

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

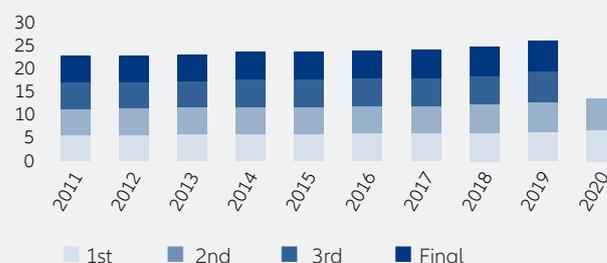
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 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 37 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
04.10.2019	12.11.2019	6.80p	2nd Quarterly
12.07.2019	20.08.2019	6.70p	1st Quarterly
12.04.2019	22.05.2019	6.60p	Final
01.02.2019	06.03.2019	6.50p	3rd Quarterly

Past performance is not a reliable indicator of future results.



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 £696.2m

Shares in Issue 110,728,464 (Ordinary 25p)

Market Cap £569.1m

Share Price

514.0p

NAV per Share

498.9p

Premium/-Discount

3.0%

Dividend Yield

5.2%

Gearing

19.4%

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

Investor attention in the UK was dominated by the General Election campaign, with opinion polls shifting towards a more traditional two party race, as support for the Liberal Democrats and Brexit Party seemed to decline. The stock market responded positively to signs that the Labour party, pursuing a hard left socialist agenda, seemed unlikely to win a majority, with the Conservatives the clear favourites at the end of November. The UK stock market made steady gains, mirroring the performance of other global markets, which responded to modestly improving global economic news. Within the UK stock market, the more domestically focused medium and smaller companies outperformed larger companies, possibly reflecting the opinion polls.

Amongst the major sectors, the best performers included many of the more cyclical industrial sectors, as well as the tobacco sector which rose by over 10% from a depressed level, responding to some easing of regulatory fears in the USA and strong results from British American Tobacco. The weakest sectors included telecommunications, oil & gas producers and pharmaceuticals.

The Trust's NAV rose by 5.4% in November, well ahead of the benchmark return of 2.2%, with the portfolio outperforming the stock market. Gains were driven in particular by some of the smaller companies in the portfolio. In the cases of geotechnical contractor, Keller, engineered door and window component supplier, Tyman and manufacturer of specialist products, Morgan Advanced Materials, valuations were so low that them merely announcing that trading was broadly in line with expectations was enough to see the shares rally by around 20% each. International specialist staffing organisation, SThree also rose by a similar

“domestically focused medium and smaller companies outperformed larger companies

amount, from a depressed level, as investors responded well to a capital markets day (where financial stakeholders such as investors and analysts have the opportunity to meet management of the company, get more information on the company in general or an update on strategy), which emphasised the company's attractive exposure to fast growing STEM (science, technology, engineering and mathematics) recruitment markets. There were few negative performance contributors, although Stock Spirits, sports betting and gaming group, GVC, and defence, security, and aerospace company, BAE Systems underperformed modestly.

We made a significant change in the banks sector positioning in November. We sold out of HSBC, which has been a core portfolio holding for many years, introducing a new investment in Royal Bank of Scotland and adding to the Barclays position. HSBC is a well-capitalised bank, with strong positions in the Hong Kong and UK banking markets as well as having a leading presence in China, Asia and other emerging markets. One of the main attractions of HSBC has been its exposure to higher growth regions, but the valuation of the shares reflects this opportunity. We decided to sell the shares as the business faces a number of shorter term headwinds, including slowing global trade growth, rising tensions in Hong Kong and a large restructuring programme.

We also wanted to increase exposure to the domestic UK banks, as a resolution to the political and Brexit uncertainty could be helpful for economic growth and even more so for investor sentiment. Royal Bank of Scotland has been through a very long restructuring process and now has an extremely strong capital position. We expect to see improving profitability and cash returns for shareholders. The shares are lowly



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.

valued, for a number of legacy reasons, such as a large government shareholding, but we see an improving outlook. Although we have increased the domestic banking exposure in the portfolio, via RBS and Barclays, the overall banks exposure is significantly below the weighting of that sector in the benchmark, as it remains a highly cyclical industry.

Two other purchases were notable. The primary purpose of the stock market is to help companies finance their activities, and we were pleased to support Bovis Homes and digital transformation specialists, Kin + Carta in recent fund raisings to finance acquisitions. Bovis Homes bought two businesses from Galliford Try. This looks like an excellent opportunity, as it gives Bovis greater scale in housebuilding and an entry into the attractive housing partnerships business. The Chief Executive of Bovis used to manage Galliford Try, so he knows the businesses and assets well. Kin + Carta, bought Spire Digital, a fast growing digital transformation consultancy in the USA, in line with their strategy of growing in this attractive segment.

