipline

Is the outlook improving?

Assessing the operational momentum of the business and how is this being reflected in expectations

Is it attractively valued?

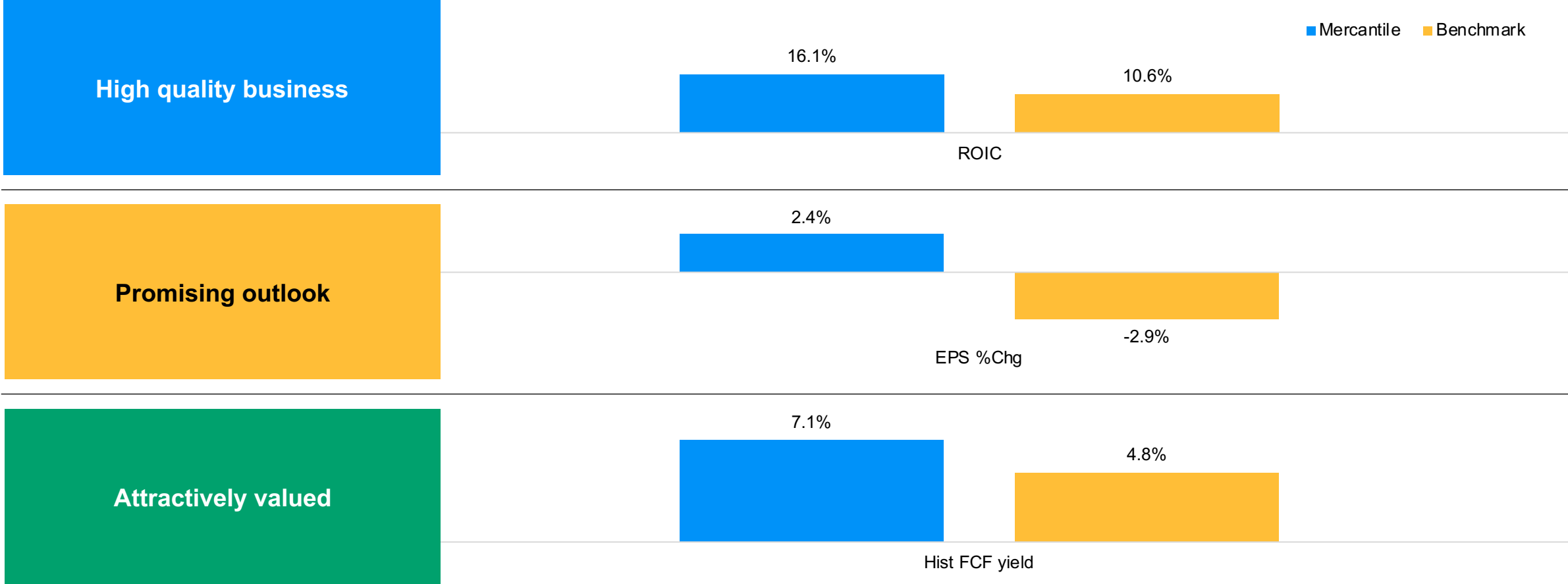
We look at a company's valuation to assess if its future prospects have been incorrectly estimated by the market

Balancing expectations versus outcome

In the research process described above, we systematically assess financially material ESG factors amongst other factors in our investment decisions with the goals of managing risk and improving long-term returns. ESG integration does not change a strategy's investment objective, exclude specific types of companies or constrain a strategy's investable universe. ESG factors may not be considered for each and every investment decision.

Portfolio characteristics

Fundamental characteristics



Source: J.P. Morgan Asset Management. Data as of 31 March 2023. Benchmark is the FTSE All-Share (ex FTSE 100, ex Investment Companies) Index. The portfolio is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice.

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The investment process in action – Softcat

High quality business

- Excellent organic growth track record
- Strong selling culture with incentivised staff

