

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 September 2017

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

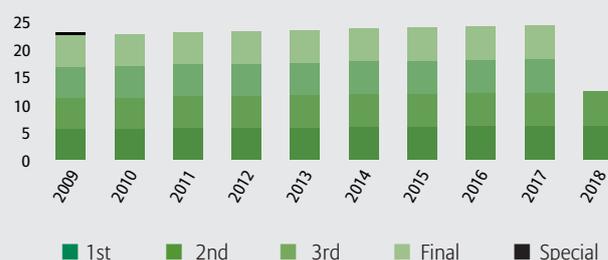
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 35 years.

Ten Year Dividend History

Net Dividend Record in Pence per Share to year end 31 January



Last Four Net Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
06.10.2017	16.11.2017	6.20p	2nd Quarterly
14.07.2017	11.08.2017	6.10p	1st Quarterly
21.04.2017	18.05.2017	6.10p	Final
27.01.2017	23.02.2017	6.10p	3rd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £698.7m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £528.4m

Share Price

486.0p

Source: Lipper

NAV per Share

501.7p

Premium/-Discount

-3.1%

Dividend Yield

5.0%

Gearing

19.8%

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

Fund Manager's Review

In September, The Merchants Trust announced interim results for the six months to end July, with the directors declaring interim dividends totalling 12.3p per share, 2.5% above last year's 12.0p. The Chairman cited higher earnings, an improved outlook for income generation within the portfolio, and the opportunity to refinance legacy debt this financial year, as reasons for the dividend increase.

During the month, economic indicators were slightly stronger than expected in the UK, including firmer retail sales, higher inflation and lower unemployment. The Governor of the Bank of England warned of limited and gradual interest rate rises, from a historically low level, which was enough to lift interest rate expectations. This affected government bonds, with 10 year gilt yields rising from 1.0% to 1.4% over the month. The pound also strengthened in reaction to the potential change in interest rates.

In contrast, the equity market was little changed during September, with a total return of -0.4% on the FTSE All Share Index compared to the Trust's NAV return of +0.3%. Within the stock market, there was a significant divergence between sectors, reflecting the change in interest rate expectations. The more defensive sectors, which have generally benefitted in recent years from falling interest rates, such as utilities, beverages, telecoms and tobacco were weak. As was the mining sector, as metals prices pulled back. On the contrary, the more cyclical sectors, such as retailers, chemicals, construction and engineering performed well. Oil stocks also performed well as the oil price rallied.

The portfolio outperformed the market in September. There was some benefit from sector positioning, but stock selection was also

“ Although stock markets have been trading near to all time high levels, there remain plenty of opportunities to buy sound businesses trading on reasonable valuations, with attractive dividend yields.

important. The biggest positive contributions came from three smaller companies. Equiniti shares continued to rally ahead of its proposed US acquisition from Wells Fargo. Hansteen rose in anticipation of a substantial capital return from selling most of its European property portfolio. STthree announced strong trading results. The biggest negative contributor was Greene King, as the pub company announced weaker sales over a wet summer period, and rising cost pressures. BHP Billiton was weak, and not owning AstraZeneca also held back performance as that stock recovered from its previous pull-back.

We made few changes to the portfolio in September, with activity mostly taking advantage of individual stock volatility. We



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.

took profits on a few shares that had performed well, to fund reinvestment into cheaper shares that had fallen back.

Although stock markets have been trading near to all time high levels, there remain plenty of opportunities to buy sound businesses trading on reasonable valuations, with attractive dividend yields. We are finding these opportunities both within domestic companies and amongst those more internationally diversified. Most domestic stocks are pricing in a difficult environment. Although an element of caution is understandable, there are several companies in sectors like retail, leisure and financials, that seem undervalued under most realistic longer term scenarios.

The Merchants Trust portfolio comprises investments in businesses which, we believe, have strong franchises, valuable assets and are priced at a level where they can, in aggregate, deliver a high level of income and good total returns for shareholders in the medium term.

