

The Merchants Trust PLC

Annual General Meeting, 11 May 2010

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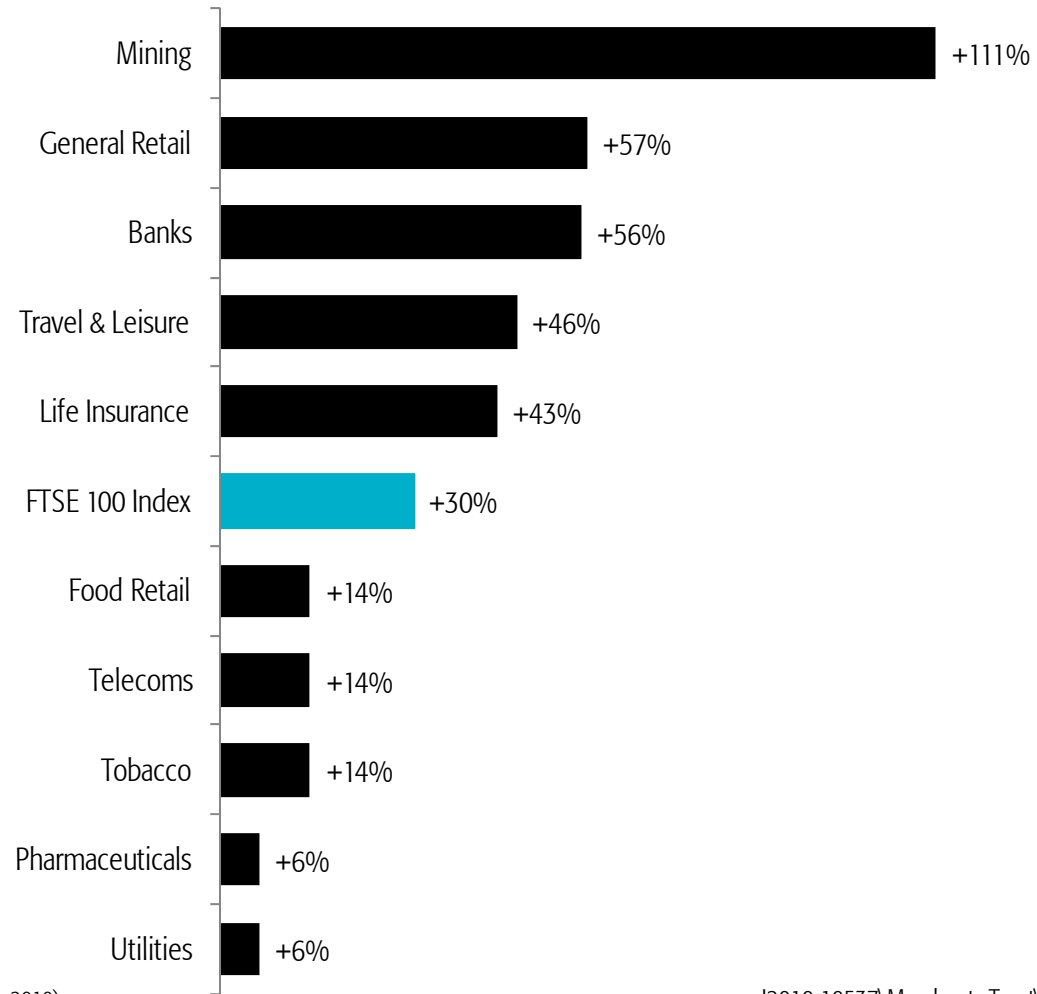
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Key features of 2009/10

- Financial system stabilised
- Economies emerged from recession
- Strong asset price recovery
- Extreme polarisation of returns
- High level of dividend cuts



Source: RCM, (selected sector, FTSE 100 Index Total Return 31 Jan 2009 – 31 Jan 2010).

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Valuation summary

	31 January 2009	31 January 2010	Change (%)	10 May 2010
Total Assets	£428m	£498m	+16.3	£496m
Net Assets Value Per Share	306.2p	372.8p	+21.8	370.5p
Share Price	282p	329p	+16.7	337p
Premium/(Discount) (Debt at Market Value)	1.3%	(7.7%)	-	(4.7%)
Premium/(Discount) (Debt at Book Value)	(7.9%)	(11.7%)	-	(9.0%)
Yield	7.9%*	6.8%	-	6.7%

*Excluding special dividend.

