Allianz Global Investors

The benefits of income,
the value of Merchants.

The Merchants Trust PLC

Half-Yearly Financial Report, 31 July 2026

RSMR Investment Trust · aic Dividend Hero · aic ISA Millionaire 2026

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Half-Year results

As at 31 July 2026

Speciality food and beverage solutions business **Tate & Lyle** was the portfolio's top contributor to performance during the period.
PHOTO: TATE&LYLE / NAYELI REYES CUENTOS CULINARIOS

Dividend yield [1]

4.5%

31.1.26 **4.7%**

Dividend growth

+2.7%

31.7.26 **15.0p**
31.7.25 **14.6p**

Revenue earnings per ordinary share

+1.7%

31.7.26 **18.0p**
31.7.25 **17.7p**

Net Asset Value Total Return [1,2]

+9.3%

31.7.25 **+5.4%**

Share price Total Return [1]

+8.4%

31.7.25 **+1.5%**

Benchmark Total Return [1,3]

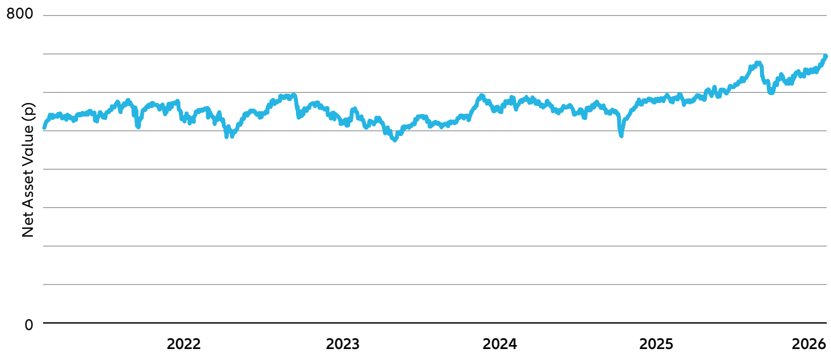
+7.9%

31.7.25 **+7.5%**

Net Asset Value per ordinary share [1,2]

710.5p

+7.1%



Share price

666.0p

+6.1%

1 Alternative Performance Measure (APM). APMs are the board's preferred measures for the most meaningful information for shareholders. Total return figures include dividends paid in the period.
2 Debt at fair value.
3 Benchmark is the FTSE All-Share Index.
See Glossary on page 28.

Chairman's Statement

Colin Clark

I am pleased to present the Merchants Trust half-year report for the six months to 31 July 2026. The period has again demonstrated the value of a steady and disciplined investment approach through an unusually unsettled political, economic and market environment.

Against this backdrop, Merchants delivered a Net Asset Value total return of 9.3% over the six-month period, compared with 7.9% for the FTSE All-Share Index. This represents a strong absolute return and clear outperformance against the benchmark. The share price total return was 8.4% and the Company's shares traded at an average discount of 5.0% to Net Asset Value during the period.

Our Manager has continued to identify strong businesses with positive prospects not fully reflected in their valuations, and responded to significant changes in the relative pricing of individual companies and sectors. The Board is encouraged by the performance of the portfolio and by it's income generation which has enabled Merchants to continue the progression of the dividend over 44 consecutive years.

Background

The first half of the year brought a succession of political, economic and geopolitical challenges. Conflict in the Middle East intensified sharply, while the continuing war in Ukraine reminded us again of Europe's unsettled security environment.

Disruption to energy markets renewed concerns over inflation and economic growth, challenging earlier expectations of a relatively smooth decline in interest rates. While some of these pressures eased towards the end of the period, the path for monetary policy in the UK and elsewhere remains difficult to predict.

On a domestic note, there has once again been a change of political leadership in the UK, with Andy Burnham succeeding Sir Keir Starmer as Prime Minister. It is too early to judge if the investing environment will be substantially different under the new administration, but it faces the same economic and fiscal challenges as the last.

The UK economy has nevertheless proved more resilient than many had expected, with growth comparing favourably with a number of other major European economies.

We continue to believe that UK equities offer attractive value. The market has risen strongly over the past year, yet valuations remain modest relative to many overseas markets and, in a number of areas, relative to these companies' own histories. While many of the companies in which Merchants invests generate substantial revenues internationally, a constructive domestic backdrop is always welcome.

Performance and portfolio

The overall market return during the period conceals considerable movement beneath the surface. Individual sectors and stocks have experienced unusually wide variations in performance, influenced by geopolitical events, changing bond yields, vertiginous shifts in expectations around artificial intelligence, and a continuing preference among investors for companies showing strong short-term earnings momentum.

The Merchants portfolio did not escape this volatility. March was particularly difficult, as conflict in the Middle East caused a sharp fall in equity markets and placed pressure on share prices of many of the medium-sized and more cyclical companies in the portfolio. Performance recovered strongly over the remainder of the period, however, culminating in a particularly strong July.

Over the full six months, this resulted in strong absolute returns and outperformance against the FTSE All-Share Index, driven principally by successful stock selection. This more than offset the headwind from the portfolio's substantial exposure to medium-sized companies.

The Manager has maintained the same investment discipline throughout: seeking sound businesses with strong franchises, sustainable cash generation, attractive valuations and the potential to provide both capital appreciation and income over time.

Merchants has now delivered 44 consecutive years of dividend growth. This record remains one of the defining characteristics of the Company and reflects both the income generated by the underlying portfolio and the advantages of the investment trust structure.

This consistency should not be confused with inactivity. Market polarisation created opportunities both to take profits where valuations had risen significantly and to redeploy capital into companies offering greater upside. Eight new holdings were added during the period and five were exited, including new investments in businesses which the Manager believed had been excessively marked down because of concerns over the disruptive impact of artificial intelligence. Some of these more recent investments have already contributed positively to performance.

We have also seen external validation of the Manager's ability to identify sound businesses whose prospects are under-priced by the market. Two of the portfolio's larger holdings, DCC and Tate & Lyle, were subject to takeover bids at substantial premiums during the period, providing further evidence of the value that can exist in companies which public markets have overlooked.

The portfolio continues to have substantial exposure to medium-sized UK companies, where the Manager sees particularly attractive valuations. In many cases, valuations remain below those of larger companies while, unusually, dividend yields are also highly attractive. The Board continues to support this approach.

Earnings and dividends

Income remains central to the Merchants proposition. Total income from the portfolio was £29.1m, 1.0% higher than the £28.8m generated in the first half of the previous financial year.

Revenue earnings per share for the six months were 18.0p, compared with 17.7p in the equivalent period last year.

The Board has declared a second interim dividend of 7.5p per share, payable on 19 November 2026 to shareholders on the register at 9 October 2026. A Dividend Reinvestment Plan (DRIP) is available for this dividend for which the relevant Election Date is 29 October 2026 and the ex-dividend date is 8 October 2026.

This follows the first interim dividend of 7.5p per share, compared to dividends of 7.3p in each of the first and second quarters last year, continuing the upward progression of the Company's dividend.

Merchants has now delivered 44 consecutive years of dividend growth. This record remains one of the defining characteristics of the Company and reflects both the income generated by the underlying portfolio and the advantages of the investment trust structure, including the ability to build and use revenue reserves over time. We are as focused on dividends as you are.

