



# The Mercantile Investment Trust plc

The home of tomorrow's UK market leaders

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**Portfolio Manager**

March 2025

**J.P.Morgan**  
ASSET MANAGEMENT

# Agenda

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

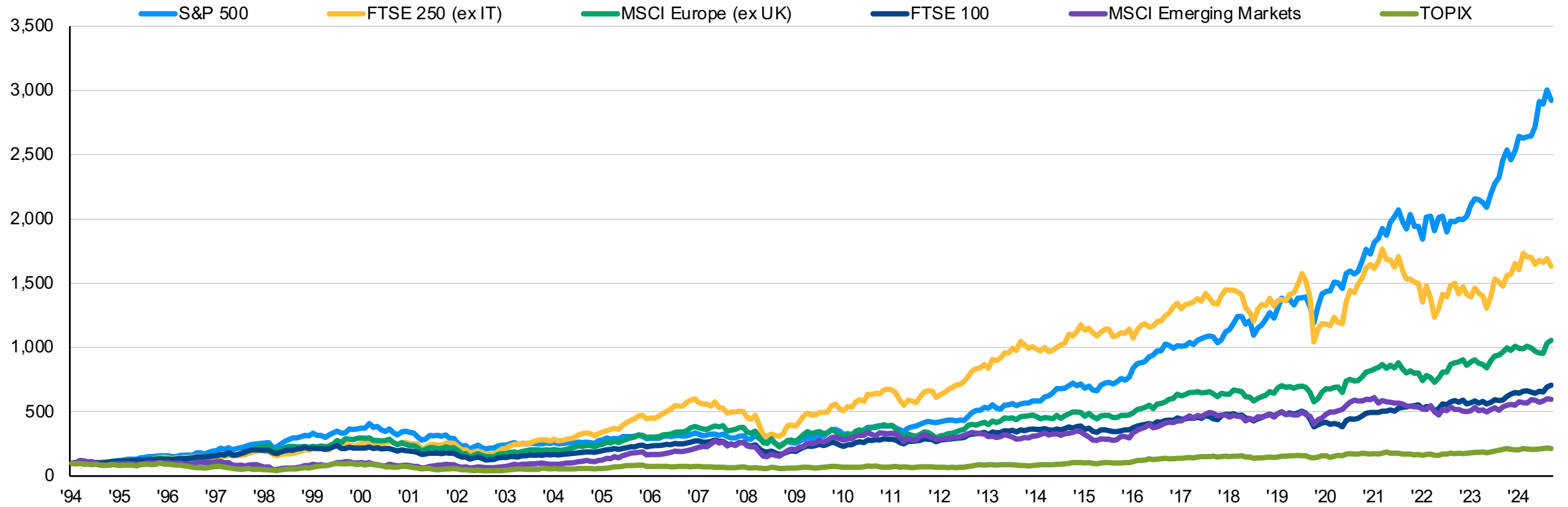
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# The case for UK mid and small caps

# Long term outperformance of UK mid and small caps

## Cumulative returns

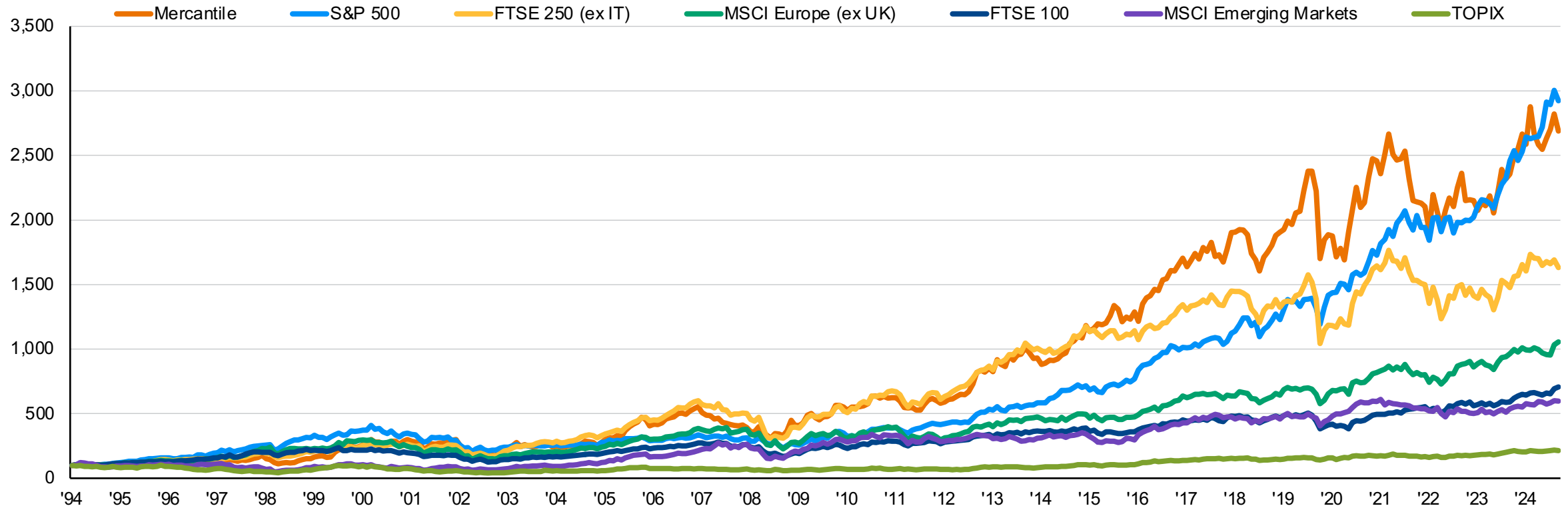


Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 30 June 1994 to 28 February 2025. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment.

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 30 June 1994 to 28 February 2025. 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
- 400-500 management meetings per annum

