

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

Half Year Report & Financial Statements

for the six months ended 31st July 2021



J.P.Morgan
Asset Management



Your Company

Objective

The Mercantile Investment Trust plc (the 'Company') aims to achieve long term capital growth from a portfolio of UK medium and smaller companies.

Investment Policy

- To emphasise capital growth from medium and smaller companies.
- To achieve long term dividend growth at least in line with inflation.
- To use long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 10% net cash to 20% geared.
- To invest no more than 15% of gross assets in other UK listed closed-ended investment funds (including investment trusts).

Benchmark

The FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested.

Capital Structure

At 31st July 2021 the Company's share capital comprised 944,492,180 ordinary shares of 2.5p each, including 152,969,287 shares held in Treasury.

At 31st July 2021, the Company had in issue a £3.85 million 4.25% perpetual debenture and a £175 million 6.125% debenture repayable on 25th February 2030. Since the end of the reporting period the Company announced that it had raised an additional £150 million of long-term debt through the issue of three fixed rate, senior unsecured privately placed notes (the 'Notes'). The Notes, which were funded on 8th September 2021, are: £55 million maturing in 2041 with a fixed coupon of 1.98%; £50 million maturing in 2051 with a fixed coupon of 2.05%; and £45 million maturing in 2061 with a fixed coupon of 1.77%. The fixed debt is supplemented by a £100 million floating rate revolving credit facility expiring in December 2022.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager and Company Secretary. JPMF is approved by the Financial Conduct Authority and delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

Environment, Social and Governance ('ESG') Considerations

ESG considerations are fully integrated into the stock selection process. JPMAM research teams compile proprietary ESG analyses on each company as well as using external vendor research, and rank them. Following in-depth strategic and financial analysis, these ESG rankings and factors are also taken into consideration as part of the investment case. In addition, the Manager, together with Stewardship specialists, conducts extensive engagement on specific ESG issues with investee companies. JPMAM is a United Nations Principles of Responsible Investment ('UN PRI') signatory and endeavours to vote at all of the meetings called by companies in which your portfolio invests. An ESG report is on pages 12 to 14.

Financial Conduct Authority ('FCA') regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's shares are not classified as 'complex instruments' under the FCA's revised 'appropriateness' criteria adopted in the implementation of MiFID II.

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

The Company's website, which can be found at www.mercantileit.co.uk, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

WHY INVEST IN THE MERCANTILE INVESTMENT TRUST?



THE HOME OF TOMORROW'S UK MARKET LEADERS

Some of the UK's most attractive investment opportunities lie outside the FTSE 100, in the mid and small cap markets. It's here that investors can find the true innovators and disruptors that will drive the UK's future growth. The Mercantile Investment Trust draws on over 130 years' of experience to tap into the long-term growth potential of the most exciting medium and smaller-sized companies, focusing on identifying those with a certain spark that could ignite long-term success.

Discover the home of tomorrow's UK market leaders and share in the return potential of this vibrant area of the UK market.

- **Dynamic market access:** Medium and smaller sized companies provide strong investment opportunities for long-term investors. The Company's benchmark, the FTSE All Share Index excluding FTSE 100 and investment trusts, has outperformed the FTSE 100 over the last one, three, five and ten year periods.
- **A long history of success:** As one of the largest UK equity investment trusts, and with a history stretching back more than 135 years, The Mercantile Investment Trust has a long and successful track record of championing the growth potential of quality UK medium and smaller sized companies.
- **Actively managed by a top-class investment team:** As the flagship investment trust of J.P. Morgan Asset Management, one of the world's leading asset managers, The Mercantile Investment Trust benefits from the insights of an experienced management team with the passion and specialist skill required to find the most attractive stocks outside the FTSE 100.
- **A track record of outperformance:** In a segment of the market that demands rigorous scrutiny, The Mercantile Investment Trust's expert team of mid and small-cap managers has delivered benchmark-beating returns over the last one, three, five and ten years.
- **An attractive, regular income:** Thanks to its focus on quality companies with strong cash flows, The Mercantile Investment Trust has the ability to generate an attractive, regular income for shareholders, and targets annual dividend growth at least in line with the rate of inflation.

THE COMPANY'S PURPOSE, VALUES, STRATEGY AND CULTURE

The purpose of the Company, which was launched in 1884, is to provide an investment vehicle which meets the needs of investors, whether large institutions, professional advisers or individuals, who seek long term investment returns from medium and smaller UK companies in an accessible, cost effective way. The Company has a premium listing on the London Stock Exchange. Its policy is to emphasise capital growth and to achieve long term dividend growth at least in line with inflation. It seeks to outperform its benchmark index over the longer term and to manage risk by investing in a diversified portfolio.

To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has the appropriate capability, resources and controls in place to actively manage the Company's assets in order to meet its investment objective. The investment management company, J.P. Morgan Asset Management, employs an investment process with a strong focus on research that integrates environmental, social and governance issues and enables it to identify what it believes to be the most attractive stocks in the market.

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises Directors from a diverse background who have a breadth of relevant skills and experience, act with professional integrity and who contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

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Half Year Performance

FINANCIAL HIGHLIGHTS

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	6 Months	3 Years Cumulative	5 Years Cumulative	10 Years Cumulative
Return to shareholders ^{1,A}	+21.3%	+38.0%	+95.2%	+255.5%
Return on net assets ^{2,A}	+25.3%	+33.7%	+86.6%	+231.3%
Benchmark return ³	+18.1%	+17.4%	+48.9%	+162.1%

^A Alternative Performance Measure ('APM').

¹ Source: Morningstar.

² Source: J.P. Morgan/Morningstar, using cum income net asset value per share, with debt at par value.

³ Source: FTSE Russell. The Company's benchmark is the FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested.

A glossary of terms and APMs is provided on pages 30 and 31.

