



Mercantile

Investment companies | Initiation | 21 October 2026

Tomorrow's UK market leaders

The Mercantile Investment Trust (MRC) offers investors access to an actively managed portfolio of UK-listed mid- and small-cap (SMID) companies that its investment manager believes have the potential to become future market leaders. This is a part of the market where a well-resourced and skilled manager can add real value, as is demonstrated by MRC's long-term track record. MRC's end-August factsheet shows that over the past 10 years, MRC has delivered an average annual outperformance of its benchmark of 2.66% – or to put it another way, a total share price return of 137% versus 85% for the index.

Negative sentiment towards the UK has a big influence on valuations. Not all of this is deserved; the UK is home to many exciting and growing businesses. Nevertheless, relative to peers, UK stocks are cheap and UK SMID stocks even more so. The UK government appears to be waking up to the problem and various initiatives are underway that have the intention of boosting ownership of UK stocks and deepening the pool of capital available to UK businesses. A shift in investors' attitudes to UK equities could have an outsized impact on MRC's returns.

Long-term capital and dividend growth

MRC aims to deliver long-term capital growth from a portfolio of UK medium- and smaller-sized companies, and long-term dividend growth at least in line with inflation over a five-to-ten-year period. It uses long-term gearing with the aim of increasing its potential returns.

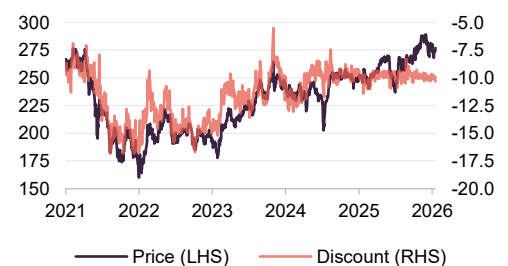
12 months ended	Share price total return (%)	NAV total return (%)	MSCI UK SMID Index TR (%)	MSCI UK Index TR (%)
30/09/2022	(35.8)	(30.8)	(26.7)	3.8
29/09/2023	23.0	19.4	17.4	14.2
30/09/2024	29.4	22.0	16.9	12.2
30/09/2025	6.7	5.7	9.0	17.2
30/09/2026	14.9	15.5	11.3	17.3

Source: Bloomberg, Marten & Co

Sector	UK all companies
Ticker	MRC LN
Base currency	GBP
Price	275.0p
NAV	305.7p
Premium/(discount)	(10.0%)
Yield	3.0%

Share price and discount

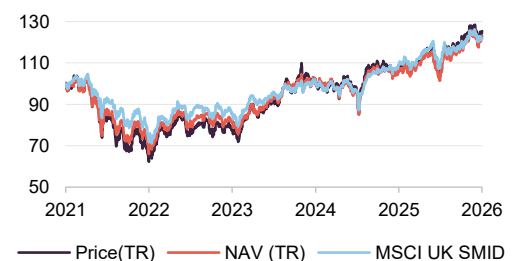
Time period 30/09/2021 to 16/10/2026



Source: Bloomberg, Marten & Co

Performance over five years

Time period 30/09/2021 to 30/09/2026



Source: Bloomberg, Marten & Co



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Domicile	England & Wales
Inception date	8 December 1884
Managers	Guy Anderson Manasij Hajra (from 1 November 2026)
Market cap	1,702m
Shares outstanding (exc. treasury shares)	619,058,191
Daily vol. (1-yr. avg.)	1,932,048 shares
Net gearing	16.6%

[Click for an updated MRC factsheet](#)



[Click for MRC's peer group analysis](#)



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[Click to provide feedback to the company](#)



[Click if you are interested in meeting MRC's managers](#)



[Click for links to trading platforms](#)



Fund profile

More information is available on the trust's website: mercantileit.co.uk

Mercantile invests in high-quality mid- and small-cap UK businesses that have strong growth prospects, can deliver growth ahead of market expectations, and that are attractively priced.

JPMorgan Funds Limited (JPMF) is MRC's AIFM. It has delegated responsibility for the day-to-day management of the portfolio to JPMAM (UK) Limited (JPMAM). Guy Anderson and Manasij Hajra (from 1 November 2026) are the named co-managers on the trust.

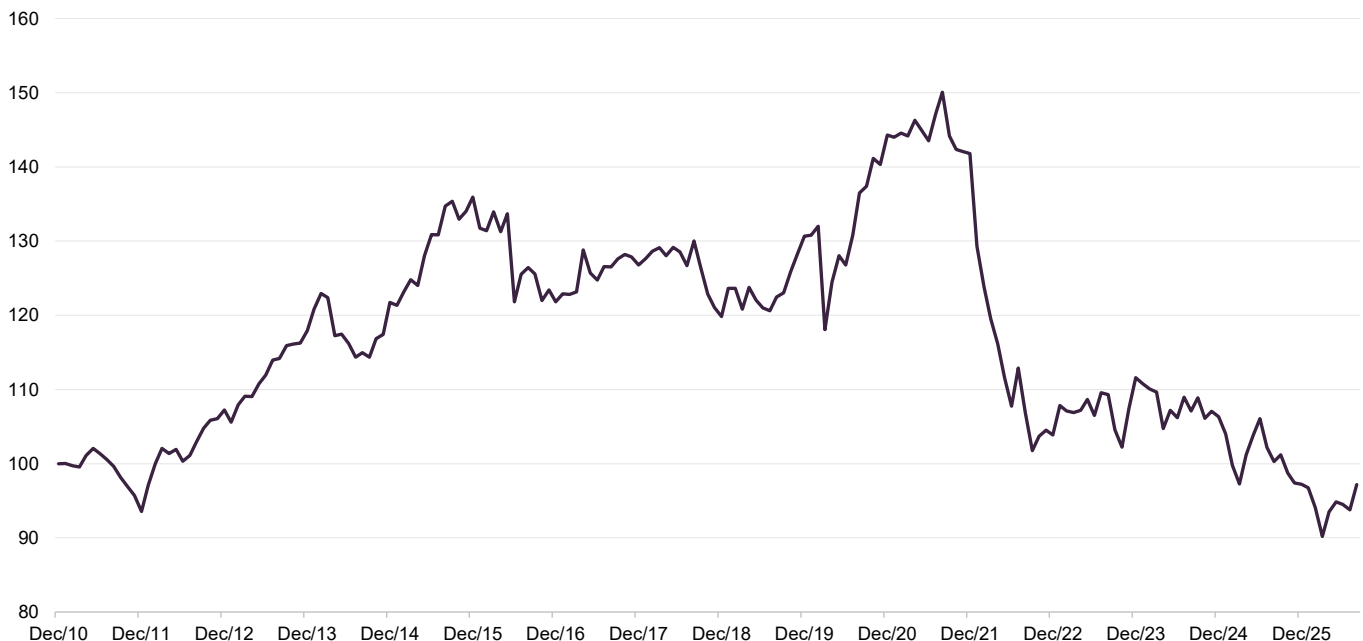
MRC is benchmarked against the FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested. For the purposes of this report, we have substituted this with the MSCI UK SMID Index, which has a broadly similar return profile and overlapping constituents.

