
The Mercantile Investment Trust plc Annual General Meeting

Discovering tomorrow's market leaders

24th May 2017

Guy Anderson, Portfolio Manager, The Mercantile Investment Trust

Agenda

Overview of fund strategy

Performance review

Outlook and positioning

Appendix

The Mercantile Investment Trust plc

A Diversified Portfolio of UK Mid and Small Cap Companies

<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% (management fee reducing by 5bps by February 2018) • Gearing range² of -10% to +20% • Dividend of 46p equivalent to a 2.6% net yield³ (+7% vs FY16) • Active discount management
<h2>Investment Approach</h2>	<ul style="list-style-type: none"> • Four person dedicated investment team • Fundamental analysis • Consistent investment philosophy

¹ Fiscal year to 31st January 2017

² Gearing facilities consist of £175m 6.125% debenture repayable 2030 and £3.85m 4.25% perpetual debenture

³ Quarterly dividend payments over twelve months to Jan 2017, yield based on share price 31st Jan 2017

Source: J.P. Morgan Asset Management. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. Yield is not guaranteed and may change over time.

Experienced and stable investment team



Guy Anderson, Portfolio Manager

Lead manager

Industry Experience: 15 years



Martin Hudson, Portfolio Manager

Co-manager

Industry Experience: 41 years



Anthony Lynch, Portfolio Manager

Co-manager

Industry Experience: 8 years



Timothy Lewis, Investment Analyst

Industry Experience: 5 years

Rigorously identifying investments with specific characteristics

Attractively valued

Good fundamentals

Positive outlook

As of 30th April 2017. There can be no assurance that the professionals currently employed by J.P. Morgan Asset Management will continue to be employed by J.P. Morgan Asset Management or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

DS Smith

European packaging consolidator benefitting from e-commerce growth

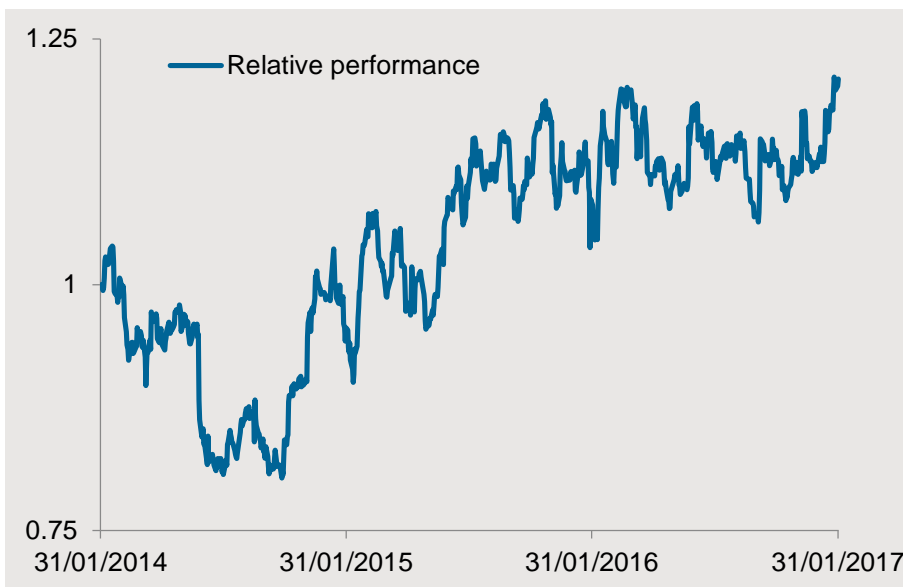
Investment case

Strong market position with exposure to attractive FMCG packaging market

Market consolidator in a fragmented market

Attractively valued even ex. acquisition opportunities

Total return vs. benchmark



Market consolidator with strong synergies record

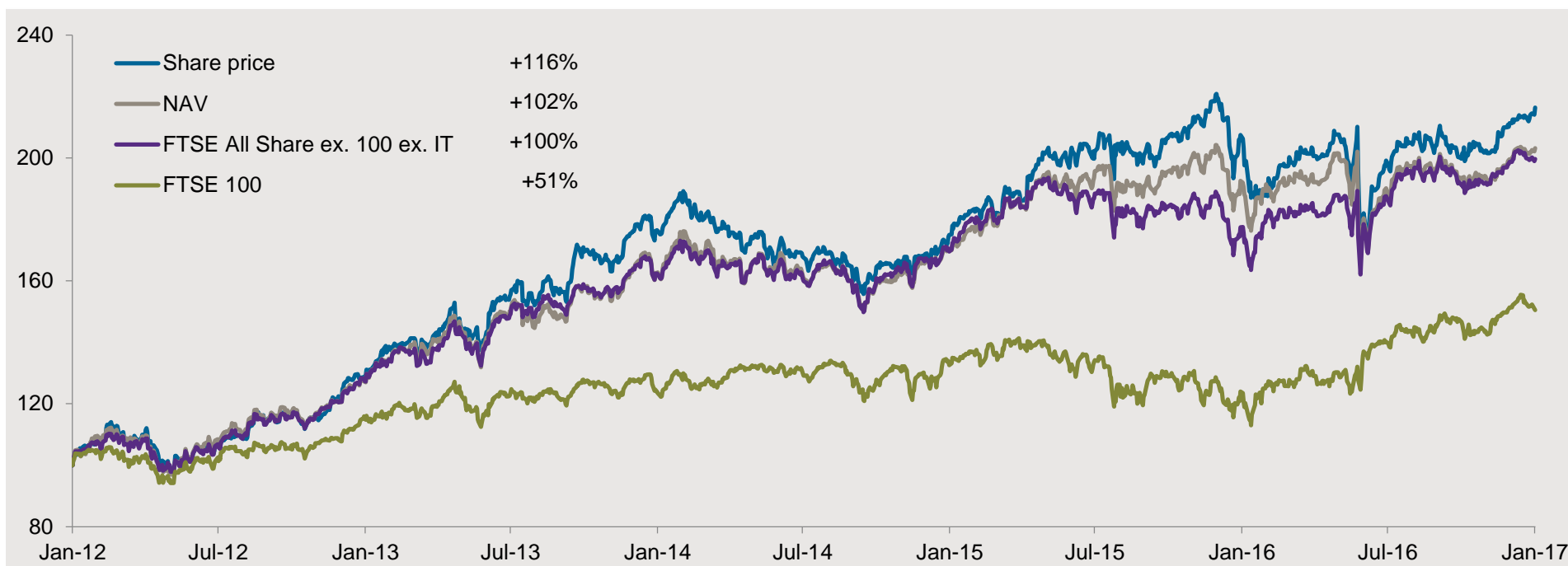
Source: DS Smith, Bloomberg. As at 31st January 2017. Benchmark = FTSE All-Share ex.100 ex. IT. FMCG = fast moving consumer goods.

