
The Mercantile Investment Trust plc

AGM

Discovering tomorrow's market leaders
25th May 2016

Agenda

Overview of fund strategy

Review of the year

Positioning and outlook

The Mercantile Investment Trust plc

<h2>Investment Objective</h2>	<ul style="list-style-type: none"> • Long term capital growth from a portfolio of UK mid and small cap companies • Benchmarked against the FTSE All-Share ex. FTSE 100 and Investment Trusts
<h2>Key Features</h2>	<ul style="list-style-type: none"> • Ongoing charges¹ 0.48% • Gearing range² -10% to +20% • Active discount management to reduce volatility of share price
<h2>Dividend</h2>	<ul style="list-style-type: none"> • Dividend paid quarterly • 43p equivalent to a 2.6% net yield (in year to Jan'16)

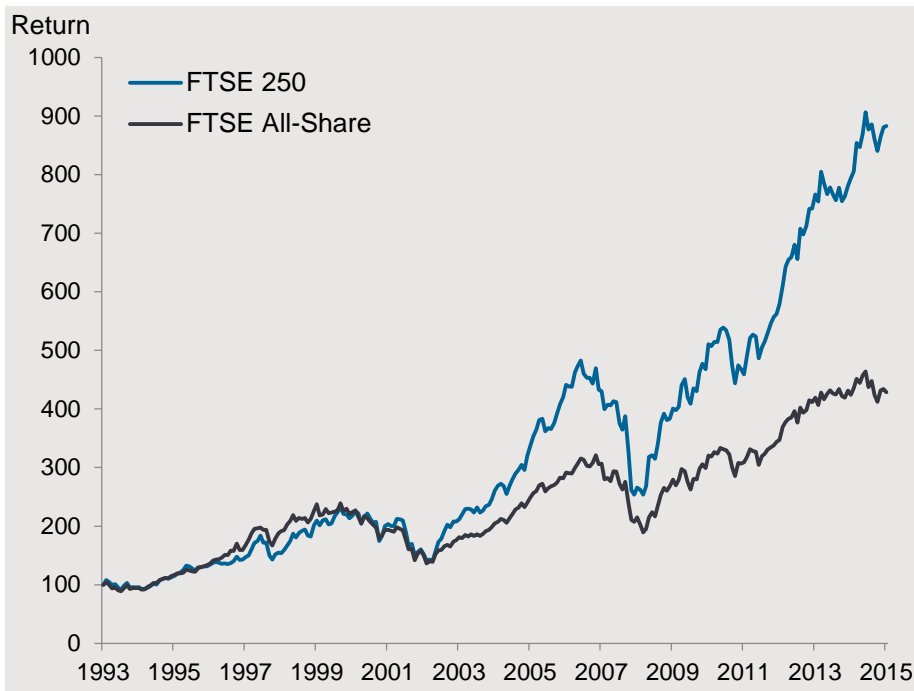
¹ Fiscal year to 31st January 2016

² Gearing facilities consist of £175m 6.125% debenture repayable 2030 and £3.85m 4.25% perpetual debenture. Investment trusts may borrow to finance further investment (gearing). The use of gearing will increase the volatility of movements in the Net Asset Value (NAV) per share. This means that a relatively small change, down or up, in the value of a trust's assets will result in a magnified fall or rise, in the same direction, of the investment trust's NAV per share.