Market background

UK SMID stocks trade on lower valuation multiples than their large-cap equivalents

For many years, UK small- and mid-cap (SMID) stocks had a good track record of outperformance of large caps. However, from late 2021 onwards, the prospect and then the reality of rising interest rates triggered a period of underperformance that is yet to reverse.

Figure 1: MSCI UK SMID relative to MSCI UK



Source: Bloomberg

This has left UK SMID stocks trading on lower valuation multiples than their large-cap equivalents, which is an unusual state of affairs given that SMID stocks are generally perceived as having a higher growth potential than large caps.

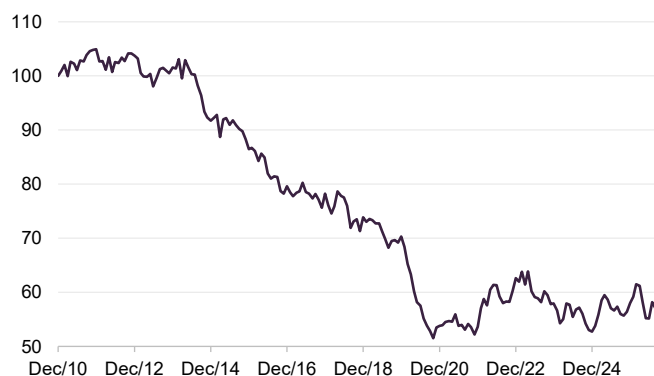
Figure 2: Valuation multiples across various markets

	P/E (current) (x)	P/E (FY26) (x)	P/E (FY 27) (x)	Price/book (FY26) (x)	EV/EBITDA (FY26) (%)	Dividend yield (FY26) (%)
MSCI UK SMID	12.88	11.51	10.66	2.15	8.28	3.32
MSCI UK	14.11	13.26	12.73	2.38	9.74	3.22
MSCI Europe ex UK	17.64	16.94	15.42	2.60	13.82	2.74
MSCI USA	23.76	21.38	18.77	5.70	17.80	1.04
MSCI ACWI	20.67	18.25	15.98	3.86	15.28	1.52

Source: Bloomberg as at 1 September 2026

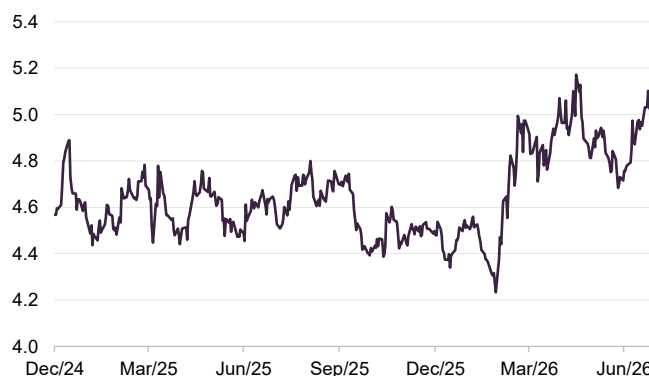
In addition, UK stocks are cheaper than peers, as Figure 2 shows. UK stocks have been underperforming peers for many years now. Figure 3 suggests that this period of underperformance began around the same time as the announcement of a proposed referendum on Brexit, accelerated through the COVID period and has stabilised since.

Figure 3: MSCI UK relative to MSCI ACWI



Source: Bloomberg

Figure 4: UK 10-year gilt yields



Source: Bloomberg

More recently, one significant influence on markets has been the jump in energy costs associated with the outbreak of the Iran war. This has contributed to concerns about the sustainability of UK government finances, which in turn has put upward pressure on long-term gilt yields.

JPMAM notes that despite elevated inflation, there is still a small positive level of real wage growth in the UK economy. Consumer confidence has been weak for some time, but JPMAM observes that spending was resilient, at least until recently. There is still modest growth in UK GDP.

The valuation opportunity and confidence in the outlook for stocks in the portfolio has encouraged the managers to maintain MRC's gearing towards the upper end of its recent range. However, they note that the portfolio's beta is lower than the market (the three-year beta was 0.93 at the end of July 2026), which offsets some of the additional volatility that the gearing introduces.

Investment approach

The foundational premise of the trust is that over the long term, mid and small caps will outperform large caps because they can generate superior earnings growth and are less well-researched

MRC's portfolio should exhibit style aspects of quality, growth, and value

Growing businesses with positive earnings momentum

The investment approach is founded on the premise that over the long term, mid and small caps will outperform large caps because they can generate superior earnings growth. MRC's managers highlight that, by contrast with many large-cap companies, their universe of potential investments includes businesses that are operating in rapidly growing markets, are innovators or disruptors in their fields, and possess nimble business models that can adapt rapidly to changing market conditions.

There is also less sell-side analyst coverage in this part of the market, and therefore greater asymmetries of information, which suits active management, especially for a team as well-resourced as JPMAM. In addition, there is a greater tendency for smaller companies to be acquired, which can provide additional alpha.

The team does use sell side research, but the main emphasis is internal. Meetings with company management teams are a core part of that – the team does 400-500 management meetings per annum, which gives the managers good insight on the health of UK businesses.

At the heart of the process is fundamental and bottom-up stock selection. The managers are looking for stocks that exhibit a combination of a few different characteristics. These combine to give style aspects of quality, growth, and value.