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Five year performance

The Mercantile Investment Trust plc – 31st January 2012 to 31st January 2017

Cumulative returns



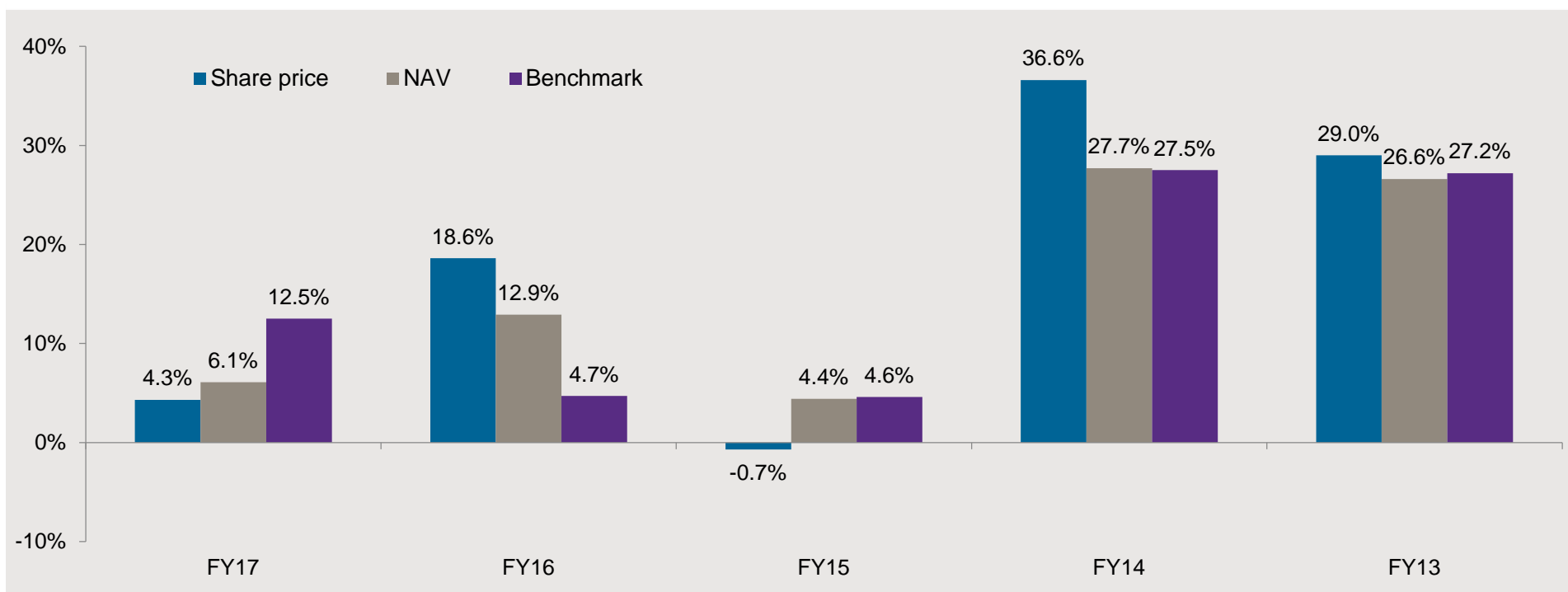
Source: Thomson Reuters Datastream; Morningstar. Rebased to 100 as at 31st January 2012.

Past performance is not a guide to the future. 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. © 2016 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Financial year performance

