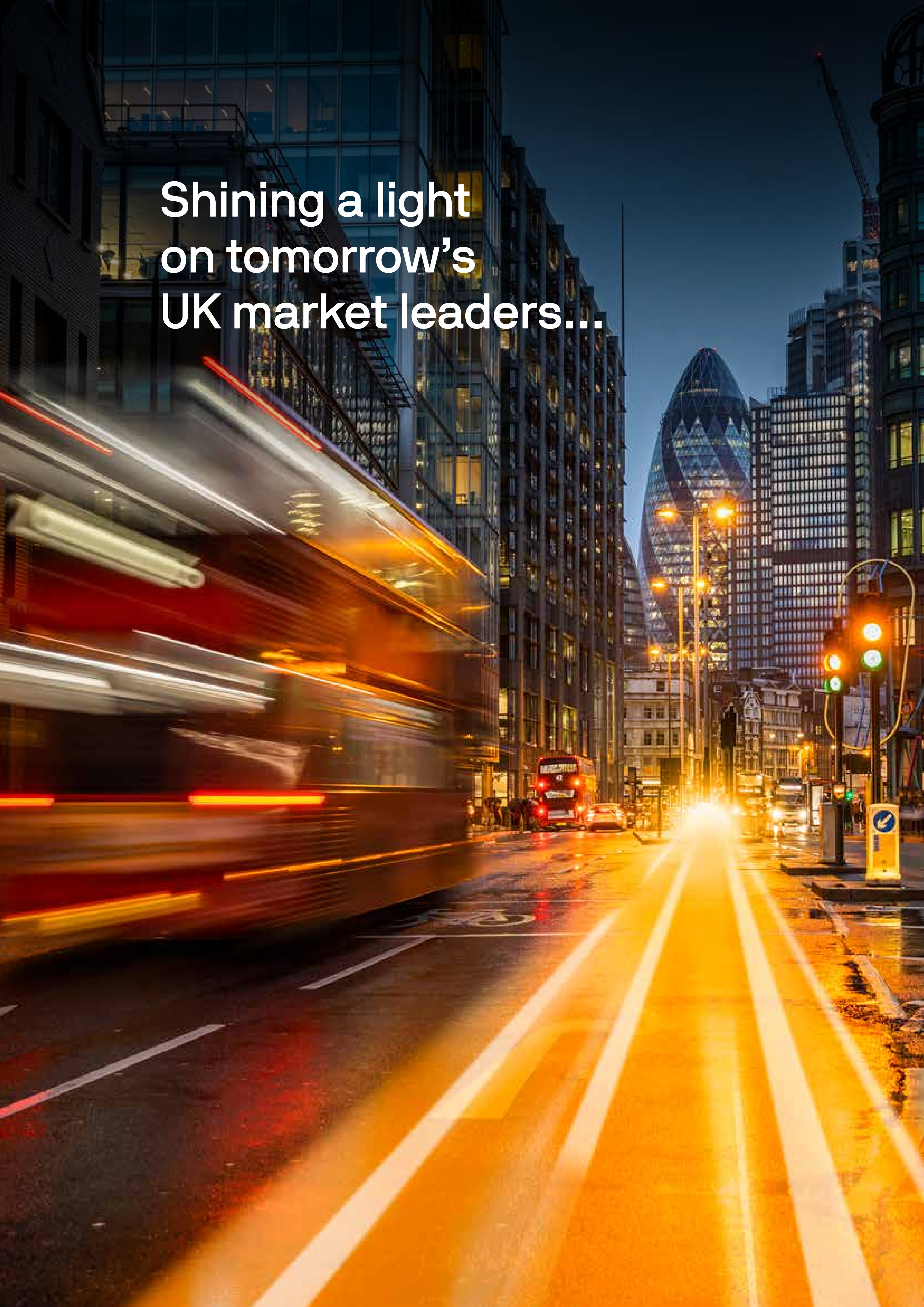
Marketing Communication

The Mercantile Investment Trust plc

Celebrating 140 years

J.P.Morgan
ASSET MANAGEMENT

Shining a light on tomorrow's UK market leaders...



The investment company rich in history

£2.4B

in assets as of 31/10/2024

780M+

shares in issue

Source: The Mercantile Investment Trust plc Annual Report, 31/01/2024.

