

The Merchants Trust PLC

# Annual General Meeting

10 May 2013

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# The Merchants Trust Highlights

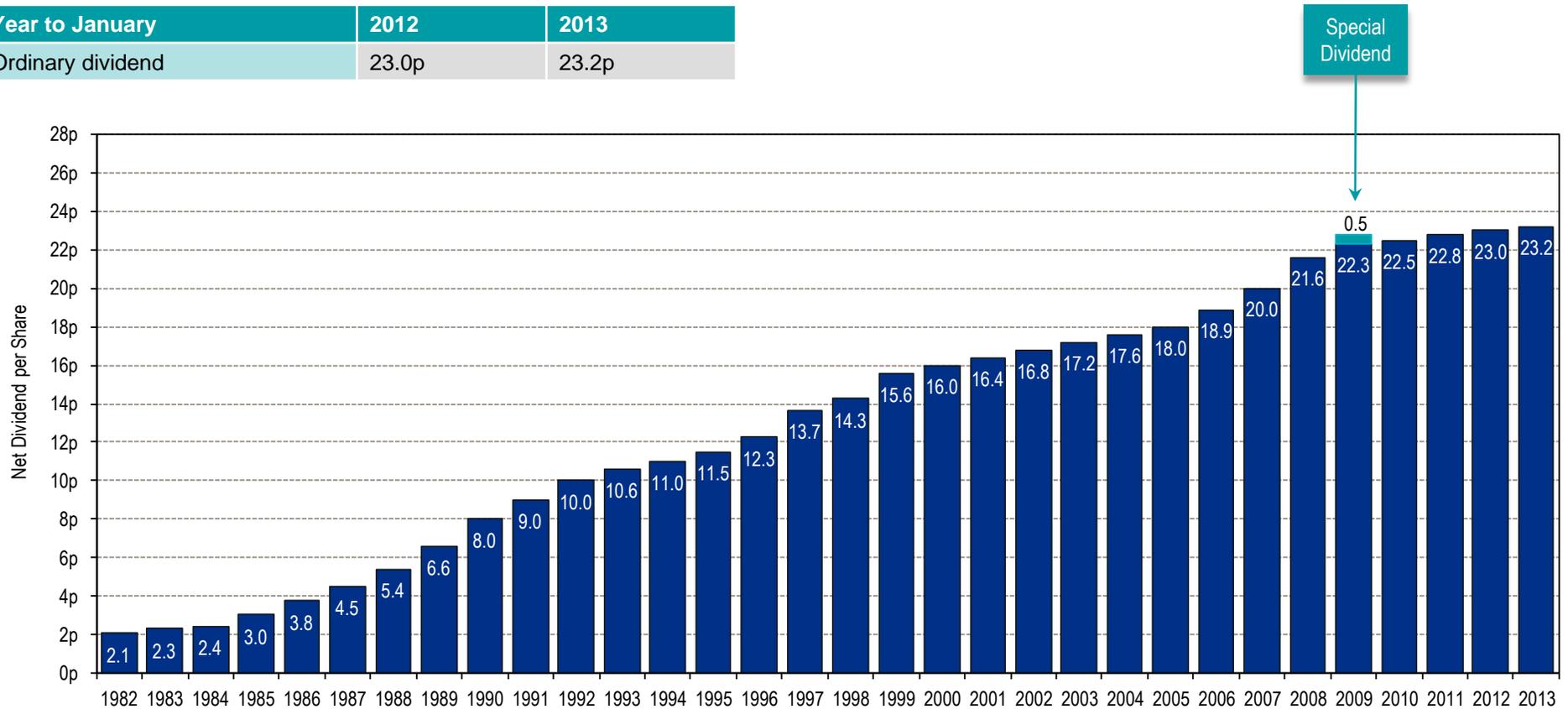


- 31 years of dividend growth
- Dividend cover improved, supportive reserves position
- Strong outperformance by investment portfolio in a rising equity market
- NAV benefited from gearing and “pull to par” of debt value