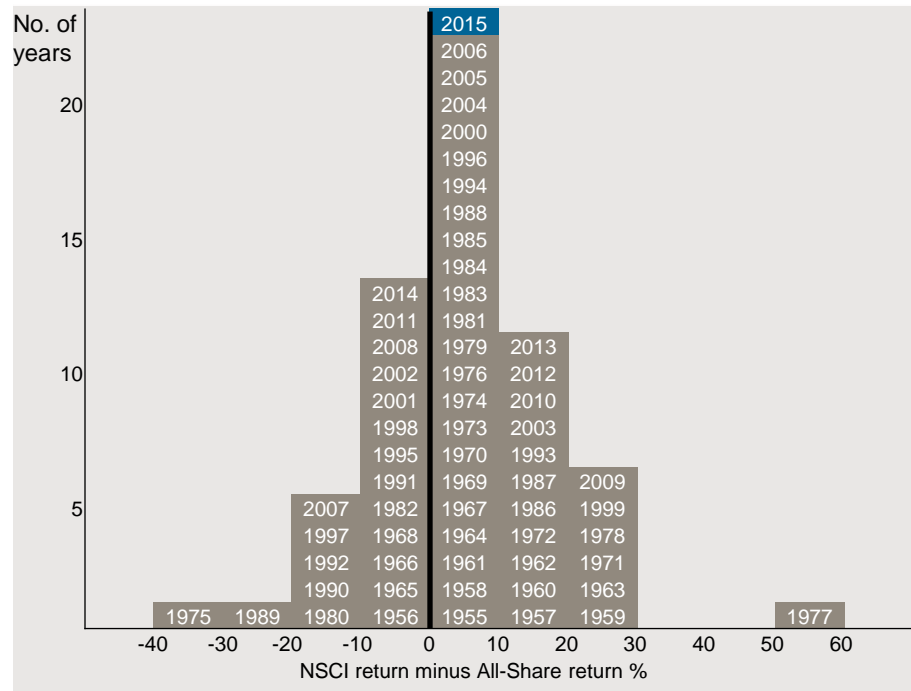
Source: J.P. Morgan Asset Management. Dividend yield as at 17th May 2016. The Investment Manager seeks to achieve the stated targets/objectives. There can be no guarantee the objectives/targets will be met. Past performance is not an indication of future performance. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice.

UK mid and small caps have outperformed large caps over the long term

Cumulative return with dividends reinvested



Distribution of annual relative returns



Source (LHS): J.P. Morgan Asset Management, Thomson Reuters Datastream. To 31st December 2015. Rebased to 100 as at 31st December 1993.

Indices include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment.

Source (RHS) Source: *Numis Smaller Companies Index 2016 Annual Review* – Numis/ Paul Marsh and Elroy Dimson London Business School. Total return index, Log scale. NSCI = Numis Smaller Companies Index. The NSCI covers the bottom ten percent of the UK equity market. Data to 31st December 2015, study published 14th January 2016. Past performance is not an indication of future performance.

Drivers for for long term outperformance of small/mid caps

Medium & small sized companies

Typically higher growth and often in an earlier stage of their lifecycle

Often attractive M&A targets

Larger companies

Often more mature, lower growth businesses

More likely to be buyer than seller in M&A

Disruptive growth challenges slow incumbents



Mid & small sized companies have outperformed the FTSE All Share in 2/3 of years since 1955

Source: *Numis Smaller Companies Index 2015 Annual Review* – Numis/ Paul Marsh and Elroy Dimson London Business School. Data to 31st December 2015, study published 14th January 2016. The opinions and views expressed here are those held by the author at the date of publication which are subject to change and are not to be taken as or construed as investment advice. The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The use of the above company logos is in no way an endorsement for JPMAM investment management services.

We operate a clear and consistent investment philosophy

Looking for stocks with one or more of the following characteristics

Characteristic Sought

- Attractively valued assets
- Sustainable competitive advantages operating in attractive end markets
- Companies undergoing periods of positive change

Commonalities

- Appropriately funded businesses
- Run by strong management teams
- Focused on shareholder value

Balancing expectations versus outcome



Source: J.P. Morgan Asset Management. As at 30th April 2016.

