



# The Mercantile Investment Trust plc

Annual General Meeting – May 2024

The home of tomorrow's UK market leaders

Guy Anderson  
**Portfolio Manager**

This is a marketing communication. Please refer to the legal documents and the KID before making any final investment decisions.

Image source: J.P. Morgan

**J.P.Morgan**  
ASSET MANAGEMENT

# Agenda

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

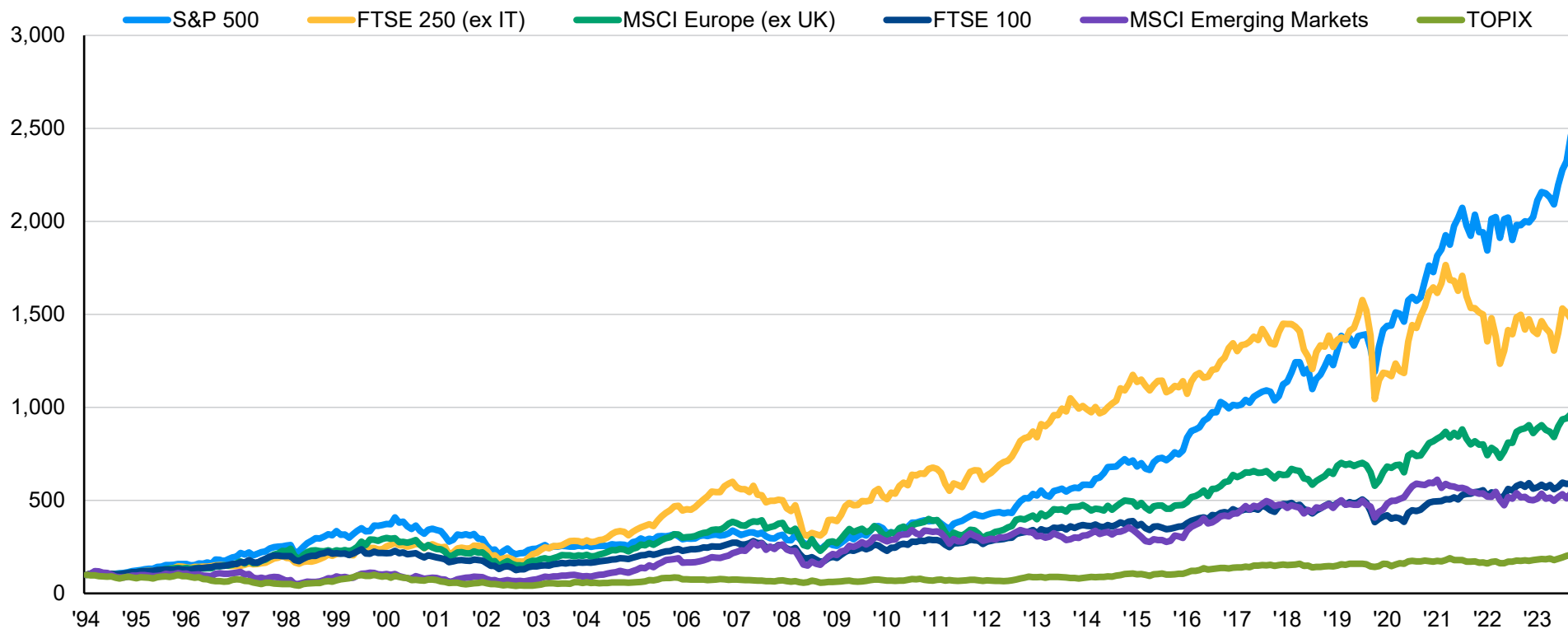
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# The case for UK mid and small caps

# Long term outperformance of UK mid and small caps

## Cumulative returns

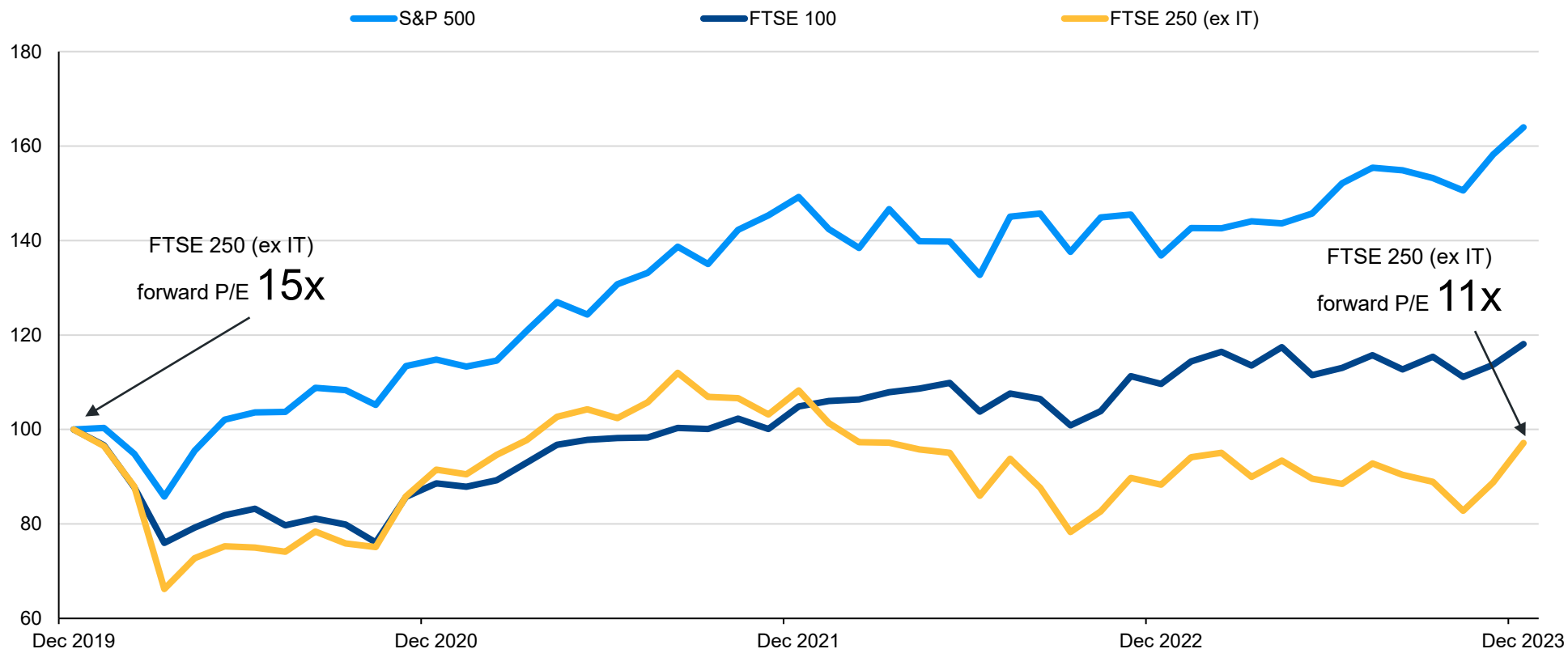


Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 30 June 1994 to 30 April 2024. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment. Trust performance data has been calculated 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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## Opportunities for extraordinary growth

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Nimble  
business  
models

Innovators  
or  
disruptors

Rapidly  
growing  
markets

**WH Smith**



**Rotork**



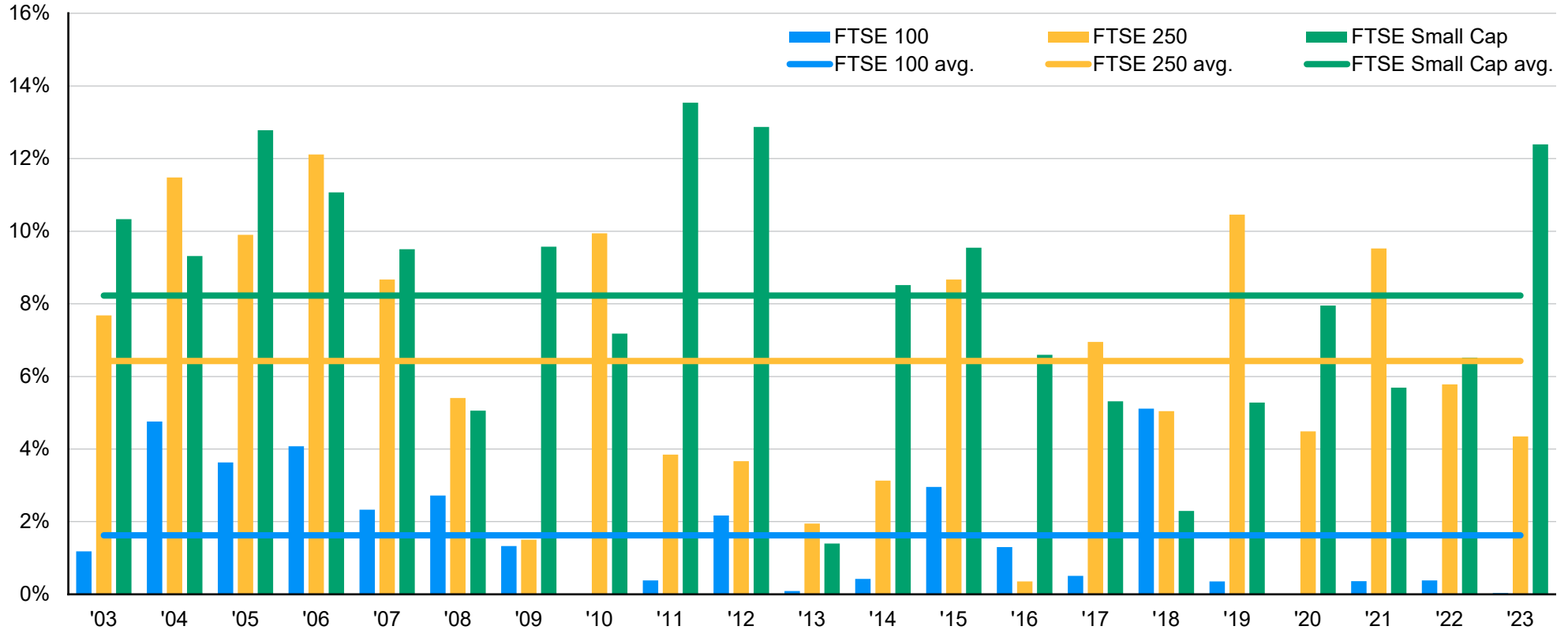
**Chemring**



Image source: Shutterstock. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

# Value creation through M&A

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



Source: Liberum, J.P. Morgan Asset Management. Data is classified by date of announcement. 2022 data includes some deals yet to be completed.

