

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 April 2017

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

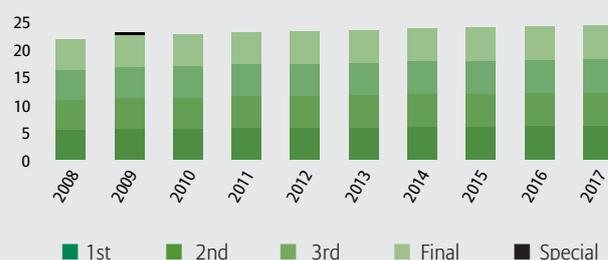
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 ten 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 35 years.

Ten Year Dividend History

Net Dividend Record in Pence per Share to year end 31 January



Last Four Net Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
21.04.2017	18.05.2017	6.10p	Final
27.01.2017	23.02.2017	6.10p	3rd Quarterly
07.10.2016	10.11.2016	6.00p	2nd Quarterly
15.07.2016	12.08.2016	6.00p	1st Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £676.2m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

466.8p

Source: Lipper

NAV per Share

483.9p

Premium/-Discount

-3.5%

Dividend Yield

5.2%

Gearing

17.6%

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 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.

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Fund Manager's Review

Prime minister Theresa May called a snap general election for June, despite her previous assurances that she would respect the spirit of the Fixed Term Parliament Act and see out a 5 year term. She seems to be taking advantage of weaker opposition parties in an attempt to increase the Conservative majority, citing critical Brexit negotiations in the next few months. The pound reacted immediately to this announcement, with a strong rally, from a depressed level. A number of explanations were suggested by commentators, including speculative positioning against the pound. The most likely explanation for a stronger pound is that a bigger Conservative majority will allow the government to negotiate with the EU without having to constantly fear parliamentary rejection from either "hard-Brexit" or "pro-Remain" MPs.

The stock market was little changed in the last month, with the FTSE All Share Index returning -0.4%, although the more domestic mid cap FTSE 250 index rose by 3.8%, on hopes that a stronger pound will boost consumer confidence and spending, by reducing the inflationary pressures from import prices. Among the larger sectors, the strongest performers included financial services, real estate and those which are heavily exposed to the domestic economy, such as retail and travel & leisure. The weakest sectors included pharmaceuticals, oil & gas, mining and telecommunications.

The Trust's NAV returned 0.25%, ahead of the benchmark return of -0.4%. Investment performance was also ahead of the benchmark. Hostelworld shares rose significantly, and it was the biggest contributor to the portfolio's outperformance, following

“ **Among the larger sectors, the strongest performers included financial services, real estate and those which are heavily exposed to the domestic economy, such as retail and travel & leisure.** ”

encouraging results at the end of March. Equiniti and Standard Life also performed well. On the negative side, GlaxoSmithKline, UBM and Centrica underperformed. Centrica, owner of British Gas, was impacted by fears of government intervention in the energy pricing market.

We made new investments in the engineering sector. Meggitt is predominantly an aerospace and defence group, with a large proportion of highly profitable aftermarket revenues. The company stands to benefit from rising production levels of new aircraft models, where it has increasing content. The shares have de-rated in recent years, partly due to competition for aftermarket services which the company is now addressing more directly. Meggitt trades on a modest valuation, which does not reflect its improving growth prospects.

We have also made a small investment in Morgan Advanced Materials. This is a diversified engineering company which has particular expertise in the electrical and thermal properties of carbon and ceramic materials for specialist applications. Under new management, the business is being simplified and restructured to drive efficiencies which can be reinvested into research & development and sales capabilities to accelerate organic growth. The shares offer an average market yield but the potential for upwards revaluation as the strategy delivers. Elsewhere, we added to BHP Billiton and Kier as both these shares came back to cheaper levels.

We sold a large part of the investment in the online youth hostel booking company, Hostelworld. The shares have now risen approximately 70% since their float in late 2015 as well as paying significant dividends, and the valuation is less attractive. We took



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 27 years investment experience. He is pictured here with Matthew Tillet, UK equity 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.

money out of a number of shares that have rallied significantly since we added to positions at depressed levels in the wake of the Brexit referendum, namely; Marks & Spencer, Lloyds and Balfour Beatty. We also took profits on CRH, Carnival, Aviva and Inmarsat, and reduced Centrica, where risks are rising in the energy supply market.

