



The Mercantile Investment Trust plc

The home of tomorrow's UK market leaders

Annual General Meeting – 17th May 2022

Guy Anderson, Portfolio Manager

Image source: J.P.Morgan.

J.P.Morgan
Asset Management

Agenda

The case for UK mid & small caps

Portfolio strategy

Performance review

Outlook and positioning

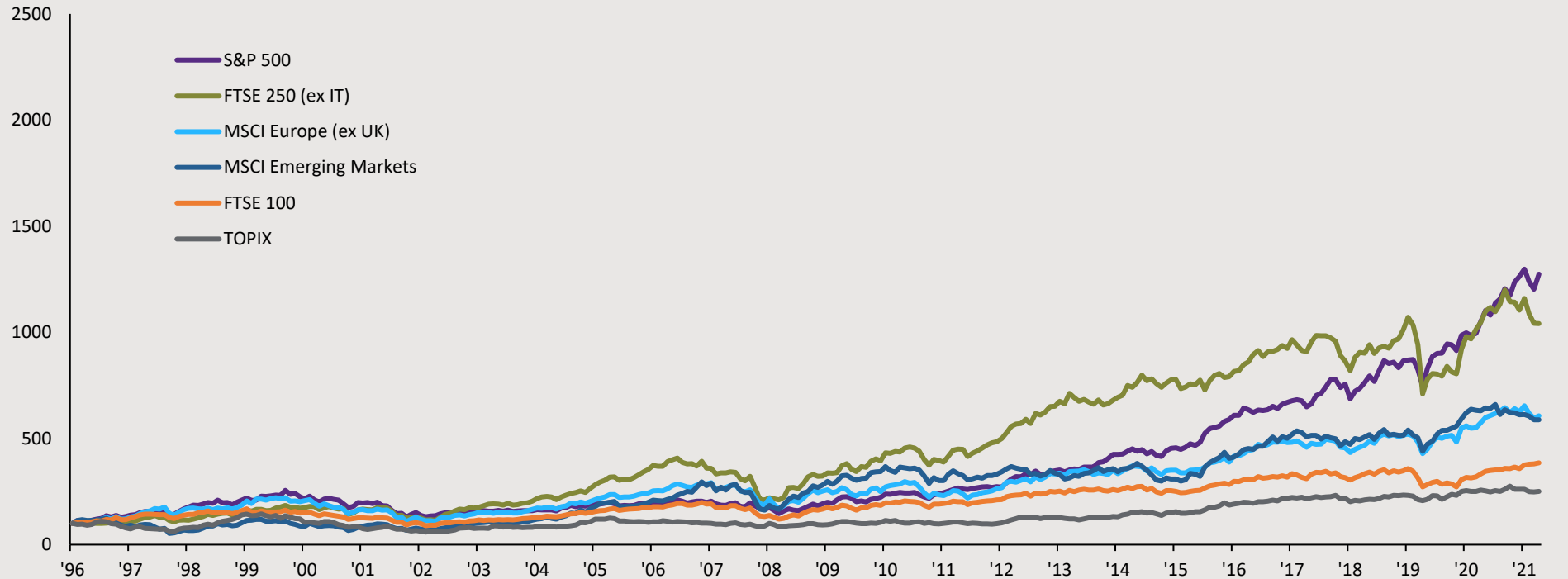


The case for UK mid and small caps



Long term outperformance of UK mid and small caps

Cumulative returns



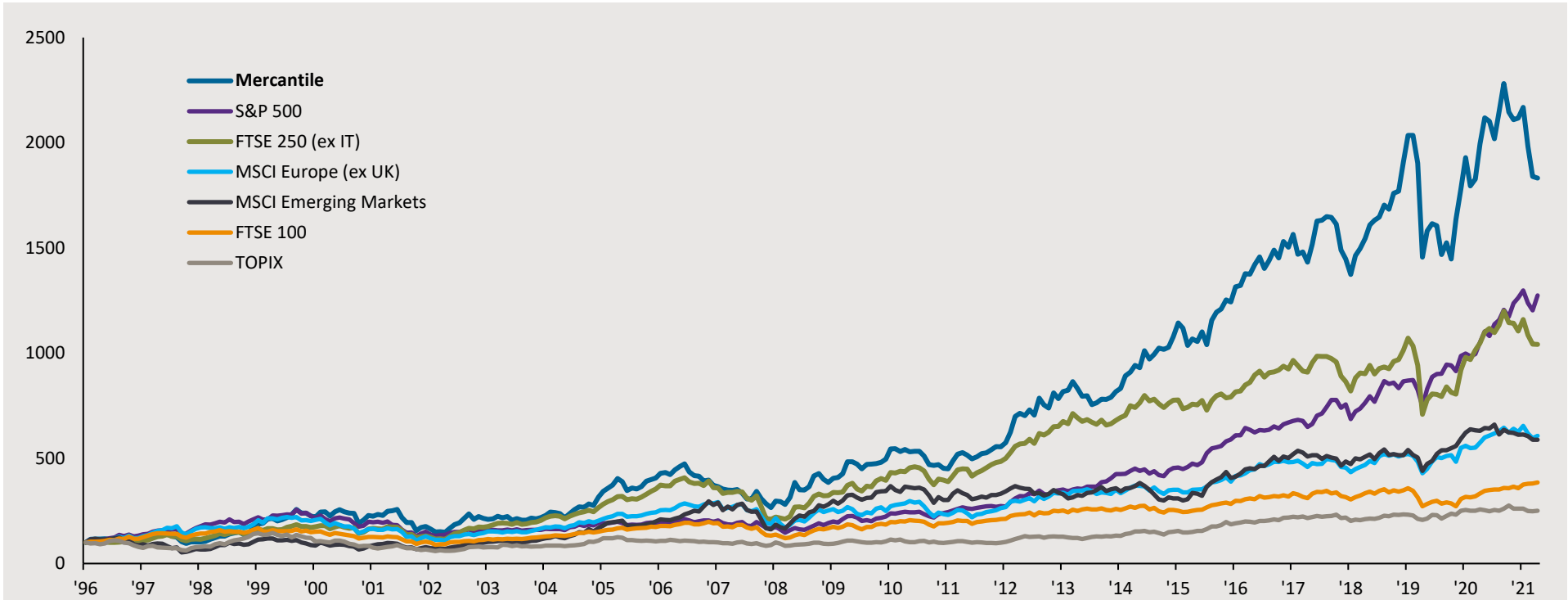
... long term total returns amongst the best in the world

Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31 December 1996 to 31 March 2022. 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 Mercantile and UK mid and small caps

Cumulative returns



... long term total returns amongst the best in the world

Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 31 December 1996 to 31 March 2022. 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

A diversified portfolio of mid and small cap companies with strong long-term relative performance