First of these is quality – prospective investments should be decent-quality businesses. That requires an assessment of financial aspects such as profitability, returns on capital employed, and balance sheet strength, but also a more qualitative analysis of the strength of the management team. MRC's managers believe management quality is increasingly important as you move down the market cap spectrum.

Meetings with management teams focus on areas such as the growth prospects for the business, planned capital expenditure and the likely returns on that. They also help uncover useful information about the wider ecosystem of suppliers and customers.

The managers want to invest in growing businesses with positive earnings momentum. They look at their long-term prospects, with at least a three-to-five-year time horizon. Prospective investments should be capable of beating the market's current expectations.

The third element is value. The managers consider a number of different valuation metrics, including P/Es and price to book, but the most important is how much cash a business generates relative to price – the free cashflow yield.

The team monitors news across the UK market, discusses developments and how they might affect the portfolio in daily team meetings, and identifies areas that require further analysis and potential new stock ideas. There is also an ongoing process of portfolio manager-led or analyst-led fundamental research that seeks to identify emerging themes or changes in individual company circumstances.

The managers cast the net wide for new potential investment ideas, evaluate those, and factor these into a full portfolio review that happens over a roughly six-weekly cycle. The emphasis is on checking that for every stock (there are about 75 stocks

in the portfolio), the investment case remains valid; distinguishing between short-term “noise” and more impactful news or real change.

Aspects of ESG that the managers consider are financially material to the investment case are assessed to identify potential ESG-related headwinds or tailwinds that could have a significant impact on a company’s share price.

Top-down risk exposures are considered too. Weightings relative to the benchmark, look through geographic and sector positioning, style biases, and exposures to big themes – AI being an obvious one currently.

On average, stocks in the portfolio have about a 1% active weight and the managers think about position sizes on an active basis, rather than an absolute basis. The smallest positions tend to be about 30 basis points (on the grounds that anything much below that will not move the dial in terms of MRC’s performance) and the largest 3%-4%. The largest active positions tend to be in the 2.5%-3.5% range.

Position sizes also reflect the liquidity in a stock. There is a hard limit of £100m market cap that MRC would not go below, but in practice the smallest stocks will be about £300m market cap.

MRC’s managers run their winners

The managers feel that, as long as the valuation makes sense, it is important to run winners. That means that they will hold onto stocks that get promoted to the FTSE 100. Although, when a stock does move into the large-cap index, its active weight relative to MRC’s benchmark increases, which might prompt the managers to reduce the size of the position.

All of the companies that MRC holds that are in the large-cap index started off life in the portfolio as mid caps, one – Games Workshop, which owns Warhammer – was originally a small cap and is now in the FTSE 100. The customer base is very loyal – many are lifelong fans. The margins on the traditional business are high, but MRC’s managers believe that Games Workshop has become much better at monetising its IP in recent years. This and international expansion are driving sales growth. The managers suggest that there are some international markets where they really are still only just scratching the surface. A tie-up with Amazon should produce some direct revenue, but could also help accelerate growth in the customer base.

There is no hard limit on large-cap exposure, but the managers aim to limit it at around 20%.

The managers would never add to a stock that was already a FTSE 100 constituent. However, they may choose to make off-benchmark investments in AIM stocks (this has been at about 5% of the total over time).

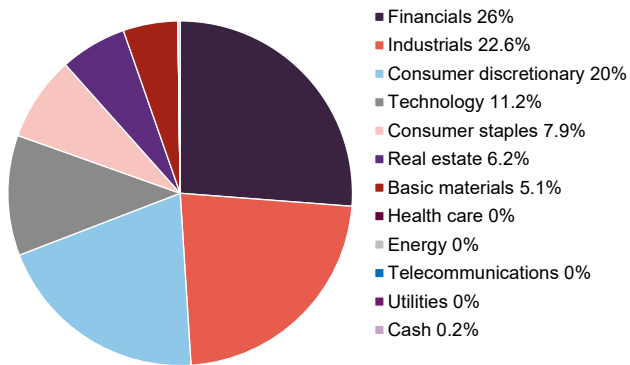
Strict sell discipline

If the managers’ investment thesis is invalidated, stocks will be sold and the capital recycled into new opportunities. The managers’ analysis of past trading decisions has confirmed that this is the correct approach.

Asset allocation

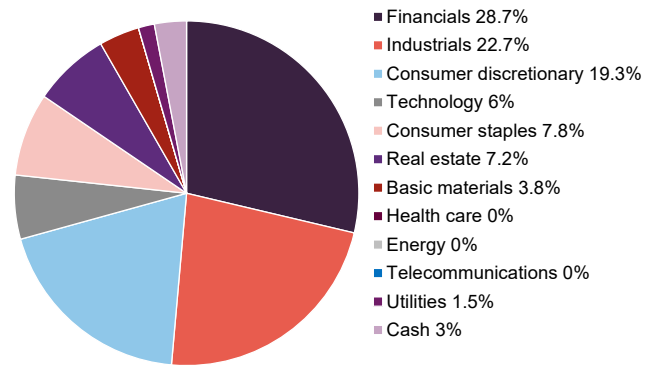
MRC’s asset allocation is driven by the managers’ stock selection decisions.

Figure 5: MRC asset allocation by sector as at 31 August 2026



Source: JPMAM

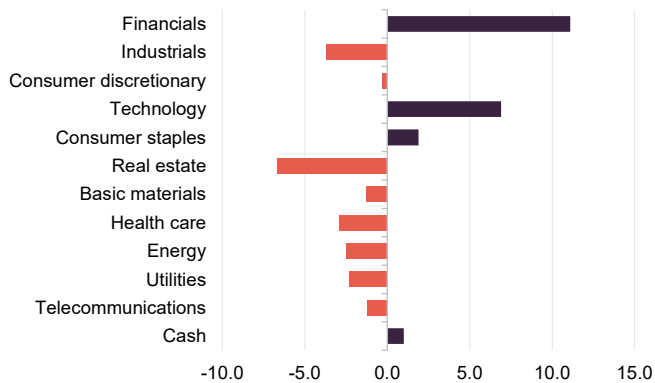
Figure 6: MRC asset allocation by sector as at 31 December 2025



Source: JPMAM

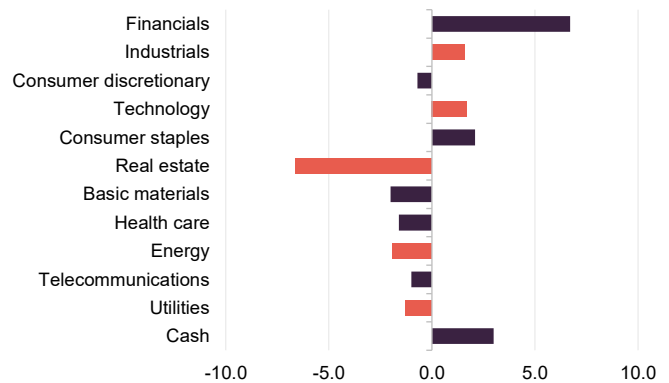
The managers observe that the technology sector's weighting within the benchmark is low by international standards. However, this is one of the portfolio's largest overweight positions, thanks to holdings in companies such as Softcat and Computacenter.

