



The Mercantile Investment Trust plc

March 2024

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

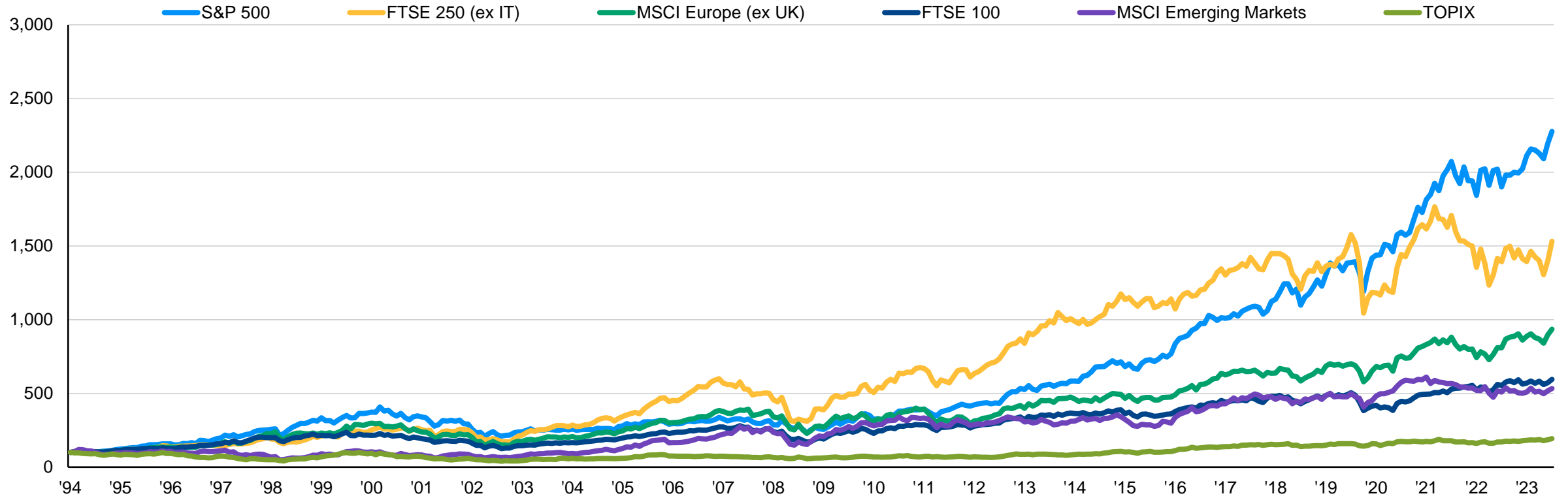
- **The case for UK mid and small caps**
- **Portfolio strategy**
- **Outlook and positioning**

01

The case for UK mid and small caps

Long term outperformance of UK mid and small caps

Cumulative returns

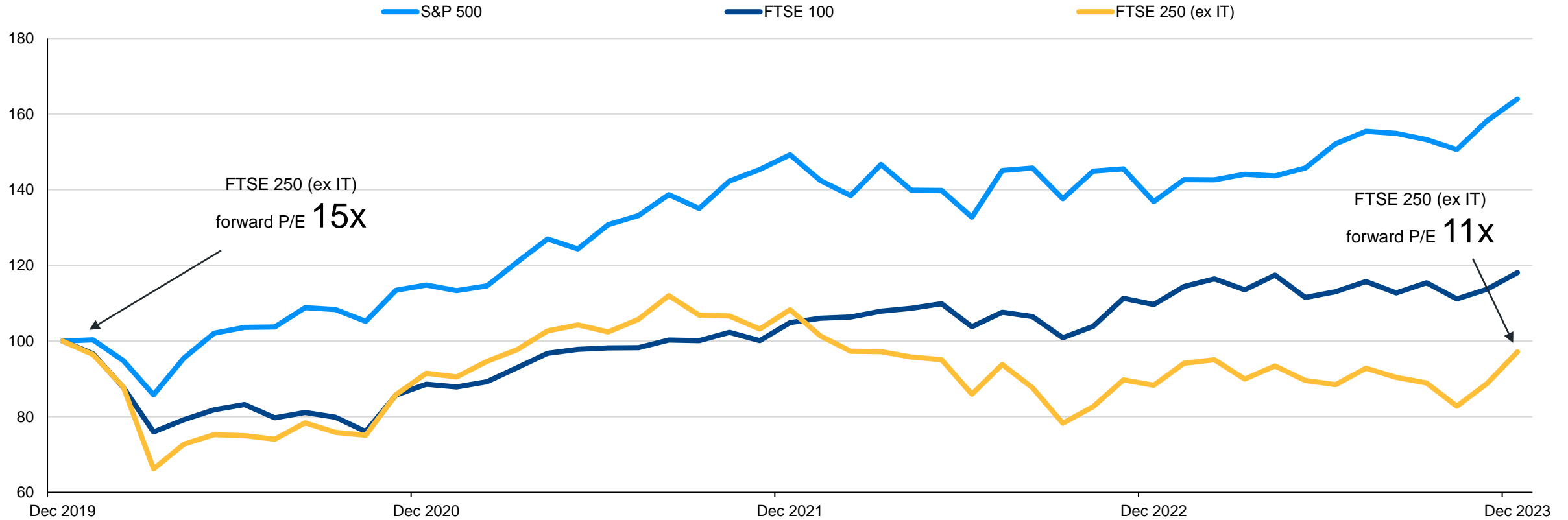


Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 30 June 1994 to 31 December 2023. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment. Trust performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

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

Recent performance driven by valuation de-rating

Cumulative returns



Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31 December 2019 to 31 December 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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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

