

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 January 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

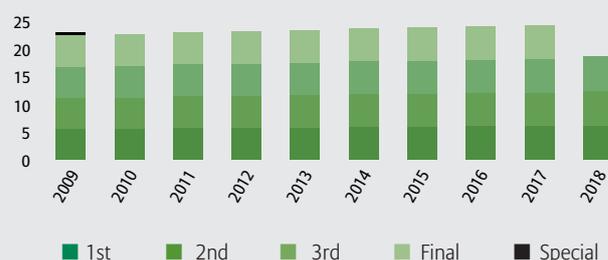
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 35 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
26.01.2018	02.03.2018	6.20p	3rd Quarterly
06.10.2017	16.11.2017	6.20p	2nd Quarterly
14.07.2017	11.08.2017	6.10p	1st Quarterly
21.04.2017	18.05.2017	6.10p	Final

Past performance is not a reliable indicator of future results.

Total Assets £698.3m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £530.6m

Share Price

488.0p

Source: Lipper

NAV per Share

510.7p

Premium/-Discount

-4.4%

Dividend Yield

5.0%

Gearing

18.10%

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

In January, investment markets belatedly responded to the large US tax cuts brought in by President Trump at the end of December. US bond prices fell, as investors anticipated extra debt issuance to pay for the tax cuts. There were also growing concerns about the inflationary effects of such a move on an economy that was already seeing accelerating growth. 10 year US bond yields rose from 2.4% to 2.7% and the US dollar fell sharply, dropping 5% against the pound to \$1.42, almost back to where it was before the Brexit referendum in 2016.

In the UK, 10 year gilt yields rose by 0.3%, to 1.5%, and the stock market fell back, weighted down by the currency impact on the overseas earnings in many of the larger companies. The FTSE All-Share index gave a negative total return of -1.9%. January is the last month of Merchants fiscal year and, over the whole twelve months, the FTSE All-Share index produced a strong return of just over 11%. During the month, the worst performing sectors included many with large overseas earnings or those sensitive to rising bond yields, such as beverages, food producers, tobacco, utilities and telecommunications. The best performing sectors were mainly cyclical sectors, including engineering, mining and financial services, which benefitted from robust global economic indicators.

UBM, where Merchants has a large investment, received a takeover offer from its media peer Informa. UBM has spent many years restructuring the business to become a pure-play global exhibition and events company and this has made it attractive to Informa, which has also been building up its exhibitions business. If the deal goes through, Informa will become the largest exhibitions company



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.

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.

“ We are still finding the most promising opportunities in recovery situations, where there may be an element of short term uncertainty but greater long term value.

in the world.

The portfolio outperformed the benchmark in January, with the Trust's NAV falling by 0.34% over the month whilst the FTSE All-Share fell by 1.93%. The bid for UBM was the biggest driver, but strong performance from IG Group and BAE Systems also helped. There were fewer negative stock selection impacts, but Tate & Lyle, Pennon and Greene King all underperformed.

After large moves in certain share prices in the closing months of 2017, we made some changes to position sizes within the portfolio in January. We took profits on shares which had performed well and which we felt no longer offered such good value. These included the oil majors Royal Dutch Shell and BP, as well as Balfour Beatty, Ashmore, Man Group and IG Group. We reinvested the proceeds into building up exposure to shares offering better value, many of which had underperformed the rising market. Examples included GlaxoSmithKline, Barclays, Bovis Homes and BAE Systems.

As investors' attention has started to focus on rising US bond yields, we have seen a slight rotation within the equity market. Certain highly rated consumer staples companies have underperformed recently. However we are not yet seeing sufficient value amongst companies perceived to be relatively resilient. We are still finding the most promising opportunities in recovery situations, where there may be an element of short term uncertainty but greater long term value. We also see interesting opportunities among the more domestically exposed companies, many of which are trading on unusually depressed valuations.

Simon Gergel
4 February 2018

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	2.0	6.2	13.5	18.3	53.1
NAV	2.1	4.3	14.1	25.1	49.1
Benchmark	1.0	3.9	11.3	26.4	45.9

Discrete 12 Month Returns (%) to 31 January

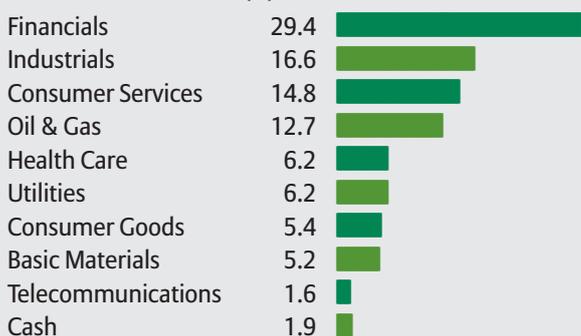
	2014	2015	2016	2017	2018
Share Price	25.2	3.4	-9.8	15.6	13.5
NAV	15.0	3.6	-4.9	15.4	14.1
Benchmark	7.5	7.4	-6.5	21.4	11.3

Source: Lipper, percentage growth, mid to mid, total return to 31.01.18. Copyright 2018 © 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.

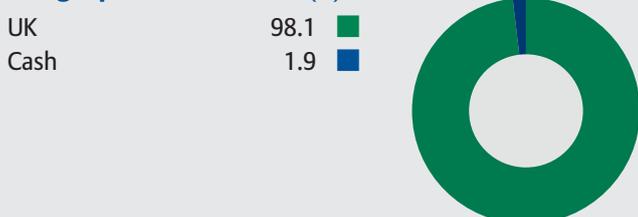
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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



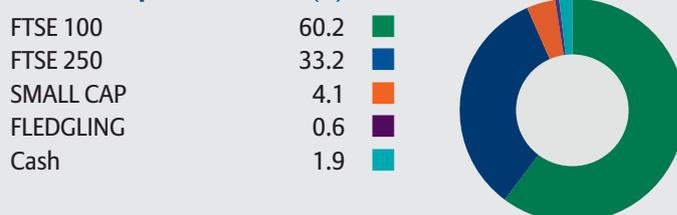
Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	7.5
GlaxoSmithKline	6.2
BP	5.2
HSBC Holdings	4.9
UBM	4.1
Lloyds Banking Group	4.1
BHP Billiton	3.8
Standard Life Aberdeen	3.4
BAE Systems	3.1
Prudential	3.0

Total number of holdings* 47

*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	0.63%
Year End	31 January
Annual Financial Report	Final posted in April, Half-yearly posted 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 (31.01.2017). 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

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 31.01.18 unless otherwise stated.

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