

The Mercantile Investment Trust plc

Monthly Update as at 31 January 2018

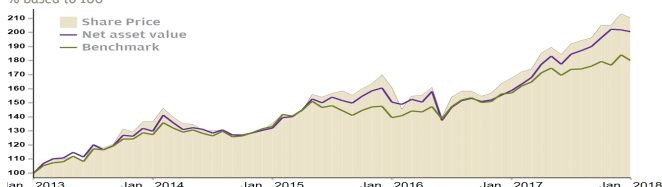
Overall Morningstar Rating™ (as at 31/01/18) ^A ★ ★ ★
Morningstar Category™ UK Mid-Cap Equity

Management Commentary

The trust outperformed the benchmark in January. Not holding Capita, the UK outsourcing company, added to relative performance as the firm warned about a slowdown in work, poor cash flow impacting its ability to pay a dividend, and the need for a rights issue to support the balance sheet. Our holding in Sophos, the cyber security company, was another significant contributor to performance. On the negative side, Card Factory shares were weak following lower margin growth, leading to concerns around the sustainability of its special dividend. Following a very strong year for mid cap in 2017, 2018 has started in a weaker fashion but in line with other equity markets globally. We continue to believe that UK mid and small cap companies offer good prospects for long-term capital growth and income.

CUMULATIVE PERFORMANCE ENDING JANUARY 2018

% based to 100



QUARTERLY ROLLING 12M ENDING DECEMBER 2017

%	2016/17	2015/16	2014/15	2013/14	2012/13
Share Price	30.2	-3.7	30.0	-4.2	44.9
Net asset value ^B	29.9	-3.2	23.1	-1.1	39.2
Benchmark	17.9	5.9	12.1	2.2	35.7

CUMULATIVE PERFORMANCE AS AT 31 JANUARY 2018

%	1 Y	3 Y	5 Y
Share price	25.5	55.2	110.5
Net asset value ^B	26.3	51.7	100.5
Benchmark	14.6	34.9	79.8

Past performance is not a guide to the future. J.P.Morgan/Morningstar. Net asset value performance data has been calculated on a NAV to NAV (using the cum income NAV with debt at fair) basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. Please note Benchmark Indices do not include fees or operating expenses and are not available for actual investment.

TOP 10 HOLDINGS AS AT 31 JANUARY 2018

Holding	Sector	Weight
Bellway	Consumer Goods	2.5%
Intermediate Capital	Financials	2.4%
Spirax Sarco	Industrials	2.1%
Man Group	Financials	2.0%
Hays	Industrials	1.9%
B&M	Consumer Services	1.9%
Hiscox	Financials	1.8%
Jupiter Fund Management	Financials	1.7%
Sophos	Technology	1.7%
Beazley	Financials	1.7%

INVESTMENT OBJECTIVE AND POLICY

The Trust aims to achieve capital growth through investing in a diversified portfolio of UK medium and smaller companies. It pays quarterly dividends and aims to grow its dividend at least in line with inflation. The Company can hold up to 10% cash or utilise gearing of up to 20% of net assets where appropriate.

KEY FACTS

Portfolio Manager(s)/Start date	Guy Anderson (2012) Martin Hudson (1994) Anthony Lynch (2009)
Dividends Paid	February, May, August and November
Benchmark	FTSE All-Share (ex FTSE 100, ex Inv Companies) (£)
Company Broker(s)	Cenkos Securities, Winterflood Securities
Gross assets (as at 31/01/18)	GBP 2197.3m
Share price (as at 31/01/18)	2150.0p
Net asset value (NAV) (as at 31/01/18) ^B	2374.9p
Discount(-)/Premium	-9.5%
Total dividend for last financial year (per share)	46.00p
Financial year-end date	31 January
Prospective Dividend Yield ^C	2.3%
Potential gearing range	-10% to 20%
Actual gearing ^D	3.5%

COMPANY FEES & EXPENSES

Ongoing charges (comprises): ^E	0.48%
-Annual management fee	0.45% on Market Cap
-Operating & administrative expenses	0.08%
Performance fee	No