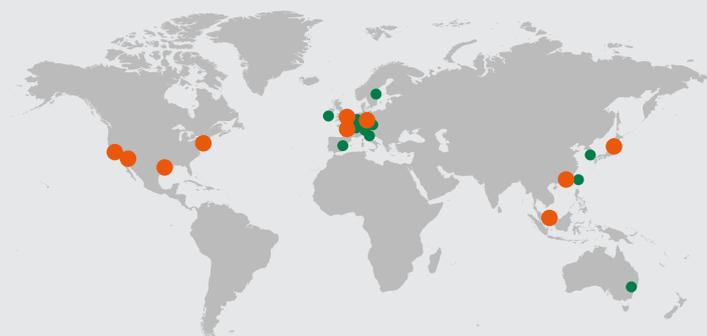
Simon Gergel
4 October 2017

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.

About Allianz Global Investors

Allianz Global Investors is a diversified active investment company managing €481 billion (as at 31.12.16) in assets worldwide. AllianzGI employs more than 600 investment professionals in 25 cities in 18 countries and uses specialised in-house researchers around the world to carry out in-depth analysis across economic and industrial sectors. These analysts conduct over 5,000 meetings each year with companies that represent potential investments, feeding back their insights to the portfolio managers and their teams.

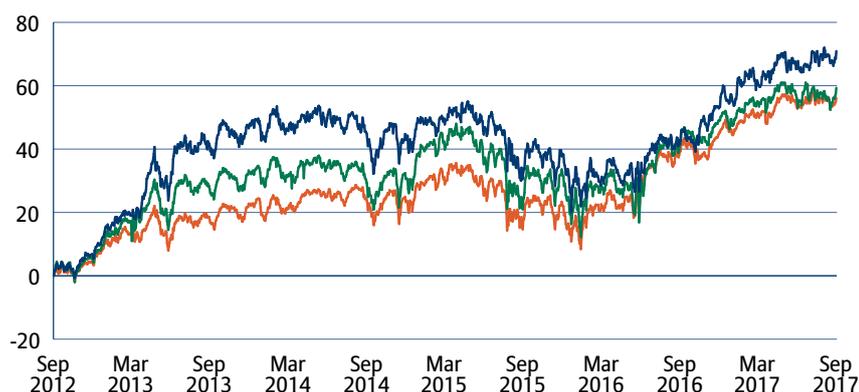
Portfolio managers also benefit from GrassrootsSM Research, a global network of over 300 independent, experienced journalists and field force researchers, and over 50,000 industry contacts to identify stock and sector trends before our competitors do.



- Global centres of investment expertise
- Investment and client service offices

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	3.4	6.6	19.9	18.1	71.0
NAV	4.3	4.6	14.1	24.8	61.4
Benchmark	2.1	3.6	12.1	26.0	56.1

Discrete 12 Month Returns (%) to 30 September

	2013	2014	2015	2016	2017
Share Price	39.4	3.9	-8.3	7.4	19.9
NAV	26.2	2.5	-4.0	13.9	14.1
Benchmark	16.7	6.1	-5.1	18.4	12.1

Source: Lipper, percentage growth, mid to mid, total return to 30.09.17. Copyright 2017 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

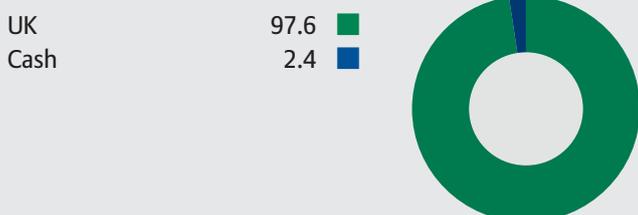
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)



Geographic Breakdown (%)



Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	7.8
GlaxoSmithKline	6.5
BP	5.5
HSBC	4.8
Lloyds Banking Group	3.9
Standard Life Aberdeen	3.7
BHP Billiton	3.2
UBM	3.1
Prudential	2.8
Legal & General	2.8

Total number of holdings* 47

*Excludes derivatives

Market Cap Breakdown (%)



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	0.63%
Year End	31 January
Annual Financial Report	Final posted in April, Half-yearly posted in September
AGM	May
NAV Frequency	Daily
Dividends	February, 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 (31.01.2017). 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 30.09.17 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). Details about the extent of our regulation by the Financial Conduct Authority are available from us on request. 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.