

The Merchants Trust PLC AGM

Simon Gergel
16 May 2024



This is a marketing communication. Please refer to the Key Information Document (KID) before making any final investment decisions. A ranking, a rating or an award provides no indicator of future performance and is not constant over time.



Highlights: Financial Year to 31 January 2024







<p>Dividend Yield</p> <p>5.2%</p> <p>2023: 4.7%</p>	<p>Dividend Growth</p> <p>+2.9%</p> <p>2024: 28.4p</p> <p>2023: 27.6p</p>
<p>Net Asset Value Total Return</p> <p>-3.1%</p> <p>2023: +7.6%</p>	<p>Benchmark Total Return</p> <p>+1.9%</p> <p>2023: +5.2%</p>

- 42 years of dividend growth, proposed dividend raised 2.9%
- Dividend covered by record earnings per share, up 6.3%
- Difficult year for performance, but long term numbers strong
- Citywire award for “Best UK Equity Income Trust”
- £46m new shares issued, maintaining high liquidity for investors
- UK stock market lowly valued, with many attractive opportunities

UK Equities Team

Significant resource, strengthened with senior hires

Value and Income Team

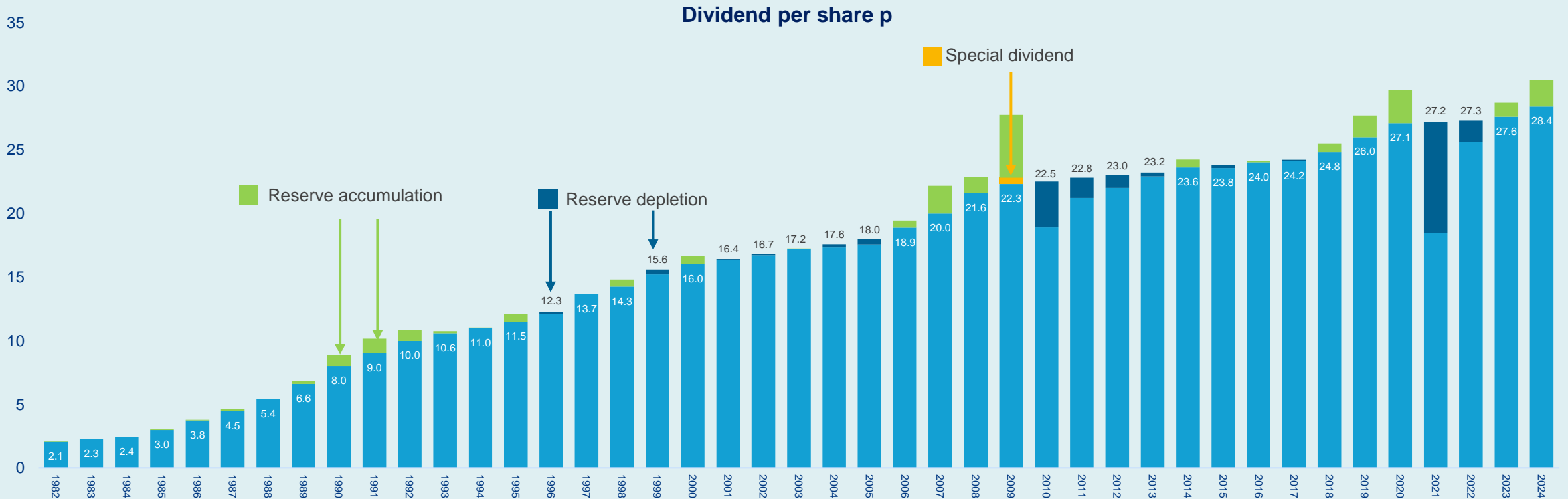
<i>London based team members</i>	<i>UK strategy focused team members</i>	<i>Frankfurt based team members</i>
 Kayvan Vahid Head of European Core & Value	 Stephen Snaith European Core & Value	
	 James Davis* UK Equities	
	 Richard Knight UK Value UK Income	
	 Simon Gergel UK Income UK Value CIO UK Equity	
	 Andrew Koch UK Income Europe Income	
	 Stephanie Sutton UK Equities Product Specialist	
		 Joerg De Vries-Hippen Europe Dividend Swiss Equity CIO Equity Europe
		 Dirk Becker Global Financials
		 Grant Cheng Global and Europe Dividend
		 Gregor Rudolph-Dengel Europe Value
		 Aliksandr Bialiyev Europe Value