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Net asset value and share price performance

The Mercantile Investment Trust plc – to 31st January 2016

Contributions to total returns 12 months to 31st January 2016		%
Benchmark total return		4.7
Stock/ sector selection		8.6
Gearing/ cash		0.4
Cost of debentures		-0.6
Fees & expenses		-0.5
Share repurchases		0.3
Return on net assets		12.9
Decrease in discount		5.7
Return to shareholders		18.6

Source: Xamin, Morningstar, AIC, DataStream, J.P. Morgan Asset Management. 12 months to 31st January 2016

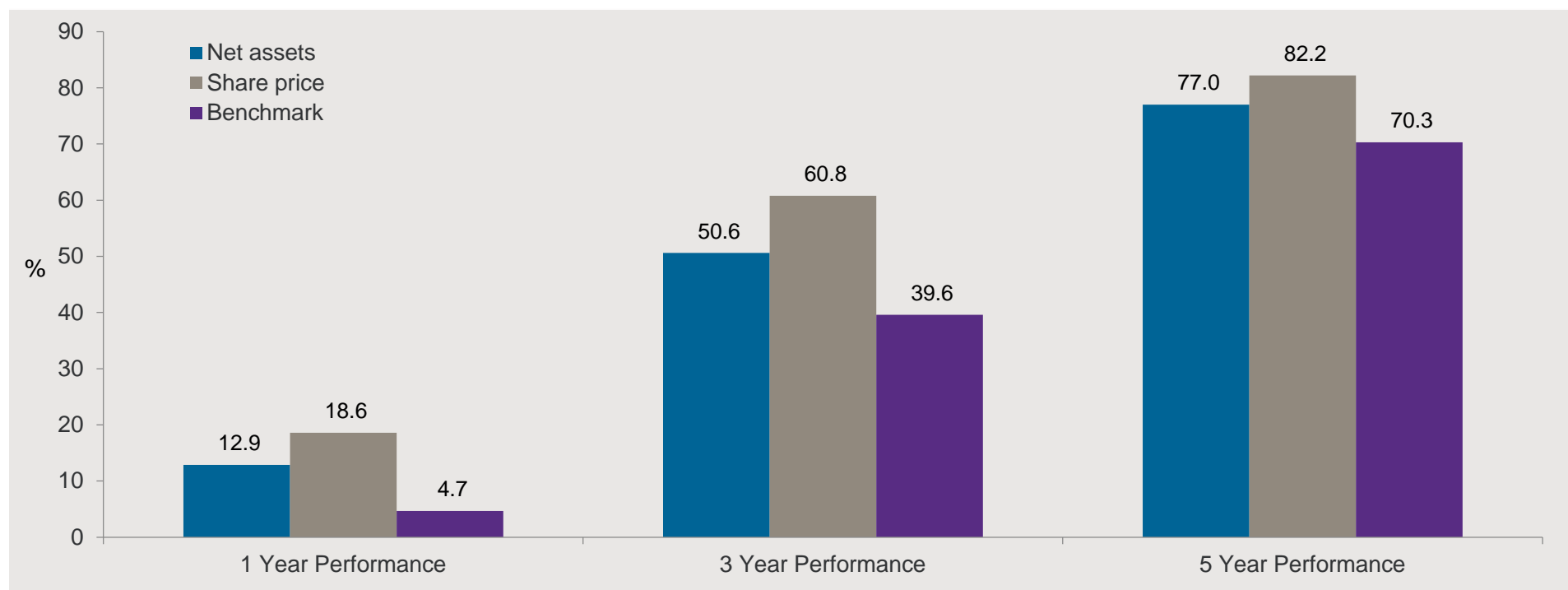
Total return, debt at par value, net of fees, income reinvested. Benchmark is FTSE All-Share Index excluding FTSE-100 and Investment Trusts

