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 2022

J.P.Morgan
ASSET MANAGEMENT

Key Features

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 2022 the Company's share capital comprised 944,492,180 ordinary shares of 2.5p each, including 154,221,518 shares held in Treasury.

At 31st July 2022, 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. In addition, the Company has £150 million of long-term debt raised through the issue of three fixed rate, senior unsecured privately placed 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 fixed debt was supplemented by a £100 million floating rate revolving credit facility which was in place at the reporting period end but was retired in August 2022, ahead of its contractual expiry date, at no additional cost to the Company.

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 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') and Financial Reporting Council ('FRC') UK Stewardship Code signatory and endeavours to vote at all of the meetings called by companies in which your portfolio invests. An ESG report is on pages 15 to 17.

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.

"The UK mid and small-cap markets have delivered stronger returns over the longer term than the FTSE 100 and contain many of the most exciting investment opportunities.

Our disciplined investment approach seeks to identify those companies that can deliver long-term success"

Guy Anderson, Investment Manager,
The Mercantile Investment Trust plc

Why invest in The Mercantile Investment Trust plc?

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 135 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 a three and ten year time period.
- **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 a five and ten year time period.
- **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 aims to achieve long term dividend growth at least in line with inflation.

Stay in touch: receive the latest Mercantile news

To keep investors informed, J.P. Morgan Asset Management offers regular email updates on the Company's progress. **Mercantile News** delivers topical and relevant news and views directly to your inbox. The updates could be particularly helpful to investors holding shares through an investment platform who may not otherwise have a direct line of communication with the Company. By signing up you will receive updates on the Company including:

- Performance analysis
- Insights and updates from the Investment Managers
- Links to annual and half year reports as and when they are published
- News and views, including press coverage and notification of future events

Scan this QR code on your smartphone camera or opt in via www.Mercantile-Registration.co.uk to sign-up to receive regular updates on The Mercantile Investment Trust plc.

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Financial Highlights

Total returns (including dividends reinvested)

	6 months	3 Years Cumulative	5 Years Cumulative	10 Years Cumulative
Return on net assets with debt at fair value[1,A]	–11.5%	+11.3%	+22.3%	+169.5%
Return on net assets with debt at par value[2,A]	–13.2%	+6.9%	+17.6%	+158.9%
Return to shareholders[3,A]	–14.2%	+10.4%	+20.1%	+179.3%
Benchmark return[4]	–7.8%	+10.1%	+11.8%	+133.5%

[1] J.P. Morgan/Morningstar, using cum income net asset value per share, with debt at fair value.
[2] J.P. Morgan/Morningstar, using cum income net asset value per share, with debt at par value.
[3] Source: Morningstar.
[4] 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] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 33 and 34.

Financial Highlights

Summary of results

	31st July 2022	31st January 2022	% change excluding dividends reinvested	% change including dividends reinvested
Net asset value per share with debt at fair value[1,A]	234.9p	270.3p	–13.1	–11.5
Net asset value per share with debt at par value[A]	236.9p	277.7p	–14.7	–13.2
Share price	205.0p	244.0p	–16.0	–14.2
Share price discount to net asset value per share with debt at fair value[A]	12.7%	9.7%		
Share price discount to net asset value per share with debt at par value[A]	13.5%	12.1%		
Shareholders' funds (£'000)	1,872,011	2,198,211		
Number of shares in issue (excluding shares held in Treasury)	790,270,662	791,522,893		
Gearing[A]	7.9%	12.1%		
Ongoing charges[A]	0.45%	0.45%		

[1] The fair value of the Company's debentures and senior unsecured privately placed loan notes have been calculated using discounted cash flow techniques, using the yield from a similarly dated gilt plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 33 and 34.

Chairman’s Statement

Chairman's Statement

Performance

Angus Gordon Lennox
Chairman

The past six months have spanned a number of extraordinary geopolitical and economic developments which have been especially challenging for global and UK equity markets. At the beginning of the period, Russia's invasion of Ukraine cast the shadow of war over the European continent for the first time in seventy-five years. The invasion generated supply concerns in global energy and commodity markets, putting upward pressure on prices. Inflation, which was already at multi-decade highs in the US, Europe, and the UK, due to tight labour markets and pandemic-induced supply bottlenecks, climbed even higher. Central banks, including the Bank of England, were forced to make successive interest rate rises and have signalled further tightening ahead. Fears about inflation quickly led to fears of recession.

In the UK, the government responded to the higher costs with cash support for households, but as energy bills continued to rise, public pressure mounted for further assistance to individuals and businesses and labour unions threatened industrial action to protect their members' real incomes.

Like their global counterparts, UK equities weakened in the face of so many concerns. This environment favoured larger, defensive UK stocks and the mid and smaller cap stocks in which the Company invests lagged, even those businesses we own which typically grow faster and generate greater long term returns than larger, less innovative companies. These are the companies your Investment Managers seek – resilient, well-managed, world class businesses, capable of surviving near-term challenges and volatility and benefiting from long-term structural growth.