Shareholder engagement

The Annual General Meeting was held on 19 May, with shareholders again offered the opportunity to participate either in person or electronically and we remain committed to making it as straightforward as possible for shareholders to engage with the Board and Manager.

The Board continues to monitor closely the relationship between the Merchants share price and its Net Asset Value. Over the half year, the shares traded at an average discount of 5.0%, and we continue to work with the Manager and our advisers to communicate clearly the Company's record of attractive long-term returns, above-average and growing income and the opportunities available within the UK market.

The Board retains the ability to buy back shares where it considers this to be in shareholders' interests. Merchants last repurchased shares in November 2025, and we continue to keep the position under close review.

"

Despite the strong rise in the UK market, we continue to see attractive valuations across a wide range of companies, particularly among medium-sized businesses.

Board developments

This will be my final interim statement as Chairman of The Merchants Trust as I will step down from the Board on 30 September 2026.

I am very pleased that Karen McKellar, currently our Senior Independent Director, will succeed me as Chairman. Karen joined the Board in May 2020 and therefore brings more than six years of direct experience of Merchants, alongside a long career in investment management and considerable investment trust expertise. I am also pleased to announce that Neil Galloway will assume the role of Senior Independent Director. Neil joined the Board in July 2025 and brings extensive industry knowledge and experience to the position. The Board is undertaking a search for a new Non-Executive Director, whom we expect to appoint later in the year.

Continuity and stability have long been important characteristics of Merchants. Karen already knows the Company extremely well, while Simon Gergel has now served as lead portfolio manager for more than 20 years. That depth of experience reflects a broader continuity at Merchants, whose success has been built over many years through consistency of purpose, disciplined investment and a focus on delivering a high and rising income alongside long-term capital growth.

I am confident those characteristics will remain firmly in place under Karen's leadership.

Outlook

The economic and geopolitical outlook remains unusually difficult to forecast, with several of the uncertainties discussed above likely to continue influencing markets. Experience tells us that trying to predict each of these variables is rarely a productive basis for long-term investment. The Manager will continue to concentrate on the fundamentals of individual businesses and on the prices at which those businesses can be purchased.

Despite the strong rise in the UK market, we continue to see attractive valuations across a wide range of companies, particularly among medium-sized businesses. Recent volatility and substantial differences in performance between sectors have continued to create opportunities, as reflected in the unusually high level of new investment during the period, and the Manager remains confident in the income and capital return potential of the portfolio.

The Board, meanwhile, remains confident in Merchants' strategy and in the disciplined approach of the investment team.

I would like to thank shareholders for their continued support, and also my fellow Directors, Simon and the wider Allianz Global Investors team for their support during my time as Chairman.

I leave Merchants with great confidence in its future and in its ability to continue delivering for you, the shareholders, with the same steadiness of purpose that has characterised the Company for so many years.

Principal Risks and Uncertainties

As identified in the Annual Report, the principal risks relate to investment strategy and investment performance. Those identified as having the highest impact and the greatest likelihood are geopolitical and climate risks.

The principal risks and uncertainties facing the company, together with the board's controls and mitigation, are those described in the Annual Report for the year ended 31 January 2026 published in April 2026 and are listed below:

- Investment strategy, for example, asset allocation or the level of gearing may lead to a failure to meet the company's objectives, such as income generation and dividend growth.
- Investment performance, for example poor stock selection for the portfolio leads to a decline in the rating and attraction of the company.

Risks such as significant geopolitical risks and climate change risks have become progressively more prevalent and are no longer classified as 'emerging risks'.

The board's approach to mitigating these risks and uncertainties is set out in the explanation with the Risk Map in the Annual Report. In the board's view these will remain the principal risks and uncertainties for the six months to 31 January 2027.

Going Concern

The directors have considered the company's investment objective and capital structure both in general terms and in the context of the current macro-economic background. Having noted that the portfolio is liquid as it consists mainly of securities which are readily realisable, and through continuous assessment of the company's financial covenants, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have also considered the continuing risks and consequences of macroeconomic and unanticipated shocks on the operational aspects of the company and have concluded that the company has the ability to continue in operation and meet its objectives in the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Responsibility Statements

The directors confirm to the best of their knowledge that:

The condensed set of financial statements contained within the half-yearly financial report has been prepared in accordance with FRS102 and FRS104, as set out in Note 2, the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and

The interim management report includes a fair review of the information required by The Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rule 4.2.7 R of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

The interim management report includes a fair review of the information concerning related parties transactions as required by the Disclosure Guidance and Transparency Rule 4.2.8 R.

Colin Clark
Chairman
17 September 2026

Performance – half-year review

Revenue

Six months ended 31 July	2026	2025	% change
Income (£m)	29.1	28.8	+1.0
Revenue earnings attributable to ordinary shareholders (£m)	26.6	26.3	+1.1
Revenue earnings per ordinary share	18.0p	17.7p	+1.7
Dividends per ordinary share in respect of the period	15.0p	14.6p	+2.7

Assets

	31 July 2026	31 January 2026	Capital return % change	Total return[1] % change
Net Asset Value per ordinary share with debt at par	697.5p	653.3p	+6.8	+9.0
Net Asset Value per ordinary share with debt at fair value	710.5p	663.5p	+7.1	+9.3
Ordinary share price	666.0p	628.0p	+6.1	+8.4
FTSE All-Share	5,836.5	5,511.5	+5.9	+7.9
Discount of ordinary share price to Net Asset Value (debt at par)	(4.5%)	(3.9%)	n/a	n/a
Discount of ordinary share price to Net Asset Value (debt at fair value)	(6.3%)	(5.4%)	n/a	n/a

[1] Net Asset Value total return reflects both the change in Net Asset Value per ordinary share and the net ordinary dividends paid.
A Glossary of Alternative Performance Measures (APMs) can be found on page 28.

Investment Manager's Review

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Autotrader, the UK's largest digital automotive platform, was a new addition to the portfolio.