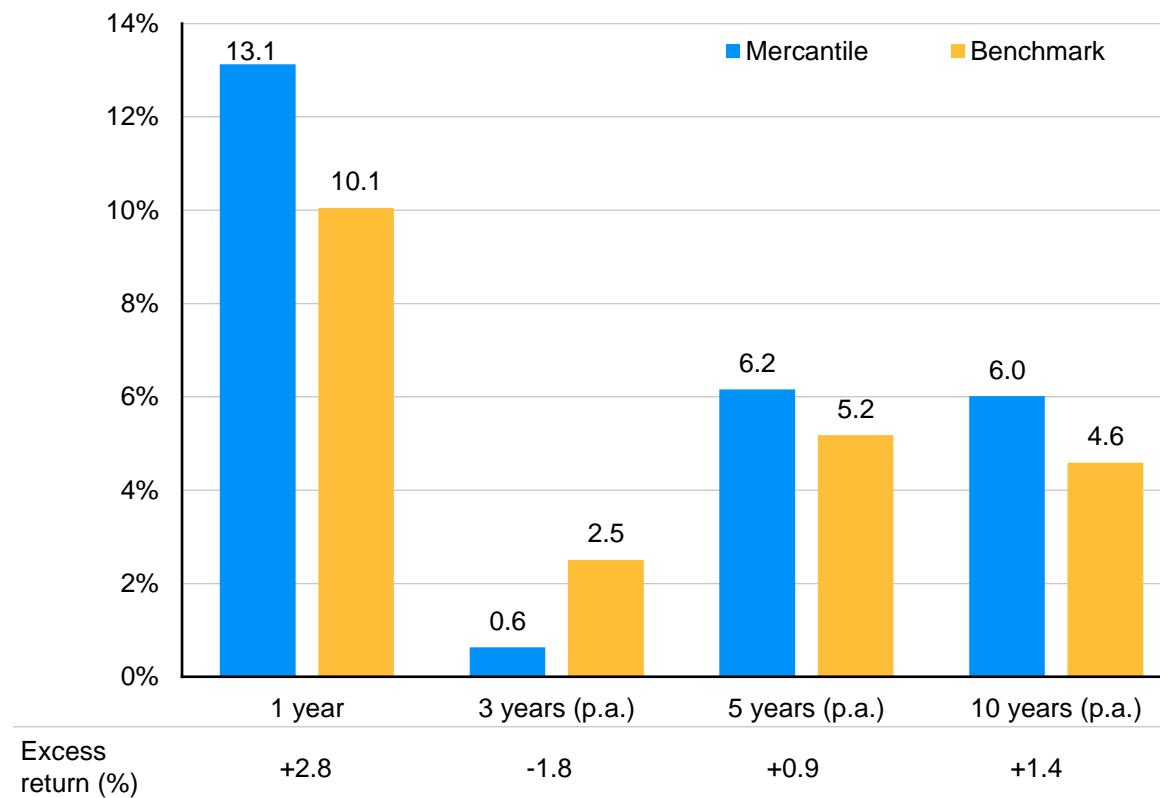
Large and Liquid

- Portfolio size £2.2bn
- Liquidity* ADV ~£2.4m

Low cost

- Ongoing charges* 0.46%

Annualised return % (net of fees) vs benchmark



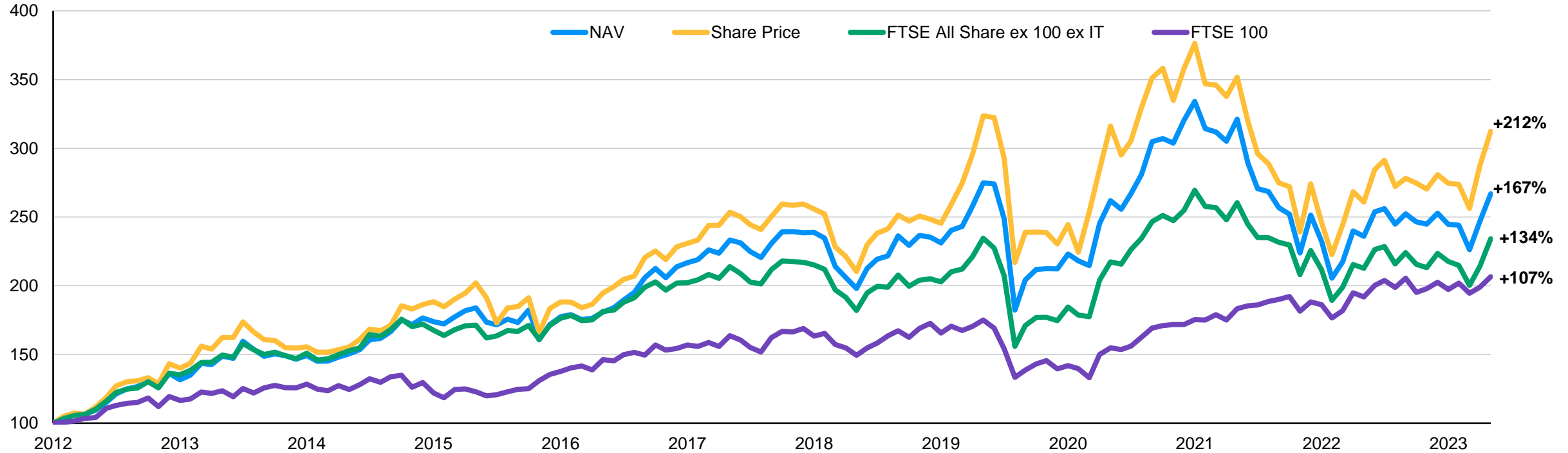
Source: (LHS) J.P. Morgan Asset Management; *ADV = average daily volume (last 12 months to 31 December 2023), from Bloomberg; *Ongoing charges reflect annual management fees on market cap as of 30 Sep 2023. Performance Data as at 31 December 2023. Performance data using net asset value per share, cum 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 December 2023