The Mercantile Investment Trust plc

Specialist Team

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

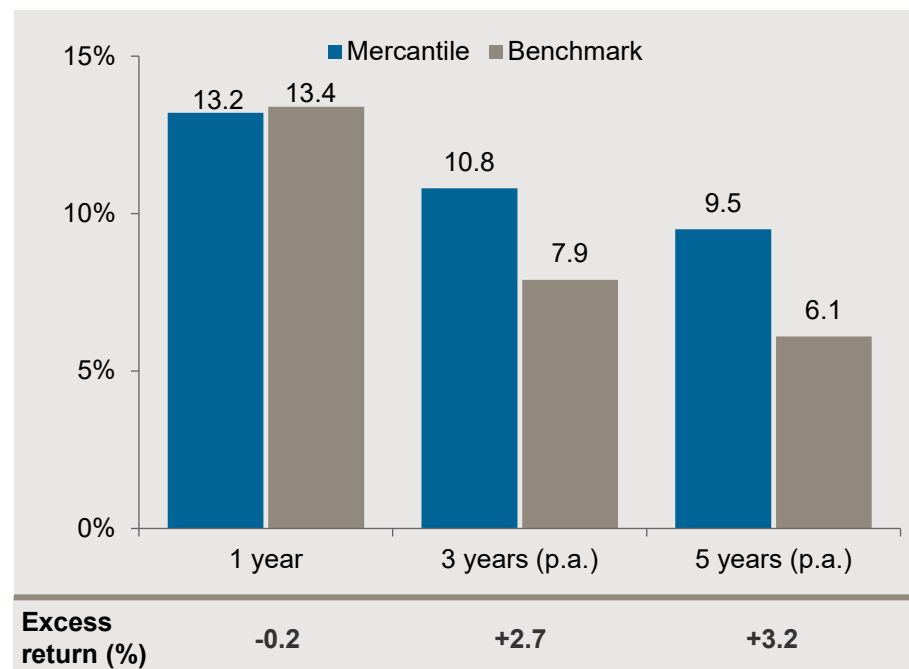
Large and Liquid

- Portfolio size £2.5bn
- Liquidity ADV ~£2.6m

Low cost

- Ongoing charges 0.45%

Annualised return % (net of fees) vs benchmark



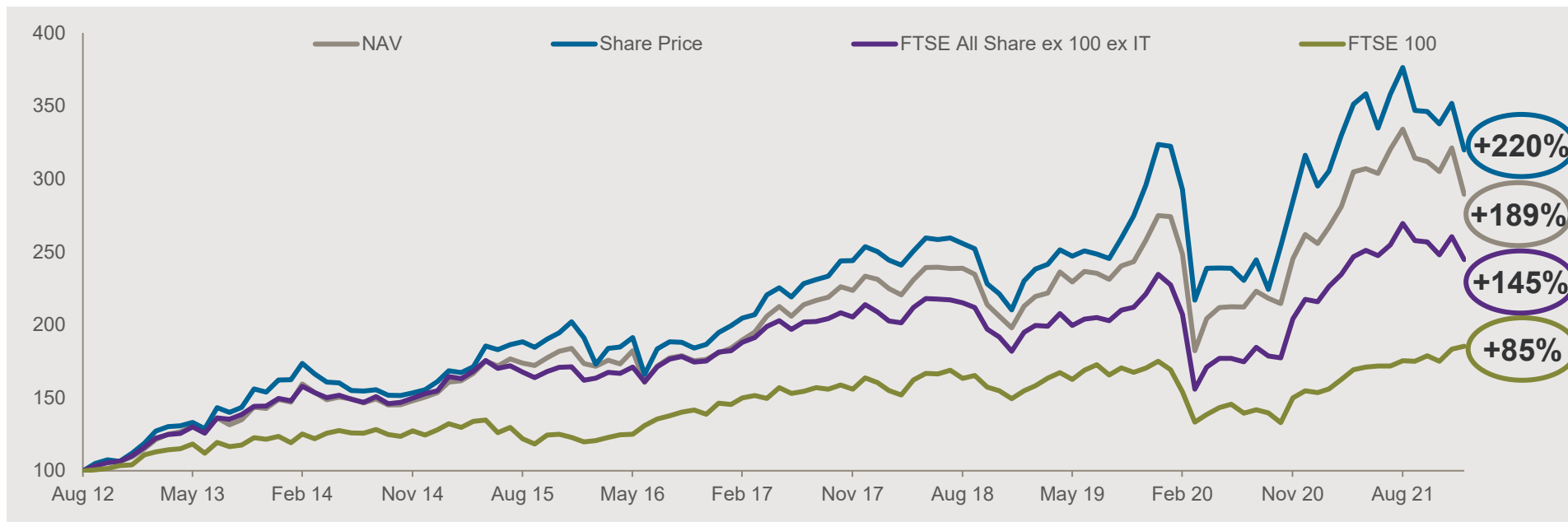
Source: (LHS) J.P. Morgan Asset Management; ADV = average daily volume (last 12 months), from Bloomberg; Ongoing charges reflect FY21 charges. Data as at 31 January 2022. Performance data has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. NAV is the cum income NAV with debt at fair value. 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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Long term performance

A track record of outperformance

Cumulative returns – 31 August 2012 to 31 January 2022



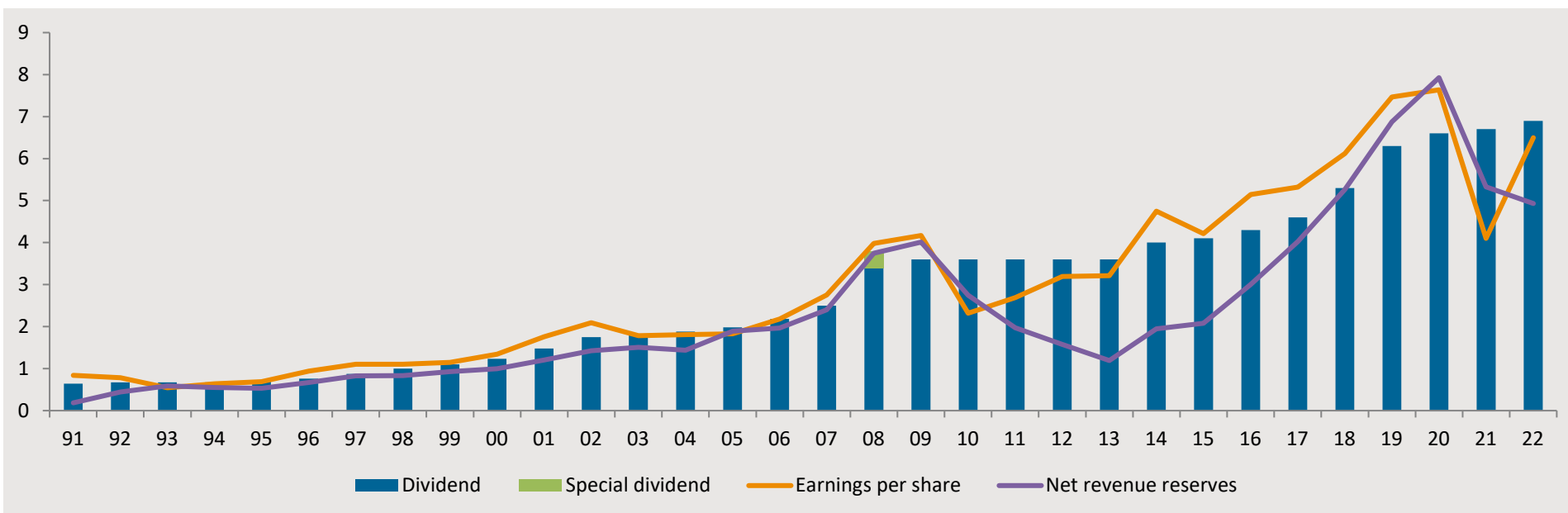
... 11.9% annualised NAV and 13.1% annualised shareholder return over 9 years and 5 months

