

The Merchants Trust PLC

Annual General Meeting, 13 May 2008

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RCM



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Agenda

1. 2007/2008 Results
2. Five Year Record
3. Key Transactions
4. Market Outlook and Portfolio Positioning

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Valuation summary

	31-Jan-2007	31-Jan-2008	Change (%)	30-Apr-2008
Total Assets*	£702m	£620m	-11.7	£613m
Net Assets Value Per Share	567.5p	492.3p	-13.3	485p
Share Price	513.0p	425p	-17.2	431p
Discount (Debt at Market Value)	5.9%	9.6%	-	9.1%
Discount (Debt at Historic Cost)	9.6%	13.7%	-	11.1%
Yield	3.9%	5.1%	-	5.0%

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Borrowings

	31 Jan 2007 (£m)	%	31 Jan 2008 (£m)	%
Total Assets	702.4	100	619.6	100
Borrowings	113.5	16	113.5	18
Shareholders Funds	588.8	84	506.1	82

Average Maturity

15 years

Average Interest Charge

9%

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5 year capital performance



Year to January	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	Total (%)
Change in Total Assets Per Share	+23.7%	+14.0%	+18.4%	+10.6%	-10.6%	+65.1%
Change in N.A.V. Per Share	+30.7%	+16.2%	+21.2%	+12.6%	-13.3%	+79.7%
Change in FTSE 100 Index	+23.1%	+10.5%	+18.7%	+7.7%	-5.2%	+64.9%
Change in FTSE 350 High Yield Index	+26.1%	+15.3%	+17.9%	+6.8%	-12.1%	+60.9%

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Total returns 2007/2008

Stocks That Added Value	Weighting
Astrazeneca	-
Reuters	+
Xansa	+
Northern Rock	-
Vodafone	+

Stocks That Detracted Value	Weighting
BG	-
Bradford & Bingley	+
BHP Billiton	-
Xstrata	-
Royal Bank of Scotland	+

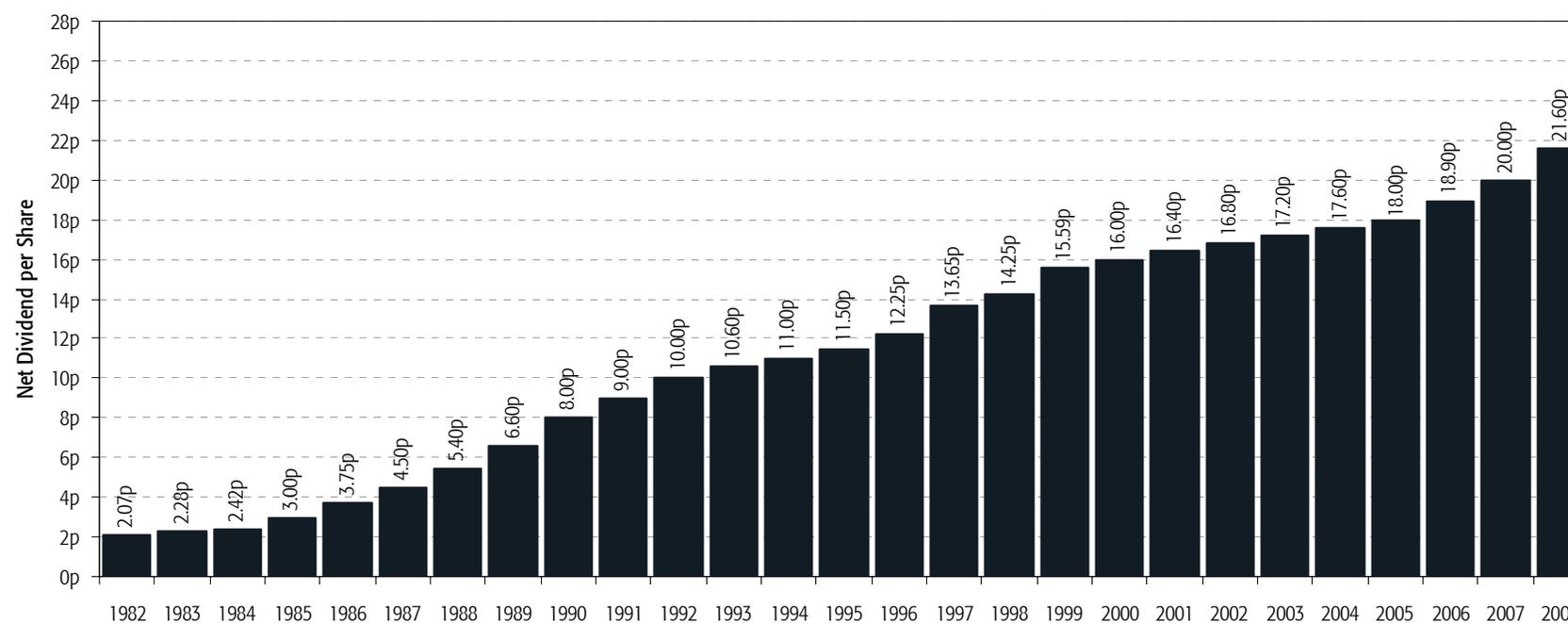
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Dividend record

Years to January	2007	2008
	20.0p	21.6p (+8.0%)

26 years of uninterrupted dividend growth

Revenue reserves (31/01/08)	£13.6m*	+11.5%
Pence per share	13.2p*	+12.8% (61% of 2007/8 Dividends)



* Excludes 3rd and final dividends due for 2007/2008 year.
Source: RCM.

