

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

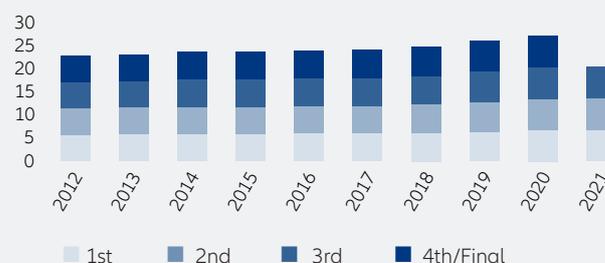
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 14 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 39 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
05.02.2021	16.03.2021	6.80p	3rd Quarterly
09.10.2020	12.11.2020	6.80p	2nd Quarterly
10.07.2020	19.08.2020	6.80p	1st Quarterly
24.04.2020	29.05.2020	6.80p	4th 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 £714.4m

Shares in Issue 122,084,887 (Ordinary 25p)

Market Cap £605.5m

Share Price

496.0p

NAV per Share

495.7p

Premium/-Discount

0.1%

Dividend Yield

5.5%

Gearing

12.0%

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

March saw a continuation of the market trends in February, with attention focused on the prospects for economic recovery, as COVID-19 vaccinations gathered pace. In the UK, 50% of the adult population has now received a first dose. In the US there was also a lot of attention on the large stimulus package signed by President Biden. US bond yields rose again, taking bond prices down, and delivering their worst quarterly performance in decades, whilst most equity markets posted further gains.

The FTSE All-Share Index gained 4%, including dividends, cementing a 40% rally from the trough a year earlier. In general, companies on lower valuations outperformed those on higher valuations, as the "value" style outperformed the "growth" style. The strongest performing sectors included cyclicals like housebuilders and construction, but also defensives like tobacco and telecommunications. The worst performing sectors included financial services, mining and oil & gas.

Portfolio performance was significantly above the benchmark's 4% return and the Trust's NAV total return over the month was 9.4%. The biggest contributions to outperformance came from IG Group, DFS Furniture and Imperial Brands, which were three of several investments which produced double-digit total returns. The portfolio also benefitted from not owning London Stock Exchange plc, which fell by 28%, holding back the index return. There were few significant negative contributors to performance, but Diversified Gas & Oil and Conduit Re both fell back, and not owning Unilever made the biggest single impact, as that share rallied by 9%.

The Merchants Trust was originally established, in 1889, to invest in North American railroads and other international opportunities. In recent years,

“ the recent strong market rotation towards many “value” stocks is creating opportunities to switch money, selectively, into higher growth or better quality companies at sensible valuations

however, it has invested exclusively in companies listed on the UK stock market, although many UK-listed companies are multinational enterprises with a large proportion of their underlying sales and profits coming from overseas. In March, the board decided to allow the Trust to invest up to 10% of the portfolio in companies listed overseas, as mentioned in the latest annual report. The opportunity set of large, high yielding companies has become more concentrated in the UK in recent years. Introducing a limited amount of international investments will enable us to diversify the risk profile of the portfolio and, in particular, to diversify the income profile. This will help us aim to continue meeting the key objective of providing a rising income stream to shareholders, without taking excessive risk, and without compromising the fundamental qualities of the companies we seek to invest in.

We made the first overseas investments in March adding four new companies representing just under 4% of the portfolio. All four companies pay high dividends. Two of these, Scor and Swiss Re are insurance companies with a bias towards reinsurance. We believe that this could be a good time to invest in the reinsurance sector, as prices are rising and profitability is expected to recover following several difficult years in the industry. Sanofi is a diversified pharmaceutical company which also owns vaccine and consumer health businesses. The sector has de-rated in recent months and Sanofi is very modestly valued. Finally, we added a small position in Total. This energy company has announced a clear plan to transition the business towards a net zero emissions company, including



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 32 years investment experience. He is pictured here with Matthew Tillett, Senior 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.

building a large renewable generation portfolio, and will soon change its name to TotalEnergies to mark this transition. The company has been well managed in recent years and has not cut its dividend during the pandemic.