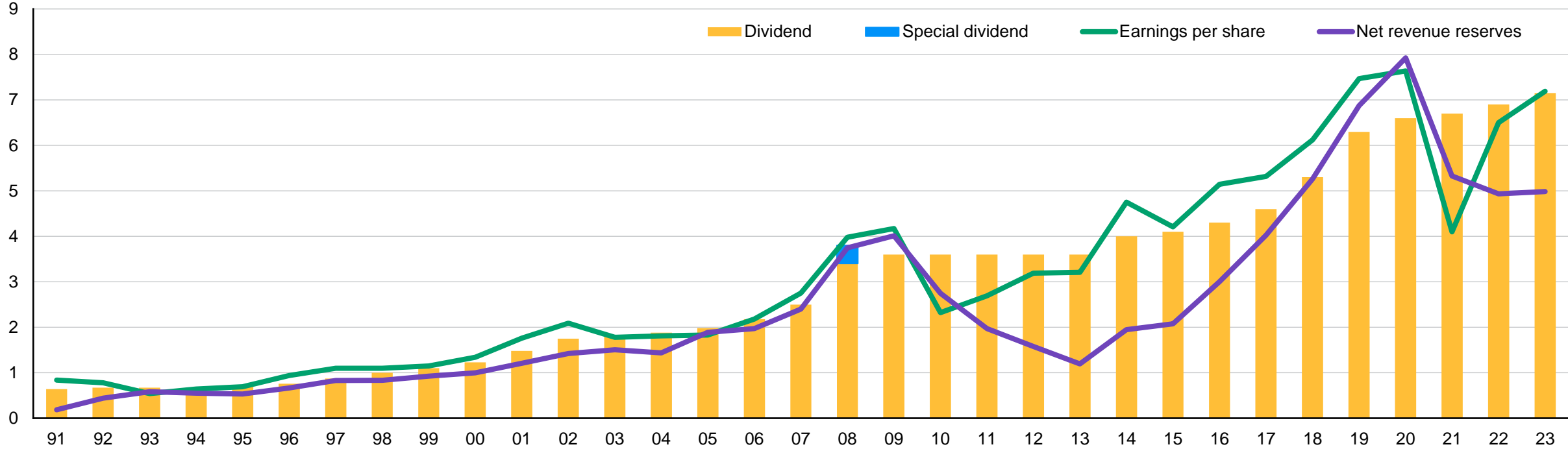
... 9.0% annualised NAV and 10.6% annualised shareholder return over 11 years and 4 months

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?

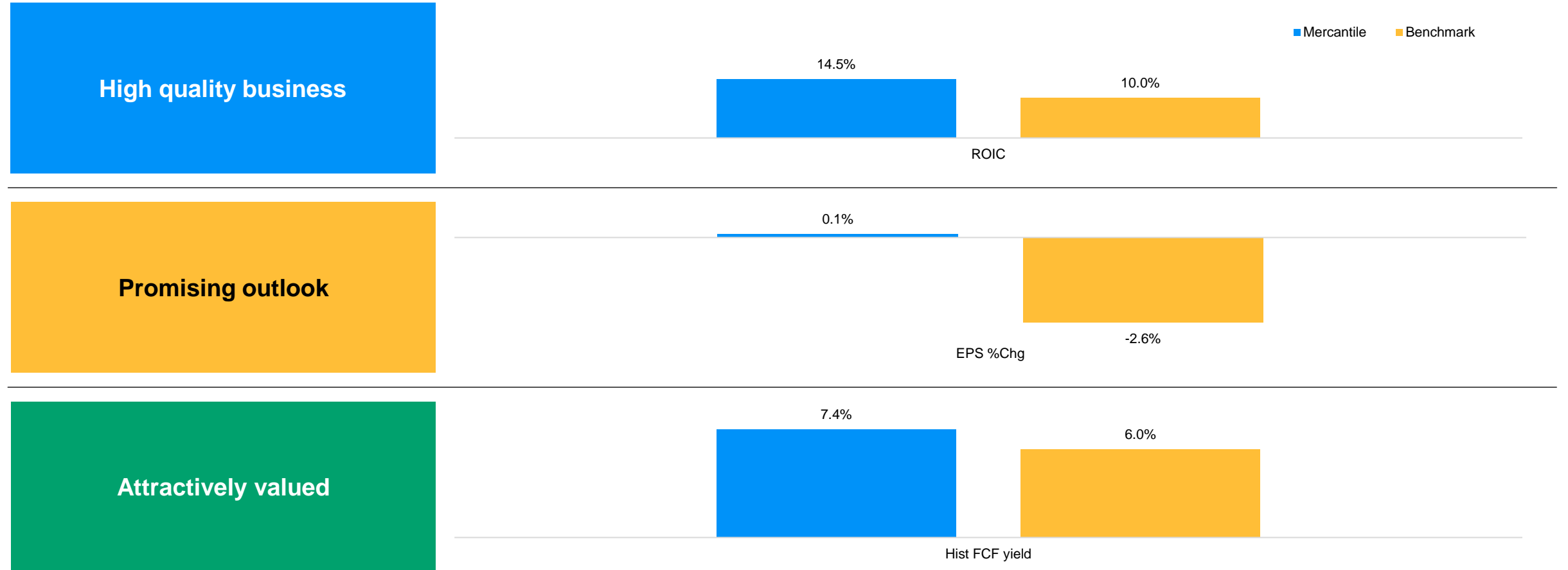
We look at a company's valuation to assess if its future prospects have been incorrectly estimated by the market

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 January 2024. 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 – Hill & Smith

High quality business

- Vertical integration (product and galvanising)
- High and improving returns, underpinned by self-help

