

# THE MERCANTILE INVESTMENT TRUST PLC

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Half Year Report & Financial Statements for the six months ended 31st July 2018

Discovering Tomorrow's  
Market Leaders



**J.P.Morgan**  
Asset Management

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# Features

## Objective

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 2018, the Company's issued share capital comprised 944,492,180 ordinary shares of 2.5p each, including 145,381,081 shares held in Treasury.

At 31st July 2018, the Company also had in issue a £3.85 million 4.25% perpetual debenture and a £175 million 6.125% debenture repayable on 25th February 2030.

## 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 ('JPMAM').

## FCA regulation of 'non-mainstream pooled investments'

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 continue 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.

## AIC

The Company is a member of the Association of Investment Companies.

## Website

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

# Half Year Performance

Total returns (includes dividends reinvested)

**+3.7%**

Return to shareholders<sup>1</sup>

**+3.7%**

Return on net assets<sup>2</sup>

**+4.0%**

Benchmark return<sup>3</sup>

## Financial Data

|   | 31st July<br>2018 | 31st January<br>2018     | %<br>Change |
|---|-------------------|--------------------------|-------------|
| Shareholders' funds (£'000)   | 2,015,233         | 2,019,593                | -0.2        |
| Number of shares in issue (excluding shares held in Treasury)             | 799,111,099       | 819,000,390 <sup>4</sup> |             |
| Net asset value per share with debt at par value                          | 252.2p            | 246.6p <sup>4</sup>      | +2.3        |
| Net asset value per share with debt at fair value <sup>5</sup>            | 242.8p            | 237.5p <sup>4</sup>      | +2.3        |
| Return on net assets with dividends reinvested                            | +3.7%             | +25.5%                   |             |
| Share price   | 219.5p            | 215.0p <sup>4</sup>      | +2.1        |
| Share price discount to net asset value per share with debt at par value  | 13.0%             | 12.8%                    |             |
| Share price discount to net asset value per share with debt at fair value | 9.6%              | 9.5%                     |             |
| Gearing   | 0.4%              | 3.5%                     |             |
| Ongoing Charges   | 0.44%             | 0.45%                    |             |

A glossary of terms and alternative performance measures is provided on page 18.

<sup>1</sup>Source: Morningstar.

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

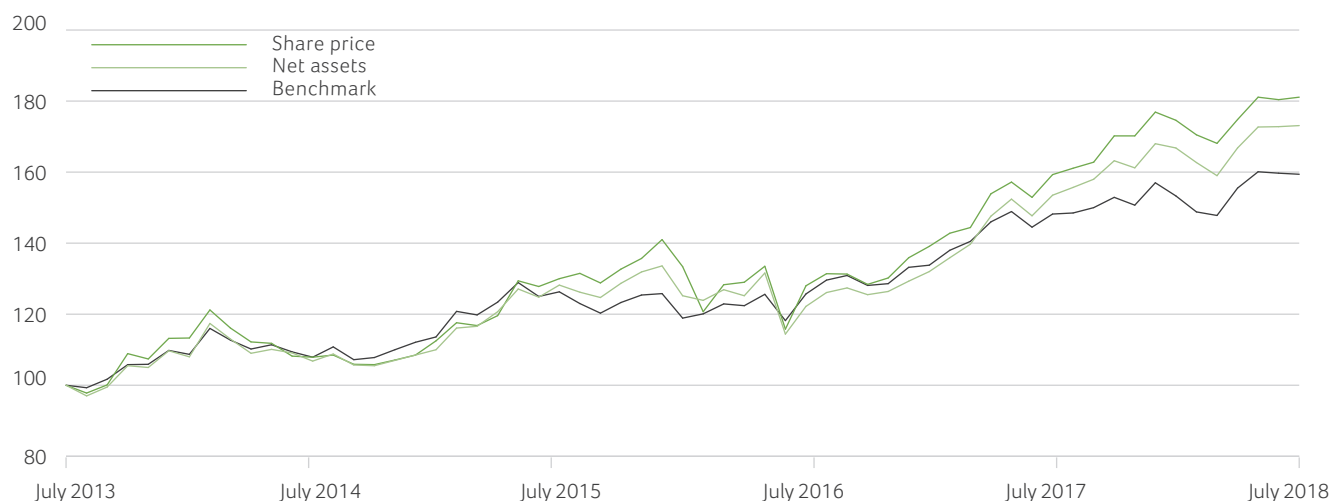
<sup>3</sup>Source: Russell/Mellon CAPS. The Company's benchmark is the FTSE All-Share Index (excluding constituents of the FTSE 100 and investment trusts) with net dividends reinvested.

<sup>4</sup>Comparative figures for the year ended 31st January 2018 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each in May 2018.

<sup>5</sup>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.

## 5 Year Performance

(Figures have been rebased to 100 as at 31st July 2013)



# About the Company

## Chairman's Statement



Angus Gordon Lennox

### Performance

Your Company has been successful in navigating choppy and difficult markets and has achieved a positive return on net assets for the six months to 31st July 2018 of +3.7%. Given the nature of markets during the period this is a creditable performance by our Manager, even if very marginally behind the Company's benchmark index. This half year progress follows on from positive returns on net assets in each of the last six full years.

### Returns and Dividends

Added to that, the revenue account is in a healthy state. The revenue return in the first half of the Company's current financial year increased to 3.95 pence per share, up from 3.26 pence per share for the corresponding period last year (restated to adjust for the ten for one share split undertaken in May this year). That's a 21% increase.

As I explained in my annual statement, the Board has decided to spread out the payment of the total annual dividend more evenly in this current financial year. A first quarterly interim dividend of 1.25 pence was paid on 1st August 2018. A second quarterly interim dividend of 1.25 pence per share has been declared by the Board, payable on 1st November 2018 to shareholders on the register at close of business on 28th September 2018. This brings the total dividend for the year to date to 2.50 pence (2017: 2.10 pence, restated). The Board intends to pay a third quarterly interim dividend of 1.25 pence in early February 2019.