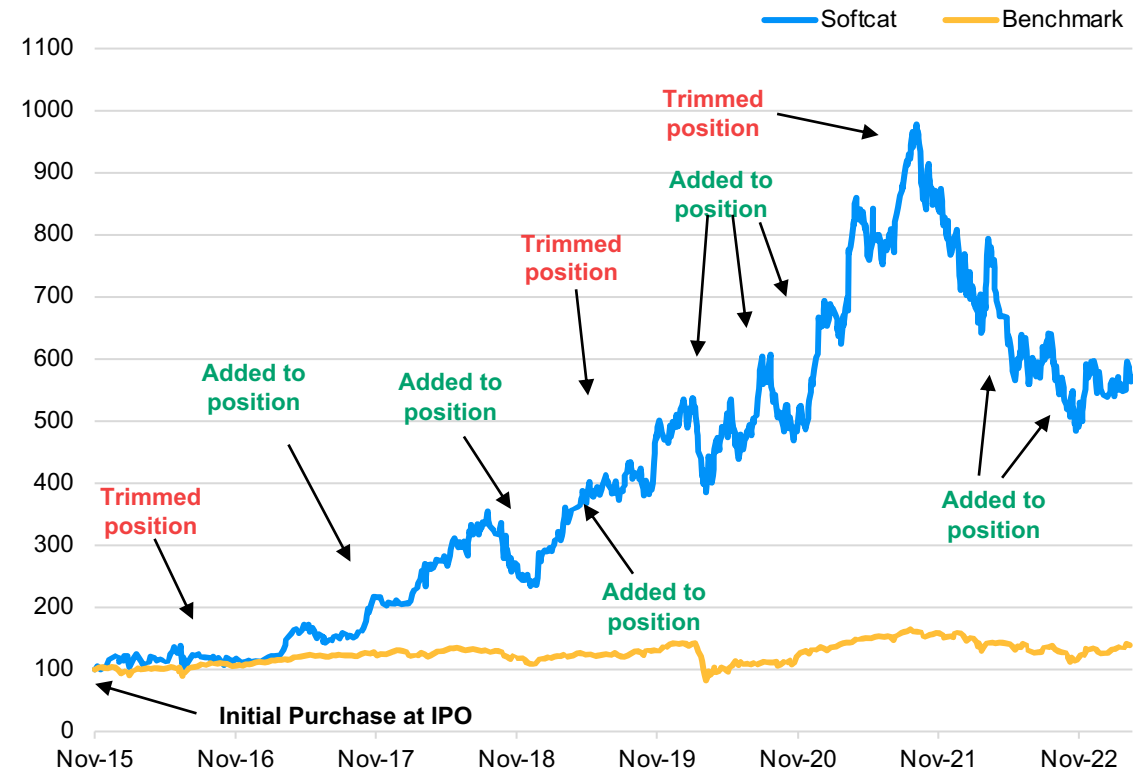
Promising outlook

- Robust demand for digital transformation
- Market share gains in fragmented industry

Attractively valued

- Highly cash generative, asset-light model
- High valuation multiple is justified

Softcat – Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 13 November 2015 to 31 March 2023. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Benchmark is the FTSE All-Share (ex FTSE 100, ex Investment Companies) Index.

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The investment process in action – Telecom Plus

High quality business

- Structural competitive advantage
- Long-duration customer base

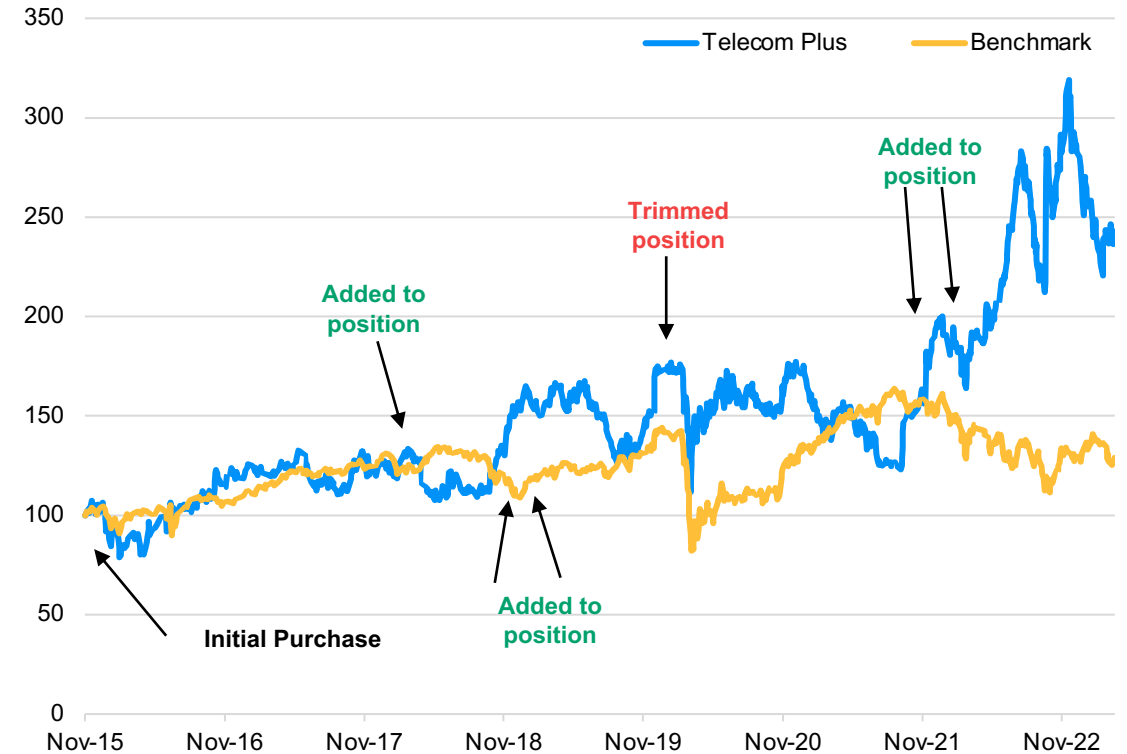
Promising outlook

- Scope to grow customer base significantly
- Favourable changes in market structure

Attractively valued

- Earnings growth and cash generation drive attractive expected return
- Growth opportunity not fully discounted

Telecom Plus - Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 19 October 2016 to 31 March 2023. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Benchmark is the FTSE All-Share (ex FTSE 100, ex Investment Companies) Index.

