

The Merchants Trust PLC

Factsheet

30 April 2014

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 Trust 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, with the remainder held in Government securities and companies such as Castlemaine Brewery in Australia. The Trust now concentrates primarily on major UK companies with an above average rate of dividend yield.

Fund Manager's Review



Simon Gergel

April saw major developments in the pharmaceutical sector with Pfizer launching a takeover approach for AstraZeneca and GlaxoSmithKline agreeing a complex deal with Novartis. Glaxo will sell Novartis their oncology business, they will buy Novartis' vaccine business and both companies will merge their consumer health businesses which Glaxo will control. We think this deal realises a good valuation on Glaxo's oncology assets and gives Glaxo greater scale in two attractive growth businesses.

A strong reception to these pharmaceutical deals and a good set of results from Royal Dutch Shell led to large companies significantly outperforming mid-caps, a reversal of the trend of the previous month. The FTSE 100 Index returned +3.1% during the month whilst the mid-cap FTSE 250 Index returned -2.3%. The strongest sectors were Pharmaceuticals, Oil & Gas Producers and Insurance. The weakest sectors included Technology Hardware, Industrial Transportation, Financial Services and Household Goods.

The Trust's NAV rose by 3.1% over the month, just ahead of its benchmark. On the positive side there was a strong bounce in Ladbrokes as regulatory changes were less severe than feared and the portfolio did not own Rio Tinto and Diageo that were relatively weak. The biggest negative to the portfolio in April was not owning Astra Zeneca but positions in mid-caps like First Group and Balfour Beatty also had an impact.

There were no new stocks added to the portfolio although we continued to add to the recent purchases of Tate & Lyle, Standard Life and William Hill. We took some profits on Resolution, with the shares having bounced strongly since we added to the position during recent sector volatility. We also took profits on part of our holdings in Britvic and the building materials business CRH, after strong performance by both.

The UK economic outlook is gradually improving although we continue to expect growth to be constrained by the debt overhang and, in the short term, headwinds from Sterling's strength and weakness in some emerging market economies. The median company is now on a fairly full valuation but considerable volatility at the individual company level is providing investment opportunities. Many of the largest companies continue to offer sound value, in our view, and the Trust has a large exposure in that part of the market. Recent deals within pharmaceuticals and telecommunications demonstrate that even the biggest companies can be restructured to drive shareholder value.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	4.6	1.8	20.1	42.0	143.3
NAV	4.8	2.0	12.5	40.3	136.5
FTSE 100	5.4	2.5	9.3	24.8	91.4

Discrete Performance (%)

From To	30.04.09 30.04.10	30.04.10 29.04.11	29.04.11 30.04.12	30.04.12 30.04.13	30.04.13 30.04.14
Share Price	32.2	29.6	-5.7	25.4	20.1
NAV	43.5	17.5	-2.3	27.7	12.5
FTSE 100	35.9	12.9	-2.0	16.4	9.3

Source: Lipper, percentage growth, mid to mid, total return to 30.04.14. Benchmark: FTSE 100 Index.

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.

Copyright 2014 © 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.



All data source Allianz Global Investors as at 30.04.14 unless otherwise stated.

Allianz Global Investors Europe GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

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.

Allianz 
Global Investors

Capital Structure

Total Assets:	£664.4m
Gearing (net):	18.7%
Shares in Issue:	104,163,464 (Ordinary 25p)
Share Price ¹ :	508.0p
Net Asset Value ² :	516.1p (491.9p – debt at market value)
Premium/-Discount to NAV ² :	-1.6% (3.3% – debt at market value)
NAV Frequency	Daily
Dividend Yield ³ :	4.65%

1. Source: Lipper as at 30.04.14, market close mid price.

2. Source: Datastream as at 30.04.14. Calculated using the latest full year dividend divided by the current share price.

3. A trust's Net Asset Value (NAV) 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. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Equity Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
Ongoing Charges ⁴ :	0.66%
Year end:	31 January
Annual Financial Report:	Final posted in April, Half-yearly posted in September
AGM:	May
Dividends:	February, May, August, November
Price Information:	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk

Board of Directors:
Simon Fraser (Chairman), Mike McKeon (Chairman of the Audit Committee),
Henry Staunton (Senior Independent Director), Paul Yates

Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes:	RIC: MRCH SEDOL: 0580007

4. Source: AIC, as at the Trust's Financial Year End (31.01.2014). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

Risks & 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, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

Merchants seeks to enhance returns for its shareholders through gearing in the form of long-term debentures. Gearing 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 are used to manage the trust efficiently. Covered call options are written to supplement the income generation of the portfolio. This may lead to an opportunity cost if options are exercised.

All data source Allianz Global Investors as at 30.04.14 unless otherwise stated.

This is a marketing communication issued by Allianz Global Investors Europe GmbH, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, D-60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (www.bafin.de). Allianz Global Investors Europe GmbH has established a branch in the United Kingdom, Allianz Global Investors Europe GmbH, UK branch, 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.

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.

Sector Breakdown (%)

Financials	19.1
Consumer Services	17.6
Oil & Gas	15.8
Industrials	12.1
Utilities	11.0
Consumer Goods	9.0
Health Care	7.6
Basic Materials	3.4
Telecommunications	3.0
Cash	1.4

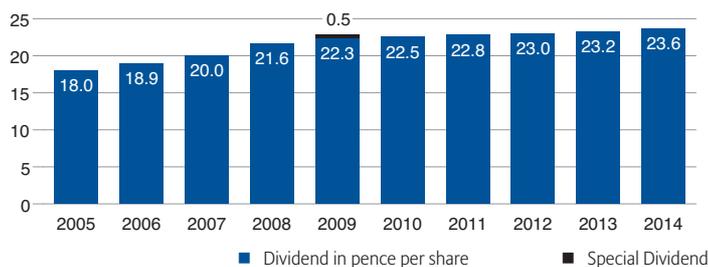
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	9.3	BAE Systems	3.6
GlaxoSmithKline	7.6	BHP Billiton	3.3
BP	6.4	Scottish & Southern Energy	3.2
HSBC	6.2	UBM	3.1
British American Tobacco	4.3	Inmarsat	2.9
Total Number of Holdings	46*		

*excludes derivatives

Dividend History

Ten Year Net Dividend Record in Pence (to year end 31 January)



Past performance is not a reliable indicator of future results.

Net Dividends

	Pay Date	Record Date	Payment
4th quarterly dividend	23.05.14	25.04.14	5.9p per share
3rd quarterly dividend	26.02.14	31.01.14	5.9p per share
2nd quarterly dividend	12.11.13	11.10.13	5.9p per share
1st quarterly dividend	14.08.13	12.07.13	5.9p per share

How to Invest

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker. Shares in the Trust can be held within an ISA and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website.

Contact Us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

0800 389 4696

e-mail: investment-trusts@allianzgi.com

website: www.merchantstrust.co.uk