

The Merchants Trust PLC



Factsheet

31 December 2014

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 - celebrating 125 years

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

December was a volatile month in markets with the oil price falling sharply, uncertainty around the Greek elections and considerable focus on US interest rate policy. Interest rates have now been extremely low for several years and the US Federal Reserve Board indicated that interest rate increases may begin in the middle of 2015. They changed their language on how long rates would stay very low from "a considerable time" to talking about now being "patient". Rising US interest rates would be a sign of the economy healing but would potentially be a headwind to markets that have become accustomed to cheap money.

Overall the FTSE 100 Index returned -2.3%, despite a bounce from a sharp drop in early December. Medium sized companies performed better, with a total return of 1.7% on the FTSE 250 Index. Over the calendar year the FTSE 100 managed a marginal positive return of +0.7% with mid-caps +3.7%. The strongest performing sectors in December were technology, healthcare equipment and general retail, whilst many of the larger "defensive" sectors were very weak, such as tobacco, beverages and pharmaceuticals, as well as the small oil equipment and services sector.

The Trust's NAV returned -1.7%. The reasons for the relative outperformance included a sharp bounce in Balfour Beatty, as they were approached by a potential buyer of their PFI assets, as well as gains for ICAP, William Hill and Cineworld. On the negative side Amec Foster Wheeler fell with the weakening oil price and GlaxoSmithKline and Ashmore were also weak.

There were no major changes to the portfolio in the month. However we added to some of the oil exposed companies at depressed valuations. Our central view is that the oil price will recover in the medium term due to both a greater demand response from the current low oil price and also from reduction in the growth in oil supply, especially in US shale oil which has very high natural decline rates. The weaker the oil price in the short term, the more long term damage will be done to future oil investment plans and the availability of bank and other funding. We funded this oil investment by trimming strong performers such as Cineworld, Carnival, Friends Life and Inmarsat, though we continue to like these businesses.

As we move into 2015 we continue to expect the UK economy to show reasonable growth with the US also recovering. However we are conscious of the risks

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-1.3	-4.5	-3.5	51.4	81.7
NAV	1.1	-2.6	-1.6	45.3	65.5
FTSE 100	-0.3	-1.1	0.7	31.5	44.8

Discrete Performance (%)

From To	31.12.09 31.12.10	31.12.10 30.12.11	30.12.11 31.12.12	31.12.12 31.12.13	31.12.13 31.12.14
Share Price	27.7	-6.0	11.8	40.3	-3.5
NAV	15.0	-0.9	15.8	27.4	-1.6
FTSE 100	12.6	-2.2	10.0	18.7	0.7

Source: Lipper, percentage growth, mid to mid, total return to 31.12.14. 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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elsewhere in the world and the strain that a high debt burden places upon governments and consumers everywhere, especially if interest rates start to rise. We see good value in some of the mega-caps, such as Royal Dutch Shell and HSBC, and specific recovery situations.

All data source Allianz Global Investors as at 31.12.14 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:	£651.0m
Gearing (net):	18.1%
Shares in Issue:	108,728,464 (Ordinary 25p)
Share Price ¹ :	487.0p
Net Asset Value ² :	485.5p ³ (457.3p ⁴ – debt at market value)
Premium/-Discount to NAV:	0.3% (6.5% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	5.02%

1. Source: Lipper as at 31.12.14, 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 31.12.14. 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 :	0.66%
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), Paul Yates, Mary Ann Sieghart, Sybella Stanley

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 (31.01.2014). 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	19.8
Consumer Services	18.2
Oil & Gas	15.9
Industrials	12.4
Consumer Goods	10.3
Utilities	10.3
Health Care	5.6
Telecommunications	3.1
Basic Materials	2.5
Cash	1.9

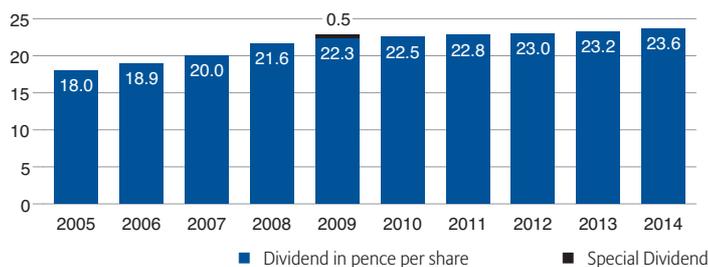
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.7	UBM	4.2
HSBC	6.4	BAE Systems	3.9
GlaxoSmithKline	5.6	Scottish & Southern Energy	3.5
BP	5.0	Inmarsat	3.2
British American Tobacco	4.4	Friends Life	2.5
Total Number of Holdings	46*		

*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
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
4th quarterly dividend	23.05.14	25.04.14	5.9p per share
3rd quarterly dividend	26.02.14	31.01.14	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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All data source Allianz Global Investors as at 31.12.14 unless otherwise stated.

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