SUMMARY OF RESULTS

	31st July 2021	31st January 2021	% change
Shareholders' funds (£'000)	2,454,601	1,986,999	+23.5
Number of shares in issue (excluding shares held in Treasury)	791,522,893	791,522,893	
Net asset value per share with debt at par value ^A	310.1p	251.0p	+23.6 ¹
Net asset value per share with debt at fair value ^{4,A}	300.3p	240.0p	+25.1 ²
Return on net assets with dividend reinvested	+25.3%	-6.1%	
Share price	276.0p	231.0p	+19.5 ³
Share price discount to net asset value per share with debt at par value ^A	11.0%	8.0%	
Share price discount to net asset value per share with debt at fair value ^A	8.1%	3.8%	
Gearing^A	10.0%	12.2%	
Ongoing Charges^A	0.46%	0.48%	

¹ % change, excluding dividends paid. Including dividends reinvested, the return would be +25.3%.

² % change, excluding dividends paid. Including dividends reinvested, the return would be +27.0%.

³ % change, excluding dividends paid. Including dividends reinvested, the return would be +21.3%.

⁴ The fair value of the Company's debentures have been calculated using discounted cash flow techniques, using the yield from a similarly dated gilt plus a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread. Please refer to page 30 for further details.

^A Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 30 and 31.

Chairman's Statement



Angus Gordon Lennox
Chairman

Performance

I am pleased to report that in the six months to 31st July 2021 the Company produced a total return on net assets of +25.3%. This compares with the total return of +18.1% from our benchmark index. This performance is excellent in both relative and absolute terms and represents a significant improvement from the six months to 31st July 2020 reported last year.

The return to shareholders was slightly lower at +21.3%, still beating the index handsomely, as the discount at which the Company's shares trade widened from 3.8% to 8.1% (calculated with debt at fair value) over the half year.

The Mercantile has cemented its position as the home of tomorrow's UK market leaders and its performance more than justifies that stance.

Returns and Dividends

We expect the revenue for the Company's financial year ending 31st January 2022 to be significantly higher than 2021, with investee companies beginning to increase and restore their dividends, including by way of special dividends, following the cuts and suspensions made as a result of COVID-19.

A first quarterly interim dividend of 1.35 pence was paid on 2nd August 2021 and a second quarterly interim dividend of 1.35 pence per share has been declared by the Board, payable on 1st November 2021 to shareholders on the register at close of business on 24th September 2021. This brings the total dividend for the year to date to 2.70 pence (2020: 2.70 pence). The Board intends to pay a third quarterly interim dividend of 1.35 pence in early February 2022.

As I have previously noted, one of the structural advantages of a closed end investment trust is our ability to use revenue reserves to smooth dividend payments in more difficult times. It is the Board's current intention at least to maintain last year's total dividend of 6.7 pence per share for this financial year. As was the case last year, it is likely that this will require the use of a small amount of our revenue reserves (which currently amount to 6.9 pence per share), but to a lesser extent than required for 2021.

Discount and Share Buy Backs

At the end of the last financial year, the Company's shares traded at a 3.8% discount. Over the subsequent six months the discount has widened, closing the half year period at 8.1%. The widening of discounts over the period has been a general theme and the Board has not utilised the Company's authority to buy back any shares in the six months to 31st July 2021. However, the Board continues to monitor closely the discount at which the Company's shares trade and will take action should the Company's discount trend diverge from that experienced by its peers.

Gearing and long term debt

The Board of Directors sets the overall strategic gearing policy and guidelines, reviewing these at each Board meeting.

The Board has been discussing for some time with the Investment Managers whether the Company should take advantage of current low rates of interest to rebalance the Company's borrowing profile. As a reminder the Company had in place a £3.85 million perpetual debenture and a £175 million debenture repayable on 25th February 2030, together with a short term £100 million revolving credit facility. Whilst the expiry of the existing long term debt is still some way off, the Directors were keen to take advantage of the current attractive rates to introduce long term debt with different durations. In addition, with the increase in the Company's asset base over recent years, the Board wanted to ensure that the Investment Managers have sufficient flexibility to be able to increase the gearing when they see appropriate investment opportunities.

We were therefore very pleased to secure long term debt financing in September 2021 through the issue of £150 million of Senior Secured Notes (the 'Notes').

The Notes are:

- £55 million maturing in 2041 with a fixed coupon of 1.98%;
- £50 million maturing in 2051 with a fixed coupon of 2.05%; and
- £45 million maturing in 2061 with a fixed coupon of 1.77%.

The net proceeds from the placing of the Notes have been used to repay the £80 million that had been drawn down under the revolving credit facility; the balance of the proceeds will be available to be invested as and when attractive opportunities arise. The revolving credit facility remains available to provide further investment flexibility if required.

This new debt also provides a good spread of maturities, enabling diversification on the liabilities side of the balance sheet.

There has been no change in the Investment Managers' permitted gearing range, as previously set by the Board, to limit gearing within the range of 10% net cash to 20% geared in normal market conditions. The gearing level as at 31st July 2021 was 10.0%.

Environmental, Social and Governance ('ESG') Policy

You will see that we have included a section on ESG on pages 12 to 14 of this report. Our Investment Managers have always had a proactive stance in ensuring that the Company is managed with ESG considerations fully integrated into its investment processes. We are delighted that one of our named managers, Anthony Lynch, is taking on additional ESG responsibilities within JP Morgan Asset Management.

Stay Informed

The Company's Manager will shortly begin offering email updates on The Mercantile's progress. These targeted updates will deliver news and views, as well as performance updates. If you have not already signed up to receive these communications I strongly recommend that you do and you can opt in via www.Mercantile-Registration.co.uk or by scanning the QR code in the margin below.

Outlook

We support the Investment Managers' optimism for continued economic expansion, albeit with the usual caveats and grounds for caution, such as further shocks from the course of the pandemic, inflationary concerns, supply side difficulties and the health of the UK public purse.

The Investment Management team has performed extremely well during what have been challenging markets over recent years, staying focused on identifying tomorrow's UK market leaders and thus likely out-performers. For the first time in years the UK market is not being left behind by international markets, but still remains relatively cheap, and we therefore have every confidence for the future. Guy, Anthony and the team have produced a stand-out performance and we commend them for the results they have achieved.