# The Merchants Trust

## 31 year of rising dividends

Year to January	2012	2013
Ordinary dividend	23.0p	23.2p

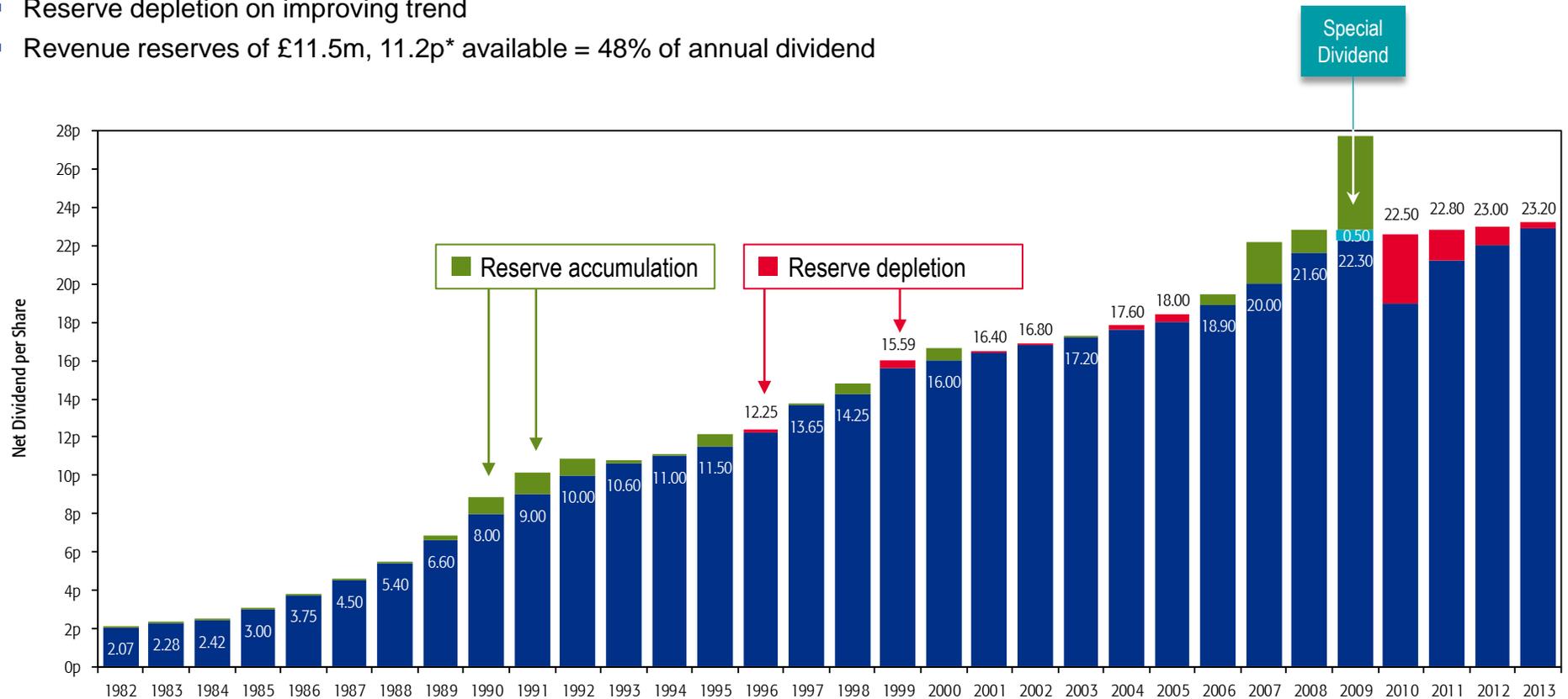


Source: AllianzGI. \*Excludes dividends declared but not paid at year end.

# The Merchants Trust

## Revenue reserves provide flexibility

- Reserves built up in good years to offset pressures in difficult years
- Reserve depletion on improving trend
- Revenue reserves of £11.5m, 11.2p\* available = 48% of annual dividend

