

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 November 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

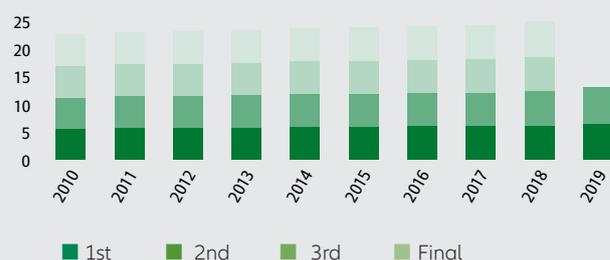
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
05.10.2018	15.11.2018	6.50p	2nd Quarterly
13.07.2018	22.08.2018	6.40p	1st Quarterly
20.04.2018	30.05.2018	6.30p	Final
26.01.2018	02.03.2018	6.20p	3rd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £642.8m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £504.0m

Share Price

463.5p

Source: Lipper

NAV per Share

458.5p

Premium/-Discount

1.1%

Dividend Yield

5.5%

Gearing

21.5%

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.

Allianz 
Global Investors

All data source Allianz Global Investors as at 30.11.18 unless otherwise stated.

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

Fund Manager's Review

November finally saw UK Prime Minister Theresa May unveil the UK's Brexit withdrawal agreement, which was subsequently agreed by the EU, although there remained considerable uncertainty over whether it could be passed in the UK parliament. Elsewhere, US-China trade tensions continued to concern global investors. The risk of tariffs impacting the US economy was partly to blame for US government bond yields declining over the month (and bond prices rising). The theme of weakening economic growth expectations was further supported by the Chairman of the US Federal Reserve, who hinted that interest rates may not need to rise that much further.

Concern about slowing growth, and uncertainty over Brexit, weighed on the UK stock market, which recorded a modest decline in November, but with considerable volatility at the individual stock level. The worst performing sector was tobacco, on concerns about tighter regulation in the US tobacco market and a possible ban on menthol cigarettes. Otherwise, the weakest sectors were typically industrial and commodity sectors, which are sensitive to global growth expectations. The best performing sectors were generally defensive sectors, such as telecommunications, beverages and pharmaceuticals, with mobile telecommunications leading the pack, as Vodafone's interim results and a maintained dividend reassured investors.

The Trust's NAV fell by -3.7% over the month, lagging the benchmark return of -1.64%. Stocks that were not in the portfolio had a big impact on relative performance, both on the positive and negative side. On the negative side, not owning Vodafone and Diageo held back performance, as both of these performed

“ recent declines in share prices mean that there is excellent long term value now available in many UK listed companies, particularly as the bulk of sales and profits of quoted stocks comes from outside the UK.

well and helped the overall index return. Also, the gaming stock GVC Holdings was weak, as the government brought forward curbs on betting machines. On the positive side, not owning British American Tobacco helped the relative return, as the shares fell by almost 20% over the month. Elsewhere, Greene King rallied on reassuring results and GlaxoSmithKline outperformed due to its defensive qualities.

There were no major changes to the portfolio structure in the last month, but we took advantage of considerable stock volatility to make changes to a number of positions. We reduced holdings in companies that had significantly outperformed the market, where the upside potential had declined, to fund further investments in



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.

shares that had underperformed, and offered excellent value. In particular we reduced GlaxoSmithKline, Tate & Lyle and Marks & Spencer, to fund investments into BAE Systems, Imperial Brands, GVC and BP amongst others. Elsewhere, we also reduced exposure to FirstGroup, where the anticipated recovery in the business is taking longer than we had expected.

As we write this report, stock markets are going through a period of volatility, prompted by uncertainty over the outlook for global economic growth, US-China trade tensions and Brexit. However, recent declines in share prices mean that there is excellent long term value now available in many UK listed companies, particularly as the bulk of sales and profits of quoted stocks comes from outside the UK. One interesting statistic, according to Morgan Stanley, is that around a third of UK medium and large companies now have a dividend yield of 5% or above, which we have not seen since the financial crisis. We remain focused on identifying strong businesses with sound prospects, that we can buy on attractive valuations, in order to deliver Merchants' objectives of an above-average dividend yield and long term capital growth. Today's uncertainty is providing many such opportunities, and we are excited about the potential future returns of the portfolio holdings.

Simon Gergel
10 December 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 (%)



■ Share Price ■ NAV (with debt at par)
 ■ 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	-5.3	-10.0	2.6	24.1	20.4
NAV	-9.8	-12.8	-2.8	17.9	18.9
Benchmark	-6.1	-7.7	-1.5	24.2	27.6

Discrete 12 Month Returns (%) to 30 November

	2018	2017	2016	2015	2014
Share Price	2.6	14.5	5.7	-5.5	2.6
NAV	-2.8	12.1	8.3	-1.1	1.9
Benchmark	-1.5	13.5	11.1	-1.9	4.7

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.11.18. Copyright 2018 © 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.

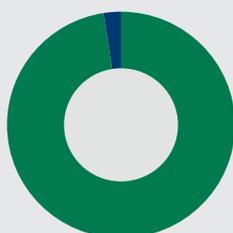
Portfolio Breakdown

Sector Breakdown (%)

Financials	30.7	
Industrials	17.1	
Consumer Services	11.7	
Oil & Gas	10.7	
Consumer Goods	7.3	
Utilities	6.8	
Health Care	5.9	
Basic Materials	5.8	
Telecommunications	1.5	
Cash	2.5	

Geographic Breakdown (%)

UK	97.5	
Cash	2.5	



Top Ten Holdings (%)

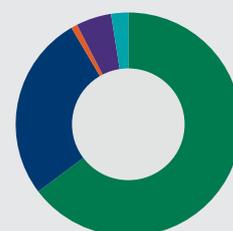
Royal Dutch Shell 'B' Shares	6.6
GlaxoSmithKline	5.9
HSBC Holdings	4.4
BP	4.0
BHP Group	4.0
Imperial Brands	3.3
Legal & General	3.2
BAE Systems	3.2
Standard Life Aberdeen	2.9
Tate & Lyle	2.7

Total number of holdings* 48

*Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	64.7	
FTSE 250	26.8	
Fledgling	0.9	
Small Cap	5.1	
Cash	2.5	



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.



Allianz 
Global Investors

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 30.11.18 unless otherwise stated.

This is a marketing communication issued by Allianz Global Investors 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 GmbH has established a branch in the United Kingdom, Allianz Global Investors GmbH, UK branch, which is subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk). This communication has not been prepared in accordance with legal requirements designed to ensure the impartiality of investment (strategy) recommendations and is not subject to any prohibition on dealing before publication of such recommendations. 690272