

The Merchants Trust PLC

Factsheet

31 May 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

May witnessed a sell-off in the US government bond market on fears that the US Federal Reserve may start to taper its quantitative easing programme. US bond yields rose from 1.7% to 2.1% and the Gilt market followed suit, producing negative returns.

The FTSE 100 Index returned +2.8%, marking a 12th consecutive month of gains. The market rose consistently until a key statement by the chairman of the US Federal Reserve on 22nd May which was followed by a period of increased volatility and a market sell-off.

Within the stock market there was some rotation from the themes we had seen earlier in the year. Cyclical stocks generally outperformed with banks, retailers and many industrial sectors showing good gains and more defensive sectors lagging behind. The Food and Beverages sector posted a small negative return, as did the interest rate sensitive Utilities and Telecommunications sectors.

The Trust's portfolio outperformed the market, led by strong double-digit gains at Britvic, Marks & Spencer and ICAP along with some other positive stock movements. This was offset only partially by a pullback at Inmarsat and a low exposure to the relatively strong Banks sector.

We made a small investment in the building products company Tyman as it raised money to buy the US windows & doors products business Truth Hardware from Melrose PLC. We believe Tyman's fortunes are now closely aligned to the US house-building and refurbishment market where we see scope for a prolonged recovery following four years of extremely subdued activity. Truth Hardware is well known to us as The Merchants Trust used to have an exposure via a holding in Truth's former owner FKI, and subsequently in Melrose which took FKI over.

Elsewhere the Trust sold out of the defence and aerospace stock Cobham and the insurer Catlin after both companies had performed well and reached what we considered to be full valuations.

Our market outlook has not changed materially. We continue to find the best value in between the large defensive stocks which generally look expensive and the more cyclical industrial and financial stocks which we think carry significant risk. Market volatility has recently increased. This may provide some interesting investment opportunities and we remain alert for chances to buy good, high yielding businesses at attractive valuations.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	14.1	28.1	46.7	69.8	57.3
NAV	9.1	21.1	42.4	66.8	42.2
FTSE 100	4.8	14.3	28.4	41.2	31.3

Discrete Performance (%)

From To	30.05.08 29.05.09	29.05.09 31.05.10	31.05.10 31.05.11	31.05.11 31.05.12	31.05.12 31.05.13
Share Price	-24.1	22.1	36.7	-15.3	46.7
NAV	-32.8	27.0	28.7	-9.0	42.4
FTSE 100	-23.7	21.9	19.1	-7.7	28.4

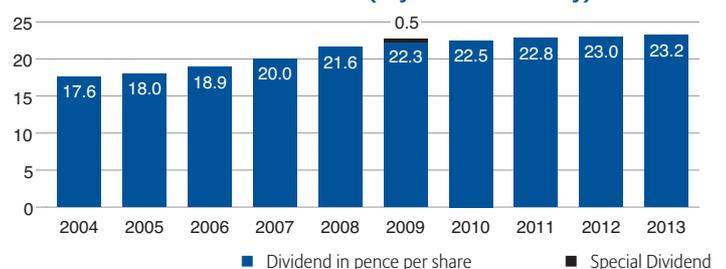
Source: Lipper, percentage growth, mid to mid, total return to 31.05.13. Benchmark: FTSE 100 Index.

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 31.05.13 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:	£640.1m
Gearing (net):	18.4%
Shares in Issue:	103,213,464 (Ordinary 25p)
Share Price ¹ :	476.0p
Net Asset Value ² :	505.0p (481.3p – debt at market value)
Premium/-Discount to NAV ³ :	-5.7% (-1.1% – debt at market value)
NAV Frequency	Daily
Dividend Yield ³ :	4.87%

1. Source: Lipper as at 31.05.13, market close mid price.

2. Source: Datastream as at 31.05.13. 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 (30.01.2013). 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	17.8	
Financials	17.4	
Oil & Gas	15.1	
Industrials	11.4	
Utilities	10.1	
Consumer Goods	8.2	
Health Care	7.8	
Telecommunications	7.1	
Cash	2.6	
Basic Materials	2.5	

Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.8	British American Tobacco	3.6
GlaxoSmithKline	7.8	Scottish & Southern Energy	3.4
BP	6.3	BAE Systems	3.4
HSBC	5.4	Resolution	2.8
Vodafone	4.2	National Grid	2.6
Total Number of Holdings	47*		

*excludes derivatives

Net Dividends (Financial Year to Date)

	Pay Date	Record Date	Payment
1st quarterly dividend	15.08.12	13.07.12	5.8p per share
2nd quarterly dividend	12.11.12	05.10.12	5.8p per share
3rd quarterly dividend	27.02.13	01.02.13	5.8p per share
4th quarterly dividend	15.05.13	12.04.13	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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website: www.merchantstrust.co.uk

All data source Allianz Global Investors as at 31.05.13 unless otherwise stated.

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