On 8th December 1884 – the same year that Greenwich was chosen to be the world's prime meridian – a new investment company was incorporated in London. The Mercantile Investment and General Trust was established with the aim to deliver 'long-term capital growth from an international portfolio' – an aim that initially attracted 505 shareholders to invest capital of £190,020 (about £30.6 million in today's money).

Fast forward 140 years and The Mercantile Investment Trust plc has assets of more than £2.4 billion and over 780 million shares in issue.

A constituent of the FTSE 250, the company has navigated world wars, booms, busts and an expansion in capital markets that has enabled its shareholders to achieve both powerful capital growth and – in more recent years – a growing dividend.[1]

Over its lifetime, The Mercantile has backed hundreds of companies that have shaped modern life – from pioneering railway, gas, telegraph and mining companies in the Americas and Asia in the 1880s to the UK's most forward-thinking companies in a variety of sectors today, from industrials and retail to finance and technology.

But its longevity has never been taken for granted. In a competitive, crowded and unpredictable market, The Mercantile has thrived by regularly assessing its role and its value to investors.

As a result, the company has never been afraid to adapt in order to play to its strengths and respond to the changing needs of investors. And like all great companies, its success has been down to dedicated people.

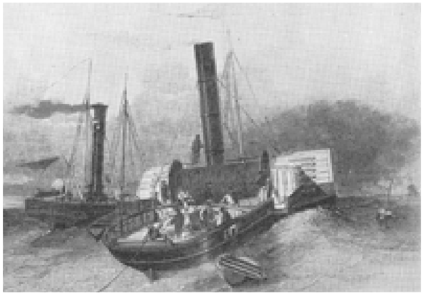
A succession of forward-looking Boards has driven the company to stay relevant and competitive. Talented and committed portfolio managers have helped deliver performance that demonstrates the ongoing value of first-hand research and active investment management. And loyal and engaged shareholders (many of whom have passed down shares from generation to generation) have been a constant reminder of why the company exists: to enable investors of any size to share in the thrilling potential of the stock market and reach their own financial goals along the way.

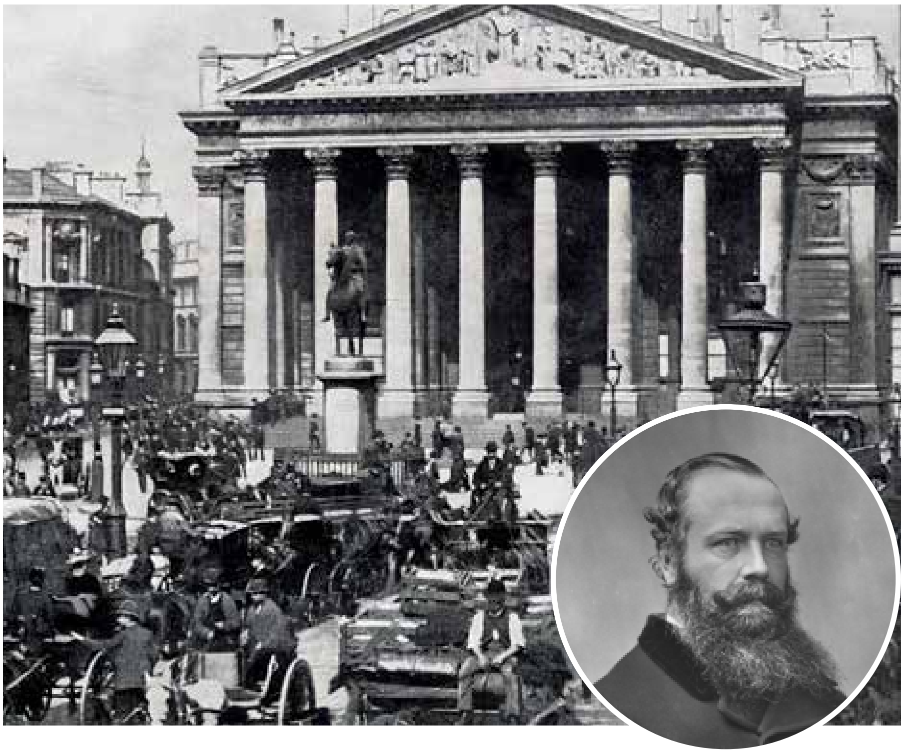
The Mercantile is a company built on a shared passion to find and invest in great companies, to adapt to a changing world, and to be constantly curious about what the future holds. That shared passion makes The Mercantile as relevant and exciting to investors today as it was to its first 505 shareholders in 1884.