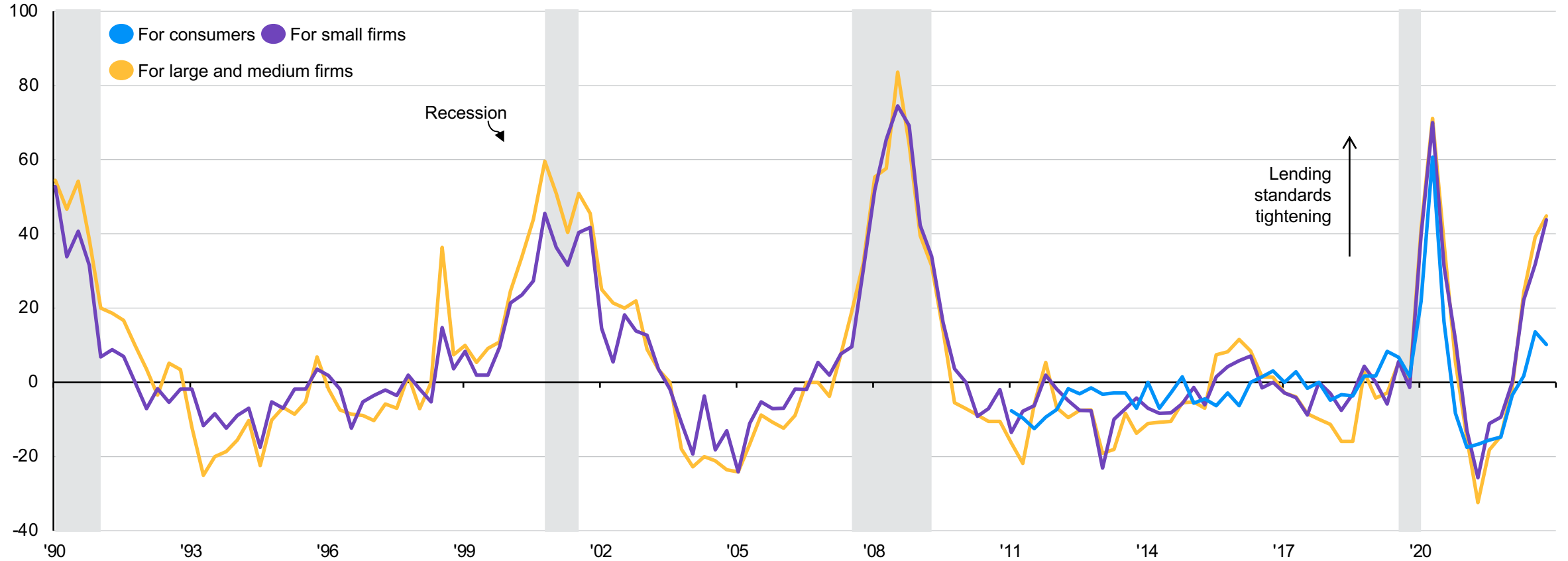
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Outlook and positioning

