

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

30 June 2016

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

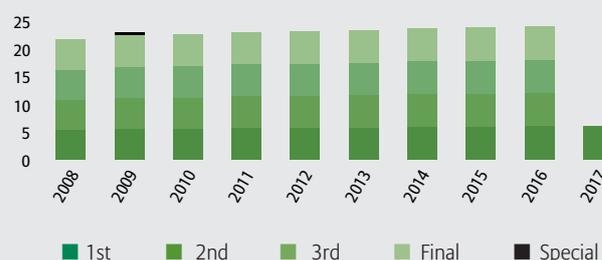
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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, after the AGM in May, Merchants will have paid increasingly higher dividends to its shareholders year on year for the last 34 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
15.07.2016	12.08.2016	6.00p	1st Quarterly
22.04.2016	26.05.2016	6.00p	Final
29.01.2016	24.02.2016	6.00p	3rd Quarterly
09.10.2015	12.11.2015	6.00p	2nd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £609.9m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

403.0p

Source: Lipper

NAV per Share

420.1p

Premium/-Discount

-4.1%

Dividend Yield

6.0%

Gearing

20.7%

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

The referendum on the UK's continued membership of the EU was the dominant event during the month. Although the opinion polls had been close, markets were not positioned for the "Leave" result that emerged during the early hours on June 24th. This event had an immediate and material impact on financial markets. It also led to significant political uncertainty as the Prime Minister announced his resignation, as soon as a successor is found, and there was talk of a leadership battle within the Labour Party.

The FTSE 100 index was volatile around the referendum, but rallied strongly into the end of the month. Over June, the FTSE 100 returned +4.7%. However, the volatility at the sector level was extreme. Sterling fell heavily, with the US dollar rising by 8%. This boosted the value of overseas earnings to UK investors and led to strong outperformance by the internationally heavy FTSE 100 index. The more domestically focused mid-cap FTSE 250 index returned -5.1% in the month. As well as overseas earners rising, defensive sectors also outperformed, whilst cyclical and financials fell heavily. The strongest sectors were oil & gas producers and mining which rose by 20% or more, whilst tobacco, utilities, aerospace & defence and pharmaceuticals all gave double digit returns. Conversely, general retail, real estate and life insurance all fell by 10% or more, with banks and travel & leisure also falling significantly.

Bond markets rallied in a flight to safety, with 10 year gilt yields falling to 1%, from 1.4% at the end of May, as markets began to price in a further cut to UK interest rates.

The NAV return was -0.08%, however the equity portfolio produced a positive return although this was also behind the FTSE 100

“ Whilst we said a month ago, that the international exposure of the FTSE 100 index and the portfolio should go some way to protect the Trust's value in the event of a vote to leave the EU, we have been surprised just how strong the FTSE 100 index has been since June 23rd.

index. The Trust's 5 largest positions all performed well, with BP and Royal Dutch Shell up over 20%, and GlaxoSmithKline up 11%, but these are also large index constituents. On a relative basis, the Trust's exposure to medium sized companies held back returns. Approximately a third of the portfolio is in mid-caps. At the stock level, the biggest positive contributors to relative performance were Inmarsat, Glaxo, Centrica and Tate & Lyle which all have a large element of international earnings. The biggest negative contributors were Brammer, which warned over trading, and SThree, a recruitment company. Having a low exposure to British American Tobacco and AstraZeneca, which out-performed, also held back performance.

We added one new holding, Senior PLC. Senior is a manufacturer of specialist engineering products for the aerospace, automotive and industrial sectors. The shares were depressed by a profits warning in their division servicing the automotive and oil industries. The bulk of profits now comes from aerospace, where the company is well placed on major production programmes. The profits warning brought the shares down to an attractive entry price, which does not reflect the future growth potential.

We did not make major changes to the portfolio after the Brexit referendum, but we did make certain adjustments. We reduced the large positions in "mega-caps" which had held up or rallied significantly. In particular, we cut back the HSBC position and trimmed Royal Dutch Shell and GlaxoSmithKline. We also switched the small Barclays holding into Lloyds which has a stronger capital ratio. We added to a number of stocks which looked unfairly hit in the market sell-off, especially those that have under-estimated US dollar exposure, such as Prudential, First Group and Man Group.



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.

Whilst we said a month ago, that the international exposure of the FTSE 100 index and the portfolio should go some way to protect the Trust's value in the event of a vote to leave the EU, we have been surprised just how strong the FTSE 100 index has been since June 23rd. There is considerable uncertainty about who will be the new prime minister, what their strategy will be for exiting the EU and renegotiating trade arrangements, and how the economy will respond to this uncertainty and any policy decisions.

