

The Merchants Trust PLC

As focused on dividends as you are



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

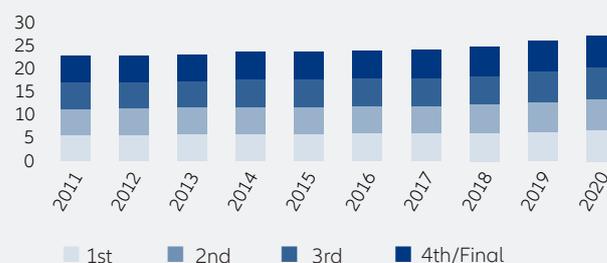
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
24.04.2020	29.05.2020	6.80p	4th Quarterly
31.01.2020	11.03.2020	6.80p	3rd Quarterly
04.10.2019	12.11.2019	6.80p	2nd Quarterly
12.07.2019	20.08.2019	6.70p	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 £511.2m

Shares in Issue 114,624,887 (Ordinary 25p)

Market Cap £423.5m

Share Price

369.5p

NAV per Share

335.9p

Premium/-Discount

10.0%

Dividend Yield

7.3%

Gearing

23.3%

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

The coronavirus pandemic has profound implications for the outlook this year. Economic activity has been dramatically reduced by government measures to restrict the disease's spread, in particular social distancing. Despite extraordinary actions to mitigate this, financial markets have reacted with extreme volatility verging on panic, exacerbated by low liquidity, particularly in credit markets.

The FTSE All-Share Index gave a total return of -15.1% for the month, but had been down by over a quarter, before a sharp recovery in the last week. Mid cap shares were even weaker, falling by over 20%. The oil price halved from over \$50 to under \$23, as OPEC and Russia failed to agree to production cuts and oil demand plummeted with slowing activity.

Whilst the volatility in the overall market was very high, some of the individual share price moves were quite extraordinary. At times like these it is clear that prices are massively influenced by the emotions of fear and greed, exacerbated by enormous volumes of computerised trading, rather than reflecting considered views of the long term cash generation potential of businesses.

At the sector level, there were two sectors that managed to earn a positive return: pharmaceuticals and food retailers. Both were seen as safe havens for investors, alongside personal good, utilities and tobacco. On the other hand the travel & leisure sector fell by a third, led down by airlines, cruise operators and cinemas, whilst industrial and retail sectors also fell heavily, alongside banks.

The Trust's NAV fell by 25.3% in March, ending the month behind the -15.1% return of the market. Our performance lagged behind the market

“ We hold a diversified collection of fundamentally sound companies, with exposure to many different industries and geographies, that are trading on attractive, or in some cases exceptional valuations

due to a number of different factors. We had started the financial year positioned for an improving economic environment, due to the ending of political gridlock in late 2019. We also have a large exposure to medium sized companies which generally underperformed. Our sector selection was broadly neutral in March, but we tend to have a contrarian and value bias within sectors, favouring the more modestly priced companies paying high dividend yields, where there may be some short term issues, but longer term potential. In an environment of extreme fear and uncertainty, investors tend to reward companies perceived as less risky. At the stock level, the biggest positive contributions to performance were IG Group, which has benefitted from heightened volatility, PZ Cussons, the maker of Carex hand wash and other products, and tobacco company Imperial Brands. The biggest negative contributors were National Express, impacted by reduced travel and bus route cancellations, and shopping centre owner Hammerson. Relative performance was also impacted by not owning the pharmaceutical stock AstraZeneca, which performed very well.

We have made a number of changes to the portfolio, reflecting the significant change in the economic outlook and the investment opportunities created by huge movements in share prices. Throughout, we have stuck to our investment process, assessing businesses on their fundamental qualities, valuations and cyclical or structural themes that affect their industry. In this situation, we have been assessing in particular;

- How exposed are companies to the effects of the pandemic in the short term and medium term?
- Will the demand for their products and services fundamentally change



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.

in the future?

- Are they financially strong enough to get through this difficult patch? and

- Are they able and willing to sustain dividend payments in the short term, or to reinstate cancelled dividends within a reasonable timeframe.