Tightening credit conditions

US credit conditions

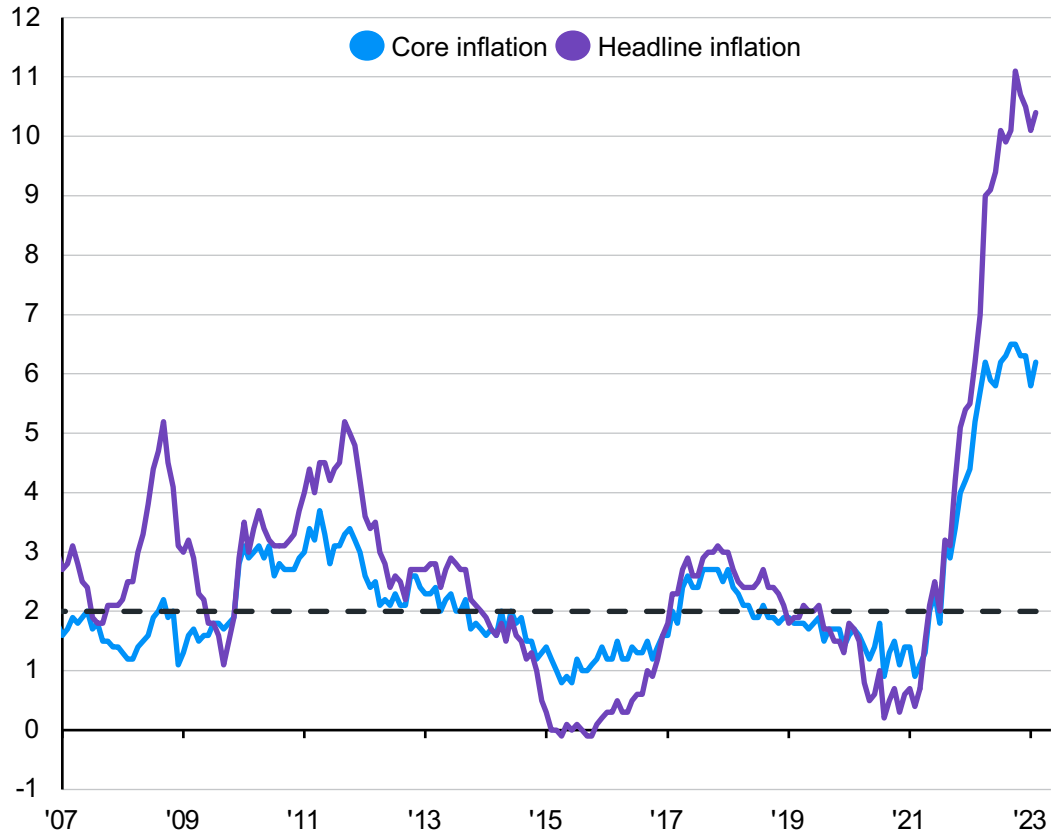
% of banks tightening lending standards



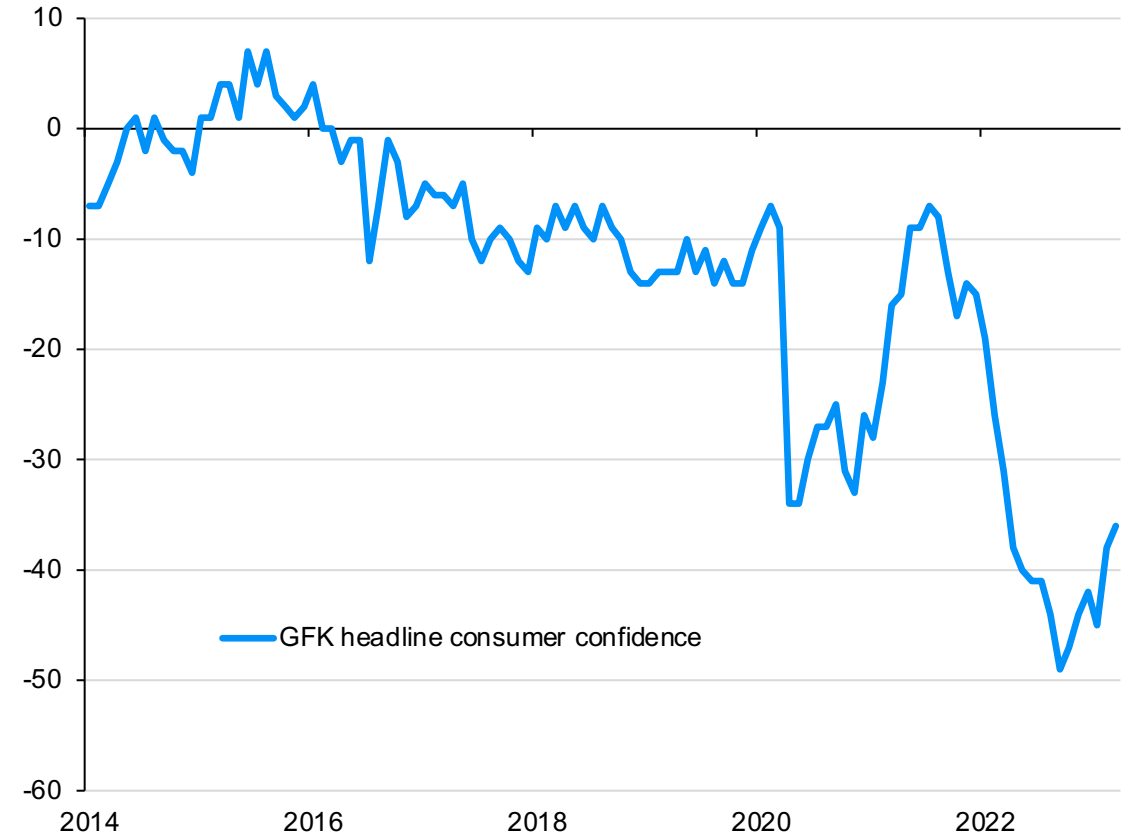
Source: Federal Reserve, Refinitiv Datastream, J.P. Morgan Asset Management. Data is from the Senior Loan Officer Opinion Survey. Periods of "recession" are defined using US National Bureau of Economic Research (NBER) business cycle dates. J.P. Morgan Asset Management. *Guide to the Markets - UK*. Data as of 31 March 2023.

High inflation has eroded confidence...

UK headline and core inflation (%YoY)



UK consumer confidence



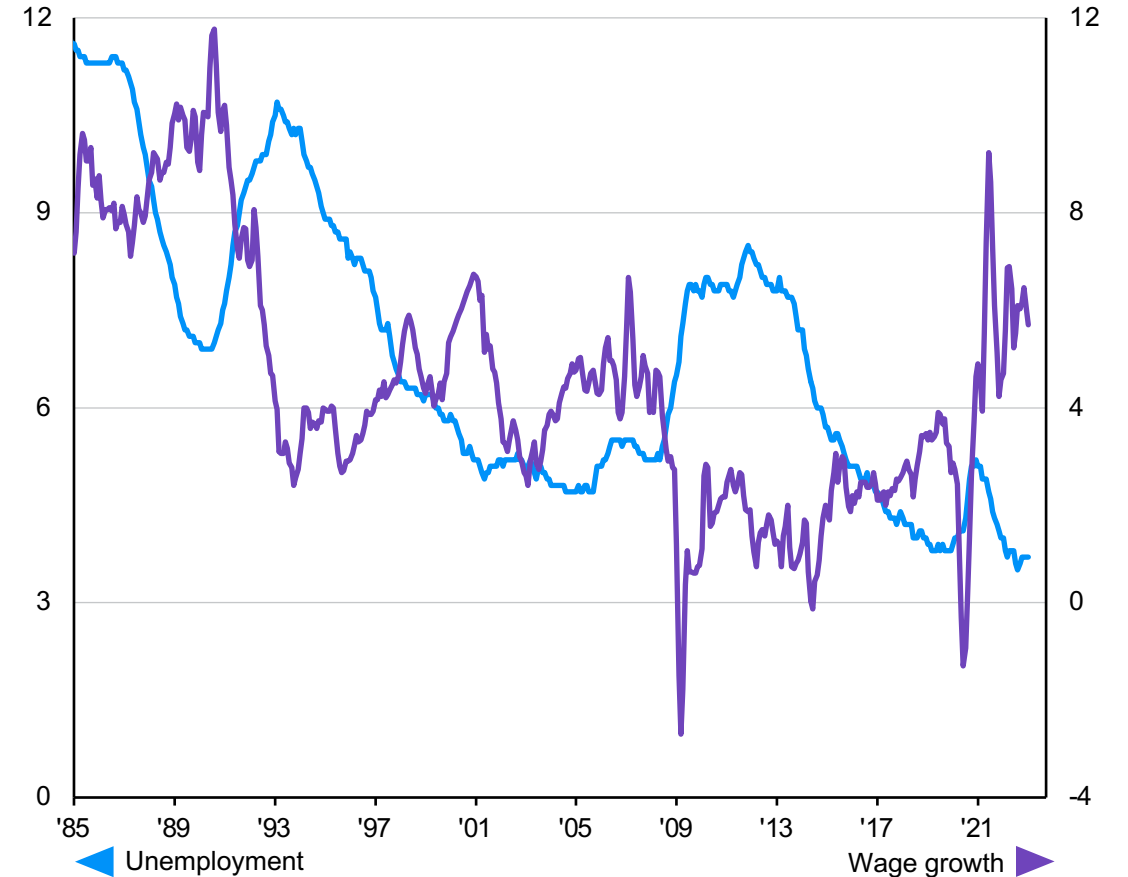
Source: left: ONS, Refinitiv Datastream, J.P. Morgan Asset Management. Core inflation excludes energy, food, alcohol and tobacco. *Guide to the Markets - UK*. Data as of 31 March 2023. Right: GfK, Bloomberg, data from January 2014 to March 2023.

