

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

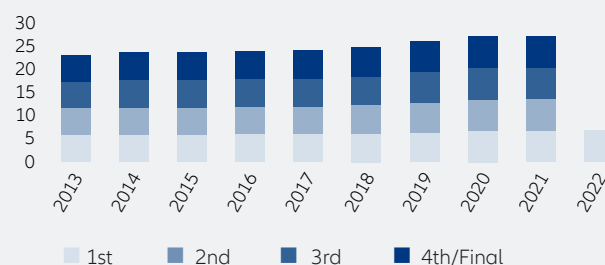
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 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 39 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
10.07.2021	20.08.2021	6.80p	1st Quarterly
23.04.2021	18.05.2021	6.80p	Final
05.02.2021	16.03.2021	6.80p	3rd Quarterly
09.10.2020	12.11.2020	6.80p	2nd Quarterly

Past performance is not a reliable indicator of future results.



Consideration of Environmental, Social and Governance (ESG) factors is fully integrated into The Merchants Trust's investment process. Visit www.merchantstrust.co.uk/Integrated-ESG/ for more information.

A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

The RSMR rating is designed for use by professional advisers and intermediaries as part of their advice process. This rating is not a recommendation to buy. If you need further information or are in doubt then you should consult a professional adviser.

Total Assets £788.6m

Shares in Issue 124,729,887 (Ordinary 25p)

Market Cap £669.8m

Share Price

537.0p

NAV per Share

542.1p

Premium/-Discount

-0.9%

Dividend Yield

5.1%

Gearing

10.7%

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.

Fund Manager's Review

The modest valuation and polarisation of the UK stock market, along with the availability of cheap finance, have encouraged many corporate and private equity investors to bid for UK-listed companies this year.

In August, there were two takeover bids announced for companies in our portfolio. The aerospace & defence company Meggitt announced an agreed bid from Parker-Hannifin, at a 70% premium to its price at the end of July. That deal may yet be gate-crashed as Transdigm has announced it is considering a 900p bid, which would represent a premium of 90% to the un-disturbed price. The Eastern European beverage company, Stock Spirits, also announced an agreed takeover by private equity company CVC Advisers at a 41% premium.

Apart from takeover news and rumours, August was a relatively quiet month for the UK stock market. There was only limited impact from uncertainty about rising infections of the Delta variant of the Covid-19 virus. Nor was there much impact from the rapid withdrawal of US and allied troops and civilians from Afghanistan, the collapse of the government and violent terrorist bombings.

Over the month, the UK stock markets produced a total return of 2.7%. The strongest sectors included aerospace & defence, spurred by takeover interest, electricity and life insurance. The weakest sectors included personal goods, medical equipment and mining.

Merchants' performance was well ahead of the broad market index with an NAV total return of 6.4% against the 2.7% return from the index. Performance was supported by the two takeover bids above, but also by double digit total returns from SSE, Man Group and Keller. There were

“ **there is little sign that the high polarisation of the stock market is reversing**

few negative contributors to performance: Tate & Lyle and BAE Systems underperformed, and not owning Prudential held back the relative performance a little as that share rose strongly.

We sold a large part of the Meggitt investment as the takeover bid took the shares close to fair value, and there was some risk that the bid might not ultimately go through. We also reduced the holding in Inchcape, which has been a very strong performer. The proceeds of these sales were reinvested in portfolio holdings where we had greater conviction, typically



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 32 years investment experience. He is pictured here with Matthew Tillett, Senior 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.

where shares had been relatively poor performers and the valuation was attractive, such as Legal & General, Swiss Re, Landsec and DCC. We also made a partial switch within the tobacco sector, from Imperial Brands into British American Tobacco (BAT). BAT had lagged Imperial, over the last year, despite a stronger presence in the newer, faster growing, reduced-harm products.