Figure 7: MRC sector weights relative to benchmark as at 31 August 2026



Source: JPMAM

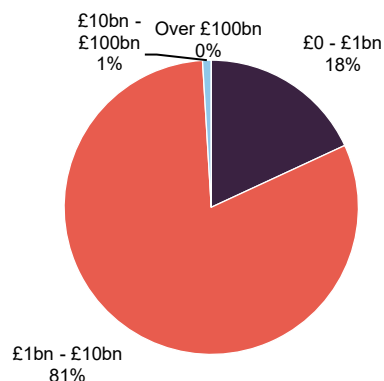
Figure 8: MRC sector weights relative to benchmark as at 31 December 2025



Source: JPMAM

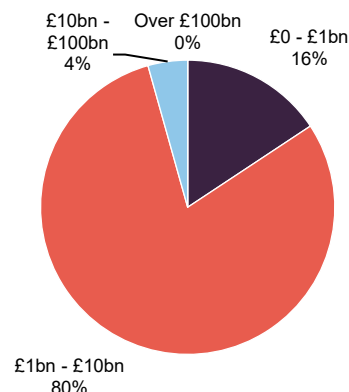
At the margin, MRC's portfolio has moved down the market cap scale this year. Since the end of 2025, MRC has a reduced exposure to stocks over £10bn market cap and an increased exposure to stocks of less than £1bn market cap.

Figure 9: MRC split by market cap at 31 August 2026



Source: JPMAM

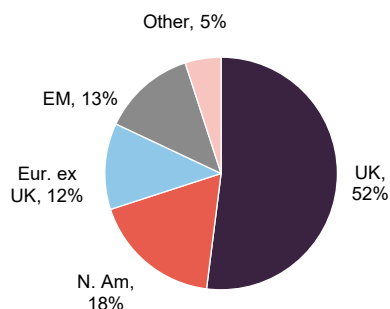
Figure 10: MRC split by market cap at 31 December 2025



Source: JPMAM

MRC aims to represent an investment in some of the most promising UK listed companies, but it is not a pure play on the domestic economy – an analysis of the portfolio at the end of April 2026 suggested that 52% of the revenue of the companies in the portfolio was derived from the UK (the equivalent for the FTSE100 was 24%).

Figure 11: MRC revenue split



Source: JPMAM as at 30 April 2026

Figure 12: MRC versus benchmark as at 31 July 2026

	MRC (%)	Benchmark (%)
ROIC	14.5	10.8
ROE	14.3	11.4
EPS breadth ¹	10.9	0.9
EPS change	1.6	(0.8)
Forward earnings yield	7.7	8.1
Historical free cash flow yield	7.8	7.9

Source: JPMAM. Note 1) the net percentage of stocks that are forecast to have rising rather than falling earnings

Based on the analysis shown in Figure 12, MRC has a bias to businesses earning higher returns on investment and faster earnings growth, but is not having to pay up to access these stocks.

Top 10 holdings

Around a third of MRC's portfolio is invested in its 10 largest positions. Figure 13 compares the position at end August 2026 with that at MRC's year end on 31 January. There has been little change to the composition of the top 10, although since the year end, Rotork (which was a 2.5% position on 31 January 2026, but was reduced over the early summer on fears of slowing demand) has been bid for at a

73% premium to the prevailing share price and has left the portfolio. Computacenter, whose share price is up over 80% year to date, has moved up into the top 10.

Figure 13: MRC top 10 equity holdings at 31 August 2026

	Sector	% as at 31 August 2026	% as at 31 January 2026	Change (%)
Softcat	Technology	4.5	2.5	2.0
ICG	Financials	3.5	3.1	0.4
Bellway	Consumer discretionary	3.2	3.5	(0.3)
Computacenter	Technology	3.2	1.1	2.1
Cranswick	Consumer staples	3.2	3.3	(0.1)
Hill & Smith	Basic materials	3.2	2.4	0.8
Balfour Beatty	Industrials	3.1	3.2	(0.1)
Serco	Industrials	3.0	4.4	(1.4)
Lion Finance	Financials	2.7	2.7	-
Plus500	Financials	2.6	3.8	(1.2)
Total of top 10		32.2		

Source: JPMAM, Marten & Co

Softcat

Softcat (softcat.com) is a sales channel for the larger technology OEMs to access SMEs. Its business is mostly in the UK, and it serves over 10,000 end customers. The managers say it has a highly cash-generative, asset-light business model and is valued at a discount to its historical rating.

This is a stock that MRC acquired at IPO in November 2015 and one that the managers feel still merits its place as the largest position today – a good example of the managers running their winners. The position was trimmed in 2021, added to in 2022 and trimmed again in 2024 after the rebound. More recently, the managers have been taking advantage of weakness to add to the position once again.

JPMAM says Softcat has an excellent organic growth track record, underpinned by a long-term secular trend of technology adoption. The managers feel it helps that the company has a strong selling culture with staff that are incentivised. JPMAM believes that Softcat can continue to achieve market share gains (from about a 5% market share today) in what is a fragmented industry – to that end, Softcat has broadened and deepened its technology expertise.

In May 2026, Softcat said it was expecting to see mid-teens growth in its underlying operating profit for its financial year that ended 31 July 2026, an improvement on earlier forecasts. It did flag an impact from memory shortages that was affecting order flows.