Source: Allianz Global Investors, January 31, 2024. *James Davis is on a fixed-term contract. Past performance does not predict future returns. A ranking, a rating or an award provides no indicator of future performance and is not constant over time. Grassroots Research® is a division of AllianzGI Research. Data used to generate Grassroots Research® recommendations is received from reporters and field force investigators who work as independent contractors for broker-dealers. Those broker-dealers supply research to AllianzGI and certain of its affiliates that is paid for by commissions generated by orders executed on behalf of Allianz Global Investors' clients.

The Merchants Trust

42 years of dividend growth

- Reserves built up in good years can smooth dividends in difficult years.
- Dividend fully covered by earnings; income has recovered since pandemic.
- Revenue reserves of 18.1p at Jan 2024



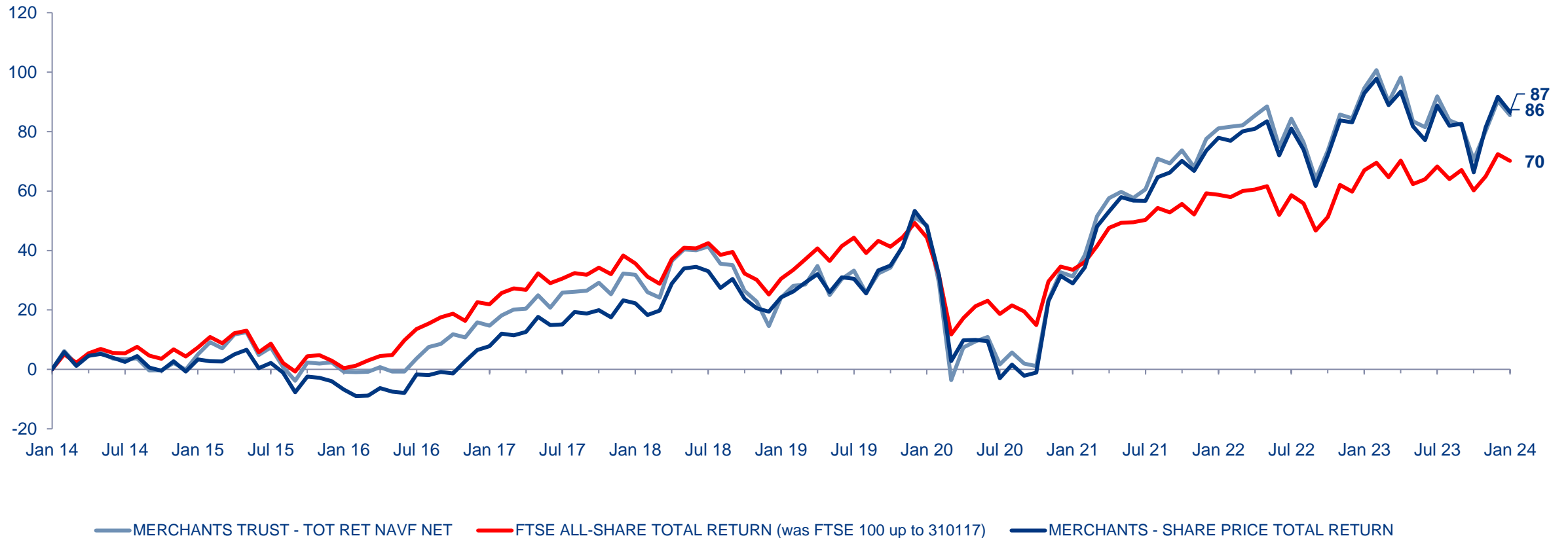
Past performance does not predict future returns.

Source: Annual Report and previous reports. Years ending January 2024. N.B. Disclaimer (page 18).