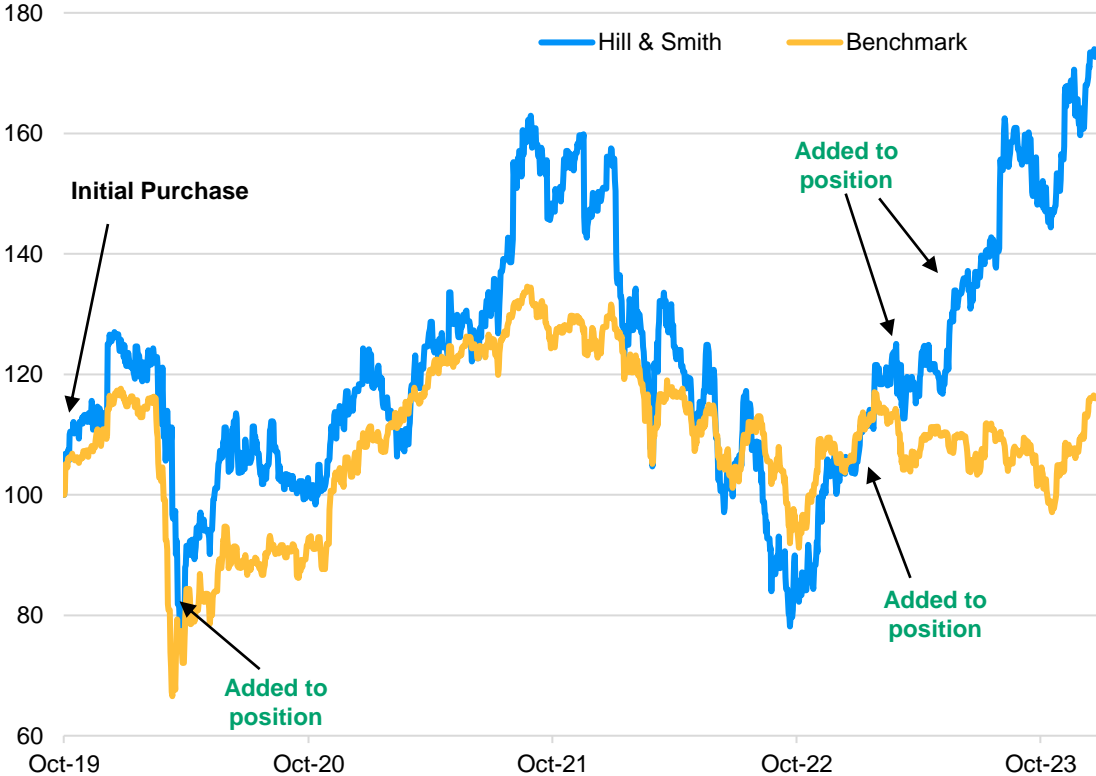
Promising outlook

- Infrastructure investment tailwinds
- Composites benefitting from material substitution trends
- Attractive M&A opportunities

Attractively valued

- Reasonable valuation multiple
- Earnings upgrades driving share price

Hill & Smith – Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 9 October 2019 to 31 December 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.

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

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



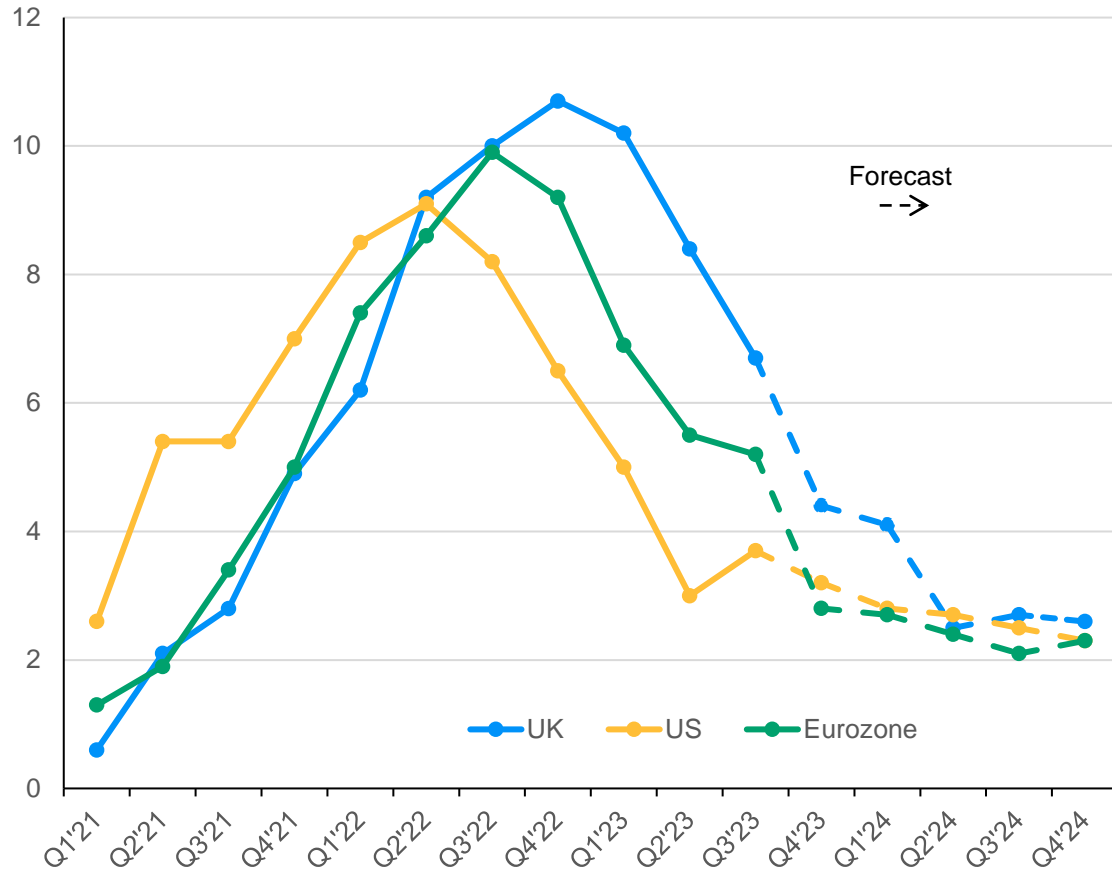
Source: J.P. Morgan Asset Management, Bloomberg. Data from 13 November 2015 to 31 December 2023. The companies/securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Benchmark is the FTSE All-Share (ex FTSE 100, ex Investment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