Against this backdrop, for the six months to 31st July 2022 the Company produced a net asset total return, based on debt being valued at fair of –11.5%. With the debt valued at par, the return was –13.2%. This compares with the total return of –7.8% from our benchmark index. Over the six months, the discount of the share price to net asset value (with debt being valued at fair value) widened, from 9.7% to 12.7%, resulting in a total return to shareholders for the period of –14.2%. To place these results within the longer-term context in which the Company operates, this performance follows a year of very strong absolute returns during the financial year ended 31st January 2022 and outperformance over three and five years and the longer term. The Company's average annualised return over the ten years ended 31st July 2022 was 10.4% on a net asset total return fair value basis and 10.8% in share price terms, both returns outpacing the benchmark return of 8.9%.

The Company's long term track record of high absolute returns and outperformance of the broader small and medium cap market attests to your Investment Managers' skill at identifying these future market leaders.

Returns and dividends

The Company's revenue account continues to improve, having been severely impacted by the consequences of COVID-19 in 2020. Although we are yet to witness a full recovery, the revenue return in the first half of the Company's current financial year increased to 3.74 pence per share, up from 2.89 pence per share for the corresponding period last year, an increase of just under 30%.

A first quarterly interim dividend of 1.35 pence was paid on 1st August 2022 and a second quarterly interim dividend of 1.35 pence per share has been declared by the Board, payable on 1st November 2022 to shareholders on the register at close of business on 30th September 2022. This brings the total dividend for the year to date to 2.70 pence (2021: 2.70 pence). The Board currently intends to pay a third quarterly interim dividend of 1.35 pence in early February 2023.

The level of the fourth quarterly interim dividend will depend on income received by the Company for the full financial year. As has been stated previously and in line with the Company's investment policy, the Board recognises shareholders' desire for a growing dividend whilst recognising the benefits of retaining a healthy revenue reserve for the future.

Discount and share repurchases

At the end of the last financial year, the Company's shares traded at a 9.7% discount. Over the subsequent six months the discount has widened, closing the half year period at 12.7%. The widening of discounts over the period has been a general theme for investment companies across many asset classes. In the six months to 31st July 2022, the Board utilised the Company's authority to buy back

Chairman's Statement

shares and repurchased a total of 1,252,231 shares at a cost of £2.28 million. These shares were purchased at an average discount to NAV of 15.5%, producing a modest accretion to the NAV for continuing shareholders.

Gearing and debt

The ability to borrow money for investment is a key differentiating feature of investment trusts. The Board of Directors sets the overall strategic gearing policy and guidelines, reviewing these at each Board meeting and it further determines the source and use of available leverage. At present the Investment Managers' permitted gearing range is 10% net cash to 20% geared in normal market conditions. The gearing level as at 31st July 2022 was 7.9%.

The Company's gearing strategy is implemented through the use of long-dated, fixed-rate financing with the Board ultimately aiming to ensure a diversification of source, tenor and cost of leverage available to the Company. As a reminder the Company has in place a £3.85 million perpetual debenture and a £175 million debenture repayable on 25th February 2030, together with £150 million of long-term debt raised in September 2021 through the issue of three fixed rate, senior unsecured privately placed notes (the 'Notes'). The Notes mature between 2041 and 2061 and were secured with a blended rate of 1.94% when interest rates were near their lows.

The fixed debt was supplemented by a £100 million floating rate revolving credit facility which was in place at the reporting period end but was retired in August 2022, ahead of its contractual expiry date, at no additional cost to the Company.

Environmental, social and governance ('ESG') policy

In the search for tomorrow's UK market leaders our Investment Managers look beyond the pure financial attributes of a company or its shares, believing that a sustainably and well run company will produce excess returns over the long term. In looking for sustainable business models and long-lasting competitive advantages they scrutinise the environmental, social and governance ('ESG') aspects of the companies in which we invest. ESG considerations are fully integrated into the Investment Managers' investment process and the Board shares the Investment Managers' view of the importance of ESG factors when making investments for the long term and of the necessity of continued engagement with investee companies throughout the duration of the investment.

Further information on the Investment Managers' ESG process and engagement is set out in the ESG Report on pages 15 to 17.

Board succession

The Board plans for succession to ensure it retains an appropriate balance of skills and knowledge. To this end, the Board is currently conducting a search process to replace Harry Morley who joined the Board in 2014 and will be retiring from the Board at the Annual General Meeting in 2023.

Stay informed

The Company delivers email updates on The Mercantile's progress with regular news and views, as well as the latest performance. If you have not already signed up to receive these communications and you wish to do so you can opt in via www.Mercantile-Registration.co.uk or by scanning the QR code on this page.

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

Outlook

We share the Investment Managers' concerns about the near-term impact that global inflation and increased costs will have on consumer demand and economic growth, not just in the UK, but around the world. The appointment of a new British Prime Minister and Chancellor has brought the prospect of helpful supply side reforms and increased support in the form of lower taxation for UK businesses and individuals. However, the unfunded nature of these efforts to stimulate economic growth, and the immediate absence of a medium-term funding strategy, has caused currency volatility and raised the prospect of sharply higher interest rates, creating more short-term uncertainty for the inflation outlook and the UK consumer. In recent days, the Chancellor has tried to calm concerns about the deterioration in the fiscal outlook by promising to deliver a detailed budget plan on 31st October, and

Chairman's Statement

the Bank of England announced plans to support gilt markets with a limited window of bond purchases, but it remains to be seen whether the new government's break with long-established economic orthodoxy will pay off. Financial markets will remain jittery meantime.

