

The Merchants Trust PLC

As focused on dividends as you are



Aim

The Trust's objective is to provide an above average level of income, income growth and long-term growth of capital through a policy of investing mainly in higher yielding large UK companies.

History

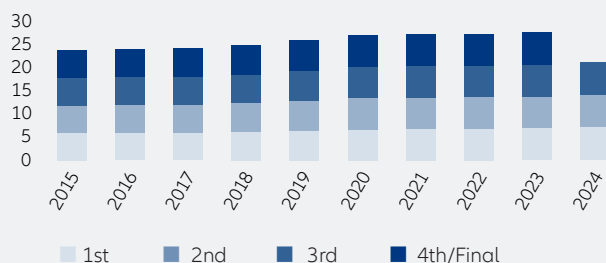
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK companies with an above average rate of dividend yield.

Trust Benefits

Merchants has for many years focused on a simple proposition to deliver a high and rising income together with capital growth for its shareholders. Simon Gergel has been managing the trust for over 15 years, investing in a diversified portfolio of large, well-established and well-known UK companies. Although past performance is no guide to the future, Merchants has paid increasingly higher dividends to its shareholders year on year for the last 41 years.

Ten Year Dividend History

Dividend Record in Pence per Share
To Year End 31 January



Last Four Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
02.02.2024	14.03.2024	7.10p	3rd Interim
06.10.2023	10.11.2023	7.10p	2nd Interim
07.07.2023	24.08.2023	7.10p	1st Interim
21.04.2023	26.05.2023	7.00p	Final

Past performance is not a reliable indicator of future results.

Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE All-Share
Annual Management Fee	0.35%
Performance Fee	No
Ongoing Charges ¹	0.56%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	March, May, August, November
Price Information	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk
Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. Source: AIC, as at the Trust's Financial Year End (31.01.2023). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses, which include the annual management fee, incurred in the running of the company but excluding financing costs.



A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

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Total Assets £896.7m

Shares in Issue 148,324,887 (Ordinary 25p)

Market Cap £805.4m

Share Price
543.0p

NAV per Share
538.1p

Premium/-Discount
0.9%

Dividend Yield
5.2%

Gearing
14.5%

Fund Manager's Review

In recent months, the stock market has gyrated in response to movements in government bond yields. In November and December, expectations that the Bank of England would cut interest rates in 2024 as inflationary pressures subside, drove down bond yields and supported the more cyclical parts of the stock market, which benefit most from lower borrowing costs. This process reversed somewhat in January. A slightly higher than expected inflation report pushed up government bond yields and this put pressure on the stock market, which fell modestly in the month.

Shares were led down by some of the more economically sensitive sectors, including metals & mining, retail and banks. Many of the stronger sectors are more economically resilient, such as aerospace & defence, tobacco and pharmaceuticals, but the pattern was not uniform, with travel & leisure and construction & materials also outperforming.

The portfolio performance lagged behind the stock market. This was driven largely by stock specific issues. The largest impact came in the banking sector, as the FCA (the UK regulator) announced a review of certain historic commissions arrangements paid to motor dealers for car finance policies. This followed a couple of ombudsman rulings against banks. The uncertainty about the scope and cost of this review weighed heavily on those companies potentially affected. Close Brothers' shares fell heavily, as even though the company has a small share of the motor finance market, car loans make up a large proportion of its loan book. Lloyds Bank, the leading industry player, also saw its shares impacted, although their loan book is proportionally less exposed to motor finance. Elsewhere, Pets at Home shares and Energean shares reacted negatively to slightly weak trading updates, although these do not seem to be material issues. The Net Asset Value (NAV) total return for January was -2.5%, trailing the smaller -1.3% return from the benchmark index.