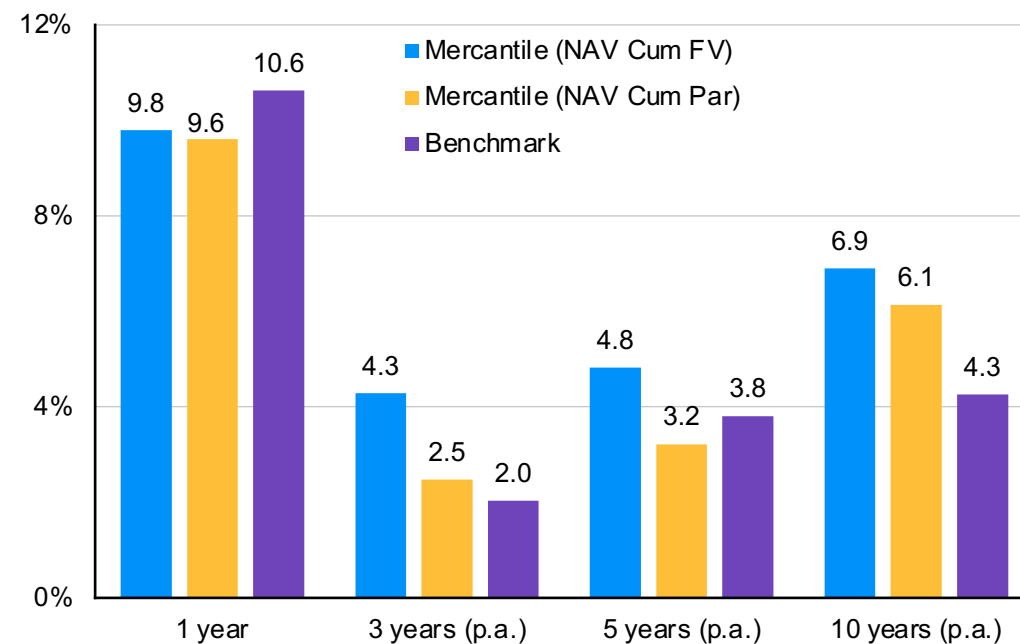
### Large and Liquid

- Portfolio size £2.2bn
- Liquidity\* ADV ~£3.3m

### Low cost

- Ongoing charges\*\* 0.47%

## Annualised return % (net of fees) vs benchmark



Excess Return (% NAV Cum FV)	-0.8	+2.2	+1.0	+2.5
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Excess return (% NAV Cum Par)	-0.9	+0.4	-0.6	+1.8
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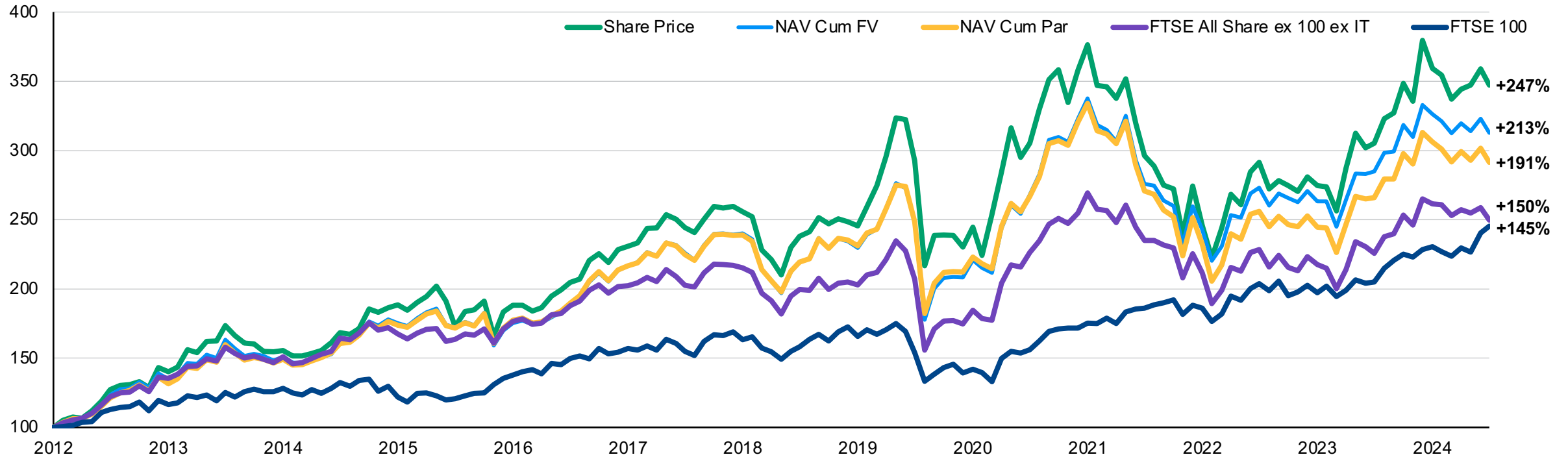
Source: J.P. Morgan Asset Management; \*ADV = average daily volume (last 12 months to 31 December 2024), from Bloomberg; \*\*Ongoing charges reflect annual management fees on market cap as of 31 January 2025. Performance and AuM data as at 28 February 2025. Performance data using net asset value per share, cum income with debt at fair value and 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 February 2025



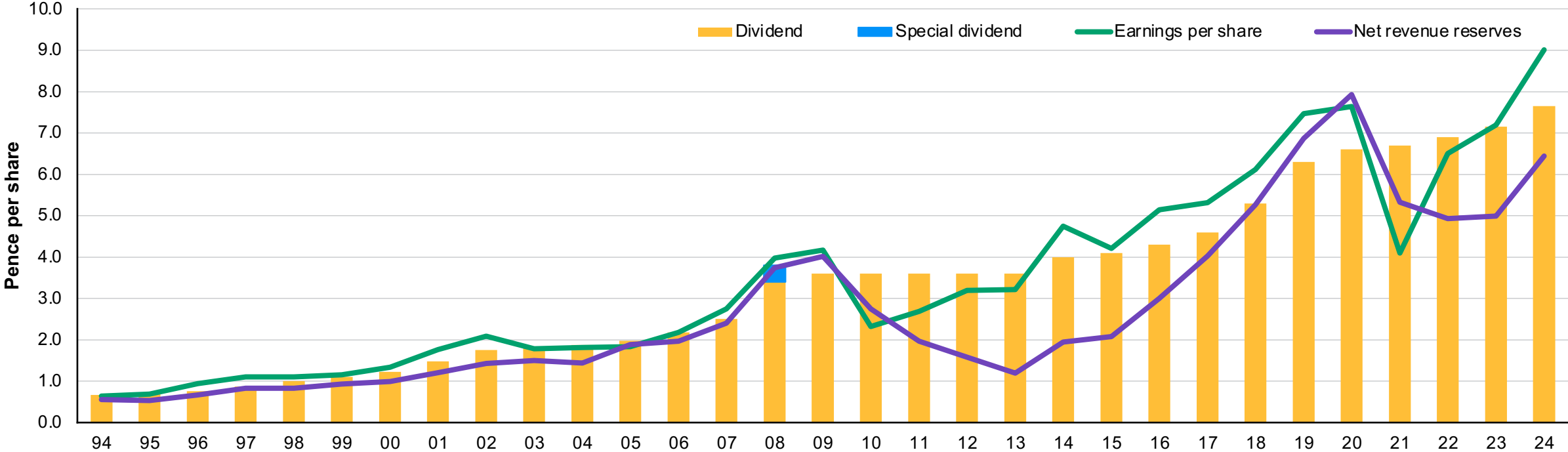
**...10.5% annualised shareholder and 9.6% annualised NAV (Fair Value) return over 12 years and 6 months**

Source: J.P. Morgan Asset Management. Rebased to 100 at 31 August 2012. Performance data has been using NAV Cum FV (net asset value per share, cum income, with debt at fair value) and NAV Cum Par (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



... 8.5% dividend per share CAGR\* over 30 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 2 April 2024. \*Compound annual growth rate.

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## Our investment philosophy

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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

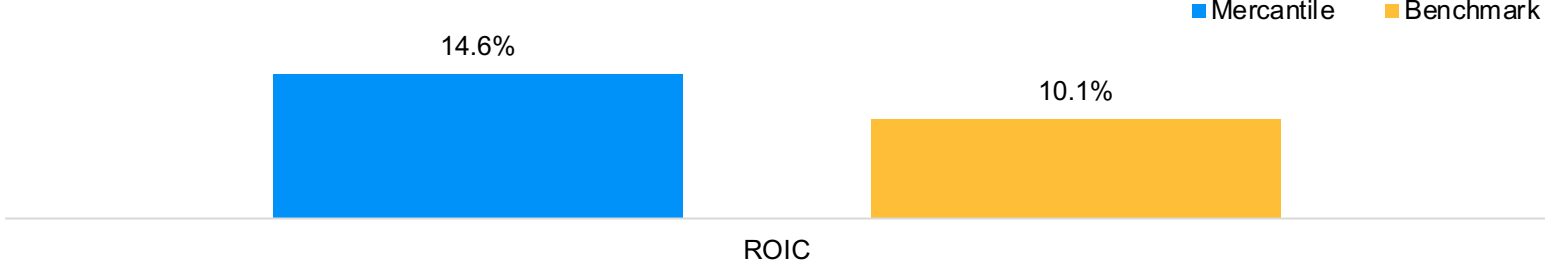
### Is it attractively valued?