The Mercantile Investment Trust plc

Absolute returns

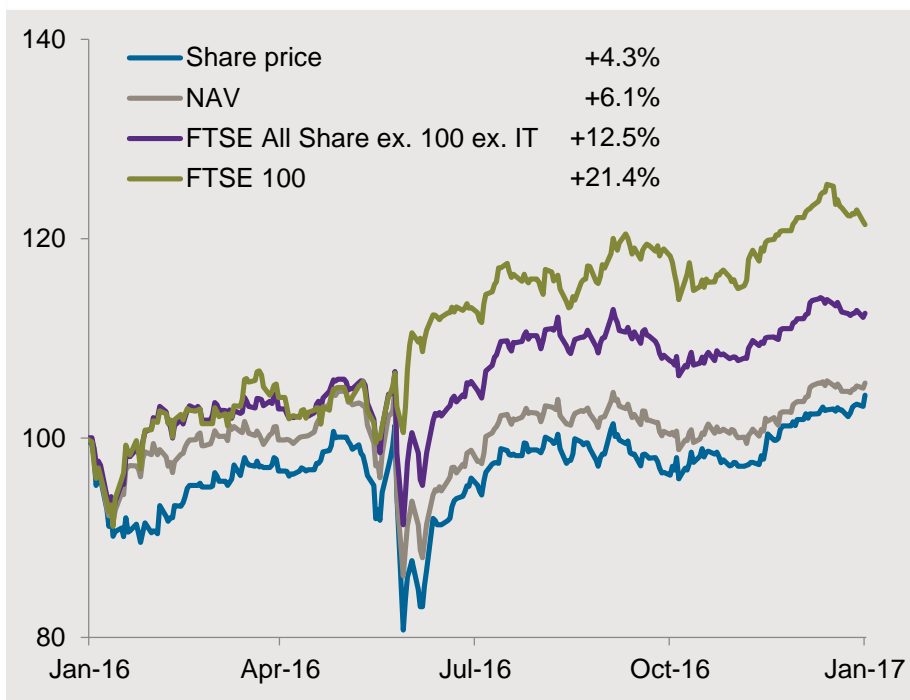


Source: J.P. Morgan Asset Management. GBP. FY = Financial year (to 31st January). Benchmark = FTSE All-Share ex.100 ex. Investment Trusts

Past performance is not a guide to the future. Source: J.P. Morgan/Morningstar. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment.

One year performance

Total returns



Contributions to total returns 12 months to 31st January 2017

	%
Benchmark total return	12.5
Stock/ sector selection	-4.7
Gearing/ cash	-1.4
Cost of debentures	-0.6
Fees & expenses	-0.5
Share repurchases	0.8
Return on net assets	6.1
Increase in discount	-1.8
Return to shareholders	4.3

Source: (LHS) J.P. Morgan Asset Management. Thomson Reuters Datastream.. Rebased to 100 at 31st January 2016

(RHS) Xamin, Morningstar, AIC, DataStream, J.P. Morgan Asset Management. 12 months to 31st January 2017

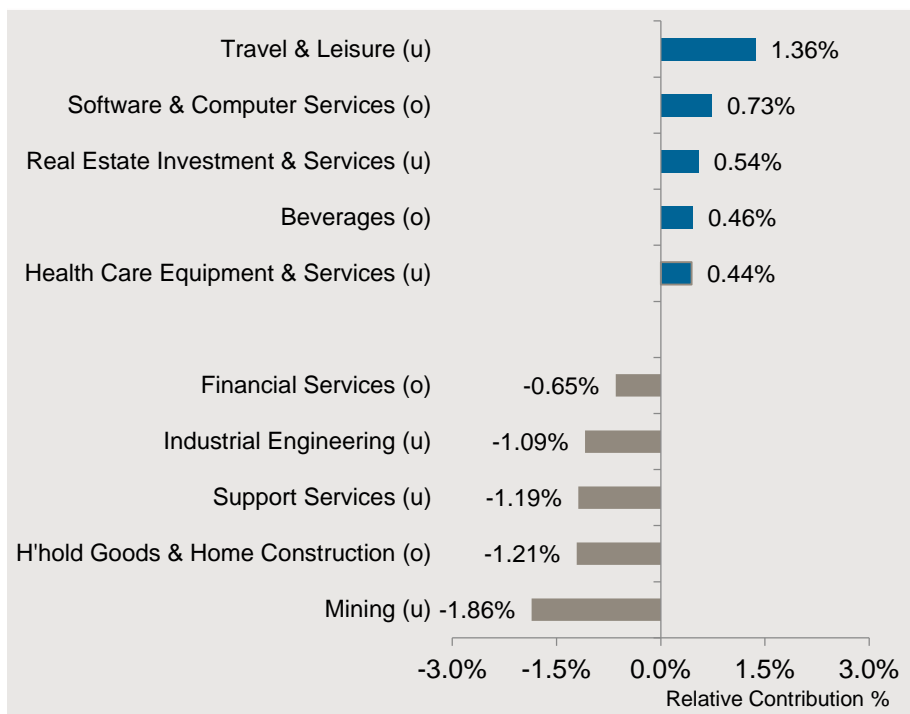
Total return, debt at par value, net of fees, income reinvested. Benchmark is FTSE All-Share Index excluding FTSE-100 and Investment Trusts

