

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 June 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

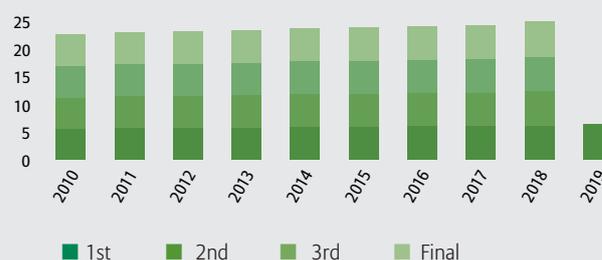
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
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
06.10.2017	16.11.2017	6.20p	2nd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £731.2m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £576.3m

Share Price

530.0p

Source: Lipper

NAV per Share

536.0p

Premium/-Discount

-1.1%

Dividend Yield

4.7%

Gearing

17.4%

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 June, uncertainties over the UK government's position on Brexit were pushed into the background, as fears rose over a more significant trade war between the US and its main trading partners. Economic data in the UK was generally a little better than expected, with strong retail sales in May, benefitting from warm weather and a royal wedding, and first quarter Gross Domestic Product (GDP) growth estimates were revised upwards, albeit to only 0.2%.

The stock market was broadly flat in the month. The best performing sectors included defensive industries such as aerospace & defence, telecommunications, food retail and utilities. The weakest performers included cyclical sectors such as oil equipment & services, mining, construction and several industrial sectors.

The Trust's NAV fell by -0.38% over the month, marginally behind the benchmark return of -0.18%. Inmarsat was the strongest positive contributor to performance, as the company announced it had received a preliminary approach from EchoStar, lifting the shares by almost 50% from quite a depressed level. UBM shares also continued to rise, ahead of the closing of the takeover bid from Informa, and STthree produced a double digit return in response to a positive trading update. On the other hand, Standard Life Aberdeen shares continued to lag the market, despite the management giving greater clarity, at the end of May, on their share buy-back and synergy benefits from the Phoenix deal. Bovis Homes shares pulled back, along with other housebuilders, and the portfolio suffered a little from not owning Reckitt Benckiser which outperformed.

The most significant transaction in June was the purchase of a new holding in ITV. ITV is the UK's leading commercial television

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company, with just under half of the TV advertising market and 99% of all commercial audiences of over 5 million viewers*. It makes a third of its profits from the studio business which sells content and formats in the UK and internationally. The shares had been poor performers due to a difficult advertising environment in 2017 and wider structural concerns about changes in the TV market. These concerns brought the valuation down to an unusually attractive level, which included a 5% dividend yield. Whilst there are changes happening in the TV market, such as the growth of Netflix and other new entrants, many of these are subscription models, which do not provide advertisers with access to large audiences. ITV sells traditional TV advertising supplemented by growth opportunities for its own online and subscription services. Furthermore, its expanding studios business could be increasingly valuable within a consolidating media industry.

Elsewhere in the portfolio, after the completion of the Informa takeover of UBM, we reduced the size of the position in the portfolio as the valuation of the combined company was no longer so compelling to us. We also reduced the Sainsbury holding further after the proposed Asda merger had pushed up the shares, and trimmed a number of stronger performers, such as Diageo, Greene King and Senior. This funded additional investments into shares such as Standard Life Aberdeen and Imperial Brands.

There remain many uncertainties in the geopolitical environment. The path towards Brexit is still unclear, and global trade tensions have been ratcheted up by the USA. In these conditions, we aim to hold a diversified portfolio of investments, with underlying exposures to a broad range of industries and end markets, both in the UK and around the world. Thankfully, there are many such UK listed companies, with strong business franchises and trading on attractive valuations, that should be able to deliver a combination



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.

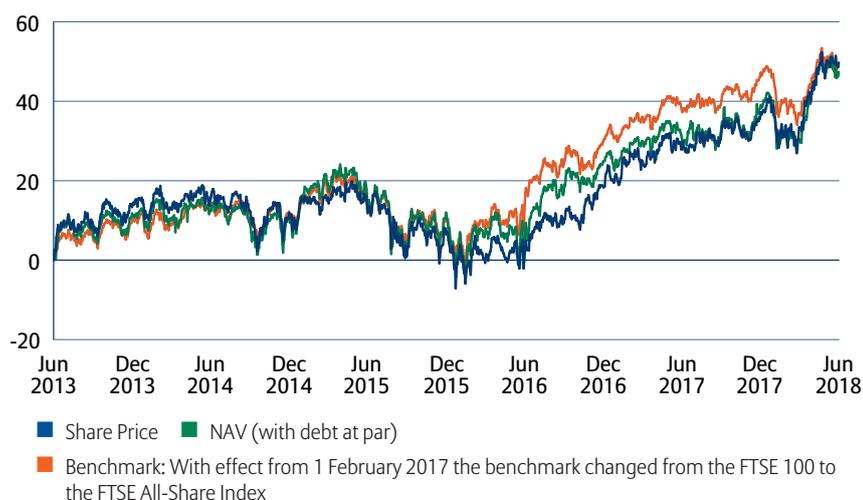
of income and capital growth in the medium to long term. We are continuing to find new ideas that match our specific investment criteria, to replace those that we have sold as valuations have risen.

Simon Gergel
4 July 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	12.3	9.1	17.0	33.9	49.7
NAV	12.2	5.5	14.6	31.2	48.7
Benchmark	9.2	1.7	9.0	33.0	49.7

Discrete 12 Month Returns (%) to 30 June

	2014	2015	2016	2017	2018
Share Price	15.7	-3.4	-8.3	24.8	17.0
NAV	12.5	0.8	-4.9	20.4	14.6
Benchmark	12.3	0.2	3.8	17.5	9.0

Source: Lipper, percentage growth, mid to mid, total return to 30.06.18. 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	7.1
GlaxoSmithKline	6.4
HSBC Holdings	4.2
BHP Billiton	4.0
BP	3.9
BAE Systems	3.1
Legal & General	3.1
Standard Life Aberdeen	3.1
Informa	3.1
Imperial Brands	2.9

Total number of holdings* 50

*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 30.06.18 unless otherwise stated.

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