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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

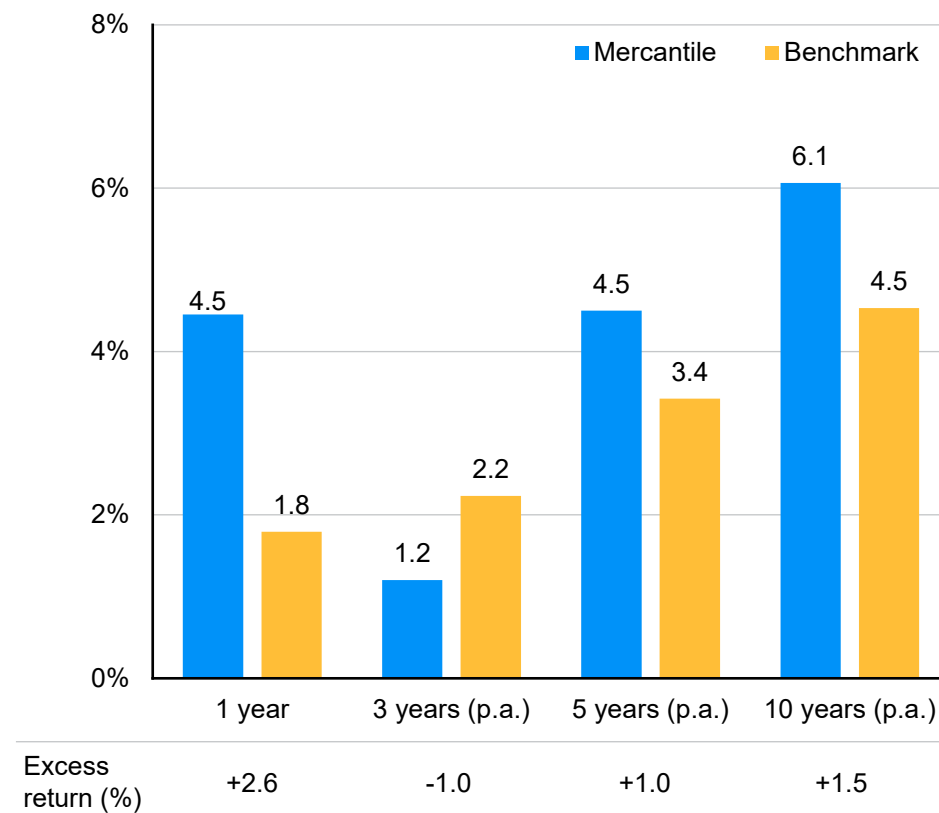
### Large and Liquid

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

### Low cost

- Ongoing charges\* 0.47%

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



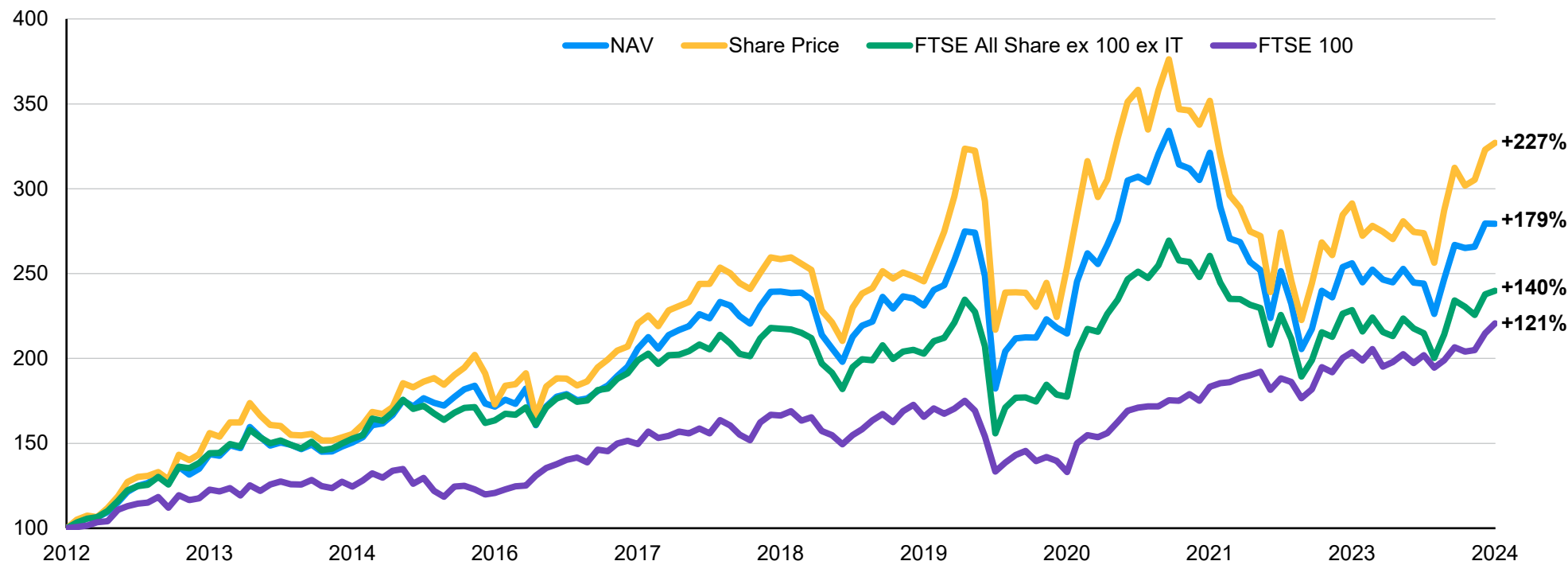
Source: (LHS) J.P. Morgan Asset Management; \*ADV = average daily volume (last 12 months to 31 December 2023), from Bloomberg; \*Ongoing charges reflect annual management fees on market cap as of 31 January 2024. Performance Data as at 31 January 2024. Performance data using net asset value per share, 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 April 2024



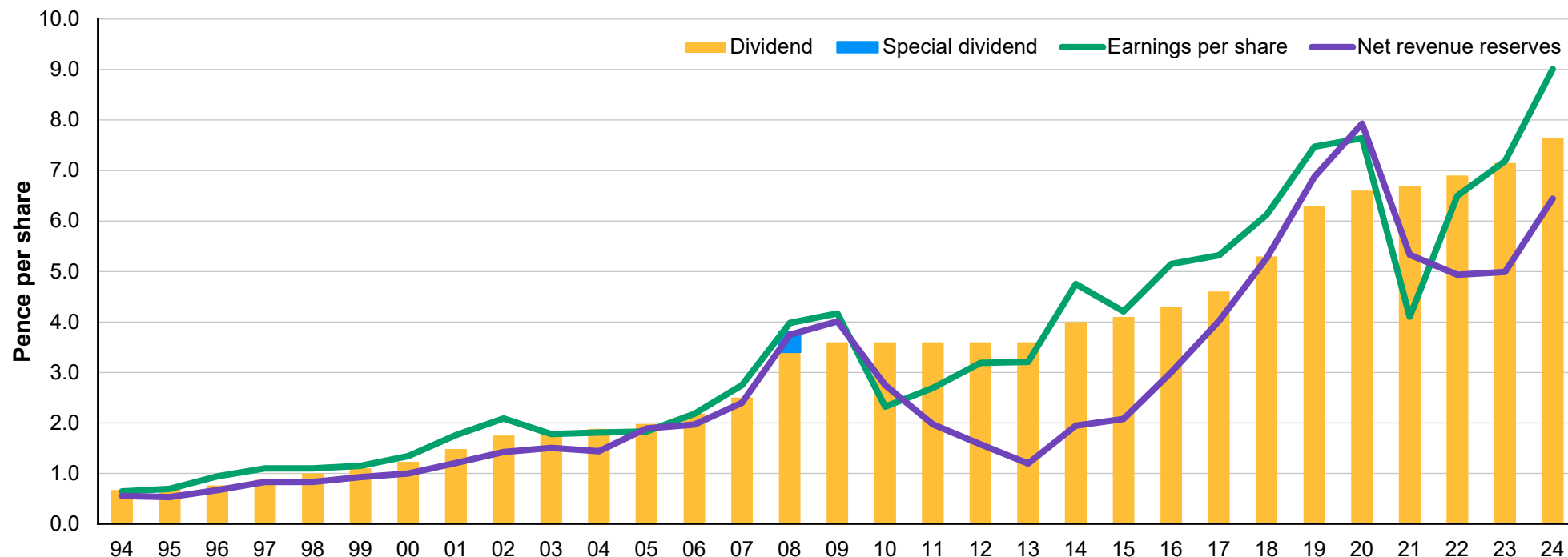
**... 9.2% annualised NAV and 10.7% annualised shareholder return over 11 years and 8 months**

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



... 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?

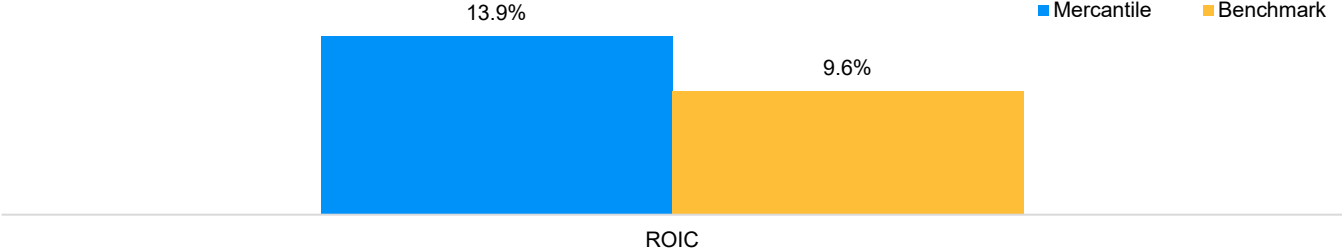
We look at a company's valuation to assess if its future prospects have been incorrectly estimated by the market

### Balancing expectations versus outcome

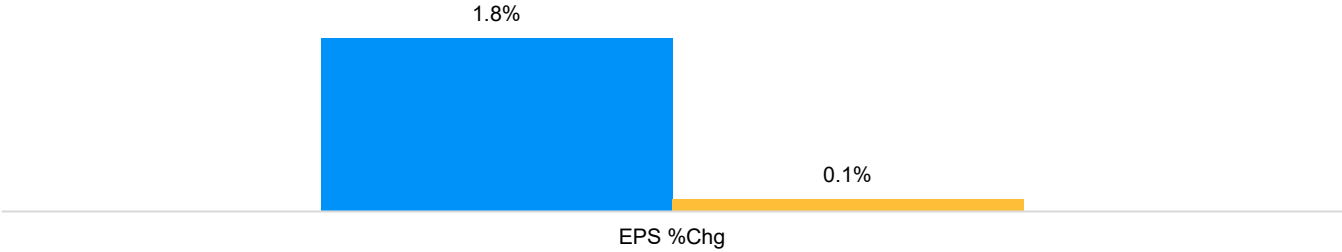
In the research process described above, we systematically assess financially material ESG factors amongst other factors in our investment decisions with the goals of managing risk and improving long-term returns. ESG integration does not change a strategy's investment objective, exclude specific types of companies or constrain a strategy's investable universe. ESG factors may not be considered for each and every investment decision.

