

The Merchants Trust PLC

Factsheet

31 December 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

Two significant economic events took place in America in December. A US budget deal was announced to allow a modest increase in Federal spending after two years of cuts. Also the US Federal Reserve Board announced the long anticipated "tapering" or slowing of their asset purchase programme, known as quantitative easing.

The stock market was weak leading up to the Fed decision but then rose sharply until the end of the month. The FTSE 100 Index delivered a total return of 1.6%, taking the calendar year return to an impressive 18.7%. Once again medium sized companies outperformed, with the FTSE 250 Index returning 3.3% in December and 32.3% for the year. Over the month, the market was led by cyclical sectors such as Technology, General Industrial, Travel & Leisure and Financial Services. The weakest sectors were those with challenging trading conditions such as Non-life Insurers, which saw a profit warning at RSA Insurance, Oil Equipment Services and both the general and food Retail sectors.

The Trust's NAV rose by 1.79% over the month, slightly ahead of the FTSE 100 Index which was up by 1.57%. The biggest gains were at: satellite network operator Inmarsat, which launched the first of its next generation satellites; global cruise company Carnival which had a positive trading update; and leading financial markets operator ICAP. The retailers Marks & Spencer and Sainsbury were the biggest fallers as Christmas trading seemed to be poor.

We sold the holding in London Metric Properties which had moved up to a significant premium to its net asset value. Whilst we believe this property company is very well managed, it has been shifting the mix of its portfolio towards secondary retail property since the merger of London & Stamford with Metric. Given the structural challenges facing secondary retail space we see the shares as fully valued now. Elsewhere activity was mainly restricted to trimming strong performing shares as valuations got fuller and adding to recent underperformers as they offered better value.

As we look into 2014 we approach the 125th anniversary of The Merchants Trust PLC which reminds us that investment is a long term business. We continue to focus on buying into strong businesses on attractive valuations, with above-average dividend yields in order to generate good long term returns and a high and rising income stream.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	6.2	14.5	40.3	47.3	142.2
NAV	5.2	11.3	27.4	46.3	117.7
FTSE 100	5.1	10.3	18.7	27.7	83.1

Discrete Performance (%)

From To	31.12.08 31.12.09	31.12.09 31.12.10	31.12.10 30.12.11	30.12.11 31.12.12	31.12.12 31.12.13
Share Price	28.7	27.7	-6.0	11.8	40.3
NAV	29.5	15.0	-0.9	15.8	27.4
FTSE 100	27.3	12.6	-2.2	10.0	18.7

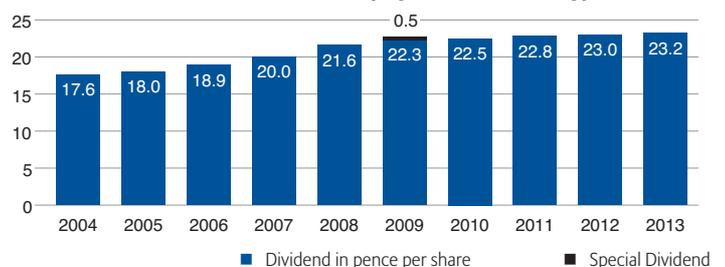
Source: Lipper, percentage growth, mid to mid, total return to 31.12.13. Benchmark: FTSE 100 Index.

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.

Copyright 2014 © 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.

Dividend History

Ten Year Net Dividend Record in Pence (to year end 31 January)



Past performance is not a reliable indicator of future results.

All data source Allianz Global Investors as at 31.12.13 unless otherwise stated.

Allianz Global Investors Europe 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:	£661.2m
Gearing (net):	17.4%
Shares in Issue:	103,563,464 (Ordinary 25p)
Share Price ¹ :	511.5p
Net Asset Value ² :	517.2p (494.4p – debt at market value)
Premium/-Discount to NAV ² :	-1.1% (3.5% – debt at market value)
NAV Frequency	Daily
Dividend Yield ³ :	4.57%

1. Source: Lipper as at 31.12.13, market close mid price.

2. Source: Datastream as at 31.12.13. 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 (31.01.2013). 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. Covered call options are written to supplement the income generation of the portfolio. This may lead to an opportunity cost if options are exercised.

All data source Allianz Global Investors as at 31.12.13 unless otherwise stated.

This is a marketing communication issued by Allianz Global Investors Europe GmbH, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, D-60323 Frankfurt/Main, registered with the local court Frankfurt/Main under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (www.bafin.de). Allianz Global Investors Europe GmbH has established a branch in the United Kingdom, Allianz Global Investors Europe GmbH, UK branch, which is subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk).

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.

Sector Breakdown (%)

Consumer Services	19.2	
Financials	17.9	
Oil & Gas	15.4	
Industrials	12.8	
Utilities	9.9	
Health Care	7.6	
Consumer Goods	5.9	
Telecommunications	5.4	
Basic Materials	3.2	
Cash	2.7	

Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	9.0	Resolution	3.4
GlaxoSmithKline	7.6	BHP Billiton	3.3
BP	6.3	British American Tobacco	3.1
HSBC	5.9	UBM	3.1
BAE Systems	3.5	Scottish & Southern Energy	2.9
Total Number of Holdings	46*		

*excludes derivatives

Net Dividends

	Pay Date	Record Date	Payment
3rd quarterly dividend	26.02.14	31.01.14	5.9p per share
2nd quarterly dividend	12.11.13	11.10.13	5.9p per share
1st quarterly dividend	14.08.13	12.07.13	5.9p per share
4th quarterly dividend	15.05.13	12.04.13	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.com

website: www.merchantstrust.co.uk