Past performance is not an indication of future performance

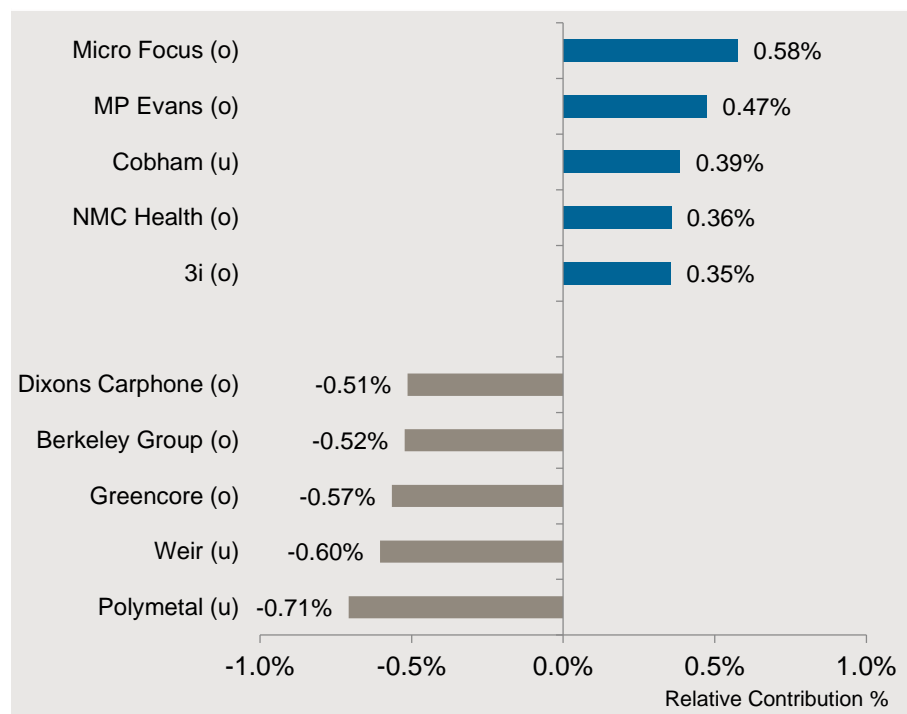
Largest contributors to performance

The Mercantile Investment Trust plc – 31st January 2016 to 31st January 2017

Sector level attribution



Stock level attribution



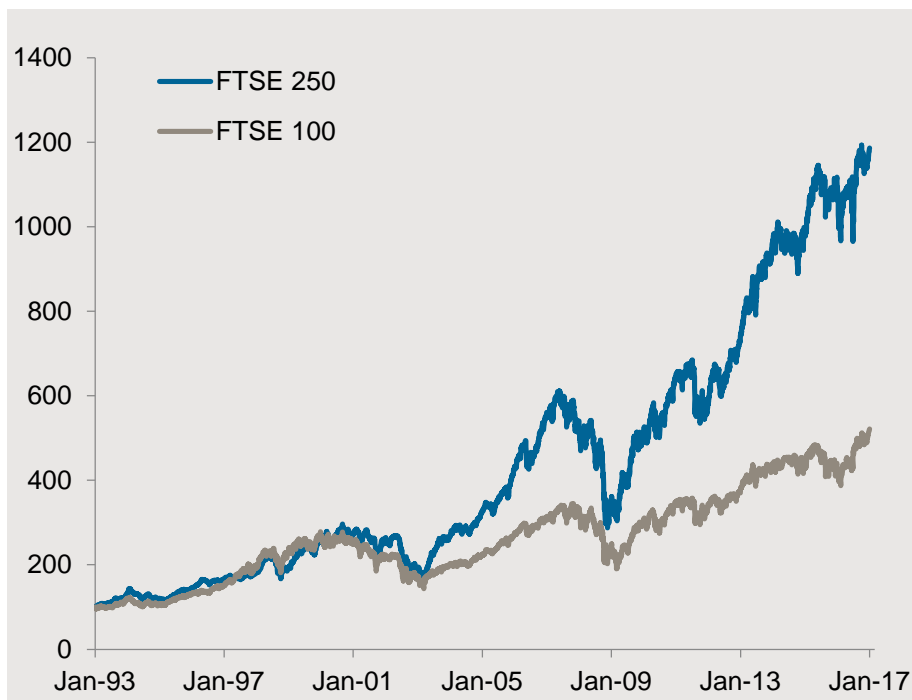
Source: B-one, J.P. Morgan Asset Management; (o) denotes overweight, (u) denotes underweight; period average

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

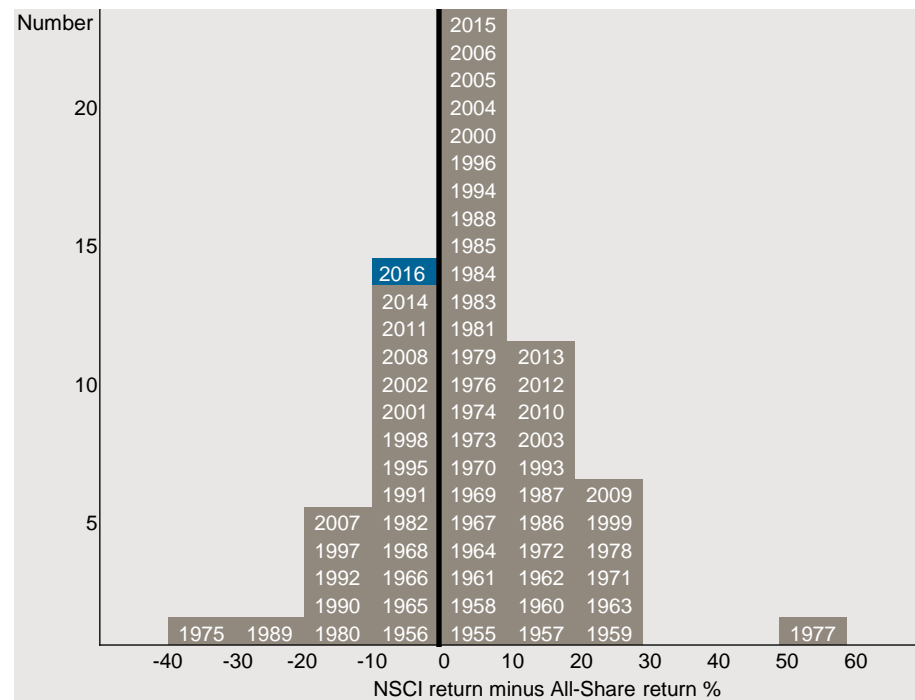
The Fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