Source: 2009/2010 Accounts/Consortium list at 11 May 2010.

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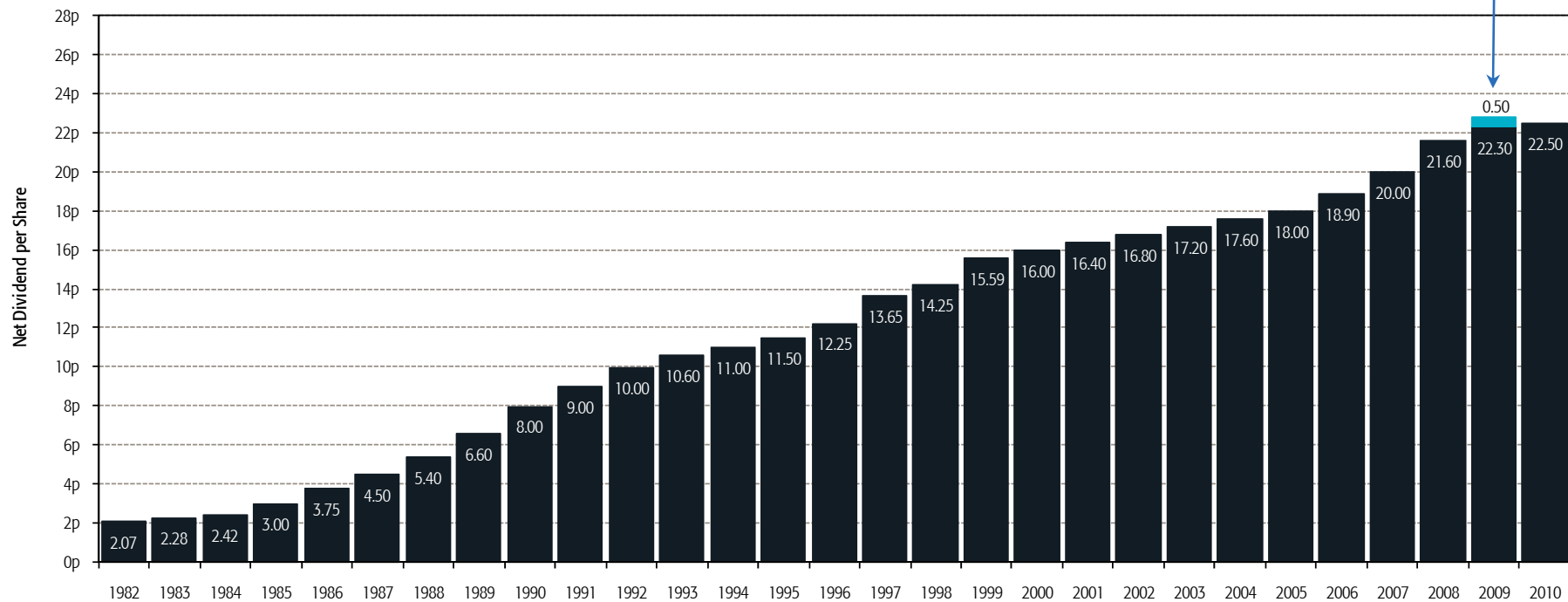
28 years of uninterrupted dividend growth

Year to January	2009	2010
Ordinary dividend	22.3p	22.5p

Revenue reserves available to smooth dividends

Revenue reserves (31/01/10)*	£14.4m
Pence per share	14.0p

Special Dividend



Source: RCM. *Excludes dividends declared but not paid at year end.

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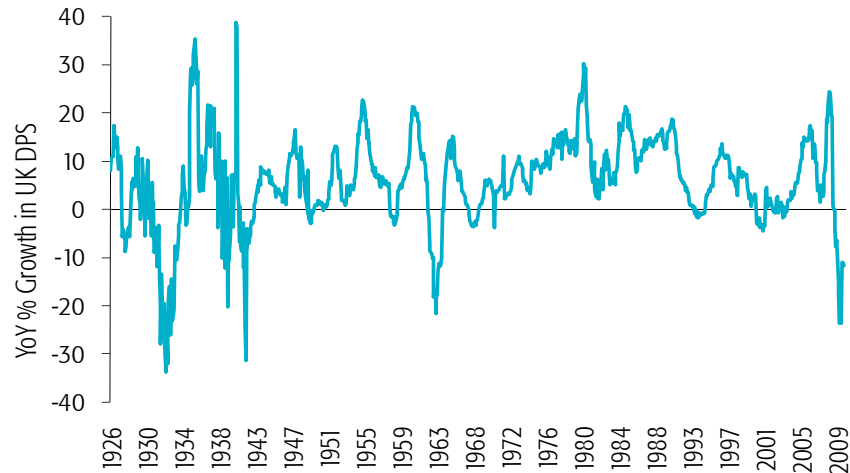
Yield comparisons

