

## The Merchants Trust PLC

Key Information	
<b>Total Assets<sup>†</sup></b>	£556.1m
<b>Gearing<sup>††</sup> (net)</b>	26.0%
<b>No. of Shares<sup>†</sup> (Ordinary 1p)</b>	102,813,464
<b>Net asset value<sup>†</sup></b>	431.3p
<b>Net asset value (debt at Market Value)<sup>†</sup></b>	418.5p
<b>Premium/-discount to NAV<sup>†</sup></b>	-12.9%
<b>Premium/-discount to NAV (debt at Market Value)<sup>†</sup></b>	-10.3%
<b>Share price*</b>	375.5p
<b>AIC Sector</b>	UK Income Growth
<b>RIC</b>	MRCH
<b>Year end</b>	31st January
<b>Reports 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), Dick Barfield, Sir Bob Reid, Joe Scott Plummer, Sir James Sassoon
<b>Investor services</b>	020 7065 1407
<b>Brochure request</b>	0800 317 537

† Source: Allianz Global Investors as at 30.06.08

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. It is the capital NAV that is shown, which excludes any income.

†† Source: Allianz Global Investors as at 30.06.08.

Please also refer to Trust aim & characteristics, above right.

\* Source: Lipper as at 30.06.08

### 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

Concerns over inflation and the housing market prompted a sharp fall in the market, led by consumer and financial stocks. Trust performance was in line with the FTSE100 index and well ahead of the FTSE 350 High Yield Index. At a stock level GlaxoSmithKline, the largest active position, outperformed whilst avoiding Lloyds TSB and Standard Chartered also helped the portfolio's relative performance.

On the flipside, financials HBOS and Aviva pulled back returns. The consumer side of the UK economy seems to have weakened materially in May and June, although the de-rating of consumer stocks is beginning to throw up some interesting, long term value opportunities. We continue to favour large, reasonably predictable companies although we are prepared to buy selectively elsewhere.

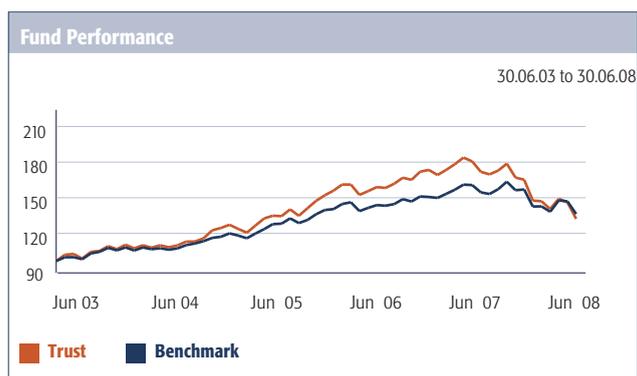


Simon Gergel

### Top 10 holdings

Name	%
Royal Dutch Shell	9.3
BP	8.0
GlaxoSmithKline	7.6
Vodafone Group	7.5
HSBC	6.5
Anglo American	3.5
Rio Tinto	3.2
BAE Systems	3.2
Scottish & Southern Energy	3.0
BT Group	2.9
<b>Total</b>	<b>54.7</b>

Source: Allianz Global Investors as at 30.06.08.

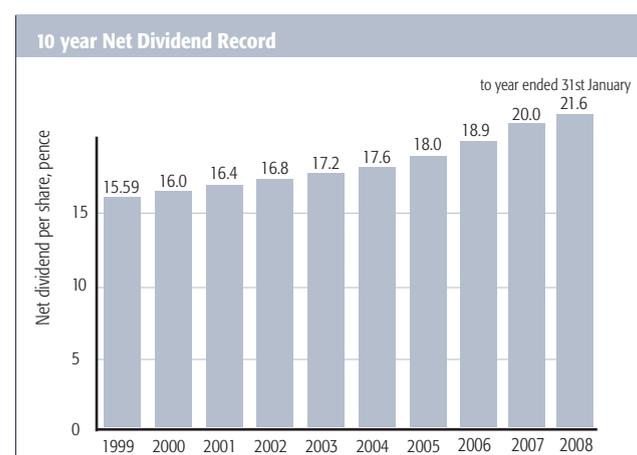


Source: Allianz Global Investors/ Mellon. 30th June 2003 to 30th June 2008. Capital only, calculation indexed. UK Sterling. Benchmark is FTSE 100, price index.

Past performance is not a reliable indicator of future performance. 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. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

Standardised Past Performance					
From	30/06/2003	30/06/2004	30/06/2005	30/06/2006	30/06/2007
to	30/06/2004	30/06/2005	30/06/2006	29/06/2007	30/06/2008
<b>Share Price</b>	<b>7.1%</b>	<b>31.0%</b>	<b>22.6%</b>	<b>12.60%</b>	<b>-22.1%</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

1,171,413 shares have been repurchased for cancellation to date.