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

Cumulative return with dividends reinvested



Distribution of annual relative returns

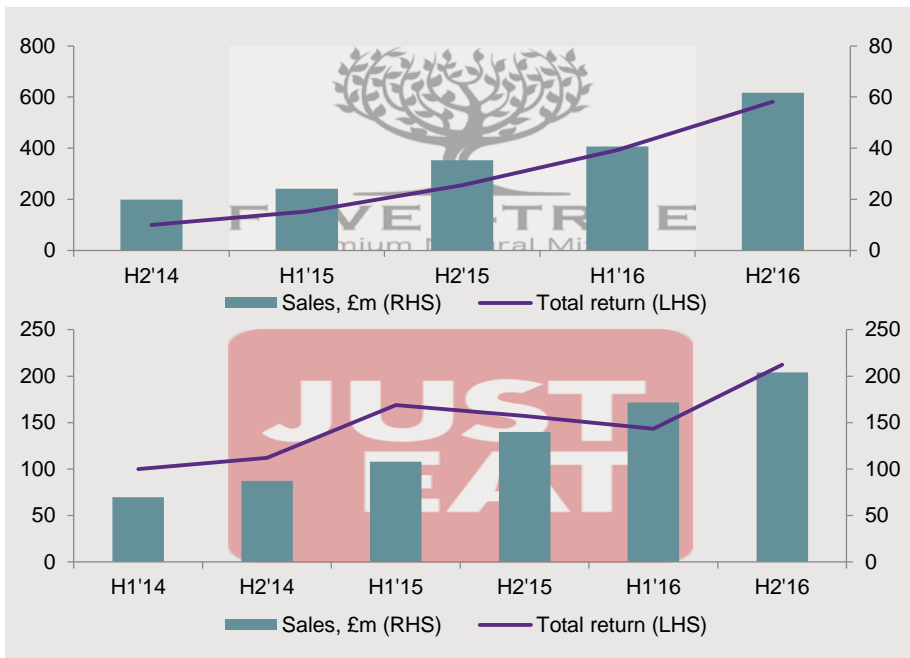


Source (LHS): J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31st January 1993 to 31st January 2017. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment. Past performance is not an indication of future performance.

Source (RHS) Source: Numis Smaller Companies Index 2017 Annual Review – Numis/ Elroy Dimson, Scott Evans and Paul Marsh – 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 2016, study published 16th January 2017. Past performance is not an indication of future performance.

Structural reasons for long term outperformance

Early stage of lifecycle



Disruptive growth challenges incumbents

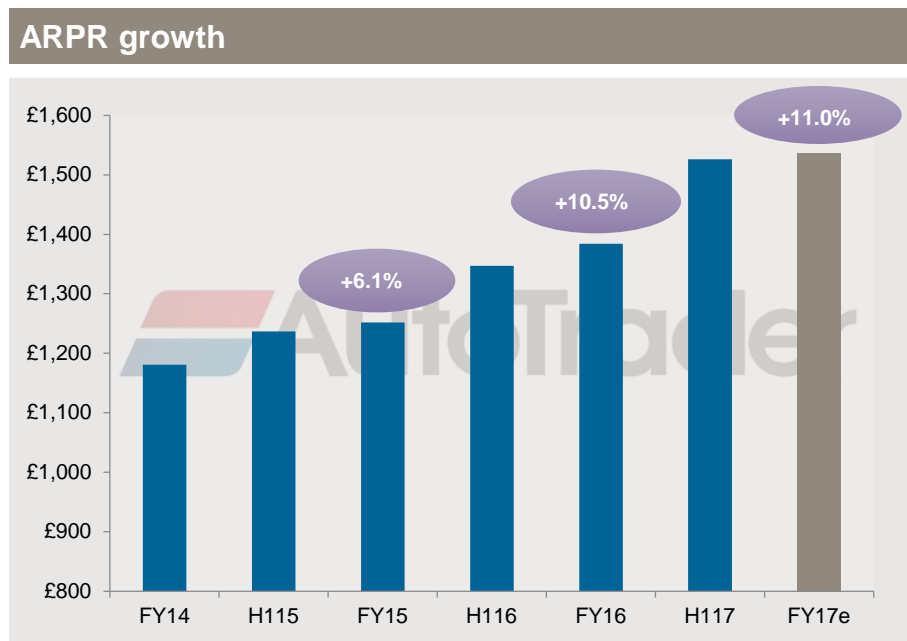
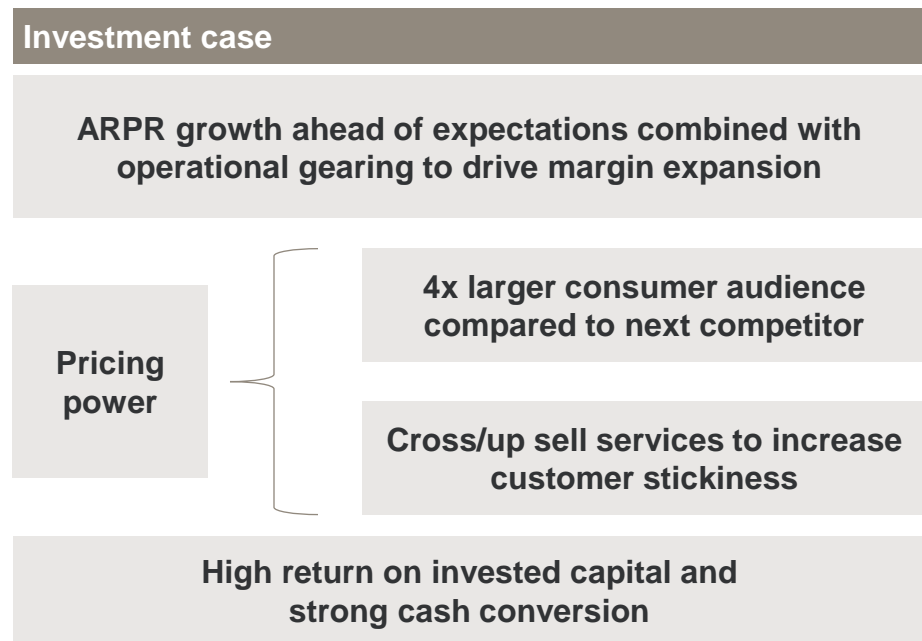


