

The Merchants Trust PLC

As focused on dividends as you are



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

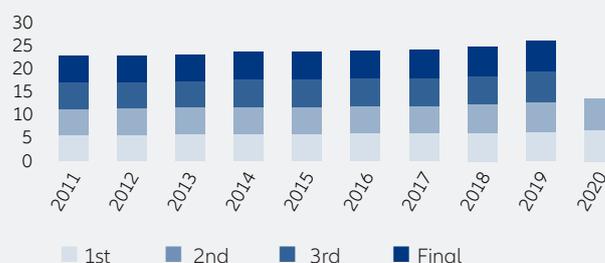
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 37 years.

Ten Year Dividend History

Dividend Record in Pence per Share To Year End 31 January



Last Four Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
04.10.2019	12.11.2019	6.80p	2nd Quarterly
12.07.2019	20.08.2019	6.70p	1st Quarterly
12.04.2019	22.05.2019	6.60p	Final
01.02.2019	06.03.2019	6.50p	3rd Quarterly

Past performance is not a reliable indicator of future results.



A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

The RSMR rating is designed for use by professional advisers and intermediaries as part of their advice process. This rating is not a recommendation to buy. If you need further information or are in doubt then you should consult a professional adviser.

Total Assets £670.6m

Shares in Issue 110,728,464 (Ordinary 25p)

Market Cap £543.7m

Share Price

491.0p

NAV per Share

477.7p

Premium/-Discount

2.8%

Dividend Yield

5.4%

Gearing

19.1%

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 cum income 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.

Fund Manager's Review

"Are we there yet?" How many times have parents heard their children say that in the back of the car on a long journey? In October, the UK population could be heard shouting this out, as Boris Johnson drove the UK car around the EU motorway, looking for the "Brexit", whilst Jeremy Corbyn sat in the passenger seat holding the handbrake. Against some expectations, the Prime Minister came back with a revised Brexit deal and it became the first EU Withdrawal deal to be voted for by Parliament. However it was immediately suspended as the opposition parties wanted to add amendments that the Conservatives would not accept. At the end of the month, Parliament agreed to hold a general election on December 12th to try to break the Brexit impasse.

Generally, economic conditions in the UK and globally have slowed down in recent weeks due to trade issues and, in the UK, due to Brexit uncertainty. This prompted further central bank policy easing with the US Federal Reserve cutting interest rates at the end of October for the third time this year.

Financial markets reacted first to the reducing probability of a "no-deal" Brexit, as Parliament forced the Prime Minister to seek a Brexit extension, then to the actual passing of a Brexit deal in the House of Commons, making "no-deal" even less likely. The value of the pound rallied and UK gilt yields rose as investors sought out UK assets and perceived a lower risk of a hard landing to the economy. The stock market weakened initially in October, then rallied on improving sentiment. However, the Mid Cap FTSE 250 index, which is more domestically focused, outperformed the broad market ending the month slightly up in total return terms, whilst the FTSE All-share index ended modestly down.

“ the UK stock market remains attractively valued compared to global peers

The best performing sectors were mainly domestically focused, including fixed line telecommunications, software, real estate and life insurance, whilst the worst performers were more globally diversified, including healthcare equipment, tobacco, oil & gas producers and beverages.

The Trust's NAV rose 2.3% against a fall in the benchmark of 1.4% as the portfolio outperformed the market, benefitting from a high exposure to domestic and financial stocks and a low exposure to multinational defensive businesses. There was a large spread between individual share price performances in the market and in Merchants' portfolio. Several companies produced double digit positive total returns on improving investor sentiment, including GVC, Landsec and Barclays, which made the biggest contributions to the outperformance. There were also a few companies where share prices fell by double digits, with Tyman, Man Group and Stock Spirits all impacting returns.

There was no major change to the structure of the portfolio, but we took money out of shares that had performed well recently and therefore offered less compelling value, and reinvested into companies with more depressed valuations or newer ideas, where we are building up the



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.

position size. In particular we took some money out of the real estate companies Landsec and Hammerson, which had rallied by 30-40% since we added to the holdings only back in August. We also sold down more of the Greene King holding after the takeover bid and reduced SSE and GVC. We continued to build up the new holdings in Stock Spirits and DFS and added to Balfour Beatty, Antofagasta and Barclays amongst others. Also, Prudential split into two companies, so the portfolio now holds M&G, representing predominantly the UK businesses, whilst Prudential is now primarily an Asian and North American business.

