

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 July 2018

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

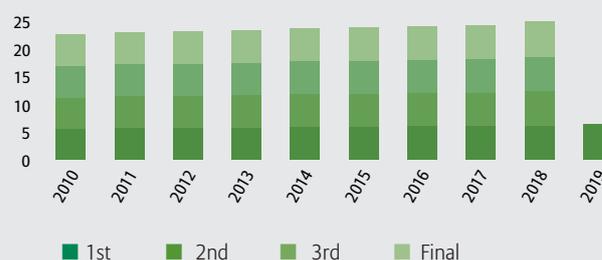
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 36 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
13.07.2018	22.08.2018	6.40p	1st Quarterly
20.04.2018	30.05.2018	6.30p	Final
26.01.2018	02.03.2018	6.20p	3rd Quarterly
06.10.2017	16.11.2017	6.20p	2nd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £724.0m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £563.2m

Share Price

518.0p

Source: Lipper

NAV per Share

534.4p

Premium/-Discount

-3.1%

Dividend Yield

4.8%

Gearing

17.8%

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.

Allianz 
Global Investors

Fund Manager's Review

The UK Prime Minister, Theresa May, unveiled a White Paper on the UK's future relationship with the European Union, which was widely seen as heading towards a "softer" Brexit than the previous government position. In the process, the Brexit Secretary, David Davies, and Foreign Secretary, Boris Johnson, both resigned from their cabinet posts in disagreement. However, this did not end the uncertainty over Brexit, as it remains unclear whether the EU will accept key parts of the White Paper.

The stock market was not particularly affected by these machinations, but reacted more to developing trade tensions between the United States and China. Overall, the market produced a small positive return over the month. Many of the defensive sectors, like tobacco, pharmaceuticals and fixed line telecommunications were the best performers. However there were also some poor performing defensive sectors, including food producers and utilities, as well as more cyclical sectors, such as software and mining.

The Trust's NAV rose by +0.91% in July, behind the benchmark return of +1.29%. The biggest impact came from TP ICAP, a broking company, where the shares fell sharply as the company warned about additional costs next year and reduced guidance for the synergy benefits from its recent merger. The company also announced the departure of its Chief Executive Officer. Elsewhere, not owning British American Tobacco and AstraZeneca negatively impacted performance as both shares were strong performers. On the other hand, the industrial companies Meggitt and Morgan Advanced Materials were strong performers on encouraging

“ From oil and mining to pharmaceuticals and financial services, the portfolio is broadly diversified both by industry and by geographic exposure.

interim results announcements. Also, the gambling company GVC rallied after announcing a pioneering joint venture with a leading US casino company MGM Resorts, to exploit the deregulating US gambling industry.

There were some encouraging dividend announcements from companies within the Merchants portfolio in July. Oil major BP announced its first dividend increase since 2014. Whilst this was only a small increase, it was particularly notable given market concerns about the sustainability of dividends from the oil majors as recently as 2016. IG Group raised its full year dividend by 34%, in line with earnings growth, even though the company faces a more difficult year in 2019 as new regulations take effect. On 1st August, St James's Place announced a 20% increase in its interim dividend as the business continues to report strong growth in assets and cash flows.

We added one new company to the portfolio. Keller is the world leader in geotechnical engineering (ground engineering), with roughly a 10% share of this fragmented market. We believe the industry has structural growth opportunities, as rising city populations and ageing infrastructure around the world create increasing demand for complex underground structures and strong foundations for tall buildings and other large structures. Despite a good long term growth record, the company's shares were trading on a low valuation, possibly suffering from a UK discount, despite the fact that less than 5% of sales come from the UK.

We continued to add to shares on low valuations, typically after a period of poor performance, such as Standard Life Aberdeen, Greene King, TP ICAP and ITV. Elsewhere, we significantly reduced our Informa shareholding which was inherited from the UBM takeover, primarily on valuation grounds. We also further reduced



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.

the exposure to Royal Dutch Shell after substantial gains in the last two years.

The recent interim results season has seen most of Merchants' portfolio companies reporting solid trading results and robust dividend payments, with few significant disappointments. From oil and mining to pharmaceuticals and financial services, the portfolio is broadly diversified both by industry and by geographic exposure. We continue to focus on higher yielding companies with strong business franchises, trading on attractive valuations. We can find many such investment opportunities in the UK stock market at present and we remain optimistic that the portfolio can continue to deliver a high and growing income stream, and good total returns, in line with The Merchant Trust's objectives.