As the country emerges from the worst of the pandemic into what it is hoped are calmer waters ahead, I look forward to reporting a continuation of the Company's strong performance, supported by the additional investment capacity the Company has recently taken on which will ensure that your Company remains well funded to take advantage of the investment opportunities as they arise.



Scan this QR code on your smartphone camera to sign-up to receive regular updates on The Mercantile.

Angus Gordon Lennox
Chairman

15th October 2021



Guy Anderson
Investment Manager



Anthony Lynch
Investment Manager

Setting the scene: buoyant financial markets

The recovery in financial markets continued at pace through the six months to 31st July 2021, with many markets reaching and then surpassing previous all-time highs. This included our target market of UK medium and smaller companies (the 'benchmark'), which generated a total return of +18.1%. This was comfortably ahead of the FTSE 100, which despite delivering a not insubstantial +11.8% return, still remains below pre-pandemic levels¹.

Despite a number of continued lockdowns across the globe, the economic recovery that we expected gained significant traction, with a range of lead indicators suggesting potential for a period of substantial growth. While demand has been robust, constraints on the supply-side combined with base effects have led to a surge in inflation, which has captured the market's attention and will no doubt remain a focus in the coming months.

Mercantile performance

For the six months to 31st July 2021, the Company delivered a total return on net assets of +25.3%, comfortably ahead of the benchmark total return of +18.1%. The outperformance was chiefly driven by strong stock selection, with a consistent level of gearing, of around 10%, providing further support. As outlined below, a number of our largest and long-held positions contributed to the strong performance, with further gains made from recent investments in a number of new issues. It has been extremely pleasing to see the pick-up in IPOs² with The Mercantile well placed to take advantage of selective opportunities when they arise.

Spotlight on stocks

We focus on identifying tomorrow's market leaders, targeting UK companies outside of the FTSE 100 Index that have significant opportunities for growth and which may be overlooked by other investors. We invest in the shares of companies that we believe possess the characteristics that may facilitate this growth. These attributes include nimble business models that allow the companies to more easily adapt to circumstances and exploit new opportunities, the ability to innovate or disrupt their industries, or the chance to occupy prime positions in rapidly growing markets.

As our focus turned towards the economic recovery, we have aimed to position the portfolio such that it will continue to benefit from many of the longstanding structural growth opportunities – such as our holdings in the technology sector – but also to gain or increase exposure to those businesses that should emerge stronger from the pandemic, with an improved competitive position and thus the opportunity to accelerate ahead of their peers. Examples in this latter category would include Hollywood Bowl, the ten-pin bowling operator looking to press on with an ambitious site roll-out plan over the coming years, and homewares retailer Dunelm, which has further extended its category leading position through the pandemic by delivering a compelling product offering through a much improved multi-channel experience.

Portfolio highlights in the first half of this year include our investment in Watches of Switzerland, the luxury watch retailer. The company has demonstrated impressive growth throughout the pandemic despite the collapse in tourism and has laid out ambitious plans for future expansion. Our investment in Future, the specialist content publisher, continued to deliver strong returns as growth has accelerated further through this year, in large part driven by the robust demand for digital advertising. On the negative side, our holding in Jet2, the packaged tour operator, continued to struggle under the weight of travel restrictions, but remains well positioned to grow its market share further once mobility does eventually improve.

¹ On a capital basis

² Initial Public Offerings

Outlook for the coming months

The first half of this year was in all likelihood the period of most rapid and substantial economic growth that will be experienced in this cycle. This has led to a number of challenges on the supply-side as well as the aforementioned surge in inflation. These emerging headwinds will need to be monitored, as prolonged disruption could threaten demand and ultimately damage the recovery. In addition, financial markets may also need to contend with changes to monetary and fiscal policy, both of which have been supportive through the pandemic but are likely to be less accommodative in the future.

While we would therefore expect the pace of growth to moderate from this point, barring another substantial demand shock – which could arise as a result of new COVID variants or as a result of prolonged supply disruption or inflation – we would still expect continued economic expansion.

Despite a number of uncertainties that will forever linger on the horizon and which could always impact the short-term performance of the portfolio, we maintain a positive outlook as expressed by the portfolio's 10% gearing. Portfolio companies are for the most part either continuing to perform strongly or recovering well from the recession, and while valuations have evidently increased from the heavily depressed levels of last year, in aggregate they are not yet causing alarm. Furthermore, we continue to find a healthy number of attractive investment opportunities to consider for inclusion in the portfolio.

We focus on investing in structurally robust businesses that operate in growing end markets with the ability to invest capital at high returns. We are excited by the opportunities in our market and believe that many of our holdings will continue to thrive and have the potential to be tomorrow's market leaders.

Guy Anderson

Anthony Lynch

Investment Managers

15th October 2021

ESG and The Mercantile Investment Trust plc

Introduction

ESG is an acronym which stands for Environmental, Social and Governance. It describes the broad field of sustainability in the corporate sector and is widely used when assessing the environmental impact of businesses, when considering how companies acquit themselves in respect of their broad social responsibilities and when reviewing the practices and standards used in governing corporate organisations.

Awareness of these issues has increased significantly in recent years among investment practitioners and their clients, and indeed in society at large, and our practices at J.P.Morgan Asset Management have been at the forefront of these developments. In these pages we explain how this approach has developed and how it is applied for the benefit of shareholders of The Mercantile Investment Trust plc.

The basics: what is ESG?

E is for Environmental. This component considers a company's impact on the world we live in, relating to the quality and functioning of the natural environment and natural systems.

S is for Social. Social factors address the way that companies act within society; this includes the way that employee interests are managed, and the broader impact a company has on society.

G is for Governance. This component relates to how companies are managed. It considers the measures that protect shareholder interests as well as the way any company meets regulatory and other external obligations.