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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A strong track record of income generation

Dividend policy smoothing income return



... 8.0% dividend per share CAGR* over 31 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. *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

Softcat

The investment process in action

High quality business

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

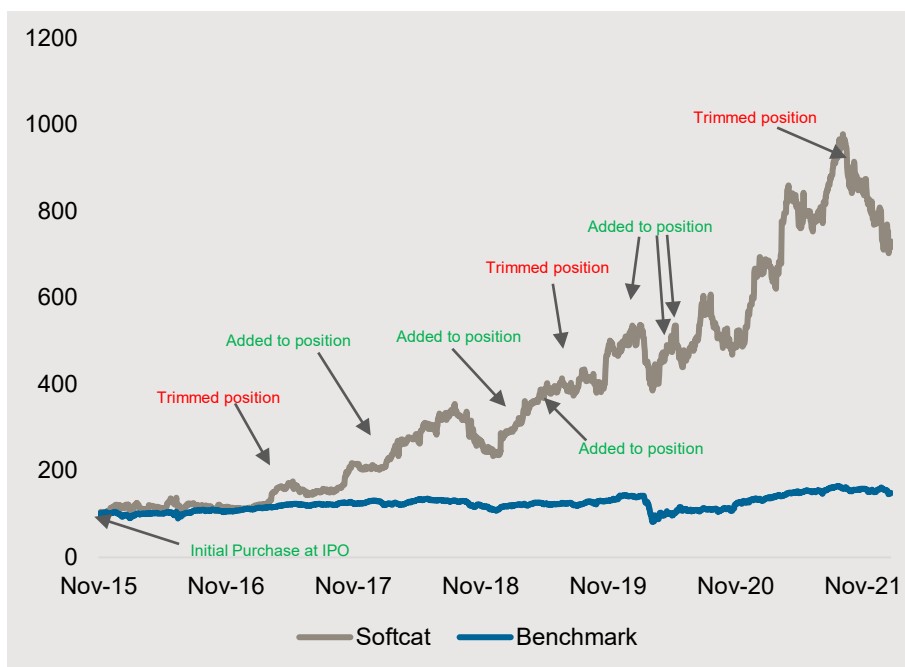
Promising outlook

- Pandemic accelerated demand for digital transformation
- Opportunity to gain share in a fragmented market

Attractively valued

- Highly cash generative, asset-light model
- High valuation multiple justified by track record and outlook

Softcat – Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 13 November 2015 to 31 January 2022. 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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IMI

The investment process in action

Improving business

- Structurally solid but historically underperforming business
- New management team promoting commercial focus

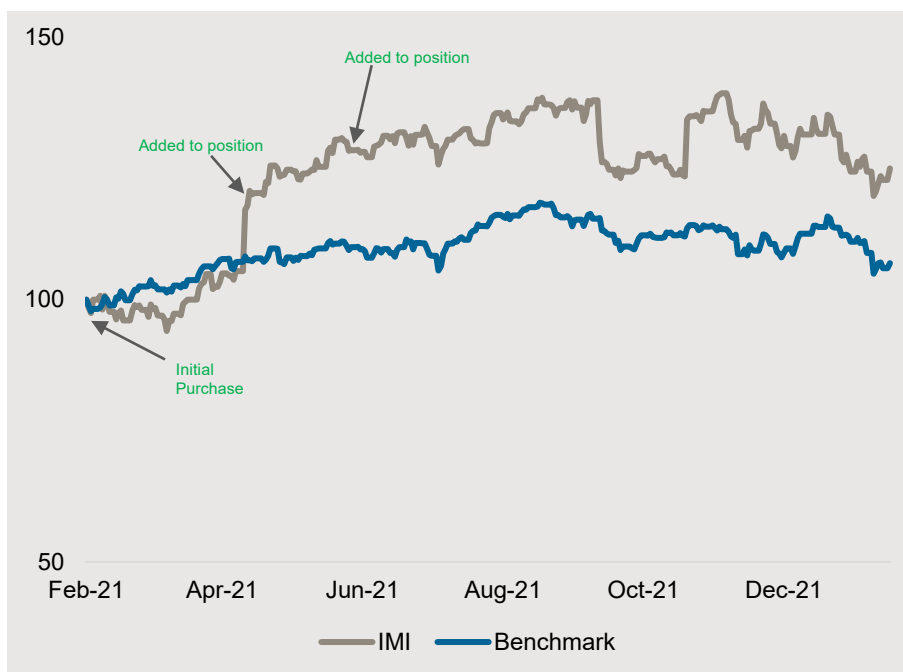
Promising outlook

- Commercialisation efforts driving revenue & margin growth
- Cyclically supportive end market dynamics

Attractively valued

- Attractive free cash flow yield
- Valuation at a discount to peers

IMI – Total Return



Source: J.P. Morgan Asset Management, Bloomberg. Data from 16 February 2021 to 31 January 2022. 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.

