

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 October 2016

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

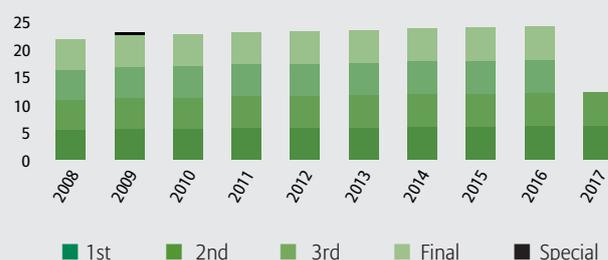
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 34 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 |
|-------------|------------|----------|---------------|
| 07.10.2016 | 10.11.2016 | 6.00p | 2nd Quarterly |
| 15.07.2016 | 12.08.2016 | 6.00p | 1st Quarterly |
| 22.04.2016 | 26.05.2016 | 6.00p | Final |
| 29.01.2016 | 24.02.2016 | 6.00p | 3rd Quarterly |

Past performance is not a reliable indicator of future results.

Total Assets £650.8m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

419.8p

Source: Lipper

NAV per Share

460.8p

Premium/-Discount

-8.9%

Dividend Yield

5.7%

Gearing

20.1%

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 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 early October, speeches at the Conservative party conference led to rising concerns about the possibility of a "hard Brexit", whereby the UK could lose access to the EU single market. This precipitated a sharp drop in the pound during October and a sharp fall in bond prices, with a spike up in bond yields. 10 year UK gilt yields rose from 0.75% to 1.24%, fuelled by fears of rising inflationary pressures caused by the falling currency.

The Trust's NAV returned 2.98% compared to the FTSE 100 index, which is heavily exposed to overseas earnings and gave a total return of 1.0%, whereas the more domestically focused FTSE 250 mid-cap index returned -1.7%. Commodity and cyclical sectors led the market, due to the combination of weaker sterling and rising bond yields, with total returns between 7% and 11% for mining, oil producers, banks and food retailers. The weakest sectors were generally defensive sectors or "bond proxies", such as real estate, food producers, pharmaceuticals and personal goods.

The Portfolio's performance was in line with the benchmark during the month. The biggest positive contribution came from avoiding stocks which underperformed, namely AstraZeneca, British American Tobacco and Shire. The biggest negative impact came from Senior which had a disappointing trading update, and from not owning Glencore and Barclays which rallied.

We added two new holdings to the portfolio: BT and St Ives, and sold out of Brammer. BT shares have been heavily de-rated this year on concerns including: regulation or potential separation of Openreach; increasing competition; and higher pension costs. However, the business is also benefitting from the strategic

“ Commodity and cyclical sectors led the market, due to the combination of weaker sterling and rising bond yields.

opportunities and cost savings associated with the recent purchase of the mobile network operator EE. We believe BT has a promising future as the leading diversified UK telecommunications company and the valuation is now discounting many of the risks. The dividend yield on BT has moved above the market average for the first time in several years. More importantly, the business is strongly cash generative, even after allowing for higher pension costs.

St Ives is a media business that has been transitioning into digital marketing services, from a historic base as a provider of book printing and other print services. An opportunity emerged to buy the shares, after a number of unconnected trading issues developed across their businesses, leading to significant earnings downgrades. The company's valuation is now very modest and



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.

does not reflect the substantial repositioning that has taken place in recent years, nor the growth opportunities.

Brammer, the distributor of bearings and other industrial products, has been a disappointing investment. Whilst the shares have recovered somewhat, from a low point in June, further trading difficulties have led to a cancellation of the dividend. Furthermore, it is clear that a full recovery is uncertain and will take time. We therefore sold the investment.

The outlook for the economy remains uncertain. Recent weeks have seen a change in stock market trends as bond yields have risen. Defensive shares have generally been underperforming. The portfolio has relatively few investments in this part of the market as valuations have looked expensive for some time. The portfolio has significant investments in selected "Mega-Caps", which have started to perform well, but still offer good value. Also we own a number of recovery and restructuring situations where performance has been more mixed. However, we believe these shares are under-priced and offer an attractive combination of dividend yield today and the opportunity for capital appreciation in the months and years ahead.