On the positive side, the bio-pharma and vaccines company GSK rallied in January, ahead of full year results at the end of the month, where it

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significantly raised long term guidance. The building products distributor Grafton responded positively to a solid year end trading update, with modest earnings upgrades. Also Drax shares outperformed, as the government launched a consultation on how to support bioenergy carbon capture and storage (BECCS) at the Drax power station. The review highlighted how important Drax has been to the UK's energy security and the country's ambitions to decarbonise electricity generation. The biggest positive performance benefit came from not owning Glencore, which fell sharply in a weak sector, pulling down the index return.

We only made minor changes to the portfolio in January. We continued to build up the new holding in Assura, as explained last month. We



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer, UK Equities at AllianzGI and has 32 years investment experience. Simon joined AllianzGI in April 2006 from HSBC Halbis Partners where he managed over £900m in high income funds as well as core institutional and life UK equity portfolios. Prior to joining HSBC, Simon worked for 14 years at Phillips & Drew Fund Management / UBS Asset Management.

also added to Drax, where recent news supports our confidence on the portfolio investment case, and we topped up positions in Pets at Home and the copper miner Atalaya Mining. These purchases were funded by reducing strong performers where upside for the portfolio is more limited, in particular building material producer CRH and retailer Next.

We continue to see excellent investment opportunities in the UK stock market. Not only is the average valuation low compared to recent history, there is also a high dispersion of valuations, which creates opportunities for stock selection. There have been a number of reasons why foreign and domestic investors have shunned UK equities in recent years, but we do not believe these are generally justified. The economic outlook for the UK is no worse, and possibly better, than the outlook for much of Europe. UK political risk seems far reduced from where it was around the last general election. Although there will be an election in the next twelve months, the policy gap between Conservatives and Labour is relatively modest, compared to the polarisation of politics in the US and parts of Europe. Also, it is important to remember that the majority of sales and profits of UK listed companies comes from abroad, which reduces the exposure to domestic risks.

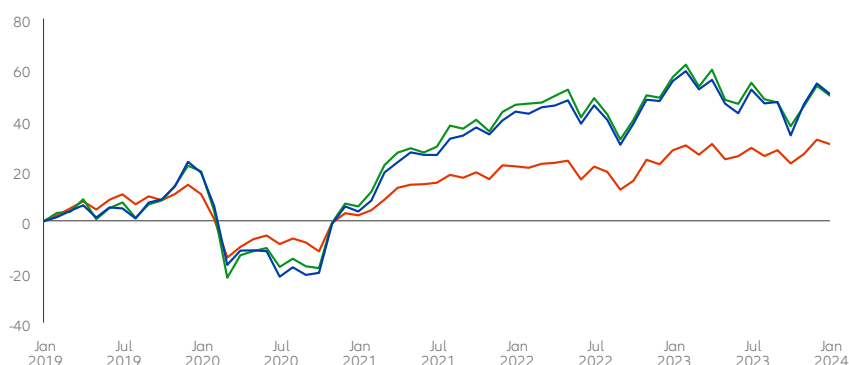
With modest starting valuations and many strong business models, we remain excited about the potential for companies in the portfolio to deliver a level of income and capital growth to meet Merchants' objectives.

Simon Gergel
15 February 2024

This is no recommendation or solicitation to buy or sell any particular security. Any security mentioned above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.

Performance Track Record

Five Year Performance (%)



■ Share Price ■ NAV (debt at fair value)

■ Benchmark: With effect from 1 February 2017 the benchmark changed from the FTSE 100 to the FTSE All-Share Index

Risk & Features

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.

Merchants seeks to enhance returns for its shareholders through gearing which 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 may be used to manage the Trust efficiently.