However, given the extent of the recent market sell-off, concerns about the government's approach are, arguably, mostly priced into UK share prices at current levels, and like the Investment Managers, we believe the valuations of many interesting companies are now looking especially enticing. Furthermore, the UK market remains attractively priced relative to many of its counterparts in other industrialised economies. The FTSE 250 has for many years attracted corporate activity. The low level of sterling is likely to increase this appeal. So, although there will no doubt be more gloomy headlines about rising prices, rising rates and recession in coming months, the Board and I remain convinced that investing in companies with positive long term growth prospects that your Investment Managers target, will generate long term shareholder value.

In our view there is thus good reason to look to the future with some confidence, and we encourage the Investment Managers to continue their search for great, entrepreneurial companies, with favourable prospects, capable of delivering excellent returns to shareholders, and leading the way to better times.

Angus Gordon Lennox
Chairman 13th October 2022

Investment Review

Investment Managers' Report

Setting the scene: challenging financial markets

The first half of the year has been challenging for financial markets. Having recovered from the pandemic-driven losses and ultimately reached all-time highs last year, this year markets struggled following the Russian invasion of Ukraine and the multitude of first-and second-order knock-on effects. Many of these are only just beginning to be understood while others have likely not yet even been contemplated. Our target market of UK medium and smaller companies (the 'Benchmark') was far from immune, declining by 7.8% in this period.

While the post pandemic economic recovery had been gaining momentum, this was dampened by the multitude of supply side issues combined with rising and broad-based inflation. These challenges have been further exacerbated by the war in Europe, with the energy situation looking highly precarious. Against a backdrop of runaway inflation, Central Banks have begun the process of monetary tightening, but with such huge supply side constraints, this has thus far had limited impact. In the UK specifically, at a time when consumers face one of the largest squeezes on their discretionary income in living memory and many businesses are struggling to meet higher labour and input costs, government decision-making was effectively suspended for several months over the summer as the ruling Conservative Party undertook a lengthy leadership selection process. The new Prime Minister's initial, unorthodox efforts to boost growth by implementing unfunded corporate and individual tax cuts have been greeted with widespread criticism. The announcement triggered significant financial market volatility, with equity markets dropping sharply, the pound briefly hitting an all-time low against the US dollar and a sharp rise in gilt yields, which prompted the Bank of England to announce a short-term bond-buying programme to stabilise the gilt market.

Mercantile performance

For the six months to 31st July 2022, the Company delivered a total return on net assets, with debt valued at par, of –13.2%, behind the Benchmark's –7.8%. The underperformance was chiefly driven by stock selection, although gearing, which averaged 10.3%, also detracted given the declining market. At a portfolio level, performance was primarily hindered by our holdings in the consumer discretionary sector, in companies such as **Watches of Switzerland**, **Dunelm** and **Jet2**.

While the operational performance of companies such as **Watches of Switzerland** and **Dunelm** has remained encouraging, with continued growth in earnings and a promising long-term growth runway ahead, the shares have been under pressure due to understandable concerns about the outlook for discretionary spending. **Jet2** has also been impacted by these concerns while their current financial performance has been held back by the widely reported travel disruption caused by the ineffectiveness of the airport operators.

Portfolio highlights in the first half of this year felt limited, but we are pleased with the performance of our longstanding investment in **Telecom Plus**, the multi-utility provider with an everyday low-price proposition, which has been a beneficiary of the changing landscape in the energy supply market. In addition, another long-term holding, in asset manager **Brewin Dolphin**, was subject to an agreed takeover by Royal Bank of Canada (RBC), which came at a handsome premium.

In view of the deterioration in the economic outlook, over the first half of the year we made some notable changes to the portfolio. The most material of these is the reduction in the portfolio's exposure to the consumer discretionary sector, offset by increases in the telecommunications and energy sectors. The portfolio's exposure to energy has been increased both directly, by investing in energy producers, and indirectly, by investing in those companies that provide goods and services to the energy industry and indeed those that distribute it. We have maintained our very large underweight in the real estate sector, where we have no holdings, as we expect valuations to come under pressure in an environment of potentially rapid increases to interest and thus the discount rates upon which property valuations are based.

Guy Anderson
Investment Manager

Managing Director, is a portfolio manager within the J.P. Morgan Asset Management International Equity Group, specialising in UK equities and is Head of UK Mid and Small Caps. Prior to joining the firm in 2012, Guy was an investment analyst at Breeden European Capital and at Pendragon Capital, having started his career at Oliver Wyman. He obtained an M.Eng (Hons) in Engineering from Oxford University. Guy is a CFA charterholder.

Anthony Lynch
Investment Manager

Executive Director, is a portfolio manager within the J.P. Morgan Asset Management International Equity Group, specialising in UK equities, with a particular focus on mid and small caps. Anthony joined in 2009 as an analyst having obtained a B.A. (Hons) in Economics from Durham University. Anthony is a CFA charterholder.