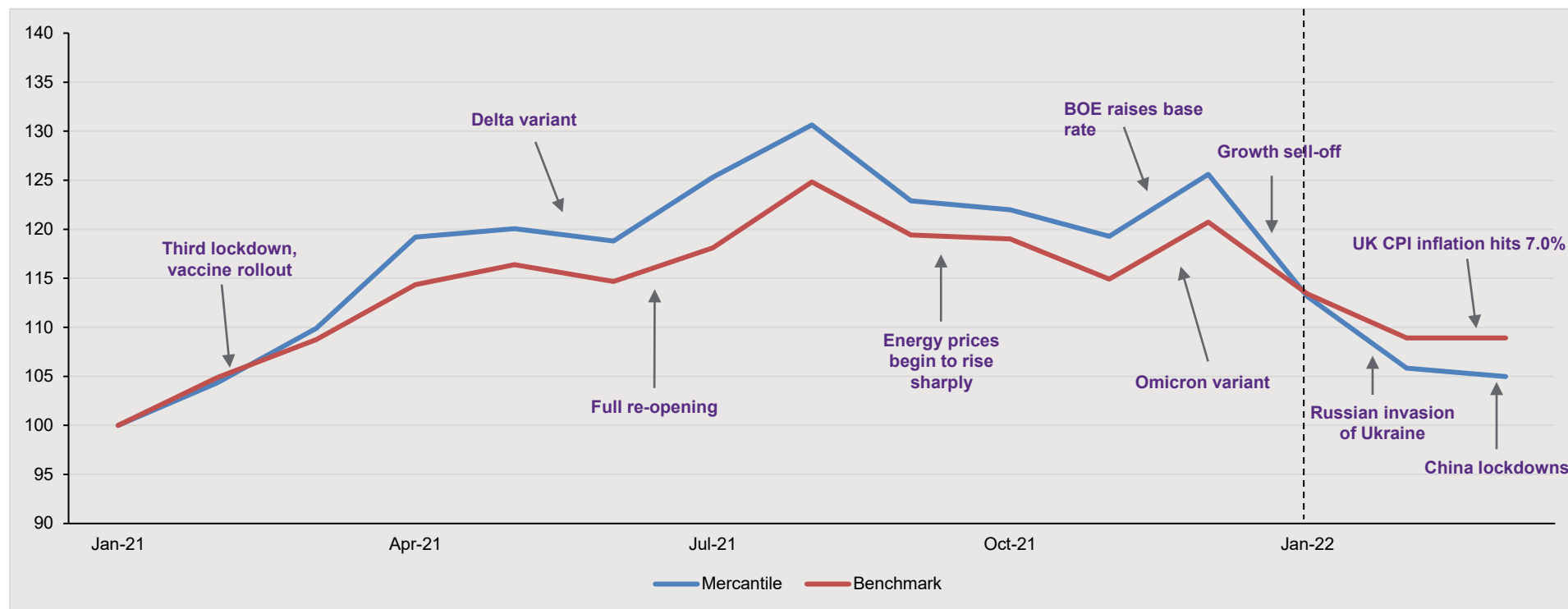
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Performance review



Performance through the year

Mercantile NAV versus Benchmark (FTSE All Share ex 100 ex IT)



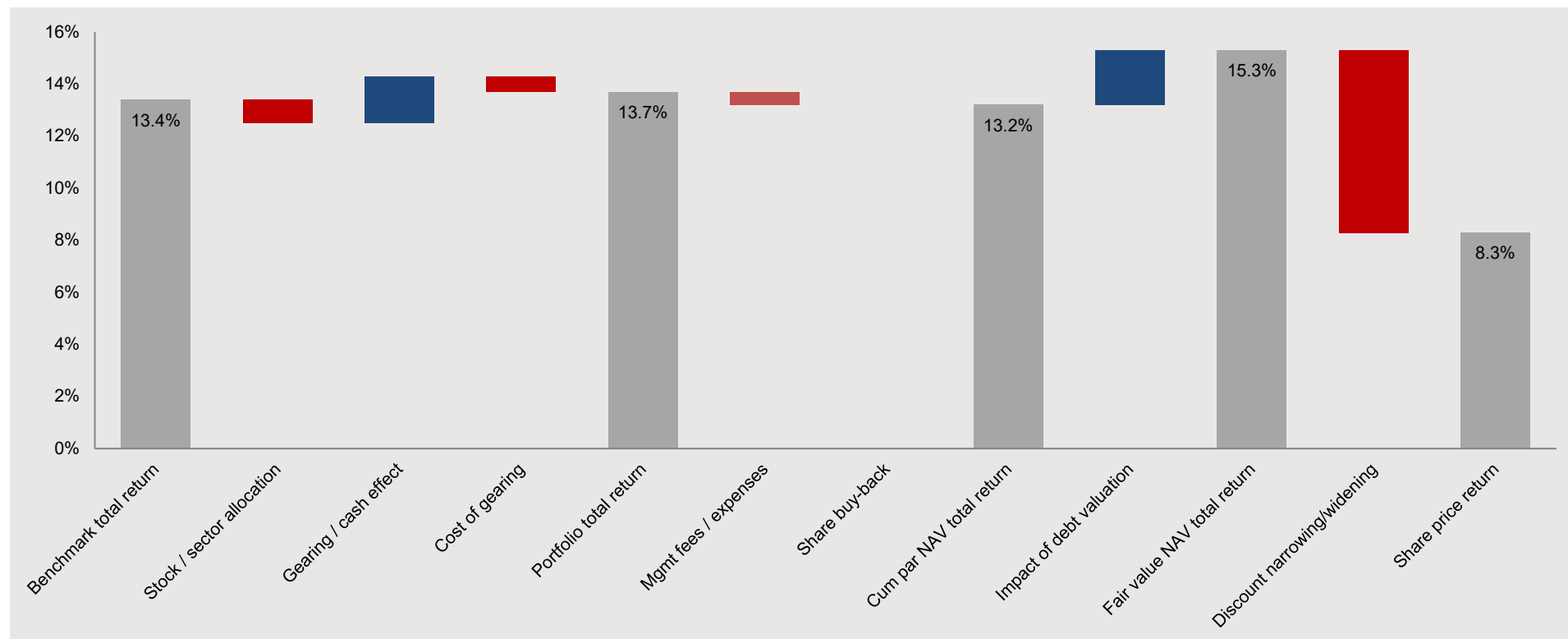
Source: J.P. Morgan Asset Management. Rebased to 100 at 31 January 2021. Data until 31 March 2022. Performance data has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. NAV is the cum income NAV with debt at fair value. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment. 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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Performance decomposition

Contributors to total return

Mercantile NAV versus Benchmark (FTSE All Share ex 100 ex IT)