The table below provides illustrative examples of ESG issues in each of the E, S and G categories:

Environmental	Social	Governance
Carbon pollution and emissions	Human rights	Board structure: effectiveness, diversity, independence
Environmental regulations (and adherence)	Diversity	Executive pay and criteria
Climate change policies	Health and safety	Shareholder rights
Sustainable sourcing of materials	Product safety	Financial reporting and accounting standards
Recycling	Employee management	How a business is run
Renewable energy use	Employee well-being	
Water and waste management	Commitment to communities	

Why do we integrate ESG into our investment processes?

First, consideration of sustainability is intrinsic to a long term approach to investment. When we invest our clients' assets for them, we have to make judgements about future risks and rewards of any investment. A business that produces huge amounts of carbon emissions or plastic waste, for example, could well find itself the subject of scrutiny from regulators and consumers and failure to anticipate this and to change will likely bring a loss of value for shareholders in the long run. The same is true of businesses that neglect their social responsibilities, or fail in matters of governance. By incorporating ESG into our investment process we explicitly consider these issues, resulting in a more holistic assessment of risk, as well as highlighting potential opportunities.

Second, our clients require that we consider sustainability factors. Both clients and regulators are paying far more attention to this field, and we as investors must meet their requirement for incorporating ESG in our investment processes, and be able to show how we do this.

Finally, the asset management industry itself has responsibilities and obligations, not only to our clients, but as a social actor in a broader sense. We have a duty not just to produce good investment outcomes for our clients, but to be a responsible corporate citizen. This cannot be done credibly if the core practice of our industry, investment management, is not included in the effort. We must consider the broader consequences of the investment choices that we make for our clients. Given the evolution of public policy, client scrutiny, public attitudes, and trends in the corporate world, it is clear that consideration of ESG has become a key component of the way the industry approaches its fiduciary responsibilities.

What is The Mercantile Investment Trust plc's approach?

We think of ESG factors as additional inputs that help us make better investment decisions and believe that ESG integration can help deliver enhanced risk-adjusted returns over the long run.

As the Investment Managers of your Company we and our analysts come to informed decisions on ESG through regular engagement with portfolio company management teams, attending around 400 meetings with management per year. These meetings are an important component of understanding the materiality of potential ESG issues and the mitigations that the company are putting in place.

We also work with a central Stewardship team which sets priorities for corporate engagement both in terms of issues and in terms of significant individual investments held in portfolios.

Engagement and Voting

Active engagement with companies has long been an integral part of our approach to our investment and ESG. We use it not only to understand how companies consider issues related to ESG, but also to try to influence their behaviour and encourage best practices, for the purpose of enhancing returns for our clients. We engage with the companies owned in your Company's portfolio on a regular basis, often several times in the course of a year. Our long history of active management and our teams of experienced investors enable us to have ongoing dialogues directly with companies' top management, maximising our ability to encourage companies to implement best practices on ESG matters. Alongside this direct engagement, we endeavour to vote at all of the meetings called by companies in which your portfolio invests.

Some examples of our recent activity with regard to stewardship and engagement with stocks in your portfolio at the end of the period is provided below:

We engaged with UK housebuilder Bellway around changes to fire safety building regulations following the Grenfell Tower disaster of 2017, and the Cladding External Wall System ('EWS') forms that surveyors are using to fail mortgage applications on buildings that contain combustible materials. Around one million apartment owners cannot sell or re-mortgage their properties as EWS forms deem them unsafe. The government has announced a £1 billion fund for remediation works, however some estimates of the scale of the issue reach circa £15 billion. Bellway has stated that it sees the issue persisting for 5-10 years. On the issue of fire safety, Bellway's initial communication with residents and property owners was, in our view, sub-standard. Bellway attempted to rely on the National House Building Council ('NHBC') to handle complaints but the NHBC has been overwhelmed, leading to delays. Bellway has since appointed a Fire Safety & External Communications team to improve responsiveness.

We met with Bytes Technology Group following the announcement of its full year results in May. Bytes delivers IT services and solutions and was listed on the London Stock Exchange in December 2020. We wanted to gain a greater understanding of both the company's financial results and its ESG credentials, and to specifically talk through diversity on the board. From an environmental point of view the company has a target of achieving net zero emissions (timeline to be confirmed), both through carbon reductions in its own operations and through purchasing carbon offsets. 1% of the company's net profit is contributed to charities, focused on key initiatives. The company points to a strong internal culture, evidenced by the loss of only one of its top 50 sales people in the last five years. From a customer experience point of view, its net promoter score ('NPS') is 63, up from 61 in October 2020, reflecting 'great' consumer loyalty. We asked management to talk through the current board composition from the point of view of both diversity and independence. Currently three out of the six board members are independent. One is not considered independent as their tenure is greater than 20 years. While the CEO and CFO are not independent, this is balanced by the independent Chairman. We were advised that the board is interviewing for an additional independent non-executive to restore an independent majority and will be looking to improve its gender diversity (currently only one of six is female). We will continue to monitor progress on this front.

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the six months to 31st July 2021 is detailed below. On behalf of the Company, J.P.Morgan voted at 98.2%* of the annual general meetings and extraordinary meetings held during the year by its portfolio companies.

Meetings voted	54	98.2
Votes with management	852	99.6
Votes against management	3	0.4
Abstentions	0	0.0

* J.P. Morgan was unable to vote at one meeting due to share blocking restrictions.

An example of our recent voting activity is provided below:

J.P.Morgan Asset Management voted against executive pay at UK retailer boohoo. The company has been under the spotlight to establish stringent policies and procedures on its supply chain and working conditions, since the allegations surfaced of labour issues and poor working practices at its factories. Subsequently, since the independent review, the company has introduced an '*Agenda For Change Programme*'. The programme introduced a series of changes in relation to governance and supply chain management processes, together with the appointment of a sustainability professional. We have had extensive engagement with the company and acknowledge that some promising changes have been implemented. We also engaged with boohoo's General Counsel, prior to the company's upcoming shareholder meeting, to discuss the re-election of one of their directors, and to discuss the rationale for approving the management incentive plan. We decided that a vote in support of the director was credible, given their skill set and contribution to the board. We voted against approving the management incentive plan, due to the potential significant pay-out opportunity for the management board. Since the '*Agenda For Change Programme*' is still in its premature stage, we did not see fit to approve the proposed changes to the compensation package.

