

# 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 42 years.

## 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 <sup>1</sup>	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.

This is a marketing communication. Please refer to the Key Information Document (KID) before making any final investment decisions.



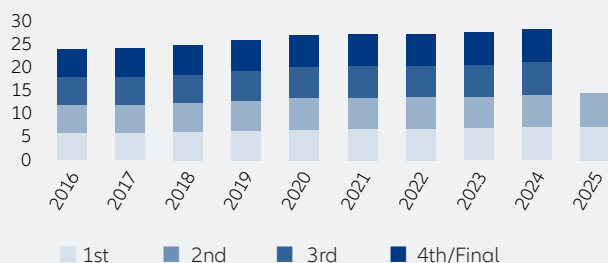
A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

Citywire Fund Manager Awards Logo(s) are proprietary to Citywire Financial Publishers Ltd ("Citywire") and © Citywire 2020. All rights reserved. Citywire information is proprietary and confidential to Citywire Financial Publishers Ltd ("Citywire"), may not be copied and Citywire excludes any liability arising out of its use.

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.

## 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
11.10.2024	15.11.2024	7.30p	2nd Interim
12.07.2024	22.08.2024	7.20p	1st Interim
19.04.2024	22.05.2024	7.10p	Final
02.02.2024	14.03.2024	7.10p	3rd Interim

Past performance is not a reliable indicator of future results.

**Total Assets** £929.4m

**Shares in Issue** 148,424,887 (Ordinary 25p)

**Market Cap** £831.2m

Share Price  
**560.0p**

NAV per Share  
**561.2p**

Premium/-Discount  
**-0.2%**

Dividend Yield  
**5.1%**

Gearing  
**14.9%**

## Fund Manager's Review

Two events dominated market attention during October, the first budget from a Labour government in 14 years, and the impending US presidential election on November 5th. Government bond markets overshadowed equity markets, with bond investors frightened about a pre-Halloween tax and spend budget and nervous about potential political fireworks on bonfire night.

Ahead of the budget, gilt (UK government bond) prices fell and yields rose, mostly in response to similar movements in America, as polls indicated an increasing likelihood of Donald Trump winning the presidential race. Investors were taking the view that a Trump victory could be inflationary, due to trade tariffs and greater borrowing.

Chancellor Rachel Reeves' first budget included around £40bn of tax increases and approximately £70bn of spending increases. There was a loosening of fiscal rules to allow for greater long term investment spending. Most of this was expected by commentators, and the Chancellor avoided some of the more controversial policy ideas that had been rumoured. However, bond markets still fell further in the immediate aftermath. This seemed to be due to the inflationary impact of policies like employer national insurance increases, the necessary increase in government bond issuance, and investor positioning (expecting bond prices to recover) ahead of the event. Over the whole month, 10-year government bond yields rose by over a tenth, from 4% to over 4.4%.

The UK equity market pulled back, particularly in the second half of October, partly in response to the pressures in the bond market. Sterling weakened against the US dollar. Medium sized companies, which tend to be more exposed to the domestic economy, underperformed the broader market. The market was led down by many of the interest rate sensitive sectors, like housebuilders, real estate and retailers, which responded to the bond market movements. The stronger sectors included banks, where several of the large banks reported healthy results, oil & gas and media.

**“ With the election and budget out of the way, the UK now has a relatively stable and predictable political and economic environment, compared to many other western countries**

The Net Asset Value (NAV) total return was -2.13% versus -1.64% from the benchmark index. The portfolio also underperformed the benchmark index. Housebuilders and real estate stocks were weak, as explained above, but much of the underperformance came within the banks sector. Although most big banks' shares performed well, Close Brothers was impacted by a high court ruling, in a case concerning historic commission payments made to car dealers for selling motor finance packages. The court ruled that these commissions should have been separately disclosed and agreed with the car purchaser. This was a surprise ruling, as it overturned the original court decision, and the policies were compliant with FCA rules at the time. This potentially opens up significant liabilities for Close Brothers and other similar lenders. Close Brothers are going to appeal this case to the Supreme court, and in the meantime have suspended this finance, while they update procedures. There is already an ongoing FCA review into motor finance, which now seems likely to be



### 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.

extended, to take into account any Supreme court ruling. Close Brothers shares fell heavily on this news. Lloyds and Bank of Ireland also have exposure to UK motor finance and their shares fell too, although not to the same extent. The other main performance detractors were not owning HSBC, which rallied, and a weak performance at Inchcape, which reported slightly weaker than expected third quarter results.

On the positive side, Tate & Lyle shares rose by nearly 10%, in response to a Financial Times article saying the company could be a target of private equity interest. WPP shares rose, after the business returned to underlying revenue growth in the third quarter. Energean shares were also strong. The company, which produces gas and a small amount of oil off the coast of Israel, was supported by a slight easing of tensions in the region as Israel carried out a measured response to Iran's earlier missile attacks.