Cumulative Returns (%)

	3M	6M	1Y	3Y	5Y
Share Price	12.2	-1.2	-3.3	44.7	50.2
NAV (debt at fair value)	8.8	-3.3	-4.7	41.3	49.6
Benchmark	6.2	1.1	1.9	27.5	30.4

Discrete 12 Month Returns to 31 January (%)

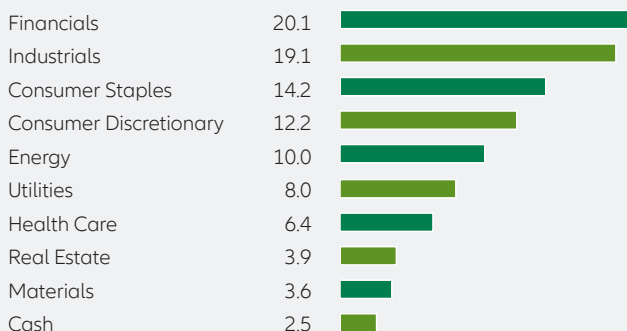
	2024	2023	2022	2021	2020
Share Price	-3.3	8.4	38.0	-12.9	19.2
NAV (debt at fair value)	-4.7	7.5	37.9	-11.6	19.7
Benchmark	1.9	5.2	18.9	-7.5	10.7

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.01.24. Copyright 2023 © DataStream, a Thomson Reuters company. All rights reserved. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

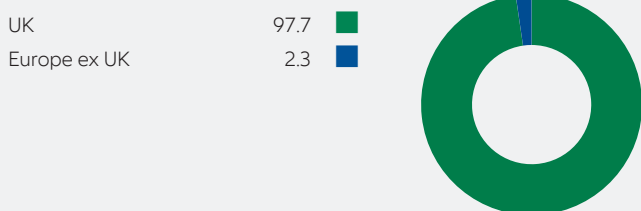
Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. This investment trust charges 65% of its annual management fee to the capital account and 35% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result.

Portfolio Breakdown

Sector Breakdown (%)



Geographic Breakdown* (%)



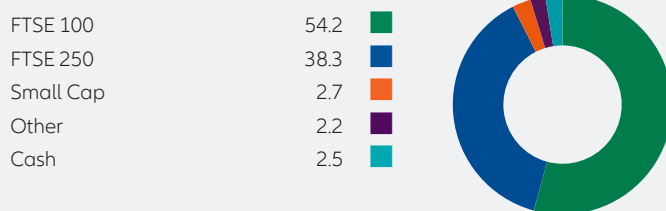
Top Ten Holdings (%)

GSK	5.0
Shell	4.0
British American Tobacco	3.7
BP	3.2
IG Group	3.1
DCC	3.0
Scottish & Southern Energy	3.0
Barclays	2.9
Inchcape	2.8
WPP	2.8

Total number of holdings** 51

**Excludes derivatives

Market Cap Breakdown (%)



The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding.

This is no recommendation or solicitation to buy or sell any particular security.

*Excludes Cash

Board of Directors

Colin Clark (Chairman)

Timon Drakesmith (Chairman of the Audit Committee)

Lisa Edgar

Karen McKellar

Sybella Stanley (Senior Independent Director)

Glossary

Share Price is the price of a single ordinary share, as determined by the stock market. The share price above is the mid-market price at market close.

Net Asset Value (NAV) per Share 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.

The NAV figure above is based on the fair/market value cum income of the company's long-term debt and preference shares (known as debt at market value). This allows for the valuation of long-term debt and preference shares at fair value or current market price, rather than at final repayment value (known as debt at par).

Premium/Discount. Since investment company shares are traded on a stock market, the share price that you get may be higher or lower than the NAV. The difference is known as a premium or discount.

Dividend Yield is calculated using the latest full year dividend divided by the current share price.

Gearing is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.

How to invest

You can buy shares in the Trust through:

- A third party provider - see 'How to Invest' on our website, where you will find links to a range of these platforms, many of which allow you to hold the shares within an ISA, Junior ISA, SIPP and/or savings scheme.
- A stockbroker.
- A financial adviser.

Contact us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

0800 389 4696

www.merchantstrust.co.uk

E-mail: investment-trusts@allianzgi.com

You will find much more information about The Merchants Trust on our website.

Please note that we can only offer information and are unable to provide investment advice. You should contact your financial adviser before making any investment decision.



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All data source Allianz Global Investors as at 31.01.24 unless otherwise stated.

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