Investment Managers' Report

Outlook for the coming months

The Russian invasion of Ukraine remains at the forefront of our minds. Even seven months on the situation remains fluid and it would be foolhardy to predict how it will play out, but it is evident that the war has driven further inflation into the system. This, combined with higher interest rates, is having a real impact on consumer demand and thus on global economic growth.

The market reaction to the fiscal loosening announced by the new Chancellor has been extreme, sending sovereign yields up aggressively while sterling has moved closer to parity with the US dollar. This increases the probability of the Bank of England raising rates more aggressively than previously expected which could have immediate economic consequences as well as further repercussions for investment decisions.

Despite this unsettling backdrop and a broad array of risks that could impact near-term performance, portfolio companies have for the most part still been performing reasonably well, and we believe they possess the wherewithal to withstand near-term challenges and continue to thrive and evolve into tomorrow's market leaders. While there is a great deal of nervousness around the near-term outlook and a recession is increasingly likely, much of this is already reflected in company valuations, which are increasingly compelling. We are excited by the opportunities created by the recent sell-off. We will therefore maintain our focus on investing in structurally robust businesses that operate in growing end markets and possess the ability to invest capital at high returns, as we believe that these offer the best prospect of delivering compelling returns for our shareholders over the long-term.

Guy Anderson
Anthony Lynch
Investment Managers

13th October 2022

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 ('JPMAM') 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.

Why do we integrate ESG into our investment processes?

As an asset manager, we are guided by our duty to act in the best interests of our clients. That commitment means we consider the impact of decisions we make on behalf of our clients on their portfolios. We believe consideration of financially material ESG factors can be an important part of the investment process.

At JPMAM, we define ESG integration as the systematic inclusion of financially material ESG factors (including sustainability risks) as additional inputs into investment analysis and investment decision-making, where possible and appropriate. ESG factors encompass a wide range of issues including (but not limited to) climate risk, natural resource use, human capital management, diversity, business conduct, governance practices, shareholder rights and executive compensation, as they can impact negatively the value of an investment.

JPMAM considers financially material ESG factors when assessing an investee company's performance. ESG integration is used to help mitigate investment risk and can unlock opportunities in an investment portfolio. We believe that ESG integration can inform better long-term investment decision-making and can help build stronger portfolios for our clients.

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. 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.

While we do not explicitly exclude individual stocks on ESG criteria, ESG factors influence our level of conviction and thus impact a stock's position size within the portfolio.

Environmental, Social and Governance ('ESG') Report

Engagement

Active ownership is a key component of both our standard investment processes and our commitment to ESG integration. 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 define engagement as active interaction with investee companies, exercising our voice as a long-term investor through industry participation and proxy voting. Active ownership in the context of ESG integration allows us to manage ESG risks and to systematically incorporate insights gained from engagement into our investment decisions. For further details on our engagement processes, please see our Annual Investment Stewardship Report at https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf.

Examples of our recent activity with regard to stewardship and engagement with stocks in the Company's portfolio are provided below:

We met with the CEO and Head of Climate Change for **Dunelm Group**, the UK based homeware retailer. On the topic of sustainability, 80% of Dunelm's own brand products are designed in-house and many of its suppliers work exclusively with the company, which allows for more influence over developing solutions throughout the supply chain. One way the company is implementing this is by using 'more responsibly sourced cotton' for its products as the cotton supply chain is very complex and can often have multiple environmental and ethical impacts. The company also launched a 'take back and repair' programme for furniture and a recycling programme for textiles, electricals and homewares.

JPMAM's Investment Stewardship Team met with **Man Group** to discuss the upcoming changes to its remuneration policy. The updates include incorporating an ESG metric into the bonus and long term incentive plan ('LTIP'). In the LTIP, 10% of the outcome will be allocated to an ESG scorecard, focusing on diversity, carbon emissions and ESG-integrated funds under management. The qualitative objectives in the annual bonus will also offer an opportunity to link reward to progress on, for example, other types of diversity including gender, ethnicity and neuro-diversity as well as on the broader environmental agenda such as progress toward achieving net zero carbon emissions. We see a positive trajectory going forwards and will monitor voting recommendations at the upcoming AGM.

We met with **Team17's** management to discuss staff relations following a press report which had highlighted low salaries and long hours for junior employees, concerns around HR and senior management, as well as operational concerns which were raised and not reportedly listened to. During JPMAM's engagement, it was established that overall engagement and attrition for the company is modestly better than industry averages. The issues had been focused in the Quality Assurance function, where management has subsequently stated a commitment to improving pay in this role and we discussed cultural improvements, such as better integration into the rest of the business and a clearer career development path. JPMAM will continue to engage with the company and monitor Glassdoor reviews to ensure that these improvements materialise.

Alongside JPMAM's Investment Stewardship Team we met with **Tate & Lyle** following the recent repositioning of its business on clean labels and more natural ingredients to achieve low calorie/reduced sugar and related healthcare impacts. Tate & Lyle discloses Science Based Targets initiative ('SBTi') approved scope 1&2 targets and are reviewing scope 3 emissions. The company is focused on responsible supply chain traceability with a risk-based supplier audit programme. We asked the company to disclose more ambitious targets related to water usage, especially given high water stress with wet-corn milling (75-80% of its business). We also encouraged the company to consider a more ambitious net-zero target aligned with a 1.5-degree pathway, and to disclose biodiversity targets, which it confirmed was being reviewed in the near-term.