We hope you enjoy this journey through The Mercantile story.

[1] Source: The Mercantile Investment Trust plc Annual Report, 31/01/2024.

The Mercantile way





Foundations and early investments

Clockwise from top left: New York Central Railway; London in the late 19th century; the Right Honourable Viscount Monck (photo: Bibliothèque et Archives Nationales du Québec); Peninsular and Oriental Steam Navigation Company; Submarine Telegraph Company; Bahia and San Francisco Railway (photo: Institution of Civil Engineers).

At the first public meeting of The Mercantile Investment and General Trust on 5 February 1885, the Right Honourable Viscount Monck, a former MP who had also been the first Governor General of Canada, took the chair and opened with the following observation:

"The idea of investment trusts is founded on the homely and very sound principle of not putting all our eggs in one basket. It is, in fact, the application to the investment of money of the co-operative principle."[1]

It was a principle that allowed investors – even those of relatively modest means – to invest in what were the young, emerging companies and sectors of the day: the railroad companies fast expanding across the Americas; rubber companies that were instrumental in the growth of the bicycle and – a few decades later – the motor car and telegraph companies transforming long-distance communications.

[1] Source: The Fleming Mercantile Investment Trust plc, Annual Report and Accounts for year ending 31/01/1995.

At the heart of the UK economy

That co-operative principle is still alive and thriving. Today, The Mercantile Investment Trust's £2 billion+ investment portfolio is managed on behalf of tens of thousands of shareholders – from small individual investors to major institutions such as national private wealth managers.

As in 1885, all are benefiting from a portfolio that's been carefully selected to bring together growing companies that are defining their industries. In the trust's early years, that meant a global focus. But in 1994, the company formally amended its objective to focus on medium and small-sized UK companies – an area that had steadily been accounting for a growing proportion of the portfolio.

The evolution of The Mercantile's portfolio in the intervening 30 years shows just how the make-up of the most compelling companies in the UK has changed. In 1994, over a third of the portfolio was invested in Manufacturers. Today, Consumer Goods (both staple and discretionary) have almost tripled their allocation. Financials continue to feature strongly, and Technology has become a sector in its own right.

Investment then and now

How The Mercantile is allocating across sectors of the UK market.

1994[1] Top Five Sectors	
General Manufacturers	38%
Services	28%
Financials	18%
Consumer Goods	12%
Mineral Extraction	3%

2024[2] Top Five Sectors	
Consumer Goods[3]	35%
Industrials	24%
Financials	22%
Technology	9%
Real Estate	5%

[1] Source: The Fleming Mercantile Investment Trust plc, Annual Report and Accounts for year ending 31/01/1995. [2] As at 31/10/2024. [3] Combines Consumer Discretionary and Consumer Staples. 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.

First hand – in depth

300+

UK companies invested in over the past 10 years

Source: J.P. Morgan Asset Management, as at 30/11/2024.

4,000+

company meetings over the past 10 years

Source: J.P. Morgan Asset Management, as at 30/11/2024.

Being focused on mid- and small-cap listed UK companies means The Mercantile's universe of opportunity is extensive. Outside of the FTSE 100, there are over 580 UK companies trading on the main London Stock Exchange. A further 720 or so very small enterprises feature on the Alternative Investment Market, where The Mercantile also looks for exciting opportunity at a very early stage of growth.

Identifying around 75 of the best ideas from this pool of 1,300+ companies – many of which receive far less coverage from market analysts than the giants of the FTSE 100 – demands the ability and resources to scrutinise companies in depth, first-hand.

The UK equity team behind The Mercantile is led by Guy Anderson, backed by the vast research resources of JPMorgan Asset Management. The team conducts as many as 400 meetings a year with company management (in addition to multiple site visits to factories, retail stores and R&D centres) in order to assess companies' products, their people and strategies for growth, alongside financial metrics such as profitability and return on capital.

A disciplined investment process looks to ensure analysis is consistent and completely objective – both in order to find compelling opportunities and avoid remaining invested in companies whose investment case has waned.

Smaller companies – big potential

The work required to seek out the best ideas in the UK's mid and small-cap universe is intensive. But because smaller companies are often less researched by other investors, analysts and brokers, opportunities can be acquired at prices that don't reflect their future potential.

