

The Merchants Trust PLC

Key Information	
Total Assets [†]	£565.40m
Gearing ^{††} (net)	26.0%
No. of Shares [†] (Ordinary 1p)	102,813,464
Net asset value [†]	439.21p
Net asset value (debt at Market Value) [†]	422.42p
Premium/-discount to NAV [†]	-10.7%
Premium/-discount to NAV (debt at Market Value) [†]	-7.2%
Share price *	392.00p
AIC Sector	UK Income Growth
RIC	MRCH
Year end	31st January
Reports and Accounts	Final posted in April, Interim posted in September
AGM	May
Dividends	February, May, August and November
Price Information	Financial Times, The Daily Telegraph, www.allianzgi.co.uk
Board of Directors	Hugh Stevenson (Chairman), Dick Barfield, Sir Bob Reid, Joe Scott Plummer, Sir James Sassoon
Investor services	020 7065 1407

† Source: Allianz Global Investors as at 31.08.08

Investment trusts are quoted companies listed on the London Stock Exchange. Their share price is determined by factors including demand, or lack of, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

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. In line with current industry best practice NAVs are shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

†† Source: Allianz Global Investors as at 31.08.08.

Please also refer to Trust aim & characteristics, above right.

* Source: Lipper as at 31.08.08

Trust aim & characteristics

The Trust's objective is to provide an above average level of income and income growth together with long term growth of capital through a policy of investing mainly in higher yielding UK FTSE 100 companies.

†† Merchants seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly. You should be aware that this Trust may be subject to sudden and large falls in value and you could suffer substantial capital loss.

Fund Manager's review

The stockmarket rose as oil and other commodity prices fell back and the pound fell against a recovering dollar. Notable features of the market were the outperformance of high yield stocks and the underperformance of mining companies. Performance of the portfolio was well ahead of the index, helped by those two features. The biggest contributors were Brit Insurance and Glaxosmithkline as well as avoiding Xstrata which fell back. There were few big negatives but underweights in Diageo, Lonmin and SAB Miller held back returns.

The economic outlook continues to deteriorate however the stockmarket has discounted much of the bad news. Valuations are modest and the index yield is close to the 10 year gilt yield with positive aggregate dividend growth expected. Whilst we are biased towards relatively resilient businesses, we are taking advantage of opportunities created by market volatility.

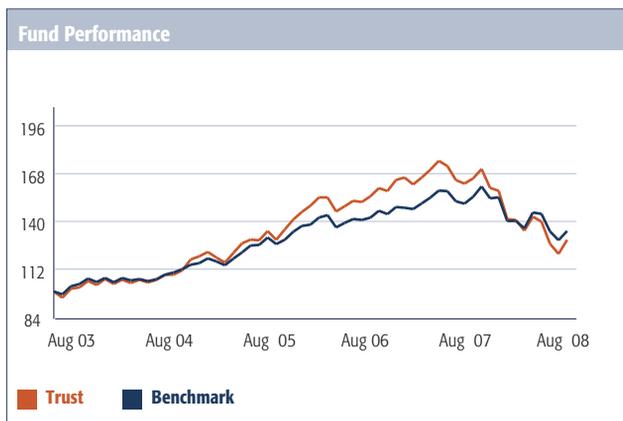


Simon Gergel

Top 10 holdings

Name	%
Royal Dutch Shell	9.1
GlaxoSmithKline	8.4
Vodafone Group	7.0
BP	6.6
HSBC	6.5
HBOS	4.4
BAE Systems	3.4
Scottish & Southern Energy	3.1
Aviva	3.0
Reed Elsevier	2.8
Total	54.3

Source: Allianz Global Investors as at 31.08.08.

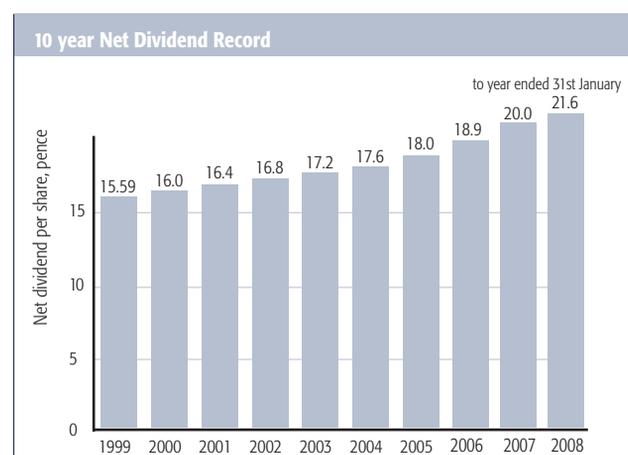


Source: Allianz Global Investors/ Mellon. 31st August 2003 to 31st August 2008. Capital only, calculation indexed. UK Sterling. Benchmark is FTSE 100, price index.

Past performance is not a reliable indicator of future performance. 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. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

Standardised Past Performance					
From to	30/06/2003 to 30/06/2004	30/06/2004 to 30/06/2005	30/06/2005 to 30/06/2006	30/06/2006 to 29/06/2007	29/06/2007 to 30/06/2008
Share Price	7.1%	30.9%	22.6%	12.6%	-22.1%

Source: Allianz Global Investors/Lipper Hindsight. Discrete years, mid to mid, basic rate tax, based in UK sterling. Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.



Source: Allianz Global Investors

History

The Trust was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it principally 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 Castlemain Brewery in New South Wales. The Trust now concentrates primarily upon major UK companies with an above average rate of dividend yield.

On 30th June 2006 a further 1,655,941 Ordinary shares were issued following the reconstruction and planned winding up of Allianz Dresdner Income Growth Investment Trust plc. The increase in assets was achieved at no cost to existing shareholders.

Launch Date: 1889 **Wind-up Date:** None

Share buybacks

1,171,413 shares have been repurchased for cancellation to date.