Merchants Trust	6.7%
FTSE All Share Index	3.3%
FTSE 100 Index	3.5%
Ten Year Gilts	4.0%
Cash (Base Rates)	0.5%

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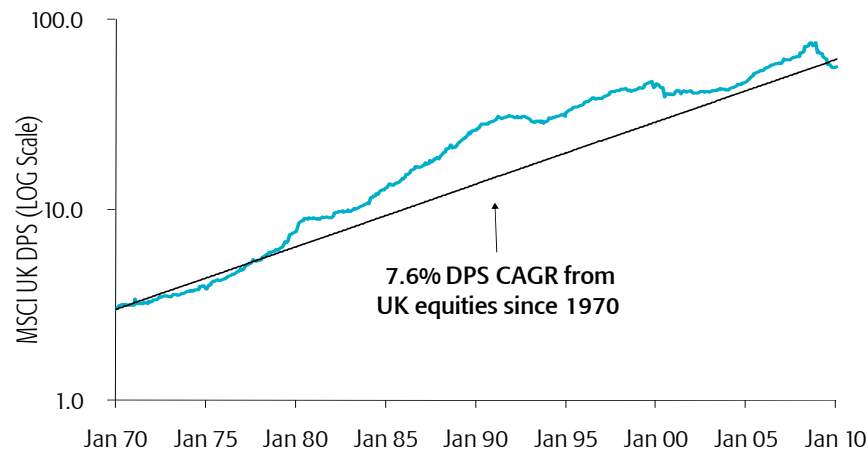
Key objective: maintaining a high and growing dividend

Year on year growth in UK dividends



- Recent dividend cuts not seen in 50 years
- Market dividends are well below trend
- Market dividends are now forecast to grow in 2010
- Merchants Trust has reserves of 14p after 3.6p drawdown
- Economic and market recovery reducing risks of further cuts
- High oil price and weakening sterling also help

Cumulative UK dividends since 1970



Source: Morgan Stanley, as at 6 April 2010.

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Borrowings

	31 Jan 2009 (£m)	%	31 Jan 2010 (£m)	%
Total Assets	428	100	498	100
Borrowings	113	26	113	23
Shareholders Funds	315	74	385	77

