

# 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

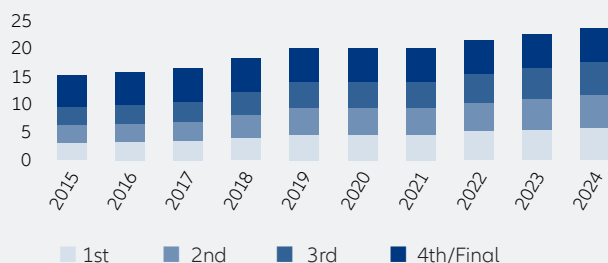
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK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

## 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
07.02.2025	19.03.2025	7.30p	3rd Interim
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

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 <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	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.



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**Total Assets** £942.5m

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

**Market Cap** £791.1m

Share Price

**533.0p**

NAV per Share

**565.3p**

Premium/-Discount

**-5.7%**

Dividend Yield

**5.4%**

Gearing

**15.9%**

## Fund Manager's Review

February brought a broad range of economic data and geopolitical developments, as well as, a large number of corporate results announcements. This prompted some large swings in financial markets and divergent movements in share prices.

On the economic front, a few important surveys indicated a sharp drop in sentiment or confidence within the US economy. This could reflect a general uncertainty, over tariffs that President Trump may impose on imports into the US. A wide range of tariffs were threatened on regions like China, the European Union, Canada and Mexico, as well as on specific commodities, like aluminium. Dramatic cuts to the US public sector, under DOGE (The Department of Government Efficiency) and policies of deportation of illegal immigrants may also have impacted the economy's ability to operate efficiently. A sharp fall in US 10-year government bond yields, from over 4.5% to around 4.2%, reflected a concern over the outlook for growth.

On the geopolitical scene, a succession of world leaders met with President Trump, who was attempting to secure a peace deal in Ukraine. He was seeking a deal that would allow the US to exploit mineral reserves in the country. It became clear that European countries, including the UK, will have to substantially increase their defence spending, to secure any lasting peace, due to the US refusing to commit to continuing military support. The Prime Minister, Sir Keir Starmer, promised to raise the UK's defence spending to 2.5% of gross domestic product by 2027, largely by cutting back the foreign aid budget.

A deterioration in economic surveys and declining bond yields, coincided with a sharp sell-off in some of the giant technology companies in the US, the so-called Magnificent Seven. The US stock market fell over the month. In the UK, the stock market gained just over 1% (total return), but there was significant polarisation. The large stocks in the FTSE 100 index were up nearly 2%, whilst medium and small sized companies were down around 3%. This is a significant and unusual gap, but followed a similar trend in January. The UK stock market seemed fragile, after significant

**“ Stock market history shows that stocks on low valuations tend to outperform those on high valuations over the long term. With the current extreme polarisation within the market, there is the potential for a major rotation at some point in the future**

outflows from investment funds. Any companies reporting disappointing trading, typically saw their shares fall significantly, almost irrespective of their valuation. Conversely, shares with momentum, and seeing rising earnings expectations, typically performed well.

The divergence in sector performance was notable. The aerospace & defence sector rallied 18%, both in anticipation of rising defence spending and in response to another positive trading update from Rolls Royce. The banks sector was also very strong, continuing a trend of the previous year. Banks shares were up 11% overall, with Lloyds up 17%, as the results season confirmed strong profits and cash generation in the industry. Lloyds raised its annual dividend by 15%. The pharmaceutical sector also posted good gains. On the other hand, a large number of sectors had negative returns, including personal goods, beverages, media and household goods & home construction, all down between 5% to 11%.

The portfolio return was significantly behind the market return, impacted by a large exposure to medium sized companies, which were generally weak. The Net Asset Value (NAV) total return was -0.69% compared to 1.32% from the benchmark, FTSE All-Share index. Three portfolio companies that lowered their earnings guidance, WPP, Tate & Lyle and Morgan Advanced Materials, fell between 17% and 22%. Not owning HSBC also affected relative performance, as the shares rose by 10%. On the positive side, Lloyds and Bank of Ireland both rallied by over 15% and not owning Diageo and Glencore was beneficial, as they both



### 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.

underperformed. In addition, the real estate company Assura gained 10% as the board turned down a bid approach from a private equity company. This looked like an opportunistic bid, taking advantage of a depressed share price to try to buy a collection of attractive assets on the cheap.