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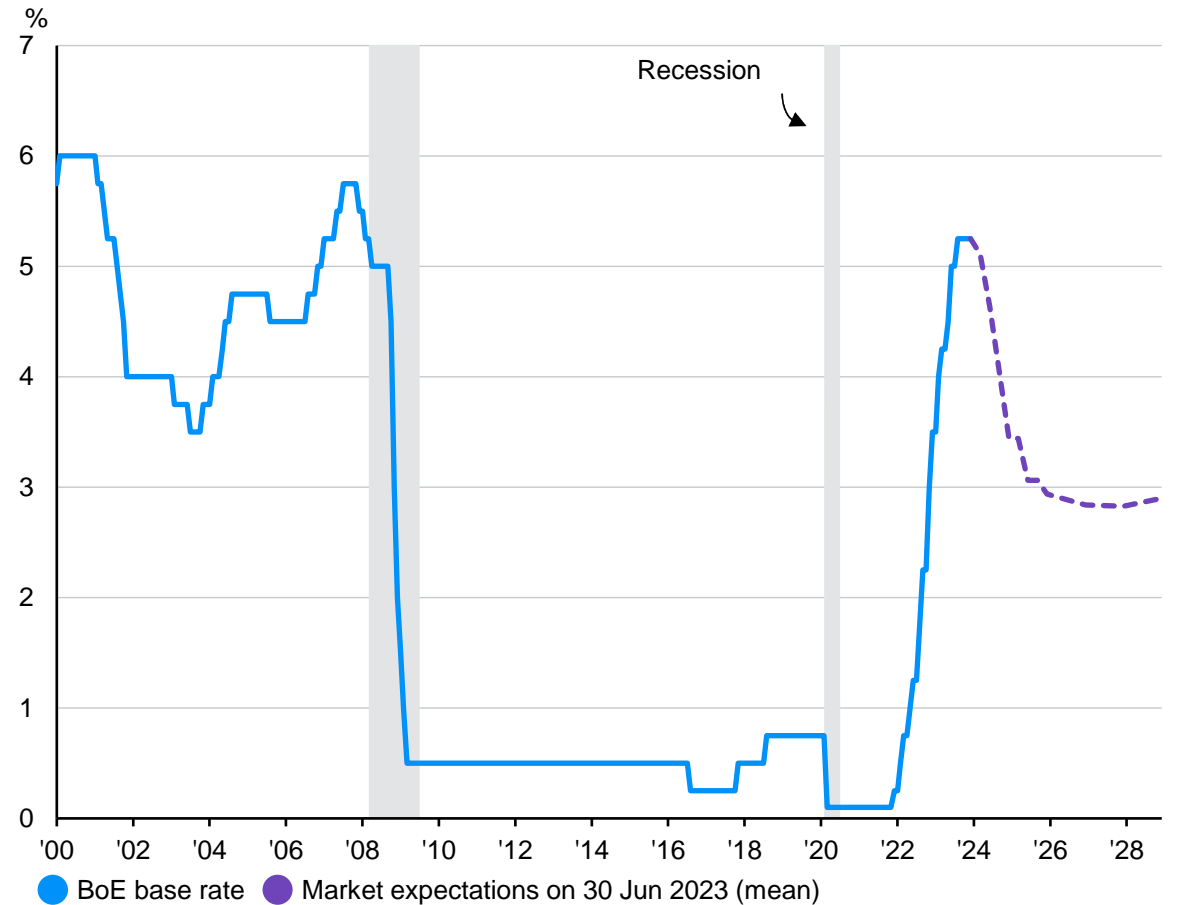
Outlook and positioning

Inflation has moderated and rates have likely peaked

Median of economists' forecasts for headline CPI



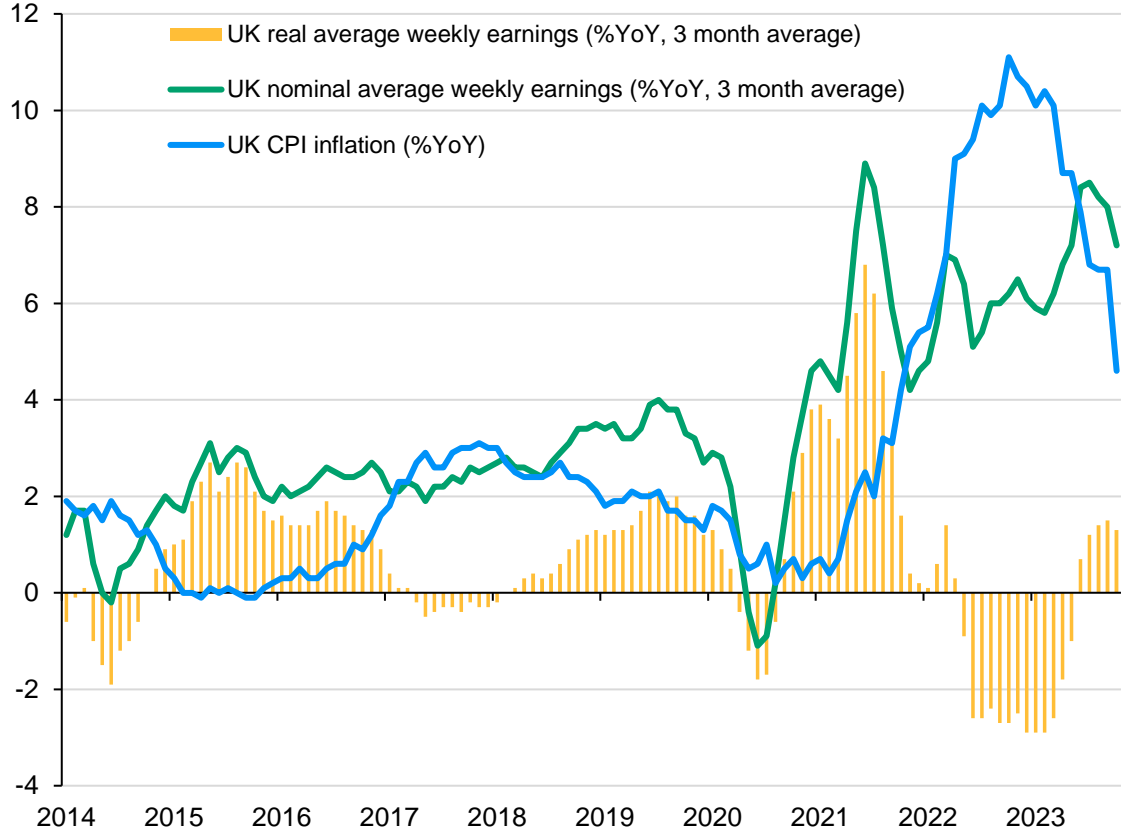
Bank of England policy rate expectations