Thanks to the unique combination of attributes that characterise the mid/small-cap universe – see panel – this is a part of the market that has repeatedly outperformed its larger peers.[1]

All of which continues to make The Mercantile a valuable portfolio holding for investors of all kinds wanting to participate in the potential of the UK's most dynamic companies. As new industries, technologies and consumer tastes emerge, it will be fascinating to see what companies The Mercantile holds in the future.

30 years

of maintaining or increasing dividends to shareholders

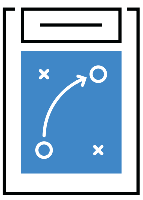
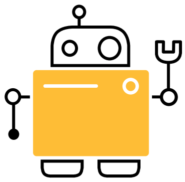
Source: The Mercantile Investment Trust plc Annual Report, 31/01/2024.

1,042%

increase in the dividend since 1994[2]

Source: J.P. Morgan Asset Management, as at 31/01/2024.

Why The Mercantile focuses on mid and small-cap UK companies

		
Nimble business models	**Innovators & disruptors**	**Rapidly growing new markets**
Smaller companies have greater ability than large-caps to adapt and change their business model to evolving market dynamics and new sector opportunities.	The mid/small-cap universe is home to innovative companies that are at an early stage of redefining old industries and creating new ones.	While large-cap growth is often limited by the underlying economy, mid/small-caps can give exposure to structurally growing markets that offer extensive growth potential.

[1] FTSE All-Share Index (excluding FTSE 100 constituents) has outperformed the FTSE 100 over 5, 10 and 25-year periods. Source: J.P. Morgan Asset Management. [2] Figures used in this calculation restated due to the sub-division of each Ordinary share of 25p into ten ordinary shares of 2.5p each on 25/05/2018. Past performance is not a reliable indicator of current and future performance.

The Mercantile through the years

1994
The Mercantile formally amends its objective to focus on medium and small-sized UK companies

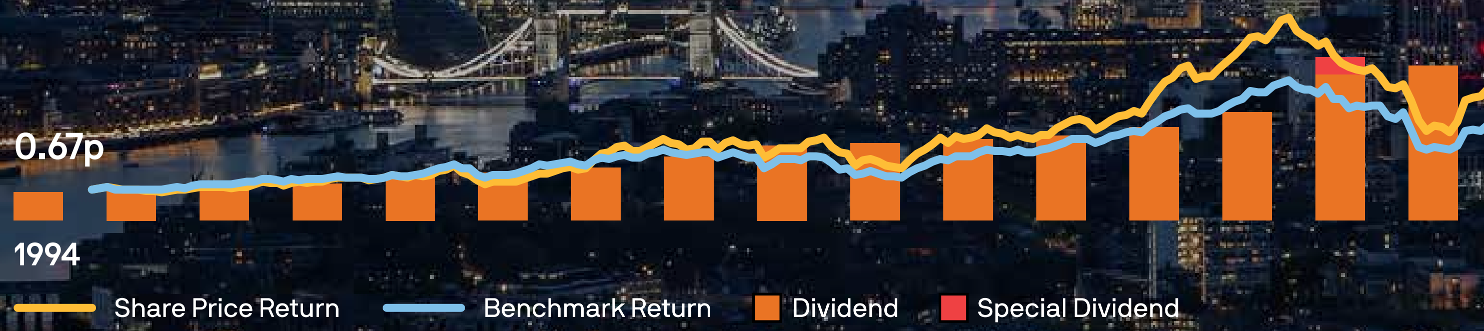
1995
The UK's Alternative Investment Market (AIM) launches to enable small enterprises to raise capital and publicly trade their shares

2002
Dot.Com bubble collapses UK stock market sees its largest fall since 1974

2005
The Mercantile completes takeover of Britannic Smaller Companies Trust plc

Growth in Share Price Return, Dividend and Benchmark Return, 1994 – 2024

£1,000 invested in June 1994 would be worth £22,616[1] in September 2024.