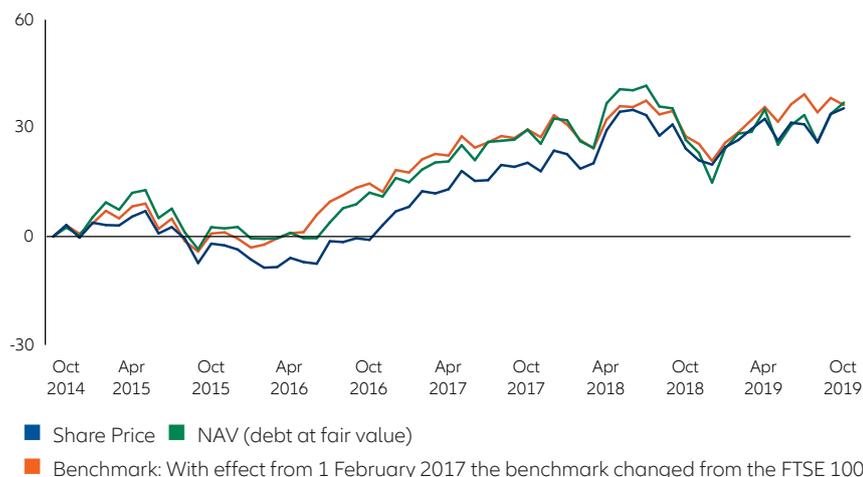
Whilst geopolitical risks remain elevated with US-Sino trade talks ongoing and the UK facing an imminent general election and potential Brexit, the UK stock market remains attractively valued compared to global peers. Furthermore, listed UK companies earn a very high proportion of earnings overseas, where election and Brexit issues are much less relevant. But investment opportunities in the UK stock market are not evenly spread. As we have discussed before, there is a polarisation between highly rated "quality" and "growth" stocks and lowly rated "value" stocks. The latter tend to be in more cyclical, financial and domestically focused sectors. Whilst the disparity between these two groups has narrowed somewhat from extreme levels reached over the summer, the gap remains very wide. We continue to find many opportunities to buy fundamentally sound businesses trading on attractive valuations and offering above-average dividend yields. By owning a diversified portfolio of these companies, we believe that The Merchants Trust remains well placed to deliver a high and rising income and good total returns over the medium-term horizon.

Simon Gergel
31 October 2019

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 (%)



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	3.4	2.2	9.0	36.8	35.5
NAV (debt at fair value)	0.7	-0.4	6.2	20.0	34.6
Benchmark	-2.1	0.4	6.8	19.0	36.4

Discrete 12 Month Returns to 31 October (%)

	2019	2018	2017	2016	2015
Share Price	9.0	3.3	21.5	1.1	-2.0
NAV (debt at fair value)	7.1	-2.1	15.5	9.3	2.6
Benchmark	6.8	-1.5	13.1	13.7	0.8

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.10.19. Copyright 2019 © DataStream, a Thomson Reuters company. All rights reserved. DataStream 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 (%)

Financials	28.7	
Industrials	19.1	
Consumer Goods	12.7	
Consumer Services	11.0	
Oil & Gas	8.0	
Utilities	7.7	
Health Care	5.9	
Basic Materials	4.3	
Cash	2.6	

Geographic Breakdown (%)



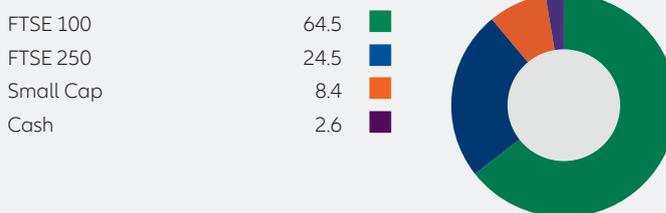
Top Ten Holdings (%)

GlaxoSmithKline	5.9
Royal Dutch Shell - B Shares	5.4
BAE Systems	3.8
Imperial Brands	3.5
HSBC Holdings	3.5
Barclays	3.3
Standard Life Aberdeen	3.2
British American Tobacco	3.2
Legal & General	3.1
St James's Place	2.8

Total number of holdings* 46

*Excludes derivatives

Market Cap Breakdown (%)



The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding. This is no recommendation or solicitation to buy or sell any particular security.

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	0.58%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	February/March, 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 (31.01.2019). 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

Colin Clark (Chairman)
Timon Drakesmith (Chairman of the Audit Committee)
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)
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.



Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail.

All data source Allianz Global Investors as at 31.10.19 unless otherwise stated.

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