Proxy voting

JPMAM exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based on our reasonable judgement of what will best serve the financial interests of our clients. We aim to vote at all meetings called by the companies in which we are invested, unless there are any market restrictions or conflicts of interests.

Corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see JPMAM's Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

Environmental, Social and Governance ('ESG') Report

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 2022 is detailed below:

The Mercantile Investment Trust plc: Voting at shareholder meetings over six months to 31st July 2022

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against/ Abstain
Preferred/bondholder	9	0	0	0	9	0.0
Routine business	225	1	5	6	231	2.6
Directors related	371	3	9	12	383	3.1
Capitalisation	193	0	3	3	196	1.5
Reorganisation and mergers	5	0	0	0	5	0.0
Non-salary compensation	73	4	1	5	78	6.4
Antitakeover related	39	0	1	1	40	2.5
TOTAL	**915**	**8**	**19**	**27**	**942**	**2.9**

An example of our proxy voting activity over the six months is provided below:

SThree is a UK listed staffing services provider for technology, engineering, life sciences, banking and finance, and other sectors. Following the announcement of the departure of the CFO, the company artificially moved his termination date by three months, giving rise to an over-payment of both fixed pay and long-term incentives. This move also impacted vesting of awards under previous long term incentive plans. This artificial movement of the termination date was not approved by the compensation committee, who expressed disappointment at the handling of the situation. We consider these actions to fall short of expected good practice around severance arrangements. As a result, we voted against the approval of the remuneration report at the AGM.

The future

In investing your Company's assets 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 the Directors of the Company, shareholders and potential investors, view attention to ESG factors as important in their assessment of us as Investment Managers. We expect ESG to remain a major theme in the Company's portfolio and the course being taken by regulators suggests that its importance will only increase in years to come. The research we do and the approach we take in investing the Company's assets will continue to reflect that and to evolve as necessary.

Guy Anderson
Anthony Lynch
Investment Managers

13th October 2022

List of Investments

List of investments

As at 31st July 2022

Company	Valuation £'000
Industrials	
IMI	63,270
Inchcape	62,111
Weir	53,424
RS	52,511
Hays	40,896
Diploma	40,503
Serco	39,710
QinetiQ	34,462
Morgan Sindall	30,983
Grafton	25,863
Chemring	23,528
PageGroup	21,974
Renishaw	21,680
Morgan Advanced Materials	21,595
Rotork	21,320
Spirax-Sarco Engineering	19,096
Vesuvius	18,699
Oxford Instruments	17,100
Marshalls	13,673
SThree	13,160
Wincanton	11,295
Vp	8,285
	655,138
Consumer discretionary	
Watches of Switzerland	75,395
Bellway	60,806
Dunelm	51,000
Future	44,603
Games Workshop	42,640
WH Smith	40,418
Redrow	32,889
Pets at Home	30,485
4imprint	26,907
SSP	20,090
Next Fifteen Communications[1]	15,708
National Express	15,305
Hollywood Bowl	14,874
JET2[1]	13,566
DFS Furniture	10,052
Moonpig	9,748
Berkeley	8,686

Company	Valuation £'000
Consumer discretionary continued	
Reach	5,770
Team17[1]	4,644
	523,586
Financials	
Intermediate Capital	62,949
Man	62,606
OSB	53,703
Beazley	46,070
3i	38,070
Close Brothers	26,862
Brewin Dolphin	22,995
Petershill Partners	20,315
Alpha FX[1]	11,765
TBC Bank	9,936
Paragon Banking Group	9,136
Impax Asset Management[1]	8,604
Bridgepoint	8,056
	381,067
Technology	
Softcat	64,124
Computacenter	56,030
Auto Trader	24,240
Bytes Technology	22,560
Big Technologies[1]	17,142
Tinybuild[1]	3,360
	187,456
Consumer staples	
Cranswick	39,175
Tate & Lyle	30,583
Greggs	26,520
Premier Foods	26,190
Hilton Food Group	15,428
	137,896
Telecommunications	
Telecom Plus	51,635
	51,635
Energy	
Serica Energy[1]	15,120
Hunting	12,900
Harbour Energy	7,257
	35,277

List of Investments

List of investments

As at 31st July 2022

Company	Valuation £'000
Basic materials	
Hill & Smith	20,367
Central Asia Metals[1]	7,485
Tennants Consolidated[2,3]	5,140
	32,992
Health care	
Ergomed[1]	14,941
	14,941
Total investments[4]	**2,019,988**

[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 Analysis

Listed equity market capitalisation

	31st July 2022 %[1]	31st January 2022 %[1]
UK FTSE 250	80.3	76.7
UK FTSE 100	10.1	14.5
UK AIM	5.5	5.4
UK FTSE Small & Fledgling	3.8	3.2
UK Unquoted	0.3	0.2
Total	**100.0**	**100.0**

[1] Based on total investments of £2,020m (31st January 2022: £2,465m).
Source: J.P. Morgan.

