

The Merchants Trust PLC

Factsheet

30 September 2015

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

There were a number of significant or market moving events in September. In the UK, the left wing candidate Jeremy Corbyn, was elected leader of the Labour opposition party after the General Election defeat earlier this year. In the USA, the Federal Reserve Board decided to delay the first interest rate rise for this cycle, citing concern about global events (assumed to be a reference to the Chinese slowdown). In company news, Volkswagen was rocked by its emissions revelations, whilst the mining and trading company Glencore fell heavily on balance sheet and cyclical concerns.

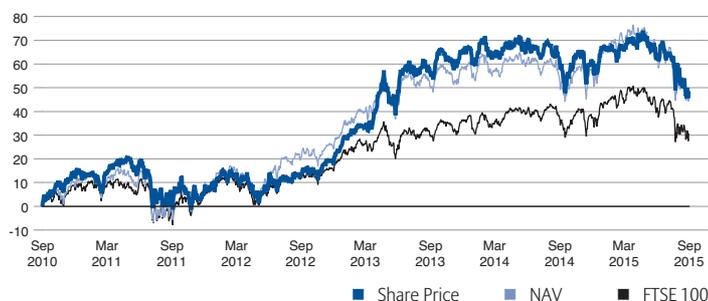
The FTSE 100 Index gave a negative total return of -2.9%, closing near to its lowest point in over two years. The worst performing sectors were cyclicals, including mining, oil and several industrial sub-sectors. Best performers were the more defensive sectors, such as food & beverages, utilities and tobacco.

The portfolio return was slightly below the index return, before the effect of gearing and the NAV return (which includes the effect of gearing) returned -4.4% over the past month. The main cause of underperformance was not owning SABMiller, which attracted a takeover approach from ABI Inbev, with smaller negative contributions from holding Antofagasta and not owning Imperial Tobacco. On the other hand, not owning Glencore or Vodafone had a positive impact, as did the holdings in Tate & Lyle and Sainsbury, which both rose on the back of encouraging trading.

Portfolio activity was more limited than in recent months. In early September, the remaining small holding in electronic component distributor Premier Farnell was sold. The company has been struggling with difficult end markets as well as more structural pressures on pricing. We have lost confidence in the management turnaround strategy in recent months, so we have sold the shares. Subsequently the company has had a further profit warning and cut the dividend. Elsewhere we took some profits on National Grid and added to William Hill, Centrica and ICAP, where we see better value.

In recent months, investors have become increasingly concerned that a slowdown in emerging markets might derail the slow recovery in Europe and the USA. Whilst we continue to monitor developments, our central view remains that Western economies are recovering. However growth is likely to remain muted due to financial repression, which is addressing the high debt burden post the financial crisis. This should provide a favourable background for high yielding equity strategies.

Performance (%)



Cumulative Performance (%)

| | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|-------------|----------|----------|--------|---------|---------|
| Share Price | -8.1 | -10.1 | -8.3 | 32.9 | 48.6 |
| NAV | -8.2 | -11.2 | -4.0 | 24.2 | 48.2 |
| FTSE 100 | -6.1 | -8.7 | -5.1 | 17.6 | 30.8 |

Discrete Performance (%)

| From To | 30.09.10 30.09.11 | 30.09.11 28.09.12 | 28.09.12 30.09.13 | 30.09.13 30.09.14 | 30.09.14 30.09.15 |
|-------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Share Price | 4.3 | 7.2 | 39.4 | 3.9 | -8.3 |
| NAV | -2.2 | 22.0 | 26.2 | 2.5 | -4.0 |
| FTSE 100 | -4.4 | 16.4 | 16.7 | 6.1 | -5.1 |

Source: Lipper, percentage growth, mid to mid, total return to 30.09.15. 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.

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Fund Manager's Review (continued)

The weakness in stock markets over the summer has brought valuations down to more attractive levels, with exceptional value in some of the "mega-caps" like HSBC and GlaxoSmithKline. There is a particular opportunity in the oil majors BP and Royal Dutch Shell, as they cut capital expenditure to balance their cash flows at lower oil prices. We also see opportunities in certain recovery situations, where the stock market is not willing to look through shorter term issues. However the more defensive, less cyclical stocks, in industries like beverages and household goods, generally look expensive.

All data source Allianz Global Investors as at 30.09.15 unless otherwise stated.

Allianz Global Investors 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: | £612.0m |
| Gearing (net) ¹ : | 21.3% |
| Shares in Issue: | 108,728,464 (Ordinary 25p) |
| Share Price ¹ : | 421.5p |
| Net Asset Value ² : | 445.7p ³ (424.4p ⁴ – debt at market value) |
| Premium/-Discount to NAV: | -5.4% (-0.7% – debt at market value) |
| NAV Frequency | Daily |
| Dividend Yield ⁵ : | 5.69% |

¹Gearing in form of two long-term debentures.

1. Source: Lipper as at 30.09.15, market close mid price.

2. 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.

3. Capital net asset value per ordinary share based on the par value of the company's long term debt and preference shares.

4. Capital net asset value per ordinary share based on the fair/market value of the company's long term debt and preference shares. This allows for the valuation of debt at fair value or current market price, rather than at final repayment value.

5. Source: Datastream as at 30.09.15. Calculated using the latest full year dividend divided by the current share price.

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 ⁶ : | 0.59% |
| 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 and Senior Independent Director), Mary Ann Sieghart, Sybella Stanley, Paul Yates

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

6. Source: AIC, as at the Trust's Financial Year End (31.01.2015). 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.

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.

Sector Breakdown (%)

| | |
|--------------------|------|
| Financials | 25.2 |
| Consumer Services | 16.4 |
| Oil & Gas | 13.0 |
| Industrials | 12.5 |
| Utilities | 9.9 |
| Consumer Goods | 8.9 |
| Health Care | 6.5 |
| Telecommunications | 3.3 |
| Basic Materials | 2.8 |
| Cash | 1.5 |

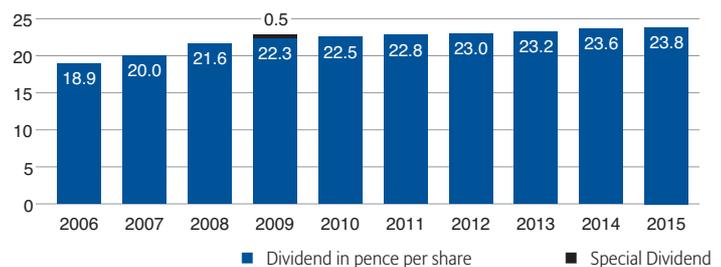
Top Ten Holdings (%)

| | | | |
|---------------------------------|------------|--------------------------|-----|
| GlaxoSmithKline | 6.5 | Lloyds Banking Group | 3.9 |
| Royal Dutch Shell "B" Shares | 6.4 | British American Tobacco | 3.8 |
| HSBC | 6.2 | Inmarsat | 3.2 |
| UBM | 4.5 | Centrica | 2.7 |
| BP | 4.4 | National Grid | 2.6 |
| 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 |
|------------------------|----------|-------------|----------------|
| 2nd quarterly dividend | 12.11.15 | 09.10.15 | 6.0p per share |
| 1st quarterly dividend | 14.08.15 | 17.07.15 | 6.0p per share |
| final dividend | 22.05.15 | 24.04.15 | 6.0p per share |
| 3rd quarterly dividend | 25.02.15 | 30.01.15 | 6.0p 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, JISA, SIPP 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

All data source Allianz Global Investors as at 30.09.15 unless otherwise stated.

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