Past performance is not an indication of future performance

Long term performance

The Mercantile Investment Trust plc – to 31st January 2016

Long term performance

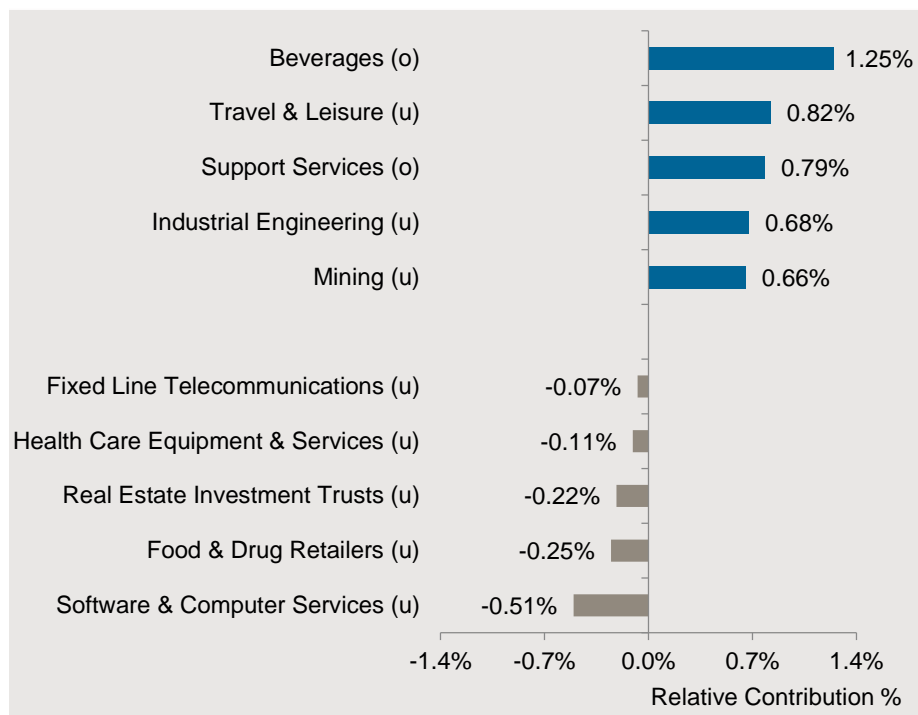


Source: J.P. Morgan Asset Management, Morningstar, Russell/Mellon CAPS. GBP. Net assets value per share, cum income, with debt at par value. Benchmark indices do not include fees or operating expenses and are not available for actual investment. Past performance is not a guide to the future