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

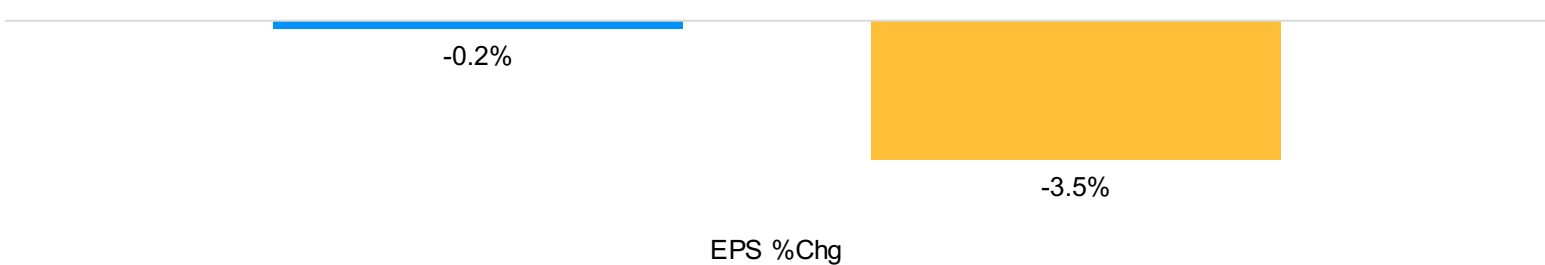
**Balancing expectations versus outcome**

# Fundamental characteristics

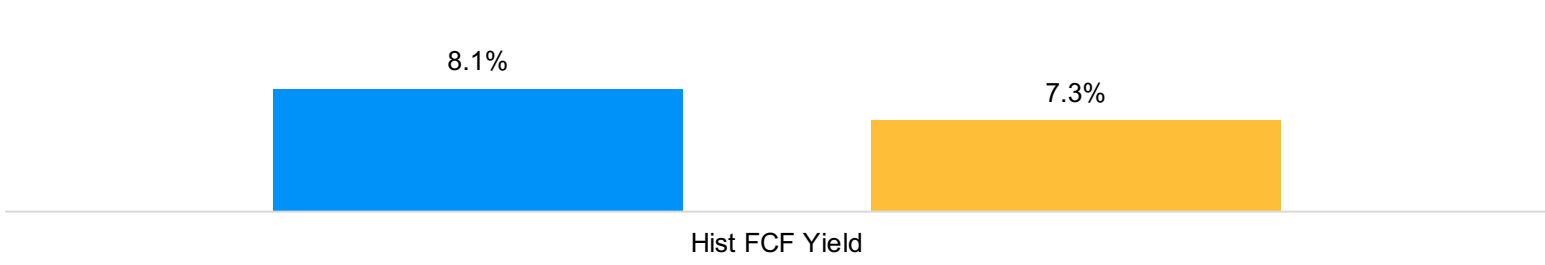
**High quality**



**Promising outlook**



**Attractively valued**



Source: J.P. Morgan Asset Management, Bloomberg. Data as of 28 February 2025. 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.

# The investment process in action – Cranswick

## High quality business

- Strong long-term growth track record, driven by market share gains
- Attractive and consistent return on capital

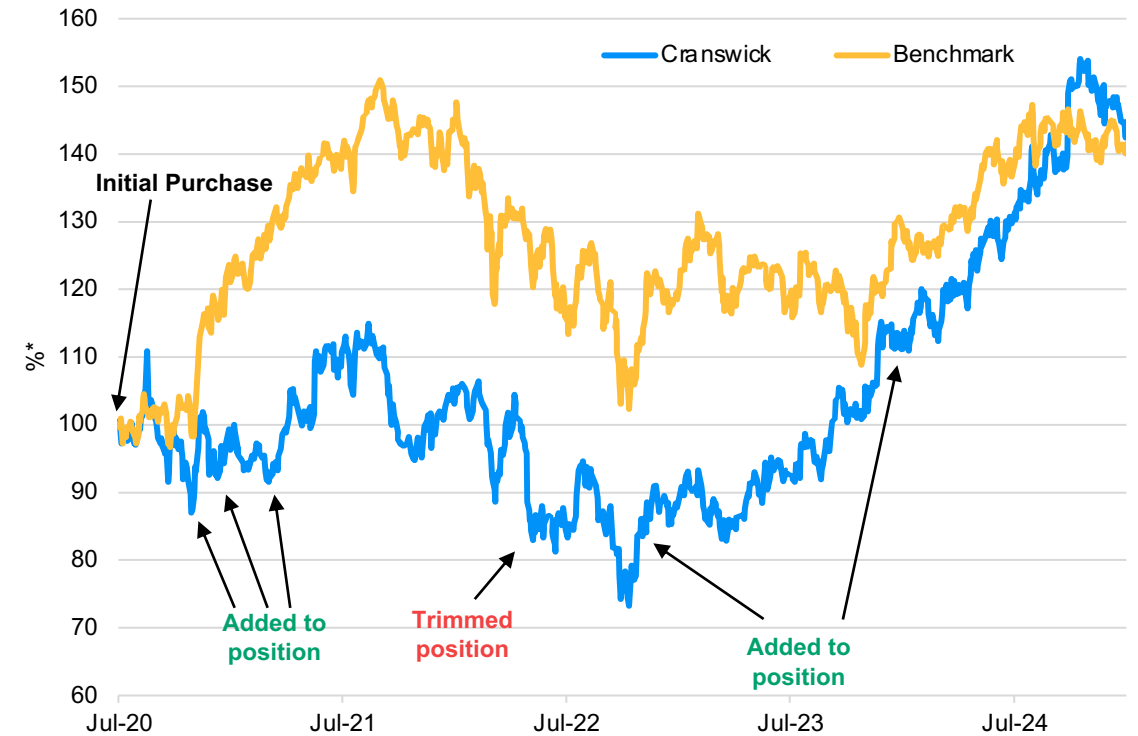
## Promising outlook

- Continued investment to drive sustained growth
- Major competitors financially pressured

## Attractively valued

- Valuation at a discount to historical levels
- Strong cash flow alongside continued growth investment

## Cranswick – Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 2 July 2020 to 31 December 2024. 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. \*Percentage total return rebased to 100 as at 02 July 2020.

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

# The investment process in action – Rotork

## High quality business

- High organic growth and returns on capital
- Products with critical applications, resulting in strong pricing power

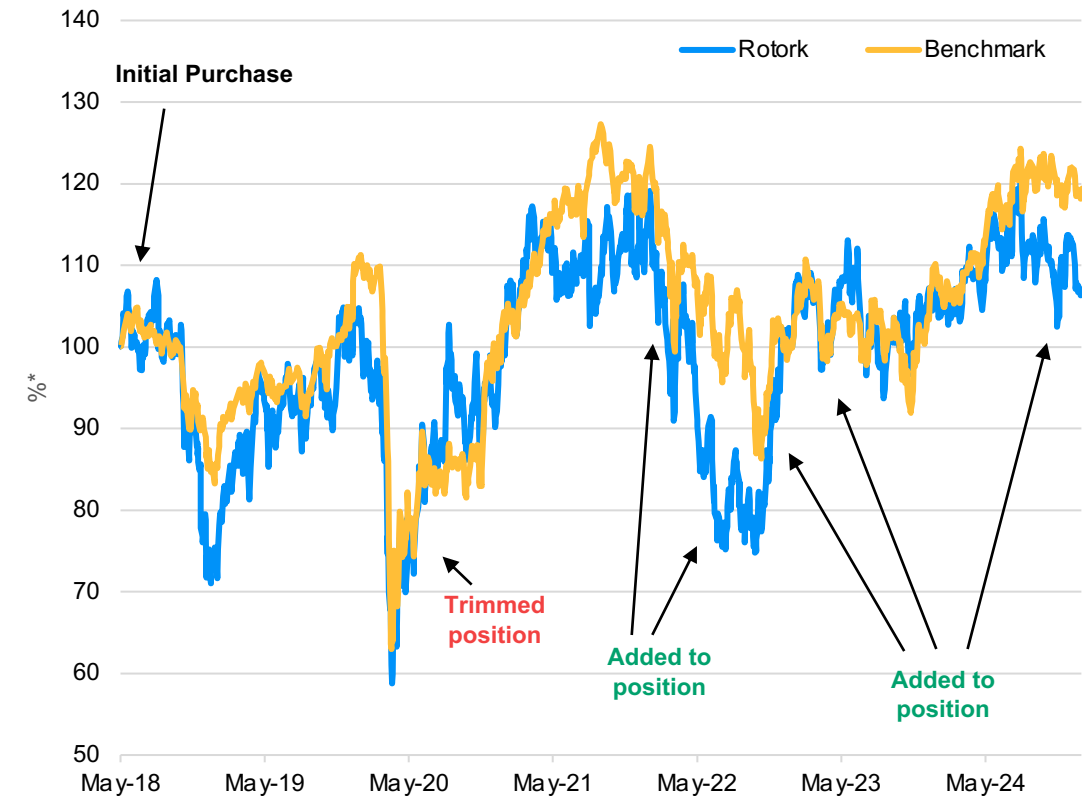
## Promising outlook

- Robust end market growth drivers
- Improving margins, through operating leverage and positive mix shift

## Attractively valued

- Attractive multiple given business quality
- M&A to complement organic growth

## Rotork – Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 3 May 2018 to 31 December 2024. 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. \*Percentage total return rebased to 100 as at 3 May 2018.

