

As focused on dividends as you are

# The Merchants Trust PLC

Factsheet

31 August 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

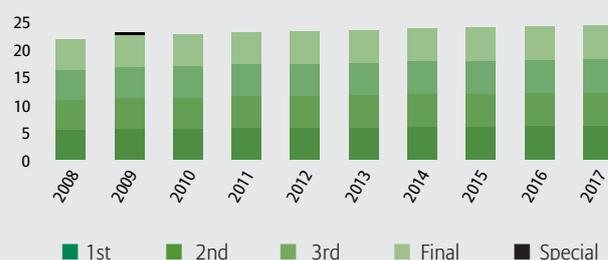
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
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
07.10.2016	10.11.2016	6.00p	2nd Quarterly

Past performance is not a reliable indicator of future results.

**Total Assets** £696.0m    **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

**488.1p**

Source: Lipper

NAV per Share

**513.1p**

Premium/-Discount

**-4.9%**

Dividend Yield

**5.0%**

Gearing

**19.2%**

**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.

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## Fund Manager's Review

August saw ongoing Brexit discussions between the UK and the EU, but little concrete emerged from these talks. Elsewhere tensions in North Korea increased, with a missile being fired over Japan, and calls for tougher economic and political sanctions.

Neither of these had more than a temporary impact on stock markets, which continued their steady rise. There was little volatility at the overall stock market level, partly due to the summer lull in activity, but there were some sharp individual stock movements, especially in reaction to disappointments. A weak pound helped internationally biased large companies outperform mid-caps, whilst strong commodity prices supported resources stocks.

Over the month the FTSE All Share Index returned +1.4% compared to the Trust's NAV return of 0.2%. The best performing sectors were mining, and defensive sectors like beverages, food producers and tobacco. The weakest sectors were IT, oil equipment & services and media.

The portfolio total return was slightly below the index return. The biggest negative impact came from weakness at UBM, Kier and Ladbrokes Coral, whilst the biggest positive impact came from strong performance at BHP Billiton and Senior, and from not owning Shire, which fell back.

We sold the remaining position in Carnival Corporation (see separate comment). We also took profits on HSBC, NEX Group, Antofagasta and Equiniti after strong performance. We added to positions in companies that offered better such as BAE Systems, Lloyds, Morgan Advanced Materials and National Express.

**“ 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 see good value in many recovery situations, with opportunities both within domestic companies and amongst the more internationally diversified.**

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 see good value in many recovery situations, with opportunities both within domestic companies and amongst the 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.



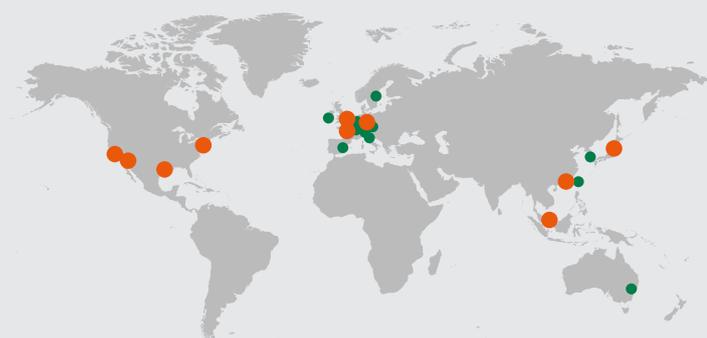
### Simon Gergel, Portfolio Manager

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.

The portfolio has very limited exposure to the consumer staples sectors like tobacco, household goods and beverages, where valuations are extended and future shareholder returns are likely to be modest at best. Shareholder activism in this area has encouraged many of these businesses to cut investment and marketing spending to boost profit margins, and to take on higher levels of debt, partly to finance acquisitions. This process has boosted earnings per share but potentially at the expense of longer term growth prospects. Furthermore, the extra debt could leave companies more vulnerable to any cyclical downturn or structural changes in their industries.

*Simon Gergel*  
4 September 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.



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

## 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 Grassroots<sup>SM</sup> 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.

# 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	1.4	6.5	21.7	14.2	73.9
NAV	0.8	6.3	14.9	20.0	63.5
Benchmark	0.0	5.3	14.6	23.0	57.9

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

	2013	2014	2015	2016	2017
Share Price	41.0	8.0	-5.3	-0.9	21.7
NAV	27.8	6.6	-3.5	8.2	14.9
Benchmark	16.6	10.1	-5.0	13.0	14.6

Source: Lipper, percentage growth, mid to mid, total return to 31.08.17. 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.

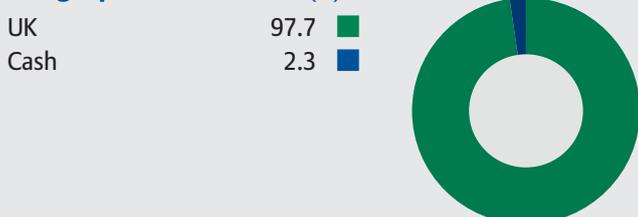
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	7.4
GlaxoSmithKline	6.7
BP	5.1
HSBC	4.9
Lloyds Banking Group	3.7
Standard Life Aberdeen	3.6
BHP Billiton	3.6
UBM	3.0
Prudential	2.9
Legal & General	2.8

### Total number of holdings\* 46

\*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 <sup>1</sup>	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](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 31.08.17 unless otherwise stated.**

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