The Merchants Trust PLC

As focused on dividends as you are

Allianz Global Investors

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

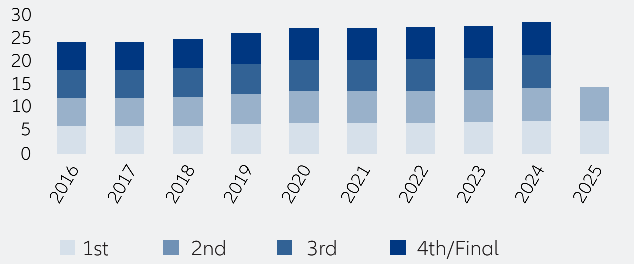
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK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

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.

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 Charge[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	Kelly Nice | Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. The Ongoing Charge does not represent an additional cost that shareholders of the Company must pay. The Company's share price already reflects the market's assessment of its value taking into consideration publicly disclosed information, including operating expenses and other costs which are disclosed in the Accounts. The investment platform or stockbroker used, or the company/person selling you or advising you about this product may charge you other costs. If so, they will provide you with the relevant information about these costs. 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.

Total Assets £934.9m **Shares in Issue** 148,424,887 (Ordinary 25p) **Market Cap** £817.8m

Share Price	NAV per Share	Premium/-Discount	Dividend Yield	Gearing
551.0p	566.0p	-2.7%	5.2%	15.1%

All data source DataStream and Allianz Global Investors as at 31.12.24 unless otherwise stated.

Fund Manager's Review

The economic and market news flow in December, generally matched the dull winter weather. The UK economy seemed to be stagnating, with October's Gross Domestic Product (GDP) growth slightly negative, at -0.1% compared to the previous month, and third quarter growth was revised down to zero. However, the Bank of England (BoE) voted to leave interest rates on hold at 4.75%, with only three Committee members voting for a cut. The Labour government's first budget seems to be making the Committee's job harder. Although the Bank of England's latest minutes noted that "most indicators of UK near-term activity have declined", the Committee also noted that Consumer Price Index (CPI) inflation had been "higher than previous expectations" and they expect the headline rate to rise further.

This combination of lower growth and higher inflation weighed on the equity market, which fell by just over 1%, total return. The US stock market also pulled back, though this comes at the end of a very strong year. 10-year UK government bond (gilt) yields rose to around 4.6% as bond prices also fell.

The deteriorating economy was highlighted in a weak trading statement from SThree, a provider of mostly contract workers in the IT, life sciences and other STEM (Science, Technology, Engineering and Mathematics) sectors. The company reported a particularly weak quarter ending in November, and it is now far more cautious about next year's outlook. The worst affected countries were the UK and Germany, which reported a drop in net fees of 21% and 17% respectively. SThree has a strong record of growth over the long-term and it has a favourable exposure to STEM disciplines and flexible workers, but the business is very sensitive to changes in business confidence over the short term.

Within the stock market, many of the sector moves reflected weaker confidence and higher bond yields. Interest rate sensitive sectors like real estate and utilities underperformed, along with cyclical industries like metals & mining and several of the industrial sectors. The best performing sectors included beverages, banks and the heterogeneous travel & leisure sector.

> **"The board believes borrowing is beneficial for shareholders as it can enhance longer term returns, provided the investment portfolio total return exceeds the cost of debt, albeit with the risk of higher volatility in capital returns**

The Net Asset Value (NAV) total return was -1.71% compared to -1.16% from the benchmark, FTSE All-Share index. Investment performance was marginally behind the benchmark index. Performance benefitted from outperformance at Dowlais, Energean and Burberry, as well as not owning the US plant hire company Ashtead, which fell sharply on weaker trading. On the other hand, the largest negative stock impact came from not owning HSBC, which was strong. Performance was also affected by the warning at SThree and share price weakness at Tate & Lyle and DCC.

There were no significant changes to the portfolio structure in December, but we continued to add to shares that looked oversold and offered an attractive risk reward profile, such as LandSec, GSK, Pets at Home, Whitbread and PZ Cussons. This was financed by trimming position sizes in WPP, Burberry, Lancashire and Haleon, which had all performed well over the previous few months.

In addition, Merchants announced a refinancing of its debt with agreement to issue £50m of 15-year financing in January to repay £42m of maturing borrowings. Colin Clark, Chairman said "The board believes borrowing is beneficial for shareholders as it can enhance longer term returns, provided the investment portfolio total return exceeds the cost of debt, albeit with the risk of higher volatility in capital returns. The new borrowing will increase the weighted average duration of drawn debt from 10.6 years to 16.4 years with the overall average cost of debt remaining at 5.1%."

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.