# Fundamental characteristics

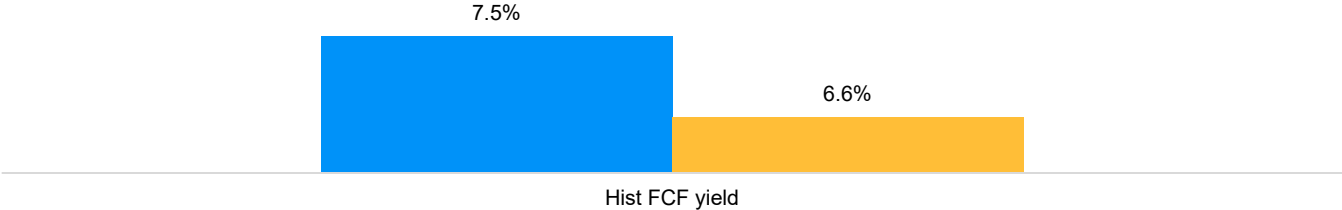
High quality



Promising outlook



Attractively valued



Source: J.P. Morgan Asset Management, Bloomberg. Data as of 30 April 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.

## The investment process in action – Hill & Smith plc

### High quality business

- Vertical integration
- High and improving returns on capital

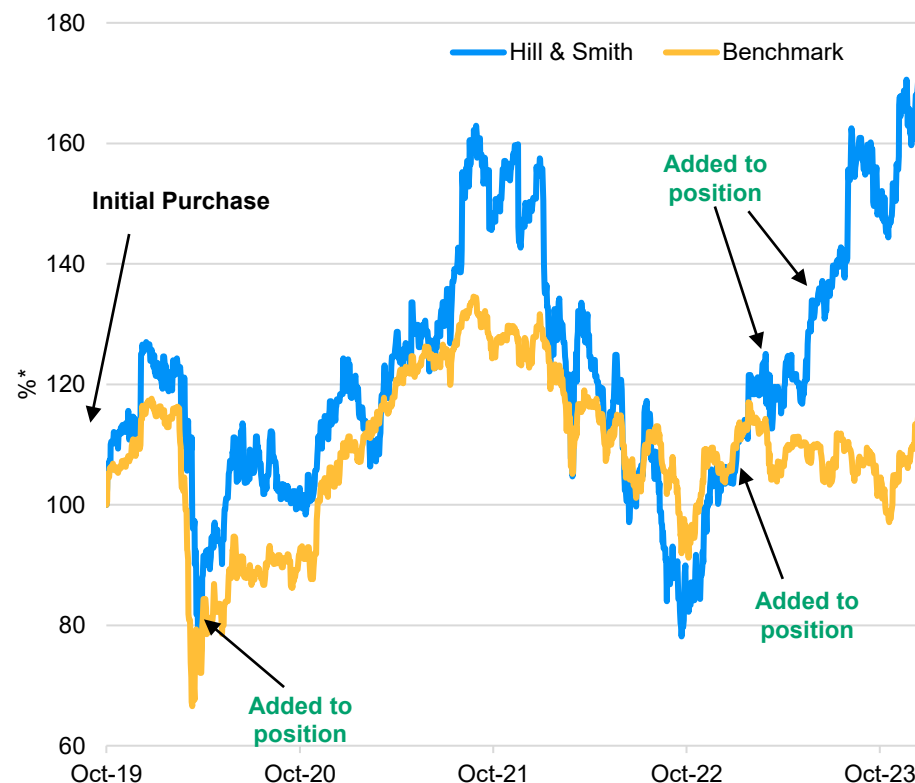
### Promising outlook

- Infrastructure investment tailwinds
- Attractive M&A opportunities

### Attractively valued

- Reasonable valuation multiple
- Earnings growth drives expected return

### 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. \*Percentage total return rebased to 100 as at 09 October 2019.

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# The investment process in action – Cranswick plc

## High quality business

- Long-term growth via market share gains
- Attractive and consistent return on capital

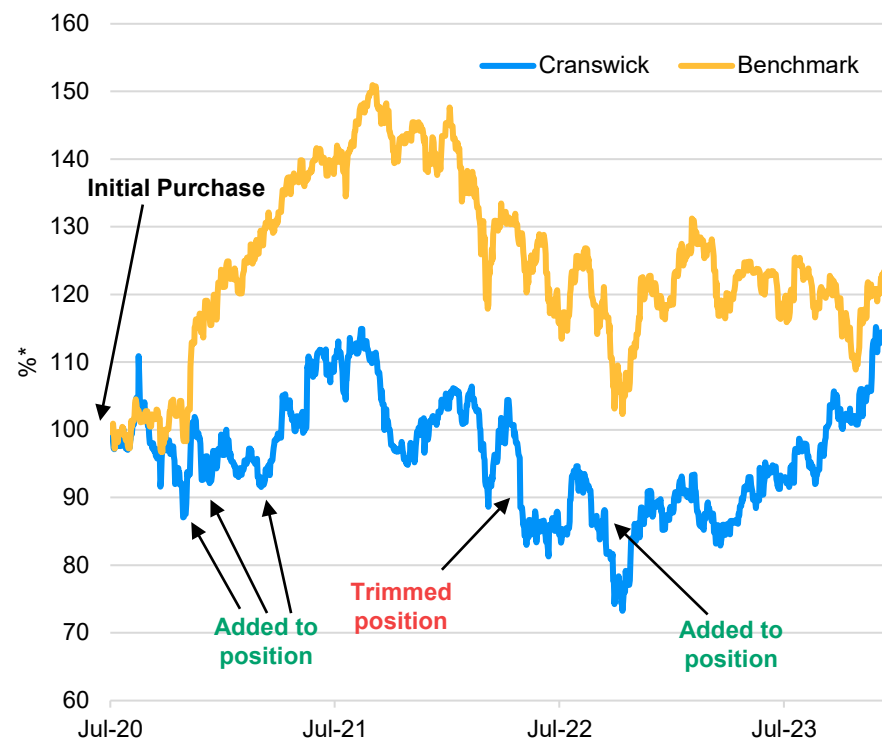
## Promising outlook

- New proteins and distribution channels
- Major competitors financially pressured

## Attractively valued

- Valuation at a discount to historical levels
- Improving cash generation

## Cranswick – Total Return



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

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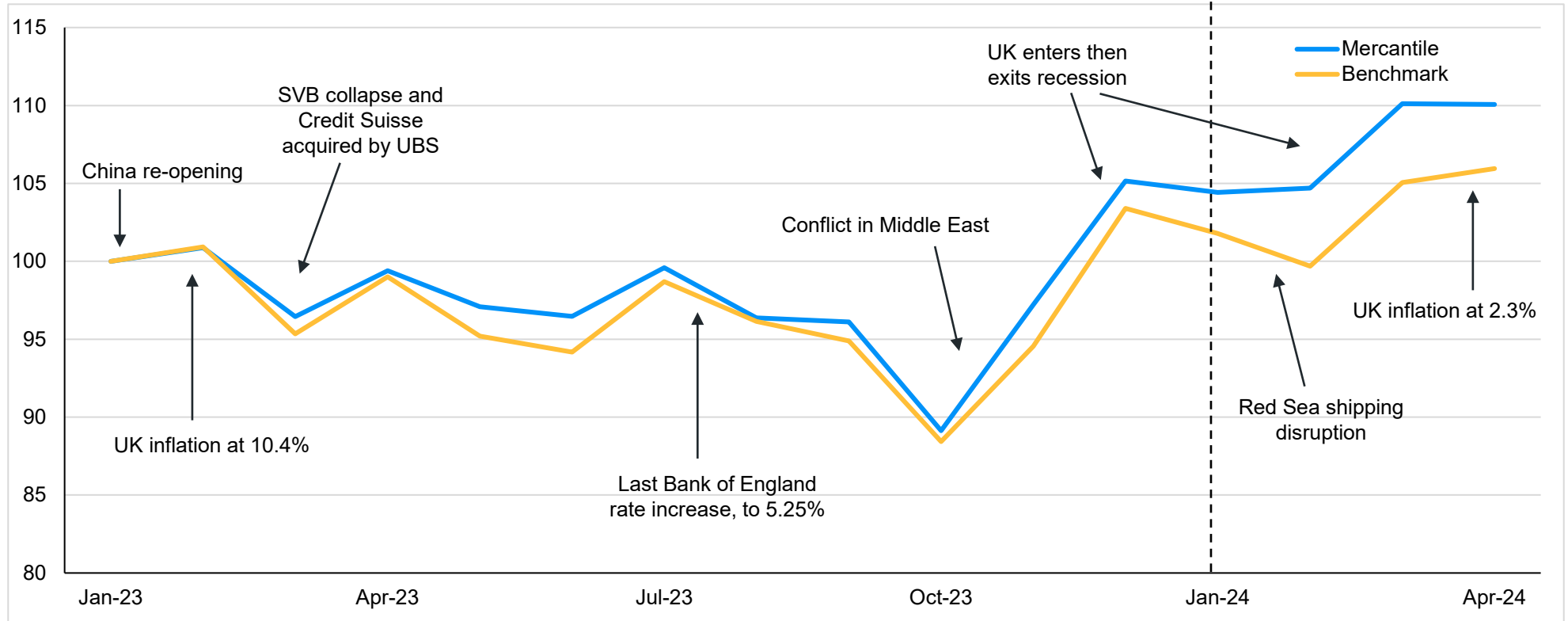
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# Performance review