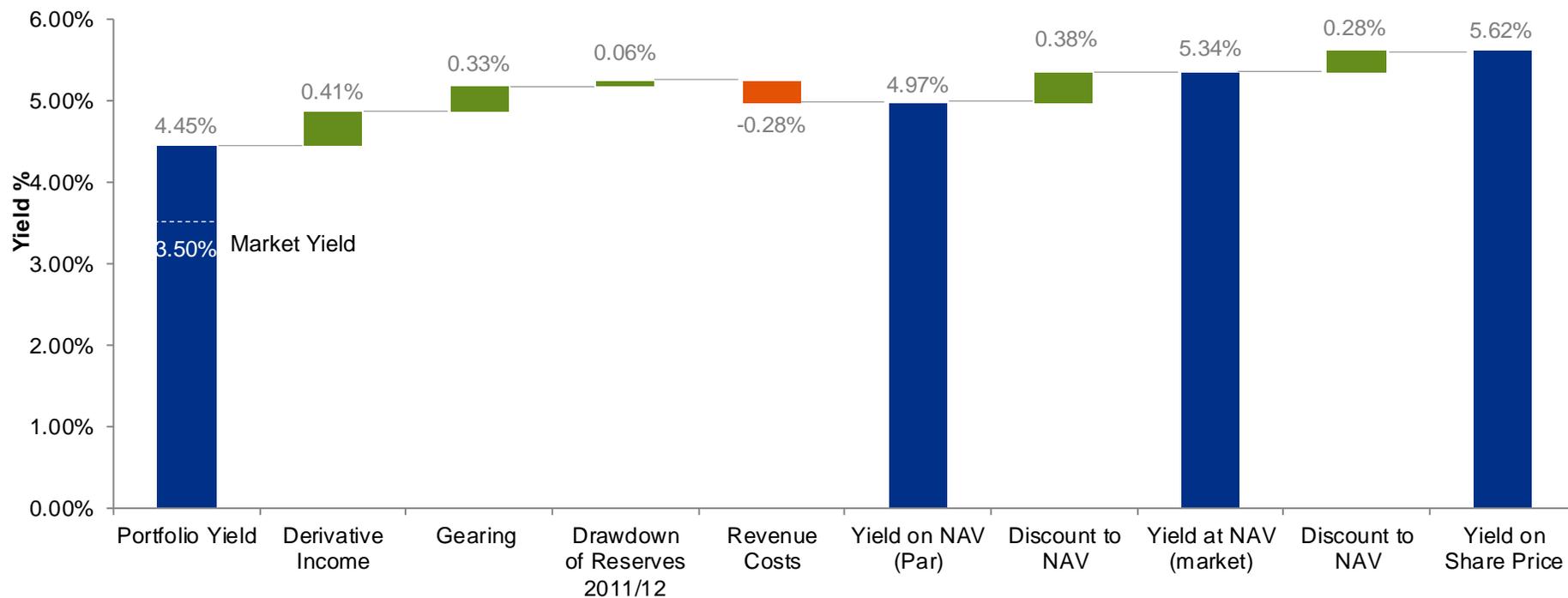


Source: AllianzGI. \*Excludes dividends declared but not paid at year end.

# The Merchants Trust

## Dividend yield analysis

Merchants Trust Yield Calculation – as at 31 January 2013			
Share price p	412.7	Yield at Share price %	5.62
NAV (par) p	466.5	Yield at NAV (par) %	4.97
NAV (market) p	434.1	Yield at NAV (market) %	5.34
Historic DPS p	23.2 <sup>1</sup>		



Source: AllianzGI/Merchants Trust, as at 31 January 2013.

<sup>1</sup>Year to 31 January 2013.

## The Merchants Trust Valuation summary

	31 January 2012	31 January 2013	Change (%)	25 April 2013	Change (%)
Total Assets	£526m	£592m	+12.6	£609m	+2.9
Net Assets Value Per Share (Debt at Book Value)	402.1p	466.5p	+16.0	482.9p	+3.5
Net Assets Value Per Share (Debt at Market Value)	366.2p	434.1p	+18.5	456.2p	+5.1
Share Price	363p	412.7p	+13.7	441p	+6.9
Premium/(Discount) (Debt at Book Value)	(9.7%)	(11.5%)	-	(8.7%)	
Premium/(Discount) (Debt at Market Value)	(0.9%)	(4.9%)	-	(3.3%)	

Source: 2012/2013 Accounts/JP Morgan Cazenove at 1 May 2013.