Average Maturity

13 years

Average Interest Charge

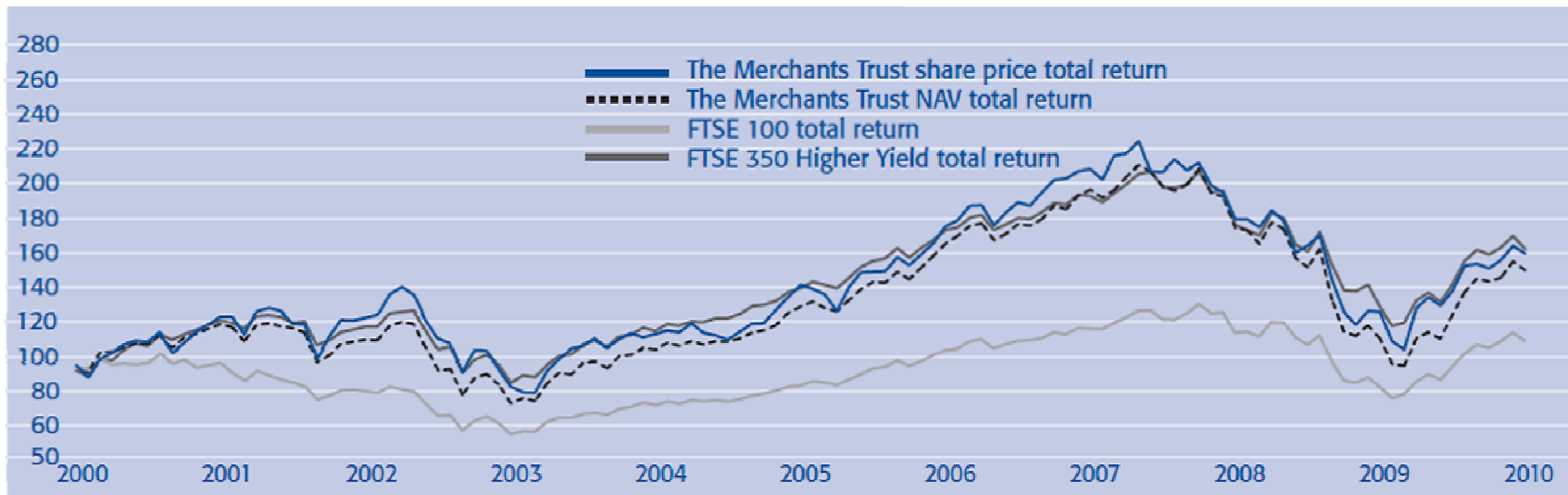
8.5%

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Total return history

Performance graphs 10 year record as at 31 January

The Merchants Trust 10 year cumulative return compared to key UK equity indices

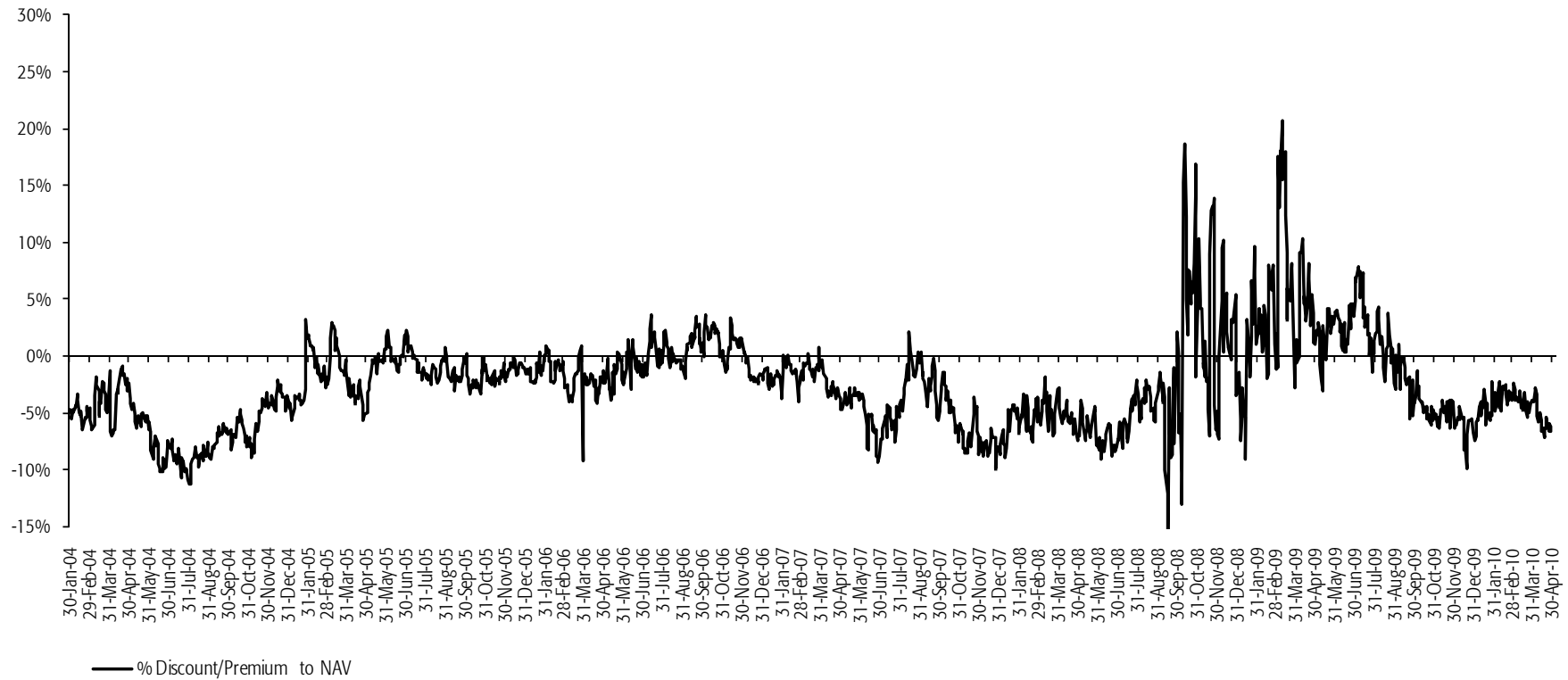


- 10 year return well above FTSE 100 Index and close to FTSE 350 Higher Yield Index
- 2009/10 total return per share close to FTSE 100 and above FTSE 350 Higher Yield Index
- 2009/10 portfolio return in line with 350 Higher Yield Index

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Share discount to N.A.V.