Portfolio Managers' report

Simon Gergel
Lead Portfolio Manager

Richard Knight
Portfolio Manager

Andrew Koch
Portfolio Manager

Economic and market background

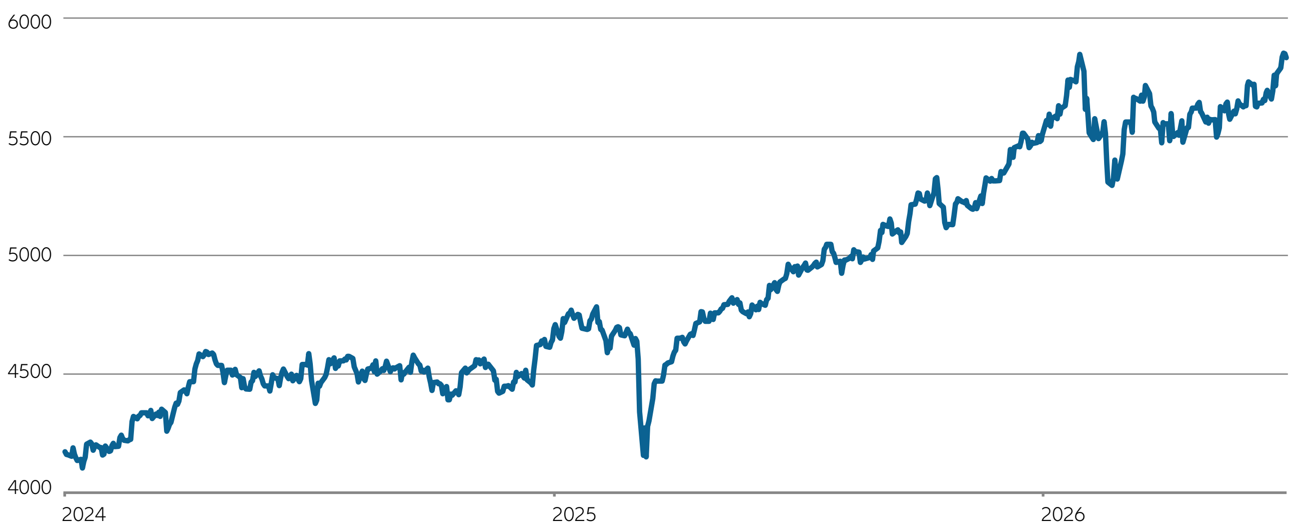
The first half of the financial year was another strong period for the UK equity market, despite war breaking out in Iran and continuing domestic political uncertainty. This continued a positive run for the market, which had already returned over 40% in the previous two years.

At the beginning of the year, it seemed like the UK economy would start to see the benefit from six cuts to UK interest rates in the prior 18 months, feeding through to lower borrowing costs for consumers and corporations. In retrospect, this seemed to be happening, with UK gross domestic product rising by 0.6% in the first quarter of 2026, representing an acceleration in growth. However, at the end of February, the USA and Israel launched a joint attack on Iran, which led to a war in the region. This severely impacted the vital Strait of Hormuz, where a significant portion of the world's oil, gas, fertilisers and other products flow. This caused a major spike in energy prices and certain other commodities.

This price surge led to fears of higher inflationary pressures across the globe, and raised the prospect that central banks would pause interest rate cuts and may even raise rates. The European Central Bank did raise interest rates on 11th June, whilst the Bank of England and the US Fed remained on hold. Government bond prices fell as yields rose, with 10 year gilt yields rising from 4.5% to 5.0%.

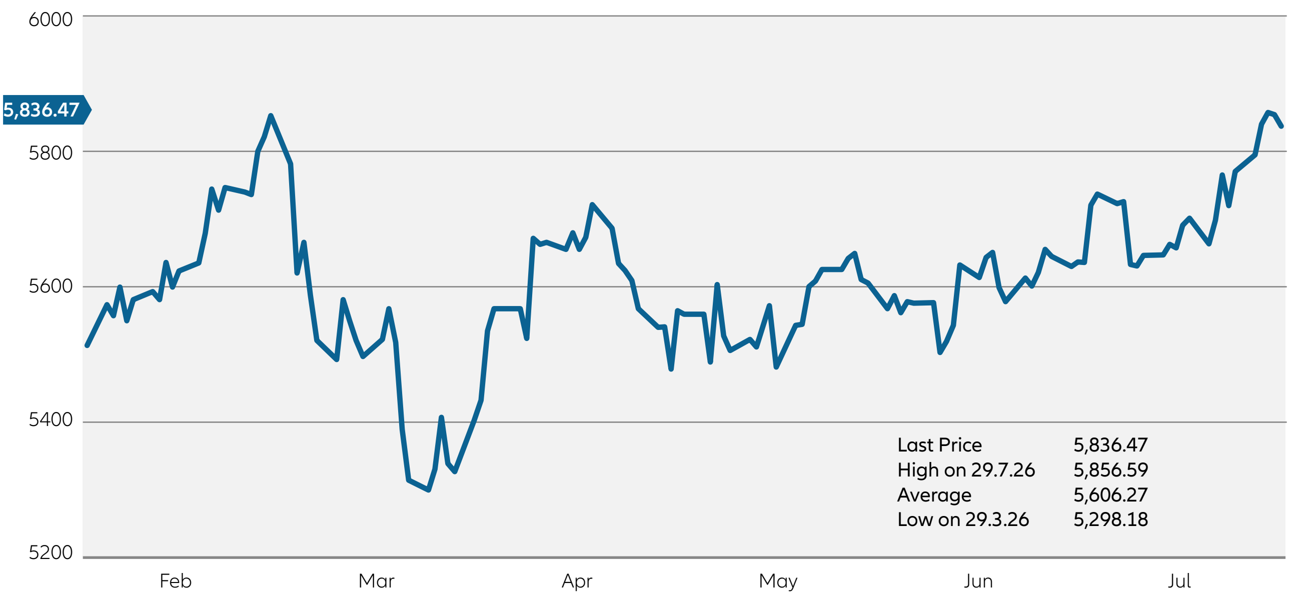
The war in Iran also impacted stock markets, which started the year strongly but then fell heavily in March. As the months progressed, stock markets gradually recovered as the hostilities reduced and there were tentative signs that a peace deal could be reached. Travel through the Strait of Hormuz recovered sporadically, and oil prices retreated, albeit not back to the levels seen in January.

FTSE All-Share Index, 31 January 2024 to 31 July 2026



Source: AllianzGI/Datastream.

FTSE All-Share Index for the six months to 31 July 2026



Source: AllianzGI/Datastream.

In the domestic sphere, prime minister Sir Keir Starmer came under relentless pressure, with Labour struggling in the polls and with very poor local election results in May. He lost the support of several members of his cabinet and chose to resign. Labour MPs rallied around Andy Burnham, who had previously been the mayor of Manchester, but was elected back to parliament in June. He was then chosen, unopposed, to be the new prime minister in July, giving the UK its seventh prime minister in just over a decade.

Neither the war in Iran, nor the political uncertainty, derailed the rising stock market for long. Over six months the FTSE All-Share Index of UK companies produced a total return of around 8%, similar to the return in European and US markets. Within global stock markets a key focus was the explosive growth of Artificial Intelligence (AI) and the enormous capital expenditure plans of so called "hyperscalers", such as Amazon, Alphabet and Microsoft. There was a huge rally and heightened volatility in semiconductor companies in particular, but there were also large moves in other technology companies and suppliers of equipment and power for datacentres. Perhaps the stand-out feature was the flotation of Elon Musk's space exploration and communications company Space X, at an initial valuation of nearly $1.8 trillion.

The UK stock market has very few technology companies and a low exposure to the datacentre spending boom. The major trends in the UK were very different to many other markets. The best performing sectors included oil & gas, driven by the spike in commodity prices, banks, where higher interest rate expectations leant support to the strong current profitability cycle, and non-life insurance. The weakest sectors included cyclical and domestically exposed industries, including housebuilding and real estate. These sectors are sensitive to interest rates and economic growth expectations. They suffered as expectations for economic recovery were pushed back. Utilities sectors also underperformed partly due to rising political risk, amidst talk of Andy Burnham's government taking more control of certain industries. Medium sized and smaller companies, which tend to have a more domestic and cyclical exposure, underperformed the overall market index.