The future

In investing your Company's assets for many years, we have always looked for companies with the ability to create value in a sustainable way. That scrutiny remains firmly embedded in our process and we know that our clients, including the Directors of your Company, view attention to ESG factors as critical in their assessment of us as Investment Managers. We expect ESG to remain a dominant theme within the financial services industry and the course being taken by regulators suggests that its importance will only increase in years to come. Our research process and the investment judgements we make will continue to reflect that and to evolve as necessary.

Guy Anderson

Anthony Lynch

Investment Managers

15th October 2021

AT 31ST JULY 2021

Company	£'000
Consumer Discretionary	
Watches of Switzerland	90,360
Future	89,303
Bellway	81,722
Games Workshop	69,864
Countryside Properties	69,761
Dunelm	65,538
Howden Joinery	52,923
National Express	52,496
Travis Perkins	45,568
WH Smith	45,444
Pets at Home	40,231
JET2 ¹	32,005
B&M European Value Retail	30,404
888	27,342
Reach	26,915
DFS Furniture	18,585
Berkeley	15,985
boohoo ¹	15,660
4imprint	15,521
Team17 ¹	15,245
Victorian Plumbing ¹	13,903
Moonpig	13,034
Hollywood Bowl	12,717
Wickes	7,512
Watkin Jones ¹	6,394
	954,432
Industrials	
IMI	73,710
Electrocomponents	73,122
Grafton	69,282
Spirax-Sarco Engineering	60,020
Inchcape	52,275
Marshalls	47,450
Diploma	43,630
Morgan Sindall	35,802
Morgan Advanced Materials	30,800
QinetiQ	29,793
Weir	29,300
Vesuvius	26,068
Rotork	21,275
SThree	19,289
Ibstock	18,173
Oxford Instruments	18,075
Royal Mail	16,380
Vp	13,300
Wincanton	12,420
XP Power	5,090
Mitie	3,392
	698,646

Company	£'000
Financials	
Intermediate Capital	89,797
Man	49,437
Close Brothers	46,290
OSB	45,544
3i	38,355
Beazley	38,169
Liontrust Asset Management	29,260
Brewin Dolphin	23,335
Bridgepoint	15,291
Sabre Insurance	10,440
TBC Bank	8,640
	394,558
Technology	
Softcat	88,535
Computacenter	72,352
AVEVA	37,506
Avast	34,208
Auto Trader	25,102
Big Technologies ¹	23,999
Bytes Technology	18,890
Alphawave IP	15,999
Tinybuild ¹	7,200
	323,791
Basic Materials	
Synthomer	43,643
RHI Magnesita	34,813
Ferrexpo	32,935
Hill & Smith	25,172
Central Asia Metals ¹	7,335
Tennants Consolidated ^{2,3}	4,657
	148,555
Consumer Staples	
Cranswick	54,648
Tate & Lyle	32,894
Britvic	27,042
Premier Foods	25,020
	139,604

LIST OF INVESTMENTS

Company	£'000
Health Care	
Ergomed ¹	15,018
	15,018
Telecommunications	
Telecom Plus	13,517
	13,517
Real Estate	
UNITE	12,732
	12,732
Total Investments⁴	2,700,853

¹ AIM listed investment.

² Unquoted investment.

³ Includes a fixed interest investment.

⁴ The portfolio comprises investments in equity shares, and a fixed interest investment.

PORTFOLIO ANALYSES

LISTED EQUITY MARKET CAPITALISATION

	31st July 2021 % ¹	31st January 2021 % ¹
UK FTSE Mid sized	75.7	78.0
UK FTSE 100	13.9	15.0
UK FTSE Small & Fledgling	5.1	2.5
UK AIM	5.1	4.3
UK Unquoted	0.2	0.2
Total	100.0	100.0

¹ Based on total investments of £2,701m (31st January 2021: £2,229m).

Source: J.P. Morgan.

SECTOR ANALYSIS*

	31st July 2021		31st January 2021	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Consumer Discretionary	35.3	23.4	33.5	24.2
Industrials	25.9	22.4	23.7	26.0
Financials	14.6	15.6	14.3	14.8
Technology	12.0	4.2	10.9	3.5
Basic Materials	5.5	3.9	6.8	4.3
Consumer Staples	5.2	6.2	6.6	4.3
Health Care	0.5	5.7	0.6	5.3
Telecommunications	0.5	1.2	0.8	1.6
Real Estate	0.5	13.3	2.8	12.4
Utilities	–	2.6	–	1.8
Energy	–	1.5	–	1.8
Total	100.0	100.0	100.0	100.0

* Effective 19th March 2021, all FTSE Russell indexes have adopted the newly-enhanced ICB structure. 31st January 2021 figures have been restated using the newly-enhanced ICB structure.

¹ Based on total investments of £2,701m (31st January 2021: £2,229m).

Source: J.P. Morgan.

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JULY 2021

	(Unaudited) Six months ended 31st July 2021			(Unaudited) Six months ended 31st July 2020			(Audited) Year ended 31st January 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	483,704	483,704	–	(487,657)	(487,657)	–	(163,277)	(163,277)
Net foreign currency gains	–	22	22	–	2	2	–	13	13
Income from investments	27,640	–	27,640	14,980	–	14,980	39,914	–	39,914
Interest receivable and similar income	5	–	5	137	–	137	142	–	142
Gross return/(loss)	27,645	483,726	511,371	15,117	(487,655)	(472,538)	40,056	(163,264)	(123,208)
Management fee	(1,342)	(3,133)	(4,475)	(1,090)	(2,545)	(3,635)	(2,155)	(5,030)	(7,185)
Other administrative expenses	(795)	–	(795)	(764)	–	(764)	(1,402)	–	(1,402)
Net return/(loss) before finance costs and taxation	25,508	480,593	506,101	13,263	(490,200)	(476,937)	36,499	(168,294)	(131,795)
Finance costs	(1,789)	(4,174)	(5,963)	(1,647)	(3,843)	(5,490)	(3,323)	(7,753)	(11,076)
Net return/(loss) before taxation	23,719	476,419	500,138	11,616	(494,043)	(482,427)	33,176	(176,047)	(142,871)
Taxation charge (note 3)	(875)	–	(875)	(549)	–	(549)	(711)	–	(711)
Net return/(loss) after taxation	22,844	476,419	499,263	11,067	(494,043)	(482,976)	32,465	(176,047)	(143,582)
Return/(loss) per share (note 4)	2.89p	60.19p	63.08p	1.40p	(62.42)p	(61.02)p	4.10p	(22.24)p	(18.14)p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The return/(loss) per share represents the profit/(loss) per share for the year and also the total comprehensive income per share.