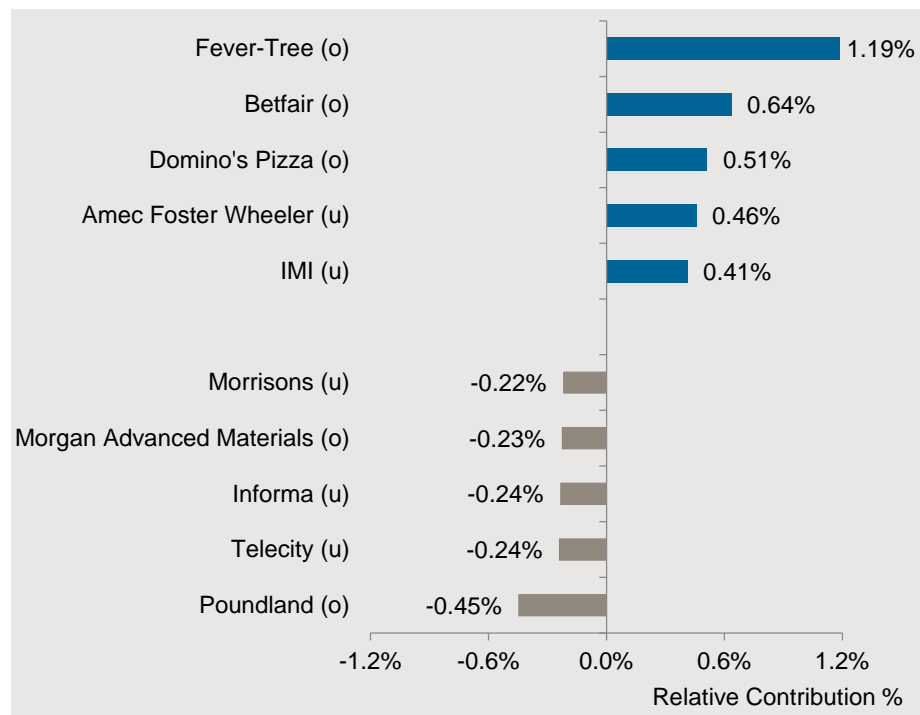
Largest contributors to performance

The Mercantile Investment Trust plc – 1 year to 31st January 2016

Sector level attribution



Stock level attribution



Source: B-one, J.P. Morgan Asset Management

(o) denotes overweight, (u) denotes underweight; period average

Past performance is not an indication of future performance. Attributions may not match official returns due to differences in systems rounding

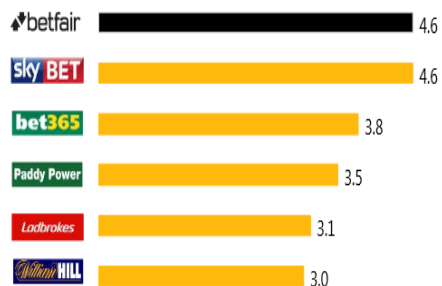
Stock example – Betfair

Differentiated product resulting in market share gains in a growing market

Investment case

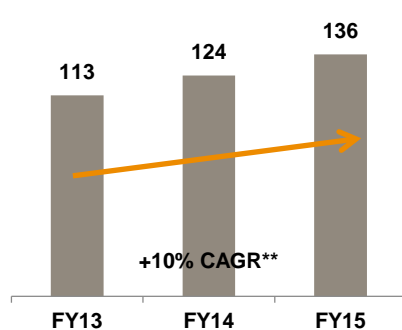


Sportsbook app rating vs. competitors

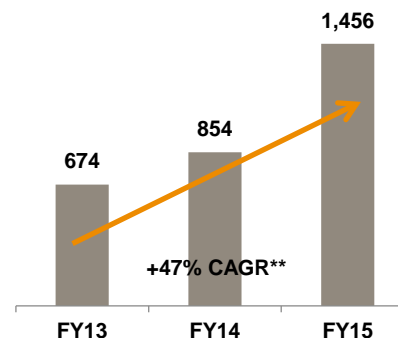


Source: AppAnnie.com 02/05/2015

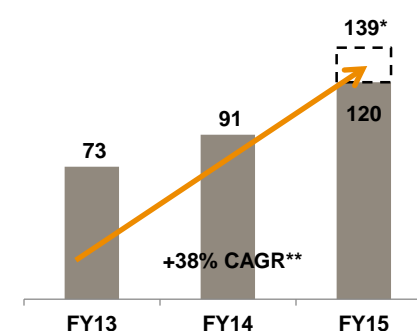
Sales & marketing (£m)



Active customers ('000's)



EBITDA* (£m)