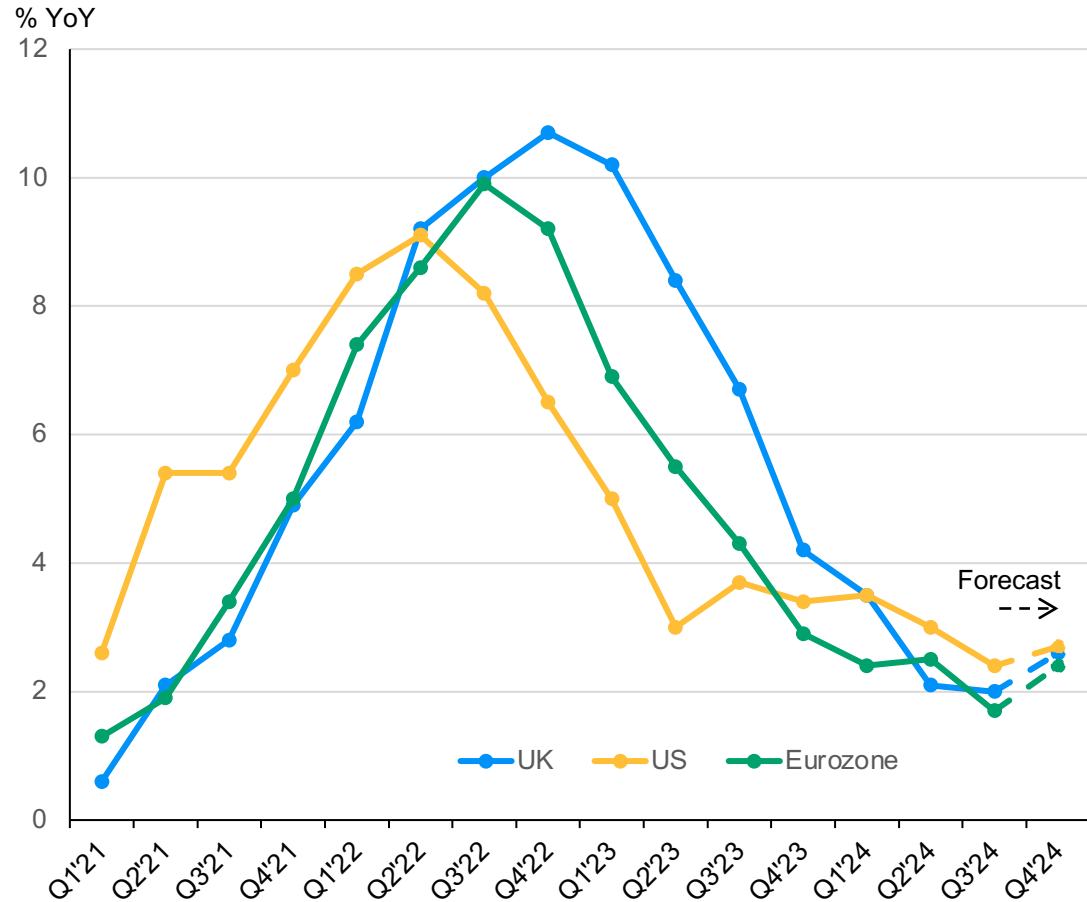
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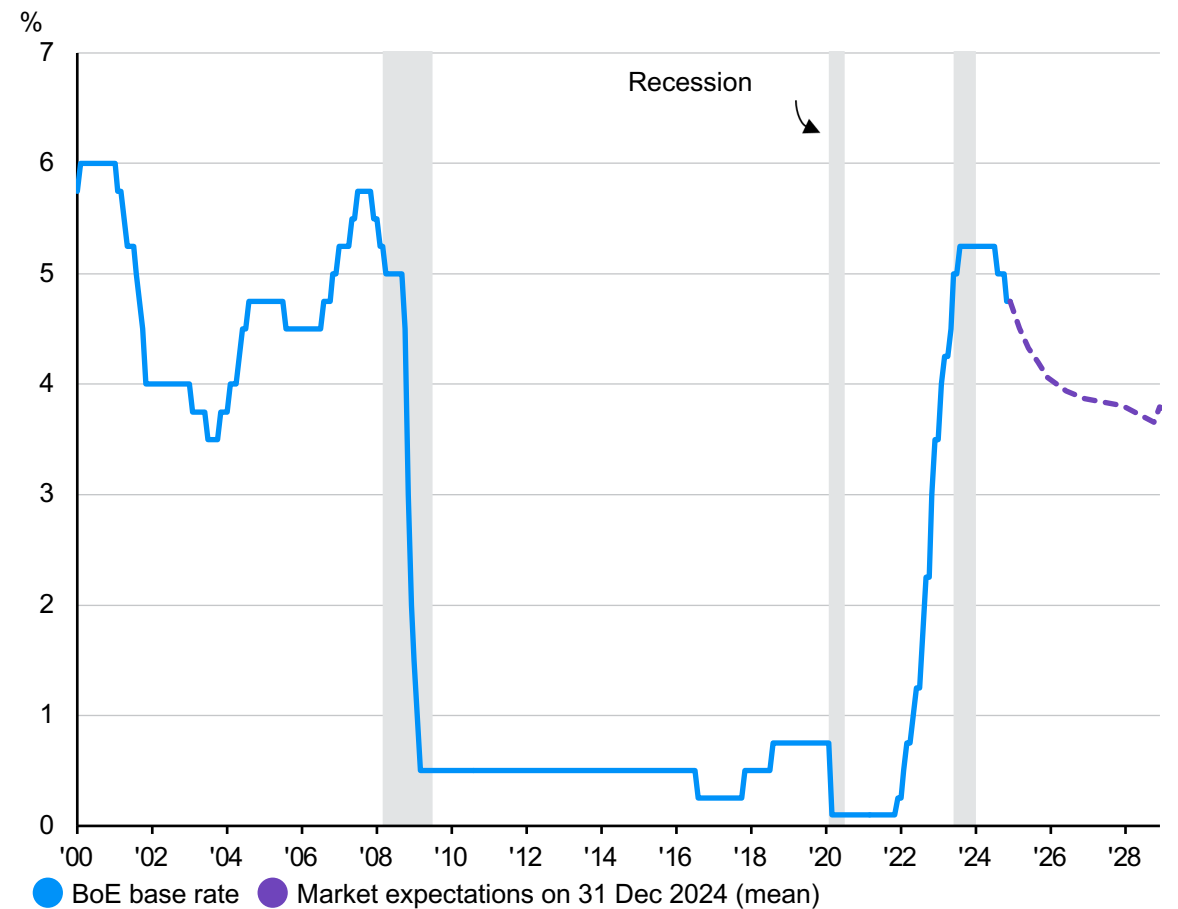
## Outlook and positioning