Investment Performance: Strong Long-term Returns

Merchants Trust NAV Total Return vs Benchmark: 10 year history

- Gearing amplifies performance of NAV



Past performance does not predict future returns.

Source: Thomson Reuters DataStream/AllianzGI as of January 31, 2024. Benchmark is the FTSE All Share Total Return. Up to January 31, 2017 the benchmark was the FTSE 100.

Investment Performance: Investment Portfolio

2024 difficult year for performance, but long-term numbers strong

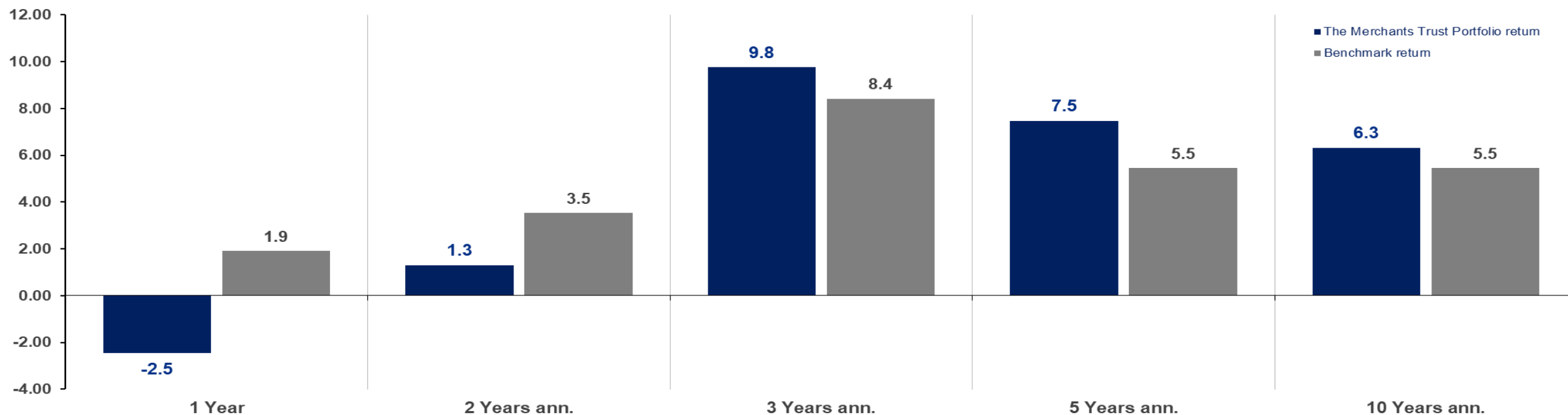
Macro Driven Markets

- Depressed UK sentiment, poor liquidity exacerbated any trading issues.
- Value investment style had a tough year in the UK, especially mid and small caps, as investors looked for growth.

Several idiosyncratic stock disappointments, few offsetting positives

- Biggest impact from: St James's Place, Diversified Energy, Close Brothers, PZ Cussons
- Smaller Positives: DCC, Redrow, Next, Bellway

Merchants Trust Investment Portfolio Total Return vs Benchmark as of January 31, 2024



Acquisitions & Disposals

- Taking advantage of opportunities, especially among mid-caps
- Sell Discipline – Full valuation, Change of investment view or Better alternatives

Purchases
Aena
Assura
Inchcape
Lancashire
Lloyds Banking Group
Marshalls
Xp Power

Sales
Ashmore
BAE Systems
BMW
National Express
Natwest
Sanofi
St James's Place
Swiss Re
Vodafone

Statistics	Fund
Number of holdings	51
New holdings	7
Complete Sales	9
12 months turnover*	23.6%

Maintaining a consistent, value-oriented investment philosophy, with a focus on strong companies, with high dividend yields

Source: AllianzGI as of January 31, 2024. This is no recommendation or solicitation to buy or sell any particular security. A stock mentioned as example above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.

* Turnover is calculated using the SEC method.