Sector

	31st July 2022		31st January 2022	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Industrials	32.4	23.7	27.5	21.8
Consumer Discretionary	25.9	19.3	33.3	22.8
Financials	18.9	17.6	16.7	16.5
Technology	9.3	4.8	11.2	4.6
Consumer Staples	6.8	4.7	6.1	4.5
Telecommunications	2.6	1.4	1.0	1.2
Energy	1.8	2.9	0.2	2.4
Basic Materials	1.6	4.3	3.5	5.4
Health Care	0.7	3.7	0.5	2.9
Real Estate	—	15.0	—	14.5
Utilities	—	2.6	—	3.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £2,020m (31st January 2022: £2,465m).
Source: J.P. Morgan.

Financial Statements

Statement of Comprehensive Income

For the six months ended 31st July 2022

	(Unaudited) Six months ended 31st July 2022			(Unaudited) Six months ended 31st July 2021			(Audited) Year ended 31st January 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	—	(311,635)	(311,635)	—	483,704	483,704	—	228,162	228,162
Net foreign currency gains	—	1	1	—	22	22	—	23	23
Income from investments	33,460	—	33,460	27,640	—	27,640	60,986	—	60,986
Interest receivable and similar income	588	—	588	5	—	5	33	—	33
Gross return/(loss)	**34,048**	**(311,634)**	**(277,586)**	**27,645**	**483,726**	**511,371**	**61,019**	**228,185**	**289,204**
Management fee	(1,101)	(2,568)	(3,669)	(1,342)	(3,133)	(4,475)	(2,757)	(6,434)	(9,191)
Other administrative expenses	(632)	—	(632)	(795)	—	(795)	(1,439)	—	(1,439)
Net return/(loss) before finance costs and taxation	**32,315**	**(314,202)**	**(281,887)**	**25,508**	**480,593**	**506,101**	**56,823**	**221,751**	**278,574**
Finance costs	(2,595)	(6,056)	(8,651)	(1,789)	(4,174)	(5,963)	(3,851)	(8,984)	(12,835)
Net return/(loss) before taxation	**29,720**	**(320,258)**	**(290,538)**	**23,719**	**476,419**	**500,138**	**52,972**	**212,767**	**265,739**
Taxation charge (note 3)	(140)	—	(140)	(875)	—	(875)	(1,494)	—	(1,494)
Net return/(loss) after taxation	**29,580**	**(320,258)**	**(290,678)**	**22,844**	**476,419**	**499,263**	**51,478**	**212,767**	**264,245**
Return/(loss) per share (note 4)	**3.74p**	**(40.47)p**	**(36.73)p**	**2.89p**	**60.19p**	**63.08p**	**6.50p**	**26.88p**	**33.38p**

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 2022 (Unaudited)						
At 31st January 2022	**23,612**	**23,459**	**13,158**	**2,076,379**	**61,603**	**2,198,211**
Repurchase of shares into Treasury	—	—	—	(2,287)	—	(2,287)
Net (loss)/return	—	—	—	(320,258)	29,580	(290,678)
Dividends paid in the period (note 5)	—	—	—	—	(33,235)	(33,235)
At 31st July 2022	**23,612**	**23,459**	**13,158**	**1,753,834**	**57,948**	**1,872,011**
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**
Year ended 31st January 2022 (audited)						
At 31st January 2021	**23,612**	**23,459**	**13,158**	**1,863,612**	**63,158**	**1,986,999**
Net return	—	—	—	212,767	51,478	264,245
Dividends paid in the year (note 5)	—	—	—	—	(53,033)	(53,033)
At 31st January 2022	**23,612**	**23,459**	**13,158**	**2,076,379**	**61,603**	**2,198,211**

[1] These reserves form the distributable reserve of the Company and can be used to fund distributions to investors via dividend payments.

Statement of Financial Position

At 31st July 2022

	(Unaudited) 31st July 2022 £'000	(Unaudited) 31st July 2021 £'000	(Audited) 31st January 2022 £'000
Fixed assets			
Investments held at fair value through profit or loss	2,019,988	2,700,853	2,465,122
Current assets			
Debtors	30,360	6,802	4,271
Cash and short term deposits	251	330	2,765
Cash equivalents: liquidity fund	165,810	9,567	62,896
	196,421	16,699	69,908
Current liabilities			
Creditors: amounts falling due within one year	(16,621)	(4,940)	(9,124)
Net current assets	**179,800**	**11,759**	**60,808**
Total assets less current liabilities	**2,199,788**	**2,712,612**	**2,525,930**
Creditors: amounts falling due after more than one year	(327,777)	(258,011)	(327,719)
Net assets	**1,872,011**	**2,454,601**	**2,198,211**
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	1,753,834	2,340,031	2,076,379
Revenue reserve	57,948	54,341	61,603
Total shareholders' funds	**1,872,011**	**2,454,601**	**2,198,211**
Net asset value per share (note 6)	**236.9p**	**310.1p**	**277.7p**