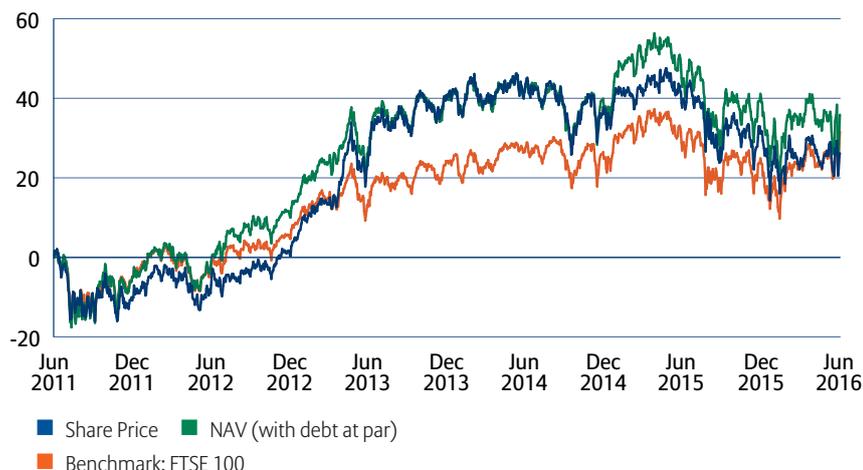
We remain focused on the medium to long term, but short term volatility may create interesting investment opportunities. Domestically exposed, cyclical companies are now pricing in a slowdown, although a recession is a rising possibility, and may not be fully discounted yet. On the other hand, most defensive stocks are expensive and they are being ascribed a substantial premium for their perceived safety, at a time when bond yields are close to zero in much of the world. The portfolio maintains a balance between cyclical and defensive shares, between domestic and overseas earners, and between large and medium sized companies. We have taken a modest amount of money out of the substantial holdings in "mega-caps" which are now less cheap than they were, but we are not otherwise changing the balance of the portfolio significantly at this stage.

Simon Gergel
8 July 2016

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	1.0	-4.1	-8.3	2.5	26.3
NAV	0.5	-2.2	-4.9	7.8	35.9
Benchmark	6.5	6.6	3.8	16.9	31.7

Discrete 12 Month Returns (%) to 30 June

	2012	2013	2014	2015	2016
Share Price	-6.9	32.3	15.7	-3.4	-8.3
NAV	-1.1	27.4	12.5	0.8	-4.9
Benchmark	-2.7	15.8	12.3	0.2	3.8

Source: Lipper, percentage growth, mid to mid, total return to 30.06.16. Copyright 2016 © 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.

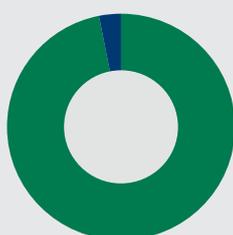
Portfolio Breakdown

Sector Breakdown (%)

Financials	22.9	
Consumer Services	15.7	
Oil & Gas	13.8	
Industrials	13.0	
Utilities	10.8	
Health Care	7.8	
Consumer Goods	7.0	
Telecommunications	3.2	
Basic Materials	2.7	
Cash	3.1	

Geographic Breakdown (%)

UK	96.9	
Cash	3.1	



Top Ten Holdings (%)

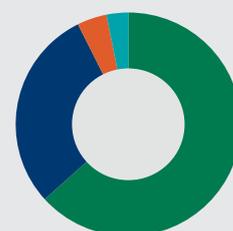
Royal Dutch Shell 'B' Shares	8.0
GlaxoSmithKline	7.8
BP	5.7
HSBC	4.7
UBM	4.6
Centrica	3.8
Lloyds Banking Group	3.6
BAE Systems	3.5
Inmarsat	3.2
Tate & Lyle	3.1

Total number of holdings* 42

*Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	63.3	
FTSE 250	29.3	
FTSE Smaller Companies	4.3	
Cash	3.1	



Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE 100
Annual Management Charge	0.35%
Performance Fee	No
Ongoing Charges ¹	0.58%
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 (31.01.2016). 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

Left to right: Sybella Stanley, Simon Fraser (Chairman), Paul Yates, Mary Ann Sieghart, Mike McKeon (Chairman of the Audit Committee and Senior Independent Director)



How to invest

The Trust is a UK public limited company traded openly on the stock market and you can purchase shares through a stock broker. Shares in the Trust can be held within an ISA, JISA, SIPP and/or savings scheme. A number of providers offer this facility, a list of which is available on our website.

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 30.06.16 unless otherwise stated.

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