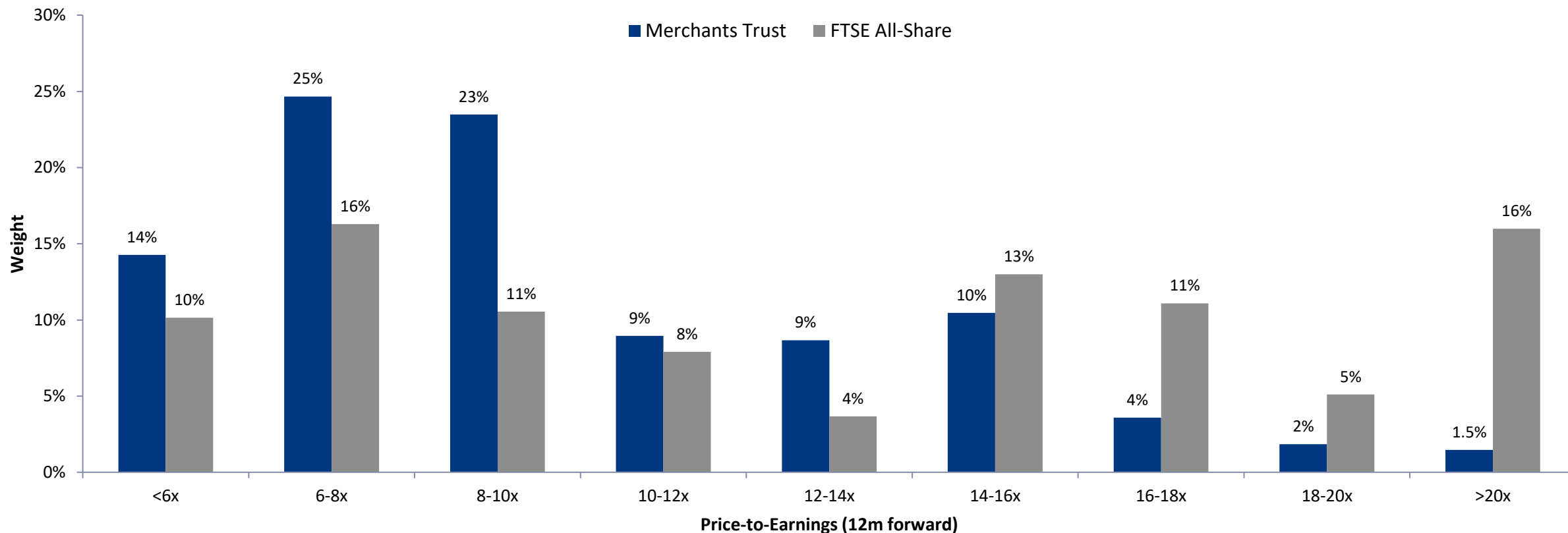
Assura

Real estate company, owning GP surgeries and healthcare assets

Fundamentals	<ul style="list-style-type: none">• GP surgeries with NHS-backed long leases - strong covenants, high renewals.• Leader in UK market. Approx. 10% market share.• Low cost, long duration financing.• Developments constrained but long term potential.
Themes	<ul style="list-style-type: none">• Ageing population: underpins demand for local healthcare provision.• Inflation: various lease types with some direct inflation linkage.• CO₂: modest costs to upgrade properties to 2030.• Interest rates: Beneficiary of falling rates
Valuation	<ul style="list-style-type: none">• Dividend yield c.7%• Unusual discount to Net Asset Value (NAV)• Shares depressed, as rising gilt yields have impacted valuations



Portfolio Positioning: Low Valuations in a Polarised Market



High active share and value bias in a polarised market

Fund is cheaper than the market on average with higher dividend yield – Price-to-Earnings ratio (P/E) of 7.9x vs benchmark at 10.4x and dividend yield of 5.7% vs benchmark at 4.4%

Low exposure to highly priced segments of the market – 21% of the market at >18x P/E vs 3.5% of the portfolio)