The level of the fourth quarterly interim dividend will depend on income received by the Company for the full financial year. However, in line with the Company's investment policy, the Board recognises shareholders' desire for a growing dividend whilst retaining a healthy revenue reserve.

### Discount and Share Buy Backs

The Board has continued to use its share repurchase authority to enhance the net asset value for ongoing shareholders and to attempt to address any imbalance between the supply of and demand for the Company's shares in the market. In the six months to 31st July 2018, a total of 6,473,171 shares were repurchased at a cost of £42.6 million. All of those shares were repurchased into Treasury and the total number of shares held in Treasury at the half year end was 145,381,081. Those shares are available for reissue by the Board, but only at a premium to net asset value.

### Management Fee Change

The reduction in the management fee, previously reported, has continued to bear fruit and the Company's ongoing charges ratio fell to 0.44% for the half year, down from 0.45% at the last year end. This level is significantly lower than the average for our investment trust peer group, or indeed similar open-ended funds and represents outstanding value for an actively managed portfolio with such a strong long term performance record.

### The Board

Sandy Nairn retired from the Board at the conclusion of the Annual General Meeting in May and the Board and shareholders thanked him then for his contribution over the past 15 years.

On 1st July 2018, Heather Hopkins and Graham Kitchen were appointed Directors. Heather has over two decades of experience in data analytics, research, financial services and international business, with expertise in retail distribution. She is Founder and Managing Director of NextWealth Limited which provides research and consultancy to platforms, asset managers and financial advice firms on the future of retail investment distribution. She was previously Head of Platforum, a research and events business.

## About the Company – continued

Graham has over 20 years experience managing UK equity funds, including open ended investment companies, investment trusts and pension funds. He was Global Head of Equities at Janus Henderson Investors from 2011 to 2018, having previously been Head of UK Equities at Threadneedle Investments and held various positions at Invesco Asset Management.

I believe we will be well served by Heather and Graham who each bring a wealth of relevant, complementary and different experience to the Board and I am sure they will add great value to the Company in the years ahead.

Ian Russell has decided to step down from the Board with effect from 31st December 2018. Ian has been a Director since January 2007 and chaired the Audit Committee between 2007 and 2015. He was due to retire at the conclusion of the next Annual General Meeting in May 2019, but has decided to step down sooner than originally planned owing to his other business commitments. On behalf of the Board and shareholders I would like to thank him for his considerable contribution to the Company over the past 12 years.

### Outlook

Anyone who follows markets or reads the business or even front pages of the newspapers will recognise that we live in uncertain times. Reflecting this, gearing has been steadily reduced over the summer. Brexit, the threat of trade wars, turmoil on the high street, politician's murmurings, geo-political upsets and perhaps other things as yet unrecognised all have the potential to unseat markets for a short while. Despite these, earnings growth remains robust, and although markets worry, our fund managers are certainly earning their fee and, as I said in my opening paragraph have done a creditable job thus far.

As it has done since 1884, The Mercantile will stick to the task ahead and continue to aim to make significant returns for shareholders over the long term, as it has to date. The mid and small size company sector has proven to be one of the top performing sectors over the last 25 years and I believe that it will continue to drive long term performance for our shareholders. By adopting a bottom up approach to finding and investing in well-financed companies with strong business models, I am convinced the underlying strength of those companies will eventually shine through, whatever markets throw at us in the short term.

Your Board has recently met to consider future strategy for investment, the balance sheet, and how we can better spread the good news of The Mercantile amongst a wider audience in this digital and fast changing world. As has been borne out, the area of the market we invest in has consistently produced superior returns, we will use the balance sheet judiciously to enhance those returns, and I am excited about the opportunities that technology offers to ensure that as many people, and potential shareholders, as possible know about the success of The Mercantile. I look forward to keeping you in touch with developments as they emerge and the continued success of your Company.

**Angus Gordon Lennox**  
Chairman

16th October 2018

# About the Company – continued

## Investment Managers' Report



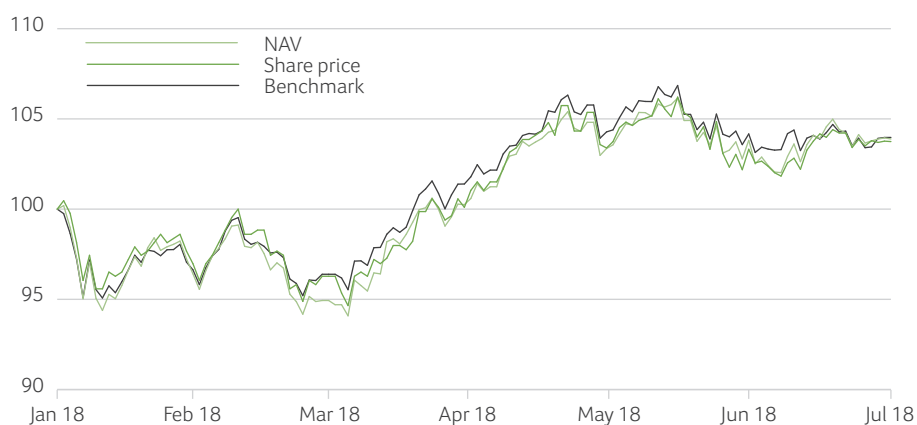
### Market Background

During the first half of the financial year UK medium and smaller companies (the 'Benchmark')<sup>1</sup> generated a total return of 4%.

While the market generated a positive return during this period it was far from immune to the plethora of noise emanating from politicians across the globe, with the sell-off through February and March a result of concerns over possible trade wars and the implications of these for future economic growth. In addition to this the UK must contend with the journey towards Brexit, which is creating substantial uncertainty for financial markets.