2016
Guy Anderson becomes lead portfolio manager

2016
UK votes to leave the European Union

2020
Covid-19 pandemic

2021
London becomes largest centre for IPOs globally outside US and China with 120 new listings

Chart: Data as at 30/09/2024. Share Price & benchmark total return rebased to 100 on 30/06/1994 when Mercantile amended its objective to focus on mid and small-sized companies. Share price return sourced from Morningstar Daily Market Return Index. Benchmark (FTSE All-Share ex 100 ex ITs Net) sourced from J.P. Morgan Asset Management. [1] As at 30/09/2024, £1,000 invested on 30/06/1994, with dividends reinvested. Historic dividend per share amounts have been restated due to the sub-division of each Ordinary share of 25p into ten ordinary shares of 2.5p each on

2005

London Stock Exchange sees record number of IPOs for a single year (423 on AIM and main market)

2008

Renamed The Mercantile Investment Trust plc – a move endorsed by over 99% of voting shareholders

2008

Global Financial Crisis led by collapse in US sub-prime mortgage market

2012

Guy Anderson and Anthony Lynch join The Mercantile's investment team

2021

Winner, UK All Companies category, at the Investment Week Investment Company of the Year Awards for the third consecutive year[2]

2022

UK 'mini-budget' crisis

2024

New rules introduced to encourage more companies to list on the UK stock market

2024

The Mercantile is recognised as a 'next generation dividend hero' by the AIC[2]

25/05/2018. Source: J.P. Morgan Asset Management and Morningstar. [2] Source: the AIC. Past performance is not a reliable indicator of current and future performance. Dividend paid by the product may exceed the gains of the product, resulting in erosion of the capital invested. It may not be possible to maintain dividend payments indefinitely and the value of your investment could ultimately be reduced to zero. Dividend payments are not guaranteed. Source of timeline: J.P. Morgan Asset Management.

UK innovators...

Many medium and small-sized UK companies have delivered outsized performance for The Mercantile's shareholders over the years.

Here are five very different companies whose sector leadership, skilful management and regular innovation found them a place in The Mercantile's portfolio.

Consumer Discretionary

Games Workshop

Held: 2017-today

Nottingham-based Games Workshop, makers of miniature fantasy figurines, is a company that dominates its niche market. Introduced to The Mercantile portfolio in 2018, the company has seen impressive sales and profits growth across trade, retail and online channels, even managing to maintain 400 own-brand stores globally at a time when other 'bricks & mortar' retailers have floundered.

The franchise continues to generate strong demand for its latest releases, which alongside some very exciting new content – including the potential for further television licensing – will likely attract new hobbyists and loyal customers who will spend year in, year out. As such, Games Workshop looks likely to keep its market domination for many years to come.

Photo: Games Workshop.

Industrials

Spirax Group

Held: 2016-2023

Founded in 1888, Spirax Group is a supplier of specialist industrial machinery from steam thermal solutions for industrial-scale cleaning, sterilising and heating to fluid technologies used in vaccines and gene therapies.

Most recently, the company has been playing a major role in enabling the global transition to 'net zero' carbon emissions with its new-to-world decarbonisation technologies that allow boilers and other industrial heating systems to be powered with renewable electricity, rather than fossil fuels.

It's ability to develop widely needed industrial solutions have led to a formidable track record of growth and 55 years of consecutive annual dividend increases.

The company's powerful share price performance led to its graduation to the FTSE 100 Index in 2018.

Photo: Spirax Group.

...across diverse sectors

Financials

Intermediate Capital Group

Held: 2013-today

Intermediate Capital Group (ICG) has featured in The Mercantile's portfolio for over a decade. It was founded in 1989 in the UK by six entrepreneurs who saw a promising investment market for an emerging asset class: mezzanine debt – a layer of debt refinancing for companies that sits between equity and fixed income.

Today, ICG provides capital via both private and public markets to help companies finance their plans for expansion – a growing market as traditional bank lending has receded – and manages a range of investment strategies and funds for institutional investors.

In a competitive market, ICG's shares have continued to perform strongly as the company has maintained impressive levels of asset-raising, even at times when competitors have struggled. As at June 2024, the company managed over $100 billion in assets.

Consumer Goods

Fever-Tree

Held: 2015-2019

Fever-Tree was launched in 2003 by veterans of the UK drinks business Charles Rolls and Tim Warrillow, who recognised that the growing market of consumers willing to pay more for a high-quality spirit might be just as keen to pay for a premium mixer.

Following an 18-month voyage of discovery, they launched their first Premium Indian Tonic Water in 2005 and subsequently built distribution in over 90 countries, rapidly becoming the global leader in premium carbonated mixers.

