

The Merchants Trust PLC

As focused on dividends as you are



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

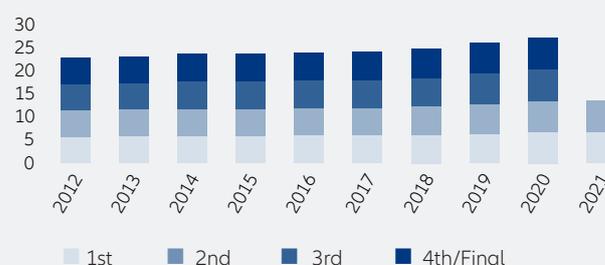
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 14 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 38 years.

Ten Year Dividend History

Dividend Record in Pence per Share To Year End 31 January



Last Four Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
09.10.2020	12.11.2020	6.80p	2nd Quarterly
10.07.2020	19.08.2020	6.80p	1st Quarterly
24.04.2020	29.05.2020	6.80p	4th Quarterly
31.01.2020	11.03.2020	6.80p	3rd Quarterly

Past performance is not a reliable indicator of future results.



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

The RSMR rating is designed for use by professional advisers and intermediaries as part of their advice process. This rating is not a recommendation to buy. If you need further information or are in doubt then you should consult a professional adviser.

Total Assets £532.9m

Shares in Issue 118,894,887 (Ordinary 25p)

Market Cap £403.1m

Share Price

339.0p

NAV per Share

342.0p

Premium/-Discount

-0.9%

Dividend Yield

8.0%

Gearing

21.0%

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.

Fund Manager's Review

In September, concerns about a second wave of the coronavirus pandemic and associated lockdowns, weighed on investor sentiment. There was also heightened political uncertainty ahead of the forthcoming US presidential election, whilst trade negotiations between the UK and the EU seemed to be making limited progress, with the transition period ending in December.

After early gains, the equity market fell back, with a total return over the month of -1.7% in the FTSE All-Share Index. The best performing sectors included many defensive industries such as tobacco, personal goods and utilities, although industrials also performed well. The weakest sectors included oil & gas producers, aerospace & defence - dragged down by the Rolls Royce rights issue, banks and life insurance.

The investment portfolio modestly underperformed the market, with weakness in the financials Legal & General and Barclays, and Hammerson depressed by a rights issue. On the positive side, GVC appreciated by over 20%, in response to a takeover bid for sector peer William Hill, whilst Imperial Brands and Tyman also rose significantly. The NAV return was further behind the falling market at -3.5%.

In a highly polarised stock market, there were opportunities to take money out of shares that had performed well, where the upside was more limited, to fund additional investments in cheaper shares that were out of favour. We took profits in two online economy beneficiaries, GVC and IG Group, as well as the miners BHP and Antofagasta. We also reduced exposure to city office owner Landsec, where there are questions about the long-term impact of the trend to working from home.

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These sales financed two new investments in the financial sector. RSA Insurance is a diversified insurance business with strong franchises in Scandinavia and Canada, in addition to its UK base. The shares are modestly valued for the improving returns that the business is generating. We also bought back into Close Brothers, having owned it for seven years. This specialist bank has an excellent track record of growth, whilst earning high returns, based upon a disciplined and differentiated lending model. A rise in bad debts due to the recession had depressed the shares and provided a rare opportunity to purchase Close at an attractive price.

Elsewhere, we added to existing positions in Vodafone, BP, WPP, Barclays and Redrow at depressed prices. Finally, we supported the Hammerson rights issue, which has recapitalised the business. Although Hammerson is



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 32 years investment experience. He is pictured here with Matthew Tillett, Senior 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.

exposed to some of the most difficult parts of the real estate market, the company trades at a substantial discount to the underlying value of its assets, and it has the potential to deliver strong returns for shareholders, as it realises part of this value in the medium term.

The coronavirus pandemic has cast a long shadow over the economy, and it is sensible to be cautious about the outlook for growth. However, it is easy to be too pessimistic. As the chief economist of the Bank of England, Andy Haldane recently said, the recovery in the UK and globally has come sooner and faster than the Bank expected back in May. He thinks consumer spending is now running close to pre-covid levels. Whilst there are clearly industries like travel, aviation and leisure that are still struggling, we are seeing relatively strong activity in the housing market, DIY and home improvements and used car sales. Furthermore, with an extreme polarisation in the stock market, there are several companies exposed to these improving trends trading at very attractive levels.