Against this somewhat fractious environment, the performance of individual companies remains divided between winners and losers, with those companies whose financial results exceed market expectations being rewarded by share price appreciation and those that stumble or outright miss expectations being viciously punished by the reverse.

### Mercantile and Benchmark Total Return (31st January to 31st July 2018)



<sup>1</sup>The Benchmark is represented by the FTSE All-Share excluding FTSE 100 constituents and Investment Trusts; by value the benchmark is approximately 90% medium sized companies and 10% smaller companies

### Portfolio performance and positioning

For the first half of the year the Company achieved a return on net assets of +3.7%.

From a stock selection perspective it was a frustrating six months, with the positive contributions from some of our most successful investments – such as our longstanding holdings in Fever-Tree, the premium mixer company and Softcat, the fast growing technology services distributor – being broadly offset elsewhere. At a sector level, financial services was the greatest detractor from relative performance, driven by weakness from a number of overweight holdings with greater sensitivity to market levels and volatility.

Our relative performance is also impacted by the behaviour of stocks in the Benchmark that are not in our portfolio and not holding Ocado, on valuation grounds, was the greatest detractor as its shares experienced a meteoric rise after announcing several major contract wins.

Adjustments to the portfolio have been relatively limited. One feature of the market we invest in is the presence of takeover activity. The businesses in which we invest often prove desirable to corporate acquirers and this period was no exception, with our holdings in Fenner, Ladbrokes Coral, UBM and ZPG acquired at substantial premia to the prevailing market prices.

The portfolio continues to hold many industrial companies, such as Spirax-Sarco Engineering and Bodycote which are benefiting from a combination of internal

## About the Company – continued

management actions to increase their addressable markets and profitability as well as generally improved industrial production globally. In addition the portfolio remains invested in a broad array of other businesses, such as Beazley, the non-life insurance specialist and B&M, the discount retailer, where we expect continued structural growth in their specific markets.

### Outlook

Having accelerated from a low base two years ago, global economic growth has remained reasonable and provided some, but not all, companies with a decent platform from which to drive earnings growth. While it has not been as impressive, the domestic economy has also continued to grow. It has been noticeable and a clear positive that after several years of experiencing gradual declines in market estimates of future earnings growth during the year, so far this year companies are in aggregate meeting expectations. Strong growth in the US has caused the Federal Reserve to increase its fund rates from 1.5% to 2.25%, which has inevitably reduced the risk appetite of equity investors.

Furthermore, the geopolitical landscape remains fraught with uncertainty, the most pressing of which remains the risk of trade wars. The lack of clarity about how businesses may be impacted by Brexit presents a further risk, albeit with the potential for a positive surprise should a satisfactory outcome be achieved.

While continued earnings growth should deliver positive returns for markets, these geopolitical factors may weigh for some time and could present far-reaching challenges in the future. With this in mind and having started the year 3% geared, this was reduced such that the portfolio was fully invested but essentially ungeared at period end. This allows the company to benefit from increases in the stock market while providing plenty of capacity to invest further should the opportunity arise.

We maintain our view that the favourable dynamics of medium- and small-sized companies will continue to drive superior returns over the long-term and remain passionate about identifying and investing in those companies that have strong business models, are suitably financed and are well placed to become tomorrow's market leaders.

**Guy Anderson**  
**Martin Hudson**  
**Anthony Lynch**  
Investment Managers

16th October 2018

# Investment Review

## List of Investments

at 31st July 2018

| Company   | Value £'000    |
|---|----------------|
| <b>Industrials</b>                              |                |
| Spirax-Sarco Engineering                        | 72,575         |
| Electrocomponents                               | 40,616         |
| Hays  | 40,155         |
| Bodycote  | 39,300         |
| Weir  | 34,294         |
| BBA Aviation                                    | 33,756         |
| DS Smith  | 31,248         |
| Vesuvius  | 28,720         |
| Grafton   | 27,959         |
| RPC   | 24,902         |
| Howden Joinery                                  | 23,840         |
| Morgan Advanced Materials                       | 23,103         |
| Coats   | 22,589         |
| Marshalls                                       | 21,988         |
| Morgan Sindall                                  | 21,793         |
| Rotork  | 20,830         |
| Polypipe  | 19,875         |
| Rhi Magnesita                                   | 19,456         |
| Babcock International                           | 19,294         |
| Diploma   | 17,421         |
| Hill & Smith                                    | 17,330         |
| Ibstock   | 16,849         |
| Vp  | 15,750         |
| Ricardo   | 14,347         |
| Melrose Industries                              | 13,602         |
| Forterra  | 13,102         |
| XP Power  | 12,745         |
| G4S   | 12,485         |
| Avon Rubber                                     | 11,655         |
| Renishaw  | 10,119         |
| Alpha Financial Markets Consulting <sup>1</sup> | 6,392          |
| SThree  | 5,897          |
|   | <b>733,987</b> |

## List of Investments

at 31st July 2018

| Company                             | Value £'000    |
|-------------------------------------|----------------|
| <b>Financials</b>                   |                |
| Intermediate Capital                | 49,390         |
| Phoenix                             | 44,229         |
| Hiscox                              | 43,864         |
| Beazley                             | 40,216         |
| Man                                 | 34,994         |
| Close Brothers                      | 34,936         |
| Jupiter Fund Management             | 28,448         |
| 3i                                  | 28,416         |
| Jardine Lloyd Thompson              | 20,879         |
| Brewin Dolphin                      | 20,270         |
| IG                                  | 18,985         |
| Amigo                               | 17,672         |
| John Laing                          | 15,455         |
| Charter Court Financial Services    | 13,855         |
| Sabre Insurance                     | 9,660          |
| IntegraFin                          | 9,048          |
| Mortgage Advice Bureau <sup>1</sup> | 7,745          |
| Arrow Global                        | 7,344          |
| Cenkos Securities <sup>1</sup>      | 3,824          |
|                                     | <b>449,230</b> |
| <b>Consumer Services</b>            |                |
| Auto Trader                         | 41,679         |
| B&M European Value Retail           | 40,439         |
| Inchcape                            | 36,086         |
| National Express                    | 32,205         |
| SSP                                 | 30,316         |
| WH Smith                            | 27,578         |
| JD Sports Fashion                   | 26,062         |
| GVC                                 | 14,040         |
| Card Factory                        | 13,504         |
| Thomas Cook                         | 13,162         |
| Just Eat                            | 11,337         |
| Gocompare.Com                       | 11,034         |
| M&C Saatchi <sup>1</sup>            | 9,310          |
| Hollywood Bowl                      | 7,107          |
| Trinity Mirror                      | 6,319          |
| JPJ                                 | 1,854          |
|                                     | <b>322,032</b> |

