

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 September 2018

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

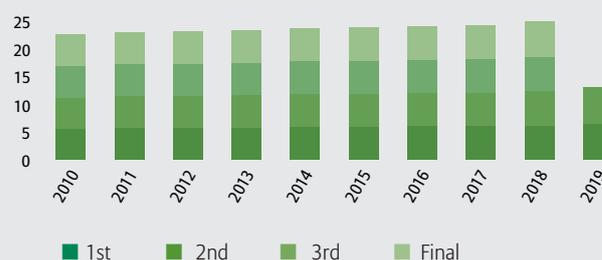
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 36 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
05.10.2018	15.11.2018	6.50p	2nd Quarterly
13.07.2018	22.08.2018	6.40p	1st Quarterly
20.04.2018	30.05.2018	6.30p	Final
26.01.2018	02.03.2018	6.20p	3rd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £704.8m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £552.3m

Share Price

508.0p

Source: Lipper

NAV per Share

510.7p

Premium/-Discount

-0.5%

Dividend Yield

5.0%

Gearing

18.3%

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

The Trust reported interim results in September. A key development was the increase in the level of the first two quarterly dividends, benefitting from increasing income within the portfolio, as well as the benefits of last year's debt refinancing, which has lowered borrowing costs. The Chairman said that it is the board's intention to pay at least a 4.4% increase in the annual dividend level this year, a step up in the rate of dividend growth from recent years.

September saw continuing political uncertainty, which has now become a normal feature of the investment environment. In the Brexit negotiations, Prime Minister Theresa May's "Chequers" plan was publicly rejected by the EU, leaving no clear path to Brexit. Also, the Labour opposition announced a controversial new policy at their annual conference, that could transfer 10% of many UK listed companies' equity and dividends into a fund to support the employees and the exchequer.

There were some important developments within portfolio companies. Inmarsat, the provider of mobile satellite connectivity to ships and aeroplanes, announced a landmark collaboration with Panasonic, the world leader in inflight entertainment systems, to work together to supply the rapidly growing demand for Wi-Fi and other connectivity to aircraft passengers. Pub company Greene King reported better than expected trading over the summer months, suggesting that the company may be starting to come through the difficult patch they experienced after acquiring the "Spirit" pub estate. On the negative side, spread-betting company IG Group reported a drop in activity in its first quarter, reflecting lower market volatility and recent regulatory changes in the industry. The

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company also announced that it is looking for a new Chief Executive Officer, with "wide global experience in the broader financial sector" for the next stage of the business's development. This impacted the share price which had already weakened in response to the trading news.

The UK stock market posted a modest gain in September, led by the resources sectors - mining and oil & gas producers - as the oil price continued to increase. The weakest sectors included electricity, personal goods and food retail. The Trust's NAV fell by 0.39% over the month, underperforming its benchmark, which rose by 0.70%. There were particular impacts from the issues at IG Group and a warning from energy producer SSE, due to the summer weather, as high temperatures reduced energy demand, and light winds reduced wind power generation. On the other hand, Meggitt shares had a good month, and relative performance benefitted from the portfolio not owning British American Tobacco which was weak.

The Trust's main activity in the month was the sale of two portfolio holdings. We sold Sainsbury, where the shares had performed well since announcing their proposed merger with Asda, moving the valuation close to our assessment of fair value, at least in the short term. The merger will take a long time to complete and is not without risk, so we decided to exit the position. We also sold the remaining position in Equiniti on valuation considerations. Equiniti has been a successful investment since we purchased it just after its floatation in 2015, as the management has made an important strategic move into the US share registration market, and the shares have re-rated.

In the current uncertain political and economic environment, our strategy is not to position Merchants for one specific scenario, but to place a strong emphasis on portfolio construction. We aim to



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.

hold a broadly diversified portfolio of companies, spread across many different industries, both domestically exposed and those with multinational or global businesses.

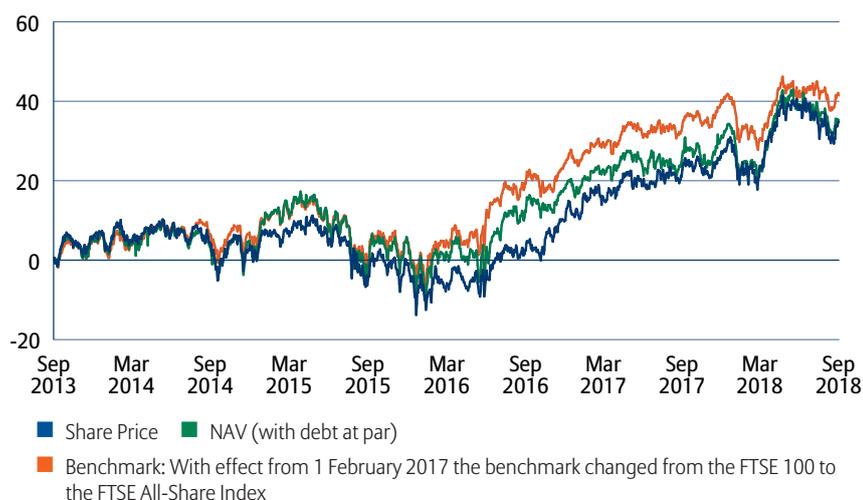
Due to the modest valuation of the UK stock market, we have been able to identify many attractively priced companies that meet our investment criteria. Specifically we are looking for fundamentally sound businesses, trading on reasonable valuations, that benefit from supportive structural and cyclical thematic trends. By owning a selection of these businesses, our aim is to build a portfolio that can deliver a healthy level of income, income growth and capital returns in the medium to long term.

Simon Gergel
1 October 2018

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	-3.0	8.9	9.8	41.4	34.8
NAV	-3.9	7.9	5.7	37.3	35.1
Benchmark	-0.8	8.3	5.9	40.5	41.6

Discrete 12 Month Returns (%) to 30 September

	2014	2015	2016	2017	2018
Share Price	3.9	-8.3	7.4	19.9	9.8
NAV	2.5	-4.0	13.9	14.1	5.7
Benchmark	6.1	-5.1	18.4	12.1	5.9

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.09.18. Copyright 2018 © 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.

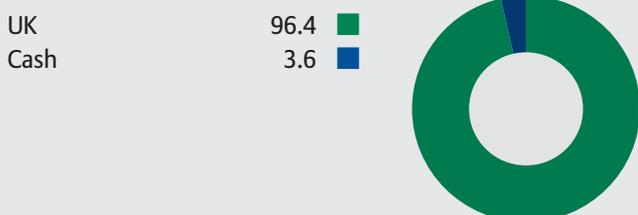
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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



Geographic Breakdown (%)



Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	6.8
GlaxoSmithKline	6.4
BP	4.2
HSBC Holdings	4.1
BHP Billiton	4.0
Standard Life Aberdeen	3.5
BAE Systems	3.2
Legal & General	3.2
Imperial Brands	2.8
Prudential	2.8

Total number of holdings* 49

*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	0.59%
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 (31.01.2018). 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.



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All data source Allianz Global Investors as at 30.09.18 unless otherwise stated.

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