... creating an uncertain domestic outlook

UK mortgage rates (%)



Unemployment rate (%) and wage growth (% YoY)

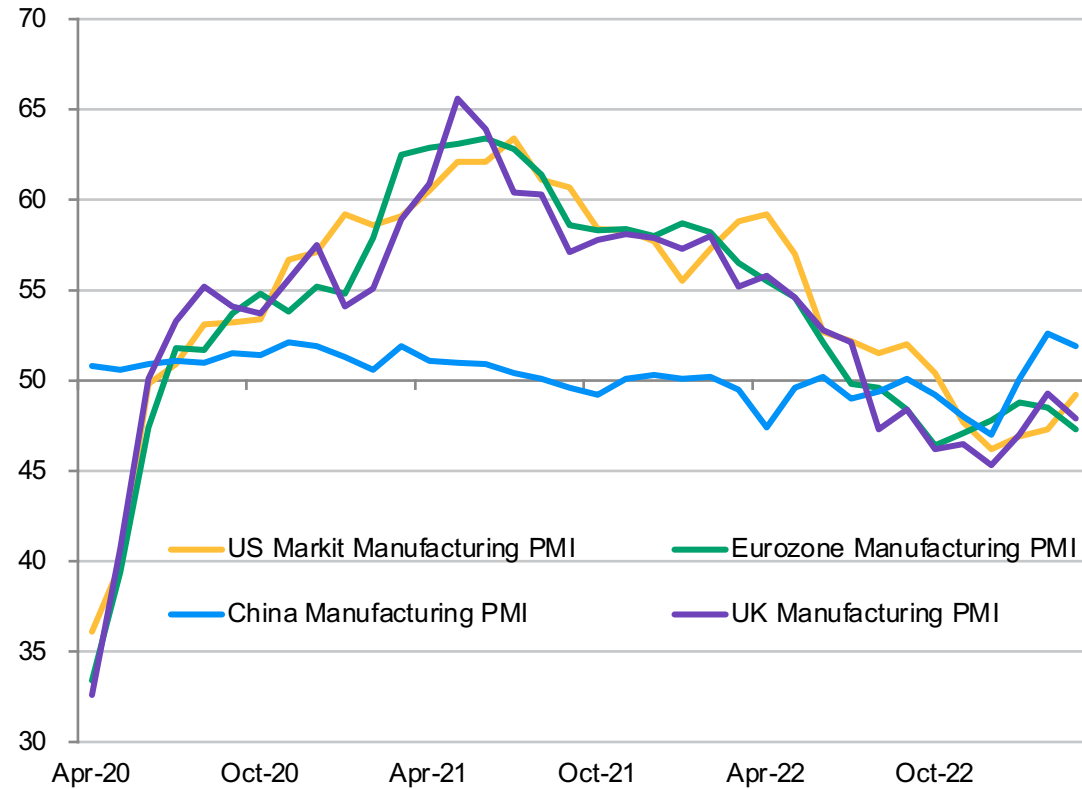


Sources: left: Bank of England, Refinitiv Datastream, J.P. Morgan Asset Management. Right: ONS, Refinitiv Datastream, J.P. Morgan Asset Management. Wage growth is a three-month moving average of average weekly earnings for the whole economy, including bonuses and arrears. *Guide to the Markets - UK*. Data as of 31 December 2022.