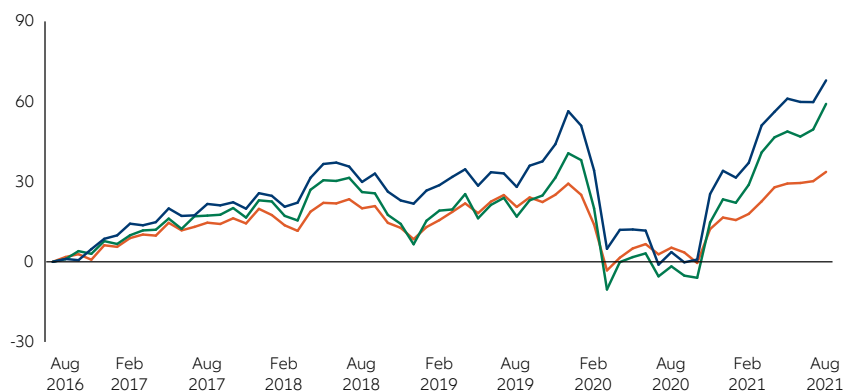
Despite the rash of takeover bids in the UK stock market, there is little sign that the high polarisation of the stock market is reversing. It seems that many investors are focused primarily on higher growth or higher return on equity businesses and are shunning other modestly priced companies, even those with strong market positions and sound fundamental qualities. This means we are still able to acquire high yielding investments at attractive prices that we believe can deliver above-average income and total returns in the medium term.

Simon Gergel
21 September 2021

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	4.2	22.5	62.0	29.3	67.9
NAV (debt at fair value)	6.9	23.3	61.7	26.0	58.9
Benchmark	3.4	13.3	26.9	11.4	33.7

Discrete 12 Month Returns to 31 August (%)

	2021	2020	2019	2018	2017
Share Price	62.0	-19.1	-1.4	6.8	21.7
NAV (debt at fair value)	61.7	-15.9	-7.3	7.5	17.3
Benchmark	26.9	-12.6	0.4	4.7	14.6

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.08.21. Copyright 2021 © 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.

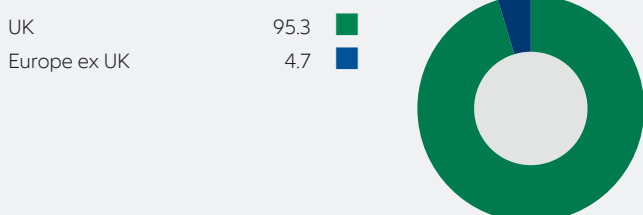
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

Sector	Percentage (%)
Financials	19.7
Consumer Staples	16.0
Industrials	15.7
Consumer Discretionary	14.6
Energy	9.0
Utilities	8.7
Health Care	6.3
Communication Services	3.3
Materials	2.4
Real Estate	1.5
Cash	2.8

Geographic Breakdown* (%)



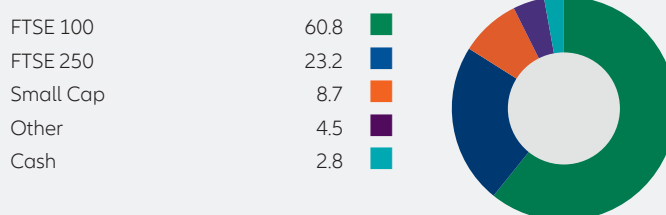
Top Ten Holdings (%)

GlaxoSmithKline	5.1
British American Tobacco	4.7
Imperial Brands	4.1
Scottish & Southern Energy	3.5
BAE Systems	3.4
Vodafone	3.3
National Grid	3.2
WPP	3.2
Royal Dutch Shell - B Shares	3.2
St James's Place	3.1

Total number of holdings** 48

**Excludes derivatives

Market Cap Breakdown (%)



The data shown is not constant over time and the allocation may change in the future. 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

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 Charges ¹	0.61%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	February/March, 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 (31.01.2021). 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.

Board of Directors

Colin Clark (Chairman)
Timon Drakesmith (Chairman of the Audit Committee)
Karen McKellar
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)

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.



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 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.

All data source Allianz Global Investors as at 31.08.21 unless otherwise stated.

The Management Company may decide to terminate the arrangements made for the marketing of its collective investment undertakings in accordance with applicable de-notification regulation. This is a marketing communication issued by Allianz Global Investors GmbH, www.allianzgi.com, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, 60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (www.bafin.de). Further information on Investor Rights are available at www.regulatory.allianzgi.com. Allianz Global Investors GmbH has established a branch in the United Kingdom, Allianz Global Investors GmbH, UK branch, 199 Bishopsgate, London, EC2M 3TY, www.allianzglobalinvestors.co.uk, deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website which is subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk). Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.