Investment performance

Portfolio performance was ahead of the benchmark return. Stock selection gains offset a small negative impact from sector selection and the large exposure to medium sized companies. Two of the largest portfolio holdings, the speciality ingredients company **Tate & Lyle**, and the distributor **DCC Energy**, were subject to takeover bids at a substantial premium. They gained 50% and 40% respectively. The catering company **Sodexo** and value retailer **B&M** both rallied by around 30%, with investors warming to the turnaround strategies of both companies, under new chief executives. Elsewhere, the accounting software company **Sage** shares rose sharply after our purchase in June. Alternative fund manager **Man Group** continued a strong rally on the back of positive client flows and fund performance. Also, the insurance company **Legal & General** outperformed.

In addition, within the top ten contributors to performance, there was a benefit from not owning two large stocks which underperformed and held back the index return. The pharmaceutical company AstraZeneca lagged the market, with some disappointment on drug trials. The investment company 3i was also weak as its largest asset, the international value retailer Action, experienced weaker trading conditions.

On the negative side, several of the main detractors from performance were companies that are sensitive to domestic economic activity. Housebuilders **Barratt Redrow** and **Bellway** both fell by

Independent publishing house **Bloomsbury** was another new investment early in the year.
PHOTO: BLOOMSBURY PUBLISHING

Contribution to investment performance relative to the benchmark

	Overweight / underweight (%)	Total return (%)	Contribution (bps)
Best			
Tate & Lyle	2.5	50.6	126
AstraZeneca	-7.4	-6.1	101
DCC	2.6	40.4	90
Sodexo	1.4	30.5	31
B&M	1.4	30.1	30
Sage Group	0.0	19.8	25
National Grid	-0.8	-1.1	24
3i	-0.9	-12.7	23
Man Group	1.9	18.9	22
Legal & General	1.9	20.3	19
Worst			
HSBC	-8.2	26.7	-144
Barratt Redrow	1.5	-23.0	-61
Rolls Royce	-3.8	21.7	-52
Bellway	1.0	-25.9	-42
DFS Furniture	0.9	-27.6	-40
Serco Group	1.3	-18.6	-38
Whitbread	2.2	-5.5	-32
Shell	-2.5	23.3	-30
Atalaya Mining	1.3	-13.3	-28
Primary Health Properties	1.5	-5.2	-24

about 25%, as an anticipated recovery in the housing market was stalled by higher mortgage costs and economic uncertainty. There was a similar impact on sofa company **DFS**, whilst **Whitbread**, which owns the Premier Inn hotel brand, also underperformed the market. Elsewhere, the government services company **Serco** pulled back, as investors took some profits in defence related stocks after a very strong run last year. Copper miner **Atalaya** also suffered from profit taking, and shares in the GP surgery owner **Primary Health Properties** declined modestly.

The biggest individual impact on relative performance, however, came from not owning HSBC. The bank represents a large part of the UK index and its shares rallied by a quarter, in a strong sector. Within the banks sector we have preferred domestically-focused banks, which trade on lower valuations and are less exposed to geopolitical risk. Similarly, not owning Rolls Royce and having an underweight position in **Shell** impacted relative returns, with both shares returning over 20%.

Portfolio changes

We talked in the annual report about the changing nature of the UK stock market and structural reasons why intra-market volatility has increased. This led to a "K" shaped stock market last year, where many sectors and stocks underperformed significantly, at the same time that others were very strong. This polarised market has continued into the current year. It has continued to create a lot of investment opportunities, with strong companies becoming oversold and offering excellent value. On the other hand, many other companies' shares performed well, providing opportunities to take profits or exit positions entirely, closer to fair value. As such, investment activity has continued at a high level.

We added eight new companies to the portfolio, and sold out of five completely, whilst also adjusting many other positions in response to share price moves or emerging news flow.

In June, we added nearly 5% to the portfolio, split across three companies in the software and information services sector. This was in response to an extreme sell-off in this part of the market on fears that AI might disrupt business models. For the first time in many years, these companies were trading on modest valuations and with dividend yields close to the market average or higher. Whilst we acknowledge that AI does create some new potential risks, it also creates opportunities to sell incremental services. By diversifying the exposure across three stocks, we were taking advantage of what we believed was a mis-pricing of this area, without taking undue risk on any one company.

The shares we bought were **Autotrader**, **Sage** and **Wolters Kluwer**. Autotrader is the clear UK market leading portal for buyers and sellers of used and new cars, with 14,000 car dealers as customers. Sage is a multinational provider of accounting and related software for small businesses. Accounting software tends to be very "sticky" with low levels of customer churn. Sage's revenues typically grow each year from existing customers alone, before including the benefits of new customer additions. Wolters Kluwer is a Dutch listed and highly diversified global information services and solutions provider. It serves professionals in health, tax, finance, legal and other sectors, with products and services that are often highly integrated into workflows, business processes and regulatory reporting requirements.

In a related area, we invested in the publishing business, **Bloomsbury**, early in the year. Bloomsbury is famous for the Harry Potter series, but also publishes other highly successful authors like Sarah J Maas, and it has smaller academic publishing and digital resources businesses. The company has an excellent long-term record but after an exceptional 2024, profitability had come back somewhat, and the shares had fallen by over 30%. The share price drop provided an opportunity to buy into an exceptional smaller company at a very modest valuation. We also bought a new position in **SSP Group**, a global operator of food and beverage outlets in travel locations, with nearly 50,000 employees across c.3,000 units in around 40 countries. Disruption to international travel and some operational issues led to earnings disappointments, and the shares had fallen to a valuation that we believed undervalued SSP's good prospects for growth.

We invested in **Breedon**, which produces aggregates, cement, asphalt and other heavy building materials in the UK, Ireland and Missouri in the USA. The company is benefitting from structural growth in infrastructure spending in Ireland and the USA, with significant recovery potential in the UK in infrastructure, housing and commercial markets. Another new investment is **Chesnara plc**, an insurance company, which has grown by acquiring legacy books of life insurance and pensions policies from companies like HSBC, Countrywide and Canada Life, in the UK, Netherlands and Sweden. Chesnara drives efficiency gains from consolidating these activities and greater management focus, and so enhances cash generation. The business has an excellent 21-year record of dividend growth and had a dividend yield of over 7%.

The final new investment was **Coloplast**, a Danish-listed chronic care company. It is the world leader in ostomy and continence care, with market shares of 35-45%, has an 85% share in voice & respiratory care and it also has products in urology and wound & tissue repair. The company has an excellent long term growth record. It benefits from trends such as an ageing population with growing healthcare needs, yet the shares had fallen heavily. The business had experienced some cost pressures, a product recall and a poorly timed acquisition, which led to a severe de-rating. This enabled us to buy a position in the shares at a valuation considerably below normal, offering excellent value and with a 5% dividend yield.