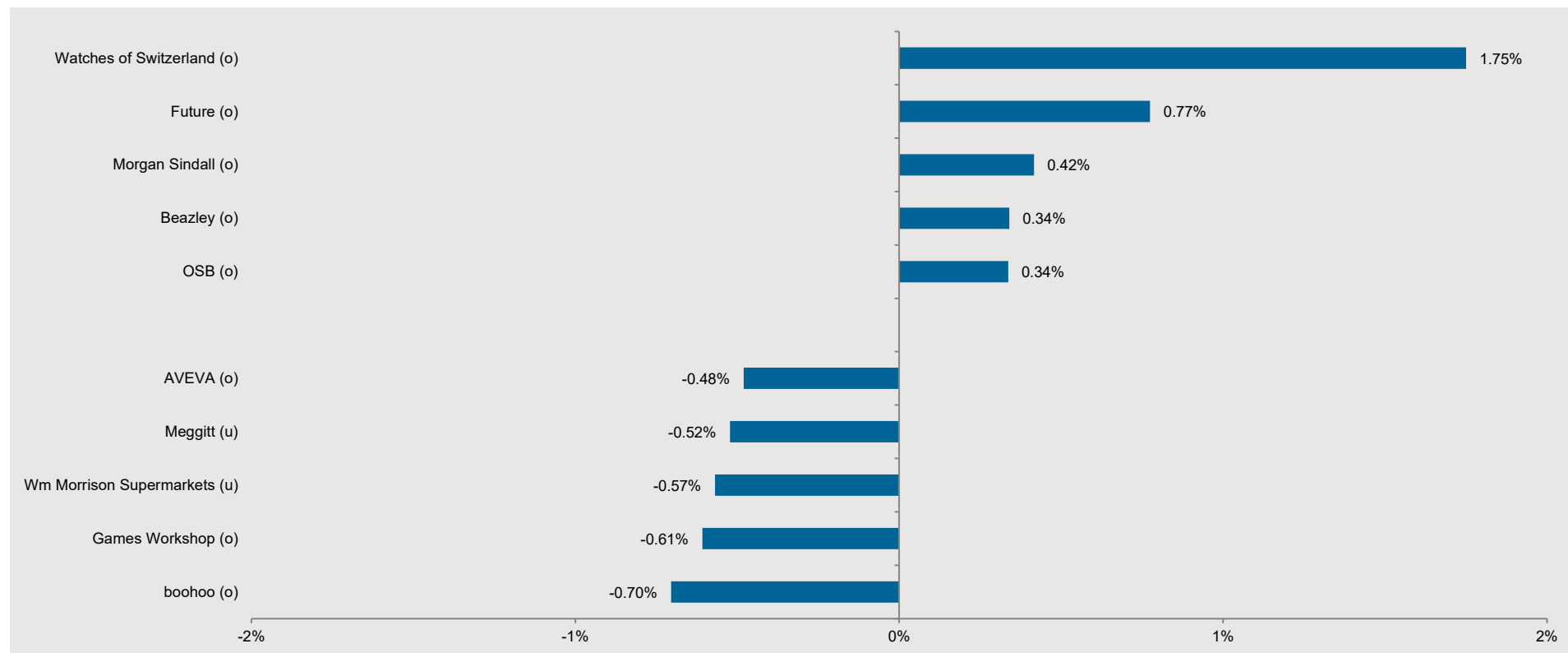
Source: PAT, J.P. Morgan Asset Management, Morningstar. All figures are on a total return basis. Performance data has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. NAV is the cum income NAV with debt at fair value.

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Performance attribution

Stock attribution for one year ending 31 January 2022

Mercantile NAV versus Benchmark (FTSE All Share ex 100 ex IT)



Source: PAT, J.P. Morgan Asset Management. (o) denotes overweight, (u) denotes underweight; period average. Attribution results are for indicative purposes only. 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. Performance data has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. NAV is the cum income NAV with debt at fair value.

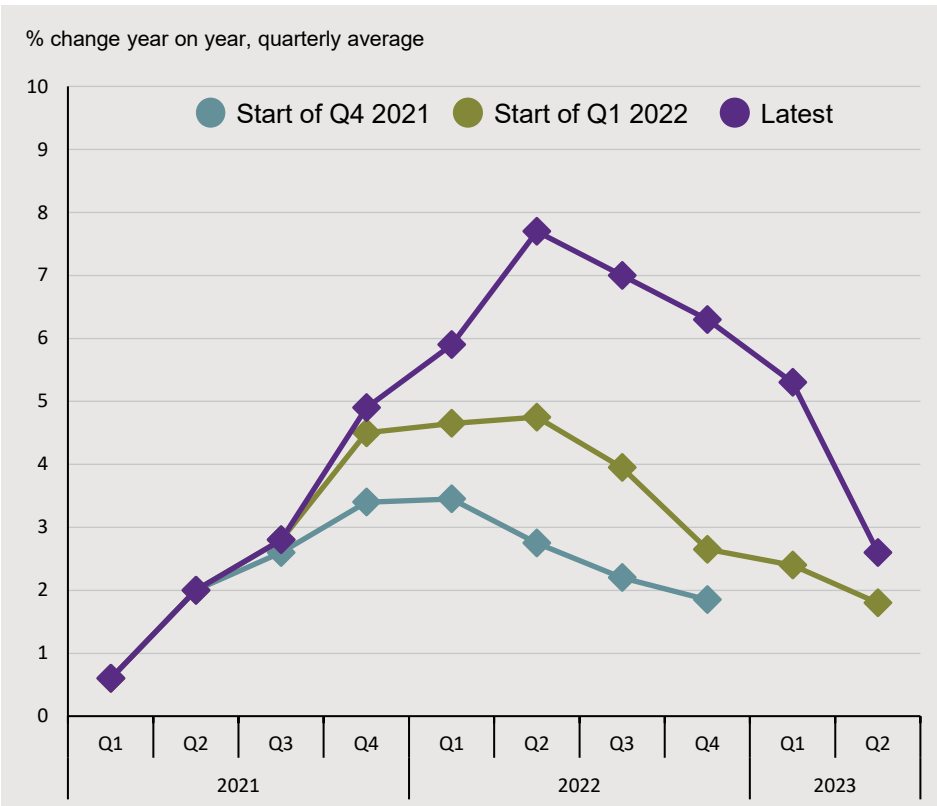
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Outlook and positioning

