

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 April 2018

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

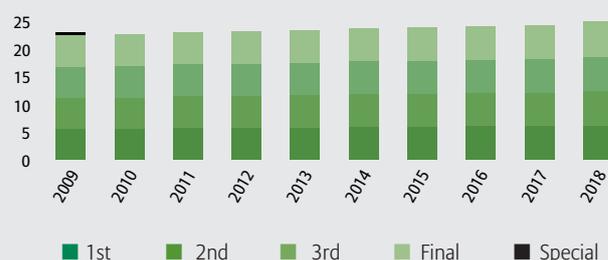
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 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 36 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
20.04.2018	30.05.2018	6.30p	Final
26.01.2018	02.03.2018	6.20p	3rd Quarterly
06.10.2017	16.11.2017	6.20p	2nd Quarterly
14.07.2017	11.08.2017	6.10p	1st Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £713.8m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £552.3m

Share Price

508.0p

Source: Lipper

NAV per Share

522.3p

Premium/-Discount

-2.7%

Dividend Yield

4.9%

Gearing

18.7%

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.

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Fund Manager's Review

The first estimate for Q1 economic growth in the UK was weak at only 0.1%. Coupled with cautious commentary from the Governor of the Bank of England, this led financial markets to question whether the economy is strong enough to handle an interest rate rise in May. In response, Sterling fell against the US dollar as the month progressed, with the move exacerbated by political challenges for the government over Brexit negotiations on the customs union and historical immigration issues. The oil price continued its strong rally, supported by Middle East tensions.

The stock market was strong, helped by the weak pound, which increases the value of overseas profits for UK companies. The Trust's NAV returned 9.9%, outperforming the Trust's benchmark, the FTSE All Share index return of 6.4%, with internationally focused larger companies outperforming the more domestic mid-caps. The strongest sector was food retail, as Sainsbury announced a proposed merger with Walmart's Asda on the last day of the month. Oil & gas shares were also strong, along with the telecommunications and electricity sectors. Tobacco was the only sector to post a negative total return, but household goods and many industrial sectors also lagged the market.

The portfolio outperformed the strong market. In addition to Sainsbury shares performing well on the potential Asda tie-up, FirstGroup also rallied after being approached by private equity firm Apollo about a potential takeover. Relative performance also benefitted from not owning British American Tobacco as those shares underperformed and held back the market return. There were few significant negative contributors to performance, but

“ **The UK equity market is relatively unloved within global markets, due to investor concerns over Brexit in particular. This has led to the UK being more reasonably priced than many other developed markets** ”

Equiniti, Senior and GVC all underperformed, giving back some of their recent gains.

We sold one holding out of the portfolio and we made a number of other changes to position sizes in response to share price moves. We sold Kier, the construction and services company. Whilst we like Kier's diversified business model and its focus on lower risk, smaller construction contracts, the company has a high level of debt which could be problematic should there be a downturn in the sector. We also took money out of strong performing shares as valuations approached our target prices, including BP, Ashmore, Senior and Sainsbury, after it announced its proposed merger with Asda. The proceeds were reinvested into businesses we believe offer good value, typically after a pull-back in their share prices, including CRH, Tyman and Tate & Lyle.

The UK equity market is relatively unloved within global markets, due to investor concerns over Brexit in particular. This has led to the UK being more reasonably priced than many other developed markets, despite a large number of genuinely multi-national companies being quoted in London.

We continue to find many attractive investment opportunities, following our investment philosophy of investing in higher yielding, sound companies at attractive absolute valuations. The most interesting areas at the moment include domestic companies, where the stock market is already pricing in a potential sharp deterioration in the trading environment, and recovery situations, where the short-term trading outlook may be challenging, but share prices are not reflective of longer term business value.