Registered in England, Company registration number 20537

Statement of Cash Flows

For the six months ended 31st July 2022

	(Unaudited) Six months ended 31st July 2022 £'000	(Unaudited) Six months ended 31st July 2021 £'000	(Audited) Year ended 31st January 2022 £'000
Net cash outflow from operations before dividends and interest (note 7)	(4,301)	(5,343)	(10,642)
Dividends received	29,687	23,092	58,827
Interest received	420	5	34
Overseas tax recovered	84	430	429
Interest paid	(7,071)	(5,919)	(11,638)
Net cash inflow from operating activities	**18,819**	**12,265**	**37,010**
Purchases of investments	(237,596)	(359,696)	(693,957)
Sales of investments	354,694	365,609	682,614
Settlement of foreign currency contracts	3	6	7
Net cash inflow/(outflow) from investing activities	**117,101**	**5,919**	**(11,336)**
Dividends paid	(33,235)	(31,661)	(53,033)
Repurchase of shares into Treasury	(2,285)	—	—
Drawdown of loans	—	—	149,659
Repayment of loans	—	—	(80,000)
Net cash (outflow)/inflow from financing activities	**(35,520)**	**(31,661)**	**16,626**
Increase/(decrease) in cash and cash equivalents	**100,400**	**(13,477)**	**42,300**
Cash and cash equivalents at start of period/year	65,661	23,347	23,347
Unrealised gain on foreign currency cash and cash equivalents	—	27	14
Cash and cash equivalents at end of period/year	166,061	9,897	65,661
Increase/(decrease) in cash and cash equivalents	**100,400**	**(13,477)**	**42,300**
Cash and cash equivalents consist of:			
Cash and short term deposits	251	330	2,765
Cash held in JPMorgan Sterling Liquidity Fund	165,810	9,567	62,896
Total	**166,061**	**9,897**	**65,661**

Reconciliation of net debt

	As at 31st January 2022 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st July 2022 £'000
Analysis of changes in net debt				
Cash	2,765	(2,514)	—	251
Cash equivalents	62,896	102,914	—	165,810
	65,661	**100,400**	**—**	**166,061**
Borrowings				
Debentures falling due after more than five years	(178,060)	—	(48)	(178,108)
Private Placement due after more than five years	(149,659)	—	(10)	(149,669)
Total	**(262,058)**	**100,400**	**(58)**	**(161,716)**

Notes to the Financial Statements

For the six months ended 31st July 2022

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 2022 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 July 2022.

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 2022.

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 2022.

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 2022 £'000	(Unaudited) Six months ended 31st July 2021 £'000	(Audited) Year ended 31st January 2022 £'000
Return/(loss) per share is based on the following:			
Revenue return	29,580	22,844	51,478
Capital (loss)/return	(320,258)	476,419	212,767
Total (loss)/return	**(290,678)**	**499,263**	**264,245**
Weighted average number of shares in issue	791,268,518	791,522,893	791,522,893
Revenue return per share	3.74p	2.89p	6.50p
Capital (loss)/return per share	(40.47)p	60.19p	26.88p
Total (loss)/return per share	**(36.73)p**	**63.08p**	**33.38p**

Notes to the Financial Statements

5. Dividends paid

	(Unaudited) Six months ended 31st July 2022 £'000	(Unaudited) Six months ended 31st July 2021 £'000	(Audited) Year ended 31st January 2022 £'000
2022 fourth quarterly dividend of 2.85p (2021: 2.65p) paid to shareholders in May	22,558	20,975	20,975
2023 first quarterly dividend of 1.35p (2022: 1.35p) paid to shareholders in August[1]	10,677	10,686	10,686
2022 second quarterly dividend of 1.35p paid to shareholders in November	n/a	n/a	10,686
2022 third quarterly dividend of 1.35p paid to shareholders in February[1]	n/a	n/a	10,686
Total dividends paid in the period	**33,235**	**31,661**	**53,033**

[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 2023 quarterly dividend of 1.35p (2022: 1.35p) per share, amounting to £10,677,000 (2022: £10,686,000) was paid on 1st August 2022 in respect of the year ending 31st January 2023.

A second 2023 quarterly dividend of 1.35p (2022: 1.35p) per share, amounting to £10,669,000 (2022: £10,686,000), has been declared payable in respect of the year ending 31st January 2023.

6. Net asset value per share

	(Unaudited) Six months ended 31st July 2022 £'000	(Unaudited) Six months ended 31st July 2021 £'000	(Audited) Year ended 31st January 2022 £'000
Net assets (£'000)	1,872,011	2,454,601	2,198,211
Number of 2.5p ordinary shares in issue	790,270,662	791,522,893	791,522,893
Net asset value per share	**236.9p**	**310.1p**	**277.7p**

Notes to the Financial Statements

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

	(Unaudited) Six months ended 31st July 2022 £'000	(Unaudited) Six months ended 31st July 2021 £'000	(Audited) Year ended 31st January 2022 £'000
Net (loss)/return before finance costs and taxation	(281,887)	506,101	278,574
Add capital losses/(less capital return) before finance costs and taxation	314,202	(480,593)	(221,751)
(Increase)/decrease in accrued income and other debtors	(3,922)	(3,098)	444
(Decrease)/increase in accrued expenses	(17)	(23)	34
Management fee charged to capital	(2,568)	(3,133)	(6,434)
Overseas withholding tax	—	(1,489)	(2,646)
Dividends received	(29,687)	(23,092)	(58,827)
Interest received	(420)	(5)	(34)
Realised losses on foreign currency transactions	(2)	(11)	(2)
Net cash outflow from operations before dividends and interest	**(4,301)**	**(5,343)**	**(10,642)**