Source: DataStream, Bloomberg, as at 30th April 2017

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Auto Trader

Market leader in auto classifieds, 100% digital



A leading internet platform in a winner-takes-all market

Source: Auto Trader, consensus estimates. As at 31st January 2017. ARPR = Average Revenue per Retailer
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Potential for increased M&A activity

Long term attractions of UK small/ mid

Open markets

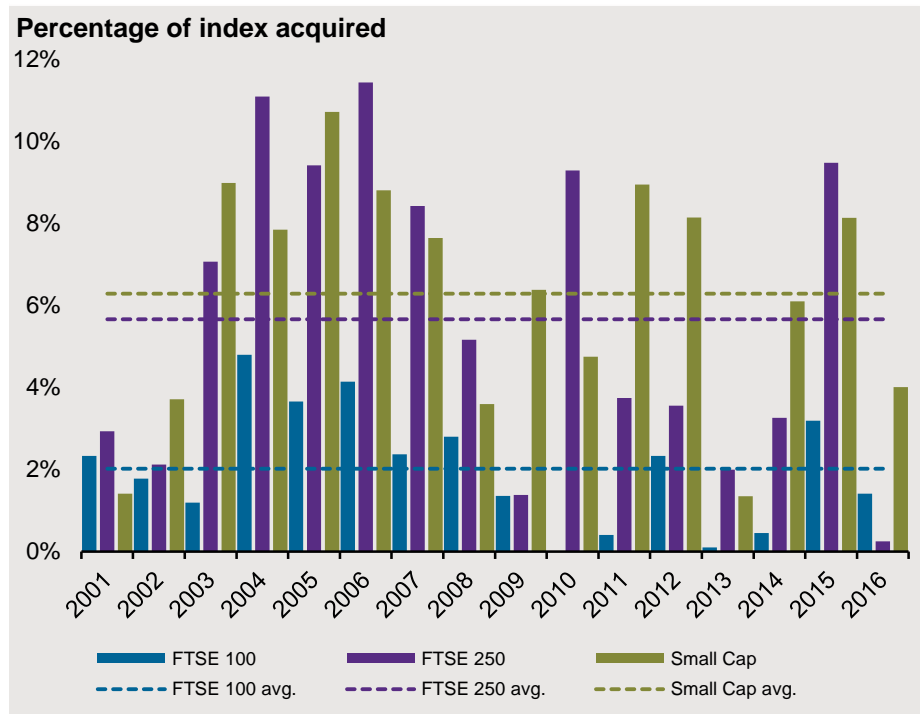
Manageable size

Catalysts for an increase in M&A now

Weak GBP

Low interest rates

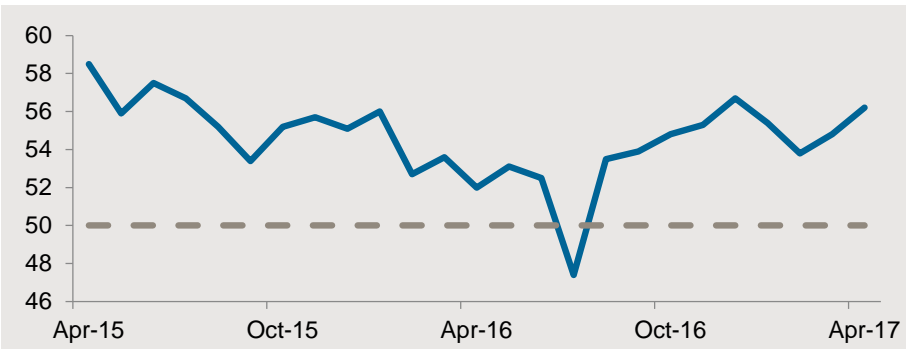
Attractive M&A targets



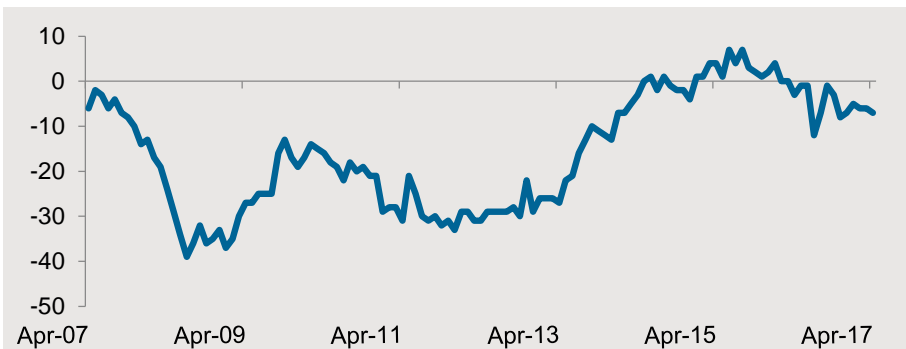
Source: (RHS) Liberum, Bloomberg, as at 30th April 2017