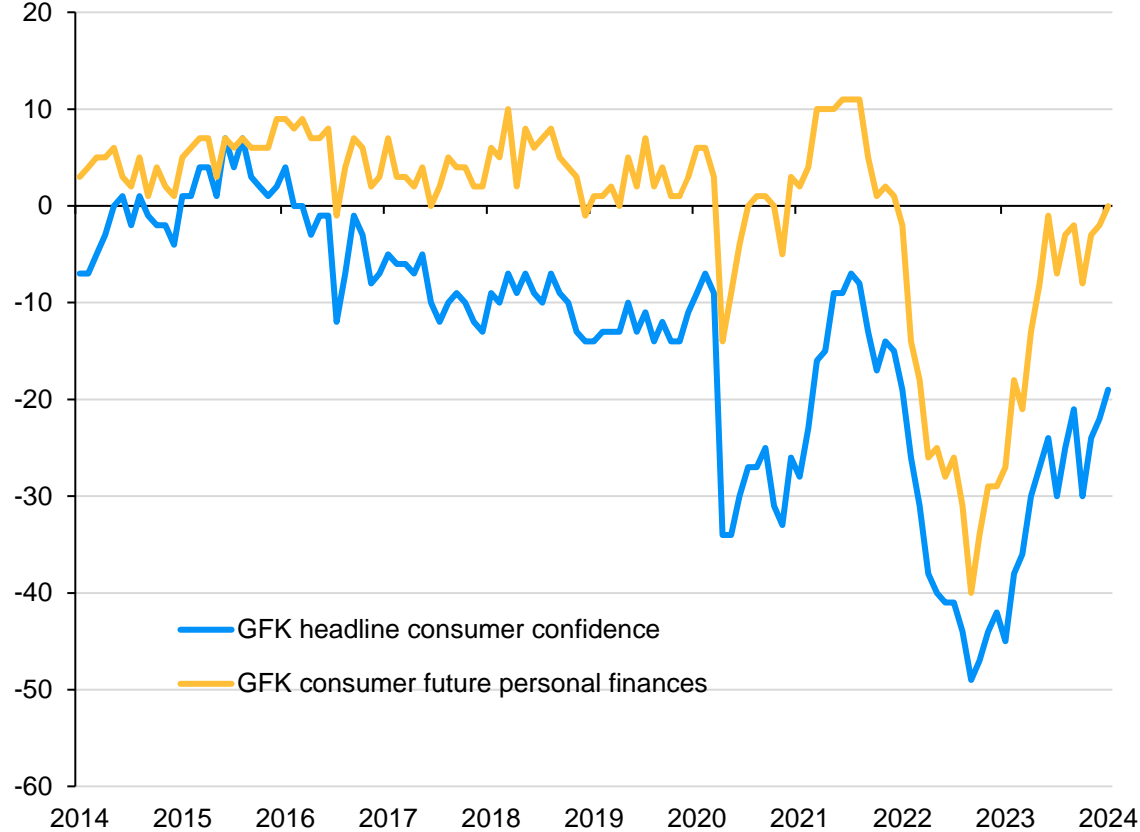
Source: (left): Bloomberg, BLS, Eurostat, ONS, J.P. Morgan Asset Management. CPI is consumer price index. (Right): Bank of England, Bloomberg, J.P. Morgan Asset Management. Market expectations are calculated using OIS forwards. Past performance is not a reliable indicator of current and future results. Guide to the Markets - UK. Data as of 31 December 2023.

Meanwhile, the labour market has supported consumers

UK real wage growth



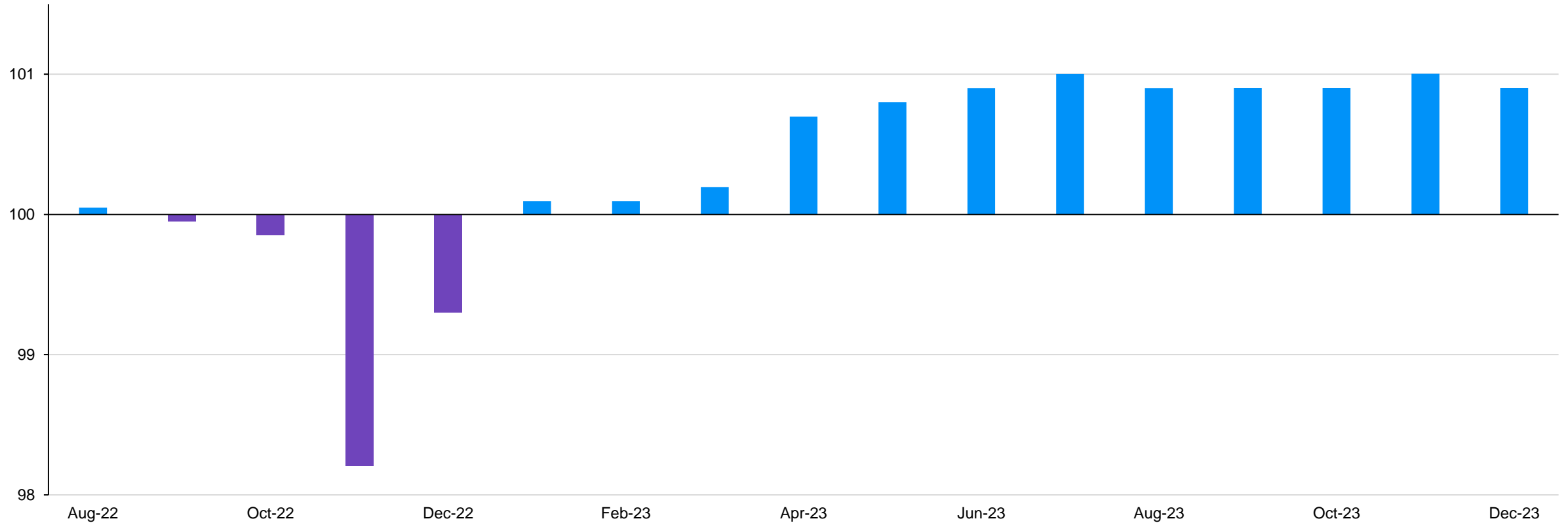
UK consumer confidence



Sources: (Left): ONS, Bloomberg, data from January 2014 to October 2023. CPI is consumer price index. (Right): GfK, Bloomberg, data from January 2014 to January 2024.

The domestic economy has been more resilient than anticipated

UK 2024 GDP consensus forecast vs 2022 (2022 = 100)