We sold out of five companies from the portfolio. The distribution business **DCC Energy** received a takeover offer at a significant premium to the prevailing price. Reinsurer **SCOR** had appreciated significantly on the back of an improvement in its operational performance, which took the shares closer to fair value. The other three companies were in the consumer staples sector. **Unilever**, the food and personal care business, announced a deal to sell its food business to US food and ingredients company McCormick. Whilst we understand the logic of the deal, it will take a long time to complete and we decided to sell the shares to reinvest in a bigger position in **Reckitt**, which we believed offered better value. We also sold the very small position in **The Magnum Ice Cream Company** that had demerged from Unilever and had performed well. Finally, we sold out of the soap and beauty company **PZ Cussons**, where our conviction in the investment case had deteriorated, to fund other investments.

Income

Income grew modestly in the first half, with total income of £29.1m (£28.8m). There were a few companies that reduced their dividends, either due to difficult trading conditions, or to allocate more capital towards buying back shares at low share prices. On the other hand, we have also seen several companies announce significant dividend increases. These companies have rebalanced payments towards dividends and away from share buy-backs, after their share prices have appreciated, making buy-backs less attractive. In particular, we note a 30% interim dividend increase at **Lloyds Bank**, the largest single income producer in the portfolio, and a near doubling of the interim dividend at **Barclays Bank**, which has committed to a substantial increase in the full year payment too. Both these dividend increases will benefit income received in the second half of the financial year.

Many of the companies purchased this year – Chesnara, Sage, Wolters Kluwer, Coloplast and Bloomsbury Publishing – have exceptional records of paying progressive (rising or flat) dividends, stretching back over decades. Whilst this was not our primary reason for investing in them – we remain focused on intrinsic value – this record lends support to continuing Merchants' unbroken 44-year record of dividend growth.

> Although the UK stock market has performed well, it remains one of the cheaper equity markets in the world… This is despite a broad geographic exposure and the strong governance standards that UK listed companies offer.

As we have mentioned previously, the payout ratio of the UK stock market remains low compared to history, partly due to a rising preference for buy-backs over dividends. The payout ratio compares company earnings to their dividend payments. A low ratio implies that dividend payments, in general, should be more resilient if there is a significant economic downturn or geopolitical shock. However, we continue to monitor the capital distribution choices that companies make.

Outlook

There remains considerable uncertainty over the geopolitical and macro-economic outlook. The war in Ukraine continues, after more than four years, whilst the fluid situation in Iran is still having an impact over the flow of oil, gas and other commodities through the Strait of Hormuz. This is leading to continuing uncertainty over the price of energy, the rate of inflation, and therefore the course of interest rates and ultimately economic growth worldwide. Booming demand for AI and related datacentre construction is boosting demand for power, semiconductors, copper and many other materials, especially in the USA. How this evolves, and whether boom turns to bust, is hard to call.

In the UK, optimism that an economic recovery would build this year, has been at least pushed back by political uncertainty and rising bond yields. However, despite these challenges, economic growth has remained solid. There should still be a benefit to activity from earlier interest rate reductions. Whilst having a new prime minister brings new questions, Andy Burnham has committed to following the Labour manifesto promises on taxation and to meeting the government's fiscal rules. To date this has broadly reassured the gilt market.

We build the investment portfolio predominantly on a "bottom-up" basis, focusing on the intrinsic value of individual companies and trying to identify those where future prospects are under-valued in their share prices. We have diversified the portfolio over a wide range of sectors and geographic end markets. However, the stock market is highly polarised. Thus we have found certain industries to be offering particularly good value, and therefore we have a large exposure to those industries in the portfolio.

Companies that are more domestically oriented and cyclical than average tend to be underpriced currently, due to macroeconomic and political concerns. Whilst it may take time for these companies to see a strong recovery in trading, there are some compelling value opportunities in companies with strong market positions and robust financial profiles. Within these areas, the portfolio has a big exposure to building and construction stocks. This includes housebuilders, housing product manufacturers and building material producers and distributors, operating in the UK, Ireland and further afield. There are also significant positions in real estate businesses and various retail and consumer stocks.

Elsewhere, as mentioned above, we have built up an exposure to software and services companies that have excellent growth records, but in our view have been over-sold on concerns that AI might disrupt their businesses. We also continue to have a significant exposure to the oil & gas, healthcare, mining, industrials, banks and other financial services sectors.

Although the UK stock market has performed well, it remains one of the cheaper equity markets in the world. The prospective price to earnings ratio of the UK stock market is around 13, compared to around 15 for the major European markets, and 20 or more for the main US indices.* This is despite a broad geographic exposure and the strong governance standards that UK listed companies offer. Within the market, medium-sized companies look particularly cheap, offering a rare discount to their larger peers and the portfolio has a large weighting to that part of the index. The large number of new investments we made in the first six months is indicative of the numerous attractive investment opportunities we have identified. We are optimistic that the portfolio has the potential to deliver a growing dividend income stream and strong capital returns to meet Merchants' objectives.

* Source: Deutsche Bank Research, 12 August 2026.

We started a new position in **SSP Group**, operator of food and beverage outlets in airports and railway stations in 38 countries around the world.

PHOTO: SSP GROUP

Portfolio breakdown

at 31 July 2026

Name	Principal activities	Value £'000s	% of listed holdings	Benchmark weighting
Lloyds Banking Group	*Banks*	65,908	5.88	2.29
Shell	*Oil, Gas & Coal*	53,485	4.77	6.48
Reckitt Benckiser Group	*Personal Care, Drug & Grocery Stores*	51,071	4.55	1.15
GSK	*Pharmaceuticals & Biotechnology*	49,723	4.43	2.63
Rio Tinto	*Industrial Metals & Mining*	41,956	3.74	2.53
Barclays	*Banks*	35,863	3.20	2.37
Grafton Group	*Industrial Support Services*	31,465	2.81	0.06
BP	*Oil, Gas & Coal*	30,642	2.73	2.96
Hikma Pharmaceuticals	*Pharmaceuticals & Biotechnology*	30,603	2.73	0.08
RS Group	*Industrial Support Services*	27,619	2.46	0.11
Whitbread	*Travel & Leisure*	27,610	2.46	0.14
Harbour Energy	*Oil, Gas & Coal*	26,013	2.32	0.06
Land Securities Group	*Real Estate Investment Trusts*	24,142	2.15	0.18
Inchcape	*Retailers*	24,023	2.14	0.09
Sirius Real Estate	*Real Estate Investment & Services*	23,332	2.08	0.05
Legal & General	*Life Insurance*	21,984	1.96	0.57
Breedon Group	*Construction & Materials*	21,359	1.91	0.03
Pets At Home Group	*Retailers*	21,061	1.88	0.03
OSB Group	*Finance & Credit Services*	20,403	1.82	0.07
Sage Group	*Software & Computer Services*	19,456	1.74	0.30
B&M	*Retailers*	19,149	1.71	0.08
Wolters Kluwer[1]	*Industrial Support Services*	18,856	1.68	-
Tate & Lyle	*Food Producers*	18,725	1.67	0.07
Sodexo[1]	*Travel & Leisure*	18,663	1.66	-
Autotrader Group	*Software & Computer Services*	17,802	1.59	0.15
Barratt Redrow	*Household Goods & Home Construction*	17,625	1.57	0.13
Man Group	*Investment Banking & Brokerage*	17,211	1.53	0.12
Michelin[1]	*Automobiles & Parts*	17,186	1.53	-
Unite Group	*Real Estate Investment Trusts*	17,108	1.53	0.08
Entain	*Travel & Leisure*	17,042	1.52	0.11
Coloplast[1]	*Medical Equipment & Services*	16,988	1.51	-
Serco Group	*Industrial Support Services*	16,292	1.45	0.08
Atalaya Mining[1]	*Precious Metals & Mining*	16,232	1.45	-
British American Tobacco	*Tobacco*	15,991	1.43	3.17
MONY Group	*Software & Computer Services*	15,819	1.41	0.03
SSE	*Electricity*	15,477	1.38	0.97
IG Group	*Investment Banking & Brokerage*	14,819	1.32	0.16
Morgan Advanced	*Electronic & Electrical Equipment*	14,030	1.25	0.02
Lancashire Holdings	*Non-Life Insurance*	13,999	1.25	0.05
Marshalls	*Construction & Materials*	13,918	1.24	0.01
Primary Health Properties	*Real Estate Investment Trusts*	13,276	1.18	0.08