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves ¹ £'000	Revenue reserve ¹ £'000	Total shareholders funds £'000
Six months ended 31st July 2021 (Unaudited)						
At 31st January 2021	23,612	23,459	13,158	1,863,612	63,158	1,986,999
Net return	—	—	—	476,419	22,844	499,263
Dividends paid in the period (note 5)	—	—	—	—	(31,661)	(31,661)
At 31st July 2021	23,612	23,459	13,158	2,340,031	54,341	2,454,601
Six months ended 31st July 2020 (unaudited)						
At 31st January 2020	23,612	23,459	13,158	2,039,659	82,934	2,182,822
Net (loss)/return	—	—	—	(494,043)	11,067	(482,976)
Dividends paid in the period (note 5)	—	—	—	—	(30,869)	(30,869)
At 31st July 2020	23,612	23,459	13,158	1,545,616	63,132	1,668,977
Year ended 31st January 2021 (audited)						
At 31st January 2020	23,612	23,459	13,158	2,039,659	82,934	2,182,822
Net (loss)/return	—	—	—	(176,047)	32,465	(143,582)
Dividends paid in the year (note 5)	—	—	—	—	(52,241)	(52,241)
At 31st January 2021	23,612	23,459	13,158	1,863,612	63,158	1,986,999

¹ This reserve forms the distributable reserve of the Company and is used to fund distributions to investors via dividend payments.

STATEMENT OF FINANCIAL POSITION

AT 31ST JULY 2021

	(Unaudited) 31st July 2021 £'000	(Unaudited) 31st July 2020 £'000	(Audited) 31st January 2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	2,700,853	1,839,263	2,228,555
Current assets			
Debtors	6,802	5,672	14,127
Cash and short term deposits	330	303	1,346
Cash equivalents: liquidity fund	9,567	13,340	22,001
	16,699	19,315	37,474
Current liabilities			
Creditors: amounts falling due within one year	(4,940)	(11,686)	(21,067)
Net current assets	11,759	7,629	16,407
Total assets less current liabilities	2,712,612	1,846,892	2,244,962
Creditors: amounts falling due after more than one year	(258,011)	(177,915)	(257,963)
Net assets	2,454,601	1,668,977	1,986,999
Capital and reserves			
Called up share capital	23,612	23,612	23,612
Share premium	23,459	23,459	23,459
Capital redemption reserve	13,158	13,158	13,158
Capital reserves	2,340,031	1,545,616	1,863,612
Revenue reserve	54,341	63,132	63,158
Total shareholders' funds	2,454,601	1,668,977	1,986,999
Net asset value per share (note 6)	310.1p	210.9p	251.0p

Registered in England, Company registration number 20537

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JULY 2021

	(Unaudited) Six months ended 31st July 2021 £'000	(Unaudited) Six months ended 31st July 2020 £'000	(Audited) Year ended 31st January 2021 £'000
Net cash outflow from operations before dividends and interest (note 7)	(5,343)	(4,445)	(8,574)
Dividends received	23,092	16,540	40,276
Interest received	5	137	141
Overseas tax recovered	430	–	–
Interest paid	(5,919)	(5,441)	(10,905)
Net cash inflow from operating activities	12,265	6,791	20,938
Purchases of investments	(359,696)	(263,463)	(567,302)
Sales of investments	365,609	228,838	469,612
Settlement of foreign currency contracts	6	(1)	(1)
Net cash inflow/(outflow) from investing activities	5,919	(34,626)	(97,691)
Dividends paid	(31,661)	(30,869)	(52,241)
Drawdown of loans	–	–	80,000
Net cash (outflow)/Inflow from financing activities	(31,661)	(30,869)	27,759
Decrease in cash and cash equivalents	(13,477)	(58,704)	(48,994)
Cash and cash equivalents at start of period/year	23,347	72,341	72,341
Unrealised gain on foreign currency cash and cash equivalents	27	6	–
Cash and cash equivalents at end of period/year	9,897	13,643	23,347
Decrease in cash and cash equivalents	(13,477)	(58,704)	(48,994)
Cash and cash equivalents consist of:			
Cash and short term deposits	330	303	1,346
Cash held in JPMorgan Sterling Liquidity Fund	9,567	13,340	22,001
Total	9,897	13,643	23,347

RECONCILIATION OF NET DEBT

	As at 31st January 2021 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st July 2021 £'000
Analysis of changes in net debt				
Cash	1,346	(1,043)	27	330
Cash equivalents	22,001	(12,434)	–	9,567
	23,347	(13,477)	27	9,897
Borrowings				
Debentures falling due after more than five years	(177,963)	–	(48)	(178,011)
Debt due after one year	(80,000)	–	–	(80,000)
Total	(234,616)	(13,477)	(21)	(248,114)

FOR THE SIX MONTHS ENDED 31ST JULY 2021**1. Financial Statements**

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st January 2021 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and include the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting Policies

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in October 2019.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 31st July 2021.

All of the Company's operations are of a continuing nature.

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st January 2021.

3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises overseas withholding tax.