# The Merchants Trust

## Investment portfolio performance

### Strong portfolio performance

Total Return Periods to 31 January 2013 %	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	10 Years p.a.
Merchants' Portfolio	20.1	10.6	13.2	5.9	10.6
FTSE100 Index	14.8	7.3	10.4	5.3	9.7
Outperformance	+5.3	+3.3	+2.8	+0.6	+0.9

### Largest Contributors to Investment Performance relative to FTSE 100 Index

- Key positives:  
Certain mid cap positions, media and consumer stocks, limited resources exposure (ex BP, Shell)
- Fewer negatives:  
Underweight banks and certain life assurers, no Diageo/SAB Miller

Positive Contribution	%	Over/Under weight	Negative Contribution	%	Over/Under weight
BG	1.2	-	Barclays	-0.6	-
Anglo American	1.0	-	Diageo	-0.6	-
Daily Mail & General Trust	0.7	+	Lloyds	-0.5	-
Rio Tinto	0.7	-	Prudential	-0.3	-
UBM	0.6	+	SABmiller	-0.3	-
Reed Elsevier	0.6	+	HBSC	-0.2	-
Inmarsat	0.6	+	Standard Life	-0.2	-
Britvic	0.4	+	Arm Holdings	-0.2	-
Tullow Oil	0.3	-	IG Group	-0.2	+
Greene King	0.3	+	WPP	-0.2	-

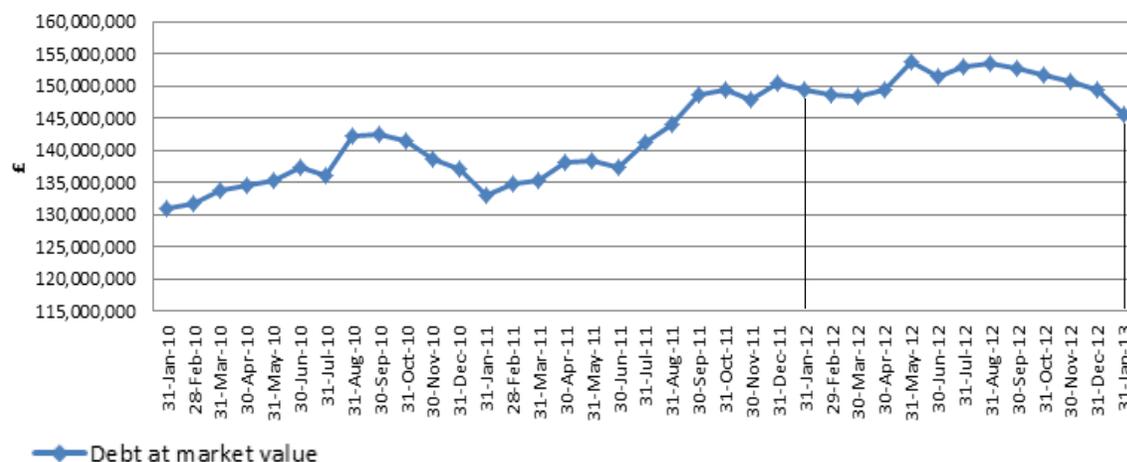
Source: AllianzGI/Merchants Trust/Datastream/RCM, as at 31 January 2013.

# The Merchants Trust Borrowing

## Debt and gearing structure

	31 Jan 2012		31 Jan 2013	
	£m	%	£m	%
Total Assets	526	100	592	100
Borrowings	111	21	111	19
Shareholder Funds	415	79	481	81
Average Maturity	10 years			
Average Interest Charge	8.5%			

## Debt at market value



- Market value of debt fell by £3.8m during year
- “Pull to Par” boosted NAV (market) by 1%

Source: AllianzGI/JP Morgan Cazenove/Datastream, as at 31 January 2013.

# The Merchants Trust

## Discount to NAV – Merchants has traded in a tight range

Merchants Investment Trust  
 % Discount/Premium to Published NAV (Fair Value CUM Income)  
 31/01/12 to 31/01/13



Source : Datastream/AllianzGI.

# The Merchants Trust

## Key portfolio changes – financial year to 31 January 2013

### New Additions

### Disposals

BBA Aviation	AstraZeneca
Cineworld	Aviva
CRH	Barclays
ICAP	Bunzl
Marks & Spencer	Hammerson
Marstons	Hays
Pennon	Interserve
Smiths Group	Legal & General

- 8 additions, 8 disposals, 46 holdings at year end
- Activity higher than 2012, reflecting significant market moves
- Most purchases in “middle ground” between expensive defensives and higher risk cyclicals/financials
- Several new additions in consumer and industrial sectors
- Sales of defensive businesses and highly levered financials

Source: AllianzGI.