Name	Principal activities	Value £'000s	% of listed holdings	Benchmark weighting
Burberry Group	*Personal Goods*	13,063	1.16	0.15
SSP Group	*Travel & Leisure*	12,456	1.11	0.05
Chesnara	*Life Insurance*	12,049	1.07	0.03
Bloomsbury Publishing	*Media*	11,725	1.05	0.02
Bellway	*Household Goods & Home Construction*	10,874	0.97	0.07
Norcros	*Construction & Materials*	10,375	0.93	0.01
DFS Furniture	*Retailers*	9,773	0.87	0.01
National Grid	*Gas, Water & Multiutilities*	8,946	0.80	2.02
Energean	*Oil, Gas & Coal*	8,930	0.80	0.03
XP Power	*Electronic & Electrical Equipment*	7,552	0.67	0.01
Conduit Holdings	*Non-Life Insurance*	7,401	0.66	0.00
Begbies Traynor Group	*Investment Banking & Brokerage*	4,952	0.44	0.00
Duke Royalty	*Finance & Credit Services*	3,976	0.35	0.00
CLS Holdings	*Real Estate Investment & Services*	3,701	0.33	0.00
SThree	*Industrial Support Services*	1,883	0.17	0.01
Total invested funds		**1,121,582**	**100.00**	

[1] International stock

The portfolio has been broken down into two categories to provide shareholders with a greater insight into the investment rationale for different shareholdings. These are:

Classic value: These are valuation-driven investments. Typically, the shares of a company will trade at a substantial discount to their intrinsic value because the business is misunderstood or out of favour with the market. While there need not be long-term growth, the business model is structurally sound and financial risk is limited.

Franchise: These are business model driven investments. Our investment cases are always premised on attractive absolute valuations. However, a franchise investment has the added advantage of delivering long-term growth with the potential to compound value. These are quality companies with sustainable advantages where either the market has lost sight of the fact or has yet to recognise it.

Portfolio analysis

Sector	% held*	Benchmark weighting
Consumer Discretionary	23.65	6.46
Financials	21.41	25.31
Industrials	14.24	12.35
Energy	10.38	9.63
Health Care	8.48	10.87
Basic Materials	5.07	7.25
Real Estate	4.76	2.10
Technology	4.63	2.44
Consumer Staples	3.03	12.81
Utilities	2.13	4.19
Net current assets	2.22	-

Shares in accounting software company **Sage** rose sharply after our purchase in June.

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Income Statement

for the six months ended 31 July 2026

		For the six months ended 31 July 2026			For the six months ended 31 July 2025		
		Revenue £'000s	**Capital £'000s**	**Total Return £'000s**	**Revenue £'000s**	**Capital £'000s**	**Total Return £'000s**
	Notes			*1*			*1*
Gains on investments held at fair value through profit or loss		-	63,173	63,173	-	22,523	22,523
Losses on foreign currencies		-	(42)	(42)	-	(77)	(77)
Gains (losses) on derivatives		-	621	621	-	(413)	(413)
Income from investments		28,312	-	28,312	28,112	-	28,112
Other income		764	-	764	723	-	723
Investment management fee		(662)	(1,229)	(1,891)	(586)	(1,089)	(1,675)
Administrative expenses		(653)	(3)	(656)	(648)	(2)	(650)
Profit before finance costs and taxation		**27,761**	**62,520**	**90,281**	**27,601**	**20,942**	**48,543**
Finance costs: interest payable and similar charges		(1,046)	(1,903)	(2,949)	(1,045)	(1,902)	(2,947)
Profit on ordinary activities before taxation		**26,715**	**60,617**	**87,332**	**26,556**	**19,040**	**45,596**
Taxation		(93)	-	(93)	(234)	-	(234)
Profit after taxation attributable to ordinary shareholders		**26,622**	**60,617**	**87,239**	**26,322**	**19,040**	**45,362**
Earnings per ordinary share (basic and diluted)	*4*	**18.03p**	**41.06p**	**59.09p**	**17.73p**	**12.83p**	**30.56p**

Statement of Changes in Equity

	Notes	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total £'000s
Six months ended 31 July 2026							
Net assets at 1 February 2026		37,106	228,726	293	668,425	29,914	964,464
Revenue profit		-	-	-	-	26,622	26,622
Dividends on ordinary shares	*3*	-	-	-	-	(21,997)	(21,997)
Unclaimed dividends		-	-	-	-	43	43
Capital profit		-	-	-	60,617	-	60,617
Net assets at 31 July 2026		**37,106**	**228,726**	**293**	**729,042**	**34,582**	**1,029,749**
Six months ended 31 July 2025							
Net assets at 1 February 2025		37,106	228,726	293	555,757	27,940	849,822
Revenue profit		-	-	-	-	26,322	26,322
Dividends on ordinary shares	*3*	-	-	-	-	(21,670)	(21,670)
Capital profit		-	-	-	19,040	-	19,040
Net assets at 31 July 2025		**37,106**	**228,726**	**293**	**574,797**	**32,592**	**873,514**

Balance Sheet

	As at 31 July 2026 £'000s	As at 31 July 2025 £'000s	As at 31 January 2026 £'000s
Assets and liabilities			
Investments held at fair value through profit or loss	1,121,582	973,135	1,056,366
Net current assets	25,463	17,610	24,944
Total assets less current liabilities	**1,147,045**	**990,745**	**1,081,310**
Creditors: amounts falling due after more than one year	(117,296)	(117,231)	(116,846)
Total net assets	**1,029,749**	**873,514**	**964,464**
Capital and reserves			
Called up share capital	37,106	37,106	37,106
Share premium account	228,726	228,726	228,726
Capital redemption reserve	293	293	293
Capital reserve	729,042	574,797	668,425
Revenue reserve	34,582	32,592	29,914
Equity shareholders' funds	**1,029,749**	**873,514**	**964,464**
Net Asset Value per ordinary share	**697.5p**	**588.5p**	**653.3p**

The Net Asset Value as at 31 July 2026 is based on 147,632,870 ordinary shares.
The Net Asset Value as at 31 July 2025 is based on 148,424,887 ordinary shares.
The Net Asset Value as at 31 January 2026 is based on 147,632,870 ordinary shares.