% Discount/Premium to NAV (Fair Value)
31/01/04 to 03/05/10



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Total return 2009/10 compared to FTSE 100 Index

Stocks that added value	Relative Weighting	Stocks that detracted value	Relative Weighting
Inchcape	+	Rio Tinto	-
Melrose	+	BAE Systems	+
Britvic	+	Xstrata	-
International Personal Finance	+	Anglo American	-
Meggitt	+	GlaxoSmithKline	+

- 2009/10 – a polarised market
- **Positive factors:** medium sized companies and “cyclicals”
- **Negative factors:** underweight in mining and exposure to large “defensives”

+ = Overweight vs. Index - = Underweight vs. Index

Source: RCM.

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Key portfolio changes in the financial year to 31 January 2010

New additions	Disposals
Hammerson	Anglo American
British Land	GKN
Reckitt Benckiser	Marshalls
Bunzl	Dairy Crest
Ashmore	Severn Trent
WPP	Diageo
Premier Farnell	Sage
Catlin	
International Power	
Resolution	

- Taking advantage of market volatility and polarisation
- Higher level of activity: 10 new additions, 7 disposals, 46 holdings at year end
- Bought real estate, high quality growth stocks and recovery situations
- Sold strong performing mid-caps, overvalued defensives and mining shares
- Portfolio concentration reduced as opportunities have arisen elsewhere: top 4 holdings now 31%, previously 39%

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Economic/market outlook

- Systemic risk avoided
- Activity recovering from depressed levels
- Medium term economic growth will be muted as debt burden is paid down
- Little inflation risk with growth below trend
- Equities offer long term value but market polarised



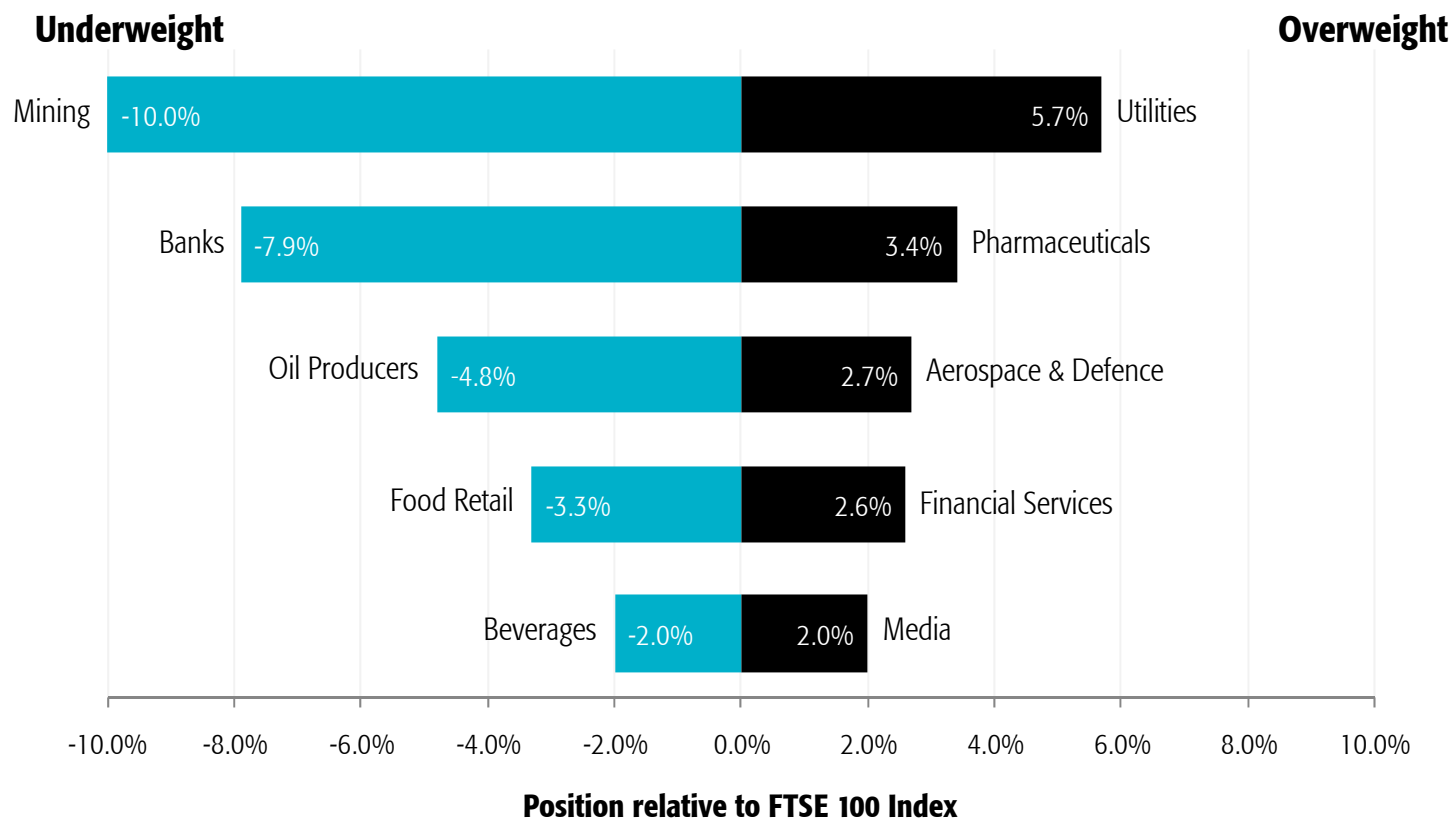
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Portfolio themes