We added one new company to the portfolio, B&M European Value Retail. The company operates over 700 discount stores under the B&M facia in the UK and over 120 in France, as well as the chain of Heron discount convenience stores in the UK. B&M has a low-cost model of large stores, selling limited lines of stock that they buy cheaply in huge quantities. B&M sells household goods, homewares, toys and fast moving consumer goods. By selling mostly ambient products with long shelf-lives, B&M avoids the need for expensive refrigeration, enabling the company to offer better value to shoppers than the supermarkets. The company has a good long term record of growth, with strong financial returns and substantial cash generation. After a period of exceptional profitability during the Covid-19 pandemic, when the stores remained open as it was determined to be an essential retailer, profits have pulled back a little since. The share price has fallen significantly in the last year as B&M have cut pricing in certain areas and expanded the store base to reignite growth. This provided an opportunity to buy into a strong business at a highly attractive valuation, with a dividend yield of 5%, even excluding the numerous special dividends that the company has paid.

The B&M purchase was funded by selling down positions in several shares which had performed well and so offered less upside. In particular, we reduced the tobacco holdings after exceptional gains in 2024, as well as Tesco, AENA and Haleon.

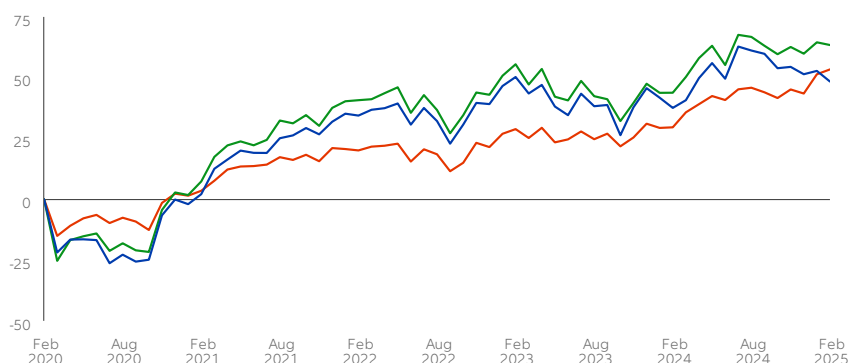
The geopolitical and economic environment is highly uncertain, with the new administration in the US and the war in Ukraine. This is creating considerable volatility between sectors and stocks within the equity market, as described above. Stock market history shows that stocks on low valuations tend to outperform those on high valuations over the long term. With the current extreme polarisation within the market there is the potential for a major rotation at some point in the future. Many fundamentally sound businesses are trading well below our assessment of their underlying value. We believe the portfolio is well positioned to deliver an attractive income stream as well as superior capital returns, in line with the Merchants' objective.

**Simon Gergel**  
**11 March 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	-3.9	-7.9	7.9	10.4	48.4
NAV (debt at fair value)	0.5	-2.0	13.6	16.1	63.4
Benchmark	5.7	5.2	18.4	27.7	53.4

### Discrete 12 Month Returns to 28 February (%)

	2025	2024	2023	2022	2021
Share Price	7.9	-8.5	11.8	31.6	2.1
NAV (debt at fair value)	13.6	-7.5	10.5	31.1	7.3
Benchmark	18.4	0.6	7.3	16.0	3.5

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 28.02.25. 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.

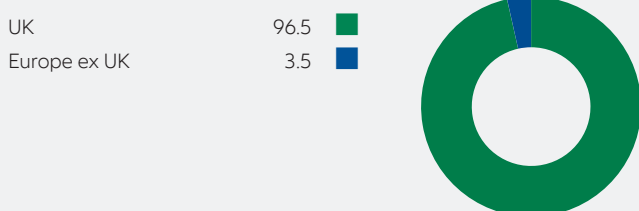
Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. This investment trust charges 65% of its annual management fee to the capital account and 35%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

## Portfolio Breakdown

### Sector Breakdown (%)

Sector	Percentage (%)
Financials	21.2
Consumer Discretionary	17.9
Industrials	14.2
Consumer Staples	12.4
Energy	11.0
Utilities	7.0
Health Care	6.2
Real Estate	5.8
Materials	4.1
Cash	0.2

### Geographic Breakdown\* (%)



### Top Ten Holdings (%)

GSK	5.1
British American Tobacco	4.5
Lloyds Banking Group	4.3
Shell	3.7
BP	3.5
DCC	3.0
Rio Tinto	2.9
Inchcape	2.8
Barclays	2.8
Tate & Lyle	2.5

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 28.02.25 unless otherwise stated.**

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