# Lower inflation has enabled monetary policy easing to begin

## Headline CPI



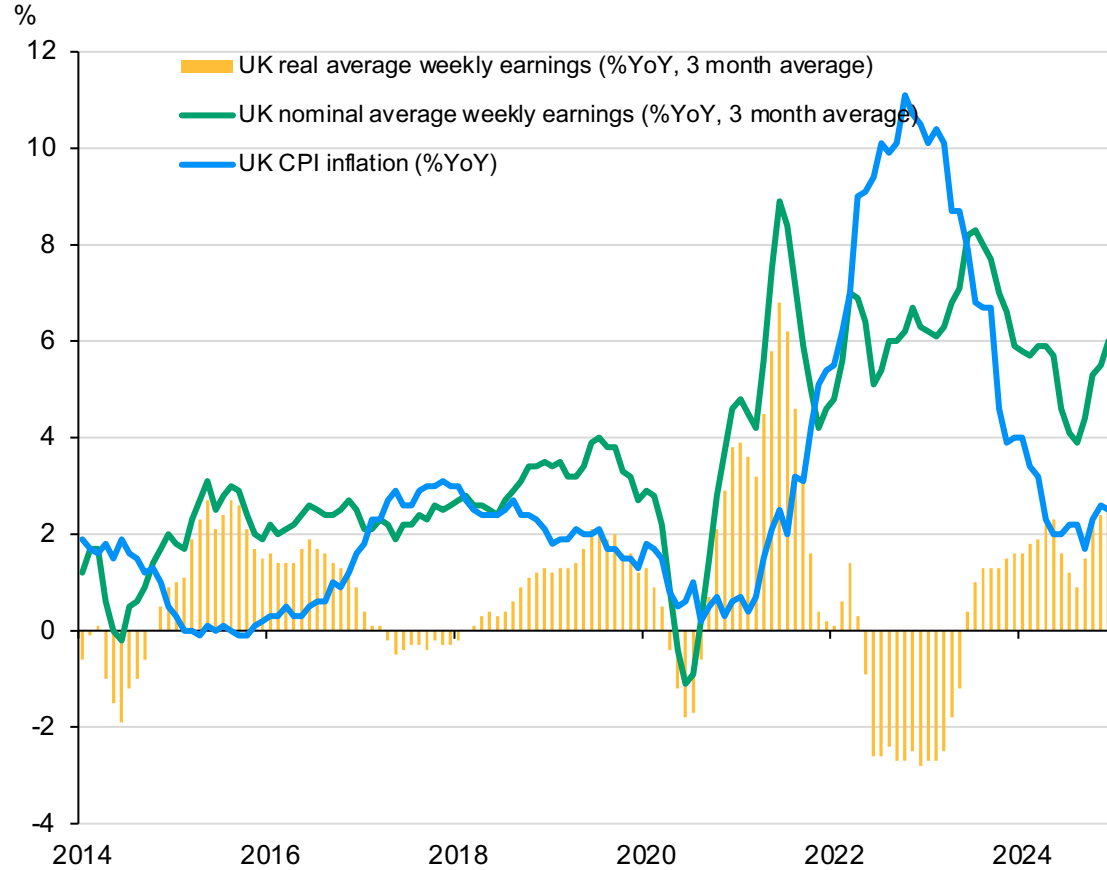
## Bank of England policy rate expectations



Source: (left): Bloomberg, BLS, Eurostat, ONS, J.P. Morgan Asset Management. CPI is consumer price index. Forecast is median of economists' estimates. (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 2024.

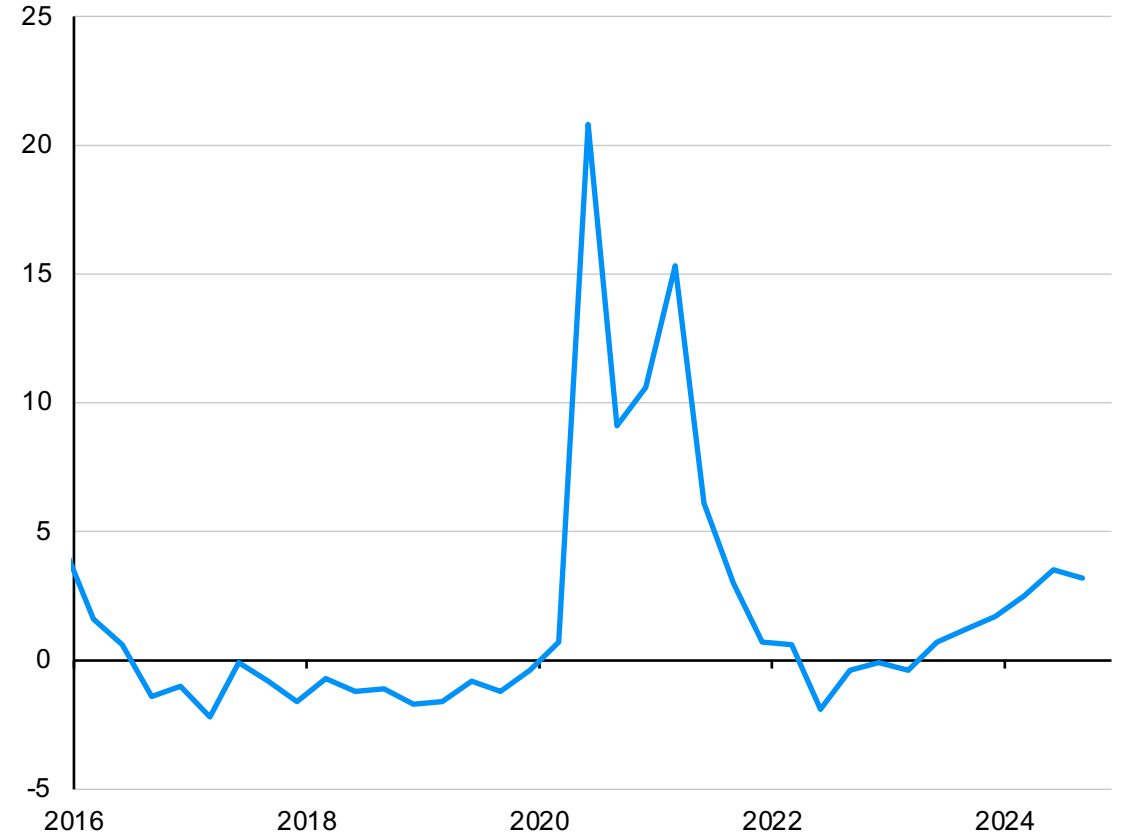
# The domestic consumer remains resilient