# Performance improvement following a challenging period

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



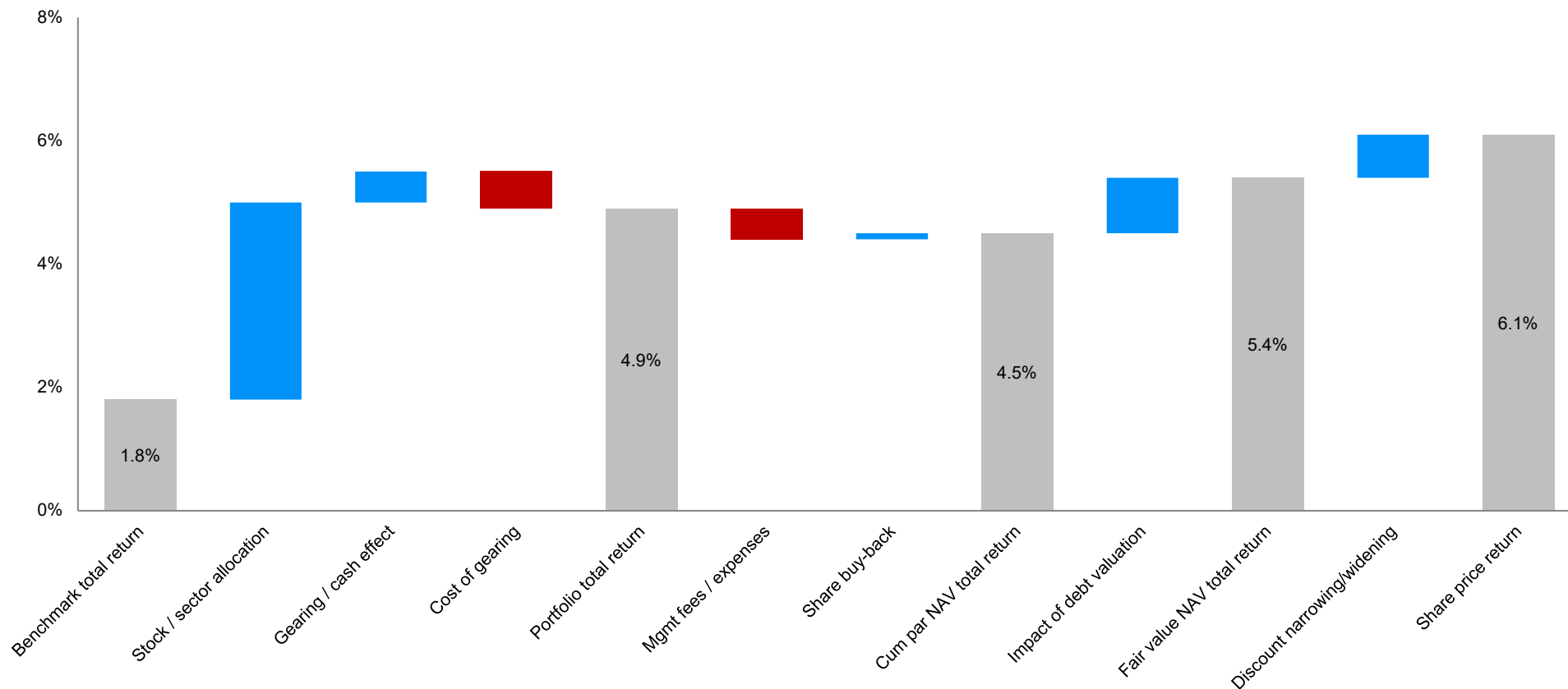
Source: J.P. Morgan Asset Management. Rebased to 100 at 31 January 2023. Data until 30 April 2024. Performance data has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. NAV is the cum income NAV with debt at fair value. Please 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 breakdown

## Contributors to total return

### Mercantile versus Benchmark (FTSE All Share ex 100 ex IT) for 12 months to 31 January 2024



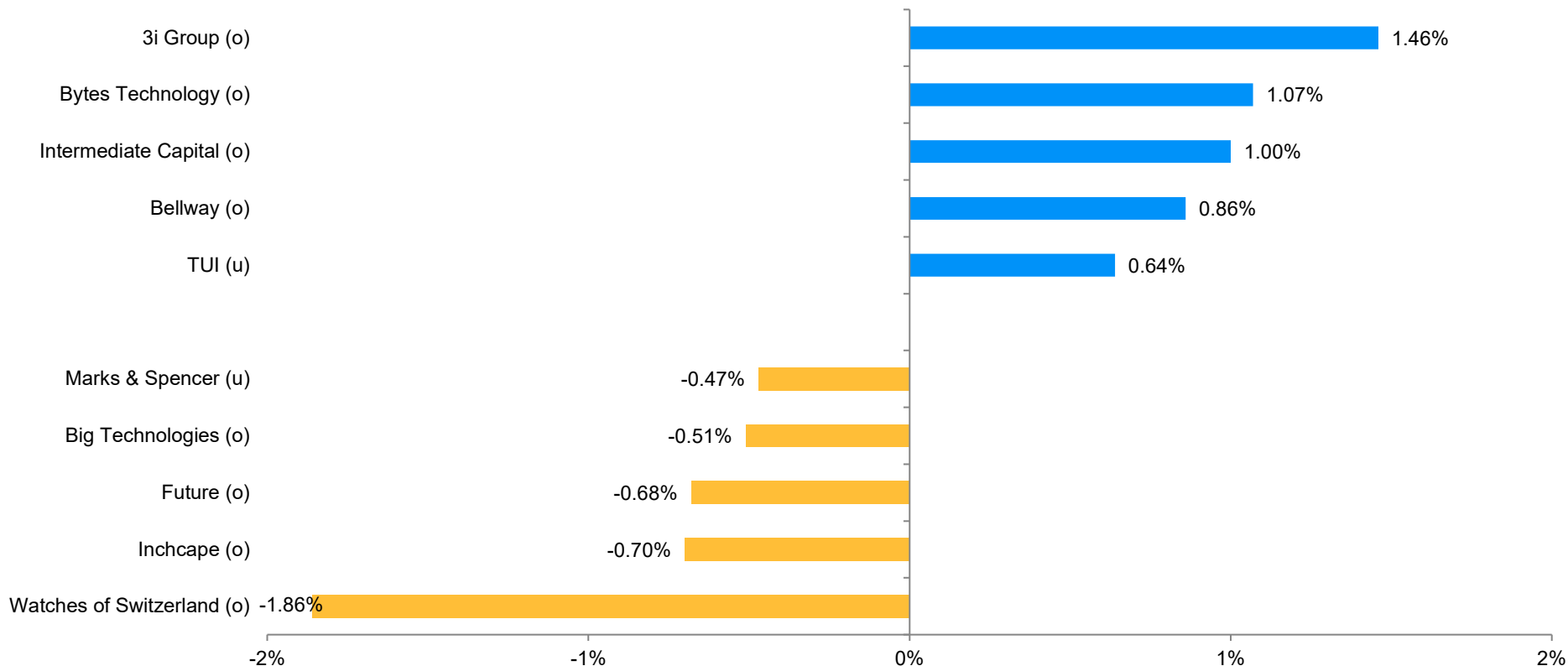
Source: PAT, J.P. Morgan Asset Management, Morningstar. All figures are on a total return basis. Performance data has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. NAV is the cum income NAV with debt at fair value.

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# Performance attribution

Stock attribution for one year ending 31 January 2024

## 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.

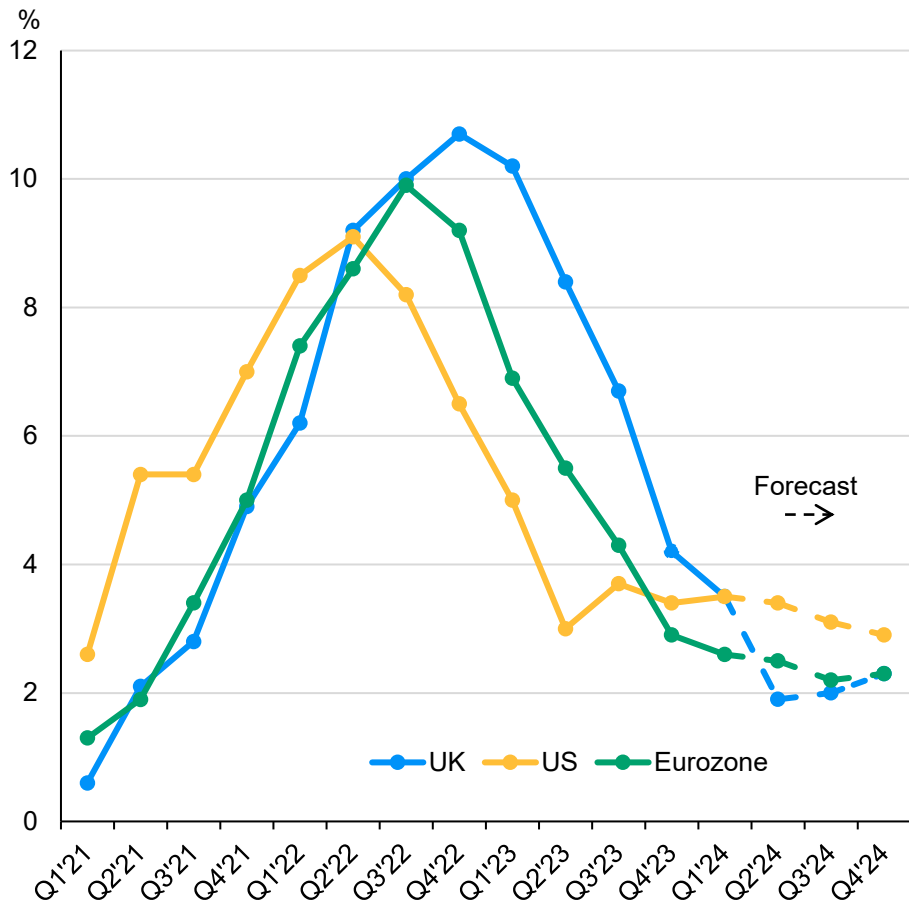
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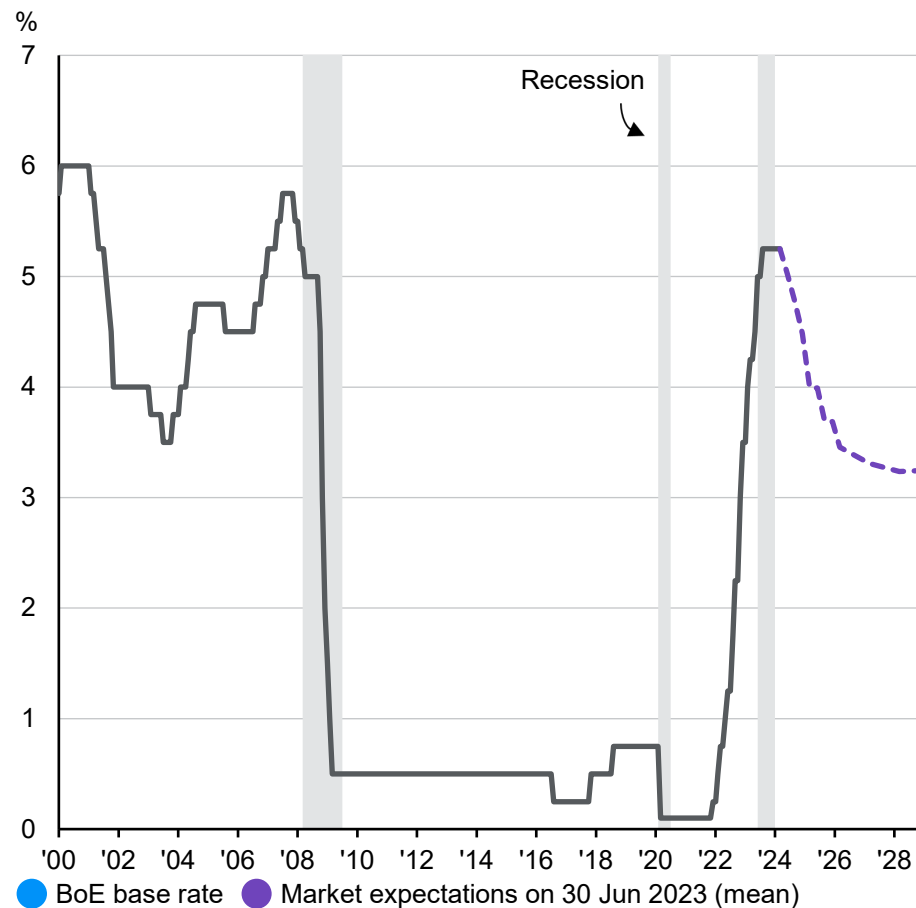
# Outlook and positioning