# The Merchants Trust

## Current views

### Economic and market outlook

- Medium term economic growth will be muted as debt burden is paid down
- “Tail Risks” of inflation accelerating or slowing growth need to be considered
- US economy showing improvement but greater austerity to come
- Peripheral Europe struggling with economic/political pressures
- Corporates generally in better shape, balance sheets repaired
- Equities offer reasonable value especially vs. gilts
- Markets likely to remain volatile as risks persist
- Finding opportunities between defensive and cyclical extremes

# The Merchants Trust

## Key portfolio themes

### Broad Themes

- Large core holdings in well financed **global**, “**mega**” caps with strong franchises and good yields



- Earnings growth** is hard to achieve: Favour **growth** stocks on reasonable valuations



- Exposure to emerging market consumer spending growth



- Inflation** “tail risk”: Real assets, inflation-linked revenues attractive



### Sector Themes

- Media sector** exposed to corporate operational expenditure, attractive growth businesses, opportunities to exploit internet technology



- Defence** companies oversold, aviation outlook improving



- Consumer stocks** – conditions stable, valuations too low, operational improvements



- Financials:** opportunities in non-bank, strongly financed businesses

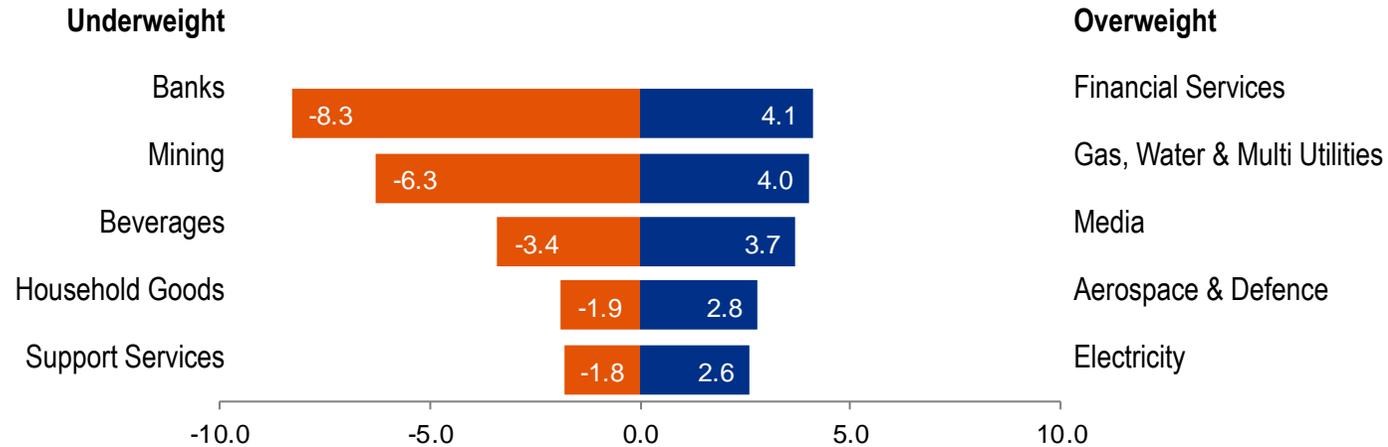


- Limited exposure to **mining** (muted recovery)