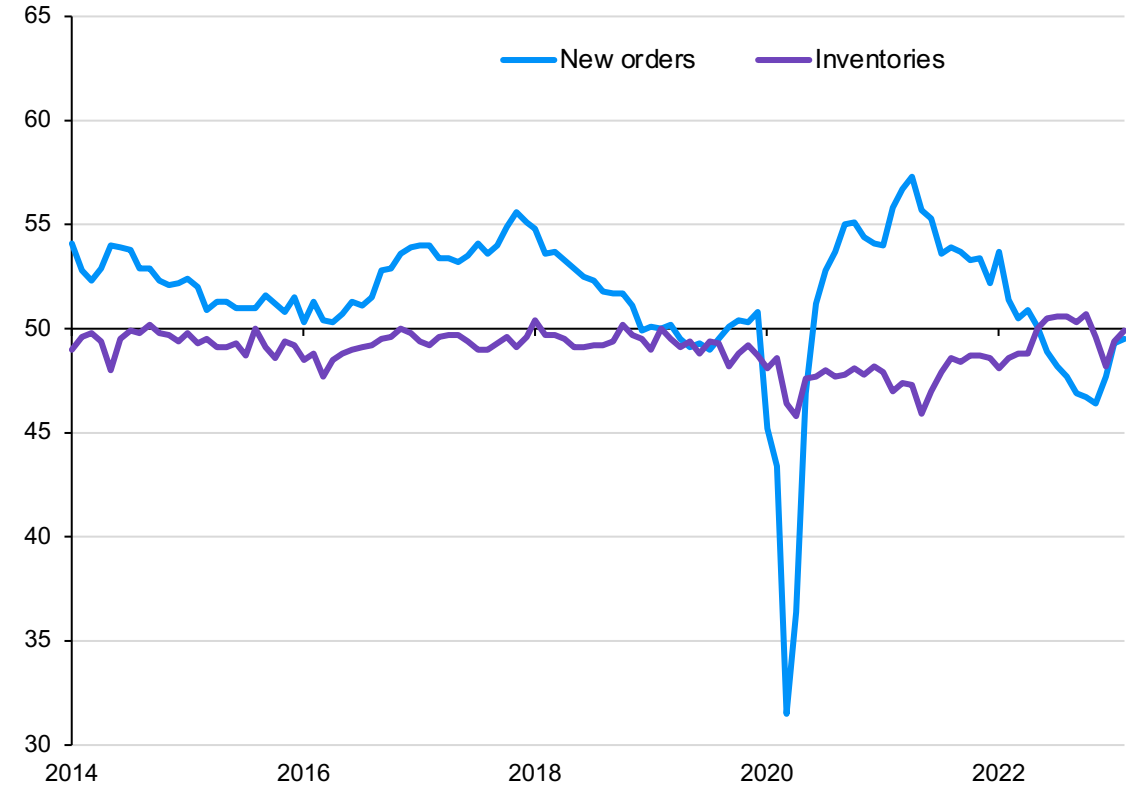
Global industrial outlook

Demand backdrop weakening

Manufacturing PMIs



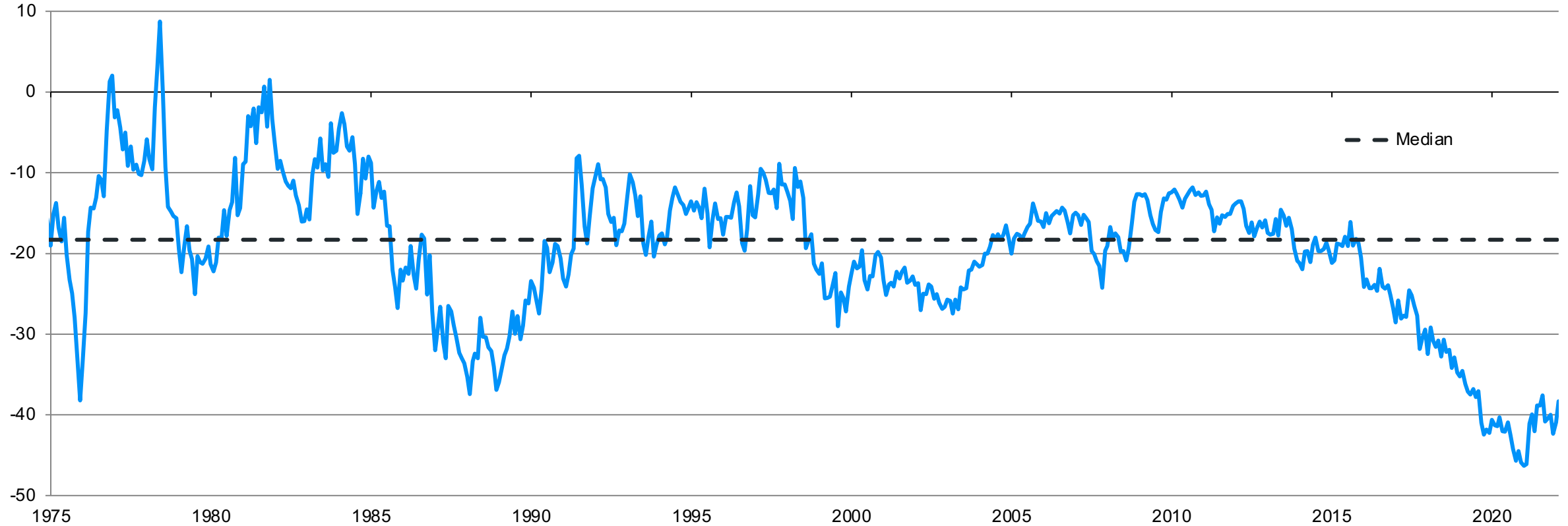
Global Manufacturing PMI new orders and inventories



Sources: left: S&P Global, Bloomberg, data from April 2020 to March 2023; right: Global Manufacturing Purchasing Managers' Index (PMI) survey new orders and stocks of finished goods, S&P Global and Bloomberg, data from February 2014 to March 2023

UK equity valuations are heavily depressed

UK market valuation relative to DM equities



Sources: J.P. Morgan Asset Management using data from MSCI, I/B/E/S, Morgan Stanley Research. Based on PE (Price to Earnings), PBV (Price to Book Value) and PD (Price to Dividend). Average relative valuations use 12-month forward data where available. Data from December 1975 to December 2022.

Stock-level positioning

The Mercantile Investment Trust plc as of 31 December 2022

Benchmark

FTSE All-Share (ex FTSE 100, ex Inv Companies)

Top 10 holdings

Stock	Sector	Portfolio weight (%)
Inchcape	Industrial Support Services	4.4
Watches of Switzerland Group	Personal Goods	4.1
Softcat	Software And Computer Services	3.4
IMI	Electronic And Electrical Equipment	3.2
OSB Group	Finance And Credit Services	3.1
WH Smith	Retailers	3.0
Telecom Plus	Telecommunications Service Providers	3.0
Man Group	Investment Banking And Brokerage Services	3.0
Dunelm Group	Retailers	2.9
Intermediate Capital Grp	Investment Banking And Brokerage Services	2.8
Total		32.8

Source: J.P. Morgan Asset Management, Factset. The investment trust is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice.

05

Summary

Summary

- Mercantile: disciplined investment process and strong long-term investment performance

- Inflation and its second order effects, compounded by geopolitics, impacting economic growth

- Focus on resilient businesses and attractive valuations provide compelling long-term opportunity