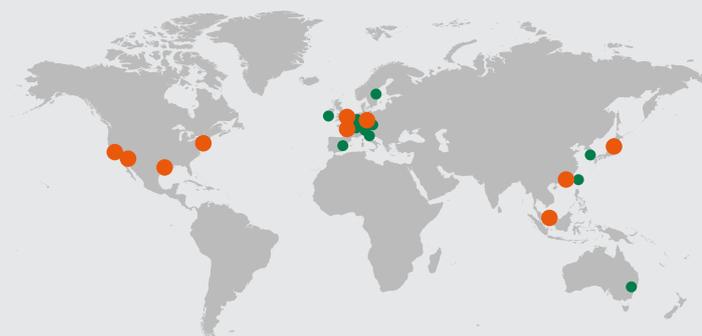
Simon Gergel
3 November 2016

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.

About Allianz Global Investors

Allianz Global Investors is a diversified active investment company managing €442 billion (as at 31.12.15) in assets worldwide. AllianzGI employs more than 500 investment professionals in 24 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.

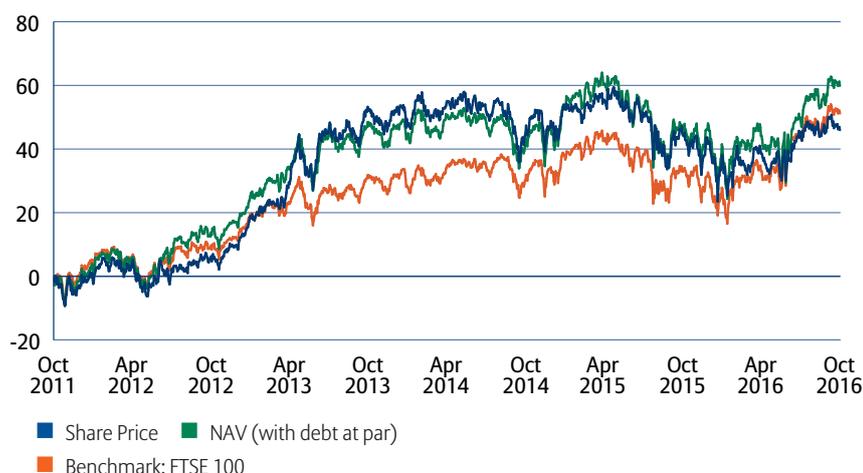
Portfolio managers also benefit from GrassrootsSM Research, a global network of over 300 independent, experienced journalists and field force researchers, and over 50,000 industry contacts to identify stock and sector trends before our competitors do.



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

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 | 0.4 | 5.3 | 1.1 | -4.0 | 46.1 |
| NAV | 6.6 | 10.9 | 9.6 | 8.5 | 59.9 |
| Benchmark | 4.6 | 13.6 | 13.7 | 15.5 | 51.2 |

Discrete 12 Month Returns (%) to 31 October

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|------|------|------|------|------|
| Share Price | 4.8 | 45.2 | -3.1 | -2.0 | 1.1 |
| NAV | 13.1 | 30.3 | -2.6 | 1.7 | 9.6 |
| Benchmark | 8.5 | 20.7 | 0.7 | 0.8 | 13.7 |

Source: Lipper, percentage growth, mid to mid, total return to 31.10.16. Copyright 2016 © 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.

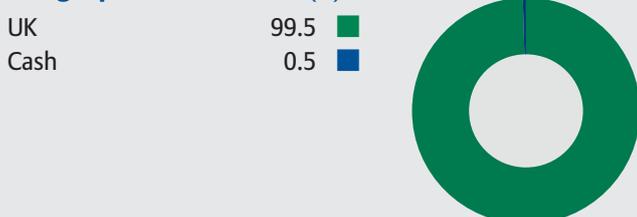
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 | 7.6 |
| GlaxoSmithKline | 7.3 |
| BP | 5.9 |
| HSBC | 5.8 |
| UBM | 4.3 |
| Lloyds Banking Group | 3.5 |
| Centrica | 3.4 |
| BAE Systems | 3.3 |
| Tate & Lyle | 3.1 |
| Scottish & Southern Energy | 2.8 |

Total number of holdings* 45

*Excludes derivatives

Market Cap Breakdown (%)



Key Information

| | |
|------------------------------|---|
| Launch Date | 16 February 1889 |
| AIC Sector | UK Equity Income |
| Benchmark | FTSE 100 |
| Annual Management Charge | 0.35% |
| Performance Fee | No |
| Ongoing Charges ¹ | 0.58% |
| 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 (31.01.2016). 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: Sybella Stanley, Simon Fraser (Chairman), Paul Yates, Mary Ann Sieghart and Mike McKeon (Senior Independent Director). Timon Drakesmith joined the board on 1 November 2016 as Chairman of the Audit Committee.



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 31.10.16 unless otherwise stated.

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