

# The Merchants Trust PLC

Factsheet

31 March 2013

## 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

The banking crisis in Cyprus was a key feature in March. The bail-out package broke new ground in the Eurozone with large depositors facing a significant "tax" on their Euro deposits for the first time. Concern over potential contagion to other peripheral Eurozone countries along with generally weak economic news halted the equity market rally. In the UK, the Budget highlighted the difficult economic situation, with 2013 economic growth expectations (as measured by GBP) revised down to only 0.6%.

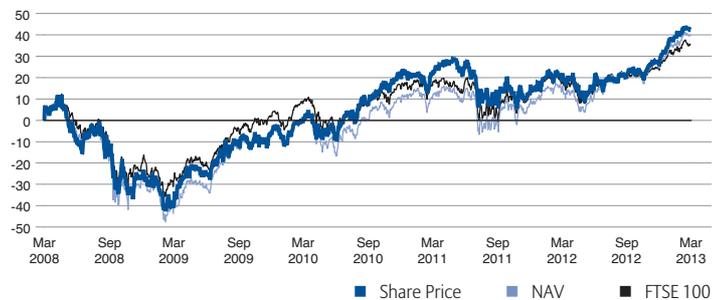
The FTSE 100 Index closed the month with a total return of 1.32% after giving back some of its earlier gains. For the first three months of the calendar year, the Index has returned 9.9%. Mid-capital stocks continued their outperformance, with the FTSE 250 returning 1.83% over the month and higher yielding shares also rose strongly, with the FTSE 350 Higher Yield Index returning 2.9%. Defensive sectors led the market with telecoms (driven by Vodafone merger and acquisition rumours), pharmaceuticals and household goods companies performing well. The weakest sectors were cyclicals including metals and mining, banks and technology.

The Trust's NAV increased 2.24% compared with 1.32% for the benchmark. The investment portfolio outperformed the rising stock market with the low exposure to mining and banks making the biggest contribution along with double-digit share price gains at BAE Systems, Sainsbury and Reed Elsevier. On the flipside UBM, Balfour Beatty and ICAP were weak performers and AstraZeneca (not owned by the portfolio) was strong.

We sold the remaining holding in Compass after a strong rally had taken the valuation to a full level. Elsewhere we trimmed several stronger performing stock positions, such as HSBC, Reed Elsevier and BAE Systems, partly via option exercises. Proceeds were reinvested in companies that had been somewhat left behind in the market rally and offered good value, such as Royal Dutch Shell, BHP Billiton and Pennon.

Recent events in Cyprus and downgraded UK growth forecasts have reminded stock market investors that there are risks to a continued rally. However we believe equities still offer reasonable value on a longer term view and especially in comparison to government bonds. We continue to find attractive investment opportunities in many sectors of the market although we are more cautious on the large defensive companies (which have been re-valued upwards) and the higher risk cyclicals and financials.

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	12.8	19.0	19.1	42.6	42.3
NAV	12.6	17.3	23.0	41.0	40.1
FTSE 100	9.9	13.6	15.5	25.6	35.7

## Discrete Performance (%)

From To	31.03.08 31.03.09	31.03.09 31.03.10	31.03.10 31.03.11	31.03.11 30.03.12	30.03.12 29.03.13
Share Price	-39.3	64.3	21.5	-1.4	19.1
NAV	-40.7	67.5	10.7	3.5	23.0
FTSE 100	-28.2	50.4	7.4	1.2	15.5

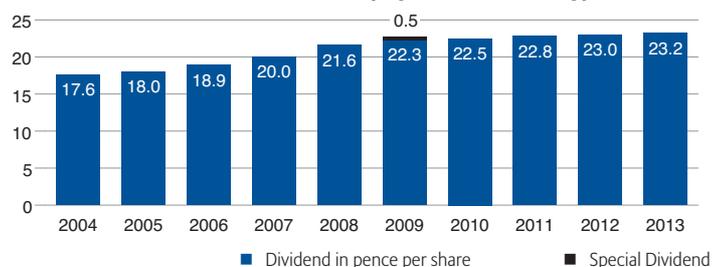
Source: Lipper, percentage growth, mid to mid, total return to 31.03.13. Benchmark: FTSE 100 Index.

Past performance is not a reliable indicator of future results. 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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## Dividend History

### Ten Year Net Dividend Record in Pence (to year end 31 January)



Past performance is not a reliable indicator of future results.

All data source Allianz Global Investors as at 31.03.13 unless otherwise stated.

Allianz Global Investors, 155 Bishopsgate, London EC2M 3AD

**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:	£612.1m
Gearing (net):	19.8%
Shares in Issue:	103,213,464 (Ordinary 25p)
Share Price <sup>1</sup> :	427.1p
Net Asset Value <sup>2</sup> :	473.5p (438.9p – debt at market value)
Premium/-Discount to NAV <sup>3</sup> :	-9.8% (-2.7% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>3</sup> :	5.43%

1. Source: Lipper as at 31.03.13, market close mid price.

2. Source: Datastream as at 31.03.13. Calculated using the latest full year dividend divided by the current share price.

3. 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. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

## Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Growth and Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
On-going Charges <sup>4</sup> :	0.64%
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),  
Henry Staunton (Senior Independent Director), Paul Yates

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

4. Source: AIC, as at the Trust's Financial Year End (30.01.2013). On-going 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, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

Merchants seeks to enhance returns for its shareholders through gearing in the form of long-term debentures. Gearing 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 are used to manage the trust efficiently. Covered call options are written to supplement the income generation of the portfolio. This may lead to an opportunity cost if options are exercised.

## Sector Breakdown (%)

Financials	18.0	
Consumer Services	15.3	
Oil & Gas	15.3	
Industrials	11.4	
Utilities	10.6	
Consumer Goods	8.5	
Telecommunications	8.0	
Health Care	7.8	
Basic Materials	2.6	
Cash	2.5	

## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.8	British American Tobacco	4.2
GlaxoSmithKline	7.8	Scottish & Southern Energy	3.4
BP	6.4	BAE Systems	3.4
HSBC	5.5	National Grid	3.2
Vodafone	4.8	Resolution	2.8
<b>Total Number of Holdings</b>	<b>48*</b>		

\*excludes derivatives

## Net Dividends (Financial Year to Date)

	Pay Date	Record Date	Payment
1st quarterly dividend	15.08.12	13.07.12	5.8p per share
2nd quarterly dividend	12.11.12	05.10.12	5.8p per share
3rd quarterly dividend	27.02.13	01.02.13	5.8p per share
4th quarterly dividend	15.05.13	12.04.13	5.8p 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 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**

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website: [www.merchantstrust.co.uk](http://www.merchantstrust.co.uk)

All data source Allianz Global Investors as at 31.03.13 unless otherwise stated.

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