

The Merchants Trust PLC

Factsheet

31 May 2015

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 UK FTSE 100 companies.

History

The Trust 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, with the remainder held in Government securities and companies such as Castlemaine Brewery in Australia. The Trust now concentrates primarily on major UK companies with an above average rate of dividend yield.

Fund Manager's Review



Simon Gergel

The Conservatives won an overall majority at the General election on May 7th. This came as a major surprise as almost everyone had predicted no one party gaining overall control. The stock market initially responded positively to the removal of political uncertainty and the prospect of a continuation of the broad economic policies followed over the last five years. However these gains were short-lived and mostly reversed within a few days, perhaps due to the prospect of a referendum on continued EU membership by the end of 2017. Over the month, the FTSE 100 index produced a total return of 0.7%. Medium sized companies outperformed with the more domestically focused FTSE 250 Mid Cap index returning 4.2%

Within the stock market many of the best performing shares were those that had been seen as vulnerable to specific Labour party manifesto policies. These included energy companies and domestic banks amongst large-caps, and bookmakers and bus & rail companies amongst mid-caps. The weakest sectors were mining, food retail and oil & gas producers.

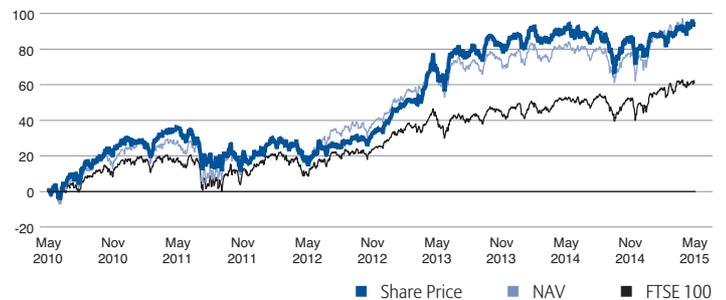
The Trust's portfolio (NAV +0.47%) benefited from positions in bookmakers and energy companies, with William Hill and Ladbrokes both posting strong double digit gains, whilst Centrica and SSE gave total returns of 9% and 8% respectively. Elsewhere, shares in the retailers Marks & Spencer and Mothercare rose after promising results, which indicate that their turnaround strategies are progressing well.

The main performance detractors were stocks that were not owned in the portfolio that performed well. Vodafone shrugged off uninspiring results amid speculation of a potential tie up with Virgin Media owner, Liberty Global, whilst Lloyds and Barclays rose after the General Election. Elsewhere, the distributor Brammer fell back on a profit warning, as it pared back its European growth expectations.

There were no major changes in the portfolio during May. We took some profits in Inmarsat, which has been a very strong performer over the last two years and was more fully valued. The proceeds were reinvested in shares that had been weaker and offered good value; namely Sainsbury, Ashmore and Brammer.

With the FTSE 100 Index close to its all-time high, market valuations in aggregate are relatively full. However we are still finding interesting investment opportunities. Several of the biggest companies remain attractively priced. Elsewhere we are finding the best opportunities in recovery situations, where there is shorter term uncertainty but good longer term potential, in industries such as construction, bookmaking and recruitment.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	3.8	3.7	1.3	67.4	93.8
NAV	2.6	9.6	6.3	65.8	94.2
FTSE 100	1.9	5.8	5.7	46.3	60.9

Discrete Performance (%)

From To	31.05.10 31.05.11	31.05.11 31.05.12	31.05.12 31.05.13	31.05.13 30.05.14	30.05.14 29.05.15
Share Price	36.7	-15.3	46.7	12.6	1.3
NAV	28.7	-9.0	42.4	9.5	6.3
FTSE 100	19.1	-7.7	28.4	7.8	5.7

Source: Lipper, percentage growth, mid to mid, total return to 31.05.15. Benchmark: FTSE 100 Index.

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.

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All data source Allianz Global Investors as at 31.05.15 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

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.

Allianz 
Global Investors

Capital Structure

Total Assets:	£701.7m
Gearing (net) ¹ :	16.5%
Shares in Issue:	108,728,464 (Ordinary 25p)
Share Price ¹ :	493.0p
Net Asset Value ² :	528.8p ³ (502.5p ⁴ – debt at market value)
Premium/-Discount to NAV:	-6.8% (-1.9% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	4.83%

¹Gearing in form of two long-term debentures.

1. Source: Lipper as at 31.05.15, market close mid price.

2. 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.

3. Capital net asset value per ordinary share based on the par value of the company's long term debt and preference shares.

4. Capital net asset value per ordinary share based on the fair/market value of the company's long term debt and preference shares. This allows for the valuation of debt at fair value or current market price, rather than at final repayment value.

5. Source: Datastream as at 31.05.15. Calculated using the latest full year dividend divided by the current share price.

Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Equity Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
Ongoing Charges ⁶ :	0.59%
Year end:	31 January
Annual Financial Report:	Final posted in April, Half-yearly posted in September
AGM:	May
Dividends:	February, May, August, November
Price Information:	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk

Board of Directors:
Simon Fraser (Chairman), Mike McKeon (Chairman of the Audit Committee and Senior Independent Director), Mary Ann Sieghart, Sybella Stanley, Paul Yates

Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes:	RIC: MRCH.L SEDOL: 0580007

6. Source: AIC, as at the Trust's Financial Year End (31.01.2015). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

Risks & 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.

Sector Breakdown (%)

Financials	20.3
Consumer Services	18.6
Oil & Gas	14.7
Industrials	13.3
Consumer Goods	9.6
Utilities	9.5
Health Care	5.5
Telecommunications	3.2
Basic Materials	3.1
Cash	2.2

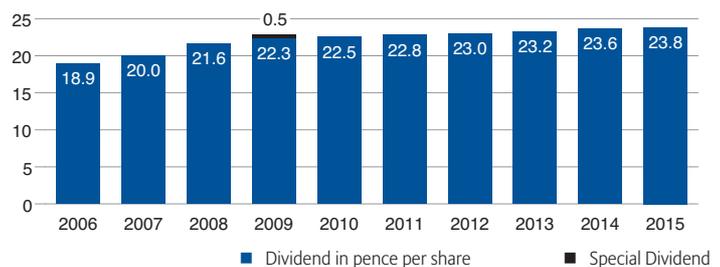
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	7.1	British American Tobacco	4.2
HSBC	6.1	Scottish & Southern Energy	3.3
GlaxoSmithKline	5.5	Inmarsat	3.2
BP	5.1	Standard Life	2.9
UBM	4.5	Amec Foster Wheeler	2.5
Total Number of Holdings	48*		

*excludes derivatives

Dividend History

Ten Year Net Dividend Record in Pence (to year end 31 January)



Past performance is not a reliable indicator of future results.

Net Dividends

	Pay Date	Record Date	Payment
Final dividend	22.05.15	24.04.15	6.0p per share
3rd quarterly dividend	25.02.15	30.01.15	6.0p per share
2nd quarterly dividend	11.11.14	10.10.14	5.9p per share
1st quarterly dividend	14.08.14	12.07.14	5.9p per share

How to Invest

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker. Shares in the Trust can be held within an ISA, JISA, SIPP and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website.

Contact Us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

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All data source Allianz Global Investors as at 31.05.15 unless otherwise stated.

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