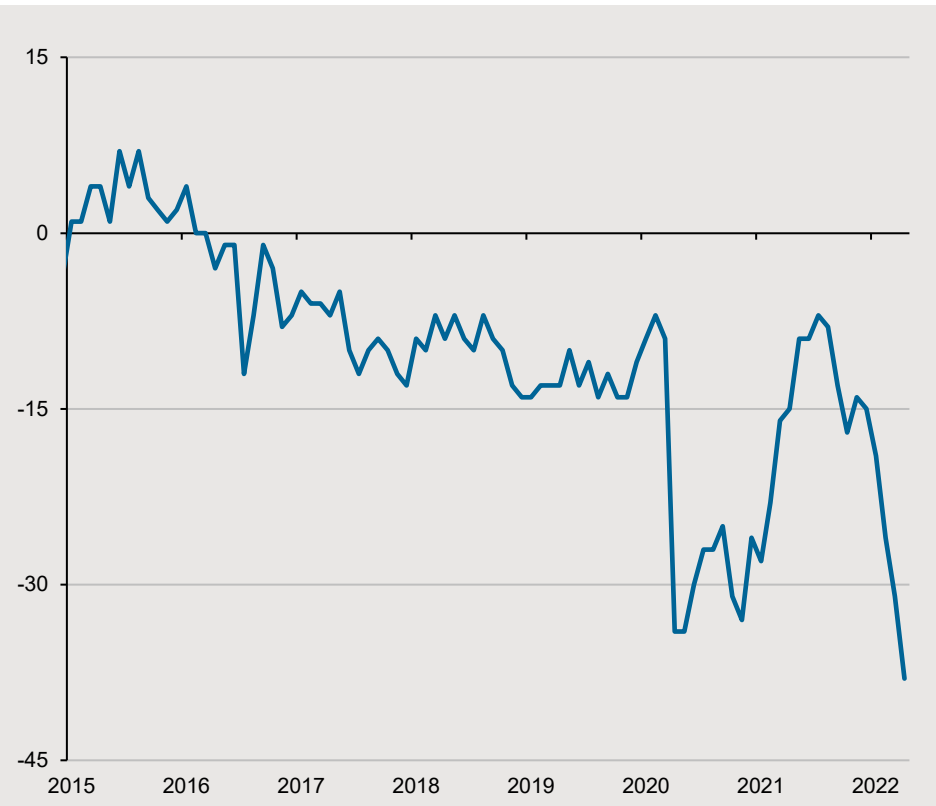


Consumers face inflationary headwinds

UK CPI inflation – median of economists' forecasts



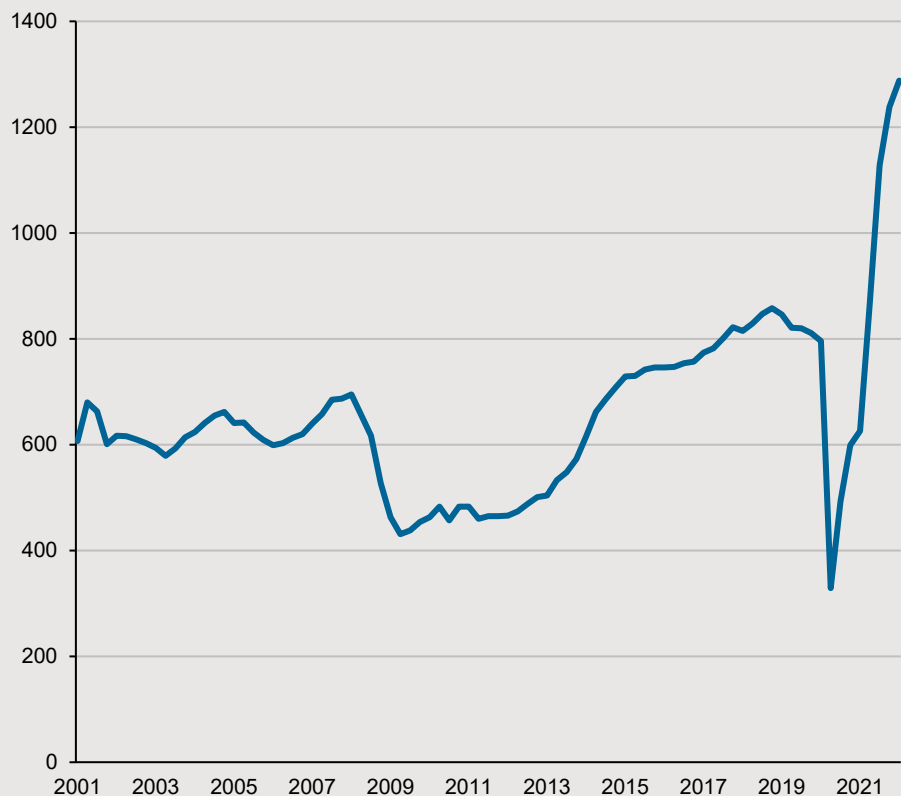
UK GFK consumer confidence



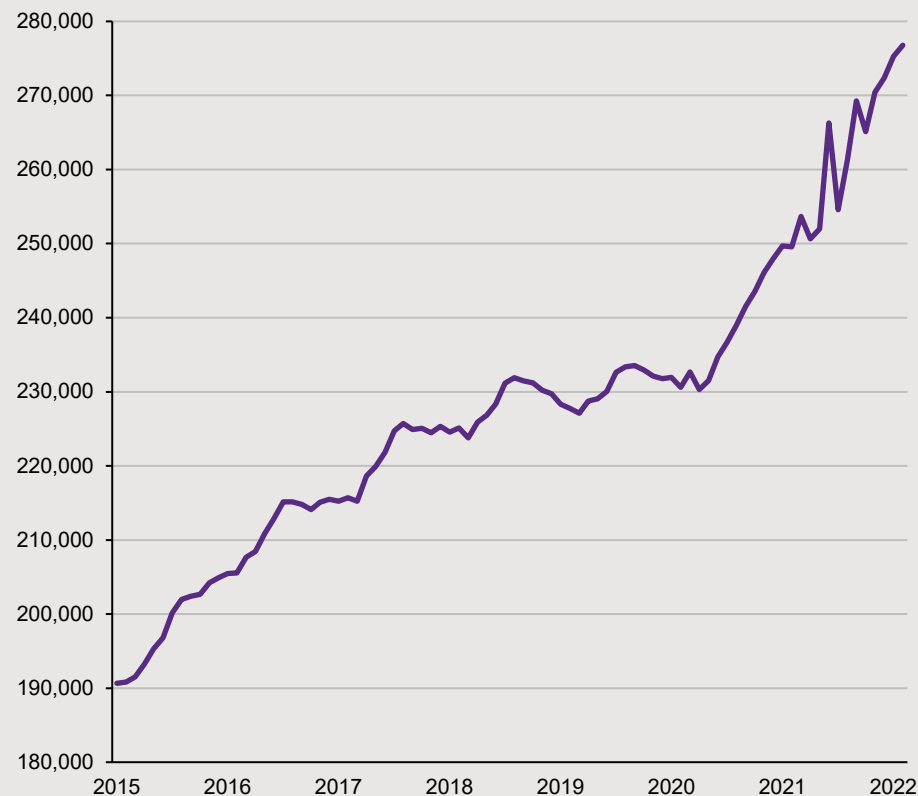
Sources: left chart: Bloomberg, ONS, J.P. Morgan Asset Management, CPI is consumer price index; right chart: Growth from Knowledge research, Bloomberg, data from January 2015 to April 2022. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

However, labour and housing markets remain supportive

UK job vacancies (thousands)



UK house price index (GBP)