## Investment Review – continued

### List of Investments – continued

| Company  | Value £'000    |
|--|----------------|
| <b>Consumer Goods</b>                                  |                |
| Bellway  | 47,431         |
| Fevertree Drinks <sup>1</sup>                          | 32,700         |
| Games Workshop   | 24,439         |
| Countryside Properties                                 | 21,197         |
| Cranswick  | 20,588         |
| MP Evans <sup>1</sup>                                  | 19,195         |
| Berkeley   | 18,852         |
| AG Barr  | 12,382         |
| Taylor Wimpey  | 9,651          |
|  | <b>206,435</b> |
| <b>Basic Materials</b>                                 |                |
| Evraz  | 27,293         |
| KAZ Minerals   | 26,599         |
| Synthomer  | 22,482         |
| Ferrexpo   | 10,194         |
| Polymetal International                                | 9,102          |
| Tennants Consolidated 'A' <sup>2</sup>                 | 2,143          |
| Tennants Consolidated <sup>2</sup>                     | 1,947          |
| Tennants Consolidated Preference 15.00% <sup>2,3</sup> | 94             |
|  | <b>99,854</b>  |

### List of Investments – continued

| Company                              | Value £'000      |
|--------------------------------------|------------------|
| <b>Real Estate</b>                   |                  |
| Savills                              | 22,150           |
| Segro                                | 19,587           |
| UNITE                                | 18,364           |
| Workspace                            | 15,204           |
| LondonMetric Property                | 14,949           |
| Shaftesbury                          | 4,609            |
|                                      | <b>94,863</b>    |
| <b>Technology</b>                    |                  |
| Sophos                               | 28,968           |
| Softcat                              | 27,957           |
| Computacenter                        | 24,086           |
| FDM                                  | 13,851           |
|                                      | <b>94,862</b>    |
| <b>Oil &amp; Gas</b>                 |                  |
| Hunting                              | 12,512           |
|                                      | <b>12,512</b>    |
| <b>Telecommunications</b>            |                  |
| Telecom Plus                         | 9,082            |
|                                      | <b>9,082</b>     |
| <b>Total Investments<sup>4</sup></b> | <b>2,022,857</b> |

<sup>1</sup>AIM listed investment.

<sup>2</sup>Unquoted investment.

<sup>3</sup>Includes a fixed interest investment.

<sup>4</sup>The portfolio comprises investments in equity shares, and a fixed interest investment.

# Investment Review – continued

## Portfolio Analyses

### Listed Equity Market Capitalisation

|                           | 31st July<br>2018<br>% <sup>1</sup> | 31st January<br>2018<br>% <sup>1</sup> |
|---------------------------|-------------------------------------|--|
| UK FTSE Mid Sized         | 80.4                                | 79.7                                   |
| UK FTSE 100               | 8.7                                 | 9.7                                    |
| UK FTSE Small & Fledgling | 6.8                                 | 7.0                                    |
| UK AIM                    | 3.9                                 | 3.4                                    |
| UK Unquoted               | 0.2                                 | 0.2                                    |
| <b>Total</b>              | <b>100.0</b>                        | <b>100.0</b>                           |

<sup>1</sup>Based on total investments of £2,023m (31st January 2018: £2,091m).

### Sector Analysis

|                    | 31st July 2018              |                | 31st January 2018           |                |
|--------------------|-----------------------------|----------------|-----------------------------|----------------|
|                    | Portfolio<br>% <sup>1</sup> | Benchmark<br>% | Portfolio<br>% <sup>1</sup> | Benchmark<br>% |
| Industrials        | 36.3                        | 29.5           | 31.0                        | 28.9           |
| Financials         | 22.2                        | 17.3           | 23.1                        | 15.9           |
| Consumer Services  | 15.9                        | 16.5           | 22.1                        | 21.7           |
| Consumer Goods     | 10.2                        | 7.0            | 9.6                         | 7.1            |
| Basic Materials    | 4.9                         | 4.0            | 3.8                         | 4.1            |
| Real Estate        | 4.7                         | 11.1           | 3.7                         | 9.6            |
| Technology         | 4.7                         | 2.6            | 5.7                         | 2.5            |
| Oil & Gas          | 0.6                         | 3.8            | –                           | 3.2            |
| Telecommunications | 0.5                         | 1.2            | 0.2                         | 1.0            |
| Health Care        | –                           | 5.7            | 0.4                         | 4.9            |
| Utilities          | –                           | 1.3            | 0.4                         | 1.1            |
| <b>Total</b>       | <b>100.0</b>                | <b>100.0</b>   | <b>100.0</b>                | <b>100.0</b>   |

<sup>1</sup>Based on total investments of £2,023m (31st January 2018: £2,091m).

