Allianz Global Investors

The Merchants Trust PLC

Key Information	
Total Assets†	£606.5m
No. of Shares† (Ordinary 1p)	102,813,464
Net asset value†	478.4p
Net asset value (debt at Market Value)†	457.4p
Premium/-discount to NAV†	-11.2%
Premium/-discount to NAV (debt at Market Value)†	-7.1%
Share price*	424.75p
AIC Sector	UK Income Growth
RIC	MRCH
Year end	31st January
Reports and Accounts	Final posted in April, Interim posted in September
AGM	May
Dividends	February, May, August and November
Price Information	Financial Times, The Daily Telegraph, www.allianzgi.co.uk
Board of Directors	Hugh Stevenson (Chairman), Dick Barfield, Sir Bob Reid, Joe Scott Plummer, James Sassoon
Investor services	020 7065 1407
Brochure request	0800 317 537

† Source: Allianz Global Investors as at 29.02.08

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.

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 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.

†† Source: Allianz Global Investors as at 29.02.08.

Please also refer to Trust aim & characteristics, above right.

* Source: Lipper as at 29.02.08

Trust aim & characteristics

The Trust's objective is 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 suffer substantial capital loss.

Fund Manager's review


Simon Gergel

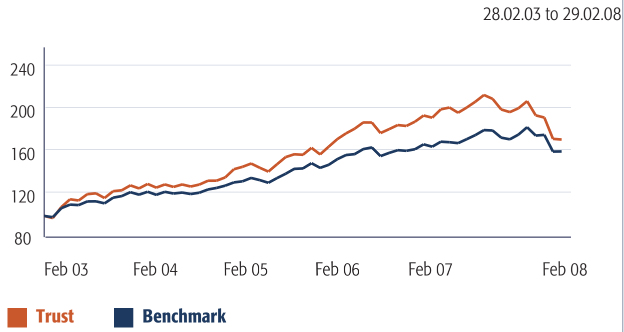
During the month under review the Bank of England cut interest rates by 0.25% to 5.25% on concerns over slowing economic growth and a liquidity crunch. The index produced a small positive return in February and performance was close to the benchmark with the main positive contributor FKI, which received bid interest, as well as Lonmin. We also gained from not owning Tesco which fell back. The biggest negatives meanwhile were HBOS and underweight positions in two stocks that outperformed; BHP Billiton and BG. The outlook remains uncertain with developments in credit markets and economic news likely to lead to continuing volatility. However, this volatility may well provide opportunities to buy into strong companies on attractive valuations.

Top 10 holdings

Name	%
BP	7.9
Royal Dutch Shell	7.6
GlaxoSmithKline	7.5
Vodafone Group	7.3
HSBC	7.1
HBOS	3.4
Royal Bank of Scotland	3.3
Rio Tinto	3.3
AVIVA	3.1
Anglo American	3.0
Total	**53.5**

Source: Allianz Global Investors as at 29.02.08.

Fund Performance



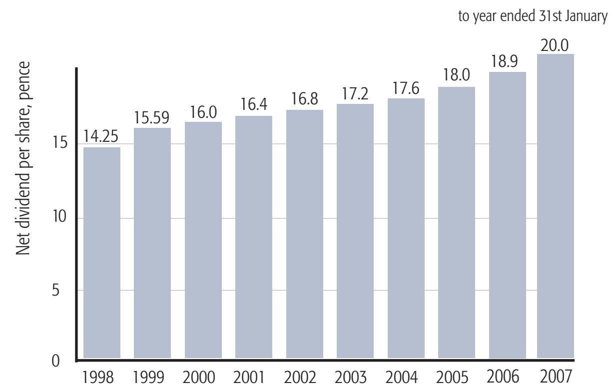
Source: Allianz Global Investors/ Mellon. 28th February 2003 to 29th February 2008. Capital only, calculation indexed. UK Sterling.
Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value 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. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

Standardised Past Performance

From to	31/12/2002 31/12/2003	31/12/2003 31/12/2004	31/12/2004 30/12/2005	30/12/2005 29/12/2006	29/12/2006 31/12/2007
Share Price	**18.9%**	**20.2%**	**22.1%**	**24.3%**	**-5.8%**

Source: Allianz Global Investors/Lipper Hindsight. Discrete years, mid to mid, basic rate tax, based in UK sterling. Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

10 year Net Dividend Record



Source: Allianz Global Investors

History

The Trust was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it principally 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 Castlemain Brewery in New South Wales. The Trust now concentrates primarily upon major UK companies with an above average rate of dividend yield.
On 30th June 2006 a further 1,655,941 Ordinary shares were issued following the reconstruction and planned winding up of Allianz Dresdner Income Growth Investment Trust plc. The increase in assets was achieved at no cost to existing shareholders.

Launch Date: 1889 **Wind-up Date:** None

Share buybacks

1,171,413 shares have been repurchased for cancellation to date.