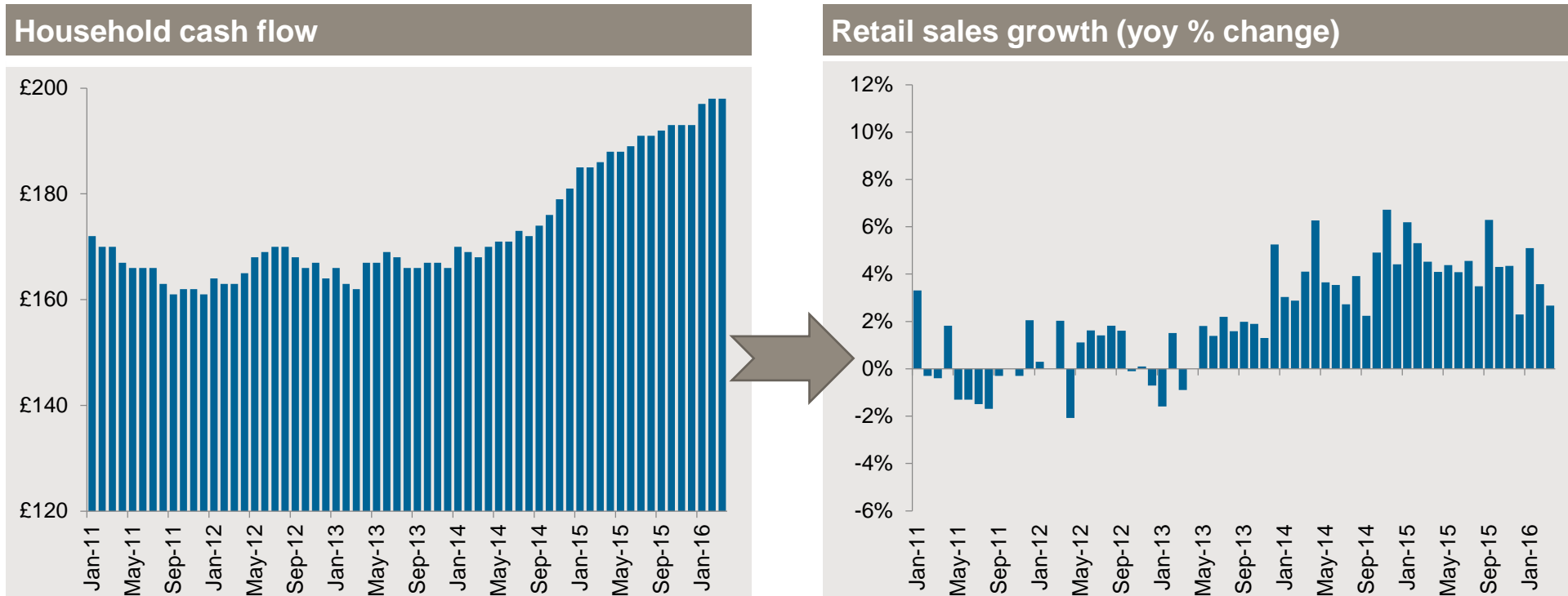
*excluding impact of UK POC tax

Source: Betfair. As at 30th April 2016. * Earnings before interest, taxes, depreciation and amortization. ** Compound annual growth rate.

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UK cyclical indicators are positive for consumers

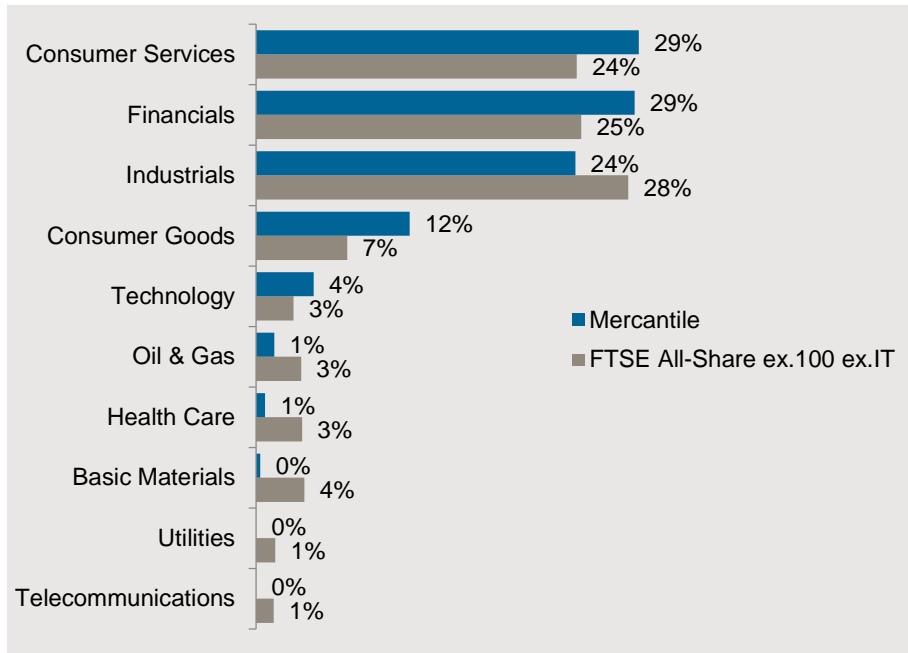
Rising wages and employment combined with falling inflation lifting household spending power



