

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

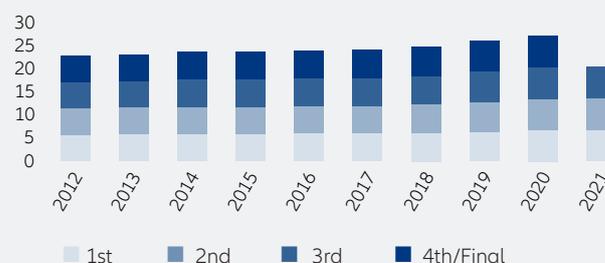
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 £656.2m

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

Market Cap £544.4m

Share Price

450.0p

NAV per Share

452.0p

Premium/-Discount

-0.4%

Dividend Yield

6.0%

Gearing

16.2%

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

A year after the coronavirus pandemic first rocked markets, there was a clear change in market sentiment in February. With evidence mounting that vaccines are proving effective at reducing the spread of the virus and the rate of hospital admissions, there was rising optimism about the economic outlook. Bond markets reacted to improving prospects and the risk that higher commodity prices would stoke inflation. Bond prices fell sharply, as yields rose, with the US ten-year bond yield hitting 1.5%, before pulling back on the last day of the month. In the UK 10-year gilt yields more than doubled to 0.82%.

Equity prices moved in the opposite direction to bonds, with the FTSE All-Share index giving a total return of 2%, with small and mid-cap companies rising more than larger companies. Within the stock market, there was a definite pro-cyclical bias. Banks, which benefit from higher interest rates, led the market. The banks sector, along with travel & leisure, life insurance, mining and oil & gas producers, all made double digit gains, whilst defensive sectors like food retail, personal goods, electricity and pharmaceuticals fell between 7-10%.

The portfolio outperformed the stock market, with stock contributions mirroring this theme. Barclays shares were up over 20%, and the portfolio also benefitted from not owning Unilever or AstraZeneca, which both underperformed. On the other hand, the biggest negative contributions came from the defensive stocks SSE, Imperial Brands and GlaxoSmithKline, which all underperformed. Against this strong background the Trust's NAV total return over the month was 5.5%, well ahead of the 2% return from the index.

“ A year after the coronavirus pandemic first rocked markets, there was a clear change in market sentiment in February

There were no new investments or complete sales. We took profits in shares that had appreciated significantly in recent months, and were less attractively priced, such as Stock Spirits, PZ Cussons and Barclays. This money was recycled into shares that remained very attractively valued, such as the housebuilders Redrow and Bellway and the asset manager Man Group.

The UK stock market is one of the cheapest major markets and remains highly polarised. As a generalisation, companies offering higher growth and those often referred to as higher quality - making high and more stable returns on capital - trade at a substantial premium to the rest of the stock market. This creates excellent stock picking opportunities, as many perfectly sound companies are significantly under-priced.

The portfolio is invested in a collection of modestly priced yet fundamentally strong companies, exposed to supportive end market themes. It is diversified across industries, geographic exposures and economic cyclicality. We believe that this portfolio is well positioned to deliver a combination of above average income and total returns.

Active Engagement

We believe in active engagement with companies on environmental, social and governance (ESG) issues, on behalf of shareholders. Not only do we want to understand how businesses assess risks, such as climate change, we want to encourage them to reposition their businesses to address this, and other issues. A recent meeting with the management of



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.

Shell highlights the complexities of the issue of climate change, and how the big energy companies can be important, probably essential, players in the transition to a zero-emission future, whilst driving profitable business opportunities.

Shell markets approximately 5% of the world's energy, almost three times the energy it actually produces. Over 90% of related greenhouse gas emissions comes from their customers' use of this energy, not their own. Shell has many of the vital capabilities to help those customers cut or offset their emissions and is committed to achieving a net-zero emission business by 2050. Consider a couple of examples. To transition trucks to "green" (zero emission) hydrogen power, assuming the technology can be developed, requires a massive expansion of hydrogen production and scale businesses, that can distribute huge quantities of gas, and supply it at thousands of convenient locations around the world. But it also requires the balance sheet and capability to manage and hedge commodity risk and negotiate contracts with large users, not to mention working with governments to promote appropriate regulatory and taxation policies.