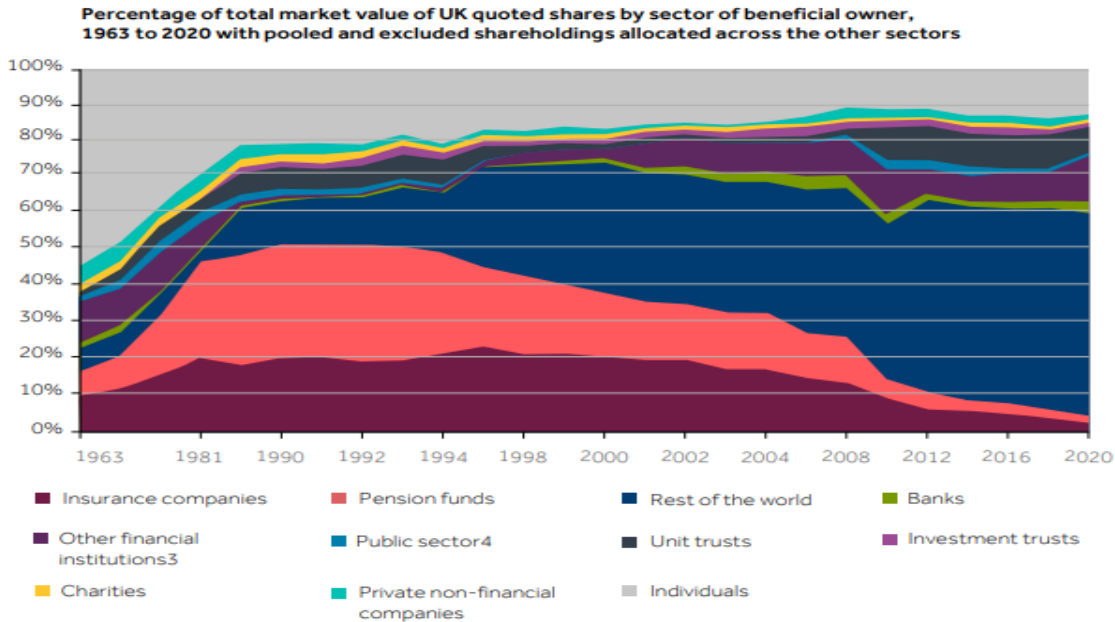
Source, Allianz Global Investors, Bloomberg for 12 month forward price to earnings (as of Jan 31, 2024) P/E is calculated from bottom-up member earnings and may not match top-down market estimates. Benchmark excludes all holdings with negative or nil P/E data (c.6% of the index). This fund uses the specified benchmark as a comparator. This means that investors should use this index to compare a fund's performance. Past performance does not predict future returns.

Outflows & Sentiment UK battered for years – about to turn?

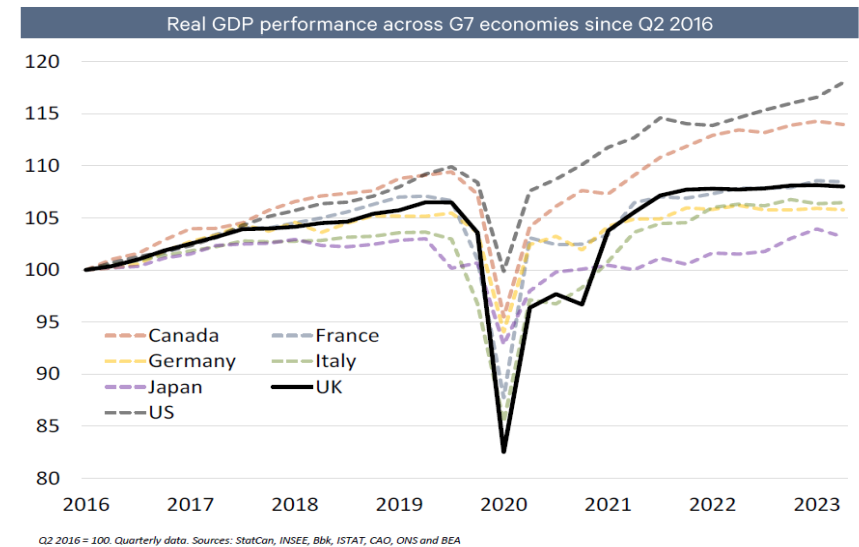


Financial Times
May 2023

Ownership of UK incorporated companies shares listed on the UK stock exchange



The UK economy performed in line with G7 average since 2016...

