

Key Information

Total Assets*	£475.5m
Gearing*	31%
No. of Shares [†] (Ordinary 25p)	102,103,936
Discount to NAV [†]	8%
Net Asset Value [†]	354p
Share price*	324p
Gross Yield*	6.0%
Year end	31st January

* Source: Datastream as at 28.05.04

This Trust 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.

[†] Source: Allianz Dresdner Asset Management as at 28.05.04
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.

INCOME ✓

GROWTH ✓

Investment Scheme Availability

ISA ✓

SS ✓

PEP ✓

Fund Manager



Nigel Lanning

Ratings

We have commissioned independent risk ratings for all our investment trusts, to help investors assess their potential volatility.

Close WINS Risk Rating **Slightly Above Average Risk**

Source: Close WINS Investment Trusts (a division of Winterflood Securities Limited). Data as at 21st April 2004. The ratings apply only to asset performance and not share price. The risk characteristics of a trust may change over time, particularly for trusts with gearing, complex capital structures or with assets invested in volatile asset classes. These risk ratings are made available without responsibility on the part of Close WINS, who neither assumes nor accepts any responsibility or liability (including for negligence) in relation thereto. No action should be taken or omitted to be taken in reliance upon this information.

The Merchants Trust PLC

Fund Manager's Review

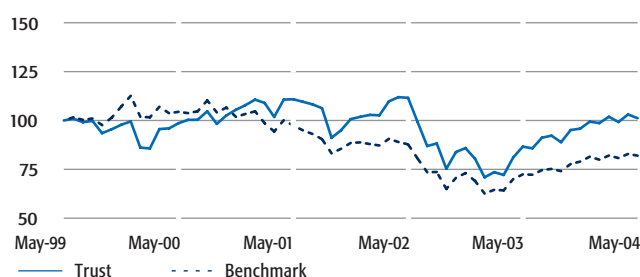
UK shares fell slightly in May as markets marked time in most major countries. Middle East politics dominated sentiment as the rising oil price led to fears that growth might be slower than expected. Interest rates rose in the UK by 0.25% to 4.25%, with further rises expected before too long. Company results, coupled with their financial strength, continued to improve. The Trust did well through its holding in retailers, principally driven by the proposed bid for Marks & Spencer. Property and utilities also contributed well. The under-weight position in mining was unhelpful, however, though the weighting here was increased through a purchase of Rio Tinto. Recent activity underlines the merit of continuing to seek out under-valued, well financed, proven companies for new purchases. This will remain the Trust's policy.

There are now 60 share holdings in the portfolio.[†]

Ordinary Dividend

A fourth quarterly dividend of 4.50p per share was paid on 2nd April 2004 to holders of record at the close of business on 19th March 2004. This gives a total of 17.60p for the year ended 31st January 2004, an increase of 2.3% when compared with the total distribution of 17.20p paid during the previous year. The Board took the view that to pay the dividend as a fourth quarterly dividend, in lieu of a final dividend, would enable the payment to be made before the tax credit on PEP and ISA holdings is withdrawn on 5th April 2004. The Board believed this would benefit a significant number of shareholders, as well as advancing the receipt of this dividend for all shareholders. The Trust has now recorded an unbroken record of dividend increases over the last twenty-two years.

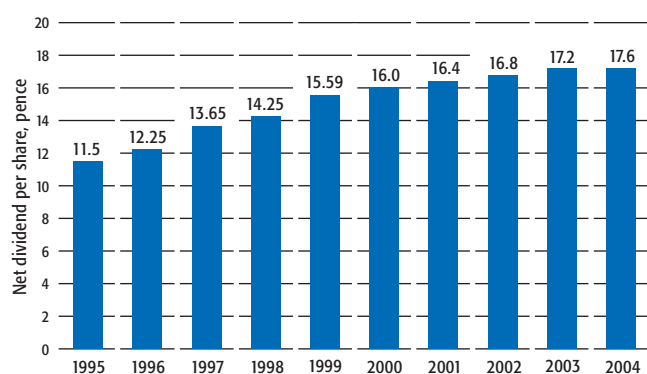
Fund Performance



Source: Russell/Mellon/Allianz Dresdner Asset Management. 31st May 99 to 28th May 04, Total Return, net income reinvested, calculation indexed, UK Sterling. Please remember that past performance is not necessarily a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market or currency 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. This could lead to a higher level of income but a lower capital return.

10 year Net Dividend Record

to year ended 31st January 2004



Source: Allianz Dresdner Asset Management.

Top 10 Holdings

	%
BP	9.06
HSBC	6.70
GlaxoSmithKline	6.33
Royal Bank of Scotland	4.87
Shell Transport & Trading	4.61
Barclays	4.04
HBOS	3.44
BT	3.16
Lloyds TSB	3.03
Land Securities	2.13
TOTAL	47.37

Source: Allianz Dresdner Asset Management as at 28.05.04

Discrete Years Performance

	01/04/99 to 31/03/00	01/04/00 to 31/03/01	01/04/01 to 31/03/02	01/04/02 to 31/03/03	01/04/03 to 31/03/04
Share Price	-15.0%	13.6%	20.0%	-40.6%	41.8%

Source: Allianz Dresdner Asset Management/ S&P Microcap. Mid to mid, based in UK sterling. Please remember that past performance is not necessarily a guide to future performance. These performance figures are produced for the purposes of these fact sheets and are intended for existing investors.

Aim

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.

Allianz Dresdner Asset Management is the marketing name of RCM (UK) Ltd., which is authorised and regulated by the Financial Services Authority. Issued by RCM (UK) Ltd. Registered office: 155 Bishopsgate, London, EC2M 3AD. Registered in England No. 2014586. Member of the Allianz Dresdner Asset Management Marketing Group. Member of the Allianz Group. The information contained herein including any expression of opinion is for information purposes only and is given on the

AITC Sector

UK Income Growth.

Share Buyback

0.23m shares have been repurchased for cancellation to enhance shareholder value.

History

The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Dresdner Asset Management stable. Initially it invested mostly 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.

Launch Date: 1889.

Wind-up Date: None.

Price Information

Financial Times and The Daily Telegraph
www.allianzdresdneram.co.uk

Trust Codes

ISIN – GB0005800072

Sedol – 0580007

RIC – MRCH

Shareholder Communications

Report and Accounts – Final posted in April, and Interim posted in October.
Annual General Meeting – May.
Dividends – February, May, August and November.

Board of Directors

Hugh Stevenson (Chairman), Sir John Banham, Dick Barfield, Sir Bob Reid, Joe Scott Plummer.

Contacts

Investor Services **020 7065 1407**
Brochure Line **0800 317 573**
Web Address **www.allianzdresdneram.co.uk**

For our mutual protection, calls are recorded and may be used for quality control and training purposes. We reserve the right to use such recordings in the event of a dispute.

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