# High inflation led to a rapid tightening of monetary policy

## Median of economists' forecasts for headline CPI



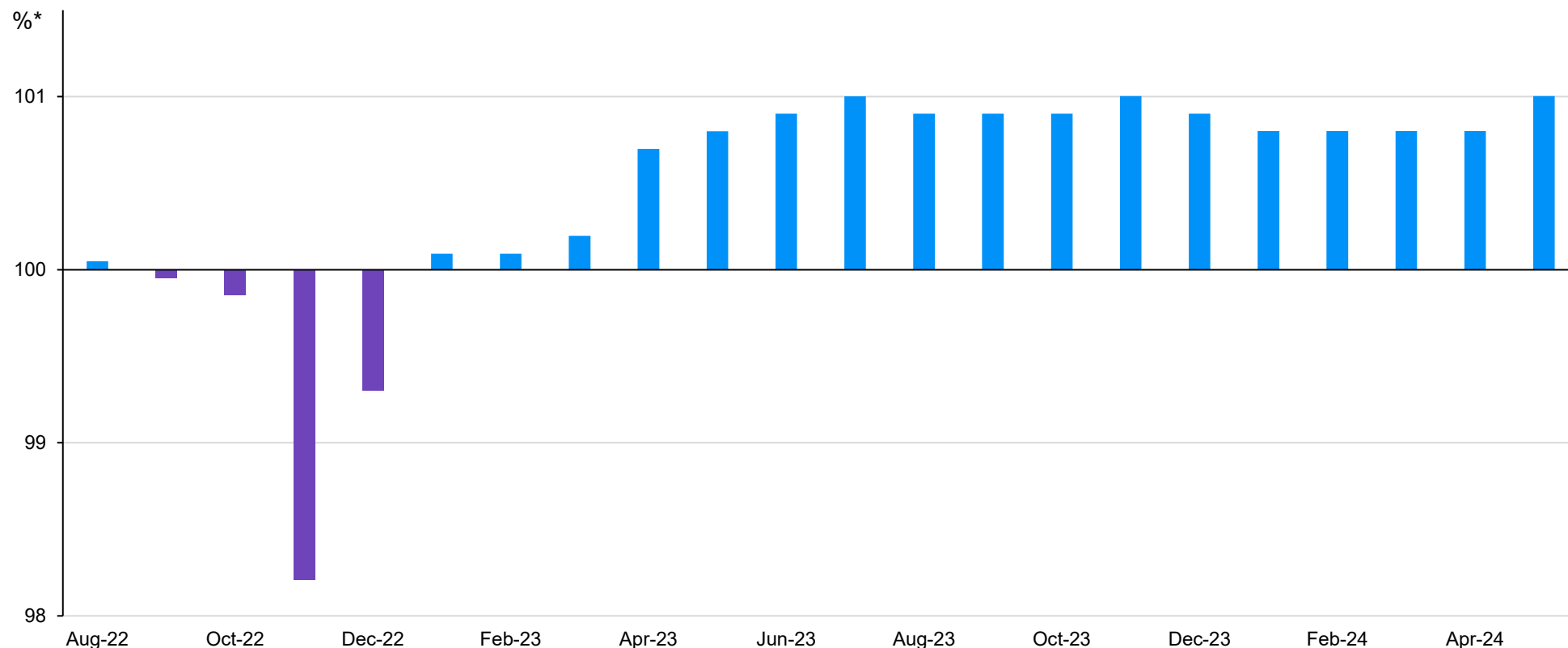
## Bank of England policy rate expectations



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 March 2024.

# The UK economy has been more resilient than anticipated

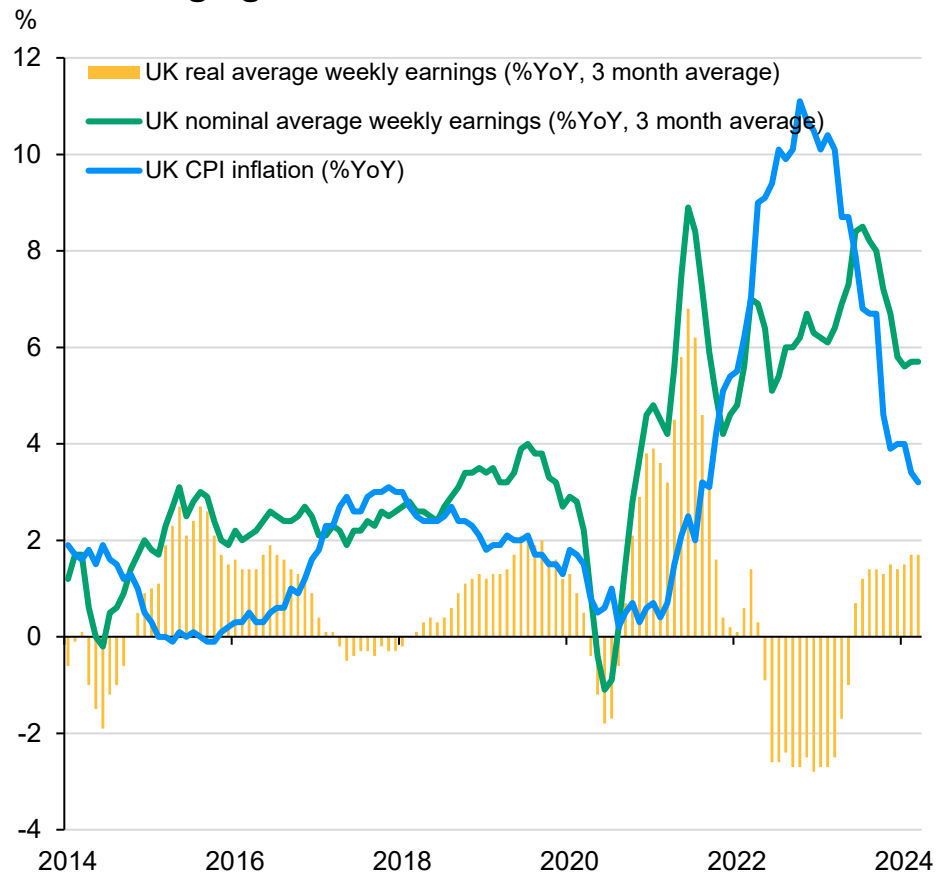
## UK 2024 GDP consensus forecast vs 2022 (2022 = 100)



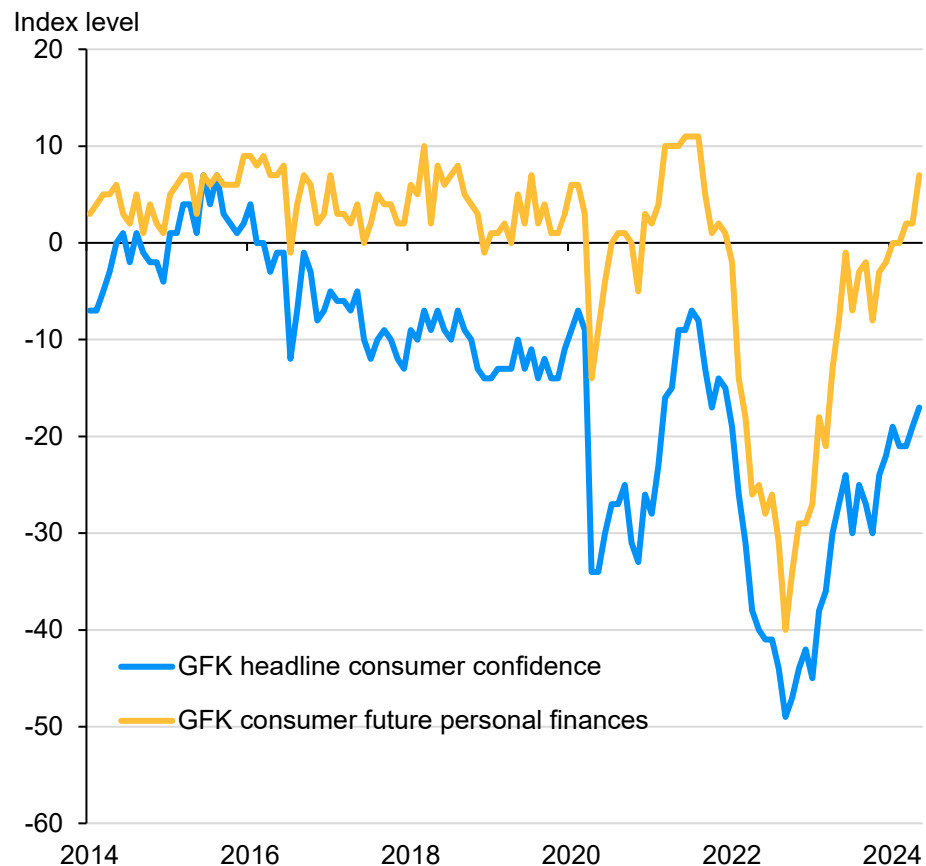
Sources: Panmure Gordon, HMT, Bank of England. Data from August 2022 to May 2024. \*Rebased to 100.

