

As focused on dividends as you are

# The Merchants Trust PLC

Factsheet

31 December 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 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. Today the Trust is managed by Simon Gergel and invests 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 33 years.

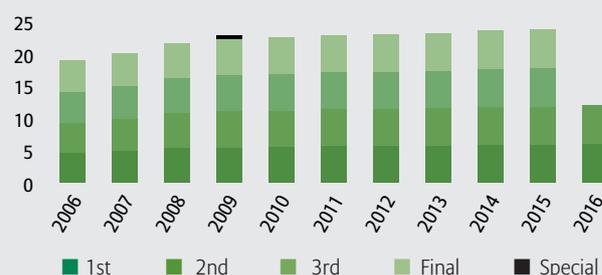
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## Ten Year Dividend History

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
09.10.2015	12.11.2015	6.00p	2nd Quarterly
17.07.2015	14.08.2015	6.00p	1st Quarterly
24.04.2015	22.05.2015	6.00p	Final
30.01.2015	25.02.2015	6.00p	3rd Quarterly

Past performance is not a reliable indicator of future results.

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A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

**Total Assets** £631.8m    **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

**432.6p**

Source: Lipper

NAV per Share

**445.5p**

Premium/-Discount

**-2.9%**

Dividend Yield

**5.6%**

Gearing

**20.1%**

**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 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.

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All data source Allianz Global Investors as at 31.12.15 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

## Fund Manager's Review

December was the month where we finally got the long-awaited "lift-off". Not only did Tim Peake become the first British (European Space Agency) astronaut to visit the international space station, but also the US Federal reserve Board raised interest rates for the first time in over nine years. Which event will prove to have the most historical significance remains to be seen. However, financial markets had been anticipating this change of monetary direction for some time. It coincided with the European Central Bank lowering rates again, leading to a "divergence" in the direction of policy, which has been unusual since the Global Financial Crisis.

The stock market fell ahead of the US Fed decision but rose afterwards, with the FTSE 100 Index giving a total return of -1.7% in December, very close to its return of -1.3% for the whole of 2015. Medium sized companies performed better over the month with a marginal positive return, whilst over the calendar year, the FTSE 250 Mid Cap index was far stronger, with a total return of 11.2%. Mid caps benefitted over the longer period from having a far lower exposure to mining and oils which were extremely weak sectors in 2015 as commodity prices tumbled.

During December, the best performing sectors in the FTSE 100 Index included healthcare equipment & services, electricity and travel & leisure, whilst the laggards included mining, retail and oil & gas producers.

**“ Valuations are now generally attractive, though with a sharp polarisation between highly valued defensive companies and lowly rated cyclical businesses and recovery situations.**

The UK equity portfolio significantly outperformed during the month whilst the Trust's NAV, which includes the impact of gearing, fell by 0.03% versus the benchmark. There was strong performance in the travel & leisure sector as Greene King and Carnival both reported strong results and William Hill also rallied. In addition, UBM and Brammer made important contributions. There were few significant negative contributors to relative performance, although Marks & Spencer was weak during a difficult Christmas trading period with exceptionally mild weather. Also, not owning AstraZeneca or Unilever made a modest impact as these shares rose.

There were no significant changes to the portfolio in the month, although we took some profits on the Britvic shareholding and continued to build up the position in Equiniti.

The UK stock market has now fallen back towards the bottom of its recent trading range after reaching a new high, briefly last April. Although there are risks to the outlook for the UK and global economies, many of the companies in the portfolio are performing well and there is significant recovery potential in others.

Investors may well start to focus on the risk of the UK voting to leave the EU in the forthcoming Brexit referendum. As well as the risk to shorter term investor sentiment, there could be an impact on broader UK economic growth from the general uncertainty. However, on balance, we expect the UK to continue its gradual economic recovery, with consumers benefitting from lower



### 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.

energy and food prices and improved spending power. In addition, most of the larger investments in the portfolio are well diversified geographically and therefore less exposed to the domestic economy. Indeed FTSE 100 companies in general make far higher profits and sales outside of the UK than within, so any sustained share price weakness here could present interesting buying opportunities in the next few months.