# Financial Statements

## Statement of Comprehensive Income for the six months ended 31st July 2018

|  | (Unaudited)<br>Six months ended<br>31st July 2018 |                  |                | (Unaudited)<br>Six months ended<br>31st July 2017 |                  |                | (Audited)<br>Year ended<br>31st January 2018 |                  |                |
|--|---|------------------|----------------|---|------------------|----------------|--|------------------|----------------|
|  | Revenue<br>£'000                                  | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                  | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                             | Capital<br>£'000 | Total<br>£'000 |
| <b>Gains on investments held at fair value through profit or loss</b>      | –   | 40,233           | 40,233         | –   | 242,731          | 242,731        | –  | 374,818          | 374,818        |
| Net foreign currency gains   | –   | 1                | 1              | –   | 16               | 16             | –  | 15               | 15             |
| Income from investments  | 34,901  | –                | 34,901         | 30,823  | –                | 30,823         | 57,652                                       | –                | 57,652         |
| Interest receivable and similar income                                     | 377   | –                | 377            | 411   | –                | 411            | 640  | –                | 640            |
| <b>Gross return</b>  | <b>35,278</b>                                     | <b>40,234</b>    | <b>75,512</b>  | <b>31,234</b>                                     | <b>242,747</b>   | <b>273,981</b> | <b>58,292</b>                                | <b>374,833</b>   | <b>433,125</b> |
| Management fee   | (1,138)   | (2,655)          | (3,793)        | (1,067)   | (2,491)          | (3,558)        | (2,264)                                      | (5,282)          | (7,546)        |
| Other administrative expenses  | (604)   | –                | (604)          | (575)   | –                | (575)          | (1,151)                                      | –                | (1,151)        |
| <b>Net return on ordinary activities before finance costs and taxation</b> | <b>33,536</b>                                     | <b>37,579</b>    | <b>71,115</b>  | <b>29,592</b>                                     | <b>240,256</b>   | <b>269,848</b> | <b>54,877</b>                                | <b>369,551</b>   | <b>424,428</b> |
| Finance costs  | (1,647)   | (3,843)          | (5,490)        | (1,653)   | (3,857)          | (5,510)        | (3,293)                                      | (7,685)          | (10,978)       |
| <b>Net return on ordinary activities before taxation</b>                   | <b>31,889</b>                                     | <b>33,736</b>    | <b>65,625</b>  | <b>27,939</b>                                     | <b>236,399</b>   | <b>264,338</b> | <b>51,584</b>                                | <b>361,866</b>   | <b>413,450</b> |
| Taxation (note 3)  | (31)  | –                | (31)           | (222)   | –                | (222)          | (292)  | –                | (292)          |
| <b>Net return on ordinary activities after taxation</b>                    | <b>31,858</b>                                     | <b>33,736</b>    | <b>65,594</b>  | <b>27,717</b>                                     | <b>236,399</b>   | <b>264,116</b> | <b>51,292</b>                                | <b>361,866</b>   | <b>413,158</b> |
| <b>Return per share (note 4)<sup>1</sup></b>                               | <b>3.95p</b>                                      | <b>4.18p</b>     | <b>8.13p</b>   | <b>3.26p</b>                                      | <b>27.81p</b>    | <b>31.07p</b>  | <b>6.12p</b>                                 | <b>43.18p</b>    | <b>49.30p</b>  |

<sup>1</sup>Comparative figures for the period ended 31st July 2017 & year ended 31st January 2018 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each in May 2018.

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 per share represents the profit per share for the period and also the total comprehensive income per share.

# Financial Statements – continued

## Statement of Changes in Equity

For the six months ended 31st July 2018 (unaudited)

|                                       | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve <sup>1</sup><br>£'000 | Total<br>£'000 |
|---------------------------------------|--|---------------------------|---|------------------------------|--|----------------|
| <b>At 31st January 2018</b>           | 23,612                                 | 23,459                    | 13,158                                    | 1,897,243                    | 62,121                                   | 2,019,593      |
| Repurchase of shares into Treasury    | –                                      | –                         | –   | (42,590)                     | –  | (42,590)       |
| Net return on ordinary activities     | –                                      | –                         | –   | 33,736                       | 31,858                                   | 65,594         |
| Dividends paid in the period (note 5) | –                                      | –                         | –   | –                            | (27,364)                                 | (27,364)       |
| <b>At 31st July 2018</b>              | 23,612                                 | 23,459                    | 13,158                                    | 1,888,389                    | 66,615                                   | 2,015,233      |

For the six months ended 31st July 2017 (unaudited)

|                                       | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve <sup>1</sup><br>£'000 | Total<br>£'000 |
|---------------------------------------|--|---------------------------|---|------------------------------|--|----------------|
| <b>At 31st January 2017</b>           | 23,612                                 | 23,459                    | 13,158                                    | 1,633,936                    | 49,978                                   | 1,744,143      |
| Repurchase of shares into Treasury    | –                                      | –                         | –   | (72,573)                     | –  | (72,573)       |
| Net return on ordinary activities     | –                                      | –                         | –   | 236,399                      | 27,717                                   | 264,116        |
| Dividends paid in the period (note 5) | –                                      | –                         | –   | –                            | (21,798)                                 | (21,798)       |
| <b>At 31st July 2017</b>              | 23,612                                 | 23,459                    | 13,158                                    | 1,797,762                    | 55,897                                   | 1,913,888      |

Year ended 31st January 2018 (audited)

|                                     | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve <sup>1</sup><br>£'000 | Total<br>£'000 |
|-------------------------------------|--|---------------------------|---|------------------------------|--|----------------|
| <b>At 31st January 2017</b>         | 23,612                                 | 23,459                    | 13,158                                    | 1,633,936                    | 49,978                                   | 1,744,143      |
| Repurchase of shares into Treasury  | –                                      | –                         | –   | (98,559)                     | –  | (98,559)       |
| Net return on ordinary activities   | –                                      | –                         | –   | 361,866                      | 51,292                                   | 413,158        |
| Dividends paid in the year (note 5) | –                                      | –                         | –   | –                            | (39,149)                                 | (39,149)       |
| <b>At 31st January 2018</b>         | 23,612                                 | 23,459                    | 13,158                                    | 1,897,243                    | 62,121                                   | 2,019,593      |