These purchases were funded by taking money out of shares that had performed well in recent months, moving closer to fair value. Some of these are businesses where share prices had more than doubled from depressed levels during the pandemic, including Barclays, Kin & Carta, ITV and Entain. Others are more defensive businesses that had delivered solid operating performance, such as PZ Cussons, Stock Spirits and Tate & Lyle. We sold the remaining position in the shopping centre owner Hammerson. Whilst this has been a disappointing investment overall as the company has been hit hard by the pandemic, the shares have performed well since we supported the rights issue last summer. We also sold most of the BT shareholding, for a decent profit, reflecting the company's higher valuation and a moderation in our investment view.

We added one other company to the portfolio, Relx; a provider of science, medical, legal, risk and other information and services to professional and business customers. Relx has strong market positions and has made high returns. The company has a good record of growth across its operations, which could accelerate as the business mix improves, and it also stands to benefit from a recovery in the exhibitions business, which was heavily impacted last year.

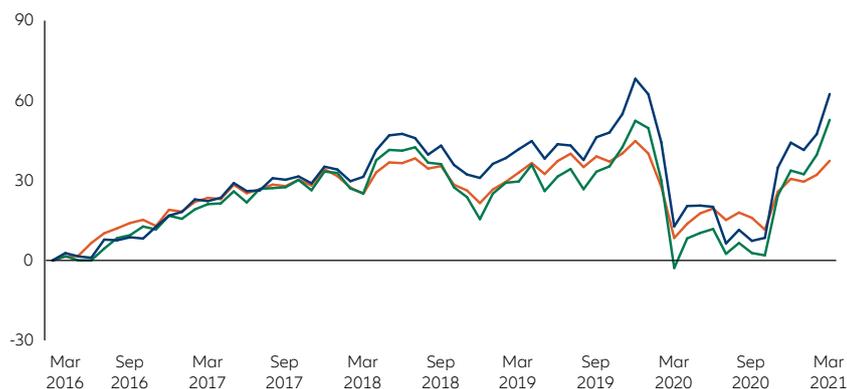
Despite the recent recovery in the UK stock market, valuations are reasonable compared to history and cheap compared to global markets. There remains a high level of dispersion in valuations, creating opportunities to buy strong businesses at attractive prices. Whilst we retain a bias towards lowly valued shares, the recent strong market rotation towards many "value" stocks is creating opportunities to switch money, selectively, into higher growth or better quality companies at sensible valuations.

Simon Gergel
15 April 2021

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 (debt at fair value)

■ 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	12.7	51.4	44.1	23.7	62.5
NAV (debt at fair value)	14.2	48.6	57.2	22.1	52.8
Benchmark	5.2	18.5	26.7	9.9	37.4

Discrete 12 Month Returns to 31 March (%)

	2021	2020	2019	2018	2017
Share Price	44.1	-20.4	7.9	7.5	22.3
NAV (debt at fair value)	57.2	-25.0	3.6	3.3	21.1
Benchmark	26.7	-18.5	6.4	1.2	23.5

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.03.21. Copyright 2020 © 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.

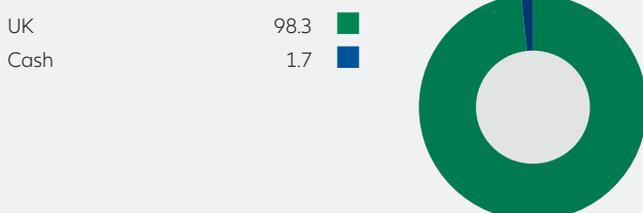
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	22.0	
Consumer Goods	22.0	
Industrials	18.5	
Oil & Gas	8.8	
Consumer Services	7.0	
Utilities	6.6	
Health Care	6.2	
Telecommunications	3.9	
Basic Materials	2.8	
Technology	0.5	
Cash	1.7	

Geographic Breakdown (%)



Top Ten Holdings (%)

GlaxoSmithKline	5.0
Imperial Brands	4.8
British American Tobacco	4.4
BP	3.6
Royal Dutch Shell - B Shares	3.5
Scottish & Southern Energy	3.5
BAE Systems	3.3
WPP	3.3
IG Group	3.2
St James's Place	3.1

Total number of holdings* 49

*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	0.61%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	13 May 2021
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 (31.01.2021). 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)
Karen McKellar
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)

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 31.03.21 unless otherwise stated.

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