

The Merchants Trust PLC



Factsheet

30 November 2014

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 - celebrating 125 years

The Trust 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, with the remainder held in Government securities and companies such as Castlemaine Brewery in Australia. The Trust now concentrates primarily on major UK companies with an above average rate of dividend yield.

Fund Manager's Review



Simon Gergel

November witnessed a sharp fall in the price of crude oil, with "Brent" falling from \$86 to \$70 per barrel as OPEC refused to lower production in response to a growing supply / demand imbalance. This move put pressure on the energy sector and also the US junk bond market which has financed many shale oil companies.

Falling Eurozone growth expectations and slowing inflation prompted the ECB to promise to "do what we must to raise inflation and inflation expectations as fast as possible". Meanwhile China unexpectedly cut its interest rates.

This combination of events and the anticipated policy action supported equity markets, with the FTSE 100 Index producing a 3.1% total return whilst Europe and the USA performed even better. Within the UK market there was a wide disparity of returns with the falling oil price and a profit warning at Petrofac depressing oil services and industrial engineering stocks as well as oil producers. Conversely telecommunications stocks rallied along with those sectors that benefit from falling energy costs, such as travel & leisure and retailers. The best performing share was Marks & Spencer which raised its interim dividend whilst announcing reassuring figures.

The portfolio performance (NAV +2.7%) reflected the divergent themes within the market. Friends Life received a takeover approach from Aviva which pushed the shares up and we also saw strong gains at Inmarsat, M&S, Carnival and Balfour Beatty, amongst others. Conversely not owning BT and Vodafone was the biggest negative factor as the telecoms sector returned to favour. Also Amec Foster Wheeler sold off with the oil sectors and Premier Farnell had a mildly disappointing trading update.

Investment activity was fairly high as we responded to market opportunities and finessed positions. We purchased one new company, Brammer, a distributor of bearings and other industrial products and equipment. The business has good growth opportunities as companies look to simplify and consolidate their purchases of small volume, maintenance products across Europe. The share price fell back as some of their customers saw a slowdown in demand but we see this as an opportunity to invest in a well positioned smaller company. Elsewhere we added to businesses we like as their share prices weakened such as Greene King, BP and Kier Group.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-1.6	-2.3	2.6	55.8	97.5
NAV	-1.3	-3.0	1.9	49.3	79.0
FTSE 100	-0.8	-0.1	4.7	36.2	54.6

Discrete Performance (%)

From To	30.11.09 30.11.10	30.11.10 30.11.11	30.11.11 30.11.12	30.11.12 29.11.13	29.11.13 28.11.14
Share Price	26.3	0.4	10.6	37.3	2.6
NAV	13.9	5.3	16.1	26.3	1.9
FTSE 100	10.0	3.2	10.7	17.5	4.7

Source: Lipper, percentage growth, mid to mid, total return to 30.11.14. Benchmark: FTSE 100 Index.

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.

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We took profits on shares that rallied and thus offered less value, such as Segro, IG Group and Reed Elsevier. We also sold the remaining holdings in BBA Aviation and De La Rue as discussed last month. Finally we reduced GlaxoSmithKline and Sainsbury. We believe both companies remain attractive but we have moderated our investment view as the risk profile has increased with industry conditions becoming more challenging.

Our overall investment views are broadly unchanged although underperformance has made the large oil stocks look more compelling. Whilst we cannot predict the oil price, we believe that the demand for and supply of oil are both responsive to any sharp movement in price, particularly with the rise of US shale production which has extremely fast decline rates. This should support oil prices in the medium term and the oil majors can reduce capital expenditure further to protect their cash flows and prioritise dividend payments.

All data source Allianz Global Investors as at 30.11.14 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

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.

Allianz 
Global Investors

Capital Structure

Total Assets:	£659.8m
Gearing (net):	17.8%
Shares in Issue:	108,313,464 (Ordinary 25p)
Share Price ¹ :	487.0p
Net Asset Value ² :	493.8p ³ (467.6p ⁴ – debt at market value)
Premium/-Discount to NAV:	-1.4% (4.2% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	4.85%

1. Source: Lipper as at 30.11.14, market close mid price.
2. A trust's Net Asset Value (NAV) 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.
3. Capital net asset value per ordinary share based on the par value of the company's long term debt and preference shares.
4. Capital net asset value per ordinary share based on the fair/market value of the company's long term debt and preference shares. This allows for the valuation of debt at fair value or current market price, rather than at final repayment value.
5. Source: Datastream as at 30.11.14. Calculated using the latest full year dividend divided by the current share price.

Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Equity Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
Ongoing Charges ⁶ :	0.66%
Year end:	31 January
Annual Financial Report:	Final posted in April, Half-yearly posted in September
AGM:	May
Dividends:	February, May, August, November
Price Information:	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk

Board of Directors:
Simon Fraser (Chairman), Mike McKeon (Chairman of the Audit Committee), Henry Staunton (Senior Independent Director), Paul Yates, Mary Ann Sieghart, Sybella Stanley

Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes:	RIC: MRCH.L SEDOL: 0580007

6. Source: AIC, as at the Trust's Financial Year End (31.01.2014). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

Risks & 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.

Sector Breakdown (%)

Financials	20.0
Consumer Services	17.6
Oil & Gas	15.2
Industrials	12.0
Consumer Goods	10.6
Utilities	10.2
Health Care	6.0
Telecommunications	3.3
Basic Materials	2.7
Cash	2.4

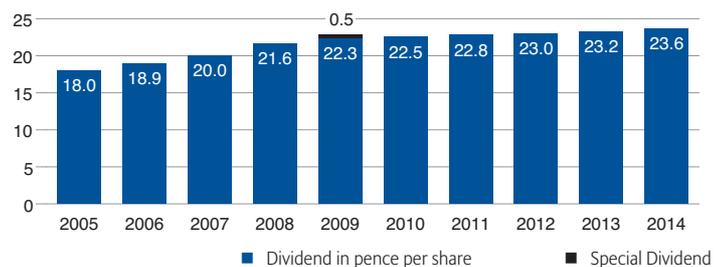
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.0	BAE Systems	3.9
HSBC	6.6	Scottish & Southern Energy	3.5
GlaxoSmithKline	6.0	Inmarsat	3.3
BP	5.1	Friends Life	2.7
British American Tobacco	4.7	BHP Billiton	2.7
Total Number of Holdings	47*		

*excludes derivatives

Dividend History

Ten Year Net Dividend Record in Pence (to year end 31 January)



Past performance is not a reliable indicator of future results.

Net Dividends

	Pay Date	Record Date	Payment
2nd quarterly dividend	12.11.14	11.10.14	5.9p per share
1st quarterly dividend	14.08.14	12.07.14	5.9p per share
4th quarterly dividend	23.05.14	25.04.14	5.9p per share
3rd quarterly dividend	26.02.14	31.01.14	5.9p per share

How to Invest

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

Contact Us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

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All data source Allianz Global Investors as at 30.11.14 unless otherwise stated.

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