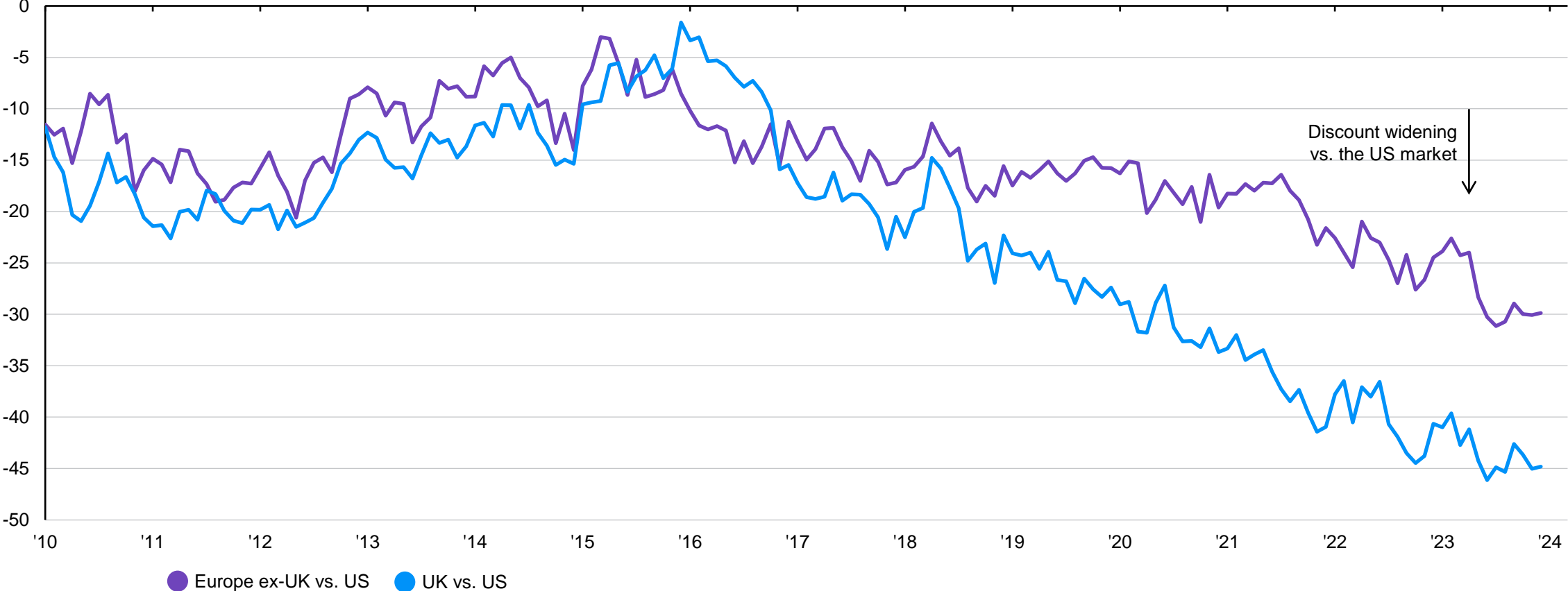


Sources: Panmure Gordon, HMT, Bank of England. Data from August 2022 to December 2023.

Despite this, UK equities are outstandingly cheap

Relative equity valuations

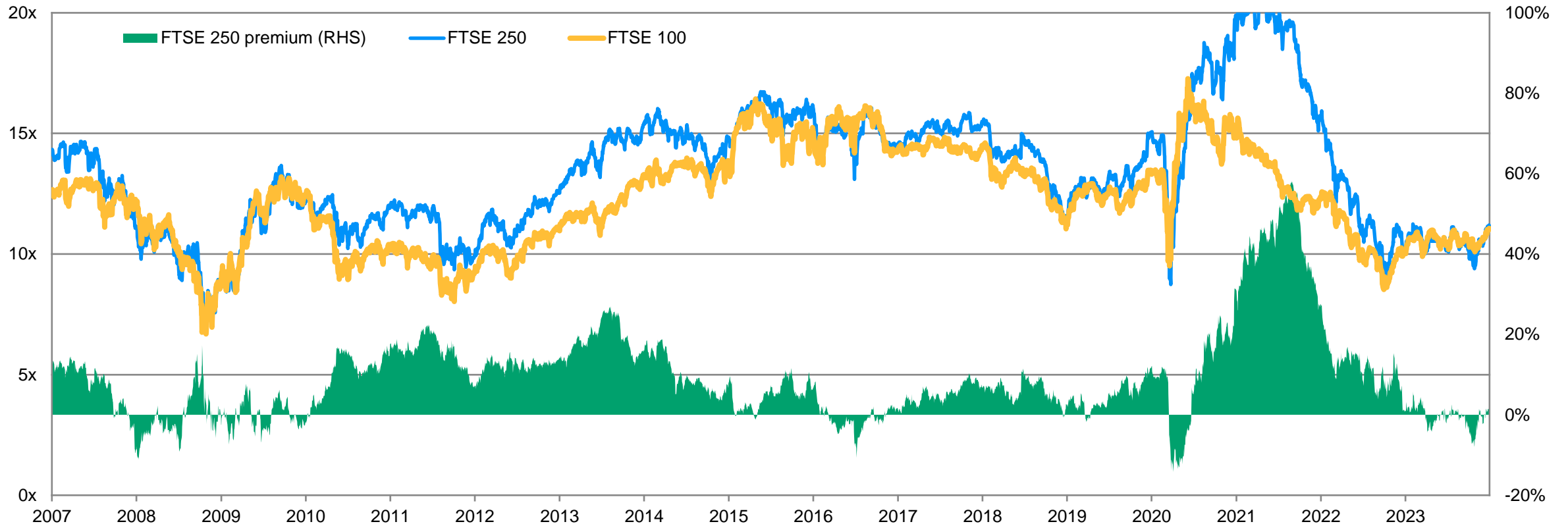
%, relative discount/premium based on 12-month forward P/E ratios



Source: J.P. Morgan Asset Management FTSE, IBES, LSEG Datastream, MSCI, S&P Global, J.P. Morgan Asset Management. US: S&P 500; Europe ex-UK: MSCI Europe ex-UK; UK: FTSE All-Share. Valuation is price to 12-month forward earnings. Past performance is not a reliable indicator of current and future results. Guide to the Markets - UK. Data as of 31 December 2023.