# The domestic outlook continues to improve

## UK real wage growth



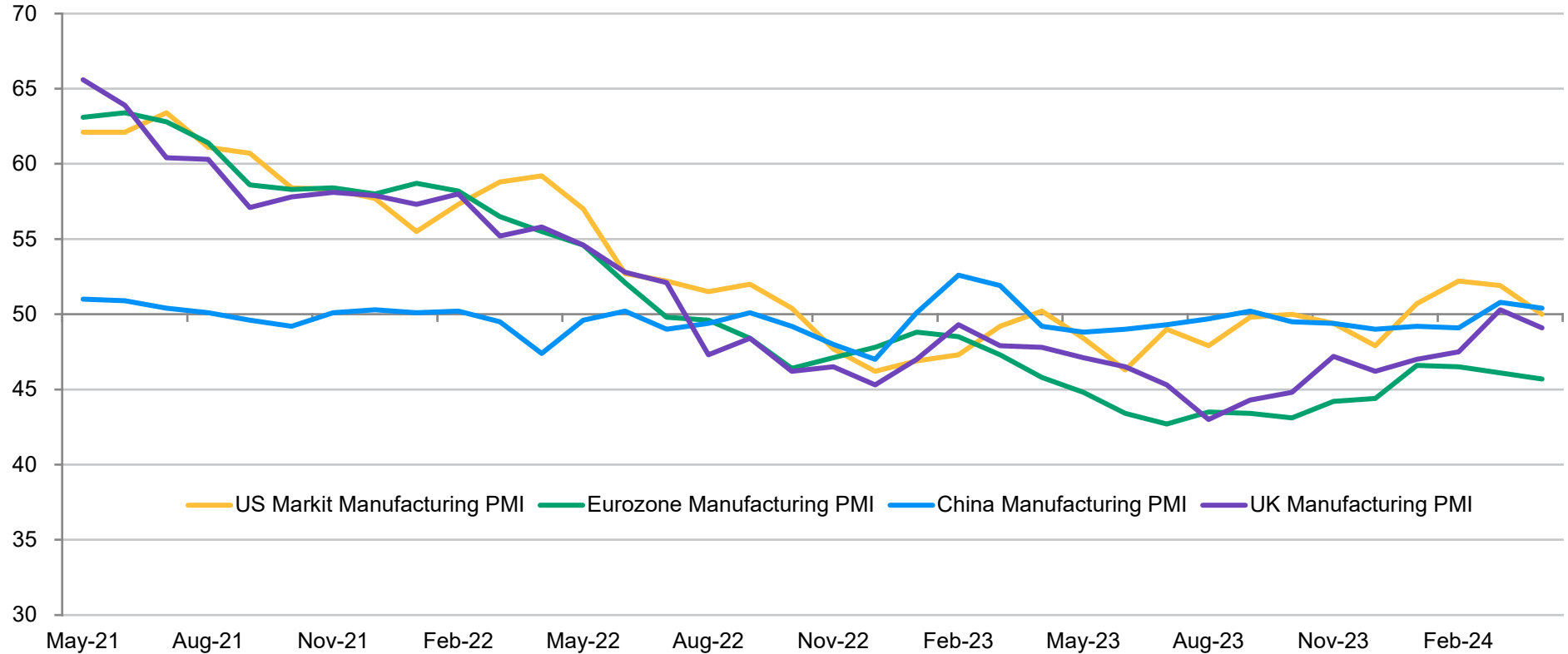
## UK consumer confidence



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

# Early signs of inflection in the global industrial outlook

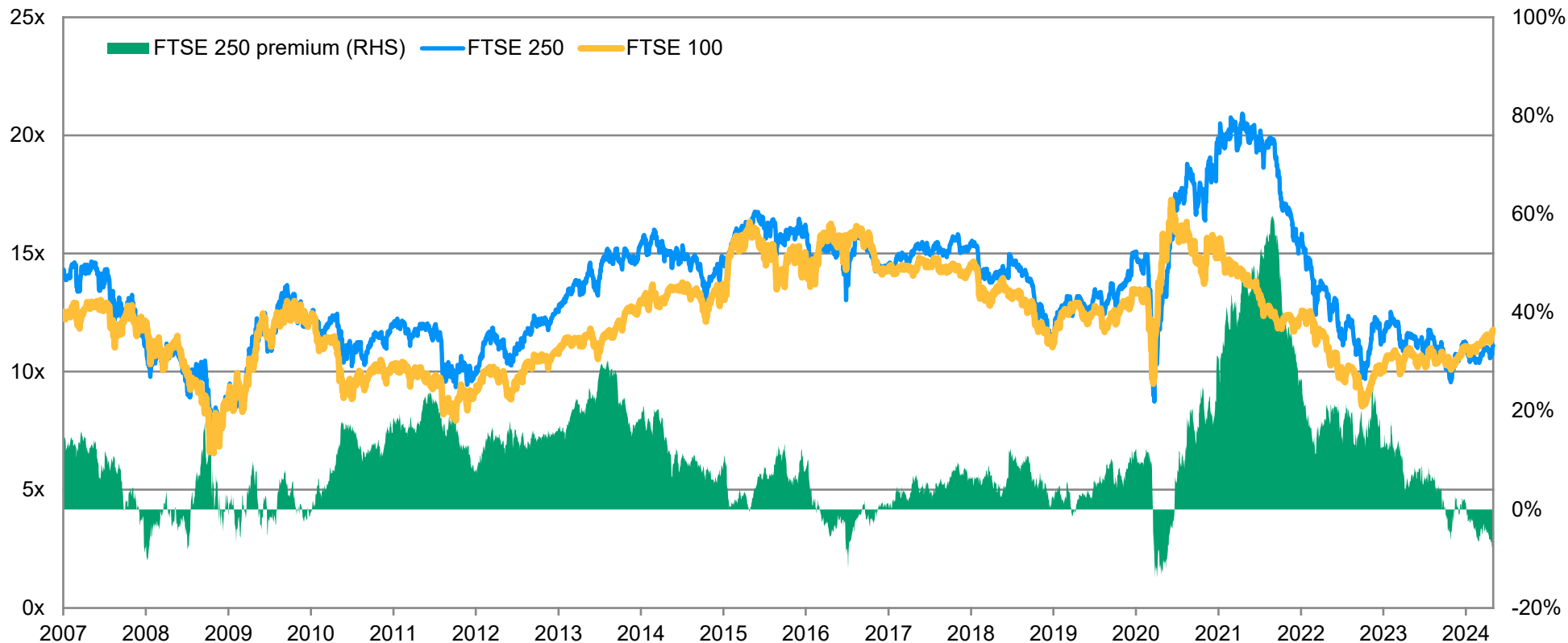
## Manufacturing PMIs



Sources: S&P Global, Bloomberg, data from May 2021 to April 2024

# UK mid caps trading at a rare discount to large caps

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

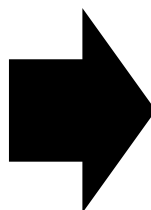
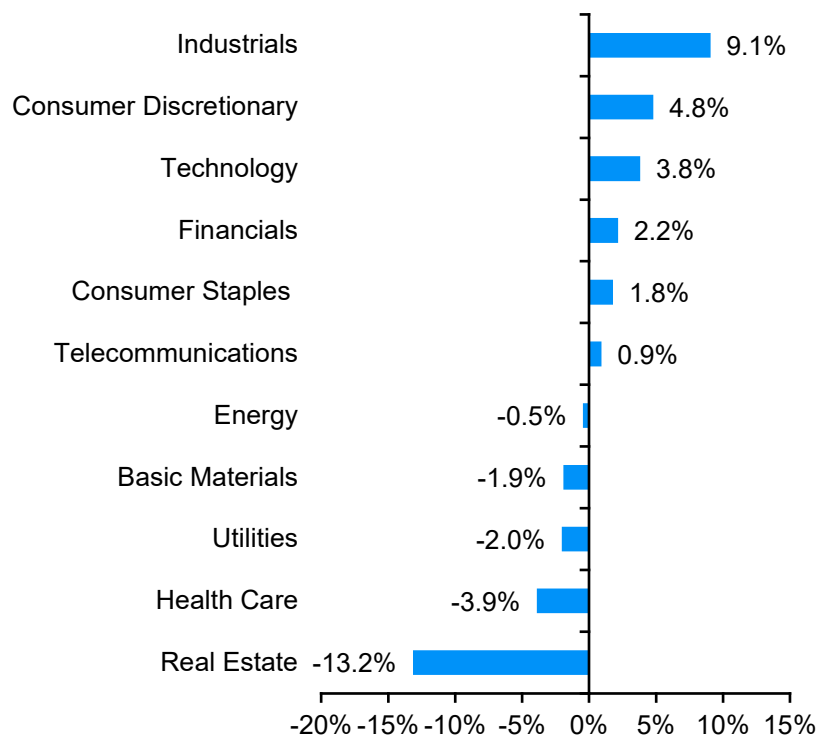


Source: Bloomberg, J.P. Morgan Asset Management. Data from January 2007 to April 2024.

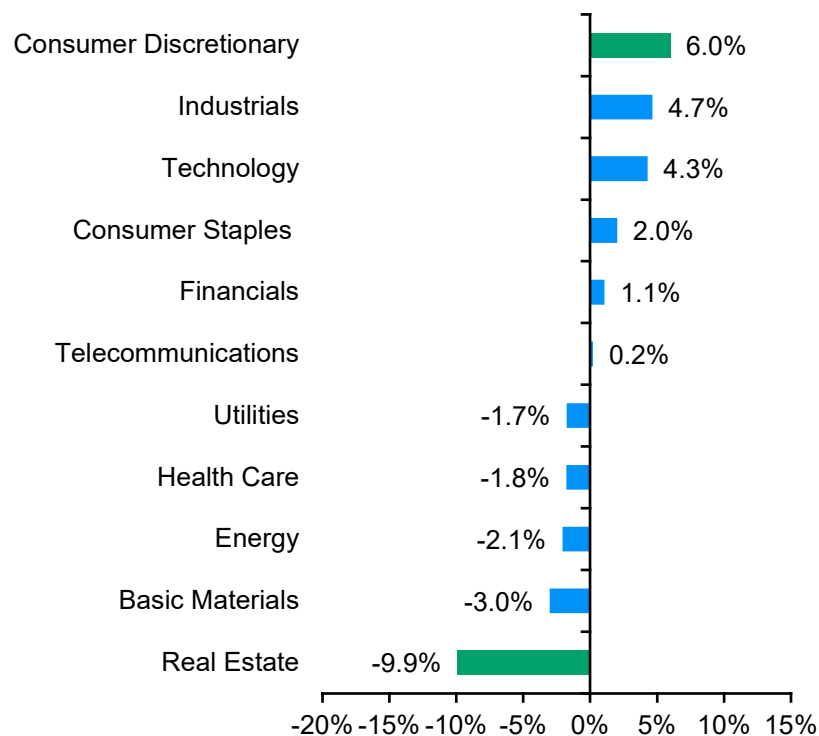
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# Sector positioning

