

The Merchants Trust PLC

As focused on dividends as you are

Allianz 
Global Investors

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 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 37 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
12.04.2019	22.05.2019	6.60p	Final
01.02.2019	06.03.2019	6.50p	3rd Quarterly
05.10.2018	15.11.2018	6.50p	2nd Quarterly
13.07.2018	22.08.2018	6.40p	1st 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 £681.4m

Shares in Issue 109,178,464 (Ordinary 25p)

Market Cap £539.3m

Share Price

494.0p

Source: Lipper

NAV per Share

489.5p

Premium/-Discount

0.9%

Dividend Yield

5.2%

Gearing

18.6%

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 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

April was a relatively strong month for equity markets, continuing the sharp recovery since December. Investors took encouragement from positive economic data in the USA and China, as well as signs that these two countries were moving closer to resolving their trade dispute. The European Union extended the deadline for Brexit, as Parliament had still not agreed the prime minister's withdrawal bill. The UK stock market took encouragement from hopes that the UK will avoid a hard Brexit, despite strong support in opinion polls for a new Brexit party, which has been formed by former UKIP leader Nigel Farage to contest the forthcoming EU elections.

Over the month, the UK stock market produced a positive return of +2.7%, with medium sized companies outperforming larger companies. The best performing sectors included financials and cyclicals such as life insurance, financial services, construction and media, whilst several defensive sectors, such as tobacco, pharmaceuticals and electricity, produced negative returns.

The portfolio outperformed the rising market, with the Trust's NAV rising by 4.8%. St James's Place and Standard Life Aberdeen gave double digit returns in the month, reflecting recovering investment markets, whilst WPP was also very strong, on increased confidence in the company's turnaround strategy. The other notable positive performance effect came from not owning AstraZeneca, which underperformed, and held back the index return. There were few significant underperformers in the portfolio, but Imperial Brands and SSE were weak, along with other defensive companies. Greene King also pulled back sharply at the month end, after a very strong rally on improved trading in its pubs and restaurants.

“ Having seen a wide dispersion of share price returns in recent months, we took advantage of opportunities to add to cheap companies which have lagged the wider market, where we see significant upside.

Our value driven investment philosophy involves a regular reassessment of companies in the portfolio, to ascertain whether we still have strong conviction in the investment case, or if we should be adjusting the position size to reflect a different view on the value opportunity or the level of risk. Having seen a wide dispersion of share price returns in recent months, we took advantage of opportunities to add to cheap companies which have lagged the wider market, where we see significant upside. We added to PZ Cussons, British American Tobacco, ITV, National Grid and National Express among others. Conversely we took money out of shares which had performed well, where we felt the upside was more limited, including



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.

Ashmore, BHP, Prudential, Legal & General and Tate & Lyle.

The stock market has recovered in the first few months of this year, erasing most of the losses in the last quarter of 2018. Despite this move, aggregate valuations of UK companies are very reasonable on a long term basis. Whilst many investors are concerned about the potential impact of Brexit on the British economy, it should be remembered that the bulk of sales and profits of UK listed companies actually comes from abroad. Many large companies, in industries ranging from oil & gas and mining to pharmaceuticals and aerospace & defence actually have limited exposure to the domestic economy.

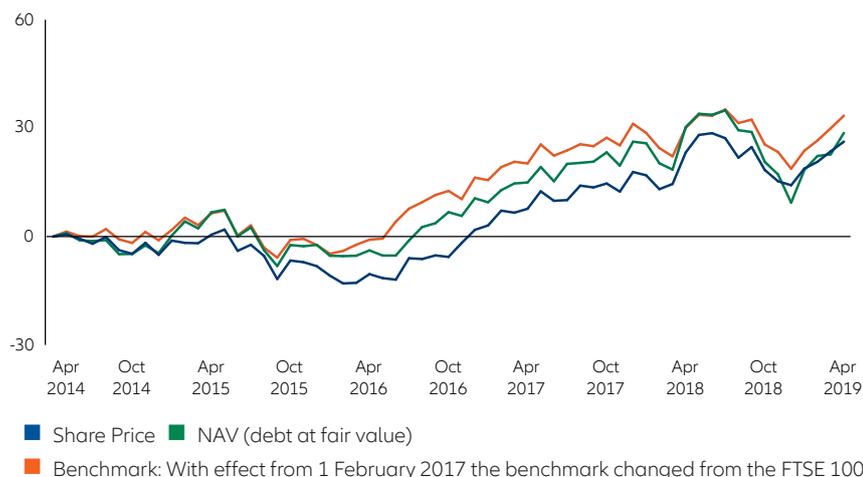
Not only is the overall stock market reasonably valued, but there is a high dispersion of valuations. Perceived high quality or non-cyclical companies are generally trading on high valuations, whilst many other sound companies are trading at low, or in some cases, exceptionally low levels. The Merchants Trust portfolio is heavily biased towards these "value" investments and we believe that, in aggregate, these shares can deliver a combination of an above average dividend yield and a good total return, commensurate with the Trust's objectives.

Simon Gergel
10 May 2019

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	6.3	6.6	2.4	40.9	26.2
NAV (debt at fair value)	8.7	6.6	-1.3	33.8	28.7
Benchmark	7.8	6.4	2.6	34.6	33.4

Discrete 12 Month Returns to 30 April (%)

	2019	2018	2017	2016	2015
Share Price	2.4	14.5	20.2	-10.8	0.5
NAV (debt at fair value)	-1.3	13.3	19.5	-9.9	6.7
Benchmark	2.6	8.2	21.3	-6.8	6.4

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.04.19. Copyright 2019 © 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.

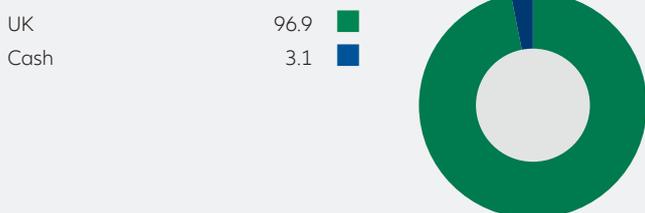
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

Financials	28.6	
Industrials	19.4	
Consumer Goods	11.9	
Consumer Services	10.2	
Oil & Gas	8.6	
Utilities	6.9	
Health Care	5.4	
Basic Materials	4.5	
Telecommunications	1.4	
Cash	3.1	

Geographic Breakdown (%)



Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	5.9
GlaxoSmithKline	5.3
HSBC Holdings	4.1
Imperial Brands	3.5
British American Tobacco	3.5
BAE Systems	3.4
Legal & General	3.2
Standard Life Aberdeen	2.9
St James's Place	2.9
BHP Group	2.6

Total number of holdings* 45

*Excludes derivatives

Market Cap Breakdown (%)



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	0.58%
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 (31.01.2019). 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.



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 30.04.19 unless otherwise stated.

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