Source: Left – ASDA & Centre for Economics and Business Research (CEBR); Right – Office for National Statistics (ONS). The ASDA income tracker for average family spending power is constructed by taking household income & subtracting taxes & non-discretionary living costs (e.g. utilities, transport, clothing, housing)
As at 30th April 2016

Sector and geographic weighting reflect our views

Sector exposure

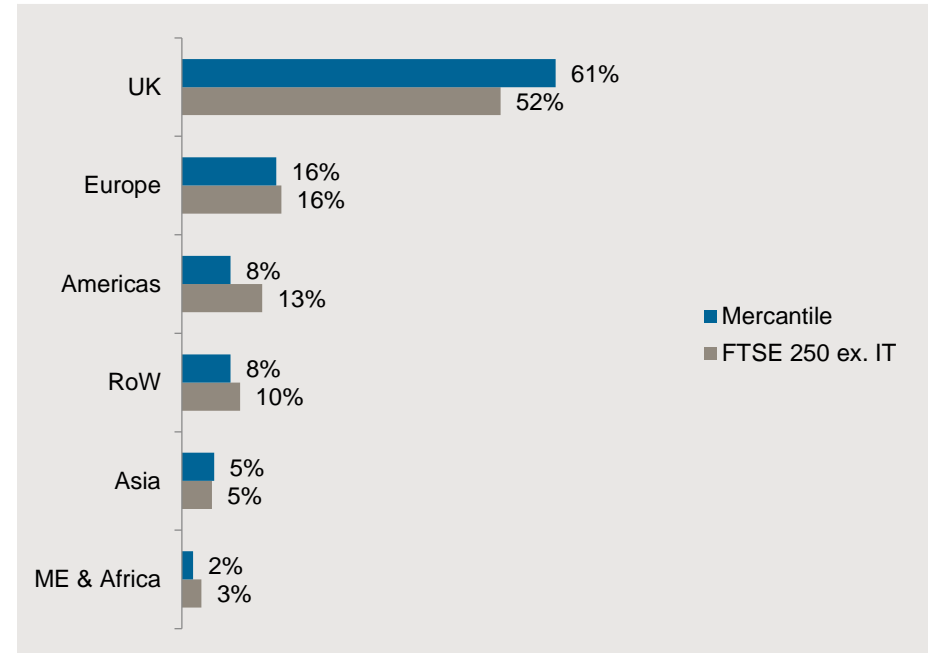


Overweight consumer, underweight resources

Source: (Left) J.P. Morgan Asset Management, Factset; (Right) Company reports, Bloomberg, J.P. Morgan Asset Management. Revenue mix by geography, RoW = Rest of World, ME = Middle East As at 31st January 2016

The Fund is an actively managed portfolio; holdings, sector weights, allocations and leverage, are subject to change at the discretion of the Investment Manager without notice

Geographic exposure



Overweight domestic, underweight international

Outlook

- Low, but positive, global growth expectations
- Loose global monetary policy continues to be supportive
- EU referendum has become a primary focus for investors into UK markets
- UK mid and small caps offer good relative value

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Summary

- Experienced and stable team with a consistent and disciplined investment approach
- Gearing flexibility facilitates changes in overall exposure to market movements
- Mid & small cap companies set to continue to deliver superior returns over the long term

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J.P. Morgan Asset Management

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