

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 March 2017

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 UK FTSE 100 companies.

History

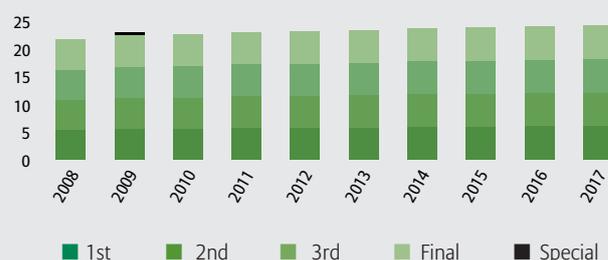
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 ten 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 35 years.

Ten Year Dividend History

Net Dividend Record in Pence per Share to year end 31 January



Last Four Net Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
21.04.2017	18.05.2017	6.10p	Final
27.01.2017	23.02.2017	6.10p	3rd Quarterly
07.10.2016	10.11.2016	6.00p	2nd Quarterly
15.07.2016	12.08.2016	6.00p	1st Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £681.2m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

468.0p

Source: Lipper

NAV per Share

488.8p

Premium/-Discount

-4.3%

Dividend Yield

5.2%

Gearing

18.3%

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 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.

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Fund Manager's Review

The Merchants Trust reported results this month and the directors were pleased to announce a 35th consecutive year of dividend growth (subject to shareholder approval at the AGM). The Company is proud to be highlighted as one of the Association of Investment Companies "Dividend Heroes".

March was also a strong month for dividend announcements for many of the companies in the portfolio, as they announced results for the 2016 year. The mining companies BHP Billiton and Antofagasta more than doubled their dividends as profitability recovered with commodity prices, whilst the construction company Balfour Beatty paid its first final dividend in 3 years, as the management team's turnaround strategy delivered improving cash flow and profits. There were double digit dividend increases from Tyman, Hansteen, Aviva and Prudential as well as mid to high single digit growth from Standard Life, Legal & General and Inmarsat. There was also a special dividend from Hostelworld. This was all before taking into account the significant benefit to this year's income from the weakness of sterling, as close to a third of the Company's income stream is paid in foreign currencies, primarily the US dollar. The only disappointment was a dividend cut at St Ives, which is going through a difficult repositioning of the business.

On the political front, we saw the UK government triggering Article 50 of the Lisbon Treaty, the beginning of Britain's exit of the EU. There will now follow to two years of negotiations on the UK's future relationship with the EU, before the UK leaves. However, uncertainty over future trading relationships and many other matters is likely to persist for a considerably longer period.

“ Two major areas offer particular value and continue to constitute a large part of the portfolio; namely, selected "mega-cap" companies and specific recovery situations.

The first quarter of 2017 has seen a low level of volatility in the stock market. During March, the FTSE All Share Index produced a total return of 1.2%. The strongest sectors were oil equipment & services, technology hardware and tobacco. The weakest sectors were electricity, mining and fixed line telecommunications.

The Trust's NAV returned 1.56% against the benchmark return of 1.23%. The portfolio also performed slightly ahead of the benchmark. The largest positive contribution came from Inmarsat, which rallied by 20% from a depressed level, after better than expected final results reassured the market on the company's strategy and balance sheet. Industrial stocks Tyman and Senior also performed well, with both giving double digit total returns. On the negative side, poor performance at Centrica and underweight positions in British American Tobacco and AstraZeneca held back relative returns.

We made a new investment in the transport company National Express. Following its decision to exit the rail industry in the UK, the company now has a lower risk profile. It has strong market positions, primarily in US school buses and UK and Spanish buses and coaches. The business is modestly valued and can use its strong cash flow to acquire further small operators, especially in the fragmented US bus market.

Elsewhere we added to Standard Life, as the shares reacted negatively to their proposed merger with Aberdeen Asset Management, which promises significant synergy benefits. We took some profits on a few shares that had performed well, including Kier and First Group.

The FTSE 100 index of leading shares has recently traded at record levels, which might suggest an overvalued stock market, but it



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 27 years investment experience. He is pictured here with Matthew Tillet, UK equity portfolio manager. 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.

is only just above the level reached at the turn of the century. Furthermore, the recent rally in the market has been very narrow, led by only a few sectors, with many shares trading well below previous high levels.