Side Comment

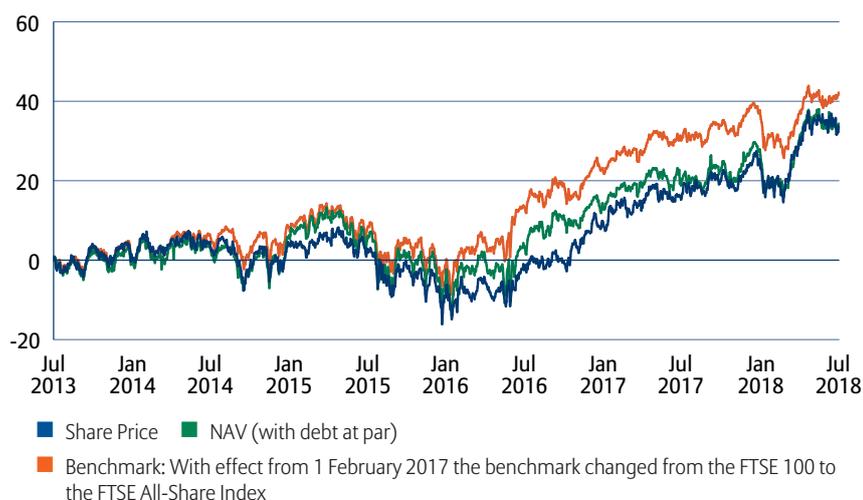
I have recently read the excellent 'Prisoners of Geography. Ten maps that tell you everything you need to know about global politics', by journalist Tim Marshall. This book explains how the geography of regions, including mountains, rivers, forests and deserts has helped shape the borders of countries, and why certain areas are strategically important. For example, Tibet contains important sources for three of China's great rivers, so the region is critically important for that country's national water security. Similarly, the Russian naval ports in the Crimea are their only warm water ports, that do not freeze in winter, which helps explain the Russian response to secure the region, as Ukraine attempted to move closer to the EU and western governments.

Simon Gergel
3 August 2018

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	3.2	8.8	15.6	30.2	33.7
NAV	3.4	6.5	11.0	29.0	36.9
Benchmark	3.9	5.0	9.2	31.1	42.3

Discrete 12 Month Returns (%) to 31 July

	2014	2015	2016	2017	2018
Share Price	3.0	-0.3	-3.8	17.1	15.6
NAV	2.3	3.7	-2.4	19.1	11.0
Benchmark	5.3	3.1	4.5	15.0	9.2

Source: Lipper, percentage growth, mid to mid, total return to 31.07.18. Copyright 2018 © 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 (%)



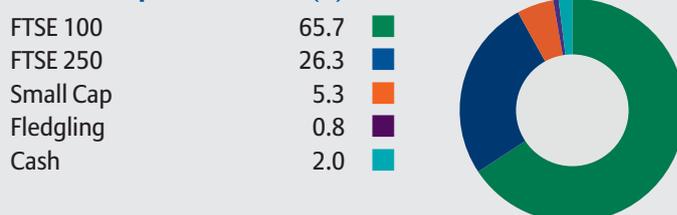
Top Ten Holdings (%)

GlaxoSmithKline	6.6
Royal Dutch Shell 'B' Shares	6.5
HSBC Holdings	4.3
BHP Billiton	4.1
BP	3.9
Standard Life Aberdeen	3.5
BAE Systems	3.2
Legal & General	3.1
Imperial Brands	3.0
Lloyds Banking Group	2.8

Total number of holdings* 51

*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	0.59%
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 (31.01.2018). 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.



Allianz 
Global Investors

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 31.07.18 unless otherwise stated.

This is a marketing communication issued by Allianz Global Investors GmbH, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, D-60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (www.bafin.de). Allianz Global Investors GmbH has established a branch in the United Kingdom, Allianz Global Investors GmbH, UK branch, which is subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk). This communication has not been prepared in accordance with legal requirements designed to ensure the impartiality of investment (strategy) recommendations and is not subject to any prohibition on dealing before publication of such recommendations.