

The Merchants Trust PLC

As focused on dividends as you are



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

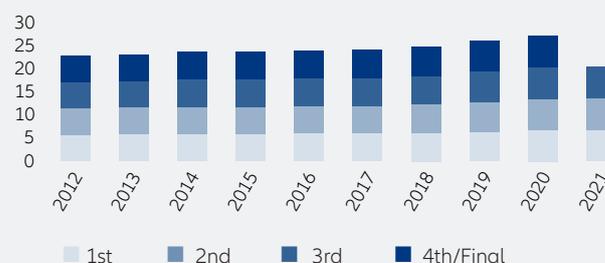
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 14 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 38 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
05.02.2021	16.03.2021	6.80p	3rd Quarterly
09.10.2020	12.11.2020	6.80p	2nd Quarterly
10.07.2020	19.08.2020	6.80p	1st Quarterly
24.04.2020	29.05.2020	6.80p	4th Quarterly

Past performance is not a reliable indicator of future results.



A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

The RSMR rating is designed for use by professional advisers and intermediaries as part of their advice process. This rating is not a recommendation to buy. If you need further information or are in doubt then you should consult a professional adviser.

Total Assets £647.8m

Shares in Issue 120,984,887 (Ordinary 25p)

Market Cap £530.5m

Share Price

438.5p

NAV per Share

439.6p

Premium/-Discount

-0.3%

Dividend Yield

6.2%

Gearing

16.9%

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.

Fund Manager's Review

On January 20th, Joe Biden became the 46th president of the United States following an acrimonious contest with Donald Trump amid unprecedented levels of security after protesters had entered the US Capitol building two weeks earlier. January was also the first month after the Brexit transition period with the UK trading under a new agreement with the EU. However, stock markets were primarily focused on the coronavirus pandemic and its economic impacts. The month started with a strong rally, continuing the trend seen at the end of 2020, on hopes that vaccinations could allow governments to start to lift restrictions on activity. But shares retreated again as these hopes faded and tighter international travel restrictions were widely discussed in response to a number of different and more virulent virus mutations, as well as concern about vaccine supply problems.

Over the month, the FTSE All-Share index fell by just under 1%, with most Western markets also retreating slightly. There were fewer significant sector moves than in recent months, but the best performing larger sectors included food retail, oil & gas producers and mobile telecommunications. The weakest sectors included aerospace & defence, life insurance and household goods & home construction.

Portfolio performance was in line with the benchmark and the Trust's NAV total return was -1.0%. The biggest positive contribution came from Entain, the owner of Ladbrokes, which received a takeover approach from its joint venture partner in the USA – MGM Resorts – causing the shares to rise even though MGM decided not to launch a takeover bid. The portfolio also benefitted from a rally in Stock Spirits' shares, as well as from not owning Prudential as its share price pulled back when the company

“ The UK stock market remains one of the cheapest major markets

announced a fund raising. The largest negative contributor was IG Group as the stock market reacted negatively to its proposed acquisition of a US futures and options trading business, which overshadowed very strong trading results. Meggitt and Barclays were also weak on economic and trading concerns.

We bought a new holding in DCC. This FTSE 100 distribution business has an excellent record of growth through consolidating fragmented markets, initially in Ireland and the UK, but now stretching into the rest of Europe and the USA. The company has grown its dividend for 26 years, with 9% compound growth over the last decade. It spans four areas: healthcare, technology, liquefied petroleum gas (LPG) and fuel & oil. The shares have historically traded on a high valuation, but have been de-rated in recent months, primarily on concerns about the long-term prospects for their energy businesses. We believe that these concerns do not reflect the ability of DCC to work with customers to transition them to cleaner fuels, such as encouraging a switch from oil to cleaner LPG, or a greater



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 32 years investment experience. He is pictured here with Matthew Tillett, Senior 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.

use of biofuels. This de-rating gave us a chance to invest at an unusually attractive price.

This purchase was funded by profit taking on part of the investments in Entain, after the shares spiked on news of the potential takeover, and Kin & Carta, where the shares have more than doubled since we added to the holding last summer.

January marked the end of Merchants Trust's fiscal year. As we enter the new year, we hope for a gradual reduction in coronavirus infections and hospitalisations as vaccines are rolled out at home and abroad. In time, this should allow lockdown restrictions to ease and the economy to return towards more normal conditions. However, as we have seen recently, this is unlikely to be a smooth ride and there are many risks along the way, not least as governments and central banks ease back on support and look to normalise policy, which could involve tax rises at some point.