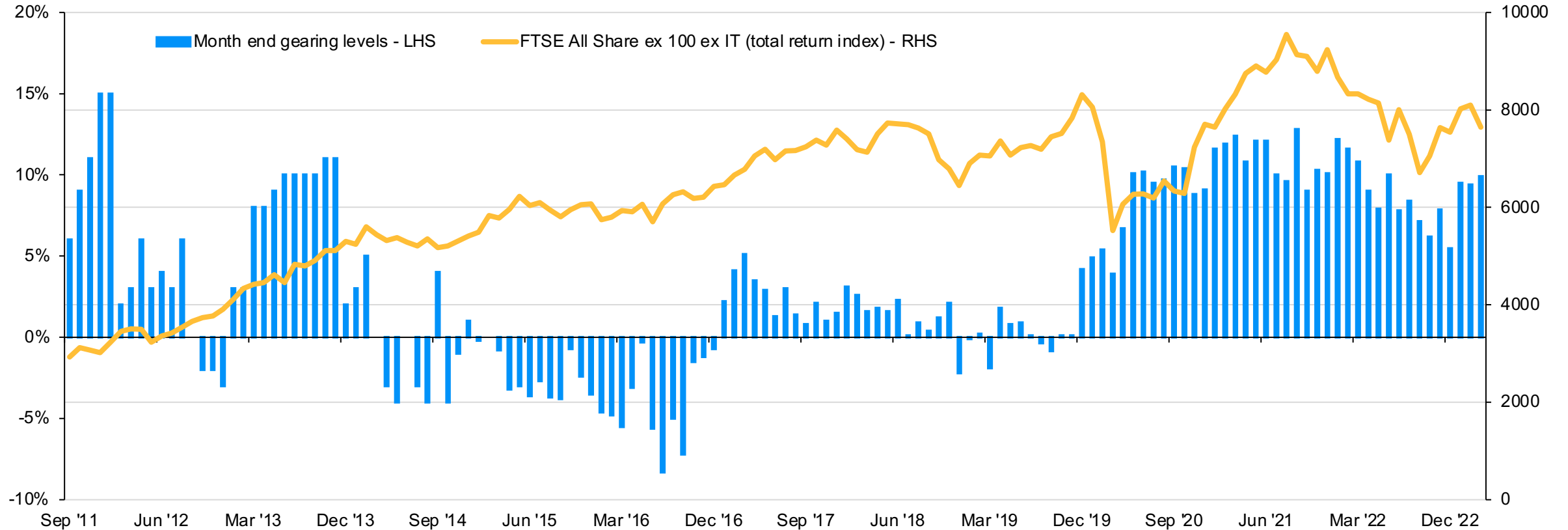
The Mercantile Investment Trust plc: the home of tomorrow's UK market leaders

Appendix

Gearing remains within typical range

The Mercantile Investment Trust plc as of 31 March 2023

Historic gearing levels vs benchmark



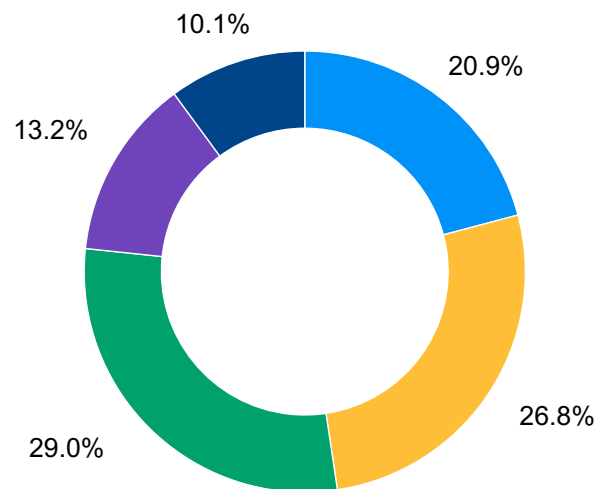
Source: Bloomberg, J.P. Morgan Asset Management (weightings exclude cash/cash equivalents).

Investment trusts may utilise gearing which will exaggerate market movements both down and up which could mean sudden and large falls in value. For further details, please refer to the trust's annual report and accounts. Gearing is the ability to borrow money to invest that money on behalf of the shareholders.

Differentiated geographic positioning

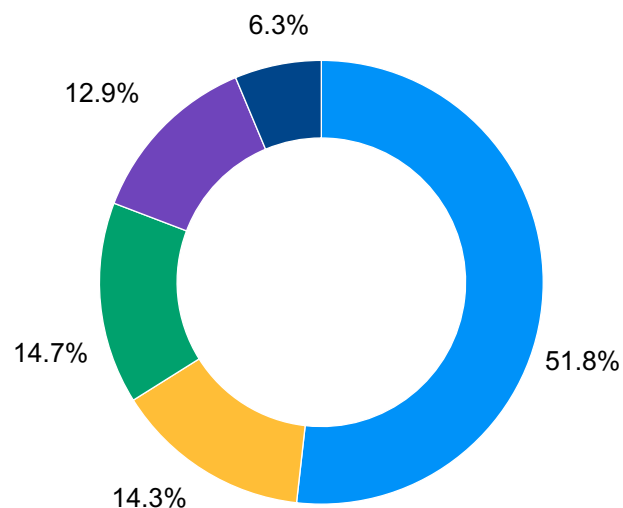
Geographic revenue mix
As of 31 March 2023

FTSE 100



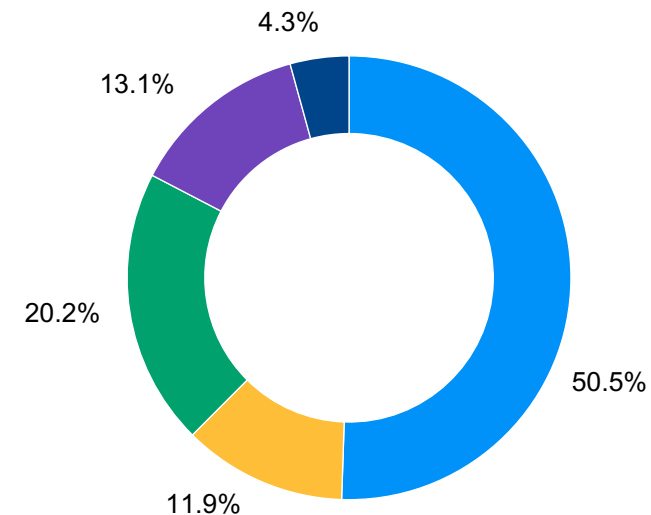
- United Kingdom
- Emerging Markets
- North America
- Europe ex UK
- Rest of World

FTSE All-Share ex 100 ex IT



- United Kingdom
- Emerging Markets
- North America
- Europe ex UK
- Rest of World

The Mercantile Investment Trust plc



- United Kingdom
- Emerging Markets
- North America
- Europe ex UK
- Rest of World

Source: J.P. Morgan Asset Management, Factset. Portfolio weightings calculated as of invested excluding cash. The portfolio is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice. Absolute positions are not adjusted for gearing.