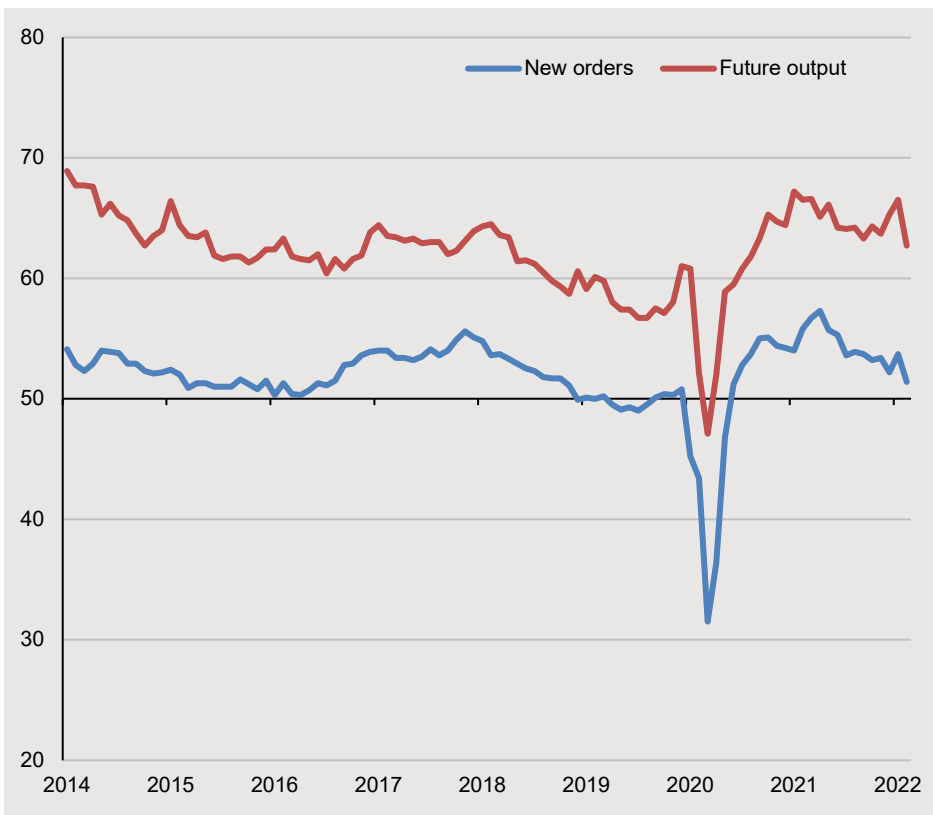


Sources: left chart: ONS, Bloomberg. Data from March 2000 to March 2022. UK vacancy data is a three-month average as published; right chart: United Kingdom Land Registry, Bloomberg, data from January 2015 to February 2022.

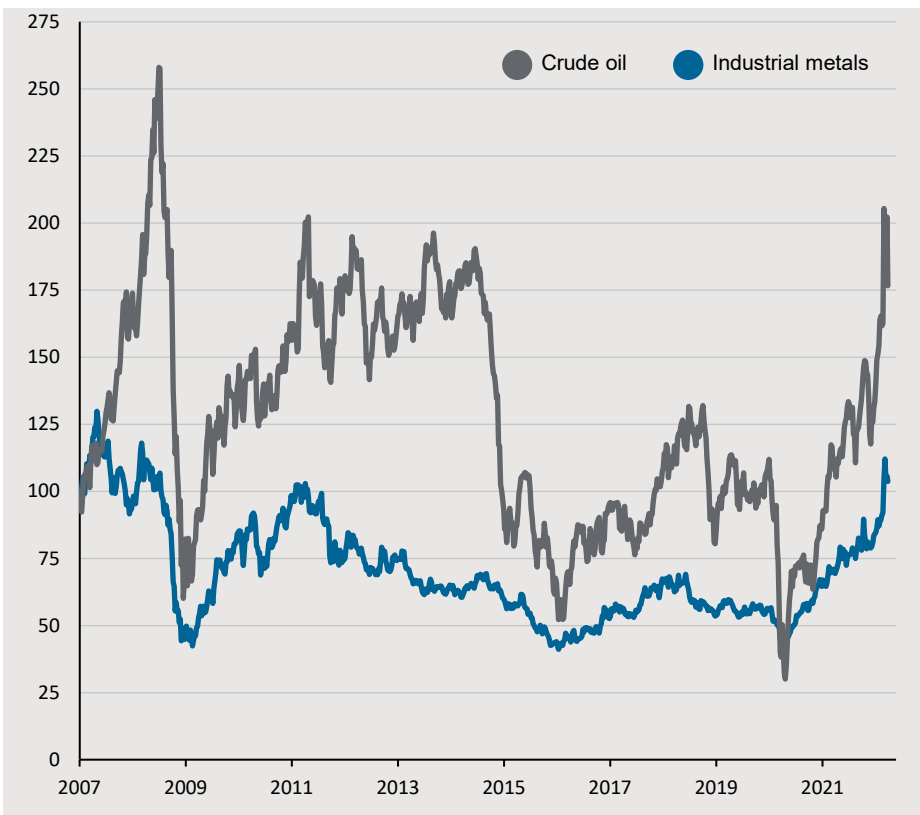
Industrial recovery constrained by supply chain challenges

Demand backdrop robust, but Russia's invasion adds to elevated input cost inflation

JPMorgan Global Manufacturing PMI



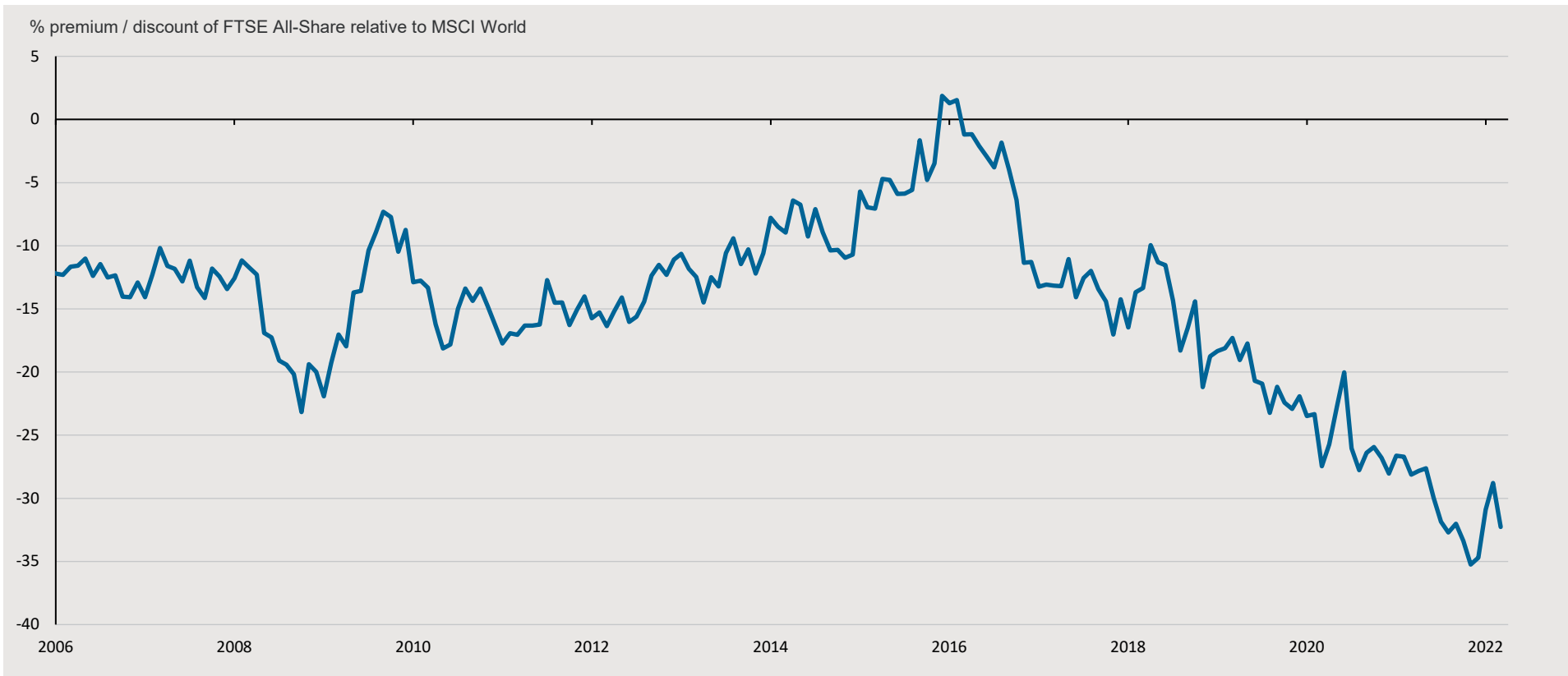
Commodity prices (index, rebased to 100 at January 2007)