<sup>1</sup>This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

# Financial Statements – continued

## Statement of Financial Position at 31st July 2018

|   | (Unaudited)<br>31st July<br>2018<br>£'000 | (Unaudited)<br>31st July<br>2017<br>£'000 | (Audited)<br>31st January<br>2018<br>£'000 |
|---|---|---|--|
| <b>Fixed assets</b>                                     |   |   |  |
| Investments held at fair value through profit or loss   | 2,022,857                                 | 1,970,430                                 | 2,090,612                                  |
| <b>Current assets</b>                                   |   |   |  |
| Debtors   | 23,223                                    | 2,315                                     | 13,836                                     |
| Cash and short term deposits                            | 60,572                                    | 25,709                                    | 6,636                                      |
| Cash equivalents: liquidity fund                        | 99,974                                    | 99,895                                    | 99,895                                     |
|   | 183,769                                   | 127,919                                   | 120,367                                    |
| <b>Current liabilities</b>                              |   |   |  |
| Creditors: amounts falling due within one year          | (13,672)                                  | (6,837)                                   | (13,713)                                   |
| <b>Net current assets</b>                               | 170,097                                   | 121,082                                   | 106,654                                    |
| <b>Total assets less current liabilities</b>            | 2,192,954                                 | 2,091,512                                 | 2,197,266                                  |
| Creditors: amounts falling due after more than one year | (177,721)                                 | (177,624)                                 | (177,673)                                  |
| <b>Net assets</b>                                       | 2,015,233                                 | 1,913,888                                 | 2,019,593                                  |
| <b>Capital and reserves</b>                             |   |   |  |
| 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  | 1,888,389                                 | 1,797,762                                 | 1,897,243                                  |
| Revenue reserve   | 66,615                                    | 55,897                                    | 62,121                                     |
| Total shareholders' funds                               | 2,015,233                                 | 1,913,888                                 | 2,019,593                                  |
| <b>Net asset value per share</b> (note 6) <sup>1</sup>  | 252.2p                                    | 230.2p                                    | 246.6p                                     |

<sup>1</sup>Comparative figures for the period ended 31st July 2017 and year ended 31st January 2018 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each in May 2018.

Registered in England, Company registration number 20537

## Financial Statements – continued

### Statement of Cash Flows for the six months ended 31st July 2018

|   | (Unaudited)<br>Six months ended<br>31st July 2018<br>£'000 | (Unaudited)<br>Six months ended<br>31st July 2017<br>£'000 | (Audited)<br>Year ended<br>31st January 2018<br>£'000 |
|---|--|--|---|
| Net cash outflow from operations before dividends and interest (note 7) | (4,247)  | (3,882)  | (8,384)   |
| Dividends received  | 32,980   | 29,802   | 56,647  |
| Interest received   | 340  | 174  | 404   |
| Overseas tax recovered/(paid)   | 39   | –  | (1)   |
| Interest paid   | (5,442)  | (5,462)  | (10,881)  |
| <b>Net cash inflow from operating activities</b>                        | <b>23,670</b>  | <b>20,632</b>  | <b>37,785</b>   |
| Purchases of investments  | (339,185)  | (372,661)  | (699,483)   |
| Sales of investments  | 440,089  | 439,596  | 773,842   |
| Settlement of foreign currency contracts                                | –  | 2  | (2)   |
| <b>Net cash inflow from investing activities</b>                        | <b>100,904</b>   | <b>66,937</b>  | <b>74,357</b>   |
| Dividends paid  | (27,364)   | (21,798)   | (39,149)  |
| Repurchase of shares into Treasury                                      | (43,195)   | (78,237)   | (104,520)   |
| <b>Net cash outflow from financing activities</b>                       | <b>(70,559)</b>  | <b>(100,035)</b>   | <b>(143,669)</b>                                      |
| <b>Increase/(decrease) in cash and cash equivalents</b>                 | <b>54,015</b>  | <b>(12,466)</b>  | <b>(31,527)</b>                                       |
| Cash and cash equivalents at start of period                            | 106,531  | 138,058  | 138,058   |
| Exchange movements  | –  | 12   | –   |
| Cash and cash equivalents at end of period                              | 160,546  | 125,604  | 106,531   |
| <b>Increase/(decrease) in cash and cash equivalents</b>                 | <b>54,015</b>  | <b>(12,466)</b>  | <b>(31,527)</b>                                       |
| <b>Cash and cash equivalents consist of:</b>                            |  |  |   |
| Cash and short term deposits  | 60,572   | 25,709   | 6,636   |
| Cash held in JPMorgan Sterling Liquidity Fund                           | 99,974   | 99,895   | 99,895  |
| <b>Total</b>  | <b>160,546</b>   | <b>125,604</b>   | <b>106,531</b>  |

# Financial Statements – continued

## Notes to the Financial Statements for the six months ended 31st July 2018

### 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 2018 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 including 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 November 2014 and updated in February 2018.

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 2018.

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 2018.

### 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 per share

|   | (Unaudited)<br>Six months ended<br>31st July 2018<br>£'000 | (Unaudited)<br>Six months ended<br>31st July 2017<br>£'000 | (Audited)<br>Year ended<br>31st January 2018<br>£'000 |
|---|--|--|---|
| Return per share is based on the following:             |  |  |   |
| Revenue return  | 31,858   | 27,717   | 51,292  |
| Capital return  | 33,736   | 236,399  | 361,866   |
| <b>Total return</b>                                     | <b>65,594</b>  | <b>264,116</b>   | <b>413,158</b>  |
| Weighted average number of shares in issue <sup>1</sup> | 807,080,131  | 850,066,810  | 838,079,040   |
| Revenue return per share                                | 3.95p  | 3.26p  | 6.12p   |
| Capital return per share                                | 4.18p  | 27.81p   | 43.18p  |
| <b>Total return per share</b>                           | <b>8.13p</b>   | <b>31.07p</b>  | <b>49.30p</b>   |

<sup>1</sup>Comparative figures for the period ended 31st July 2017 and year ended 31st January 2018 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each in May 2018.

