

The Merchants Trust PLC

Factsheet

28 February 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

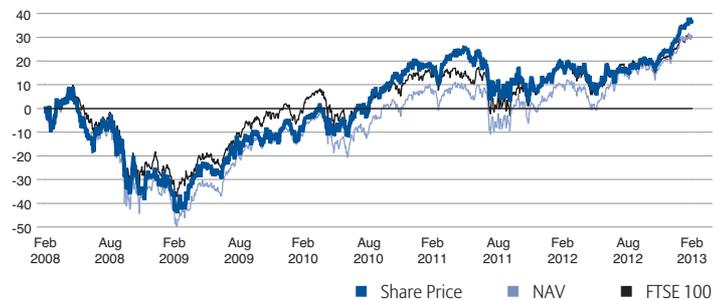
The stock market consolidated recent gains in February with the FTSE 100 Index producing a total return of +1.78%. This was an impressive show of optimism in a month that included the UK losing its Moody's AAA credit rating and an inconclusive Italian election result where an anti-austerity party, led by a comedian, won the largest share of the vote. Medium sized companies

outperformed significantly with a 5.3% total return. At the sector level cyclicals such as technology, construction, autos and industrials produced the strongest returns, whilst mining, telecoms and oil and gas were all weak and had slightly negative returns.

The Merchants Trust's NAV (+1.74%) performed in line with the benchmark. Strong performances by a number of medium sized companies, notably DMGT, BBA Aviation and IG Group, were offset by Britvic falling back after its proposed merger with AG Barr was referred to the competition commission, and by the portfolio not owning Diageo and Standard Chartered which performed well. Two new companies were added to the portfolio, Segro and Hansteen Holdings. Both are real estate companies focused on the industrial property sub-sector. With a high yield on their assets, they generate strong cash-flow, backing attractive dividend yields. Both companies work their estates hard to lower void space, bring through developments and rationalise the portfolio. They offer significant medium term upside, particularly if there is any recovery in industrial property valuations from low levels. We sold Reckitt Benckiser after strong share price performance took it above our fair value target. The company has also seen the regulatory approval of generic competitors to their major pharmaceutical product, Suboxone, which could put part of their profits under pressure.

Stock markets have moved up over the last year but aggregate valuations are still reasonable on a long term basis. We are continuing to find new investment opportunities in a wide variety of sectors. There is a mixture of relatively defensive and more cyclical stocks within the portfolio although we are cautious on some of the most cyclical areas like mining and banks.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	12.3	19.4	17.2	49.4	37.4
NAV	11.0	16.0	20.5	46.9	31.0
FTSE 100	9.1	12.9	12.4	32.0	31.0

Discrete Performance (%)

From To	29.02.08 27.02.09	27.02.09 26.02.10	26.02.10 28.02.11	28.02.11 29.02.12	29.02.12 28.02.13
Share Price	-38.2	48.7	27.3	0.2	17.2
NAV	-42.8	56.0	20.9	0.8	20.5
FTSE 100	-31.8	45.5	15.5	1.6	12.4

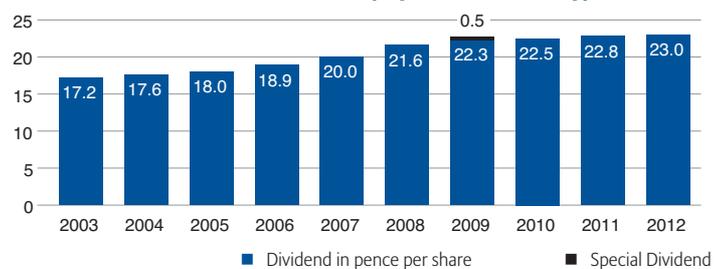
Source: Lipper, percentage growth, mid to mid, total return to 28.02.13. Benchmark: FTSE 100 Index; .

Past performance is not a reliable indicator of future performance. 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 no guide to future returns.

All data source Allianz Global Investors as at 28.02.13 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:	£598.7m
Gearing (net):	23.4%
Shares in Issue:	103,213,464 (Ordinary 25p)
Share Price ¹ :	423.0p
Net Asset Value ² :	463.1p (430.2p – debt at market value)
Premium/-Discount to NAV ² :	-8.7% (-1.7% – debt at market value)
NAV Frequency	Daily
Dividend Yield ² :	5.48%

1. Source: Lipper as at 28.02.13, market close mid price.

2. Source: Datastream as at 28.02.13. 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 (31.01.2012). 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.

Sector Breakdown (%)

Financials	18.5	
Consumer Services	16.8	
Oil & Gas	15.0	
Industrials	11.9	
Utilities	9.8	
Consumer Goods	8.5	
Telecommunications	7.8	
Health Care	7.5	
Basic Materials	2.4	
Cash	1.8	

Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.7	British American Tobacco	4.2
GlaxoSmithKline	7.5	BAE Systems	3.6
BP	6.4	Scottish & Southern Energy	3.4
HSBC	6.3	National Grid	3.1
Vodafone	4.4	Resolution	2.8
Total Number of Holdings	49*		

*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

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:

0800 389 4696

e-mail: investment-trusts@allianzgi.co.uk

website: www.merchantstrust.co.uk

All data source Allianz Global Investors as at 28.02.13 unless otherwise stated.

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