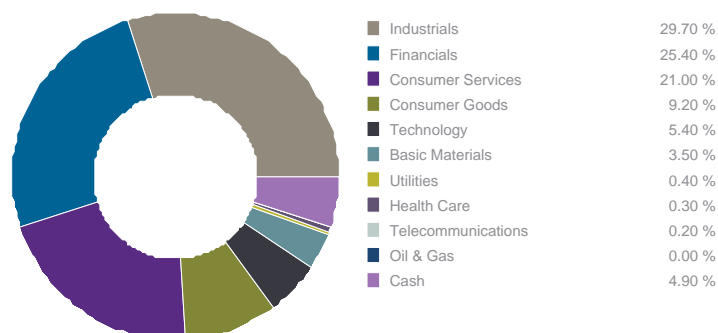
KEY RISKS

The value of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. Please read the Risk Information, Explanatory Notes, Glossary of Terms and Important Information on the next page.

Any reference to companies/securities mentioned in this document is for information use only and should not be interpreted as investment advice or recommendation on those companies/securities. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are unless otherwise stated, J.P. Morgan Asset Management's own at the date of this document.

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SECTOR BREAKDOWN AS AT 31 JANUARY 2018 ^F



The Trust is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

RISK INFORMATION

- External factors may cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time, or fluctuate in response to the performance of individual companies and general market conditions.
- This trust may utilise gearing (borrowing) which will exaggerate market movements both up and down.
- This trust may also invest in smaller companies which may increase its risk profile.
- The share price may trade at a discount to the Net Asset Value of the company.
- The single market in which the Trust primarily invests, in this case the UK, may be subject to particular political and economic risks and, as a result, the trust may be more volatile than more broadly diversified trusts.
- Companies listed on AIM tend to be smaller and early stage companies and may carry greater risks than an investment in a company with a full listing on the London Stock Exchange.

EXPLANATORY NOTES

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^BCum income NAV with debt at fair value, diluted for treasury and/or subscription shares if applicable, with any income reinvested.

^CSource: Morningstar. Prospective dividend yield is indicative and based on mid market prices, and include the declared and net prospective dividends for the current financial year.

^DGearing represents the excess amount above shareholders' funds of total investments (excluding liquidity fund holdings) expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is known as a "net cash" position.

^EOngoing charges are the management fee and all other operating expenses, excluding interest charges on any borrowing and any performance fee payable expressed as a percentage of the average daily net assets during the year. The ongoing charges are an estimate and have been recalculated to reflect the recent change in management fee.

^FNon-Benchmark holdings (where held) are classified in the appropriate sector/region. Cash is net current assets and holdings used as cash substitutes if applicable.

IMPORTANT INFORMATION

This factsheet is to provide you summary information about the Company and should not be taken as an advice or recommendation to buy or sell its shares. If you are not sure of suitability of our products for your investment needs, please contact a financial adviser. Please ensure reading important product documentation including Key Features and Terms and Conditions, Investor Disclosure Document and Annual Reports and Accounts.

Benchmark Source: FTSE® is a trade mark of London Stock Exchange Limited and The Financial Times Limited and is used by FTSE International Limited under license.

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COMPANY CODES

ISIN	GB0005794036
Sedol	0579403
Bloomberg	MRC LN
Reuters	MRCM.L

GLOSSARY OF TERMS

BENCHMARK COMPARISON - Comparison of the Company's performance is made with the benchmark. 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 follow or track this index and therefore there may be a degree of divergence between its performance and that of the Company.

CASH - Net current assets including investment in liquidity funds & treasury stocks (if held) and drawn revolving credit facilities (if any) with an original maturity of less than 1 year.

DISCOUNT / PREMIUM - If the share price of an investment company is lower than the net asset value (NAV) per share, the company is said to be trading at a discount. If the share price of an investment company is higher than the net asset value (NAV) per share, the company is said to be trading at a premium. The discount/premium is shown as a percentage of the NAV.

GEARING - Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative this is known as a 'net cash' position.

SECTOR / GEOGRAPHICAL BREAKDOWNS - These are expressed as a percentage of total portfolio and cash. Investments in liquidity funds will be shown as cash.

TOP 10 HOLDINGS - These are expressed as a percentage of total portfolio and cash. Investments in liquidity funds / treasury stocks will not be shown in the top 10 holdings.