Figure 14: Softcat (GBp)



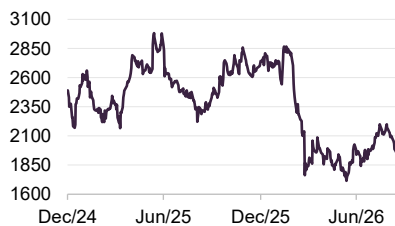
Source: Bloomberg

Figure 15: ICG (GBp)



Source: Bloomberg

Figure 16: Bellway (GBp)



Source: Bloomberg

ICG

ICG (icgam.com) is a global alternative asset manager with \$126bn of AUM at 30 June 2026 (of which, fee-earning AUM is \$88bn, a figure that had grown by 10% over the previous year, and a CAGR of 12% over the previous five years). The business focuses on structured capital, private equity secondaries, private debt, credit, and real assets. MRC's managers highlight that private credit has been attracting some negative publicity and for the asset class as a whole, much of this may be for good reason; consequently, sentiment towards ICG has deteriorated.

However, as was the case in 2021 when alternative asset managers were knocked by concerns over the impact of rising interest rates, fears that this would hit ICG's ability to raise assets have been misjudged. JPMAM observes that ICG has continued to deliver good performance and raise its AUM ahead of expectations. Discussions with ICG's management suggest that there are no issues of significance within its private credit portfolios. It probably helps that ICG does not have a particularly large presence in North America, which is where most of the concerns are. JPMAM is happy to weather this storm.

Bellway

Bellway (bellwayplc.co.uk) is a house builder and this is a sector that MRC's manager recognises as challenged. It points out that the housing market demand is pretty weak, mortgage rates are higher than most would like (and fears that the Iran war would mean even higher rates account for the sharp fall in the share price evident in Figure 16), and house price inflation is running behind cost inflation – squeezing margins.

However, JPMAM believes that Bellway has a very strong track record of capital allocation. The business has continued to invest, taking advantage of these poor conditions to add 8,578 plots to its landbank over the year to 31 July 2026. MRC's managers flag that Bellway has a reasonably strong balance sheet (adjusted gearing was below 5% at end July) and is keen to improve its capital efficiency. This should mean increased returns to shareholders and improving returns on capital; the company intends to launch a £50m buyback later this year. They also highlight that Bellway's shares are trading on a wide discount to their book value (about 30%), and that history suggests that taking a counter cyclical approach to investing in house builders pays off.

Other stocks

Elsewhere in the portfolio, MRC has exposure to a number of UK industrial businesses, including an investment in Diploma, a distributor of a wide range of different industrial products. This is a business that has compounded sales and profits over the years, helped by M&A as well as organic growth. MRC's managers rate Johnny Thompson, Diploma's CEO, who joined the company in 2019 and has accelerated the M&A strategy.

MRC has also made more recent investments in industrial companies such as Renishaw, XP Power, and Volex, which have been doing well, in part thanks to the sizeable capex going into support AI.

Performance

Figure 17: MRC NAV relative to MSCI UK SMID Index in total return terms over five years to 30 September 2026



Source: Bloomberg, Marten & Co

Figure 18: Total return performance over periods ending 30 September 2026

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
MRC share price	5.7	21.5	14.9	58.8	25.3
MRC NAV	6.0	21.3	15.5	48.9	23.1
MSCI UK SMID Index	3.4	13.0	11.3	41.8	21.9
Peer group median NAV¹	6.0	17.3	12.0	45.8	23.1
Peer group share price median	5.7	20.3	13.1	56.7	25.3

Source: Bloomberg, Marten & Co. Note 1) peer group is defined on page 13.

The five-year numbers reflect the fall in the market that accompanied the period of rising interest rates in 2022. This had a disproportionate impact on SMID stocks, which weighed on MRC's return and, in turn, was amplified by its gearing. Since then, MRC's returns relative to the MSCI UK SMID index are much better and it has made up all of that.

The managers say that M&A activity has been a big influence on the trust's relative performance this year. MRC captured some but not all of this, missing out on the battle to acquire Spectris last year, for example, and this year not holding easyJet.

Performance attribution

JPMAM has supplied us with some performance attribution statistics that cover the 12-month period ended 31 July 2026 and relate to returns relative to the trust's benchmark.

Contributors

Figure 19: Relative performance positive attribution, 12 months to 31 July 2026

	Relative weight (%)	Stock return (%)	Impact (%)
Balfour Beatty	2.13	61.71	0.81
Lion Finance Group	1.91	58.98	0.75
Softcat	2.61	22.08	0.65
Hill & Smith	2.22	42.28	0.60
Computacenter	0.93	104.39	0.59
Total			3.40

Source: JPMAM

Balfour Beatty has seen a steady rise in its share price, helped by a growing order book. The company is focused on UK energy transition and security, UK defence, UK transport, and US buildings, which are areas that are benefitting from secular trends. The company recently upgraded its earnings guidance. Hill & Smith has been boosted by similar tailwinds.

Lion Finance (formerly Bank of Georgia) is seeing strong growth from both its Georgian and Armenian businesses – in particular from its digital products – and is also benefitting from expanding net interest margins.

Computacenter's latest trading statement revealed that the company is expecting its first half profit to double year-on-year.

Detractors

Figure 20: Relative performance negative attribution, 12 months to 31 July 2026

	Relative weight (%)	Stock return (%)	Impact (%)
3i Group	2.73	(28.72)	(1.69)
Telecom Plus	1.33	(51.78)	(1.33)
ICG	4.25	(9.11)	(1.03)
Dunelm Group	1.43	(34.24)	(1.00)
Bellway	2.64	(17.70)	(0.88)
Total			(5.93)

Source: JPMAM

3i is a FTSE100 stock that MRC has held for many years. The private equity manager's portfolio is dominated by Action, a European discount retailer. When

concerns emerged over its pace of growth, especially in its French business, the share price fell back sharply. MRC's managers decided to reduce the position.

Household utility services provider Telecom Plus has been held back by increased customer churn, lower energy consumption over the 2025/26 winter period, and more competition for broadband customers. The stock is no longer held in the portfolio.

Retrospectively, ahead of last year's budget, MRC's portfolio was overly exposed to UK consumer spending and so caught out by the government's decision to raise taxation, hitting the likes of Dunelm and Bellway.