4. Return/(loss) per share

	(Unaudited) Six months ended 31st July 2021 £'000	(Unaudited) Six months ended 31st July 2020 £'000	(Audited) Year ended 31st January 2021 £'000
Return per share is based on the following:			
Revenue return	22,844	11,067	32,465
Capital return/(loss)	476,419	(494,043)	(176,047)
Total return/(loss)	499,263	(482,976)	(143,582)
Weighted average number of shares in issue	791,522,893	791,522,893	791,522,893
Revenue return per share	2.89p	1.40p	4.10p
Capital return/(loss) per share	60.19p	(62.42)p	(22.24)p
Total return/ (loss) per share	63.08p	(61.02)p	(18.14)p

5. Dividends paid

	(Unaudited) Six months ended 31st July 2021 £'000	(Unaudited) Six months ended 31st July 2020 £'000	(Audited) Year ended 31st January 2021 £'000
2021 fourth quarterly dividend of 2.65p (2020: 2.55p) paid to shareholders in April	20,975	20,184	20,183
2022 first quarterly dividend of 1.35p (2020: 1.35p) paid to shareholders in August ¹	10,686	10,685	10,686
2021 second quarterly dividend of 1.35p paid to shareholders in November	n/a	n/a	10,686
2021 third quarterly dividend of 1.35p paid to shareholders in February	n/a	n/a	10,686
Total dividends paid in the period	31,661	30,869	52,241

¹ The Company irrevocably transfers the funds to its Registrar in the month prior to which the dividend is paid to shareholders.

All dividends paid in the period/year have been funded from the revenue reserve.

The first 2022 quarterly dividend of 1.35p (2021: 1.35p) per share, amounting to £10,686,000 (2021: £10,686,000) was paid on 2nd August 2021 in respect of the six months ended 31st July 2021.

A second quarterly dividend of 1.35p (2021: 1.35p) per share, amounting to £10,686,000 (2021: £10,686,000), has been declared payable in respect of the six months ended 31st July 2021.

6. Net asset value per share

	(Unaudited) Six months ended 31st July 2021	(Unaudited) Six months ended 31st July 2020	(Audited) Year ended 31st January 2021
Net assets (£'000)	2,454,601	1,668,977	1,986,999
Number of 2.5p ordinary shares in issue	791,522,893	791,522,893	791,522,893
Net asset value per share	310.1p	210.9p	251.0p

7. Reconciliation of net return/(loss) before finance costs and taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 31st July 2021 £'000	(Unaudited) Six months ended 31st July 2020 £'000	(Audited) Year ended 31st January 2021 £'000
Net return/(loss) before finance costs and taxation	506,101	(476,937)	(131,795)
(Less capital return)/add capital losses before finance costs and taxation	(480,593)	490,200	168,294
(Increase)/decrease in accrued income and other debtors	(3,098)	2,049	1,802
Decrease in accrued expenses	(23)	(36)	(14)
Management fee charged to capital	(3,133)	(2,545)	(5,030)
Overseas withholding tax	(1,489)	(496)	(1,428)
Dividends received	(23,092)	(16,540)	(40,276)
Interest received	(5)	(137)	(141)
Realised (losses)/gains on foreign currency transactions	(11)	(3)	14
Net cash outflow from operations before dividends and interest	(5,343)	(4,445)	(8,574)

8. Fair valuation of investments

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 31st July 2021		(Unaudited) Six months ended 31st July 2020		(Audited) Year ended 31st January 2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	2,696,196	–	1,834,606	–	2,223,898	–
Level 3 ¹	4,657	–	4,657	–	4,657	–
Total	2,700,853	–	1,839,263	–	2,228,555	–

¹ Consists only of the holding of unquoted stock of Tennants Consolidated.

A reconciliation of the fair value measurements using valuation techniques using non-observable data is set out below.

	Six month ended 31st July 2021 (Unaudited)		
	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
Level 3			
Opening balance	4,563	94	4,657
Closing balance	4,563	94	4,657

8. Fair valuation of investments *continued*

	Six month ended 31st July 2020 (Unaudited)		
	Equity	Fixed Interest	Total
	Investments £'000	Investment £'000	
Level 3			
Opening balance	4,346	94	4,440
Change in fair value of unquoted investment during the period	217	–	217
Closing balance	4,563	94	4,657
	Year ended 31st January 2021 (Audited)		
	Equity	Fixed Interest	Total
	Investments £'000	Investment £'000	
Level 3			
Opening balance	4,346	94	4,440
Change in fair value of unquoted investment during the year	217	–	217
Closing balance	4,563	94	4,657

9. Net debt

	(Unaudited) Six months ended 31st July 2021 £'000	(Unaudited) Six months ended 31st July 2020 £'000	(Audited) Year ended 31st January 2021 £'000
Cash and cash equivalents	9,897	13,643	23,347
Debentures falling due after more than five years	(178,011)	(177,915)	(177,963)
Debt due after one year	(80,000)	–	(80,000)
Net debt	(248,114)	(164,272)	(234,616)

10. Subsequent events

Unsecured Loan Notes

Since the end of the reporting period the Company announced that it had raised an additional £150 million of long-term debt through the issue of three fixed rate, senior unsecured privately placed notes (the 'Notes'). The Notes, which were funded on 8th September 2021, are:

- £55 million maturing in 2041 with a fixed coupon of 1.98%;
- £50 million maturing in 2051 with a fixed coupon of 2.05%; and
- £45 million maturing in 2061 with a fixed coupon of 1.77%.

Interim Management Report

The Company is required to make the following disclosures in its half year report.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and cybercrime; and financial. Information on each of these areas is given in the Directors' Report within the Annual Report and Financial Statements for the year ended 31st January 2021.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operation existence for at least 12 months from the date of the approval of this half yearly financial report. For these reasons, they consider there is sufficient evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company, and of the assets, liabilities, financial position and net return of the Company as at 31st July 2021 as required by the UK Listing Authority Disclosure Guidance and Transparency Rules ('DTRs') 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the DTRs.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify the Company's shareholders in writing about the use, if any, of disclosure exemptions in FRS102 in the preparation of the financial statements;

and the Directors confirm that they have done so.