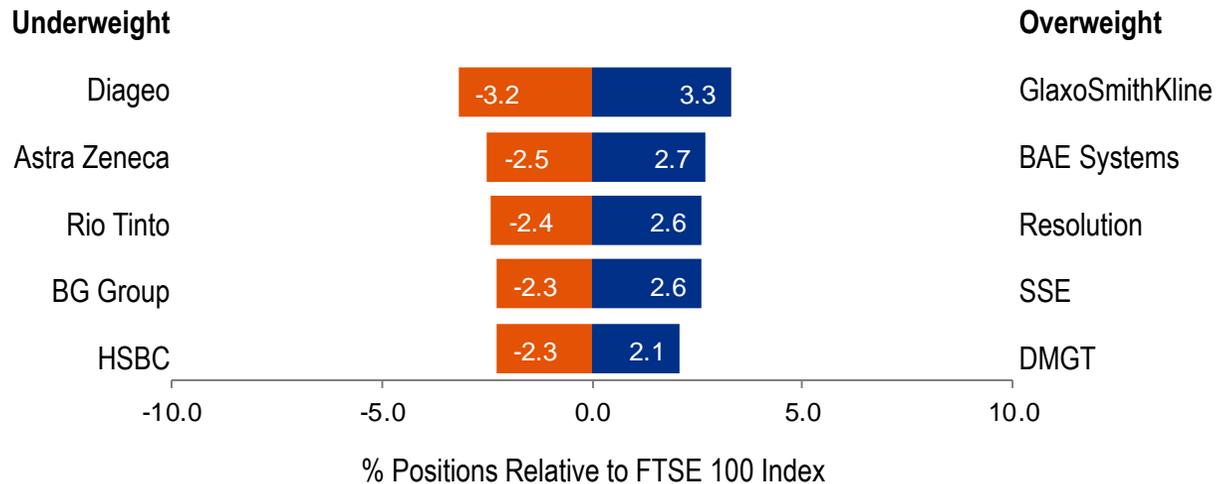
# The Merchants Trust

## Key portfolio views

### Sector View



### Stock Views



Source: AllianzGI, as at 28 March 2013.

# The Merchants Trust Conclusion

- Strong performance track record
- Active, value driven, stock selection approach
- 31 years of dividend growth
- High yield supported by significant reserves
- Merchants is well positioned for the future

## Disclaimer

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Web site: [www.merchantstrust.co.uk](http://www.merchantstrust.co.uk)

Questions?

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Presentation to the Annual  
General Meeting

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## The Merchants Trust PLC Annual General Meeting, 10 May 2013

### Resolution 1:

To receive the annual financial report

For	Discretion	Against	Withheld
35,317,240	430,799	18,885	6,522

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 2:

To declare a final dividend

For	Discretion	Against	Withheld
35,294,561	427,849	46,303	4,733

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 3:

To re-elect Simon Fraser as a Director

For	Discretion	Against	Withheld
34,137,516	430,740	722,386	482,804

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 4:

To re-elect Mike McKeon as a Director

For	Discretion	Against	Withheld
34,199,653	433,690	558,058	582,045

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 5:

To re-elect Henry Staunton as a Director

For	Discretion	Against	Withheld
34,137,443	431,990	635,619	568,394

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 6:

To re-elect Paul Yates as a Director

For	Discretion	Against	Withheld
34,312,616	431,190	416,623	613,017

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 7:

To approve the Directors' Remuneration Report

For	Discretion	Against	Withheld
32,713,189	438,173	1,719,415	902,669

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 8:

To re-appoint PricewaterhouseCoopers LLP as Auditor

For	Discretion	Against	Withheld
34,461,157	431,965	632,268	248,056

## The Merchants Trust PLC Annual General Meeting, 10 May 2013

### Resolution 9:

To authorise the directors to determine the remuneration of the Auditor

For	Discretion	Against	Withheld
34,722,506	449,079	183,423	418,438

## The Merchants Trust PLC Annual General Meeting, 10 May 2013

### Resolution 10:

To increase the limit on directors' fees

For	Discretion	Against	Withheld
30,295,134	474,384	3,875,552	1,128,376

## The Merchants Trust PLC Annual General Meeting, 10 May 2013

### Resolution 11:

To authorise the directors to allot ordinary shares

For	Discretion	Against	Withheld
33,858,799	479,643	1,102,314	332,690

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 12:

To disapply pre-emption rights

For	Discretion	Against	Withheld
32,722,556	505,622	1,567,606	977,662

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 13:

To authorise the company to make market purchases of ordinary shares

For	Discretion	Against	Withheld
34,402,198	467,973	631,502	271,773

# The Merchants Trust PLC

## Annual General Meeting, 10 May 2013

### Resolution 14:

To adopt new Articles of Association

For	Discretion	Against	Withheld
33,476,547	504,219	952,193	840,487

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