Furthermore, the traditional 'mid cap premium' versus large cap has evaporated

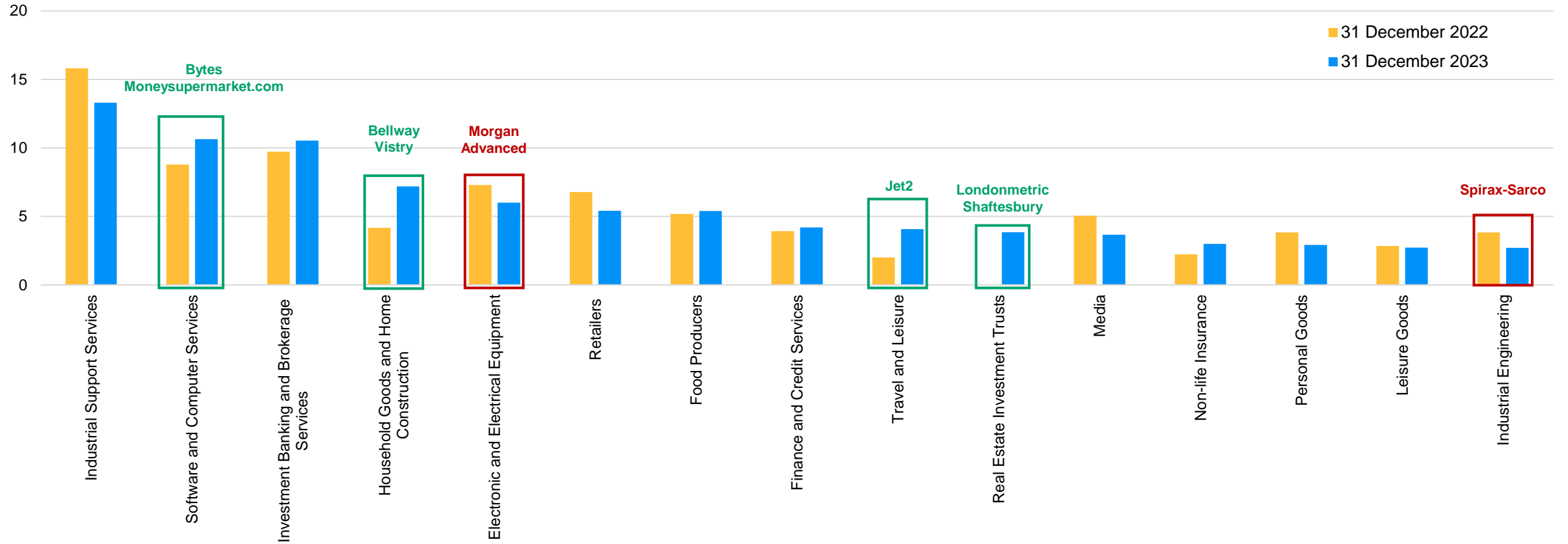
FTSE 250 (ex. IT) versus FTSE 100 forward P/E



Source: Bloomberg, J.P. Morgan Asset Management. Data from January 2007 to December 2023.

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

Sub sector positioning reflects the changing environment



Source: J.P. Morgan Asset Management, Factset; portfolio weightings as a % of invested capital. 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. Excludes Gearing.

Stock-level positioning

The Mercantile Investment Trust plc as of 31 December 2023

Benchmark

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

Top 10 holdings

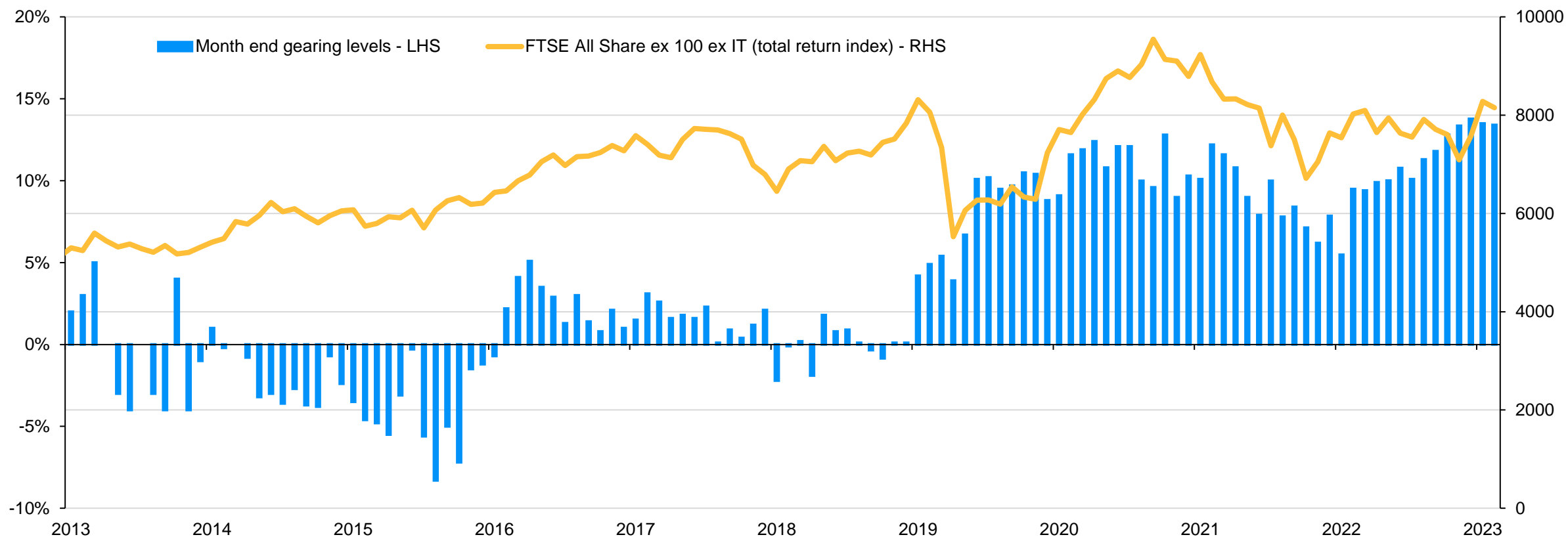
Stock	Sector	Portfolio weight (%)
Intermediate Capital Grp	Investment Banking And Brokerage Services	5.2
Bellway	Household Goods And Home Construction	4.6
Softcat	Software And Computer Services	3.5
Inchcape	Industrial Support Services	3.4
3i Group Plc	Investment Banking And Brokerage Services	3.2
Bytes Technology Group	Software And Computer Services	3.1
Games Workshop Group	Leisure Goods	3.1
Rotork	Electronic And Electrical Equipment	3.0
Dunelm Group	Retailers	2.9
Watches of Switzerland Group	Personal Goods	2.8
Total		35.0

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.

Elevated gearing demonstrates our positive view

The Mercantile Investment Trust plc as of 31 January 2024

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.

Summary

Summary

➤ Moderating inflation and improving consumer backdrop underpin growing optimism

➤ Brighter outlook at odds with extremely attractive valuations

➤ Mercantile: focused exposure to this compelling opportunity

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

Appendix

Investment objective and risk profile

The Mercantile Investment Trust plc (the Company) as of 31 December 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.ipmam.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.

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