

### Key Information

Total Assets*	£492.3m
Gearing*	30%
No. of Shares <sup>†</sup> (Ordinary 25p)	102,103,936
Net Asset Value <sup>†</sup>	370.4p
Net Asset Value (debt at Market Value) <sup>†</sup>	347.6p
Discount to NAV <sup>†</sup>	11.0%
Discount to NAV (debt at Market Value) <sup>†</sup>	5.1%
Share price*	329.7p
Year end	31st January

\* Source: Datastream as at 29.10.04

<sup>†</sup> Source: Allianz Dresdner Asset Management as at 29.10.04  
Investment trusts are quoted companies listed on the London Stock Exchange. Their share price is determined by factors including demand, or lack of, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

In line with industry best practice, Net Asset Values (NAVs) are now shown that take into account the 'fair value' of debt. NAVs – namely available shareholders' funds divided by the number of shares in issue, with shareholders' funds calculated as the net value of all the company's assets having deducted liabilities – are now calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. Most professional advisers and institutional investors already allow for fair value of debt when assessing NAV and discount information, so this change provides private investors with information which takes into account a more realistic impact of the cost of debt and thus a more realistic discount.

**INCOME** ✓

**GROWTH** ✓

### Investment Scheme Availability

**ISA** ✓

**SS** ✓

**PEP** ✓

### Fund Manager



Nigel Lanning

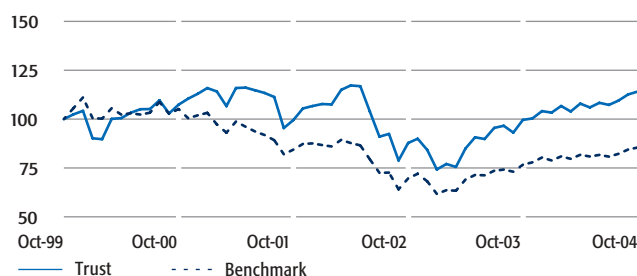
## The Merchants Trust PLC

### Fund Manager's Review

After a good spell in August and September, UK equities produced a further modest appreciation in October with the FTSE All Share Index rising by 1.1%. Ironically the news of slower but continued growth in Q3 helped confidence by underlining the view that base rates have now peaked at 4.75%. Company news has remained positive with further take-over speculation in a number of areas. The portfolio had a dull month partly because high yielding shares in general underperformed, but also because Vodafone, an under-weight holding, did well. Elsewhere housebuilders and media were unhelpful. In a positive vein the Trust's holdings in Tate & Lyle, Scottish & Southern and Great Portland did well. The prospect of falling interest rates later on in 2005 is likely to gain momentum as time progresses and should drive the market upwards, along with the improved dividend outlook. This background is forecast to provide good opportunities amongst high yielding shares.

There are currently 59 holdings in the portfolio<sup>†</sup>.

### Fund Performance



Source: Russell/Mellon/Allianz Dresdner Asset Management. 31st October 99 to 29th October 04, Total Return, net income reinvested, calculation indexed, UK Sterling. Please remember that past performance is not necessarily a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market or currency fluctuations and you may not get back the amount originally invested. This investment trust charges 65% of its annual management fee to the capital account. This could lead to a higher level of income but a lower capital return.

### Standardised Past Performance

From to	01/10/99 30/09/00	01/10/00 30/09/01	01/10/01 30/09/02	01/10/02 30/09/03	01/10/03 30/09/04
<b>Share Price</b>	<b>-8.1%</b>	<b>-3.2%</b>	<b>-7.5%</b>	<b>14.7%</b>	<b>12.9%</b>

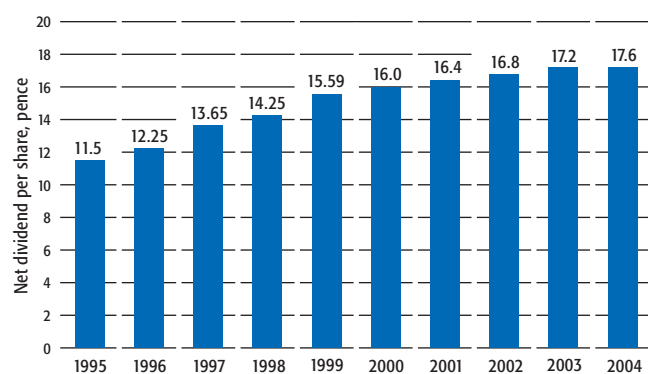
Source: Allianz Dresdner Asset Management/Standard & Poor's. Discrete years, mid to mid, basic rate tax, based in UK sterling. These performance figures are produced for the purposes of these fact sheets and are intended for existing and potential investors. This performance table differs in its presentation from Fund Performance. It complies with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

## Interim Dividend

The Board has declared a second quarterly dividend of 4.5p per share, payable on 10th November 2004 to shareholders on the register at close of business on 8th October 2004. The total distribution for the first half of 2004/5 is 9.0p net, an increase of 4.7% when compared with the same period last year. In the absence of unforeseen circumstances, the board intends to recommend dividends totalling 18.0p net for 2004/5, an increase of 2.3%.

## 10 year Net Dividend Record

to year ended 31st January 2004



Source: Allianz Dresdner Asset Management.

## Top 10 Holdings

	%
BP	8.30
HSBC	6.79
GlaxoSmithKline	5.94
Shell Transport & Trading	5.43
Royal Bank of Scotland	4.42
Barclays	4.22
HBOS	3.81
Lloyds TSB	3.27
BT	2.99
Scot & Southern Energy	2.20
<b>TOTAL</b>	<b>47.37</b>

Source: Allianz Dresdner Asset Management as at 29.10.04

## Trust Aim & Characteristics

To provide an above average level of income and income growth together with long term growth of capital through a policy of investing mainly in higher yielding UK FTSE 100 companies.

\*Merchants seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly. You should be aware that this Trust may be subject to sudden and large falls in value and you could get back nothing at all.

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## AITC Sector

UK Income Growth.

## Share Buyback

0.23m shares have been repurchased for cancellation to enhance shareholder value.

## History

The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Dresdner Asset Management stable. Initially it invested mostly in the fixed interest securities of railway companies in the USA, Canada and South America; with the remainder held in Government securities and companies such as Castlemain Brewery in New South Wales. The Trust now concentrates primarily upon major UK companies with an above average rate of dividend yield.

Launch Date: February 1889.

Wind-up Date: None.

## Price Information

Financial Times and The Daily Telegraph

[www.allianzdresdneram.co.uk](http://www.allianzdresdneram.co.uk)

## Trust Codes

ISIN – GB0005800072

Sedol – 0580007

RIC – MRCH

## Shareholder Communications

Report and Accounts – Final posted in April, and Interim posted in October.  
Annual General Meeting – May.  
Dividends – February, May, August and November.

## Board of Directors

Hugh Stevenson (Chairman), Sir John Banham, Dick Barfield, Sir Bob Reid, Joe Scott Plummer.

## Contacts

Investor Services **020 7065 1407**  
Brochure Line **0800 317 573**  
Web Address **[www.allianzdresdneram.co.uk](http://www.allianzdresdneram.co.uk)**

For our mutual protection, calls are recorded and may be used for quality control and training purposes. We reserve the right to use such recordings in the event of a dispute.

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