- Large core holdings in well financed, strong businesses with good yields
 - **GlaxoSmithKline, Royal Dutch Shell, Vodafone, Scottish & Southern Energy, BAE Systems**
- Buying high quality, growth stocks on modest valuations
 - **Reckitt Benckiser, Bunzl, WPP, IG Group**
- Exposure to emerging market consumer spending growth
 - **Unilever, BATS, IPF, WPP, GlaxoSmithKline**
- Management turnaround and recovery situations attractive
 - **Unilever, Compass, Melrose, Resolution**
- High yielding asset classes recovering: corporate bonds, real estate, equities
 - **Aviva, Legal & General, Hammerson, BT, Ashmore**
- Limited exposure to mining (muted recovery) and banks (dividends, government interference)

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Sector views



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Summary

- 28 year record of dividend increases maintained
- Supportive dividend reserve position
- Equity market fair value but polarised
- Portfolio defensively positioned with increasing exposure to higher growth stocks

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Presentation to the Annual General Meeting,
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Resolution 1 - to receive and adopt the Annual Financial Report

For	Discretion	Against	Withheld
30,935,186	310,582	139,453	917,849

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Resolution 2 - to declare a final dividend

For	Discretion	Against	Withheld
31,928,221	303,765	9,941	61,143

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Resolution 3 - to re-elect Mr R A Barfield as a Director

For	Discretion	Against	Withheld
30,699,920	314,530	612,318	676,302

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Resolution 4 - to re-elect Sir James Sassoon as a Director

For	Discretion	Against	Withheld
31,141,850	314,530	469,525	377,165

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Resolution 5 - to elect Mr S J Fraser as a Director

For	Discretion	Against	Withheld
31,135,043	318,195	420,726	429,106

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Resolution 6 - to approve the Directors' Remuneration Report

For	Discretion	Against	Withheld
30,413,669	308,776	787,109	793,516

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Resolution 7 - to re-appoint PricewaterhouseCoopers LLP as Auditors

For	Discretion	Against	Withheld
31,399,896	313,980	402,946	189,248

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Resolution 8 - to authorise the Directors to determine the remuneration of the Auditors

For	Discretion	Against	Withheld
31,369,676	314,440	254,031	364,923

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Resolution 9 - to adopt new Articles of Association

For	Discretion	Against	Withheld
30,949,348	365,358	263,923	724,441

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Resolution 10 - to authorise the Directors to allot Shares

For	Discretion	Against	Withheld
31,034,413	371,227	387,357	510,073

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Resolution 11 - to disapply pre-emption rights

For	Discretion	Against	Withheld
30,383,222	374,955	924,638	620,255

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Resolution 12 - to authorise the Company to make market purchases of Ordinary Shares

For	Discretion	Against	Withheld
30,202,723	363,289	386,904	1,350,064

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Resolution 13 - to enable the Company to call a meeting on not less than 14 days' clear notice

For	Discretion	Against	Withheld
30,363,190	352,838	1,113,707	473,335

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