Simon Gergel



Simon Gergel, Portfolio Manager

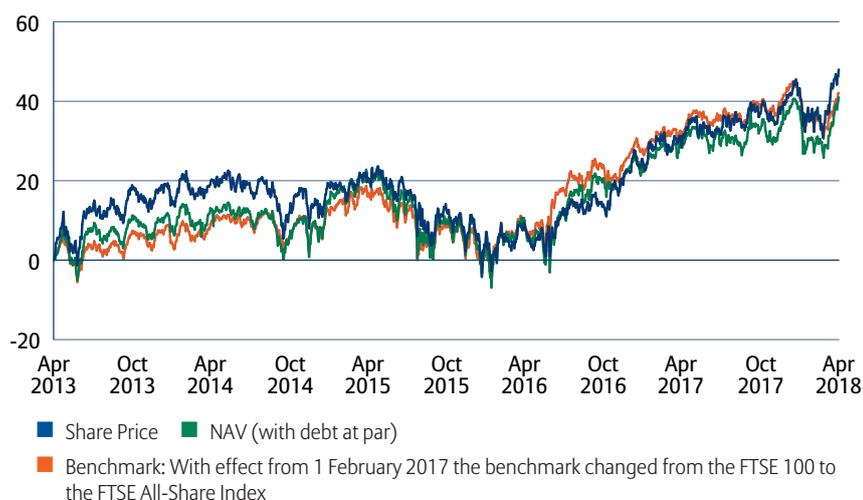
The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 27 years investment experience. He is pictured here with Matthew Tillet, UK equity portfolio manager. Simon joined AllianzGI in April 2006 from HSBC Halbis Partners where he managed over £900m in high 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.

4 May 2018

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	5.4	7.5	14.5	22.7	48.0
NAV	3.0	5.2	11.9	19.4	43.6
Benchmark	1.1	2.1	8.2	22.2	42.2

Discrete 12 Month Returns (%) to 30 April

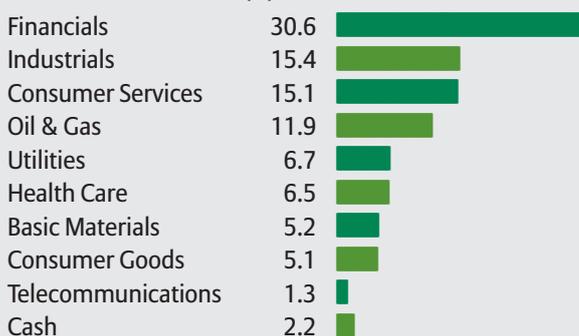
	2014	2015	2016	2017	2018
Share Price	20.0	0.5	-10.8	20.2	14.5
NAV	12.5	6.9	-10.3	19.0	11.9
Benchmark	9.3	6.4	-6.8	21.2	8.2

Source: Lipper, percentage growth, mid to mid, total return to 30.04.18. Copyright 2018 © 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.

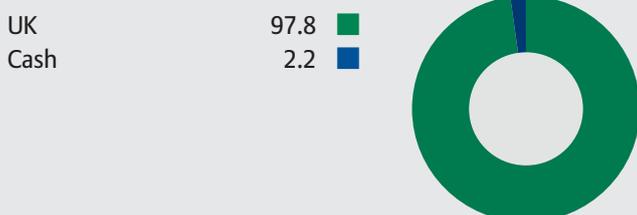
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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



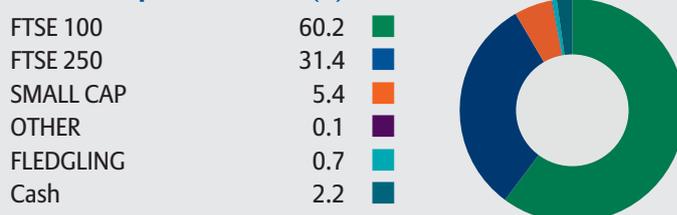
Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	7.5
GlaxoSmithKline	6.4
HSBC Holdings	4.3
BP	4.3
UBM	4.2
Lloyds Banking Group	3.7
BHP Billiton	3.6
Legal & General	3.2
BAE Systems	3.0
Standard Life Aberdeen	3.0

Total number of holdings* 49

*Excludes derivatives

Market Cap Breakdown (%)



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	0.59%
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 (31.01.2018). 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 30.04.18 unless otherwise stated.

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