

## The Merchants Trust PLC

Key Information	
<b>Total Assets*</b>	£635m
<b>Gearing<sup>††</sup> (net)</b>	21%
<b>No. of Shares<sup>†</sup> (Ordinary 25p)</b>	103,759,877
<b>Net asset value<sup>†</sup></b>	516.4p
<b>Net asset value (debt at Market Value)<sup>†</sup></b>	487.7p
<b>Premium/-discount to NAV<sup>†</sup></b>	-7.8%
<b>Premium/-discount to NAV (debt at Market Value)<sup>†</sup></b>	-2.4%
<b>Share price*</b>	476.0p
<b>AITC Sector</b>	UK Income Growth
<b>RIC</b>	MRCH
<b>Year end</b>	31st January
<b>Report and Accounts</b>	Final posted in April Interim posted in September
<b>AGM</b>	May
<b>Dividends</b>	February, May, August and November
<b>Price Information</b>	Financial Times The Daily Telegraph www.allianzgi.co.uk
<b>Board of Directors</b>	Hugh Stevenson (Chairman), Sir John Banham, Dick Barfield, Sir Bob Reid, Joe Scott Plummer, James Sassoon
<b>Investor services</b>	020 7065 1407
<b>Brochure request</b>	0800 317 573

\* Source: Datastream as at 31.07.06

† Source: Allianz Global Investors as at 31.07.06

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.

†† Source: Datastream as at 31.07.06.

Please also refer to Trust Aim & Characteristics, above right.

### 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

July saw a volatile end to the month, albeit one with a positive return, although medium sized companies lagged the FTSE 100. Utilities, such as AWG and Pennon, and real estate stocks including Slough Estates, were strong and helped performance. More cyclical stocks including FKI, Alliance & Leicester and Provident Financial underperformed. Valuations in the market seem to price in a significant economic slowdown, although this is not in line with our own expectations. We see best value in the largest companies and selective cyclical and higher-growth companies, such as in the media sector, where we have added to positions in the Trust's portfolio.

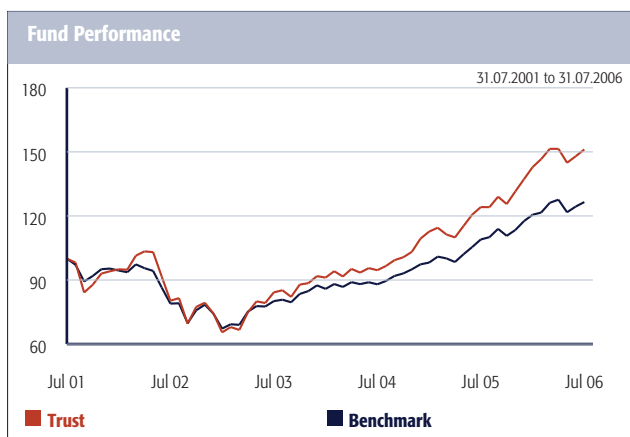


Simon Gergel

### Top 10 holdings

Name	%
Royal Dutch Shell "B" Shares	9.4
BP	7.8
HSBC	7.1
GlaxoSmithKline	5.9
Royal Bank of Scotland Group	4.0
Vodafone	3.6
Barclays	3.5
HBOS	3.4
Lloyds TSB Group	3.3
BT Group	3.0
<b>Total</b>	<b>50.9</b>

Source: Allianz Global Investors as at 31.07.06



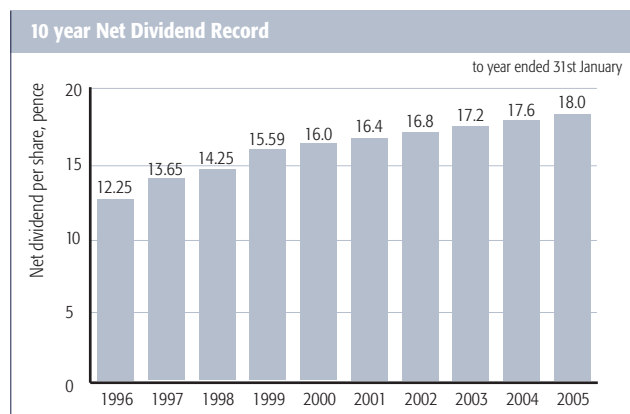
Source: Allianz Global Investors/ Russell/ Mellon. 31st July 2001 to 30th July 2006, Total Return, net income reinvested, calculation indexed. UK Sterling.

Please remember that past performance is not a guide to future performance. 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 a lower capital return.

**Standardised Past Performance**

	From 29/06/2001 to 28/06/2002	28/06/2002 to 30/06/2003	30/06/2003 to 30/06/2004	30/06/2004 to 30/06/2005	30/06/2005 to 30/06/2006
<b>Share Price</b>	<b>-3.0%</b>	<b>-13.0%</b>	<b>7.1%</b>	<b>30.9%</b>	<b>22.6%</b>

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

230,000 shares have been repurchased for cancellation to date.