Cash Flow Statement

	Six months ended 31 July 2026 £'000s	Six months ended 31 July 2025 £'000s
Operating activities		
Profit before finance costs and taxation[1]	90,281	48,543
Less: gains on investments held at fair value	(63,173)	(23,214)
Less (add): gains (losses) on derivatives	(663)	395
Add: losses on foreign currency	42	77
Purchase of fixed asset investments held at fair value through profit or loss	(246,609)	(164,232)
Sales of fixed asset investments held at fair value through profit or loss	242,197	176,848
Transaction costs	(1,162)	(691)
Increase in other receivables	(964)	(2,070)
(Decrease) increase in other payables	(109)	82
Less: overseas tax suffered	(93)	(234)
Net cash inflow from operating activities	**19,747**	**35,504**
Financing activities		
Interest paid	(2,905)	(2,901)
Dividend paid on cumulative preference stock	(21)	(21)
Dividends paid on ordinary shares	(21,997)	(21,670)
Unclaimed dividends over 12 years	43	-
Net cash outflow from financing activities	**(24,880)**	**(24,592)**
(Decrease) increase in cash and cash equivalents	**(5,133)**	**10,912**
Cash and cash equivalents at the start of the period	26,079	15,604
Effect of foreign exchange rates	(42)	(77)
Cash and cash equivalents at the end of the period	20,904	26,439
Comprising:		
Cash at bank and in hand	20,904	26,439

[1] Cash inflow from dividends was £27,872,000 (2025: £27,841,000) and cash inflow from interest was £229,000 (2025: £180,000).

Notes to the Financial Statements

for the six months ended 31 July 2026

1. Financial statements

The half-yearly financial report has been neither audited nor reviewed by the company's auditors. The financial information for the year ended 31 January 2026 has been extracted from the statutory financial statements which have been delivered to the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The total return column of the Income Statement is the profit and loss account of the company. All revenue and capital items derive from continuing operations. No operations were acquired or discontinued in the period. Allianz Global Investors UK Ltd acts as Investment Manager to the company. Details of the services and fee arrangements are given in the latest annual report of the company, which is available on the company's website at www.merchantstrust.co.uk.

2. Accounting policies

The Company presents its results and positions under 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), which forms part of the Generally Accepted Accounting Practice ('UK GAAP') issued by the Financial Reporting Council.

The condensed set of financial statements has been prepared on a going concern basis in accordance with FRS 102 and FRS 104, 'Interim Financial Reporting', the Companies Act 2006 and the Statement of Recommended Practice – 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP) issued by the Association of Investment Companies in December 2025. The context of the current macro-economic background has been thoroughly considered and the directors have concluded that there are no material uncertainties related to going concern. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The accounting policies applied in preparation of the condensed set of financial statements with regard to measurement and classification have not changed from those set out in the Company's annual financial report for the year ended 31 January 2026.

3. Dividends on ordinary shares

Dividends paid on ordinary shares in respect of earnings for each period are as follows:

	Six months ended 31 July 2026 £'000s	Six months ended 31 July 2025 £'000s
Dividends paid on ordinary shares		
Third interim dividend 7.4p paid 19 March 2026 (2025: 7.3p)	10,925	10,835
Final dividend 7.5p paid 27 May 2026 (2025: 7.3p)	11,072	10,835
	21,997	**21,670**

In accordance with FRS 102 section 32 'Events After the End of the Reporting Period', dividends payable at the period end have not been recognised as a liability. Details of these dividends are set out below.

	Six months ended 31 July 2026 £'000s	Six months ended 31 July 2025 £'000s
First interim dividend 7.5p paid 21 August 2026 (2025: 7.2p)	11,072	10,835
Second interim dividend 7.5p payable 19 November 2026 (2025: 7.3p)	11,072	10,835
	22,144	**21,670**

The dividends above are based on the number of shares in issue at the period end. However, the dividend payable will be based upon the number of shares in issue on the record date and will reflect any purchase or cancellation of shares by the company settled subsequent to the period end.

4. Earnings per ordinary share

The earnings per ordinary share is based on the weighted average number of ordinary shares in issue of 147,632,870 (31 July 2025: 148,424,887).

5. Fair value hierarchy

Investments and derivative financial instruments are designated as held at fair value through profit or loss in accordance with FRS 102 sections 11 and 12. FRS 102 sets out three fair value levels.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

With the exception of those financial liabilities measured at amortised cost, all other financial assets and financial liabilities are either carried at their fair value or the balance sheet amount is a reasonable approximation of their fair value.

As at 31 July 2026, the financial assets at fair value through profit and loss of £1,121,576,000 (31 July 2025: £972,501,000; 31 January 2026: £1,055,698,000) are categorised as follows:

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Financial assets at fair value through profit or loss at 31 July 2026				
Equity investments	1,121,582	-	-	1,121,582
Derivative financial instruments: written call options	-	(6)	-	(6)
	1,121,582	**(6)**	**-**	**1,121,576**
Financial assets at fair value through profit or loss at 31 July 2025				
Equity investments	973,135	-	-	973,135
Derivative financial instruments: written call options	-	(634)	-	(634)
	973,135	**(634)**	**-**	**972,501**
Financial assets at fair value through profit or loss at 31 January 2026				
Equity investments	1,056,366	-	-	1,056,366
Derivative financial instruments: written call options	-	(668)	-	(668)
	1,056,366	**(668)**	**-**	**1,055,698**

For exchange listed equity investments the quoted price is either the bid price or the last traded price depending on the convention of the relevant exchange. For written options the value of the option is marked to market based on traded prices. Financial instruments valued using valuation techniques level 3 have, in the absence of relevant trading prices or market data, been valued based on the directors' best estimate.

6. Status of the Company

The company applied for and was accepted as an approved investment trust for accounting periods commencing on or after 1 February 2013, subject to it continuing to meet eligibility conditions at section 1158 Corporation Taxes Act 2010 and the ongoing requirements for approved companies in Chapter 3 Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

7. Transactions with the Investment Manager and related parties

As disclosed in the annual report, the existence of an independent board of directors demonstrates that the company is free to pursue its own financial and operating policies and therefore, under FRS 8: Related Party Disclosures, the investment manager is not considered to be a related party. The company's related parties are its directors.

There are no other identifiable related parties as at 31 July 2026, 31 July 2025 and 31 January 2026.

8. Comparative information

The half-yearly financial report to 31 July 2026 and the comparative information to 31 July 2025 have neither been audited nor reviewed by the Company's auditors and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 for the respective periods. The financial information for the year ended 31 January 2026 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Investor Information

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We also invested in aggregates, cement, asphalt and other heavy building materials producer **Breedon**.

PHOTO: BREEDON GROUP

Investor information (unaudited)

Directors
Colin Clark (Chairman)
Karen McKellar (Senior Independent Director)
Mal Patel (Chairman – Audit Committee)
Lisa Edgar
Neil Galloway

Investment Manager
Simon Gergel, Lead Portfolio Manager,
Richard Knight, Portfolio Manager,
Andrew Koch, Portfolio Manager.
Representing Allianz Global Investors UK Limited,
199 Bishopsgate, London EC2M 3TY (the manager).

