

The Merchants Trust PLC

Factsheet

31 March 2015

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

The General Election campaign kicked off during the month with increasingly acrimonious statements from opposing parties about how the UK economy has performed during the coalition government's 5 year tenure, amongst other issues. The UK stock market lagged behind other countries, although this may not be due to politics so much as the weight of money moving into European equities as the European Central Bank pursues quantitative easing policies.

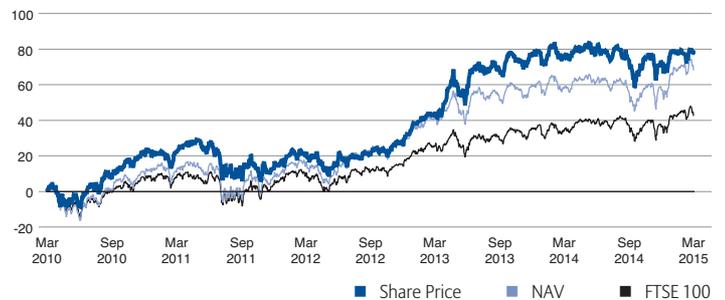
There were some notable corporate developments affecting portfolio companies. Hansteen, the industrial property company, announced good asset value growth and a 3p special dividend, with surplus cash generated from selling properties at a profit. Cineworld increased their underlying dividend 33% after unveiling strong results as they bedded down the merger of their UK business with the Eastern European focused chain Cinema City. On the other hand Balfour Beatty announced poor results and passed the dividend as part of a radical turn-around plan by new Chief Executive Leo Quinn. Balfour Beatty shares have responded well since Mr Quinn's appointment and we are encouraged by aggressive plans to improve performance. We continue to see significant value in Balfour Beatty, especially in their large infrastructure asset portfolio.

The UK stock market fell back over the month, with the FTSE 100 Index giving a total return of -2.0% despite breaking through the 7000 level, temporarily. The weakest sectors were an unusual combination of natural resources and defensives, with mining, oil & gas producers, food producers, tobacco and electricity all giving total returns between -5% and -10%. The best performing sectors were industrial transportation, travel & leisure, media and life assurance.

The Trust's NAV outperformed the benchmark. Standard life benefitted from its capital return and both Carnival and Inmarsat responded well to good trading statements, with Carnival being the strongest gainer in the FTSE 100. The Trust's relative performance also benefitted from not owning the resources companies BG and Rio Tinto which were very weak. There were few poor performers in the portfolio, with the biggest negative stock selection impacts coming from not owning Standard Chartered and AstraZeneca as they outperformed the falling market.

There were no significant changes to the portfolio in the month, although we added further to the investment in the professional staffing company SThree. This business is benefitting from the structural growth of outsourced recruitment and temporary

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	3.4	2.0	1.4	47.9	77.1
NAV	7.0	8.2	6.4	46.7	68.1
FTSE 100	4.2	4.0	6.3	30.9	42.4

Discrete Performance (%)

From To	31.03.10 31.03.11	31.03.11 30.03.12	30.03.12 29.03.13	29.03.13 31.03.14	31.03.14 31.03.15
Share Price	21.5	-1.4	19.1	22.4	1.4
NAV	10.7	3.5	23.0	12.1	6.4
FTSE 100	7.4	1.2	15.5	6.7	6.3

Source: Lipper, percentage growth, mid to mid, total return to 31.03.15. 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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Fund Manager's Review (continued)

employment around the world and also from a cyclical recovery in recruitment trends as economic growth gradually recovers.

The forthcoming General Election may increase short term volatility, but we do not see a new government having a major effect on the companies in the portfolio, outside of some specific sectors. Furthermore a large proportion of the revenues and profits from the Trust's investments come from overseas. The investment strategy has not changed materially since last previous month.

All data source Allianz Global Investors as at 31.03.15 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

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:	£682.6m
Gearing (net):	17.7%
Shares in Issue:	108,728,464 (Ordinary 25p)
Share Price ¹ :	480.5p
Net Asset Value ² :	513.5p ³ (484.0p ⁴ – debt at market value)
Premium/-Discount to NAV:	-6.4% (-0.7% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	4.93%

[†]Gearing in form of two long-term debentures.

1. Source: Lipper as at 31.03.15, market close mid price.

2. 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.

3. Capital net asset value per ordinary share based on the par value of the company's long term debt and preference shares.

4. Capital net asset value per ordinary share based on the fair/market value of the company's long term debt and preference shares. This allows for the valuation of debt at fair value or current market price, rather than at final repayment value.

5. Source: Datastream as at 31.03.15. Calculated using the latest full year dividend divided by the current share price.

Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Equity Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
Ongoing Charges ⁶ :	0.59%
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 and Senior Independent Director), Mary Ann Sieghart, Sybella Stanley, Paul Yates

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

6. Source: AIC, as at the Trust's Financial Year End (31.01.2015). Ongoing 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.

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.

Sector Breakdown (%)

Financials	21.3
Consumer Services	18.4
Oil & Gas	15.1
Industrials	12.6
Consumer Goods	9.8
Utilities	9.0
Health Care	6.0
Telecommunications	3.5
Basic Materials	2.5
Cash	1.8

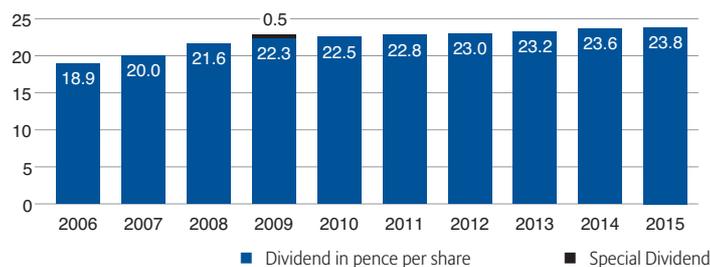
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	7.8	British American Tobacco	4.2
GlaxoSmithKline	6.0	Inmarsat	3.5
HSBC	5.8	Scottish & Southern Energy	3.0
BP	5.1	Standard Life	2.9
UBM	4.4	Friends Life	2.7
Total Number of Holdings	47*		

*excludes derivatives

Dividend History

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



Past performance is not a reliable indicator of future results.

Net Dividends

	Pay Date	Record Date	Payment
Final dividend	22.05.15	24.04.15	6.0p per share
3rd quarterly dividend	25.02.15	30.01.15	6.0p per share
2nd quarterly dividend	11.11.14	10.10.14	5.9p per share
1st quarterly dividend	14.08.14	12.07.14	5.9p 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, JISA, SIPP 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 31.03.15 unless otherwise stated.

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