Performance

The Mercantile Investment Trust plc
As of 31 March 2023

Market Value	
The Mercantile Investment Trust plc	GBP 2.1bn

Performance, net of fees (%)

	Three months	Six months	One year	Three years p.a.	Five years p.a.	Ten years p.a.
Mercantile NAV (cum income, debt at par value)	3.8	19.1	-8.8	10.3	2.1	7.0
Mercantile share price	4.4	22.4	-5.7	7.9	2.5	7.7
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	1.5	14.0	-8.1	11.5	1.4	5.6
Excess return (NAV)	+2.3	+4.5	-0.8	-1.0	+0.7	+1.2

Calendar year performance, net of fees (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Mercantile NAV (cum income, debt at par value)	31.3	35.9	1.2	22.2	-1.7	29.0	-15.1	38.9	-4.7	22.6	-26.6
Mercantile share price	33.3	44.9	-4.2	30.0	-3.7	30.2	-17.1	53.9	-2.3	11.3	-25.9
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	29.4	35.7	2.2	12.2	5.9	17.9	-15.0	28.9	-7.3	19.8	-18.3
Excess return (NAV)	+1.4	+0.1	-1.0	+9.0	-7.2	+9.4	-0.2	+7.7	+2.8	+2.4	-10.1

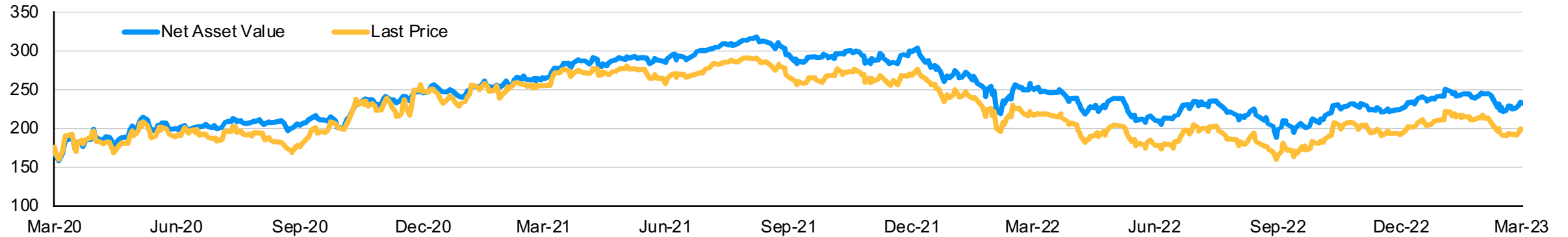
Source: J.P. Morgan Asset Management. Geometric excess returns. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

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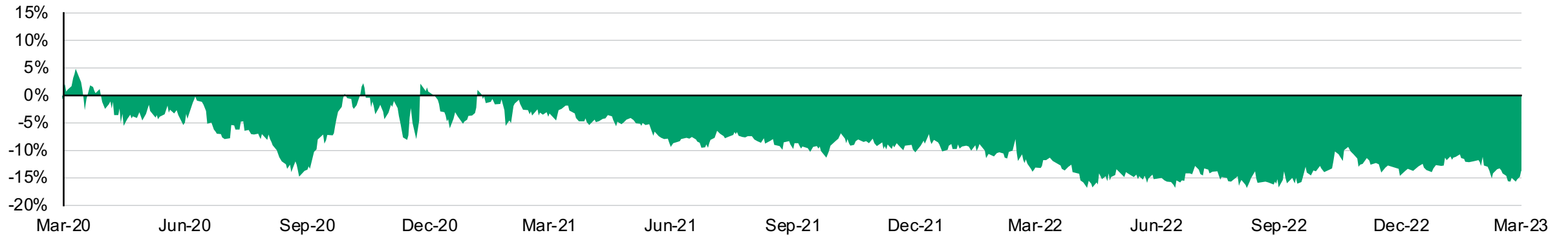
Share price discount

The Mercantile Investment Trust plc

Net Asset Value (NAV) vs. Share Price



Premium/Discount to NAV (%)



Source: Bloomberg. Data from 31 March 2020 to the 31 March 2023.

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Investment objective and risk profile

The Mercantile Investment Trust plc (the Company) as of 31 March 2023

INVESTMENT OBJECTIVE

The Company aims to achieve capital growth through investing in a diversified portfolio of UK medium and smaller companies. It pays quarterly dividends and aims to grow its dividend at least in line with inflation. The Company's gearing policy is to operate within a range of 10% net cash to 20% geared.

KEY RISK

- External factors may cause an entire asset class to decline in value. Prices and values of all shares or all bonds and income could decline at the same time, or fluctuate in response to the performance of individual companies and general market conditions.
- This Company may utilise gearing (borrowing) which will exaggerate market movements both up and down.
- This Company may also invest in smaller companies which may increase its risk profile.
- The share price may trade at a discount to the Net Asset Value of the Company.
- The single market in which the Company primarily invests, in this case the UK, may be subject to particular political and economic risks and, as a result, the Company may be more volatile than more broadly diversified companies.
- Companies listed on AIM tend to be smaller and early-stage companies and may carry greater risks than an investment in a Company with a full listing on the London Stock Exchange. The key risks facing the Company and the mechanisms in place to monitor and measure these risks are set out in the Company's annual report, a copy of which is available from its website, www.jpnam.co.uk/investmenttrust

SUMMARY RISK INDICATOR

1	2	3	4	5	6	7
Lower risk			Higher risk			

The risk indicator assumes you keep the product for 5 year(s). The risk of the product may be significantly higher if held for less than the recommended holding period. In the UK, please refer to the synthetic risk and reward indicator in the latest available key investor information document.

Please refer to the Investor Disclosure Document, latest annual report, and Key Information Document (KID) for more information relating to the Company.

Important information

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