

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

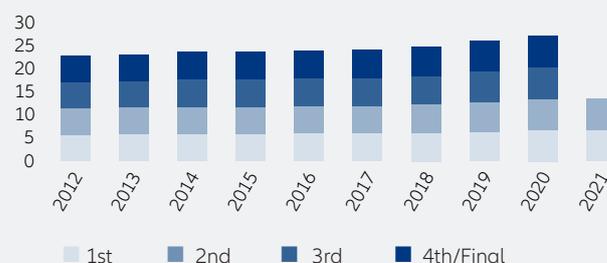
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
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
31.01.2020	11.03.2020	6.80p	3rd 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 £516.0m

Shares in Issue 119,169,887 (Ordinary 25p)

Market Cap £400.7m

Share Price

336.3p

NAV per Share

332.9p

Premium/-Discount

1.0%

Dividend Yield

8.1%

Gearing

22.3%

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

Investors were nervous in October as a second wave of rising cases of Covid-19 in Europe led to regional and in some cases national lockdowns, although these were generally not as stringent as measures taken earlier in the year. There was also continuing uncertainty about the forthcoming US presidential elections and the Brexit negotiations between the UK and EU, which continued past a self-imposed UK deadline in the middle of the month.

Most stock markets produced negative single digit total returns. The UK stock market, as measured by the FTSE All-Share index returned -3.8%, although medium and smaller sized companies outperformed. The falling stock market was led down, somewhat surprisingly, by several of the more defensive sectors, such as food producers, tobacco and pharmaceuticals, although life insurance shares also underperformed. The strongest performing sectors produced positive returns and included cyclical sectors like banks and industrial engineering, as well as the more defensive utility and telecommunications sectors.

Portfolio performance was ahead of the benchmark with the Trust's NAV return for the month also ahead at -0.8%. The three biggest positive contributions to outperformance were companies that announced results or trading updates in the month. Tyman and DFS, where share prices rose around 20% in the month, are both seen as benefitting from people spending more time at home during the pandemic. There has been a strong recovery in demand for both new homes and home improvements, which benefits Tyman's window and door components businesses, whilst strong demand for sofas has led to strong growth for UK market leader DFS in the early months of their new financial year. Barclays share price

“ Uncertainty over the shape and pace of economic recovery is exacerbating the polarisation of the stock market

also responded well to results, which showed growth in their investment bank and a reduction in the bad debt charge compared to the previous quarter.

On the other hand, the biggest negative impact on relative performance came from weak share prices of economically defensive businesses, like BAE Systems and Imperial Brands, as well from not owning HSBC, as those shares rallied along with the sector.

We added to two financial investments that we initiated in September, Close Brothers and RSA Insurance. These were financed partly by selling the remaining small position in NatWest and reducing property company Landsec, where we had a lower level of conviction.

We also added selectively to large, high yielding companies that were lowly valued such as BP, Vodafone, SSE and GlaxoSmithKline. These investments were financed by selling the remaining position in water utility Pennon, which had performed extremely strongly and became fully valued after announcing the sale of its Viridor waste business for a high price. Finally, we took some profits after gains in Tyman, Stock Spirits, IG Group and PZ Cussons.



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.

As we look forward, there are uncertainties around US policy following the election and continuing UK / EU trade negotiations. But, the course of the coronavirus pandemic is likely to remain the biggest short term issue for stock market investors torn between the economic damage of further restrictions to movement and activity on the one hand and hopes for recovery driven by vaccines, better treatments and effective tracking on the other. At present, restrictions are less onerous than earlier in the year allowing most manufacturing and some service industries to operate effectively, including education, housebuilding and home improvements. Whereas other industries remain severely impacted, including aviation, transportation and leisure.

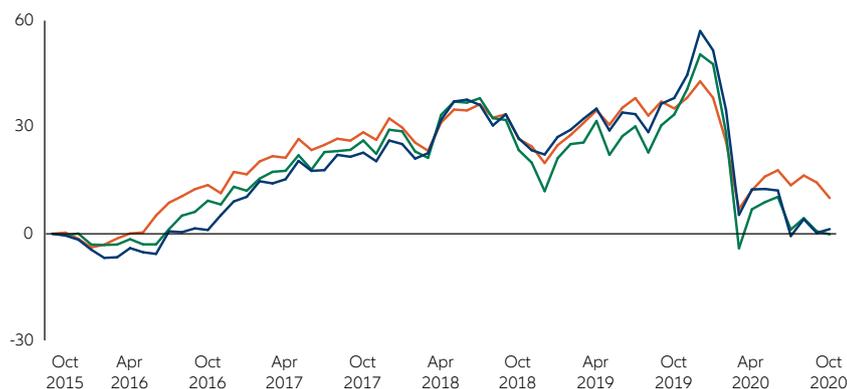
Uncertainty over the shape and pace of economic recovery is exacerbating the polarisation of the stock market. There are extremely high valuations placed on being in certain businesses offering more reliable growth or making strong returns on capital employed, whilst many other businesses trade on very low valuations. The Merchants Trust has a strong bias towards cheaper stocks, with the average valuation of portfolio companies at a significant discount to the broader market. We believe these companies can offer a combination of an attractive dividend yield and strong total returns in the medium term. It is worth noting that the portfolio also has a balance between defensive and cyclical or financial companies, reflecting attractive investment opportunities in both of these areas, and continuing uncertainty over the outlook.

Simon Gergel
11 November 2020

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	2.0	-9.9	-26.7	-17.5	1.3
NAV (debt at fair value)	-0.6	-5.9	-24.7	-21.7	-1.2
Benchmark	-3.2	-2.0	-18.6	-14.4	10.1

Discrete 12 Month Returns to 31 October (%)

	2020	2019	2018	2017	2016
Share Price	-26.7	9.0	3.3	21.5	1.1
NAV (debt at fair value)	-24.7	6.2	-2.1	15.5	9.3
Benchmark	-18.6	6.8	-1.5	13.1	13.7

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.10.20. 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.

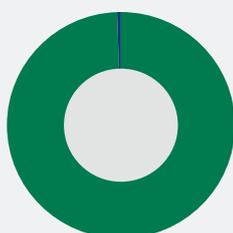
Portfolio Breakdown

Sector Breakdown (%)

Sector	Percentage (%)
Consumer Goods	23.4
Financials	21.4
Industrials	18.8
Utilities	7.9
Consumer Services	7.4
Oil & Gas	7.0
Health Care	5.8
Telecommunications	4.3
Basic Materials	3.7
Cash	0.5

Geographic Breakdown (%)

Geography	Percentage (%)
UK	99.5
Cash	0.5



Top Ten Holdings (%)

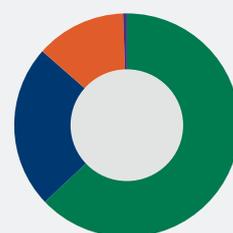
Company	Percentage (%)
GlaxoSmithKline	5.6
British American Tobacco	4.6
Imperial Brands	4.6
Scottish & Southern Energy	3.9
National Grid	3.7
BAE Systems	3.6
Barclays	3.5
Tate & Lyle	3.1
IG Group	3.1
WPP	3.0

Total number of holdings* 47

*Excludes derivatives

Market Cap Breakdown (%)

Market Cap	Percentage (%)
FTSE 100	63.0
FTSE 250	23.6
Small Cap	13.0
Cash	0.5



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 31.10.20 unless otherwise stated.

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