The outlook is unusually opaque. We do not know how long it will take to get economic activity back towards a semblance of normality, nor the economic and human cost in between. However, when we look at the stock market, there are many fundamentally sound companies, where even though they will have a very difficult year, possibly two, they are priced for a significant drop in their long-term profitability and cash flows. There are also certain businesses, with fundamentally resilient operations, which should not be that affected by the pandemic, where share prices have over-reacted.

In terms of income, we are seeing numerous businesses across the stock market postpone or cancel dividend payments. We would expect companies to take a more conservative view on payouts, given the impact of this pandemic on cash flows, and the uncertain duration of the crisis. Merchants has significant revenue reserves, with much of the dividend income in the portfolio coming from sectors like utilities, tobacco and pharmaceuticals, which are relatively resilient industries. We are closely assessing dividend risks at individual stocks and across sectors, to manage the overall income delivery.

In summary, whilst the economic outlook has deteriorated in recent weeks, and there has been considerable volatility in the stock market, this has created opportunities for investors with a longer term horizon. We hold a diversified collection of fundamentally sound companies, with exposure to many different industries and geographies, that are trading on attractive, or in some cases exceptional valuations. Whilst dividend receipts are under pressure in the short term, we believe this portfolio can deliver a high income in the medium term, and attractive total returns for investors, in line with Merchants objectives.

This is an edited version – for the full version, please visit www.merchantstrust.co.uk/Portfolio-and-Performance

Simon Gergel
15 April 2020

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	-32.9	-22.9	-20.4	-7.8	0.2
NAV (debt at fair value)	-36.3	-27.1	-25.0	-19.8	-10.0
Benchmark	-25.1	-22.0	-18.5	-12.2	2.7

Discrete 12 Month Returns to 31 March (%)

	2020	2019	2018	2017	2016
Share Price	-20.4	7.9	7.5	22.3	-11.2
NAV (debt at fair value)	-25.0	3.6	3.3	21.1	-7.4
Benchmark	-18.5	6.4	1.2	23.5	-5.3

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.03.20. Copyright 2020 © 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.

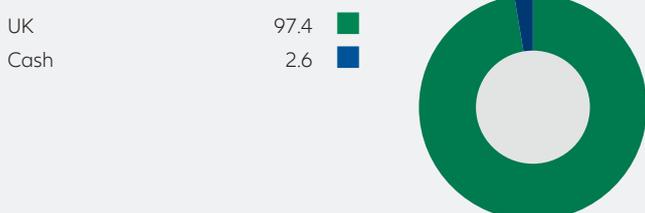
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	21.8	
Consumer Goods	19.4	
Industrials	17.5	
Consumer Services	9.3	
Oil & Gas	8.6	
Utilities	8.4	
Health Care	6.1	
Basic Materials	4.6	
Telecommunications	1.7	
Cash	2.6	

Geographic Breakdown (%)



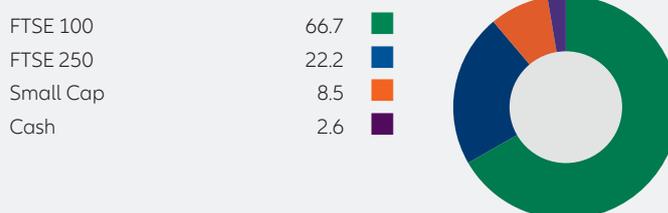
Top Ten Holdings (%)

Royal Dutch Shell - B Shares	6.1
GlaxoSmithKline	6.0
Imperial Brands	5.1
British American Tobacco	4.8
BAE Systems	3.4
Scottish & Southern Energy	3.3
National Grid	3.2
IG Group	3.2
Land Securities	3.0
Barclays	2.9

Total number of holdings* 44

*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

Colin Clark (Chairman)
Timon Drakesmith (Chairman of the Audit Committee)
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)
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 31.03.20 unless otherwise stated.

This is a marketing communication issued by Allianz Global Investors GmbH, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, D-60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (www.bafin.de). Allianz Global Investors GmbH has established a branch in the United Kingdom, Allianz Global Investors GmbH, UK branch, which is subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk). This communication has not been prepared in accordance with legal requirements designed to ensure the impartiality of investment (strategy) recommendations and is not subject to any prohibition on dealing before publication of such recommendations. 814721