# Financial Statements – continued

## 5. Dividends paid

|  | (Unaudited)<br>Six months ended<br>31st July 2018<br>£'000 | (Unaudited)<br>Six months ended<br>31st July 2017<br>£'000 | (Audited)<br>Year ended<br>31st January 2018<br>£'000 |
|--|--|--|---|
| Unclaimed dividends refunded to the Company <sup>1</sup>   | (11)   | (19)   | (19)  |
| 2018 fourth quarterly dividend of 2.15p <sup>2</sup> (2017: 1.525p <sup>2</sup> ) paid to shareholders in May  | 17,334   | 12,987   | 12,987  |
| 2019 first quarterly dividend of 1.25p <sup>2</sup> (2018: 1.05p <sup>2</sup> ) paid to shareholders in August | 10,041   | 8,830  | 8,830   |
| 2018 second quarterly dividend of 1.05p <sup>2</sup> paid to shareholders in November                          | n/a  | n/a  | 8,719   |
| 2018 third quarterly dividend of 1.05p <sup>2</sup> paid to shareholders in February                           | n/a  | n/a  | 8,632   |
| <b>Total dividends paid in the period</b>  | <b>27,364</b>  | <b>21,798</b>  | <b>39,149</b>   |

<sup>1</sup>Represents dividends which remain unclaimed after a period of six years and thereby become the property of the Company.

<sup>2</sup>The dividend rate has been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each in May 2018.

All dividends paid in the period/year have been funded from the income for the period.

A second quarterly dividend of 1.25p (2018: 1.05p<sup>2</sup>) per share, amounting to £9,989,000 (2018: £8,719,000), has been declared payable in respect of the six months ended 31st July 2018.

## 6. Net asset value per share

|  | (Unaudited)<br>Six months ended<br>31st July 2018 | (Unaudited)<br>Six months ended<br>31st July 2017 | (Audited)<br>Year ended<br>31st January 2018 |
|--|---|---|--|
| Net assets (£'000)                     | 2,015,233   | 1,913,888   | 2,019,593                                    |
| Number of shares in issue <sup>1</sup> | 799,111,099                                       | 831,270,740                                       | 819,000,390                                  |
| <b>Net asset value per share</b>       | <b>252.2p</b>                                     | <b>230.2p</b>                                     | <b>246.6p</b>                                |

<sup>1</sup>Comparative figures for the period ended 31st July 2017 and year ended 31st January 2018 have been restated following the sub-division of each existing ordinary share of 25p into ten ordinary shares of 2.5p each in May 2018.

## Financial Statements – continued

### 7. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

|   | (Unaudited)<br>Six months ended<br>31st July 2018<br>£'000 | (Unaudited)<br>Six months ended<br>31st July 2017<br>£'000 | (Audited)<br>Year ended<br>31st January 2018<br>£'000 |
|---|--|--|---|
| Net return on ordinary activities before finance costs and taxation           | 71,115   | 269,848  | 424,428   |
| Less: capital return on ordinary activities before finance costs and taxation | (37,579)   | (240,256)  | (369,551)   |
| Scrip dividends received as income  | (328)  | (389)  | (646)   |
| Increase in accrued income and other debtors                                  | (1,402)  | (627)  | (273)   |
| Increase/(decrease) in accrued expenses                                       | 94   | (1)  | 35  |
| Management fee charged to capital   | (2,655)  | (2,491)  | (5,282)   |
| Overseas withholding tax  | (173)  | 8  | (61)  |
| Dividends received  | (32,980)   | (29,802)   | (56,647)  |
| Interest received   | (340)  | (174)  | (404)   |
| Realised gains on foreign currency transactions                               | 1  | 2  | 17  |
| <b>Net cash outflow from operations before dividends and interest</b>         | <b>(4,247)</b>   | <b>(3,882)</b>   | <b>(8,384)</b>  |

### 8. Fair valuation of investments

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

|                      | (Unaudited)<br>Six months ended<br>31st July 2018 |                      | (Unaudited)<br>Six months ended<br>31st July 2017 |                      | (Audited)<br>Year ended<br>31st January 2018 |                      |
|----------------------|---|----------------------|---|----------------------|--|----------------------|
|                      | Assets<br>£'000                                   | Liabilities<br>£'000 | Assets<br>£'000                                   | Liabilities<br>£'000 | Assets<br>£'000                              | Liabilities<br>£'000 |
| Level 1              | 2,018,673   | —                    | 1,966,246   | —                    | 2,086,428                                    | —                    |
| Level 3 <sup>1</sup> | 4,184   | —                    | 4,184   | —                    | 4,184  | —                    |
| <b>Total</b>         | <b>2,022,857</b>                                  | <b>—</b>             | <b>1,970,430</b>                                  | <b>—</b>             | <b>2,090,612</b>                             | <b>—</b>             |

<sup>1</sup>Consists only of the holding of unquoted stock of Tennants Consolidated.

### 9. Net debt

|   | (Unaudited)<br>Six months ended<br>31st July 2018<br>£'000 | (Unaudited)<br>Six months ended<br>31st July 2017<br>£'000 | (Audited)<br>Year ended<br>31st January 2018<br>£'000 |
|---|--|--|---|
| Cash and cash equivalents                         | 160,546  | 125,604  | 106,531   |
| Debentures falling due after more than five years | (177,721)  | (177,624)  | (177,673)   |
| <b>Net debt</b>                                   | <b>(17,175)</b>  | <b>(52,020)</b>  | <b>(71,142)</b>                                       |

### 10. Subsequent events

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

# Shareholder Information

## 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 Accounts for the year ended 31st January 2018.

### 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 twelve 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 2018 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