As we look into 2025, there are challenges and opportunities for the market. The UK economy seems to be losing momentum, with the Bank of England having cut interest rates less aggressively than the US Fed or the European Central Bank, reflecting inflationary concerns. There is a growing risk the BoE is behind the curve, although at least there is the potential to significantly lower interest rates if necessary.

The outlook for the US economy (and global trade) under Donald Trump's second presidential term is also highly uncertain, but current momentum is positive and confidence high, with the US remaining a key geography for many UK-listed companies. Several European economies and China have challenges, whilst geopolitical risk remains elevated in Ukraine, the Middle East and elsewhere.

On the positive side, the UK stock market remains modestly valued compared to its history and compared to most other markets. Within the market, there is a significant dispersion of valuations, creating many compelling opportunities for stock prickers. We are seeing an increasing number of takeover bids for UK companies, typically at large premiums, and a high level of share buy backs, as profitable companies "invest" in their own equity at depressed prices. UK authorities are waking up to the need to support the UK stock market, with potential changes to pensions regulations and ongoing reform of market listing rules incrementally helpful. In addition, political risk seems low in the UK again, really for the first time since the Brexit referendum, and stands in sharp contrast to major trading partners like France, Germany and the USA.

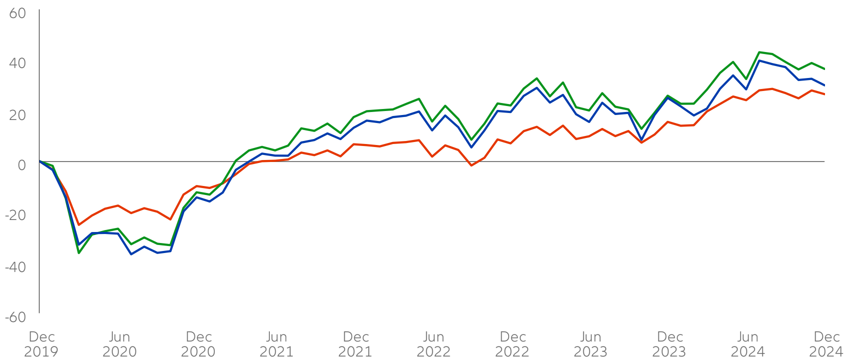
Whilst global stock markets continued to be dominated by the technology titans in America, the value on offer in parts of the UK stock market is remarkable. It is impossible to know what might trigger a change in investor's focus, but we are excited about the opportunities for the UK stock market, and Merchants' portfolio in particular, in 2025 and beyond.

Simon Gergel
10 January 2025

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	-5.3	1.2	3.9	14.8	30.0
NAV (debt at fair value)	-2.0	3.0	8.4	16.2	36.4
Benchmark	-0.4	1.9	9.5	18.5	26.5

Discrete 12 Month Returns to 31 December (%)

	2024	2023	2022	2021	2020
Share Price	3.9	4.7	5.5	32.0	-14.3
NAV (debt at fair value)	8.4	3.2	3.9	33.8	-12.3
Benchmark	9.5	7.9	0.3	18.3	-9.8

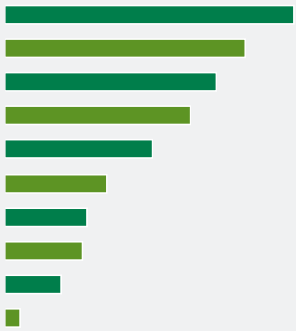
Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.12.24. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

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	20.6
Consumer Discretionary	17.1
Industrials	15.0
Consumer Staples	13.2
Energy	10.5
Utilities	7.2
Health Care	5.8
Real Estate	5.5
Materials	4.0
Cash	1.1



Top Ten Holdings (%)

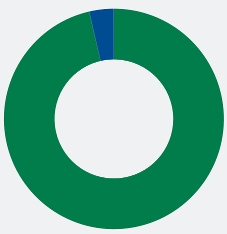
GSK	4.5
British American Tobacco	4.5
Shell	3.5
Barclays	3.2
WPP	3.1
Lloyds Banking Group	3.1
Rio Tinto	2.9
Inchcape	2.9
DCC	2.9
BP	2.8

Total number of holdings** 53

**Excludes derivatives

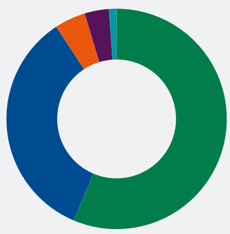
Geographic Breakdown* (%)

UK	96.4
Europe ex UK	3.6



Market Cap Breakdown (%)

FTSE 100	56.4
FTSE 250	34.4
Small Cap	4.5
Other	3.6
Cash	1.1



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:

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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.