Peer group comparison

There are just five trusts in the AIC's UK all companies sector and these encompass quite a broad spread of investment approaches. Some of these trusts have exposure to large caps, which as we discussed in the market background section, have been outperforming mid and small caps. MRC's closest competitor is probably Schroder UK Mid Cap.

Figure 21: UK all companies peer group NAV total return performance over periods ending 30 September 2026

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
MRC	6.0	21.3	15.5	48.9	23.1
Aurora UK Alpha	3.5	12.5	2.9	25.8	31.7
Baillie Gifford UK Growth	4.6	19.3	9.6	43.0	12.9
Fidelity Special Values	8.8	17.3	20.2	71.0	80.2
Schroder UK Mid Cap	9.9	16.4	12.0	45.8	18.2
Peer group median	6.0	17.3	12.0	45.8	23.1
MRC rank	3/5	1/5	2/5	2/5	3/5

Source: Bloomberg, Marten & Co

A focus on quality and growth has not been rewarded by markets in recent years and that is apparent in the peer group table where value-focused Fidelity Special Values has led the pack over longer time periods, especially since higher interest rates returned in 2022. The Fidelity trust also has the advantage of a significant bias to large-cap stocks, which have outperformed SMID-cap stocks. Given that, it is encouraging that MRC's performance ranks second over most time periods. It could capture the top slot once SMID-cap stocks re-rate.

Figure 22: UK all companies peer group, comparison as at 19 October 2026

	Market cap (£m)	Discount (%)	Dividend yield (%)	Ongoing charge (%)
MRC	1,715	(10.3)	2.9	0.49
Aurora UK Alpha	265	(11.8)	1.9	0.35
Baillie Gifford UK Growth	218	(9.8)	2.8	0.76
Fidelity Special Values	1,553	(0.2)	2.0	0.68
Schroder UK Mid Cap	164	(6.4)	2.9	0.92
Peer group median	265	(9.8)	2.8	0.68
MRC rank	1/5	4/5	1/5	2/5

Source: Bloomberg, Marten & Co

MRC is the largest trust in the peer group and that, with its competitive management fee, are reflected in its lower average running costs. Aurora UK Alpha's are lower, but it operates with no base management fee and a performance fee.

Fidelity Special Values stands out in that it has been able to sustain a much tighter discount, even a premium. That is likely a consequence of its better track record in recent years. It will be interesting to see if MRC's improved performance also translates into an improved rating.

None of these trusts is managed to produce a high dividend yield; MRC's is at the top end of the range.

Dividend

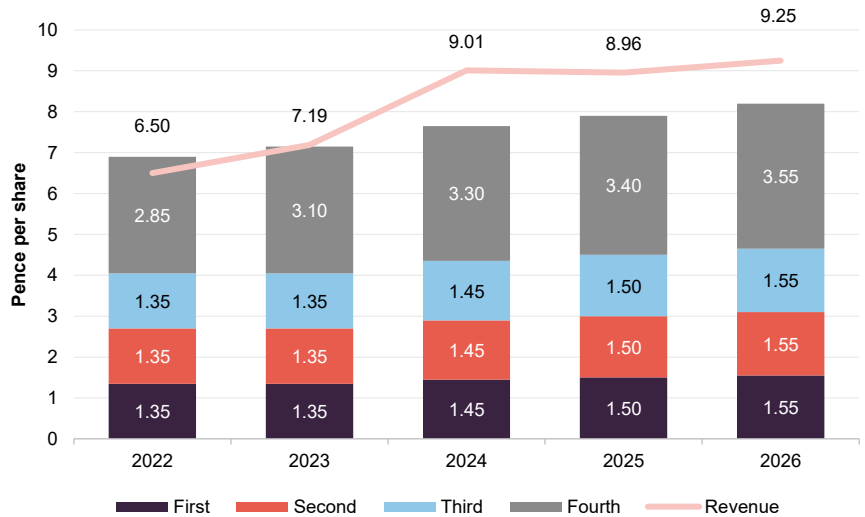
One of MRC's stated aims is to grow its dividend at least in line with inflation over a five-to-ten-year period and it has a good track record of meeting this objective – over the 10 years to the end of January 2026, MRC grew its dividend by 90.7%, which compares to a 40.2% increase in CPI over this period.

Remarkably, MRC has achieved an 8.3% CAGR in its dividend over 32 years. MRC has at least maintained its dividend since 1992 and has now increased its dividend every year for the last 13 years, making it an "AIC next generation dividend hero".

MRC declares dividends quarterly, which are paid in August, November, February, and May. The usual pattern has been to declare three equal dividends plus a larger fourth dividend.

MRC has achieved an 8.3% CAGR in its dividend over 32 years

Figure 23: MRC ordinary dividends (pence per share)