Another example to consider, is large industrial users that need huge amounts of heat and power. It may not be realistic or even possible to supply them with totally renewable power. There may need to be "offsets", where carbon dioxide is pumped into underground caverns to neutralise the greenhouse impacts. The energy companies are in an almost unique position of having many of the technical capabilities, capital, people and underground storage locations to perform these tasks.

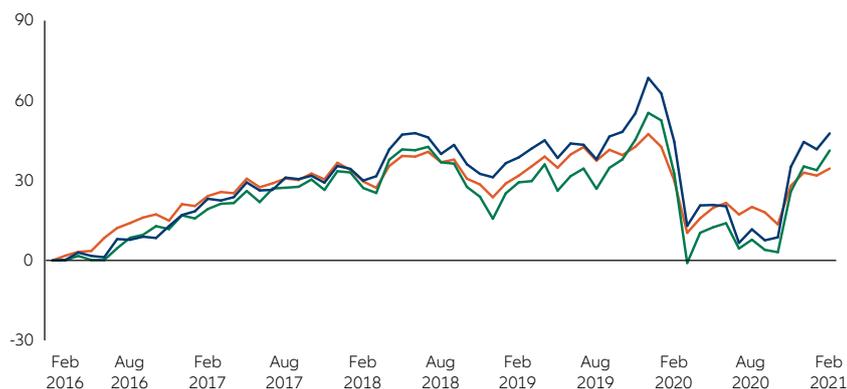
If the large energy companies, like Shell, are not involved in these activities, the energy transition will likely take longer and be harder to achieve. Just as the electricity utility SSE has transitioned from running coal fired power stations, to operating one of the UK's largest wind and hydro powered generation businesses, we think the big energy companies will move, in time, from being seen as part of the problem to an essential part of the solution to climate change.

Simon Gergel
15 March 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	9.3	32.2	2.1	13.6	47.7
NAV (debt at fair value)	12.3	31.1	7.3	9.9	39.8
Benchmark	5.1	12.0	3.5	3.8	34.5

Discrete 12 Month Returns to 28 February (%)

	2021	2020	2019	2018	2017
Share Price	2.1	4.3	6.7	5.5	23.1
NAV (debt at fair value)	7.3	0.7	1.7	6.6	19.3
Benchmark	3.5	-1.4	1.7	4.4	24.2

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 28.02.21. 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	21.9	<div style="width: 21.9%;"></div>
Financials	21.8	<div style="width: 21.8%;"></div>
Industrials	18.6	<div style="width: 18.6%;"></div>
Oil & Gas	9.3	<div style="width: 9.3%;"></div>
Consumer Services	7.0	<div style="width: 7.0%;"></div>
Utilities	6.6	<div style="width: 6.6%;"></div>
Health Care	5.0	<div style="width: 5.0%;"></div>
Telecommunications	4.5	<div style="width: 4.5%;"></div>
Basic Materials	3.3	<div style="width: 3.3%;"></div>
Technology	1.1	<div style="width: 1.1%;"></div>
Cash	0.9	<div style="width: 0.9%;"></div>

Geographic Breakdown (%)



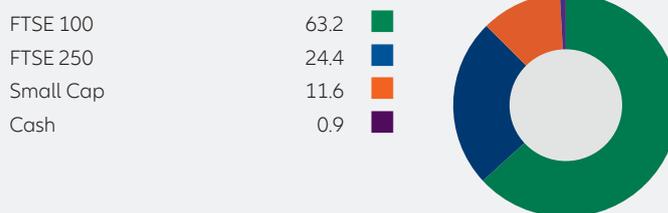
Top Ten Holdings (%)

GlaxoSmithKline	4.9
Imperial Brands	4.3
British American Tobacco	4.2
Royal Dutch Shell - B Shares	3.9
BP	3.8
Barclays	3.7
BAE Systems	3.4
Scottish & Southern Energy	3.4
WPP	3.3
Tate & Lyle	3.2

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 28.02.21 unless otherwise stated.

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