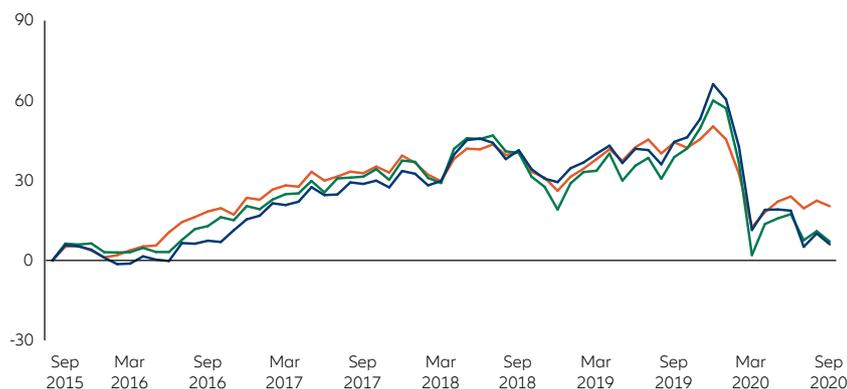
By investing in a portfolio of lowly priced yet fundamentally strong businesses, with a balance of cyclical and defensive earning streams, we are confident that we can deliver both an attractive income for shareholders and good total returns.

Simon Gergel
15 October 2020

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 (%)



■ Share Price ■ NAV (debt at fair value)
 ■ 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	-10.6	-4.8	-26.6	-17.6	6.1
NAV (debt at fair value)	-8.1	5.8	-22.9	-19.4	6.0
Benchmark	-2.9	7.0	-16.6	-9.3	20.4

Discrete 12 Month Returns to 30 September (%)

	2020	2019	2018	2017	2016
Share Price	-26.6	2.2	9.8	19.9	7.4
NAV (debt at fair value)	-22.9	-2.1	6.8	16.4	12.9
Benchmark	-16.6	2.7	5.9	12.1	18.4

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.09.20. Copyright 2020 © DataStream, a Thomson Reuters company. All rights reserved. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

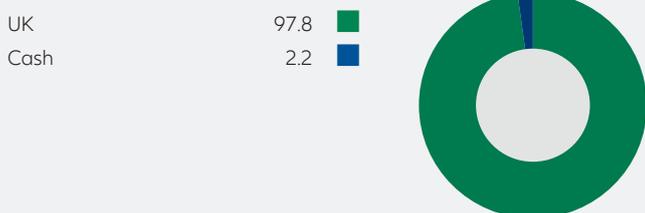
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

Consumer Goods	24.4	
Financials	19.4	
Industrials	18.3	
Utilities	8.5	
Consumer Services	7.0	
Oil & Gas	6.3	
Health Care	6.1	
Telecommunications	3.9	
Basic Materials	3.9	
Cash	2.2	

Geographic Breakdown (%)



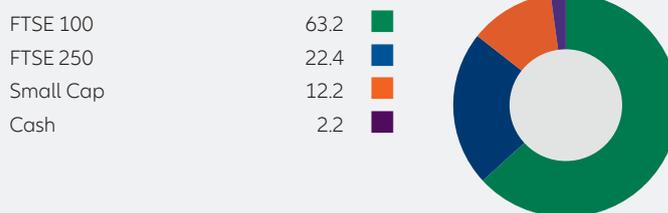
Top Ten Holdings (%)

GlaxoSmithKline	6.0
British American Tobacco	5.1
Imperial Brands	5.0
BAE Systems	4.3
National Grid	3.6
Scottish & Southern Energy	3.5
Tate & Lyle	3.4
IG Group	3.4
Barclays	3.2
BHP Group	3.0

Total number of holdings* 49

*Excludes derivatives

Market Cap Breakdown (%)



The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding. This is no recommendation or solicitation to buy or sell any particular security.

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	0.59%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	February/March, 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 (31.01.2020). 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

Colin Clark (Chairman)
Timon Drakesmith (Chairman of the Audit Committee)
Karen McKellar
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)

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.



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 30.09.20 unless otherwise stated.

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