For and on behalf of the Board

Angus Gordon Lennox

Chairman

15th October 2021

Shareholder Information

Return to shareholders (APM)

Total return to the shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Six months ended	
		31st July 2021	
Opening share price (p)	5	231.0	(a)
Closing share price (p)	5	276.0	(b)
Total dividend adjustment factor ¹		1.015643	(c)
Adjusted closing share price (p) (d = b x c)		280.3	(d)
Total return to shareholders (e = d / a - 1)		21.3%	(e)

¹ The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets with Debt at Par Value (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Six months ended	
		31st July 2021	
Opening cum-income NAV per share with debt at par value (p)	5	251.0	(a)
Closing cum-income NAV per share with debt at par value (p)	5	310.1	(b)
Total dividend adjustment factor ¹		1.014549	(c)
Adjusted closing cum-income NAV per share with debt at par value (p) (d = b x c)		314.6	(d)
Total return on net assets with debt at par value (e = d / a - 1)		25.3%	(e)

¹ The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Return on Net Assets with Debt at Fair Value (APM)

The Company's debt (debentures) is valued in the Statement of Financial Position (within Creditors: amounts falling due after more than one year) at amortised cost of £177,195,000, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'.

The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'. The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value. The fair value of the £3.85 million perpetual debenture and the £175 million debenture issued by the Company have been calculated using discounted cash flow techniques, using the yield from a similar dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

Total return calculation	Page	Six months ended	
		31st July 2021	
Opening cum-income NAV per share with debt at fair value (p)	5	240.0	(a)
Closing cum-income NAV per share with debt at fair value (p)	5	300.3	(b)
Total dividend adjustment factor ¹		1.014745	(c)
Adjusted closing cum-income NAV per share with debt at fair value (p) (d = b x c)		304.7	(d)
Total return on net assets with debt at fair value (e = d / a - 1)		27.0%	(e)

¹ The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Benchmark return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholder's funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

		Six months ended 31st July 2021 £'000	Year ended 31st January 2021 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	21	2,700,853	2,228,555	(a)
Net assets	21	2,454,601	1,986,999	(b)
Gearing (c = a / b - 1)		10.0%	12.2%	(c)

Ongoing Charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

The figure as at 31st July 2021 is an estimated annualised figure based on the numbers for the six months ended 31st July 2021.

		Six months ended 31st July 2021 £'000	Year ended 31st January 2021 £'000	
Ongoing charges calculation	Page			
Management Fee	19	8,950	7,185	
Other administrative expenses	19	1,589	1,402	
Total management fee and other administrative expenses		10,539	8,587	(a)
Average daily cum-income net assets		2,271,186	1,782,514	(b)
Ongoing charges (c = a / b)		0.46%	0.48%	(c)

Cum-income NAV/Ex-income NAV

Cum-income NAV includes all current year income, less the value of any dividends paid in respect of the period together with the value of any dividends which have been declared and marked as ex-dividend, but not yet paid. Ex-income NAV excludes the current year income.

Share Price Discount/Premium to Net Asset Value ('NAV') per Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount.

The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust company's shares to trade at a discount than at a premium.

You can invest in a J.P. Morgan investment trust through the following:

1. Via a third party provider

Third party providers include:

AJ Bell You Invest	Halifax Share Dealing
Barclays Smart Investor	Hargreaves Lansdown
Charles Stanley Direct	Interactive Investor
Fidelity Personal Investing	

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at www.findanadviser.org

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at
www.fca.org.uk/scamsmart



FINANCIAL CALENDAR

Financial year end	31st January
Final results announced	March/April
Half year end	31st July
Half year results announced	September
Dividends on ordinary shares paid to shareholders	*1st August, 1st November, 1st February, 1st May
Interest on 4.25% perpetual debenture stock paid	1st June, 1st December
Interest on 6.125% debenture paid	25th February, 25th August
Annual General Meeting	May

*or nearest following business day.

History

The Mercantile Investment & General Trust Company Limited was formed in December 1884 with issued capital of £500,000. The Company merged with three other investment trusts in 1960 under a scheme of arrangement and changed its name to The Mercantile Investment Trust Limited. In 1982 the Company became The Fleming Mercantile Investment Trust plc. In April 2008, the Company adopted its present name, The Mercantile Investment Trust plc.

A publication entitled 'The Mercantile Investment Trust plc 125 years' is available from the Company Secretary.

Directors

Angus Gordon Lennox (Chairman)
 Rachel Beagles
 Heather Hopkins
 Graham Kitchen
 Damien Maltarp
 Harry Morley
 Jeremy Tighe

Company Numbers

Company Registration number: 20537
 London Stock Exchange number: 0579403
 ISIN: GB0005794036
 Bloomberg ticker: MRC LN
 LEI: 549300BGX3CJHLP2H42

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Guardian, The Times, The Daily Telegraph, The Scotsman and on the JPMorgan internet site at www.mercantileit.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.mercantileit.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan. For further information please contact the Registrars, platform provider or professional adviser.

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
 London EC4Y 0JP
 Telephone number: 020 7742 4000

Please contact Alison Vincent for Company Secretarial and administrative matters.

Depository

The Bank of New York Mellon (International) Limited
 1 Canada Square
 London E14 5AL

The Depository has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
 Reference 1101
 Aspect House
 Spencer Way
 Lancing
 West Sussex BN99 6DA
 Telephone number: 0371 384 2329

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1101. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk

Independent Auditors

BDO LLP
 Chartered Accountants and Statutory Auditors
 55 Baker Street
 London W1U 7EU

Brokers

Cenkos Securities plc
 6, 7, 8 Tokenhouse Yard
 London EC2R 7AS

Winterflood Securities Limited
 The Atrium Building
 Cannon Bridge House
 London EC4R 2GA



The Association of
 Investment Companies

A member of the AIC

CONTACT

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Website www.mercantileit.co.uk

Telephone calls may be recorded and monitored for security and training purposes.