**Sector actives – 31 January 2023**

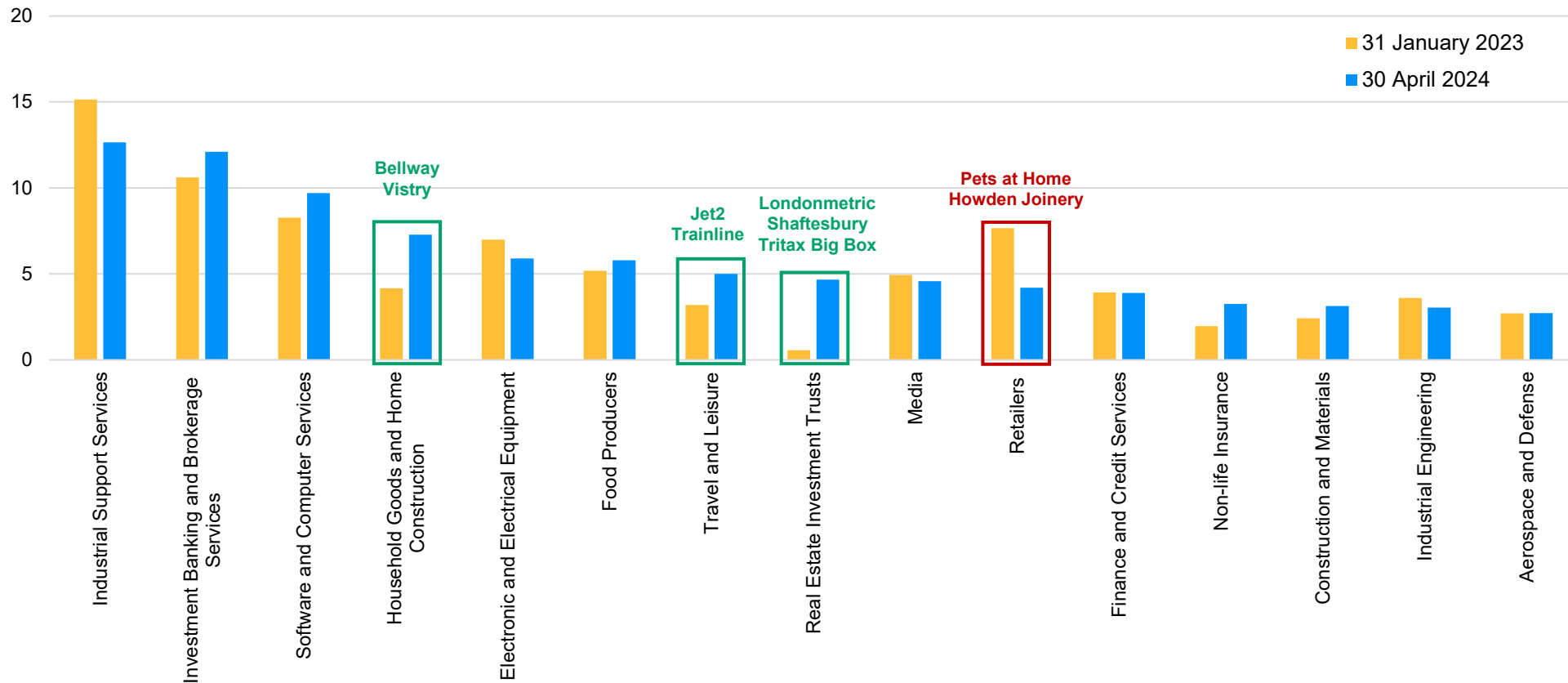


**Sector actives – 30 April 2024**



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.

# 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.

# Portfolio positions

The Mercantile Investment Trust plc as of 30 April 2024

Benchmark

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

## Top 10 holdings

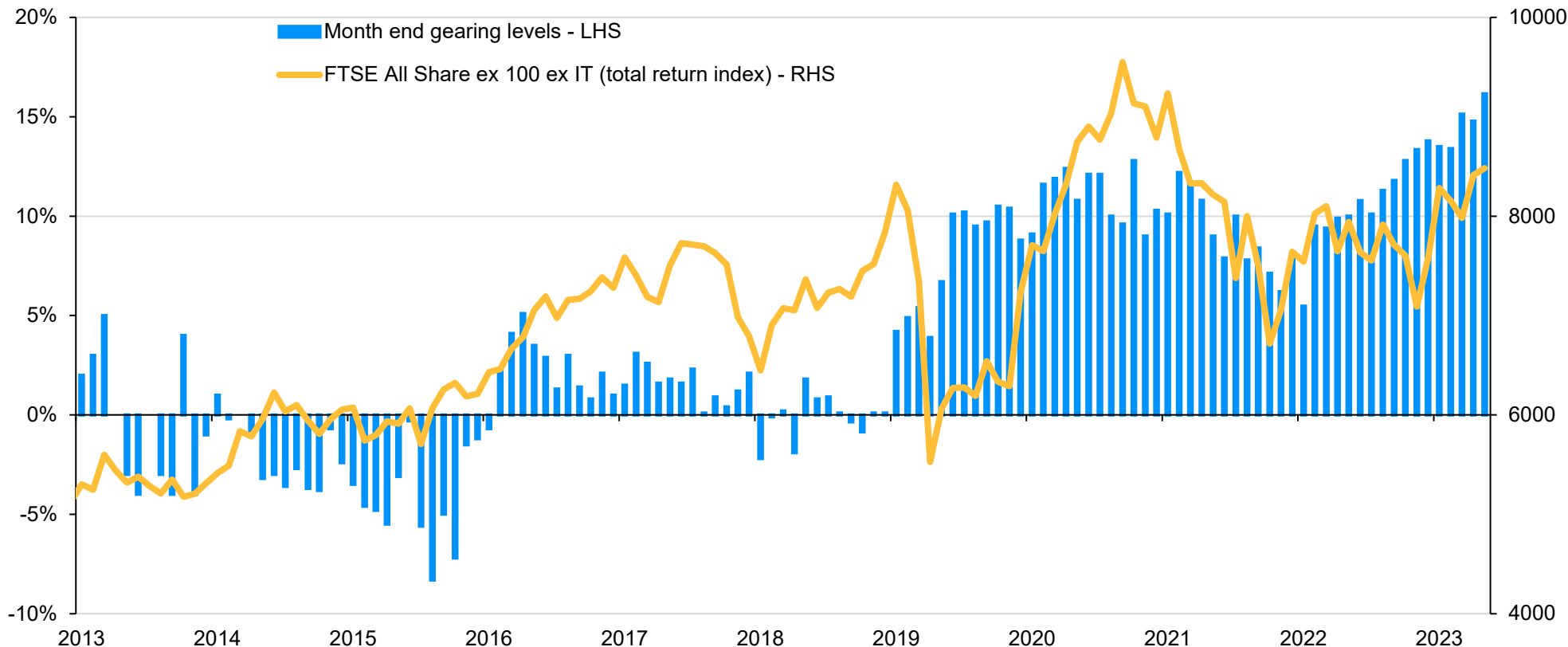
Stock	Sector	Portfolio weight (%)
Intermediate Capital Grp	Investment Banking And Brokerage Services	4.7
Bellway	Household Goods And Home Construction	4.5
Cranswick	Food Producers	3.4
3i Group Plc	Investment Banking And Brokerage Services	3.4
Softcat	Software And Computer Services	3.4
Inchcape	Industrial Support Services	3.1
Games Workshop Group	Leisure Goods	3.1
4Imprint Group	Media	3.1
Rotork	Electronic And Electrical Equipment	2.9
Dunelm Group	Retailers	2.7
<b>Total</b>		<b>34.3</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 30 April 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.

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# Summary

## Summary

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

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- Moderating inflation and improving consumer environment underpin growing optimism

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

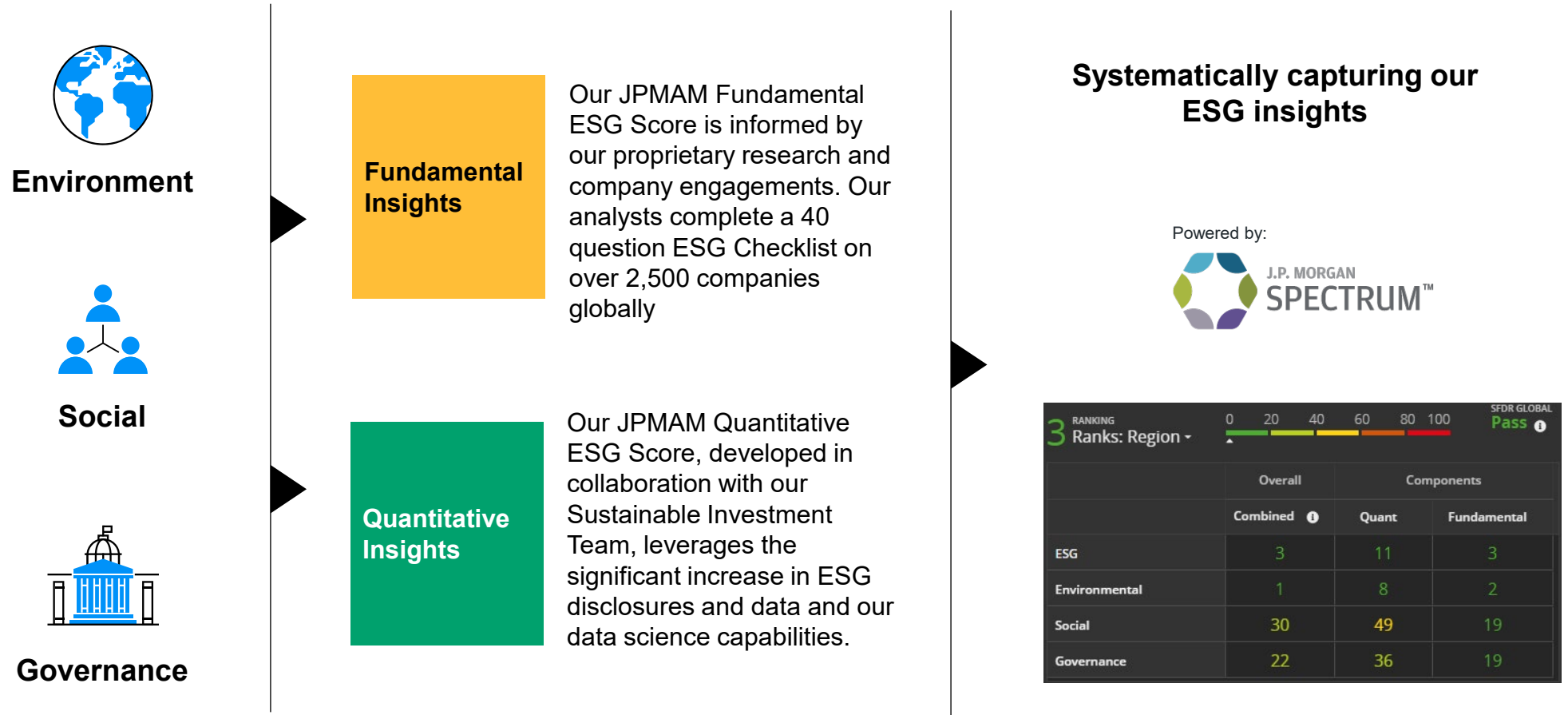
**The Mercantile Investment Trust plc: the home of tomorrow's UK market leaders**

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# Appendix

# Integrating ESG into our investment process

Systematic consideration of financially material ESG factors\*

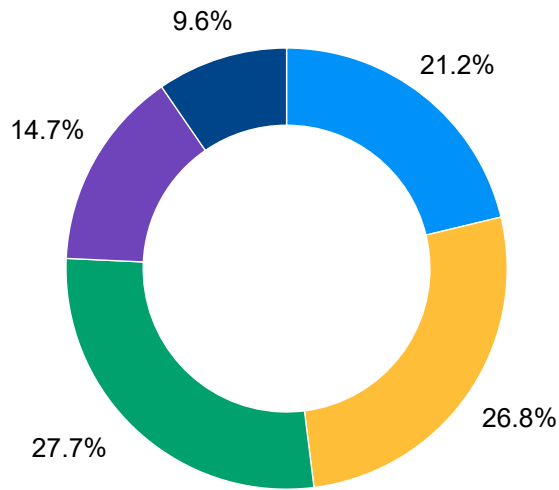


Source: J.P. Morgan Asset Management as of 31 December 2023. \* JPMAM defines ESG integration as the systematic inclusion of financially material ESG factors (alongside other relevant factors) in investment analysis and investment decisions. In actively managed assets deemed by J.P. Morgan Asset Management to be ESG integrated under our governance process, 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.