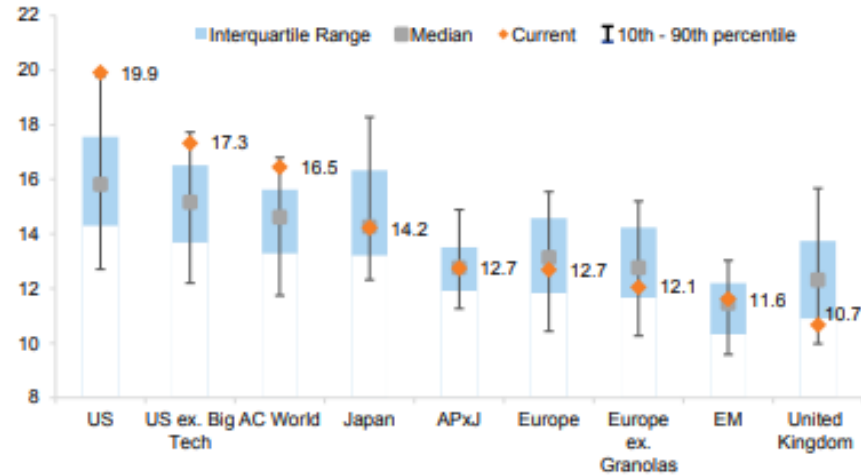


- Cyclical & Structural reasons for outflows – pension fund regulation, Brexit, political turmoil, ‘stagflation’ narrative... **All in the rear-view mirror.**
- Poor sentiment and a clearer outlook is a great starting point for both **market outperformance & finding mispriced stocks**

UK Equities – Valuations are attractive, and suggest strong returns from here...

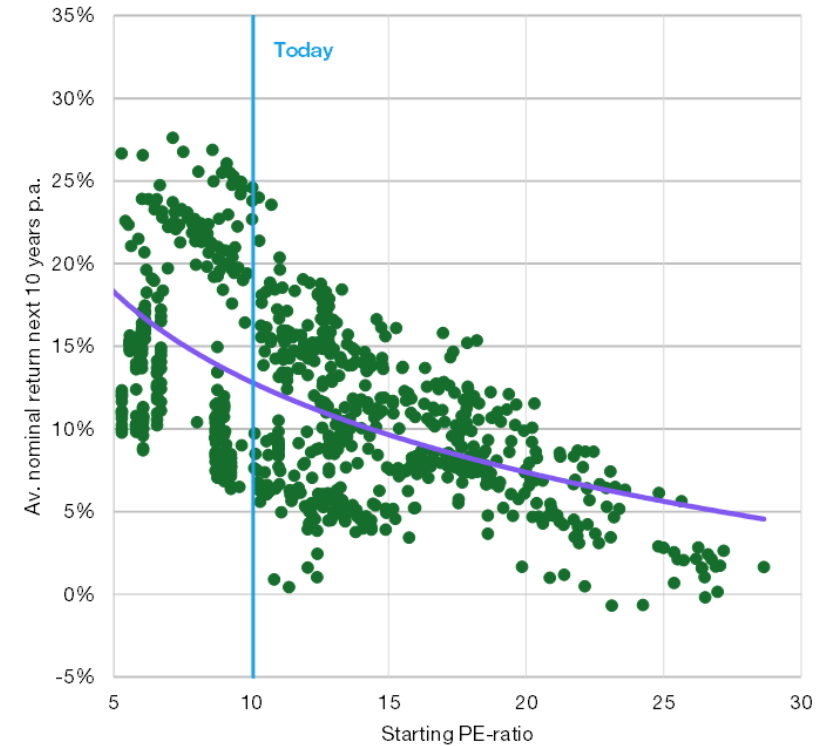
UK cheap vs peers and relative to history

Exhibit 8: Current UK valuation looks the most attractive compared to other regions
12m fwd P/E multiple. MSCI Regions. Data for the last 20 years



Source: FactSet, Goldman Sachs Global Investment Research

UK starting valuations & future 10-year returns



- Relative UK undervaluation not justified by economic fundamentals, and ignores global exposure of UK listed companies
- Today's valuations in the UK are a good starting point – line of best fit is c.13% per annum over 10 years from here

Source: FactSet, Goldman Sachs Global Investment Research 22.Dec.2023. Liberum 8th January 2024 Past performance does not predict future returns. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement.