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Yield comparisons

	Yield (%)
Merchants Trust (454p)	4.8 Net
FTSE 100 Index	3.6 Net
Five Year Gilts	4.7 Gross
Cash (Base Rates)	5.0 Gross

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Share discount to N.A.V.



Source: RCM/Datastream, from 30 April 1996 to 30 April 2008, weekly.

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Key transactions

Largest Net Investments	£m
BAE Systems	14.6
Aviva	12.7
HBOS	12.3
Bradford & Bingley	9.9
Compass	9.1

Largest Net Sales	£m
Lloyds TSB	16.1
Reuters	12.8
Tesco	11.1
Royal Dutch Shell	10.7
Gallaher	10.3

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UK market outlook

- Credit crunch broadening out to consumer and corporate sectors
- Interest rates and credit availability will impact consumption
- UK recession not our central view but a possibility
- US recovery will take time. Europe, Asia likely to slow
- UK stock market valuation modest but wide valuation range
- Companies shifting from share buy-backs to raising new equity
- Dividend prospects less certain than for many years
- Volatile market likely to provide investment opportunities

Key themes

- “Mega-Caps” attractive - strong balance sheets, low valuations, resilient businesses
- Overweight - pharmaceuticals, telecoms, utilities - valuation/resilience
- Favour solid growth stocks where valuations reasonable - Reed Elsevier, BAe, Compass and Meggitt
- Banks - valuations too pessimistic, prefer domestic mortgage banks exposure
- Underweight consumer - No pubs, hotels, newspapers or gambling
- Underweight resources - yields too low, cyclical risks
- Underweight property - no real estate, food retail and pubs

Key positions

Sector weightings (relative to FTSE 100 Index)

	Positive	Active Weight
Sector	General Industrials	+2.6%
	Telecoms	+2.4%
	Utilities	+2.2%
	Aerospace & Defence	+1.8%
	Pharmaceuticals	+1.7%

	Positive	Active Weight
Sector	Mining	-4.4%
	Oil & Gas	-3.5%
	Food & Drug Retail	-3.4%
	Food Producers	-2.3%
	Real Estate	-1.3%

Key positions

Stock weightings (relative to FTSE 100 Index)

	Positive	Active Weight
Company	GlaxoSmithKline	+3.3%
	HBOS	+2.2%
	Reed Elsevier	+2.2%
	Aviva	+2.0%
	Rexam	+1.9%

	Negative	Active Weight
Company	BG	-2.9%
	Tesco	-2.4%
	Xstrata	-2.0%
	Standard Chartered	-1.8%
	Unilever	-1.6%

Conclusion

- Economic outlook challenging but valuations modest
- Supportive dividend reserve position
- Looking for opportunities to exploit market volatility

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Presentation to the Annual General Meeting,
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Resolution 1 - to receive and adopt the Annual Financial Report

For	Discretion	Against	Withheld
29,241,282	384,052	0	27,938

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Resolution 2 - to declare a Final Dividend

For	Discretion	Against	Withheld
29,260,204	383,687	0	9,381

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Resolution 3 - to re-elect Mr P J Scott Plummer as a Director

For	Discretion	Against	Withheld
28,478,297	409,445	360,371	405,159

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Resolution 4 - to re-elect Mr R A Barfield as a Director

For	Discretion	Against	Withheld
28,625,796	409,445	196,021	422,010

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Resolution 5 - to elect Mr M J E McKeon as a Director

For	Discretion	Against	Withheld
28,493,235	412,978	250,317	496,742

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Resolution 6 - to elect Mr H E Staunton as a Director

For	Discretion	Against	Withheld
28,543,668	416,080	238,914	454,610

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Resolution 7 - to approve the Directors' Remuneration Report

For	Discretion	Against	Withheld
27,783,163	392,649	929,228	548,232

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Resolution 8 - to re-appoint PricewaterhouseCoopers LLP as Auditors

For	Discretion	Against	Withheld
28,954,827	395,235	141,841	161,369

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Resolution 9 - to authorise the Directors to determine the remuneration of the Auditors'

For	Discretion	Against	Withheld
29,003,506	390,188	30,243	229,335

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Resolution 10 - to approve and adopt new Articles of Association

For	Discretion	Against	Withheld
28,448,004	467,117	226,194	511,957

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Resolution 11 - to authorise the Company to make market purchases of Ordinary Shares

For	Discretion	Against	Withheld
28,650,504	448,186	436,286	118,296

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Resolution 12 - to authorise the Directors to allot Shares

For	Discretion	Against	Withheld
28,321,205	460,962	600,452	270,653

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Resolution 13 - to disapply pre-emption rights

For	Discretion	Against	Withheld
27,624,267	600,319	779,275	649,411

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