There were relatively few changes to the portfolio in October. We sold some Unilever shares via an option exercise after a strong rally in the shares this year. We used the proceeds to build up the positions in other companies where we have a high level of conviction, such as GSK, DCC, Harbour Energy and Assura.

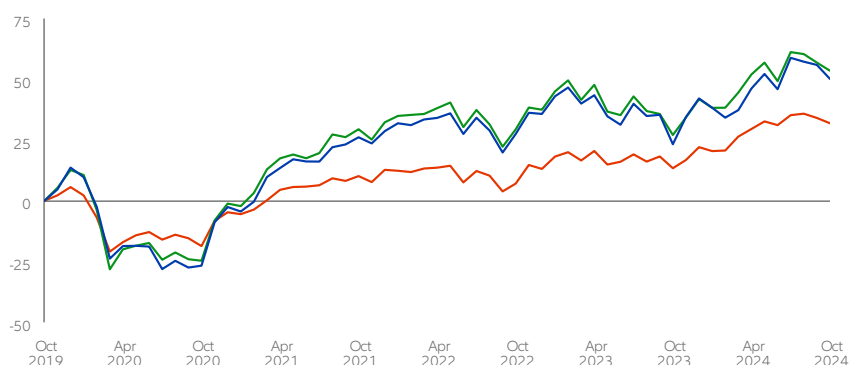
Labour's first budget has not materially changed the outlook for UK economic growth, inflation or interest rates. With the election and budget out of the way, the UK now has a relatively stable and predictable political and economic environment compared to many other western countries. The stock market remains modestly priced, and there is a high level of buy-back and takeover activity. We think this combination of factors should support the UK stock market in general, and we continue to be optimistic about the outlook for income and capital returns from the portfolio.

**Simon Gergel**  
**8 November 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	-5.5	2.7	21.8	19.0	50.1
NAV (debt at fair value)	-4.8	1.0	20.8	18.6	53.5
Benchmark	-2.5	1.8	16.3	19.7	31.9

### Discrete 12 Month Returns to 31 October (%)

	2024	2023	2022	2021	2020
Share Price	21.8	-3.3	1.1	72.1	-26.7
NAV (debt at fair value)	20.8	-1.8	0.0	71.8	-24.7
Benchmark	16.3	5.9	-2.8	35.4	-18.6

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.10.24. Copyright 2024 © 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.

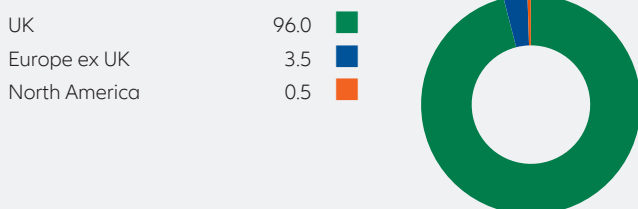
Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. This investment trust charges 65% of its annual management fee to the capital account and 35% 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	20.3	<div style="width: 20.3%;"></div>
Consumer Discretionary	16.8	<div style="width: 16.8%;"></div>
Industrials	15.3	<div style="width: 15.3%;"></div>
Consumer Staples	13.2	<div style="width: 13.2%;"></div>
Energy	10.7	<div style="width: 10.7%;"></div>
Utilities	7.6	<div style="width: 7.6%;"></div>
Health Care	5.8	<div style="width: 5.8%;"></div>
Real Estate	5.7	<div style="width: 5.7%;"></div>
Materials	4.2	<div style="width: 4.2%;"></div>
Cash	0.4	<div style="width: 0.4%;"></div>

### Geographic Breakdown\* (%)



### Top Ten Holdings (%)

GSK	4.5
British American Tobacco	4.2
Shell	3.7
Barclays	3.4
WPP	3.3
Tate & Lyle	3.2
Rio Tinto	3.1
Lloyds Banking Group	3.0
DCC	2.8
Scottish & Southern Energy	2.8

Total number of holdings\*\* 54

\*\*Excludes derivatives

### Market Cap Breakdown (%)



This is for guidance only and not indicative of future allocation. 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](http://www.merchantstrust.co.uk)

**E-mail: [investment-trusts@allianzgi.com](mailto: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.



**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 may not get back the full amount invested.** 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. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail. For further information contact the issuer at the address indicated below.

**All data source Allianz Global Investors as at 31.10.24 unless otherwise stated.**

This is a marketing communication issued by Allianz Global Investors UK Limited, 199 Bishopsgate, London, EC2M 3TY, [www.allianzglobalinvestors.co.uk](http://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](http://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.

AdMaster 4012479