

The Merchants Trust PLC



Factsheet

31 October 2014

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 - celebrating 125 years

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 UK equity market fell modestly overall, with the sharpest falls in commodity related sectors, including oil producers, and stocks which had specific issues, such as profits warnings at **Rolls Royce** and **Standard Chartered** and the bid withdrawal at **Shire**. The best performing sectors included industrial transportation (**Royal Mail**), real estate and financial services.

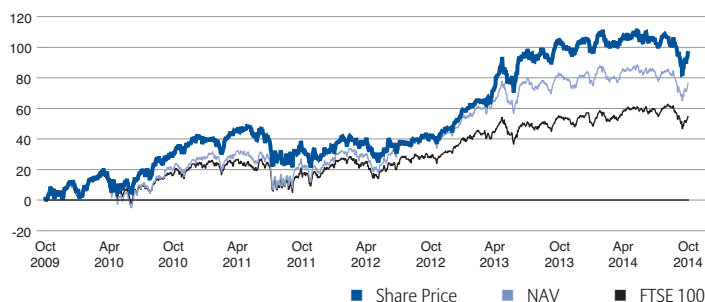
The portfolio (NAV +0.07%) benefitted compared to the benchmark (-0.99%) from not owning several stocks that fell, including the three referred to above as well as **BT** and **BG Group**. In addition **ICAP** performed well, in response to raised volatility and we saw strong performance at certain utility holdings. These gains were only partly eroded by weak performance at **Balfour Beatty**, **SThree** and **Mothercare**.

We made a number of changes to the portfolio. We bought **Diageo** the spirits company for the first time in several years. The shares had underperformed on concerns over tough trading conditions. However these concerns should prove transitory and **Diageo** remains a strong, high returning business and the valuation was more reasonable, with a yield over 3%. We also purchased a small position in **Kier Group**, a construction, services and property development business. Kier is well placed to benefit from a recovery in the UK construction and public sector housing markets and is lowly valued.

Elsewhere we sold down the positions in **BBA Aviation** which had performed well and reached a full valuation, and **De La Rue** after a significant profit warning left us with limited confidence in their ability to deliver the turnaround strategy they had been pursuing.

The UK economy continues to perform reasonably well providing a helpful environment for British companies. However there remain a number of risks which we continue to monitor, including political uncertainty ahead of next year's election, a slowdown in Europe and certain emerging markets and the high government and consumer debt burden. The Trust's portfolio is actively managed and focused upon higher yielding shares where the valuation does not reflect the company's underlying quality or growth potential. At present we see good value in several very large globally diversified businesses and selected recovery situations.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-2.8	-4.8	-3.1	47.5	97.5
NAV	-3.2	-4.6	-2.7	43.4	76.7
FTSE 100	-1.8	-1.8	0.7	31.9	55.2

Discrete Performance (%)

From To	30.10.09 29.10.10	29.10.10 31.10.11	31.10.11 31.10.12	31.10.12 31.10.13	31.10.13 31.10.14
Share Price	30.3	2.7	4.8	45.2	-3.1
NAV	20.1	2.6	13.1	30.3	-2.7
FTSE 100	16.5	1.0	8.5	20.7	0.7

Source: Lipper, percentage growth, mid to mid, total return to 31.10.14. 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 31.10.14 unless otherwise stated.

Allianz Global Investors Europe 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:	£641.5m
Gearing (net):	20.2%
Shares in Issue:	107,838,464 (Ordinary 25p)
Share Price ¹ :	472.0p
Net Asset Value ² :	480.8p ³ (456.3p ⁴ – debt at market value)
Premium/-Discount to NAV:	-1.8% (3.4% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	5.00%

1. Source: Lipper as at 31.10.14, 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 31.10.14. 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 :	0.66%
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), Henry Staunton (Senior Independent Director), Paul Yates, Mary Ann Seighart, Sybella Stanley

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 (31.01.2014). 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	20.2
Consumer Services	17.4
Oil & Gas	16.0
Industrials	11.6
Utilities	10.5
Consumer Goods	10.5
Health Care	6.9
Basic Materials	2.9
Telecommunications	2.8
Cash	1.2

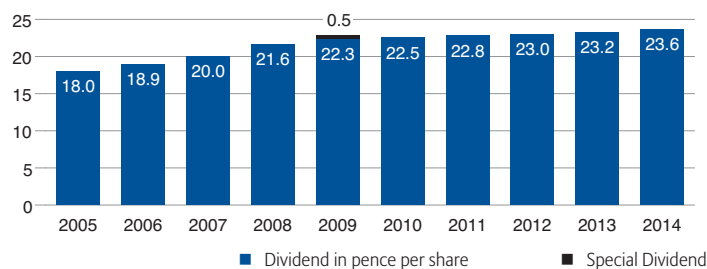
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.5	BAE Systems	3.8
GlaxoSmithKline	6.8	Scottish & Southern Energy	3.5
HSBC	6.8	BHP Billiton	2.9
BP	5.0	Inmarsat	2.8
British American Tobacco	4.5	UBM	2.7
Total Number of Holdings	47*		

*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
2nd quarterly dividend	12.11.14	11.10.14	5.9p per share
1st quarterly dividend	14.08.14	12.07.14	5.9p per share
4th quarterly dividend	23.05.14	25.04.14	5.9p per share
3rd quarterly dividend	26.02.14	31.01.14	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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website: www.merchantstrust.co.uk

All data source Allianz Global Investors as at 31.10.14 unless otherwise stated.

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