Head of Investment Trusts
Stephanie Carbonneil
Email: stephanie.carbonneil@allianzgi.com

Company Secretary and Registered Office
Nira Mistry and Kirsten Salt
199 Bishopsgate, London EC2M 3TY
Telephone: 0800 389 4696
Email: investment-trusts@allianzgi.com

Registered number
28276

Registrar
MUFG Corporate Markets, Central Square, 29 Wellington Street, Leeds, LS1 4DL. Lines are open 9.00 am to 5.30 pm (UK time) Monday to Friday.

Website: https://eu.mpms.mufg.com
Email: shareholderenquiries@cm.mpms.mufg.com
Telephone: 0371 664 0300.

Financial calendar
Year end 31 January.
Full year results announced and Annual Report posted to shareholders in April.
Annual General Meeting held in May.
Half-Yearly Report posted to shareholders in September.

Ordinary dividends
It is anticipated that dividends will be paid as follows:

1st interim	August
2nd interim	November
3rd interim	March
Final	May

Market and portfolio information
The company's ordinary shares are listed on the London Stock Exchange. The market price range, gross yield and Net Asset Value are shown daily in the Financial Times and The Daily Telegraph under the headings 'Investment Companies' and 'Investment Trusts', respectively. The Net Asset Value of the ordinary shares is calculated daily and published on the London Stock Exchange Regulatory News Service. The ten largest holdings are published monthly on the London Stock Exchange Regulatory News Service. They are also available from the manager's Investors' Helpline on 0800 389 4696 or via the company's website: www.merchantstrust.co.uk.

Website
Further information about The Merchants Trust PLC, including monthly factsheets, daily share price and performance, is available on the company's website: www.merchantstrust.co.uk.

How to invest
Information is available from Allianz Global Investors either via Investor Services on 0800 389 4696 or on the company's website: www.merchantstrust.co.uk.

A list of providers can be found at the company's website: www.merchantstrust.co.uk/about-us/how-to-invest.

Shareholder enquiries
In the event of queries regarding their holdings of shares, lost certificates, dividend payments, registered details, etc., shareholders should contact the registrar by email at shareholderenquiries@cm.mpms.mufg.com or by calling 0371 664 0300. Lines are open 9.00 am to 5.30 pm (UK time) Monday to Friday. Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Changes of name and address must be notified to the registrar in writing. Any general enquiries about the company should be directed to the Company Secretary, The Merchants Trust PLC, 199 Bishopsgate, London EC2M 3TY. Telephone: 0800 389 4696.

Association of Investment Companies (AIC)
The company is a member of the AIC, the trade body of the investment trust industry, which provides a range of literature including fact sheets and a monthly statistical service. Copies of these publications can be obtained from the AIC, 9th Floor, 24 Chiswell Street, London, EC1Y 4YY, or at www.theaic.co.uk.

AIC Category: UK Equity Income.

Glossary

UK GAAP performance measures

Net Asset Value is the value of total assets less all liabilities. The Net Asset Value, or NAV, per ordinary share is calculated by dividing this amount by the total number of ordinary shares in issue. The debt in the company used in the calculation is measured at par value, that is, the net proceeds on issue plus accrued finance costs to date. As at 31 July 2026 the NAV with debt at par value was £1,029,749,000 (31 January 2026: £964,464,000) and the NAV per share was 697.5p (31 January 2026: 653.3p).

Earnings per ordinary share is the profit after taxation, divided by the weighted average number of shares in issue for the period. For the period ended 31 July 2026 earnings per ordinary share was 18.0p (31 July 2025: 17.7p), calculated by taking the profit after tax of £26,622,000 (31 July 2025: £26,322,000), divided by the weighted average shares in issue of 147,632,870 (31 July 2025: 148,424,887).

Derivatives

The company operates a covered call overwriting strategy on a limited proportion of the portfolio to generate additional income. In 'writing' or selling an option, Merchants gives the purchaser the right to buy a specific number of shares in a company at an agreed 'strike' price within a fixed period. In exchange Merchants receives an option premium, which is taken to the revenue account.

Merchants gets the full benefit of any move in the share price up to the strike price but not beyond. If the share price rises above the strike price, there is a potential 'opportunity' (but not cash) cost, as the option holder can exercise their option to buy the shares at the strike price.

Merchants' selective approach to option writing is driven by the investment fundamentals on each stock we hold, rather than by a separate derivatives rationale. We write calls on portions of shareholdings that we are happy to sell at the strike price, provided that the premium income received is sufficiently attractive. The options written are typically short dated with most less than four months duration. The total exposure is closely monitored and is limited to 15% of the portfolio value with all option positions 'covered' by shares owned. From a holistic view, it can be argued that the overall strategy slightly reduces the company's gearing to the equity market, neutralising a small part of the financial leverage. It tends to be more profitable in sideways or downwards markets but less profitable in rising markets.

Alternative Performance Measures (APMs)

Benchmark Total Return is the return on the benchmark, on a closing market price basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time their shares were quoted ex dividend (see page 3).

Discount or premium is the amount by which the stock market price per ordinary share is lower (discount) or higher (premium) than the Net Asset Value, or NAV, with either debt at par or debt at fair value, per ordinary share. The discount/premium is normally expressed as a percentage of the NAV per ordinary share (see page 8).

Dividend yield represents dividends declared in the past year as a percentage of the share price. This is shown as 4.5% at 31 July 2026 in the highlights on page 3.

Gearing is the amount of debt as a percentage of the net assets.

Net Asset Value, debt at fair value is the value of total assets less all liabilities, with the company's debt measured at the fair value at the time of calculation. The Net Asset Value, or NAV, per ordinary share with debt at fair value is calculated by dividing this amount by the total number of ordinary shares in issue (see page 29). As at 31 July 2026, the NAV with debt at fair value was £1,048,999,000 (31 January 2026: £979,476,000) and the NAV per share with debt at fair value was 710.5p (31 January 2026: 663.5p).

Net Asset Value per ordinary share, total return represents the theoretical return on NAV per ordinary share, assuming that dividends paid to shareholders were reinvested at the NAV per ordinary share at the close of business on the day the shares were quoted ex dividend.

Ongoing charges are operating expenses incurred in the running of the company, whether charged to revenue or capital, but excluding financing costs. These are expressed as a percentage of the average Net Asset Value during the year and this is calculated in accordance with guidance issued by the Association of Investment Companies.

Share price Total Return is the theoretical return to a shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the ordinary shares of the company at the close of business on the day the shares were quoted ex dividend (see page 3). The share price as at 31 July 2026 was 666.0p, an increase of 38.0p from the price of 628.0p as at 31 January 2026. The change in share price of 38.0p plus the dividends paid in the period of 14.9p are divided by the opening share price of 628.0p to arrive at the share price total return for the period ended 31 July 2026 of +8.4% (31 July 2025: +1.5%).

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www.merchantstrust.co.uk
www.linkedin.com/company/the-merchants-trust-plc