

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

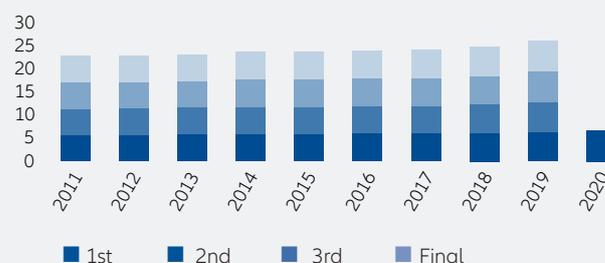
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 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, Merchants has paid increasingly higher dividends to its shareholders year on year for the last 37 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
12.07.2019	20.08.2019	6.70p	1st Quarterly
12.04.2019	22.05.2019	6.60p	Final
01.02.2019	06.03.2019	6.50p	3rd Quarterly
05.10.2018	15.11.2018	6.50p	2nd 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 £673.0m

Shares in Issue 110,028,464 (Ordinary 25p)

Market Cap £539.1m

Share Price

490.0p

NAV per Share

473.6p

Premium/-Discount

3.5%

Dividend Yield

5.2%

Gearing

18.3%

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 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

Politics and geopolitical events continued to dominate investment markets in June. The trade dispute between the US and China continued to simmer, with President Trump meeting President Xi Jinping at the end of the month, although the US did back away from imposing additional tariffs on Mexico. There were increasing concerns that tariff increases are slowing world trade and threatening economic growth. Central banks were in sharp focus, with both the US Federal Reserve and the European Central Bank indicating that they may take action to help growth.

In the UK, the contest for Conservative party leader, and therefore Prime Minister, was whittled down to two; Boris Johnson and Jeremy Hunt. Boris Johnson started as the clear favourite among the Conservative party members, who make the decision, and he is standing on a commitment to deliver Brexit by 31 October 2019.

The stock market rose early in the month and then traded sideways on limited volatility. Over the month, the total return was 3.7%, bringing the return for the first six months of the calendar year to almost 13%. The best performing sectors were cyclical but globally exposed sectors, such as mining, electronic & electrical equipment and general industrials. The weakest sectors included domestic cyclical sectors like retail, real estate and housebuilders, as well as tobacco.

The portfolio return was in line with the index in June with the Trust's NAV returning 4.3%. The biggest positive stock contributions came from copper miner Antofagasta, Standard Life Aberdeen and BAE Systems. All three shares produced total returns of 10% or above, recovering from prior weakness. The main negative stock contributions came from Keller,



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.

“ In this environment, we are able to find many sound businesses, with robust market positions and reasonable long term prospects, trading on low, or in some cases very depressed valuations.

Imperial Brands and Senior, which underperformed the rising market.

Investment activity was limited in the month, which saw less volatility than in recent periods. We added to the Imperial Brands position as the shares continued to fall back, and offered exceptional value.

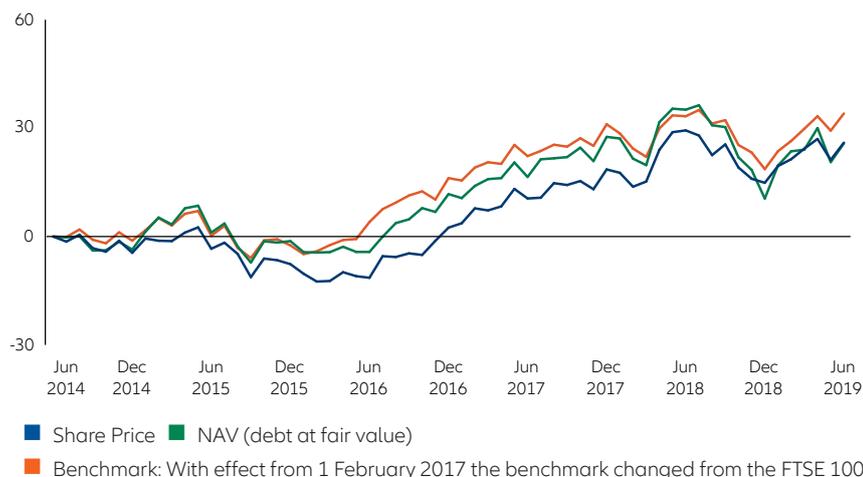
As we said last month, the UK stock market is polarised, with companies earning high returns on capital and those offering reliable or high growth, trading at unusually large premiums to the rest of the market. In this environment, we are able to find many sound businesses, with robust market positions and reasonable long term prospects, trading on low, or in some cases very depressed valuations. Sectors such as aerospace & defence, construction & building materials and life insurance have several companies that meet this description, and Merchants has a significant exposure to these industries, among others. By building a portfolio of shares in such companies, we believe that Merchants can continue to deliver a high and rising dividend yield and an attractive total return to shareholders in the medium term.

Simon Gergel
1 July 2019

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	1.3	9.7	-2.6	42.2	26.0
NAV (debt at fair value)	1.4	13.8	-6.9	31.4	25.8
Benchmark	3.3	13.0	0.6	28.9	34.0

Discrete 12 Month Returns to 30 June (%)

	2019	2018	2017	2016	2015
Share Price	-2.6	17.0	24.8	-8.3	-3.4
NAV (debt at fair value)	-6.9	16.0	21.7	-5.3	1.1
Benchmark	0.6	9.0	17.5	3.8	0.2

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.06.19. Copyright 2019 © 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.

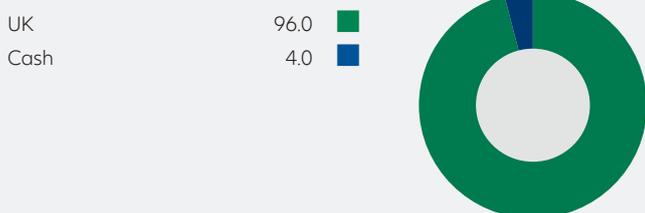
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

Financials	27.9	
Industrials	19.0	
Consumer Services	11.6	
Consumer Goods	11.1	
Oil & Gas	9.0	
Utilities	7.0	
Health Care	5.5	
Basic Materials	4.9	
Cash	4.0	

Geographic Breakdown (%)



Top Ten Holdings (%)

Royal Dutch Shell - B Shares	6.4
GlaxoSmithKline	5.5
HSBC Holdings	4.2
Imperial Brands	3.7
BAE Systems	3.5
British American Tobacco	3.3
Legal & General	3.2
Standard Life Aberdeen	3.1
BHP Group	3.0
St James's Place	2.9

Total number of holdings* 44

*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	0.58%
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 (31.01.2019). 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

Directors from left to right: Mary Ann Sieghart, Timon Drakesmith (Chairman of the Audit Committee), Simon Fraser (Chairman), Sybella Stanley (Senior Independent Director) and Paul Yates. Colin Clark joined the board on 30 June 2019.



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 30.06.19 unless otherwise stated.

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