16th October 2018

# Shareholder Information – continued

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

### Return to shareholders (APM)

Total return to the shareholder, 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 2018 |     |
|---|------|---------------------------------|-----|
| Opening share price as at 31st January 2018 (p) | 2    | 215.0                           |     |
| Closing share price as at 31st July 2018 (p)    | 2    | 219.5                           | (a) |
| Total dividend adjustment factor <sup>1</sup>   |      | 1.016164                        | (b) |
| Adjusted closing share price (c = a x b)        |      | 223.1p                          | (c) |
| <b>Total return to shareholder</b>              |      | <b>3.7%</b>                     |     |

<sup>1</sup>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 2018 |     |
|---|------|---------------------------------|-----|
| Opening cum-income NAV per share with debt at par value as at 31st January 2018 (p) |      | 246.6                           |     |
| Closing cum-income NAV per share with debt at par value as at 31st July 2018 (p)    | 2    | 252.2                           | (a) |
| Total dividend adjustment factor <sup>2</sup>                                       |      | 1.014043                        | (b) |
| Adjusted closing share price (c = a x b)  |      | 255.7                           | (c) |
| <b>Total return on net assets with debt at par value</b>                            |      | <b>3.7%</b>                     |     |

<sup>2</sup>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, £177,650,000, 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.

As at 31st July 2018, the cum-income NAV with debt at fair value was £1,940,427,000 or 242.8p per share.

### 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.

## Shareholder Information – continued

### 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.

| Gearing calculation                                   | Page | Six months ended<br>31st July 2018<br>£'000 | Year ended<br>31st January 2018<br>£'000 |     |
|---|------|---|--|-----|
| Investments held at fair value through profit or loss | 12   | 2,022,857                                   | 2,090,612                                | (a) |
| Net assets  | 12   | 2,015,233                                   | 2,019,593                                | (b) |
| Gearing (c = a / b + 1)                               |      | 0.4%  | 3.5%                                     | (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 2018 is an estimated annualised figure based on the numbers for the six months ended 31st July 2018.

| Ongoing charges calculation                            | Page | Six months ended<br>31st July 2018<br>£'000 | Year ended<br>31st January 2018<br>£'000 |     |
|--|------|---|--|-----|
| Management Fee   | 10   | 7,586                                       | 7,546                                    |     |
| Other administrative expenses                          | 10   | 1,208                                       | 1,151                                    |     |
| Total management fee and other administrative expenses |      | 8,794                                       | 8,697                                    | (a) |
| Average daily cum-income net assets                    |      | 1,987,470                                   | 1,919,395                                | (b) |
| Ongoing charges (c = a / b)                            |      | 0.44%                                       | 0.45%                                    | (c) |

### 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, meaning there are more sellers than buyers.

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.

### Fair Value

The fair value of the Company's debentures is calculated using a discounted cash flow technique which applies the yield from a similarly dated gilt to the debentures issued by the Company and adds to that a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

For the £175 million debenture, the Company takes the yield on 4.75% Treasury Gilt 07/12/2030. For the £3.85 million perpetual debenture, the Company applies the yield on 3.50% Treasury Gilt 22/07/2068.

The margin applied on the 5 year average for the AA Barclays Sterling Corporate Bond spread at 31st July 2018 was 0.83%.

# Shareholder Information – continued

## Where to buy J.P. Morgan investment trusts

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

### 1. Directly from J.P. Morgan

#### Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at [am.jpmorgan.co.uk/investor](http://am.jpmorgan.co.uk/investor)

#### Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2018/19 tax year, from 6th April 2018 and ending 5th April 2019, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at [am.jpmorgan.co.uk/investor](http://am.jpmorgan.co.uk/investor)

### 2. Via a third party provider

Third party providers include;

|                        |                      |
|------------------------|----------------------|
| AJ Bell                | Interactive Investor |
| Alliance Trust Savings | James Brearley       |
| Barclays Stockbrokers  | James Hay            |
| Bestinvest             | Selftrade            |
| Charles Stanley Direct | TD Direct            |
| FundsNetwork           | The Share Centre     |
| Hargreaves Lansdown    | Trustnet Direct      |

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.

### 3. 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 [unbiased.co.uk](http://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 [fca.org.uk](http://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](http://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](http://www.actionfraud.police.uk)

**Find out more at**  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



# 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                       | September/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. JPMorgan has been the Company's manager and secretary since its appointment in 1976. 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)  
Heather Hopkins  
Helen James  
Graham Kitchen  
Harry Morley  
Ian Russell  
Jeremy Tighe

## Company Numbers

Company Registration number: 20537  
London Stock Exchange number: 0579403  
ISIN: GB00BF4JDH58  
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](http://www.mercantileit.co.uk), where the share price is updated every 15 minutes during trading hours.

## Website

[www.mercantileit.co.uk](http://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. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at [jpmorgan.co.uk/online](http://jpmorgan.co.uk/online)

## Dividend Reinvestment Plan

The Company operates a dividend re-investment plan. For further information please contact the Registrars (details below).

## Manager and Company Secretary

JPMorgan Funds Limited

## Company's Registered Office

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

Please contact Jonathan Latter for Company Secretarial and administrative matters.

## Depositary

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

The Depositary has appointed JPMorgan Chase Bank, NA, as the Company's custodian.

## Registrars

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

Calls to this number cost 10p per minute plus network charges. Other providers' costs may vary. Lines open 8.30 am to 5.30 pm, Monday to Friday. The overseas helpline number is +44 (0)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](http://www.shareview.co.uk).

## Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

## Brokers

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

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

## Savings Product Administrators

For queries on the J.P. Morgan Investment Account and J.P. Morgan ISA, see details on the back of this report.

**aic**

The Association of  
Investment Companies

A member of the AIC

J.P. Morgan Helpline  
Freephone 0800 20 40 20 or +44 (0)1268 444470  
Telephone lines are open Monday to Friday, 9 a.m. to 5.30 p.m.

Your telephone call may be recorded for your security

[www.mercantileit.co.uk](http://www.mercantileit.co.uk)