

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 July 2017

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

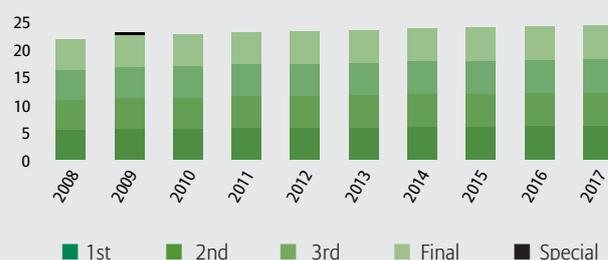
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 35 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
14.07.2017	11.08.2017	6.10p	1st Quarterly
21.04.2017	18.05.2017	6.10p	Final
27.01.2017	23.02.2017	6.10p	3rd Quarterly
07.10.2016	10.11.2016	6.00p	2nd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £689.2m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

471.0p

Source: Lipper

NAV per Share

508.2p

Premium/-Discount

-7.3%

Dividend Yield

5.2%

Gearing

17.5%

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

On 4 July, the directors declared a first quarterly dividend, for the year ending 31 January 2018, of 6.1p, compared to 6.0p last year.

In contrast to the first half of the year, July was a quiet month for UK political and economic news. However there was a raft of corporate reporting towards the end of the month, as companies strived to get results into the market before the summer holiday season. There was a major development in the tobacco industry, where the US Food and Drink Administration launched an unexpected consultation into potentially reducing the nicotine levels in cigarettes, aimed at reducing addiction, and ultimately the incidence of smoking. They are also looking at other measures such as restricting menthol cigarettes and encouraging e-cigarettes or alternative "next generation" tobacco products, which may be less harmful.

Volatility was low in the stock market, which traded in a narrow range and produced a total return of 1.2%, although medium sized companies performed better. Oil, copper and other commodity prices were strong, with Brent crude oil rising by 12% on the month, benefiting from inventory reductions. The US dollar weakened in July against the pound, and even more so against the euro as President Trump's leadership encountered problems, whilst European economic growth accelerated.

Within the stock market, the best performing large sector was mining, with beverages and fixed line telecoms also strong. Tobacco was the worst sector, falling by 10%, as investors reacted to rising regulatory risk in an industry which had been regarded as relatively defensive, and where companies have increased financial gearing

“ UK quoted companies are very international, with the bulk of sales and profits coming from overseas.

significantly in recent years. Pharmaceuticals were also weak, notably AstraZeneca, where a key drug trial failed to meet its target.

The Trust's NAV returned 4.2% in July, outperforming the FTSE All-Share Index benchmark return of 1.2%. The Trust does not own any tobacco company shares, which have looked expensive for some time, and in our opinion, did not reflect risks inherent in the industry and the high level of company indebtedness. The portfolio also benefited from not owning AstraZeneca. Elsewhere, performance benefited from strong performance from the miners Antofagasta and BHP Billiton, and the life insurer Standard Life. There were fewer negative performance contributors, although GSK was weak following interim results that were broadly in line with expectations. Not owning the miners Glencore, Rio Tinto and Anglo American also held back relative returns.

We did not change the structure of the portfolio significantly, but we took some money out of shares that have performed well and are approaching fair value, such as Carnival, HSBC, Senior and NEX Group. We reinvested bigger positions in cheaper shares, which have lagged behind the market, such as National Express, Lloyds, WPP and Greene King.

Our views have not diverged in the last month. The UK economy faces a number of headwinds, with consumers seeing pressure on disposable incomes, whilst corporate spending is at risk from uncertainty caused by the Brexit negotiations. European and other economies do look more promising, however. UK quoted companies are very international, with the bulk of sales and profits coming from overseas. Within the portfolio we have significant investments in internationally exposed natural resources, engineering, pharmaceuticals, media and financial services companies, amongst others. We also have some domestic exposure in the portfolio, but generally where valuations are



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.

low, considerable risk is priced in. We have few investments in consumer staple sectors like food producers, tobacco and beverages, where valuations are unattractive.

Simon Gergel
3 August 2017

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 (%)



■ Share Price ■ NAV (with debt at par)
 ■ Benchmark: With effect from 1 February 2017 the benchmark changed from the FTSE 100 to the FTSE All-Share Index

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	2.2	6.8	17.1	12.3	68.2
NAV	4.1	8.1	19.1	20.5	66.6
Benchmark	3.0	7.0	15.0	23.8	59.0

Discrete 12 Month Returns (%) to 31 July

	2013	2014	2015	2016	2017
Share Price	45.4	3.0	-0.3	-3.8	17.1
NAV	35.2	2.3	3.7	-2.4	19.1
Benchmark	22.0	5.3	3.1	4.5	15.0

Source: Lipper, percentage growth, mid to mid, total return to 31.07.17. Copyright 2017 © 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.

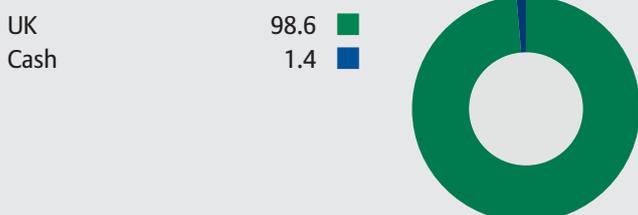
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)



Geographic Breakdown (%)



Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	7.3
GlaxoSmithKline	6.7
HSBC	5.4
BP	5.1
Standard Life	3.7
Lloyds Banking Group	3.6
BHP Billiton	3.4
UBM	3.3
Prudential	2.9
Legal & General	2.9

Total number of holdings* 47

*Excludes derivatives

Market Cap Breakdown (%)



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	0.63%
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 (31.01.2017). 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

Directors from left to right: Mary Ann Sieghart, Timon Drakesmith (Chairman of the Audit Committee), Simon Fraser (Chairman), Sybella Stanley (Senior Independent Director) and 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.



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All data source Allianz Global Investors as at 31.07.17 unless otherwise stated.

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