# Differentiated geographic positioning

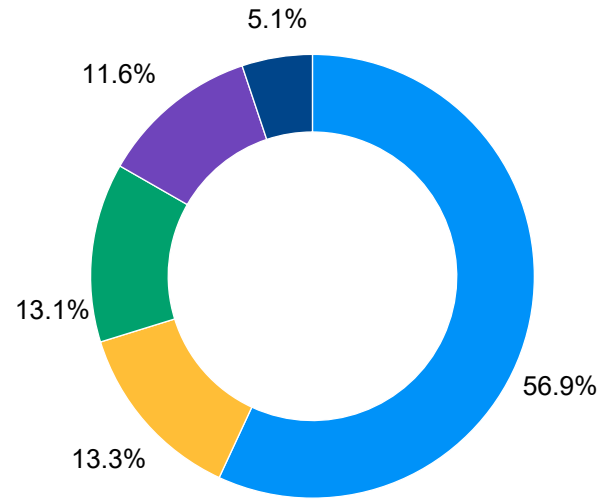
Geographic revenue mix  
As of 31 December 2023

## FTSE 100



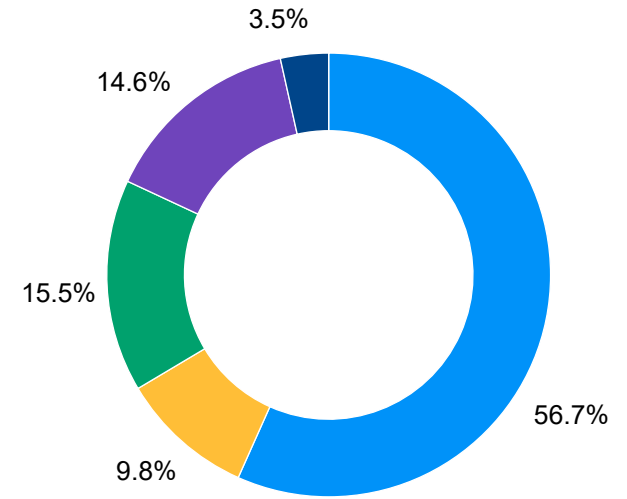
- United Kingdom
- Emerging Markets
- North America
- Europe ex UK
- Rest of World

## FTSE All-Share ex 100 ex IT



- United Kingdom
- Emerging Markets
- North America
- Europe ex UK
- Rest of World

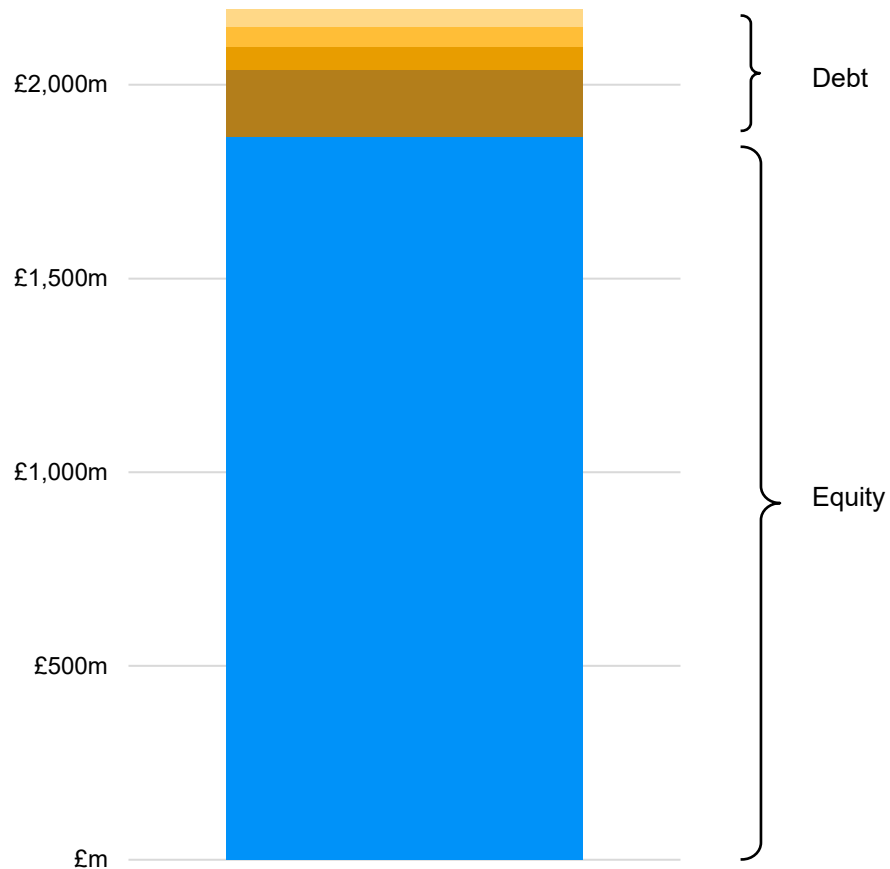
## The Mercantile Investment Trust plc



- United Kingdom
- Emerging Markets
- North America
- Europe ex UK
- Rest of World

Source: J.P. Morgan Asset Management, Factset. Portfolio weightings calculated as of invested excluding cash. 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. Absolute positions are not adjusted for gearing.

# Capital structure



Financing	Principal	Rate	Maturity	Annual NAV cost
£175m Debenture Stock	£174,355,241	6.13%	25-Feb-30	0.57%
Perpetual Debenture	£3,850,000	4.25%	-	0.01%
Private Placement	£54,887,457	1.98%	08-Sep-41	0.06%
Private Placement	£49,893,903	2.05%	08-Sep-51	0.05%
Private Placement	£44,902,809	1.77%	08-Sep-61	0.04%
<b>Total</b>	<b>£327,889,411</b>			<b>0.74%</b>

**Maximum potential gearing = 18%**

Source: Bloomberg, J.P. Morgan Asset Management. As at 31 January 2024 (weightings exclude cash/cash equivalents).

# Portfolio turnover

The Mercantile Investment Trust plc

## Rolling portfolio turnover



Source: J.P. Morgan Asset Management. Data from December 2016 to December 2023. Turnover is calculated as the average of the total buy transactions and sell transactions during the period, as a proportion of the average portfolio size during that period.

# Performance

The Mercantile Investment Trust plc  
As of 29 February 2024

## Market Value

The Mercantile Investment Trust plc GBP 2.2bn

## Performance, net of fees (%)

	YTD	Three months	Six months	One year	Three years p.a.	Five years p.a.	Ten years p.a.
Mercantile NAV (cum income, debt at par value)	-0.4	7.7	8.6	3.8	-0.1	3.9	5.2
Mercantile share price	-2.3	6.3	11.2	4.8	0.0	5.1	5.8
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	-3.6	5.4	3.7	-1.2	-0.1	2.5	3.6
<b>Excess return (NAV)</b>	<b>+3.3</b>	<b>+2.1</b>	<b>+4.8</b>	<b>+5.1</b>	<b>-0.1</b>	<b>+1.4</b>	<b>+1.5</b>

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Mercantile NAV (cum income, debt at par value)	35.9	1.2	22.2	-1.7	29.0	-15.1	38.9	-4.7	22.6	-26.6	13.1
Mercantile share price	44.9	-4.2	30.0	-3.7	30.2	-17.1	53.9	-2.3	11.3	-25.9	19.8
FTSE All-Share ex. FTSE 100 ex. Investment Trusts	35.7	2.2	12.2	5.9	17.9	-15.0	28.9	-7.3	19.8	-18.3	10.1
<b>Excess return (NAV)</b>	<b>+0.1</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>

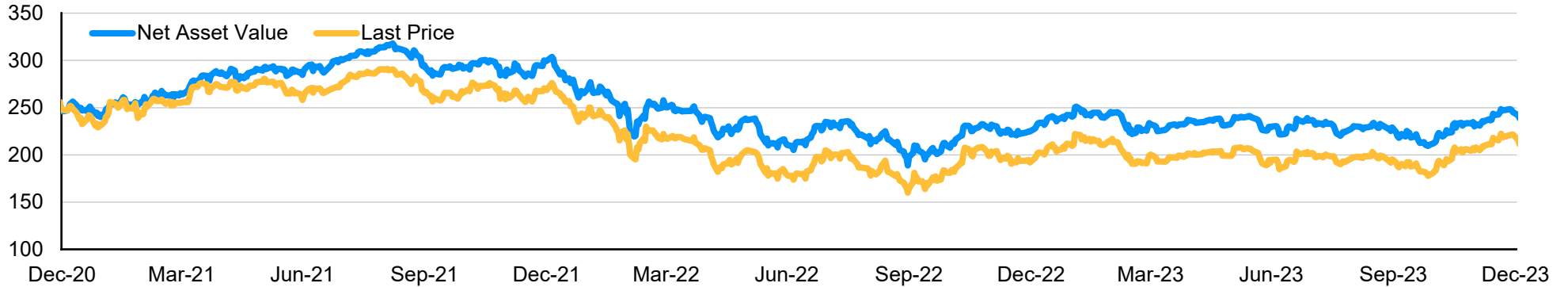
Source: J.P. Morgan Asset Management. Geometric excess returns. Performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP.

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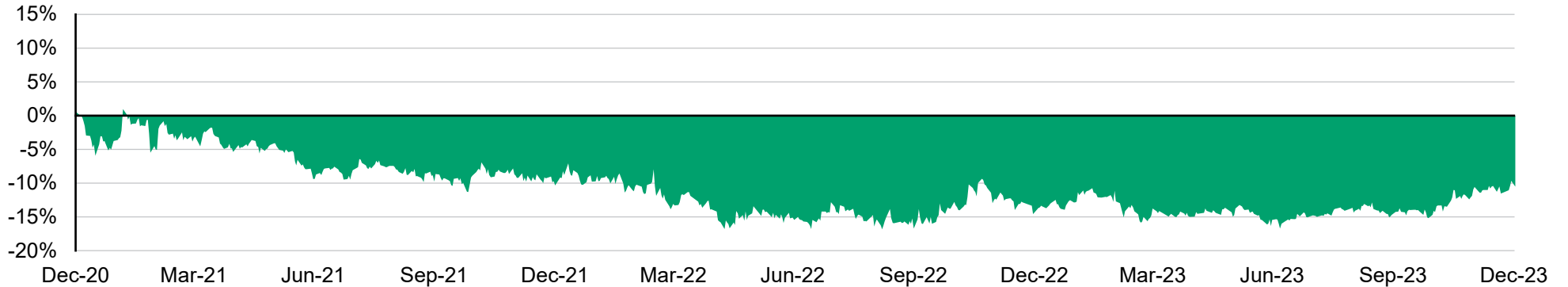
# Share price discount

The Mercantile Investment Trust plc

## Net Asset Value (NAV) vs. Share Price



## Premium/Discount to NAV (%)



Source: Bloomberg. Data from 31 December 2020 to the 31 December 2023.

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 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.jpnam.co.uk/investmenttrust](http://www.jpnam.co.uk/investmenttrust)

## SUMMARY RISK INDICATOR

1	2	3	4	5	6	7
<b>Lower risk</b>					<b>Higher risk</b>	

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.

## Important information

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