

The Merchants Trust PLC

Factsheet

31 August 2013

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

August was a relatively quiet month for news flow and market movements. Overall, the major indices pulled back a little as talk continued about the US Federal Reserve "tapering" asset purchases which have supported markets, and fears grew over a military response to possible chemical weapons attacks in Syria.

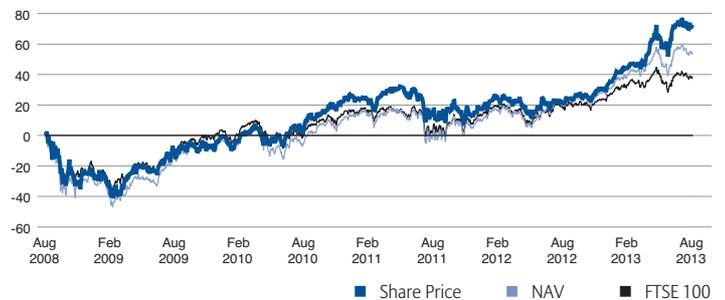
The FTSE 100 Index produced a total return of -2.4%. The best sectors were Metals & Mining, on the back of improving economic numbers out of China, and Mobile Telecommunications as Vodafone confirmed talks about selling their interest in Verizon Wireless. The weakest sectors included consumer staples like Food Producers and Tobacco, as well as Banks and Insurance.

The Trust's NAV fell by 3.3% over the month. The biggest positive contributions were from domestically focused stocks, such as First Group, Britvic and Cineworld. The largest negative contributors were strong performing companies not held in the portfolio, namely Glencore Xstrata, BG and Lloyds Bank.

We trimmed a number of positions which had performed well, particularly in the consumer sectors, including selling out of pub company Marston's. We made a new investment in De La Rue, the banknote and security products company. In our view, the banknote printing and paper market has high barriers to entry as not many companies are given a license to print money. De La Rue is in a recovery phase with a major cost cutting programme aimed at improving profitability, and we think it should benefit from a recovery in volumes from cyclically depressed levels. The valuation appears modest with an attractive dividend yield.

The UK economy is showing tentative signs of improvement but we do not expect strong growth as debt burdens remain high and artificially low interest rates need to rise at some point. We still find decent investment opportunities in parts of the market, such as the large oil companies, consumer cyclical sectors and certain modestly geared Financials. However, aggregate market valuations are no longer cheap and many defensive areas, such as Beverages and Food Producers look fully valued.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	3.6	18.1	41.0	64.1	70.8
NAV	1.0	10.2	27.8	61.3	53.3
FTSE 100	-1.5	3.2	16.6	36.9	37.4

Discrete Performance (%)

From To	29.08.08 31.08.09	31.08.09 31.08.10	31.08.10 31.08.11	31.08.11 31.08.12	31.08.12 30.08.13
Share Price	-10.1	15.7	13.5	2.5	41.0
NAV	-14.6	11.4	8.7	16.1	27.8
FTSE 100	-8.9	10.1	6.7	10.1	16.6

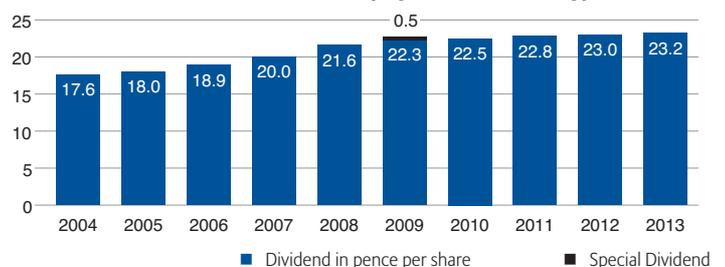
Source: Lipper, percentage growth, mid to mid, total return to 31.08.13. Benchmark: FTSE 100 Index.

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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Dividend History

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



Past performance is not a reliable indicator of future results.

All data source Allianz Global Investors as at 31.08.13 unless otherwise stated.

Allianz Global Investors, 155 Bishopsgate, London EC2M 3AD

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:	£638.9m
Gearing (net):	19.3%
Shares in Issue:	103,213,464 (Ordinary 25p)
Share Price ¹ :	487.0p
Net Asset Value ² :	498.1p (475.9p – debt at market value)
Premium/-Discount to NAV ² :	-2.2% (2.3% – debt at market value)
NAV Frequency	Daily
Dividend Yield ³ :	4.78%

1. Source: Lipper as at 31.08.13, market close mid price.

2. Source: Datastream as at 31.08.13. Calculated using the latest full year dividend divided by the current share price.

3. 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 now 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.

Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Growth and Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
On-going Charges ⁴ :	0.64%
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

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

4. Source: AIC, as at the Trust's Financial Year End (31.01.2013). On-going 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, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

Merchants seeks to enhance returns for its shareholders through gearing in the form of long-term debentures. Gearing 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 are used to manage the trust efficiently. Covered call options are written to supplement the income generation of the portfolio. This may lead to an opportunity cost if options are exercised.

Sector Breakdown (%)

Consumer Services	19.0	
Financials	18.4	
Oil & Gas	14.4	
Industrials	13.6	
Utilities	10.2	
Health Care	7.0	
Telecommunications	6.4	
Consumer Goods	5.8	
Basic Materials	3.4	
Cash	1.8	

Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.4	BAE Systems	3.6
GlaxoSmithKline	7.0	Scottish & Southern Energy	3.4
HSBC	6.2	BHP Billiton	3.4
BP	6.0	British American Tobacco	3.3
Vodafone	4.0	Resolution	3.1
Total Number of Holdings	49*		

*excludes derivatives

Net Dividends

	Pay Date	Record Date	Payment
1st quarterly dividend	14.08.13	12.07.13	5.9p per share
4th quarterly dividend	15.05.13	12.04.13	5.8p per share
3rd quarterly dividend	27.02.13	01.02.13	5.8p per share
2nd quarterly dividend	12.11.12	05.10.12	5.8p 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 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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e-mail: investment-trusts@allianzgi.com

website: www.merchantstrust.co.uk

All data source Allianz Global Investors as at 31.08.13 unless otherwise stated.

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