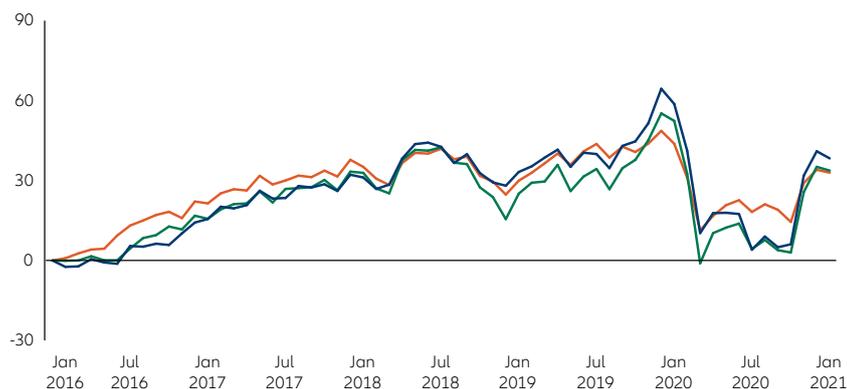
The UK stock market remains one of the cheapest major markets and within that there is still a large polarisation between valuations. The portfolio comprises strong companies typically valued at a significant discount to the average UK company and diversified across many different cyclical and defensive sectors. We believe that these companies are capable of delivering above average dividend income and total returns in the medium term in line with Merchants' objectives.

Simon Gergel
17 February 2021

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 (%)



- Share Price ■ NAV (debt at fair value)
- Benchmark: With effect from 1 February 2017 the benchmark changed from the FTSE 100 to the FTSE All-Share Index

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	30.4	33.0	-12.9	5.5	38.3
NAV (debt at fair value)	29.9	29.1	-11.6	-0.4	32.3
Benchmark	16.1	12.5	-7.5	-1.6	32.9

Discrete 12 Month Returns to 31 January (%)

	2021	2020	2019	2018	2017
Share Price	-12.9	19.2	1.6	13.5	15.6
NAV (debt at fair value)	-11.6	19.7	-5.9	14.9	15.6
Benchmark	-7.5	10.7	-3.8	11.3	21.4

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.01.21. Copyright 2020 © DataStream, a Thomson Reuters company. All rights reserved. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

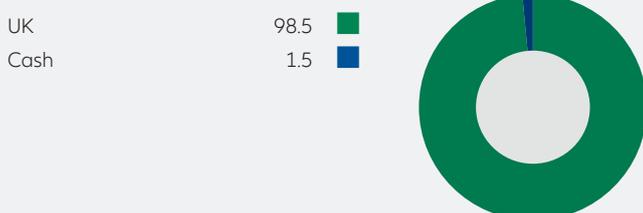
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)

Consumer Goods	23.1	<div style="width: 23.1%;"></div>
Financials	20.5	<div style="width: 20.5%;"></div>
Industrials	18.3	<div style="width: 18.3%;"></div>
Oil & Gas	8.7	<div style="width: 8.7%;"></div>
Utilities	7.3	<div style="width: 7.3%;"></div>
Consumer Services	6.4	<div style="width: 6.4%;"></div>
Health Care	5.8	<div style="width: 5.8%;"></div>
Telecommunications	4.4	<div style="width: 4.4%;"></div>
Basic Materials	2.9	<div style="width: 2.9%;"></div>
Technology	1.1	<div style="width: 1.1%;"></div>
Cash	1.5	<div style="width: 1.5%;"></div>

Geographic Breakdown (%)



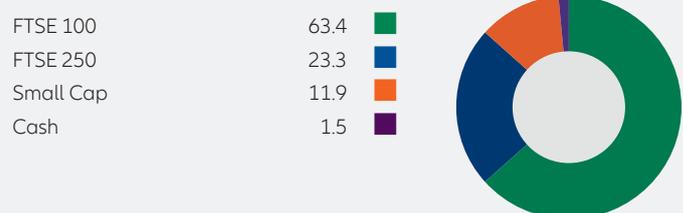
Top Ten Holdings (%)

GlaxoSmithKline	5.7
Imperial Brands	4.8
British American Tobacco	4.6
Scottish & Southern Energy	3.9
Royal Dutch Shell - B Shares	3.7
BP	3.7
Barclays	3.6
BAE Systems	3.4
National Grid	3.3
St James's Place	3.1

Total number of holdings* 45

*Excludes derivatives

Market Cap Breakdown (%)



The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding. This is no recommendation or solicitation to buy or sell any particular security.

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 (31.01.2020). 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

Colin Clark (Chairman)
Timon Drakesmith (Chairman of the Audit Committee)
Karen McKellar
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)

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.



Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail.

All data source Allianz Global Investors as at 31.01.21 unless otherwise stated.

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