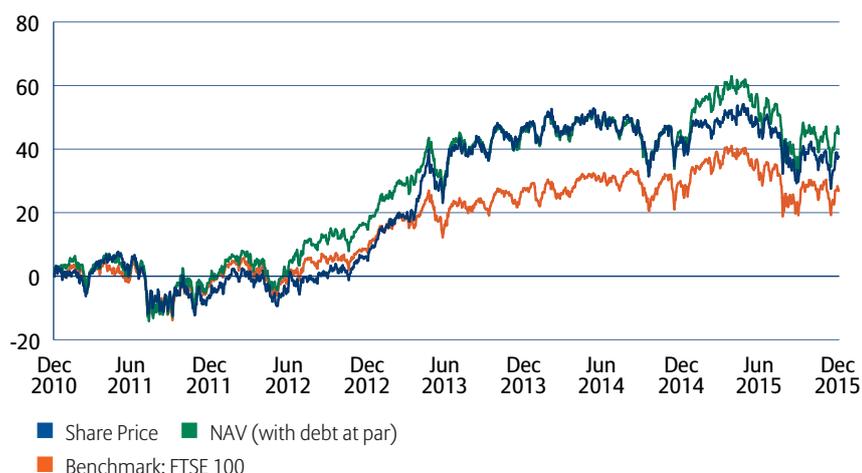
Valuations are now generally attractive, though with a sharp polarisation between highly valued defensive companies and lowly rated cyclical businesses and recovery situations. We see far better value in the latter categories, which includes many of the "mega-caps".

*Simon Gergel*  
6 January 2016

**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 (%)



## 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	4.0	-4.4	-3.3	31.0	37.6
NAV	5.8	-2.8	0.6	26.2	44.8
Benchmark	3.7	-2.6	-1.3	18.0	26.9

## Discrete 12 Month Returns (%) to 31 December

	2011	2012	2013	2014	2015
Share Price	-6.0	11.8	40.3	-3.5	-3.3
NAV	-0.9	15.8	27.4	-1.6	0.6
Benchmark	-2.2	10.0	18.7	0.7	-1.3

Source: Lipper, percentage growth, mid to mid, total return to 31.12.15. Copyright 2015 © 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.

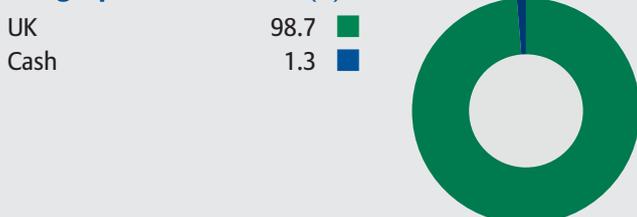
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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



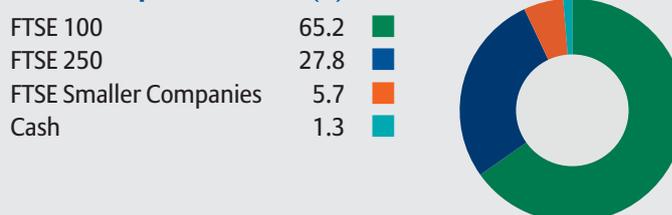
### Top Ten Holdings (%)

GlaxoSmithKline	6.9
HSBC	6.4
Royal Dutch Shell "B" Shares	6.2
UBM	4.7
BP	4.5
Lloyds Banking Group	3.7
Inmarsat	3.4
BAE Systems	3.2
Scottish & Southern Energy	2.6
National Grid	2.5

### Total number of holdings\* 47

\*Excludes derivatives

### Market Cap Breakdown (%)



## Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE 100
Annual Management Charge	0.35%
Performance Fee	No
Ongoing Charges <sup>1</sup>	0.59%
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, <a href="http://www.merchantstrust.co.uk">www.merchantstrust.co.uk</a>
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 (31.01.2015). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

## Board of Directors

**Left to right:** Sybella Stanley, Simon Fraser (Chairman), Paul Yates, Mary Ann Sieghart, Mike McKeon (Chairman of the Audit Committee and Senior Independent Director)



## How to invest

The Trust is a UK public limited company traded openly on the stock market and you can purchase shares through a stock broker. Shares in the Trust can be held within an ISA, JISA, SIPP and/or savings scheme. A number of providers offer this facility, a list of which 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**

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

E-mail: [investment-trusts@allianzgi.com](mailto: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.



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**All data source Allianz Global Investors as at 31.12.15 unless otherwise stated.**

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