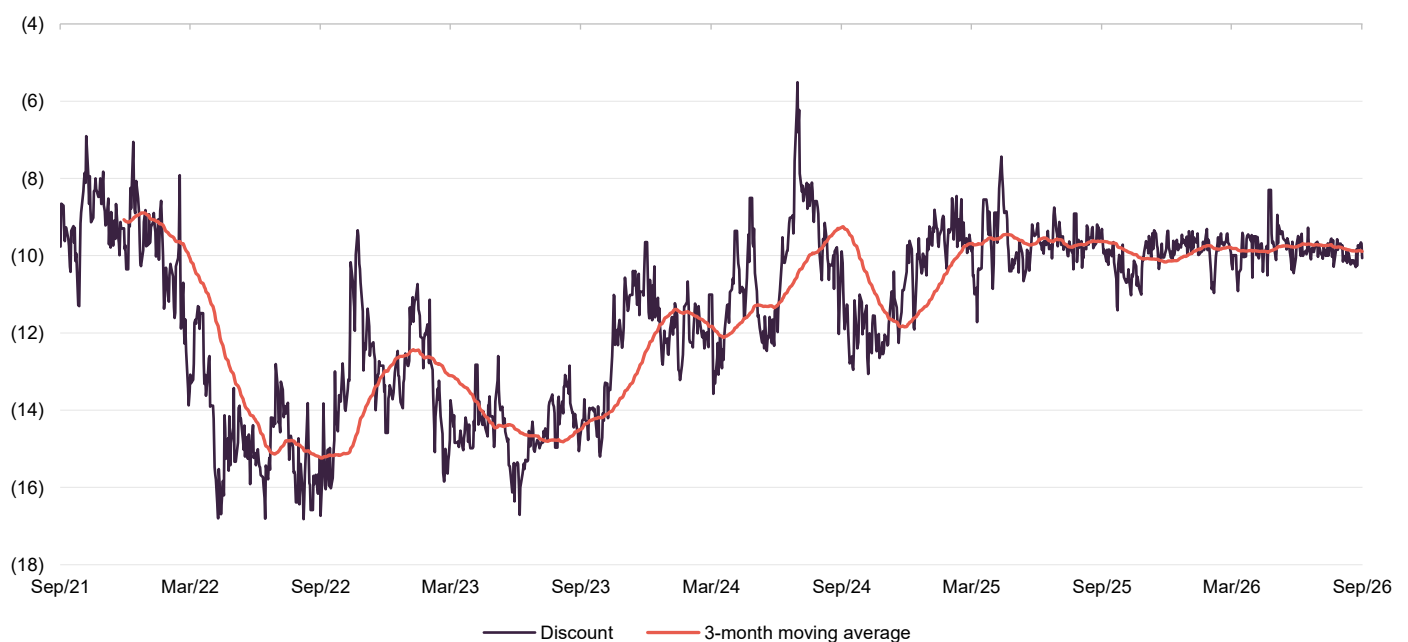


Source: JPMAM, Marten & Co. *Note: 31 January financial year-ends.

At the end of January 2026, MRC had revenue reserves totalling £104.3m, equivalent to almost 16.6p per share. The company offers a dividend reinvestment plan.

Premium/(discount)

Figure 24: MRC premium/(discount) over five years ending 30 September 2026



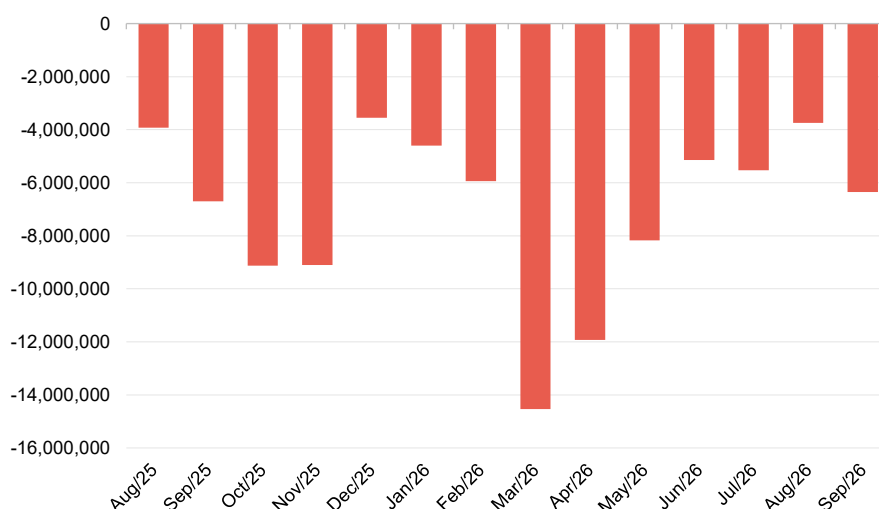
Source: Bloomberg, Marten & Co

Over the year ending 30 September 2026, MRC's shares traded within a discount range of 11.4% to 8.3%, with an average discount of 9.9%. As of 16 October 2026, MRC's shares were trading at a discount of 10.3%.

Many trusts experienced a widening discount as interest rates started to rise over 2022 and MRC was no exception. Political turmoil in the UK – which perhaps peaked with the Truss/Kwarteng “Mini” budget in September 2022 – further undermined demand for UK equities and MRC. As discussed in the market background section, UK equities remain relatively unloved. Against that backdrop, the board has stepped up the pace of share buybacks and has done a good job of keeping the discount around the 10% level over the past couple of years.

At the AGM held on 21 May 2026, shareholders renewed the board's powers to buy back up to 14.99% of MRC's issued share capital (excluding shares held in treasury).

Figure 25: MRC share buybacks by month over the past year



Source: JPMAM

Figure 25 shows the pattern of share buybacks over the past 12 months. The more-elevated levels of March and April probably reflect investors' concern about the impact of the Iran war on the UK economy. More recently, the pace of buybacks has slowed, which could indicate improving sentiment towards the UK.

Structure

Capital structure

As at 16 October 2026, MRC had 944,492,180 ordinary shares in issue of which 325,433,989 were held in treasury. That leaves 619,058,191 shares with voting rights.

The company's year-end is 31 January. AGMs are usually held in May.

Gearing

The board's gearing policy is to operate within a range of 10% net cash to 20% geared in normal market conditions. At 2 October 2026, MRC's net gearing was 16.6%.

MRC has £175m of 6.125% debenture stock that is repayable on 25 February 2030, plus £1.08m of 4.25% perpetual debenture stock, and £150m of senior unsecured privately-placed loan notes. £55m of the loan notes have a fixed coupon of 1.98% and are repayable on 8 September 2041; £50m have a fixed coupon of 2.05% and are repayable on 8 September 2051; and the balance of £45m have a fixed coupon of 1.77% and are repayable on 8 September 2061.

The notes come with covenants that say net borrowings as a percentage of adjusted assets cannot exceed 35% and MRC should have minimum net assets of £725m.

Fees and costs

JPMorgan Funds Limited (JPMF) is MRC's AIFM and company secretary. Its contract is terminable on six months' notice. The management fee is charged at the rate of 0.45% of MRC's market capitalisation, which gives the manager an incentive to help keep the discount tight. There is no performance fee.

The company's scale helps keep its average running costs low. For the financial year ended 31 January 2026, MRC's ongoing charges ratio was just 0.49% (up slightly from 0.48% for the previous financial year).

Management team

Guy Anderson

Guy is the lead of the UK mid- and small-cap investment team at JPMAM and has additional responsibilities for UK growth mandates. An employee since 2012, Guy was previously an investment analyst at Breeden European Capital and at Pendragon Capital. He obtained an M.Eng (Hons) in Engineering from the University of Oxford and is a CFA charterholder.