Having used private equity to expand the business initially, the company floated on London's Alternative Investment Market in November 2014, with an IPO valuing the company at £154m. The Mercantile invested at IPO and held the stock for almost five years, capitalising on a period of growth that saw the share price increase from £1.65 at launch to almost £38 by late-2018.

Technology

Softcat

Held: 2015-today

Softcat was founded in 1993 to meet the nascent but fast-growing demand among businesses for IT infrastructure support. Its relationship-focused and highly-incentivised sales team provided companies with guidance on what IT equipment to buy, plus full support with procurement, licencing and systems management.

The Mercantile acquired its first holding in Softcat when it floated on the London Stock Exchange in November 2015. The company was promoted to the FTSE 250 the following year. Continuing to grow its market share as a leading IT reseller – especially by boosting its business in the public sector – Softcat hit £1 billion in revenue in 2020.

Now The Mercantile's largest Technology holding, Softcat revenues have scope to continue to grow as companies look for help in adopting generative AI solutions.

Meet the managers...

Guy Anderson and Anthony Lynch, portfolio managers of The Mercantile since 2012, explain why UK mid and small-cap companies continue to be one of the most exciting areas of the UK stock market and why being disciplined is the key to success.

Guy Anderson

Anthony Lynch

What's gets you excited about investing in the UK market?

AL: We're at a really interesting inflection point because we've been through a period of upheaval as a country over the past eight years. However, when we look through that time we see that plenty of UK mid and small-caps have continued to grow their earnings and deliver strong performance, which is really encouraging. At the same time, the UK market as a whole is still trading at tremendous discounts versus its own history and other developed markets.

GA: The compelling thing about mid and small-cap companies is that they have potential to grow at a higher rate than large companies because the bigger a company gets, the more limited growth gets.

The Mercantile is an investment trust – as portfolio managers what's the benefit of that for you?

GA: An investment trust is a fantastic way to invest in the mid and small-cap companies that we focus on because money isn't moving in and out of the company as investors look to buy and sell their stake. That means we can make really long-term investment decisions, which is important when you're investing in younger companies, because you're looking for a multi-year growth runway – not at what a company can deliver in the next three to six months.

We're looking to compound returns over an extended time period as we believe that's the most effective way to get the best returns for everyone. Some holdings have been with us for 12 years or more. An investment trust definitely supports that patient, long-term perspective. So, it's a great way for us to invest in these super-exciting businesses.

In your experience, what makes a great company for your portfolio?

AL: The companies that have done particularly well for us are those that have a strong competitive positioning in a market that is ultimately growing. When companies are less at risk from competition, they can take market growth potential and sustain it for longer.

GA: Companies that do well for us almost always have a management team that is genuinely focused on making long-term decisions. We also really like it when management teams own their own stock as well: 'owner-operators' tend to take longer-term decisions than 'agent operators' as a general rule.

How do you as a team decide what does and doesn't go into portfolio?

AL: One of the disciplines we have is that there are no sacred cows in the portfolio. In our various team meetings, everything is open to challenge. In order to facilitate that, we have an investment hypothesis for each investment

“If you’re looking for genuine exposure to the UK, mid and small-cap companies are the way to do it...”

accessible to the team. That allows anyone – from senior to junior team members – to check why we originally invested in a company and stack that up against current evidence. The default should be that if an investment hypothesis for a company is no longer valid, that capital should be recycled into something else.

GA: People can have different opinions and that’s encouraged because then you don’t end up in an echo chamber where everyone is just reinforcing each other’s views. It’s always useful to have someone to hold us to account. But as the lead portfolio manager, the decision as to what we buy, hold or sell is ultimately my call.

Do you feel the UK is a good place for innovation?

GA: Absolutely. Despite Brexit, the UK is still one of the easiest jurisdictions for doing business. Just look at the size of the venture capital market here. We’ve also got fantastic higher education that’s driving research and development.

An advantage for The Mercantile is that there’s more tech in the UK mid and small-cap arena than there is among large FTSE 100 companies. And that’s not just limited to the narrow definition of tech. We have plenty of innovative industrial companies in our portfolio that are using technology in really exciting ways.

AL: Where things have slowed down is companies choosing to go public – but that’s been a global, not just a UK, phenomenon. However, there has been a pick-up in UK share issuance and that is something we are definitely looking forward to seeing more of.

What role can The Mercantile Trust play in an investor’s portfolio in your view?