A

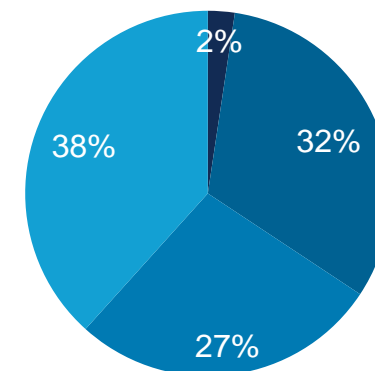
Appendix



Gearing (debt) Policy

- Gearing can enhance income (yield) and potential returns
- However, gearing increases volatility and risk of greater loss in down markets
- Cost of debt 5.2%, down from 8.5% in 2017
- Gearing 13.9% at year end. Policy range 10-25%*

Total Borrowings £109.6m



■ Perpetual Instruments ■ 2052 Notes ■ 2029 Bonds ■ Revolving Credit Facility

Borrowings as at 31.1.24	Amount £m	Interest rate %
2052 Notes	35.0	3.0
2029 Bonds	30.0	5.9
Revolving Credit Facility	42.0	Floating
Perpetual instruments	2.6	3.7-4.0
Total	109.6	5.2

*At time of increase in borrowing facilities

Source: Allianz Global Investors, annual reports. Past performance does not predict future returns. As of March 31, 2024

