

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 August 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

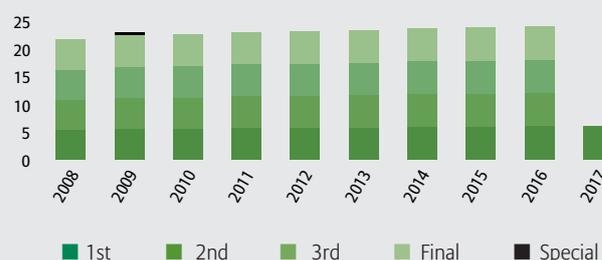
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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, after the Annual General Meeting in May, Merchants will have 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
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
09.10.2015	12.11.2015	6.00p	2nd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £645.8m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

423.0p

Source: Lipper

NAV per Share

448.9p

Premium/-Discount

-5.8%

Dividend Yield

5.7%

Gearing

16.3%

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 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 Bank of England cut interest rates in half to 0.25%, the first move in 7 years, in the wake of the UK referendum decision to leave the EU. Although economic confidence surveys have weakened since the referendum, most economic statistics, such as employment and consumer spending data have been resilient. The equity market made steady progress, with lower volatility than in the previous two months, whilst government bonds were strong as 10 year gilt yields fell to 0.6%.

The FTSE 100 index produced a total return of 1.7%, with mid cap shares approximately 1% ahead. Cyclical sectors led the market with banks and construction & materials up over 10%, and general retailers not far behind. Defensive sectors and natural resources were weakest, with mining, oil producers, telecommunications, utilities and pharmaceuticals all producing low to mid single digit negative returns.

The NAV performed ahead of the benchmark, returning 4.5%. The Trust also had a strong month for portfolio performance with a gain in several of the cyclical and recovery stocks that had been weaker earlier in the year. Notable performers included the construction stock, Balfour Beatty, which rose 27% on solid results, as the company reintroduced an interim dividend. Hostelworld and Standard Life also returned 20%+ as they announced results which reassured a nervous market. Elsewhere, double digit returns were seen at Ladbrokes (which also had encouraging trading results), HSBC, Lloyds, Kier, Senior and CRH. There were few significant detractors from performance, but Centrica, SThree and Pennon had modest negative returns, and Barclays, which is not owned in the

“ The equity market made steady progress, with lower volatility than in the previous two months, whilst government bonds were strong as 10 year gilt yields fell to 0.6%.

portfolio, made a double digit gain.

We bought one new company, Sirius Real Estate, taking advantage of an investor placing. Sirius invests in industrial property, exclusively in Germany and follows a similar strategy to another portfolio company – Hansteen. Sirius typically buys multi-let assets with opportunities for improvement. The company works intensively to fill vacant space, redevelop unattractive buildings and to offer tenants a range of flexible property solutions where appropriate. One of the key attractions is a property portfolio yielding around 8% and a cost of debt close to 2%, giving the company strong cash flows to reinvest into further developments or acquisitions. With interest rates likely to remain low in Germany for some time, we believe their assets will appreciate in value, whilst shareholders receive an attractive and growing 5% dividend yield.

Elsewhere, we recycled money from strong performing shares, as they reached higher valuations, into shares that had pulled back and offered better value. Reductions to positions included UBM, Carnival, GlaxoSmithKline and National Grid, partly reflecting option exercises. Additions included Greene King, SSE, ICAP, Senior and BP.

The equity market has risen sharply in recent months but it is hard to draw too many conclusions from this. There is a significant divergence within the market, between stocks perceived to be relatively defensive, which are typically trading at very high valuations, and those where the earnings outlook is less clear, which are often still cheap. This divergence between large sections of the stock market, is reminiscent of the technology, media and telecommunications (TMT) bubble at the end of the last century. Ironically, then, it was the “old economy” stocks in sectors like tobacco and food producers that were trading on very modest



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.

valuations whilst the TMT stocks rallied ever higher. Now the situation is partly reversed, with these “old economy” defensive shares on high valuations, and unlikely to offer attractive future returns.

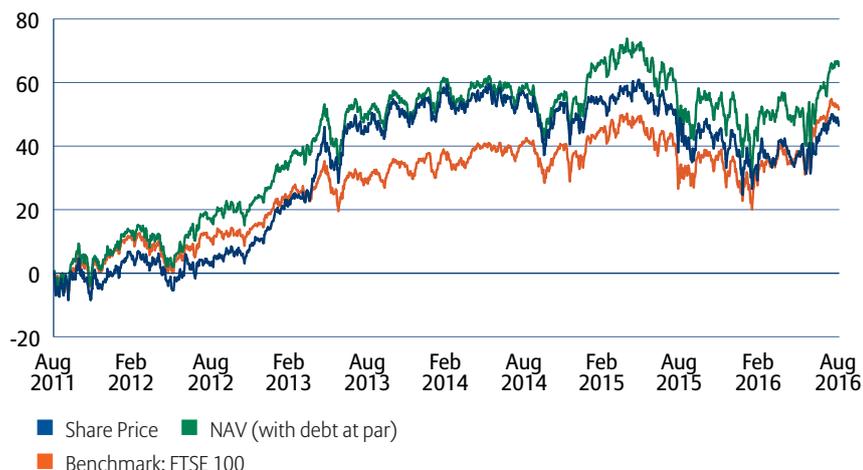
We have few investments in this part of the stock market. In contrast, there are many sound companies that are lowly valued, though these typically have greater near term uncertainty. Many cyclical, natural resources, financials or companies exposed to the domestic UK economy remain lowly rated as investors have crowded into safe havens.

Simon Gergel
2 September 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.

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	6.0	7.8	-0.9	1.4	46.6
NAV	9.7	10.6	8.2	11.3	65.2
Benchmark	10.1	14.0	13.0	18.2	51.6

Discrete 12 Month Returns (%) to 31 August

	2012	2013	2014	2015	2016
Share Price	2.5	41.0	8.0	-5.3	-0.9
NAV	16.1	27.8	6.6	-3.5	8.2
Benchmark	10.0	16.6	10.1	-5.0	13.0

Source: Lipper, percentage growth, mid to mid, total return to 31.08.16. 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	7.1
GlaxoSmithKline	7.0
HSBC	5.4
BP	5.3
UBM	4.4
Centrica	3.7
Lloyds Banking Group	3.7
BAE Systems	3.4
Inmarsat	3.1
Tate & Lyle	3.0

Total number of holdings* 44

*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

Left to right: Sybella Stanley, Simon Fraser (Chairman), Paul Yates, Mary Ann Sieghart, Mike McKeon (Chairman of the Audit Committee and Senior Independent Director)



How to invest

The Trust is a UK public limited company traded openly on the stock market and you can purchase shares through a stock broker. Shares in the Trust can be held within an ISA, JISA, SIPP and/or savings scheme. A number of providers offer this facility, a list of which is available on our website.

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 31.08.16 unless otherwise stated.

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