UK economy – current market indicators

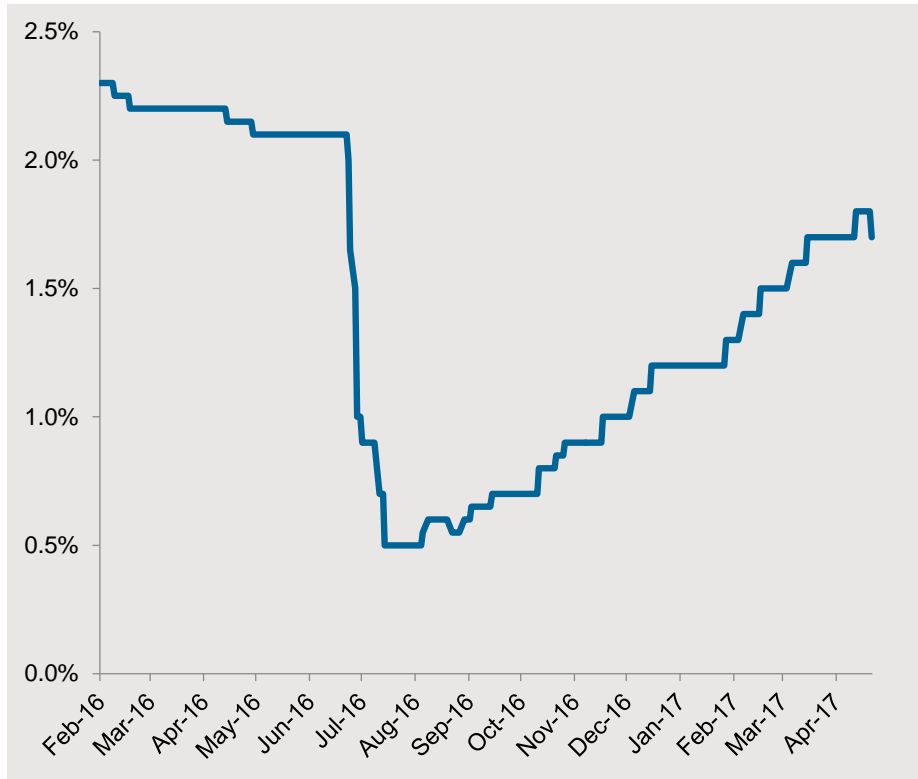
UK Composite PMI – two years



UK Consumer Confidence – ten years



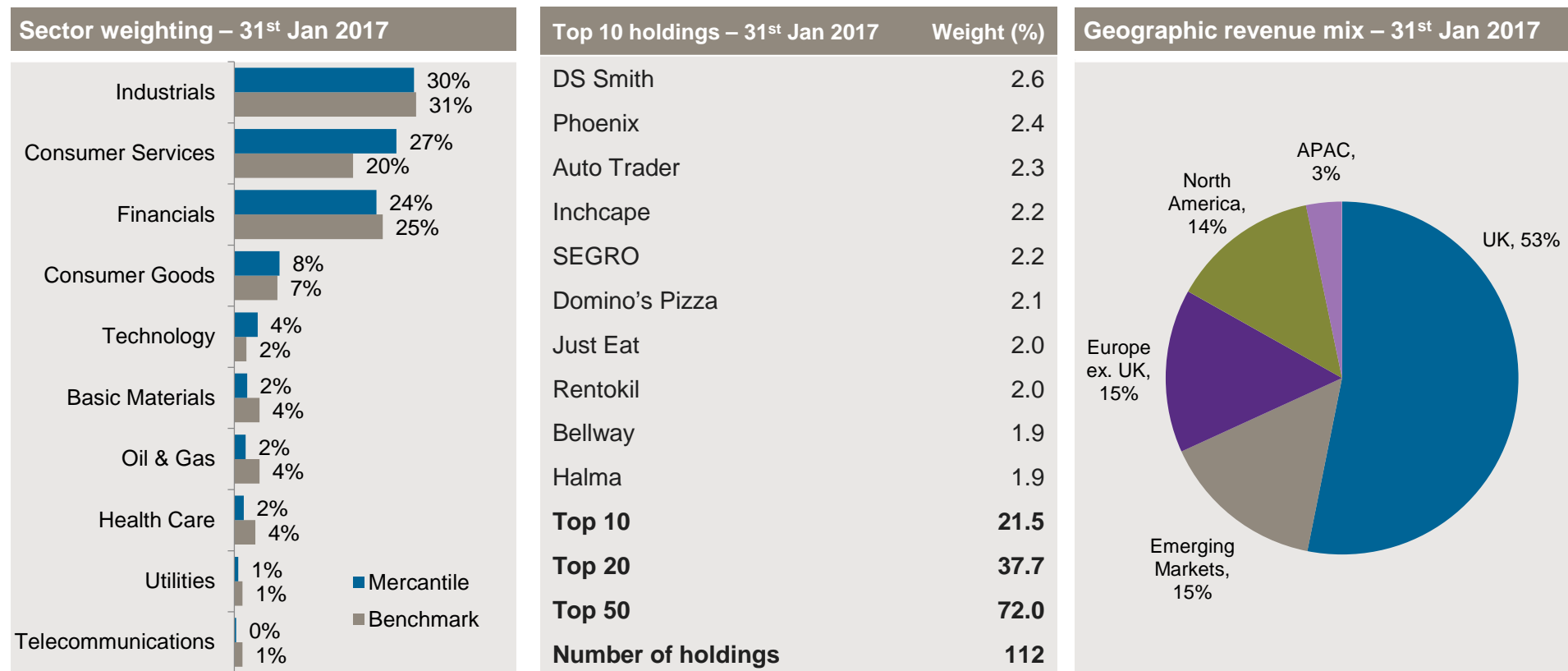
Consensus 2017 UK GDP forecast



Source (LHS): Markit/CIPS UK Composite PMI, GfK UK Consumer Confidence, Bloomberg; (RHS) Bloomberg consensus. As at 30th April 2017. PMI = Purchasing Managers' Index

Portfolio positioning

31st January 2017



Source: (Left) J.P. Morgan Asset Management, Factset; portfolio weightings calculated as % of invested capital; (Middle) J.P. Morgan Asset Management, calculated as % of invested capital; (Right) Factset, Company reports; Revenue mix by geography, APAC = Asia-Pacific. Portfolio weightings calculated as % of invested capital.

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

Summary

- Economic indicators expansionary
- Signs of increasing inflation
- Political uncertainty
- Healthy and growing dividend income

Source: Bloomberg, J.P. Morgan Asset Management

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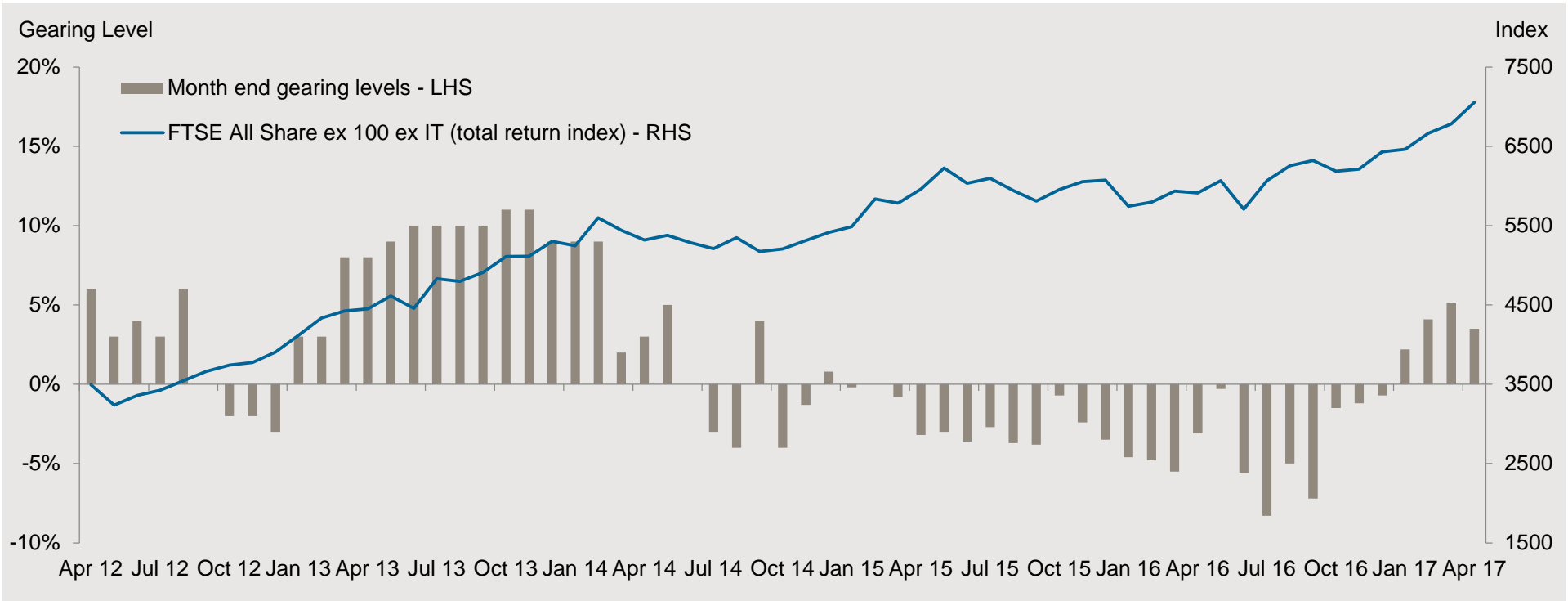


Appendix



Gearing

5 years' historic gearing levels vs. benchmark



Source: DataStream, J.P. Morgan Asset Management
As at 30th April 2017 (weightings exclude cash/cash equivalents)

Investment objective and specific risks

The Mercantile Investment Trust plc

■ Investment objective

- Long term capital growth from a portfolio of UK medium and smaller companies

■ Specific risks

- Investments in smaller companies may involve a higher degree of risk as price movements can be more volatile than in larger companies
- This trust operates a gearing range of between 20% geared and 10% cash, as such market movements in either direction may be exaggerated/lessened
- External factors may cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time
- The share price may trade at a discount to the Net Asset Value of the The Company
- The single market in which the Trust primarily invests, in this case the The UK, may be subject to particular political and economic risks and, as a result, the trust may be more volatile than more broadly diversified trusts
- 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

Source: J.P. Morgan Asset Management as of 30th April 2017

The Mercantile Investment Trust plc

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