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 2022		(Unaudited) Six months ended 31st July 2021		(Audited) Year ended 31st January 2022	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	2,014,848	—	2,696,196	—	2,459,982	—
Level 3[1]	5,140	—	4,657	—	5,140	—
Total	**2,019,988**	**—**	**2,700,853**	**—**	**2,465,122**	**—**

[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 2022 (Unaudited) Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
Level 3			
Opening balance	5,046	94	5,140
Closing balance	**5,046**	**94**	**5,140**

Notes to the Financial Statements

8. Fair valuation of investments

	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**

	Year ended 31st January 2022 (Audited)		
	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
Level 3			
Opening balance	4,563	94	4,657
Change in fair value of unquoted investment during the year	483	—	483
Closing balance	**5,046**	**94**	**5,140**

9. Net debt

	(Unaudited) Six months ended 31st July 2022 £'000	(Unaudited) Six months ended 31st July 2021 £'000	(Audited) Year ended 31st January 2022 £'000
Cash and cash equivalents	166,061	9,897	65,661
Debentures falling due after more than five years	(178,108)	(178,011)	(178,060)
Debt due after one year	—	(80,000)	—
Private Placement due after more than five years	(149,669)	—	(149,659)
Net debt	**(161,716)**	**(248,114)**	**(262,058)**

10. Subsequent events

The Directors have evaluated the period since the year end and have not noted any subsequent events.

Interim Management Report

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 2022.

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 operational existence for at least 12 months from the date of the approval of this half year 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 2022 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

13th October 2022

Shareholder Information

Glossary of Terms and Alternative Performance Measures ('APMS') (unaudited)

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 2022	
Opening share price (p)	7	244.0	(a)
Closing share price (p)	7	205.0	(b)
Total dividend adjustment factor[1]		1.020928	(c)
Adjusted closing share price (d = b x c)		209.3	(d)
Total return to shareholders (e = d / a – 1)		**–14.2%**	(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 2022	
Opening cum-income NAV per share with debt at par value (p)	7	277.7	(a)
Closing cum-income NAV per share with debt at par value (p)	7	236.9	(b)
Total dividend adjustment factor[1]		1.017680	(c)
Adjusted closing cum-income NAV per share with debt at par value (p) (d = b x c)		241.1	(d)
Total return on net assets with debt at par value (e = d / a – 1)		**–13.2%**	(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 and senior unsecured privately placed loan notes) is valued in the Statement of Financial Position (within Creditors: amounts falling due after more than one year) at amortised cost of £327,777,000, 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, the £175 million debenture and the £150 million senior unsecured privately placed loan notes 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 2022	
Opening cum-income NAV per share with debt at fair value (p)	7	270.3	(a)
Closing cum-income NAV per share with debt at fair value (p)	7	234.9	(b)
Total dividend adjustment factor[1]		1.017958	(c)
Adjusted closing cum-income NAV per share with debt at fair value (p) (d = b x c)		239.1	(d)
Total return on net assets with debt at fair value (e = d / a – 1)		**–11.5%**	(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.

Glossary of Terms and Alternative Performance Measures ('APMs') (unaudited)

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 shareholders' 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.

Gearing calculation	Page	Six months ended 31st July 2022 £'000	Year ended 31st January 2022 £'000	
Investments held at fair value through profit or loss	24	2,019,988	2,465,122	(a)
Net assets	24	1,872,011	2,198,211	(b)
Gearing (c = a / b – 1)		**7.9%**	**12.1%**	(c)

Ongoing charges ratio (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 2022 is an estimated annualised figure based on the numbers for the six months ended 31st July 2022.

	Page	Six months ended 31st July 2022 £'000	Year ended 31st January 2022 £'000	
Management Fee	22	7,338	9,191	
Other administrative expenses	22	1,264	1,439	
Total management fee and other administrative expenses		8,602	10,630	(a)
Average daily cum-income net assets		1,903,196	2,342,992	(b)
Ongoing charges (c = a / b)		**0.45%**	**0.45%**	(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 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.

Where to Buy J.P. Morgan Investment Trusts

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
Barclays Smart Investor
Charles Stanley Direct
Fidelity Personal Investing
Halifax Share Dealing
Hargreaves Lansdown
Interactive Investor

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These are third party providers and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each provider'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.unbiased.co.uk

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 www.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

FCA
FINANCIAL CONDUCT AUTHORITY

Information About the Company

FINANCIAL CALENDAR

Financial year end	**31st January**
Final results announced	**March/April**
Half year end	**31st July**
Half year results announced	**October**
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

Company numbers

Company Registration number: 20537
London Stock Exchange number: 0579403
ISIN: GB0005794036
Bloomberg ticker: MRC LN
LEI: 549300BGX3CJIHLP2H42

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.

aic
The Association of Investment Companies

A member of the AIC

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.

Depositary

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

The Depositary 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
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ASSET MANAGEMENT