

The Merchants Trust PLC

Factsheet

31 January 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

European issues dominated the headlines this month with the European Central Bank announcing "Quantitative Easing" (QE) a massive bond buying programme and the Swiss National Bank abandoning its Euro peg, causing the Swiss Franc to rise 18% against the Euro. Also Greece elected a new government with an anti-austerity party coalition, causing high volatility in Greek government bonds and equities.

Most asset classes rose, partly in response to European QE with the FTSE 100 Index of leading UK shares giving a 2.9% return, although UK government bonds performed even better. The best performing sectors included food retail, personal goods, real estate and tobacco whilst the worst performers included mining, oil & gas producers and banks.

The Trust's NAV returned 5.34%, outperforming the FTSE 100 benchmark in January. The main contributors to this outperformance were UBM, SThree and Greene King which all produced double digit returns. Also a sharp drop in Glencore which is not in the portfolio helped the relative return. The main negative contributor was Amec Foster Wheeler which fell with the oil price. Also Imperial Tobacco and Tesco, which are not owned in the Trust, produced double digit returns. We added one new investment into the portfolio, the life insurance company Legal & General. L&G has a leading position in several growth markets such as buying out corporate pension liabilities, stakeholder pensions and asset management. The valuation is attractive given its structural growth prospects and the dividend yield approaching 5% this year. Elsewhere, the remaining position in Reed Elsevier was sold. The business has performed well in recent years, the shares have re-rated and they now trade at a significant valuation premium to the wider stock market with a dividend yield below 3%, which we believe fully values the company's prospects.

As we look into the new financial year for the Trust, there are a number of opportunities and risks. The UK economy is recovering some momentum and both lower energy prices and stronger employment growth should help this further. Quantitative easing may also help the Eurozone, Britain's main trading partner to start to recover. However the government and consumer debt burden remains high and an uncertain general election needs to be navigated.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	3.8	0.9	3.4	56.3	94.3
NAV	6.4	2.9	6.3	50.0	82.1
FTSE 100	3.7	1.8	7.4	32.6	55.4

Discrete Performance (%)

From To	29.01.10 31.01.11	31.01.11 31.01.12	31.01.12 31.01.13	31.01.13 31.01.14	31.01.14 30.01.15
Share Price	31.4	-5.4	20.8	25.2	3.4
NAV	23.4	-1.6	22.9	14.8	6.3
FTSE 100	16.8	0.4	14.8	7.6	7.4

Source: Lipper, percentage growth, mid to mid, total return to 31.01.15. 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)

Valuations of companies in the stock market are polarised. Many of the more defensive businesses are trading at high levels and seem fully valued. We see the best high income opportunities in certain "mega caps" like HSBC and Royal Dutch Shell, as well as in selected recovery situations in industries like construction, leisure, industrial real estate and recruitment.

All data source Allianz Global Investors as at 31.01.15 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:	£667.3m
Gearing (net):	19.8%
Shares in Issue:	108,728,464 (Ordinary 25p)
Share Price ¹ :	484.0p
Net Asset Value ² :	505.4p ³ (474.9p ⁴ – debt at market value)
Premium/-Discount to NAV:	-4.2% (1.9% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	4.90%

1. Source: Lipper as at 31.01.15, 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 31.01.15. 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 :	0.66%
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), Paul Yates, Mary Ann Sieghart, Sybella Stanley

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 (31.01.2014). 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	21.6
Consumer Services	18.2
Oil & Gas	15.0
Industrials	11.9
Consumer Goods	11.1
Utilities	10.4
Health Care	5.9
Telecommunications	3.2
Basic Materials	2.5
Cash	0.2

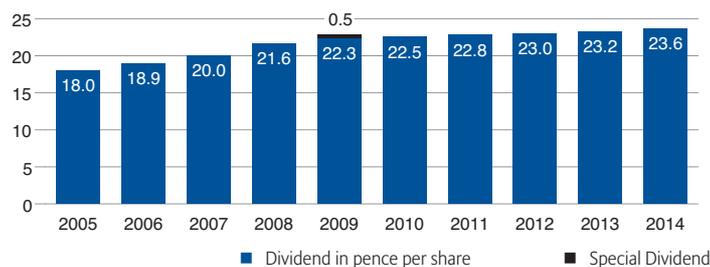
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	7.9	UBM	4.4
HSBC	6.2	Scottish & Southern Energy	3.6
GlaxoSmithKline	5.8	Inmarsat	3.2
BP	5.0	Standard Life	3.1
British American Tobacco	4.5	BAE Systems	3.0
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
3rd quarterly dividend	25.02.15	30.01.15	6.0p per share
2nd quarterly dividend	11.11.14	10.10.14	5.9p per share
1st quarterly dividend	14.08.14	12.07.14	5.9p per share
4th quarterly dividend	23.05.14	25.04.14	5.9p 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 31.01.15 unless otherwise stated.

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