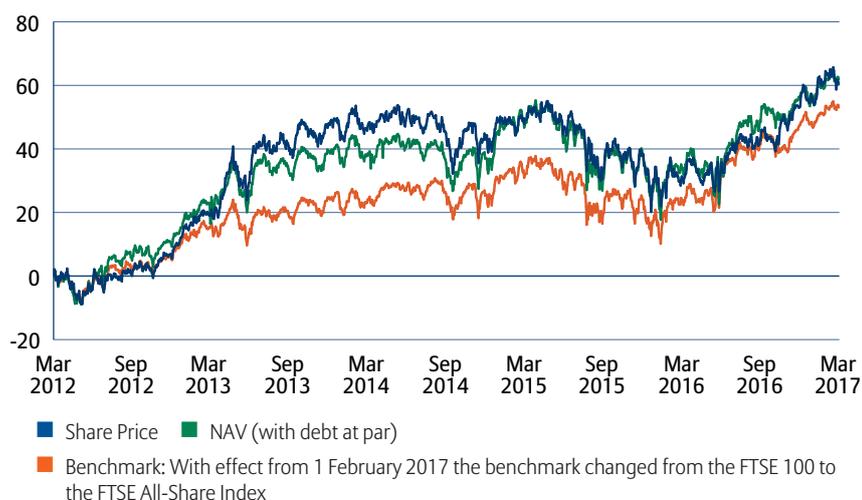
It is hard, as ever, to predict where the overall market will go in the short term. We prefer to focus on individual company prospects and valuations when assessing investments and constructing a portfolio. There are many businesses with strong competitive positions, trading on sensible valuations, offering the combination of an attractive dividend yield and the potential for capital gains for investors. These businesses should deliver good returns over the medium to long term. Two major areas offer particular value and continue to constitute a large part of the portfolio; namely, selected "mega-cap" companies and specific recovery situations.

Simon Gergel
5 April 2017

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 (%)



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	4.7	12.5	22.3	10.1	60.6
NAV	3.5	9.0	20.5	17.4	61.9
Benchmark	3.8	8.3	23.5	24.4	53.2

Discrete 12 Month Returns (%) to 31 March

	2013	2014	2015	2016	2017
Share Price	19.1	22.4	1.4	-11.2	22.3
NAV	23.0	12.1	6.4	-8.5	20.5
Benchmark	15.4	6.7	6.3	-5.3	23.5

Source: Lipper, percentage growth, mid to mid, total return to 31.03.17. Copyright 2017 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market 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 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 (%)



Geographic Breakdown (%)

UK	98.7
Cash	1.3



Top Ten Holdings (%)

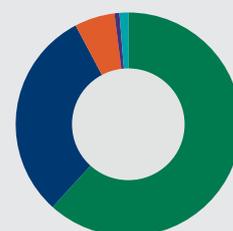
GlaxoSmithKline	7.7
Royal Dutch Shell 'B' Shares	7.6
HSBC	5.7
BP	5.4
Lloyds Banking Group	3.9
UBM	3.5
Inmarsat	2.9
Centrica	2.8
Standard Life	2.8
Prudential	2.7

Total number of holdings* 48

*Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	61.7
FTSE 250	30.5
FTSE Smaller Companies	5.8
Other	0.7
Cash	1.3



Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE All-Share
Annual Management Charge	0.35%
Performance Fee	No
Ongoing Charges ¹	0.63%
Year End	31 January
Annual Financial Report	Final posted in April, Half-yearly posted in September
AGM	May
NAV Frequency	Daily
Dividends	February, May, August, November
Price Information	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk
Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. Source: AIC, as at the Trust's Financial Year End (31.01.2017). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

Board of Directors

Directors from left to right: Mary Ann Sieghart, Timon Drakesmith (Chairman of the Audit Committee), Simon Fraser (Chairman), Sybella Stanley (Senior Independent Director) and Paul Yates



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

E-mail: investment-trusts@allianzgi.com

You will find much more information about The Merchants Trust on our website.

Please note that we can only offer information and are unable to provide investment advice. You should contact your financial adviser before making any investment decision.



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All data source Allianz Global Investors as at 31.03.17 unless otherwise stated.

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