

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

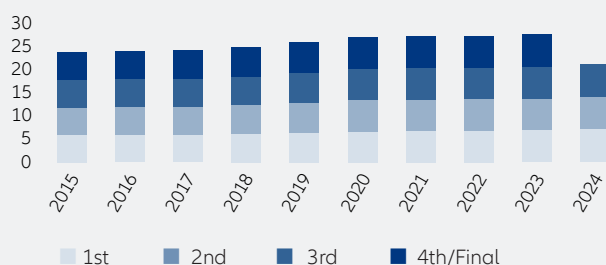
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
19.04.2024	22.05.2024	7.10p	Final*
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

Past performance is not a reliable indicator of future results.
*proposed

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	0.55%
Year End	31 January
Annual Report	Annual 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 Kelly Nice
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. Source: AIC, as at the Trust's Financial Year End (31.01.2024). 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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The RSMR rating is designed for use by professional advisers and intermediaries as part of their advice process. This rating is not a recommendation to buy. If you need further information or are in doubt then you should consult a professional adviser.

Total Assets £919.7m

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

Market Cap £789.1m

Share Price
532.0p

NAV per Share
553.4p

Premium/-Discount
-3.9%

Dividend Yield
5.3%

Gearing
15.0%

Fund Manager's Review

Expectations for interest rate changes have been dominating short term trends in stock markets. In the UK, inflation has continued to decline, with core Consumer Price Inflation (CPI) falling to 4.5% in the year to February, from 5.1% in the previous month. This led the Bank of England's Monetary Policy Committee to hold interest rates at 5.25%, with nobody voting for a further rate increase, a notable change from prior meetings, and with one member voting for a rate cut. 10-year UK gilt (government bond) yields fell to just above 3.9% from over 4.1%. UK bond yields are now around 0.3% below those in the USA, with the gap widening from a very modest level a month earlier.

Falling UK bond yields supported the UK stock market, which gave a total return of nearly 5%. This was ahead of the returns on the broad US and European indices, in sharp contrast to the trends in prior months, with the UK lagging many other markets so far this calendar year. The best performing sectors included many that are cyclical or sensitive to interest rates, including metals & mining, real estate, banks and retailers. The weakest sectors were more varied and included defensive sectors like beverages and utilities, but also more cyclical sectors like travel & leisure and media.

Portfolio performance was in line with the benchmark. The ground engineering group, Keller, was the biggest individual contributor, as the shares rallied by over 20% on strong results. Recently purchased Bank of Ireland also performed well, and Close Brothers rebounded from an oversold position. Performance also benefitted from not owning Reckitt Benckiser, Diageo and Relx, which all underperformed and held back the index return. On the other hand, OSB (OneSavingsBank) and the building material company Marshalls, both fell back after publishing annual results, which led analysts to reduce profits forecasts. Not owning Glencore and Rolls Royce also held back relative returns, as those shares rallied and lifted the benchmark index. The Net Asset Value (NAV) total return for March was 4.52% marginally behind a 4.75% return from the benchmark

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index.

The main portfolio activity in March was the sale of Admiral, the car and home insurer. The shares had performed very well since our purchases in late 2022 and early 2023, as strong insurance price increases had started to feed through to a recovery in profitability. Having reached our assessment of fair value, we decided to sell the shares to reinvest into other portfolio stocks like Inchcape and Morgan Advanced Materials,



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.

where we saw better value. Whilst we invest in shares on a medium-term view, typically 3-5 years, we will sometimes sell out much sooner than that, if the valuation moves up quickly to what we believe to be a fair level. Elsewhere, we trimmed the large position in Barclays Bank, which had rallied significantly after announcing a new capital returns policy, that we discussed in last month's side notes.

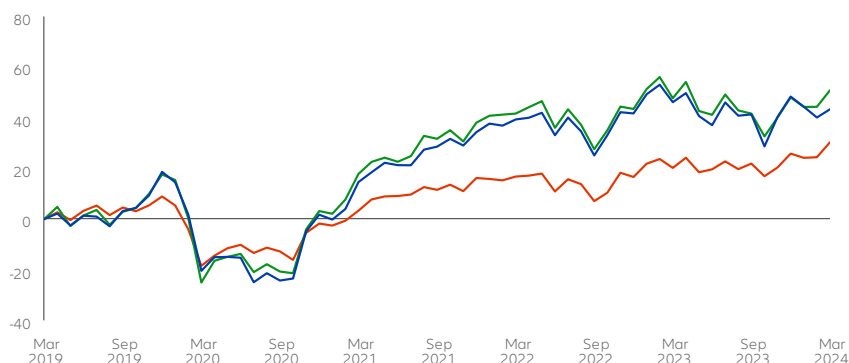
Although the UK stock market has had a good month, it remains lowly valued compared to its history and other major markets. There also remains an unusually wide disparity between the valuation of those companies that find favour with domestic and international investors and many others that are more neglected, including many of the smaller and more cyclical businesses. This dispersion of valuations is reflective of a global trend, which has seen a narrow investor focus on specific themes in the stock market, such as Artificial Intelligence high growth technology and parts of healthcare. But it is often in neglected areas of markets that value arises, and we continue to be excited by the investment opportunities available in many sectors of the out-of-favour UK stock market. We believe that the portfolio is well set up to continue delivering Merchant's income and total return objectives.

Simon Gergel
18 April 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	-3.4	1.4	-1.9	25.1	43.3
NAV (debt at fair value)	1.9	6.5	2.1	28.0	50.8
Benchmark	3.6	6.9	8.4	26.1	30.3

Discrete 12 Month Returns to 31 March (%)

	2024	2023	2022	2021	2020
Share Price	-1.9	4.9	21.6	44.1	-20.4
NAV (debt at fair value)	2.1	4.3	20.2	57.2	-25.0
Benchmark	8.4	2.9	13.0	26.7	-18.5

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.03.24. 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.

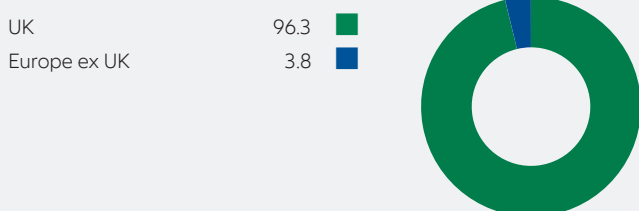
Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. This investment trust charges 65% of its annual management fee to the capital account and 35%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

Portfolio Breakdown

Sector Breakdown (%)

Financials	21.2	<div style="width: 21.2%;"></div>
Industrials	18.6	<div style="width: 18.6%;"></div>
Consumer Staples	13.7	<div style="width: 13.7%;"></div>
Consumer Discretionary	11.5	<div style="width: 11.5%;"></div>
Energy	11.1	<div style="width: 11.1%;"></div>
Utilities	7.8	<div style="width: 7.8%;"></div>
Health Care	6.8	<div style="width: 6.8%;"></div>
Real Estate	3.9	<div style="width: 3.9%;"></div>
Materials	3.9	<div style="width: 3.9%;"></div>
Cash	1.5	<div style="width: 1.5%;"></div>

Geographic Breakdown* (%)



Top Ten Holdings (%)

GSK	5.4
Shell	4.6
British American Tobacco	4.2
Inchcape	3.5
BP	3.3
Barclays	3.1
IG Group	3.1
Lloyds Banking Group	3.0
Rio Tinto	2.9
Scottish & Southern Energy	2.8

Total number of holdings** 50

**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 (Senior Independent Director)

Mal Patel

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 31.03.24 unless otherwise stated.

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