Manasij (Manny) Hajra

Guy has been supported by Anthony Lynch as co-manager of MRC for 14 years. However, on 15 October it was announced that Anthony would be stepping down at the end of the month to take up new responsibilities at JP Morgan, to be replaced as co-manager by Manny Hajra.

Manny is a portfolio manager within JPMAM's International Equity Group, based in London, and a member of the UK mid- and small-cap investment team. He joined JPMAM in 2019 as a graduate trainee and has been involved in the management of MRC's portfolio for seven years. He has co-managed the JPM UK Equity Growth Fund alongside Guy since February 2023. He holds a BA in Economics from the University of Cambridge and is a CFA charterholder.

Board

Following the recent appointment of Richard Wilson, MRC has six directors, all of whom are non-executive and who do not have any connection to the manager.

The chair Rachel Beagles took on the role in May 2025 on the retirement of her predecessor. Graham Kitchen stepped up to the role of senior independent director at the same time.

At the AGM held on 21 May 2026, shareholders voted to lift the overall cap on directors' fees to £450,000 (from £400,000).

Figure 26: Directors

	Role	Appointed	Length of service (years)	Fee	Shareholding
Rachel Beagles	Chairman	1 June 2021	5.2	78,000	115,743
Graham Kitchen	Senior independent director, chair of the management engagement and remuneration committees	1 July 2018	8.2	46,750	94,180
Damian Maltarp	Chair of the audit and risk committee	1 June 2021	5.2	56,000	28,000
Heather Hopkins	Chair of the marketing and communications committee	1 July 2018	8.2	46,750	25,406
Julia Goh	Director	1 January 2023	3.7	42,000	20,000
Richard Wilson	Independent non-executive director	3 August 2026	0.1	42,000	0

Source: Mercantile

Rachel Beagles

Rachel has over 20 years of experience in the investment company sector, including six years as an AIC board member, of which three were served as chair. She was a managing director and co-head of the pan-European banks equity research and sales team at Deutsche Bank's corporate and investment banking division. Since 2003, she has worked as a non-executive director for a range of businesses including those in the investment company, asset management and fintech sectors. Rachel is a non-executive director of Alliance Witan Plc.

Graham Kitchen

Graham has over 20 years' experience managing UK equity funds, including OEICs, investment trusts and pension funds. He was global head of equities at Janus Henderson Investors from 2011 to 2018. Formerly head of UK equities at Threadneedle Investments, he held various positions at Invesco Asset Management. Graham is a non-executive chairman of AVI Global Trust Plc and a non-executive director of Places for People, a provider of affordable housing. He is a CFA Charterholder.

Damien Maltarp

Damien has more than 25 years' experience across a range of financial disciplines. He is currently CFO at Gamma Communications plc. He was previously at London

Stock Exchange Group plc, where he was Group Financial Controller, and BT Group Plc, where he was CFO of enterprise and, before that, CFO of wholesale & ventures and investor relations director. He spent 10 years as an equity analyst, including roles at JPMorgan Cazenove and Credit Suisse. Damien is a qualified chartered accountant and fellow of ICAEW.

Heather Hopkins

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. Heather is also a director of Orbis Investments (U.K.) Limited.

Julia Goh

Julia has broad-based financial services experience in London. She was a managing director at Barclays Investment Bank in various senior front-office roles in global markets and was previously global head of prime services risk at Credit Suisse. Julia started her markets career at Nomura International as a risk manager, having previously trained as an accountant at Coopers & Lybrand. A Singaporean, Julia came to London in 1987 and obtained her BSc from the London School of Economics and Political Science and a MSc from Bayes Business School. She is a fellow of the ICAEW and has a Certificate in Company Direction from the Institute of Directors.

Julia is an independent non-executive director and chair of the audit committee of ICBC Standard Bank Plc, non-executive director and chair of audit and risk committee of Schroder AsiaPacific Fund Plc. She is also a senior advisor at Phoenix Merchant Partners, and a director of the charity Children of the Mekong.

Richard Wilson

Richard has over 35 years' experience in asset management. He began his career in 1988 as a UK equity manager at HSBC Asset Management (formerly Midland Montagu), before moving to Deutsche Asset Management (formerly Morgan Grenfell), where he became managing director of global equities. He subsequently joined Gartmore Investment Management as head of international equity investments in 2003, before moving to F&C Asset Management in 2004. He went on to become chief executive of F&C, overseeing its acquisition by BMO Financial Group, and subsequently served as chief executive of BMO Global Asset Management. Richard was previously a non-executive director of Insight Investment Management Limited and is currently a non-executive director of Albion Crown VCT Plc.

SWOT and bull/bear analysis

Figure 27: SWOT analysis for MRC

Strengths	Weaknesses
MRC has a good long-term track record of outperformance of its benchmark	UK SMID stocks have generated poor performance over five and 10 years relative to large caps and peers in other developed countries
The portfolio has been entrusted to an experienced, well-resourced team	Adverse sentiment to the UK is weighing on valuations and successive governments have presided over declining interest in UK equities
MRC offers an attractive, growing, and well-covered dividend	The UK offers limited exposure to the AI capex theme that has been driving markets
MRC is a decent size, which comes with good liquidity and low ongoing charges	
Opportunities	Threats
The degree of undervaluation of UK SMID-cap equities relative to history and to peers suggests that there is upside	Market falls could be amplified by MRC's relatively high gearing
MRC's discount is under control but could narrow if sentiment improves	Persistent high inflation, rising borrowing costs, and weak government finances dampen enthusiasm for UK equities

Source: Marten & Co

Figure 28: Bull vs. bear case for MRC



	Bull Case	Bear Case
Performance	Good track record relative to benchmark	Benchmark has lagged other indices by some distance, and this has held back MRC's returns relative to trusts with more large-cap exposure
Dividends	Good track record of increasing dividends faster than inflation over the long term, plus revenue reserves to support a progressive dividend	Whilst the commitment to a progressive dividend is attractive, this is not a UK equity income trust. The dividend yield is lower than most trusts in the UK equity income sector and likely to remain so
Outlook	Low starting point for valuations supports the case for a re-rating in time	Concerns about the UK economy persist, and MRC is sensitive to this
Discount	Current discount should close when sentiment improves, board has demonstrated that it will use buybacks to limit discount volatility in the meantime	Discount has been wider in the past and could spike out in times of market turbulence

Source: Marten & Co



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