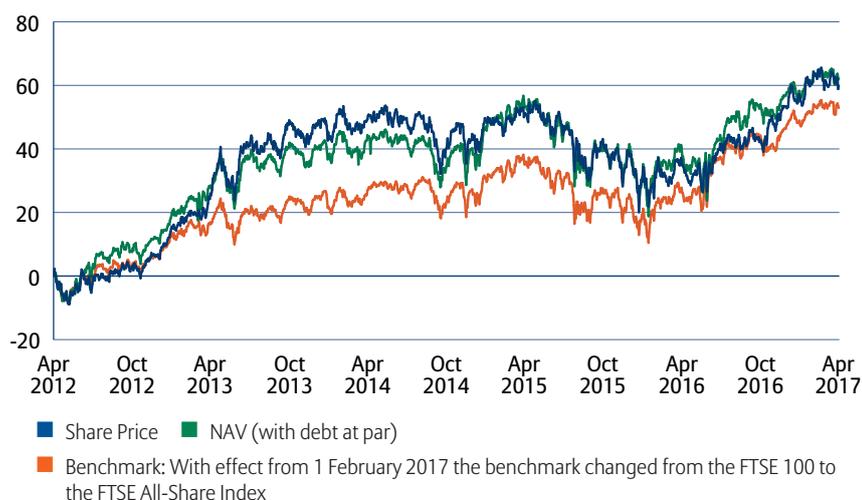
As we have said for some time, we find the best value within the stock market in selected mega cap companies like the oil majors and GlaxoSmithKline, as well as amongst recovery situations, where investors are not always willing to look through shorter term trading issues at the intrinsic value of a business. In recent months we have increased exposure to industrial sectors, where we see scope for end market recovery, especially within aerospace, which stands to benefit from the roll out of new civil aerospace platforms and potentially higher defence spending.

Simon Gergel
8 May 2017

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 (%)



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	3.1	12.7	18.7	6.3	60.0
NAV	3.8	6.0	17.6	12.7	61.9
Benchmark	3.9	6.7	21.2	20.1	52.9

Discrete 12 Month Returns (%) to 30 April

	2013	2014	2015	2016	2017
Share Price	25.4	20.0	0.5	-10.8	18.7
NAV	27.7	12.5	6.9	-10.3	17.6
Benchmark	16.4	9.3	6.4	-6.8	21.2

Source: Lipper, percentage growth, mid to mid, total return to 30.04.17. Copyright 2017 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

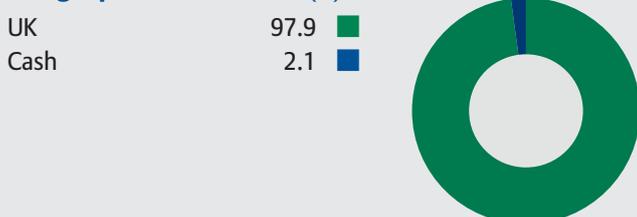
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)



Geographic Breakdown (%)



Top Ten Holdings (%)

GlaxoSmithKline	7.2
Royal Dutch Shell 'B' Shares	7.1
HSBC	5.5
BP	5.2
Lloyds Banking Group	3.6
UBM	3.3
Standard Life	2.9
Prudential	2.8
Inmarsat	2.6
Scottish & Southern Energy	2.6

Total number of holdings* 49

*Excludes derivatives

Market Cap Breakdown (%)



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	0.63%
Year End	31 January
Annual Financial Report	Final posted in April, Half-yearly posted in September
AGM	May
NAV Frequency	Daily
Dividends	February, 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 (31.01.2017). 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

Directors from left to right: Mary Ann Sieghart, Timon Drakesmith (Chairman of the Audit Committee), Simon Fraser (Chairman), Sybella Stanley (Senior Independent Director) and Paul Yates



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.



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All data source Allianz Global Investors as at 30.04.17 unless otherwise stated.

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