## UK real wage growth



## UK excess savings rates

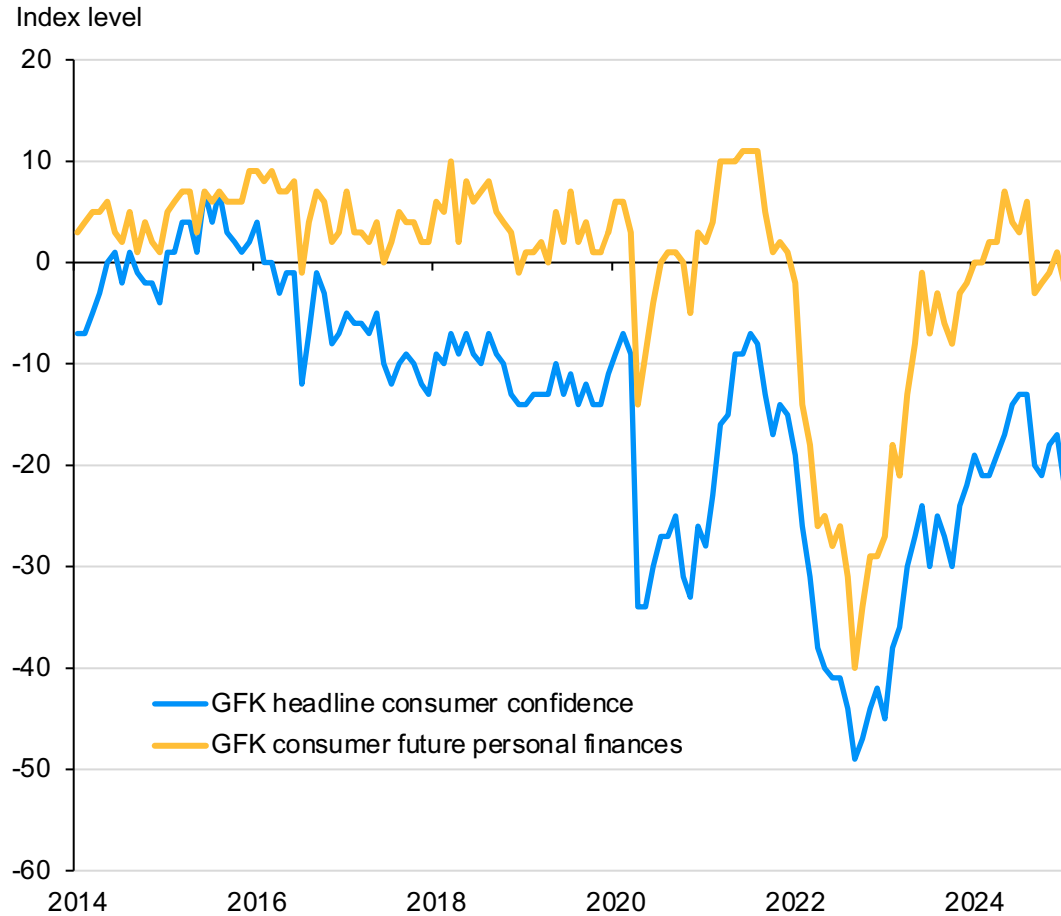
% points, savings rates relative to 2015-2019 average



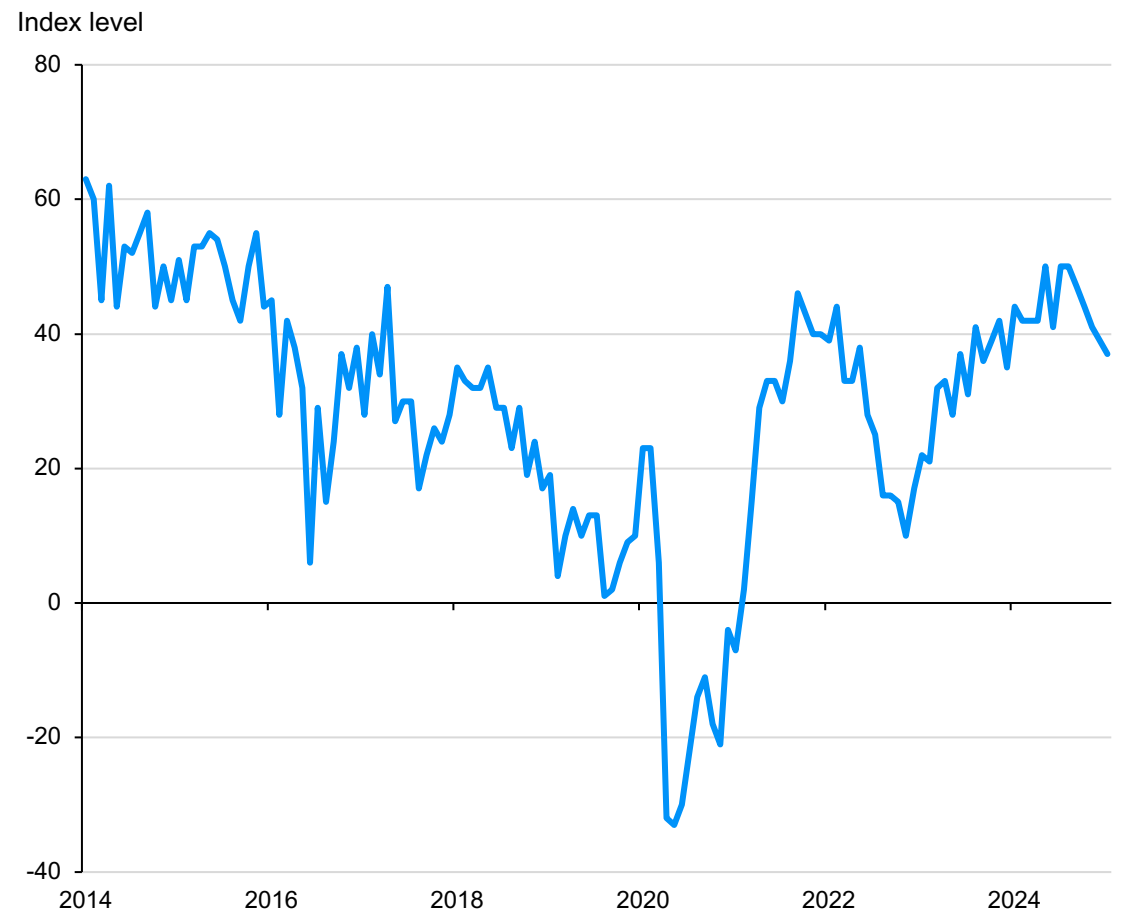
Sources: (Left): ONS, Bloomberg, data from January 2014 to December 2024. CPI is consumer price index. (Right): BEA, Eurostat, LSEG Datastream, ONS, J.P. Morgan Asset Management. Guide to the Markets - UK. Data as of 31 December 2024.

# Recovery in confidence stalled by Autumn Budget

## GfK UK consumer confidence



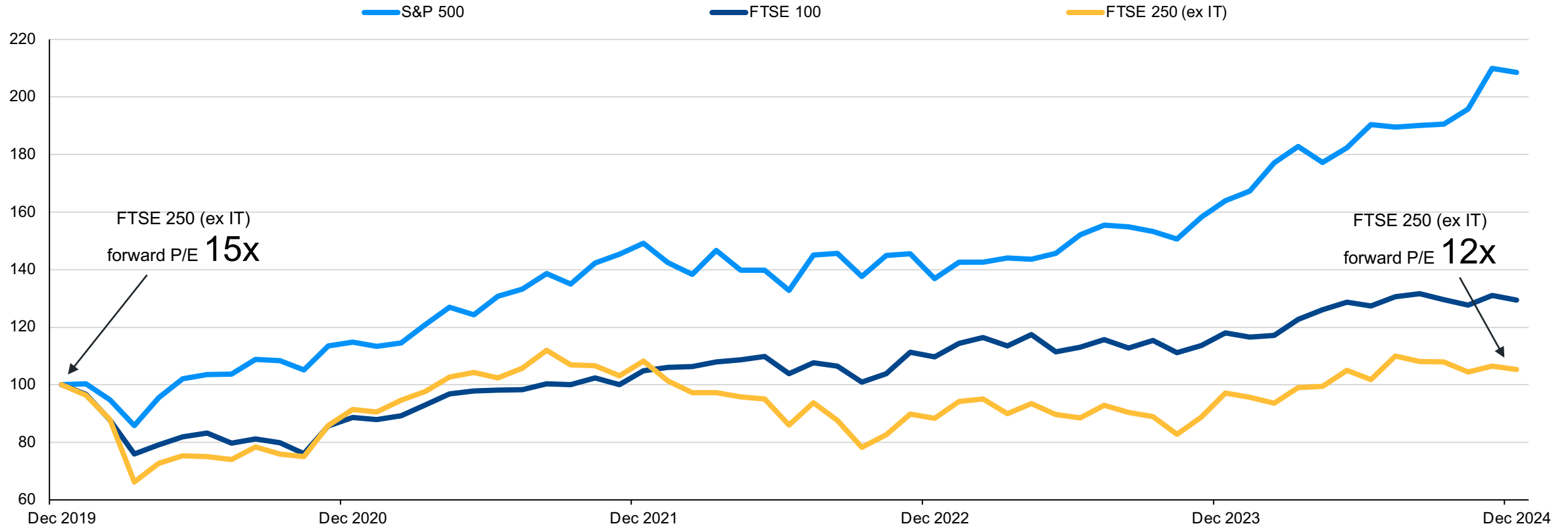
## Lloyds Business Barometer



Sources: (Left): GfK, Bloomberg, data from January 2014 to January 2025. (Right): Lloyds Bank Commercial Banking, Bloomberg, data from January 2014 to January 2025.