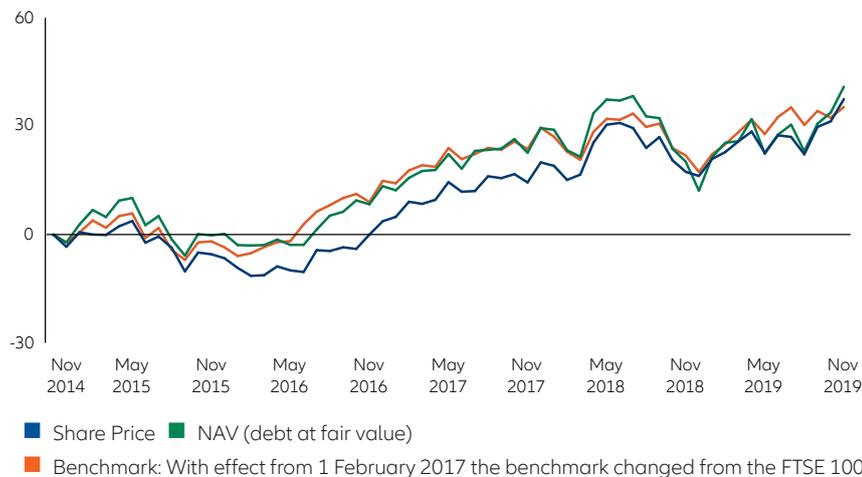
In recent months, we have seen UK stock market investors start to rotate money from large international companies, to smaller and more domestic stocks, with mid-caps outperforming large caps since the middle of August. We have also seen the first signs of more cyclical, value orientated shares outperforming companies perceived to be more defensive and offering higher growth. It is always hard to predict how this trend will develop, and particularly so, writing this ahead of the general election on 12th December. However, there remains a very high premium valuation being paid in the stock market for perceived (though not necessarily actual) quality and defensiveness. Conversely, elsewhere we continue to find many strong companies to invest in, trading on surprisingly modest valuations. In aggregate, we believe these shares should be able to deliver a combination of a high dividend yield and capital growth in line with Merchants' long term objectives.

Simon Gergel
12 December 2019

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	12.5	12.1	17.1	37.5	37.5
NAV (debt at fair value)	12.5	13.1	15.1	27.7	38.4
Benchmark	3.8	5.8	11.0	24.1	35.3

Discrete 12 Month Returns to 30 November (%)

	2019	2018	2017	2016	2015
Share Price	17.1	2.6	14.5	5.7	-5.5
NAV (debt at fair value)	15.1	-2.0	13.2	8.6	-0.2
Benchmark	11.0	-1.5	13.5	11.1	-1.9

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.11.19. Copyright 2019 © 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.

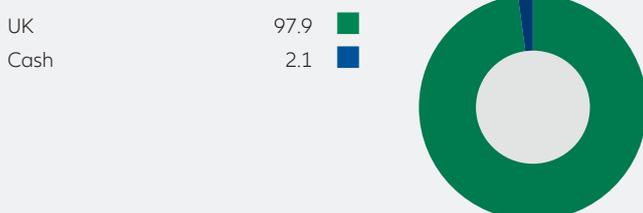
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

Financials	28.2	<div style="width: 28.2%;"></div>
Industrials	20.1	<div style="width: 20.1%;"></div>
Consumer Goods	13.3	<div style="width: 13.3%;"></div>
Consumer Services	11.3	<div style="width: 11.3%;"></div>
Oil & Gas	7.6	<div style="width: 7.6%;"></div>
Utilities	7.4	<div style="width: 7.4%;"></div>
Health Care	5.7	<div style="width: 5.7%;"></div>
Basic Materials	4.3	<div style="width: 4.3%;"></div>
Cash	2.1	<div style="width: 2.1%;"></div>

Geographic Breakdown (%)



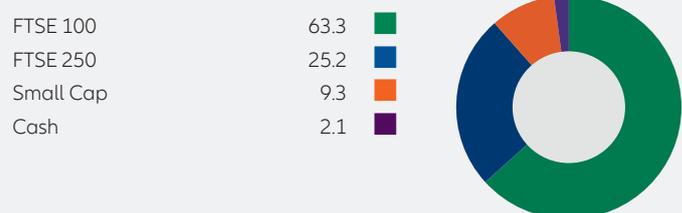
Top Ten Holdings (%)

GlaxoSmithKline	5.7
Royal Dutch Shell - B Shares	5.2
Barclays	4.0
BAE Systems	3.6
British American Tobacco	3.5
Imperial Brands	3.4
Standard Life Aberdeen	3.2
Legal & General	3.2
Land Securities	3.2
St James's Place	2.9

Total number of holdings* 47

*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.

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	0.58%
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 (31.01.2019). 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

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



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 30.11.19 unless otherwise stated.

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