GA: First and foremost, it’s an effective way to get exposure to exciting opportunities in the UK market. The FTSE 100 doesn’t really represent UK plc as it contains a lot of multinational businesses that are globally-focused. So, if you’re looking for genuine exposure to the UK, mid and small-cap companies are the way to do it. Plus, as we’ve said, these companies can offer higher growth potential than their bigger peers.

AL: As well as delivering long-term growth, the company has an additional objective to grow its dividend at least in line with inflation over five to 10 years. Over the last 30 years, the dividend has never been cut and has grown at an 8.5% compound annual growth rate, which is obviously a country mile in excess of inflation. That should be attractive to any investor seeking an income that can keep pace with the cost of living.

How do you feel about managing a trust with such a long heritage?

GA: It’s a real privilege. This is one of the oldest investment trusts in the market. I find that fascinating when I’m meeting investors at the AGM. One investor said they held Mercantile shares that had been handed down by their grandparents and might have been in the family since the 1920s. Another stood up at an AGM said they had invested the maximum PEP allowance 30 years ago of £6,000 into The Mercantile and it had since transformed into a ‘life-changing’ amount of money for their retirement.

So it’s really important to remember that this is also about real people’s futures. It’s something we take incredibly seriously because there’s a lot of responsibility associated with that.

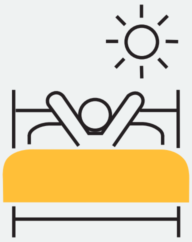





Using The Mercantile in your financial planning

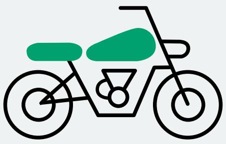
Investing for a home

The Mercantile's aim to deliver long-term growth can make it suitable for investing for major financial goals such as buying a home. You could invest through a tax-efficient Lifetime Individual Savings Account (LISA). These can be opened by investors aged 18 to 39 to invest £4,000 a year towards buying a home or retirement, with the state adding a bonus of up to £1,000 a year on top.



...for children

Investing for a child as they grow can be a great way to build up a nest-egg for adulthood, or to pay for school fees and university. And what could be more exciting than investing for them in dynamic UK companies that are on their own path to future growth? You could invest in The Mercantile via a Junior ISA, which allows £9,000 to be invested a year, with the money held on the child's behalf until they reach 18.



...for later life

The Mercantile can play a valuable role in retirement planning. With its dual objective to achieve long-term capital growth and a healthy dividend, it can be used both to build up your retirement 'pot' then generate an income once you stop work. Lifetime ISAs and Self Invested Personal Pensions (SIPPs) both offer a tax-efficient way to invest for retirement – and are widely available through leading UK investment platforms.

... or whatever you like

Sometimes you may not have a specific goal in mind – you may simply want to make your savings work harder for you. The Mercantile can be a great way to do that. It allows you to share in the long-term growth potential of some of the most dynamic companies in the UK stock market. You have the freedom to stop, start and vary your investments. Plus, you can invest tax-efficiently through ISAs and pensions, as well as other wrappers. So, even if you don't know what you want to invest for today – The Mercantile offers the potential to get more from your capital tomorrow.

This is intended for illustration only and is not intended as financial advice. Please seek professional independent advice based on your personal circumstances. Investment values can go down as well as up, returns and dividends are not guaranteed and you may get back less than you invested. Past performance is not a guide to the future. ISA details are based on 2024/25 rules and could change in the future.

The Mercantile Investment Trust plc

Stay informed

To sign up for regular email updates from the Company, including news and views and latest performance statistics, scan the QR code or visit www.Mercantile-Registration.co.uk

Investing in The Mercantile

You can invest in the Company's shares via third party platform providers or by contacting a professional adviser. Find out more at https://am.jpmorgan.com/gb/en/asset-management/per/how-to-invest/

If you are in any doubt about the suitability of an investment, please speak to an independent financial adviser. Your capital may be at risk.

To find out more

www.jpmmercantile.co.uk

General enquiries

You can direct general enquiries about the Company to the Company Secretary at invtrusts.cosec@jpmorgan.com.

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.

Important Information

Fund Objective: 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.

Photography: Adobe Stock, Bibliothèque et Archives Nationales du Québec, Dissolve, Games Workshop, Institution of Civil Engineers, iStock, Shutterstock, Spirax Group.

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