Positioning - Longer Term Themes

Nutrition & Wellbeing

TATE & LYLE

Healthy Food



HALEON

Medicines & Vaccines



Doctors & Vets



Wealth accumulation



Asset Management



Pension & Investments



Trading & investing

Sustainable living



Greener buildings



Greener Products

norcros



Normalisation of interest rates



Insurance



Banks



Driving energy transition



Differentiated
Fossil Fuels



RioTinto

Transition Metals



Transition business models

drax

Renewables



Digital economy



Professional
Services



Media &
Communications



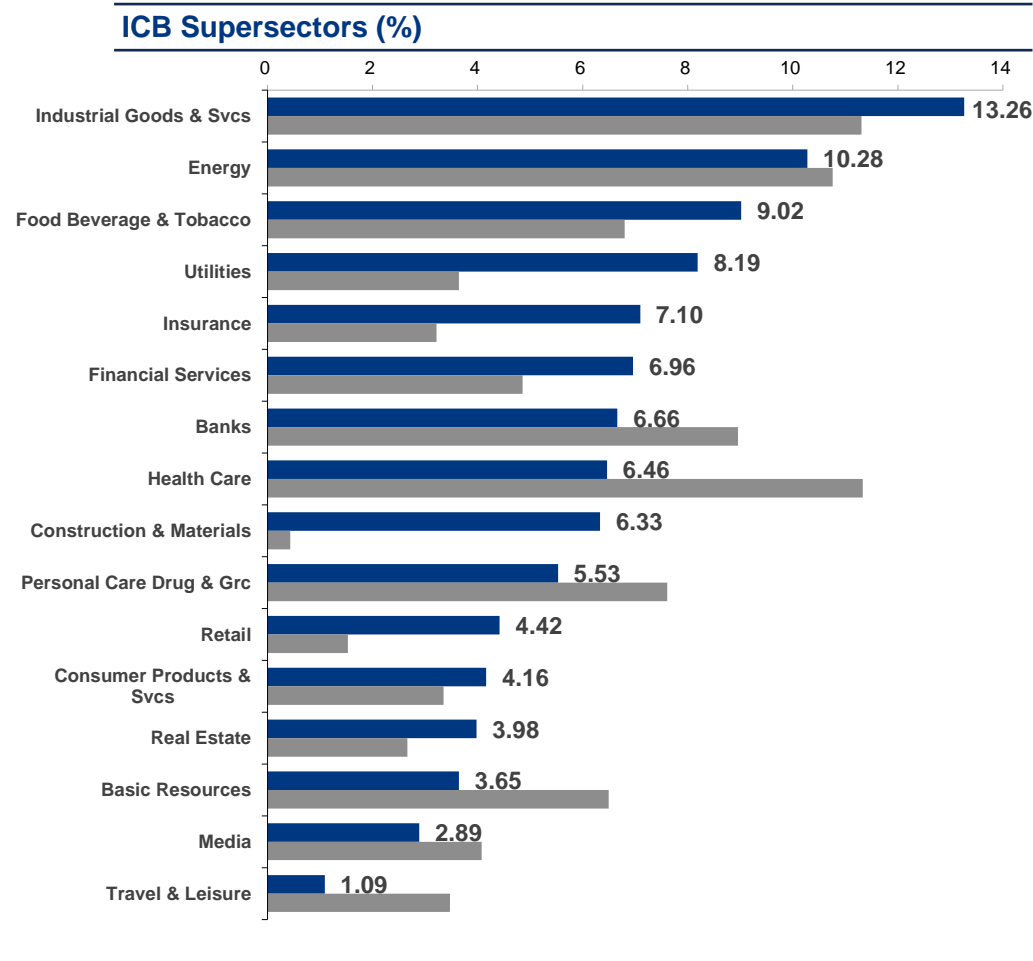
Gambling



Online Retail

Portfolio Positioning: Top Holdings, Sectors & Market Cap

Top 20 Holdings	Fund / %
GSK	5.1
SHELL	4.0
BRITISH AMERICAN TOBACCO	3.7
BP	3.2
IG GROUP HOLDINGS	3.1
DCC	3.0
SSE	3.0
BARCLAYS	2.9
INCHCAPE	2.8
WPP PLC	2.8
TATE & LYLE	2.7
RIO TINTO	2.7
DRAX GROUP	2.6
REDROW	2.6
LLOYDS BANKING GROUP	2.5
IMPERIAL BRANDS	2.4
NATIONAL GRID	2.4
UNILEVER	2.2
ENERGEAN	2.2
LEGAL & GENERAL GROUP	2.1



MarketCap Split	Fund / %
FTSE 100	56.0
FTSE 250	35.9
Small Cap	5.9
Cash	2.2

Portfolio Groups*	Fund / %
Franchise	57.6
Value	30.8
Special Situations	9.1

Source: Allianz Global Investors, as of Jan 31, 2024. Market cap split as at end January 2024. Portfolio Groups data is as of December 31, 2023, excluding cash. This is no recommendation or solicitation to buy or sell any particular security. This is for guidance only and not indicative of future allocation. * FTSE 100 includes Scor, * Market cap split as of November 30, 2023



Global Investors

Disclaimer

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

A trust's Net Asset Value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

This investment trust charges 65% of its annual management fee to the capital account and 35% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result.

Merchants seeks to enhance returns for its shareholders through gearing. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments lose value. You should be aware that this Trust may be subject to sudden and large falls in value and you could suffer substantial capital loss. Derivatives are used to manage the trust efficiently. Covered call options are written to supplement the income generation of the portfolio. This may lead to an opportunity cost if options are exercised.

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. Past performance does not predict future returns. For further information contact the issuer at the address indicated below. This is a marketing communication issued by Allianz Global Investors UK Limited, 199 Bishopsgate, London, EC2M 3TY, www.allianzglobalinvestors.co.uk. Allianz Global Investors UK Limited company number 11516839 is authorised and regulated by the Financial Conduct Authority. Details about the extent of our regulation are available from us on request and on the Financial Conduct Authority's website (www.fca.org.uk). The duplication, publication, or transmission of the contents, irrespective of the form, is not permitted; except for the case of explicit permission by Allianz Global Investors UK Limited. The Merchants Trust PLC is incorporated in England and Wales. (Company registration no. 28276). Registered Office: 199 Bishopsgate, London, EC2M 3TY.

Admaster 3572296

Website: www.merchantstrust.co.uk