# Performance over last five years held back by 20% de-rating

## Cumulative returns



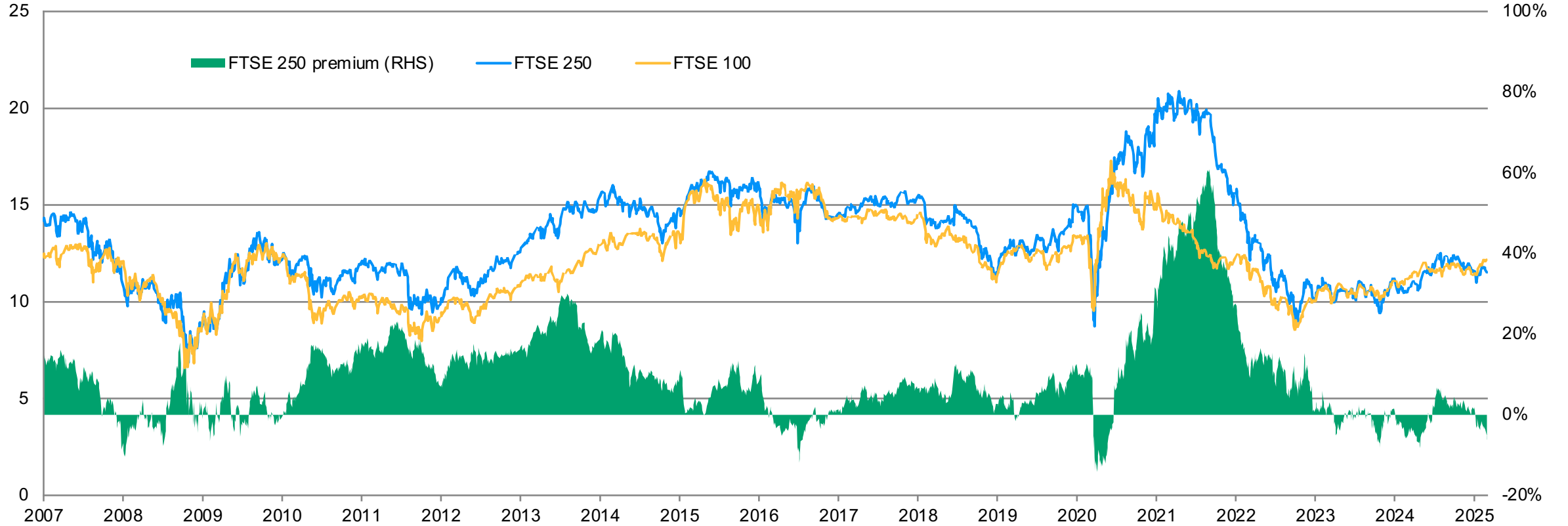
Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31 December 2019 to 31 December 2024. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment.

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# UK mid and small cap rarely as attractively valued versus large caps

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

x, multiple

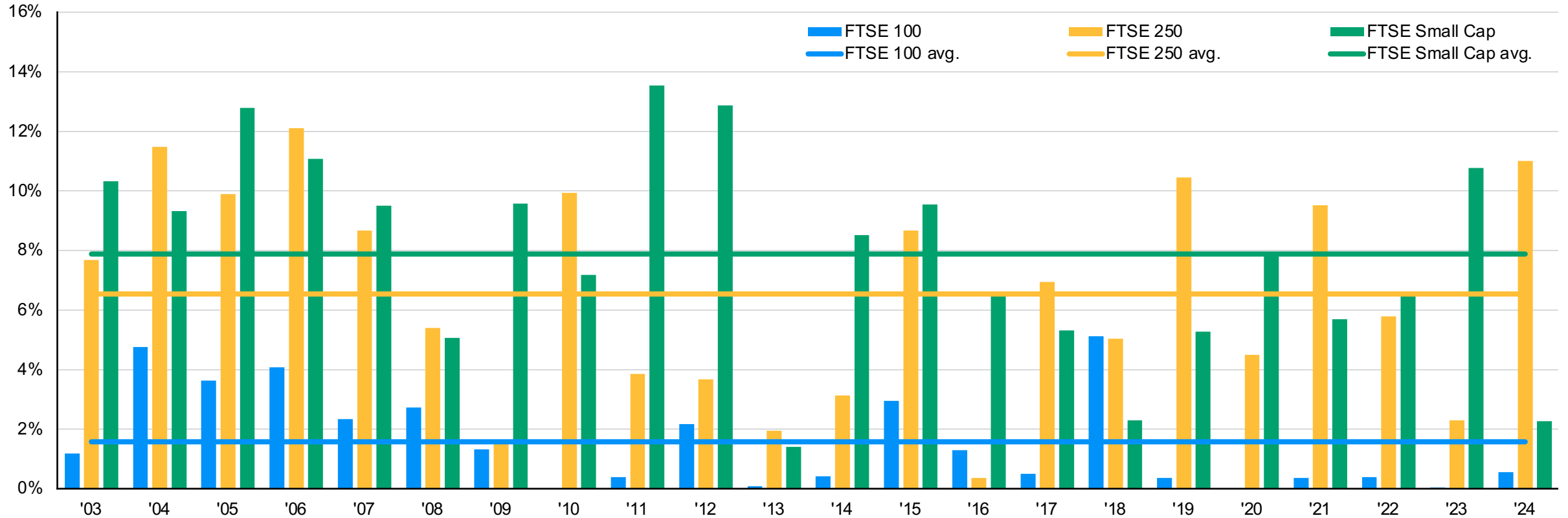


Source: Bloomberg, J.P. Morgan Asset Management. Data from January 2007 to February 2025.

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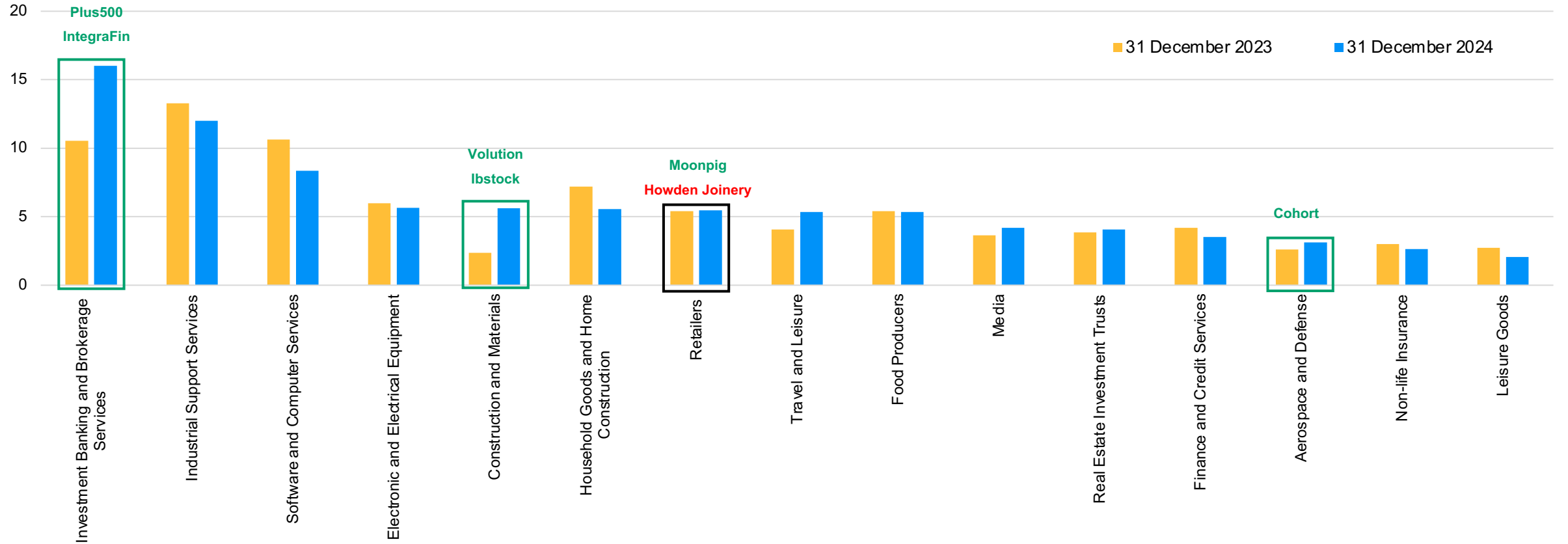
# Level of incoming M&A activity reflects the opportunity

Proportion of index acquired (% of index starting market cap)



Source: Liberum, J.P. Morgan Asset Management. Data is classified by date of announcement. 2024 data includes some deals yet to be completed.