Sources: left chart: Purchasing Managers' Index (PMI) survey, Markit and Bloomberg, data from February 2014 to March 2022; right chart: Bloomberg, J.P. Morgan Asset Management. Industrial metals include aluminium, copper, nickel and zinc. Agriculture includes coffee, corn, soybeans, soybean oil, sugar and wheat.

UK equity valuations are highly attractive

UK FTSE All-Share forward P/E relative to DM equities



Source: IBES, MSCI, Refinitiv Datastream, J.P. Morgan Asset Management. DM is developed markets and is represented by MSCI World. P/E ratio calculated using IBES earnings estimates for next 12 months. Data from February 2006 to March 2022.

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Portfolio positions

Top 10 holdings as of 31 March 2022

Benchmark

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

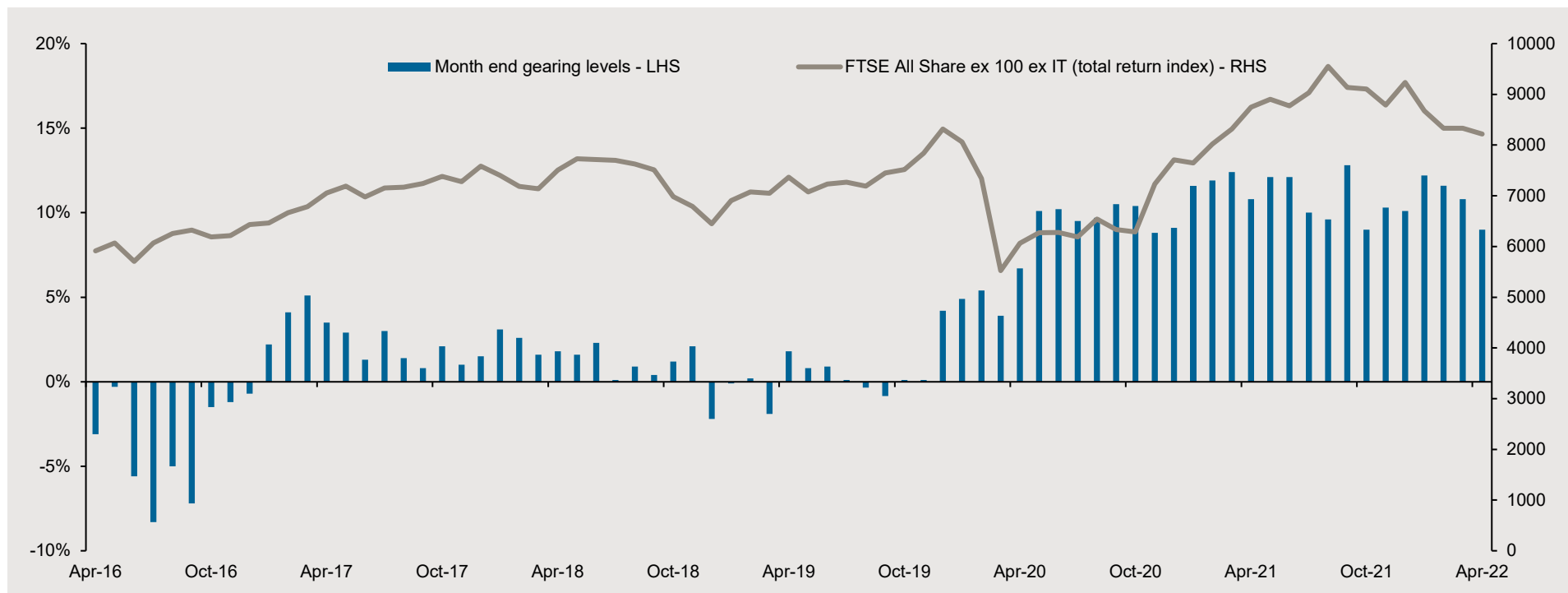
Stock	Portfolio weight (%)	Sector
Watches of Switzerland Group	4.8	Personal Goods
Softcat	3.9	Software And Computer Services
Intermediate Capital Grp	3.7	Investment Banking And Brokerage Services
Future	3.5	Media
Computacenter	3.4	Software And Computer Services
Dunelm Group	3.3	Retailers
IMI	3.2	Electronic And Electrical Equipment
Bellway	3.0	Household Goods And Home Construction
Electrocomponents	3.0	Industrial Support Services
OSB Group	2.9	Finance And Credit Services
Total	34.7	

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.

Historic gearing levels

The Mercantile Investment Trust plc as of 30 April 2022

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

- Mercantile: disciplined investment process and strong long-term investment performance
- Inflation and supply chain challenges, compounded by geopolitics, impacting economic growth
- Focus on strong businesses and attractive market valuations create compelling long-term opportunity

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



Appendix



Performance

The Mercantile Investment Trust plc as of 31 January 2022

Market value

The Mercantile Investment Trust plc

GBP 2.5bn

Performance, net of fees (%)

	Three months	One year	Three years p.a.	Five years p.a.	Ten years p.a.
Mercantile NAV (cum income, debt at par value)	-7.2	13.2	10.8	9.5	12.3
Mercantile share price	-7.6	8.3	11.6	9.9	13.2
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	-4.7	13.4	7.9	6.1	10.4
Excess return (NAV)	-2.7	-0.2	+2.7	+3.2	+1.7

Calendar year performance, net of fees (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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
Mercantile share price	33.3	44.9	-4.2	30.0	-3.7	30.2	-17.1	53.9	-2.3	11.3
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
Excess return (NAV)	+1.4	+0.1	-1.0	+9.0	-7.2	+9.4	-0.2	+7.7	+2.8	+2.4

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)

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 Risks

- 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.

Risk indicator



Lower risk

Higher risk

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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