# Sub sector positioning



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 January 2025

Benchmark

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

## Top 10 portfolio positions

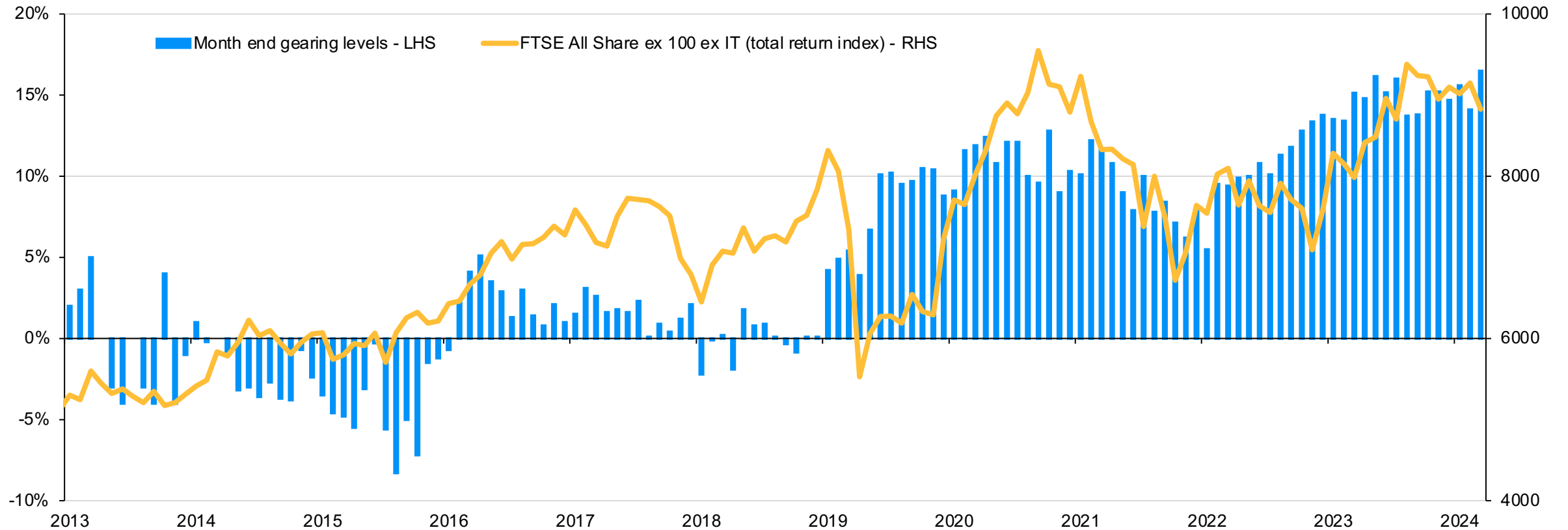
Stock	Sector	Portfolio weight (%)	Benchmark weight (%)
Intermediate Capital Grp	Investment Banking And Brokerage Services	5.2	0.0
Bellway	Household Goods And Home Construction	4.9	1.3
3i Group	Investment Banking And Brokerage Services	4.5	0.0
Cranswick	Food Producers	3.9	1.2
Rotork	Electronic And Electrical Equipment	3.4	1.3
Plus500	Investment Banking And Brokerage Services	3.2	0.8
Softcat	Software And Computer Services	3.2	0.9
4Imprint Group	Media	2.9	0.7
Beazley	Non-Life Insurance	2.6	0.0
Games Workshop Group	Leisure Goods	2.6	0.0
<b>Total</b>		<b>36.4</b>	<b>6.3</b>

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.

# Gearing reflects positive view

The Mercantile Investment Trust plc as of 28 February 2025

## 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.

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# Summary

## Summary

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

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- Uncertain macroeconomic backdrop, yet domestic consumer resilient thus far

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

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

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# Appendix

# Performance

The Mercantile Investment Trust plc  
As of 28 February 2025

## Market Value

The Mercantile Investment Trust plc GBP 2.2bn

## Performance, net of fees (%)

	Y.T.D.	Three months	Six months	One year	Three years p.a.	Five years p.a.	Ten years p.a.
Mercantile NAV (cum income, debt at fair value)	-0.4	-2.2	-4.1	9.8	4.3	4.8	6.9
Mercantile NAV (cum income, debt at par value)	-0.5	-2.6	-4.8	9.6	2.5	3.2	6.1
Mercantile share price	0.0	0.9	-3.4	13.7	5.5	3.5	7.5
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	-2.1	-3.0	-4.5	10.6	2.0	3.8	4.3
<b>Excess return (NAV Cum FV)</b>	<b>+1.8</b>	<b>+0.9</b>	<b>+0.4</b>	<b>-0.8</b>	<b>+2.2</b>	<b>+1.0</b>	<b>+2.5</b>
<b>Excess return (NAV Cum Par)</b>	<b>+1.6</b>	<b>+0.4</b>	<b>-0.4</b>	<b>-0.9</b>	<b>+0.4</b>	<b>-0.6</b>	<b>+1.8</b>

## Calendar year performance, net of fees (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Mercantile NAV (cum income, debt at fair value)	-1.1	23.1	-3.2	29.9	-15.7	40.4	-5.2	24.7	-22.6	12.6	10.8
Mercantile NAV (cum income, debt at par value)	1.2	22.2	-1.7	29.0	-15.1	38.9	-4.7	22.6	-26.6	13.1	9.7
Mercantile share price	-4.2	30.0	-3.7	30.2	-17.1	53.9	-2.3	11.3	-25.9	19.8	11.1
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	2.2	12.2	5.9	17.9	-15.0	28.9	-7.3	19.8	-18.3	10.1	8.9
<b>Excess return (NAV Cum FV)</b>	<b>-3.2</b>	<b>+9.8</b>	<b>-8.6</b>	<b>+10.2</b>	<b>-0.9</b>	<b>+8.8</b>	<b>+2.3</b>	<b>+4.1</b>	<b>-5.2</b>	<b>+2.3</b>	<b>+1.7</b>
<b>Excess return (NAV Cum Par)</b>	<b>-1.0</b>	<b>+9.0</b>	<b>-7.2</b>	<b>+9.4</b>	<b>-0.2</b>	<b>+7.7</b>	<b>+2.8</b>	<b>+2.4</b>	<b>-10.1</b>	<b>+2.8</b>	<b>+0.7</b>

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.

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

# Investment objective and risk profile

The Mercantile Investment Trust plc (the Company) as of 31 December 2024

## INVESTMENT OBJECTIVE

The Company aims to achieve long-term 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. Gearing may magnify gains or losses experienced by the Company.

## 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](http://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.

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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Investment is subject to documentation. The Annual Reports and Financial Statements, AIFMD art. 23 Investor Disclosure Document and PRIIPs Key Information Document can be obtained in English from JPMorgan Funds Limited or at [www.jpnam.co.uk/investmenttrust](http://www.jpnam.co.uk/investmenttrust).

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