

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 October 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

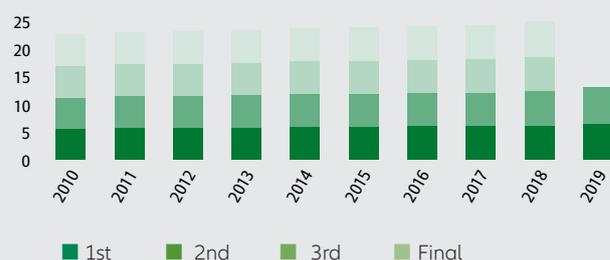
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
05.10.2018	15.11.2018	6.50p	2nd Quarterly
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

Past performance is not a reliable indicator of future results.

Total Assets £657.8m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £517.5m

Share Price

476.0p

Source: Lipper

NAV per Share

472.0p

Premium/-Discount

0.8%

Dividend Yield

5.3%

Gearing

20.7%

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.

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All data source Allianz Global Investors as at 31.10.18 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

Fund Manager's Review

October was one of the weakest months for the stock markets in recent years. A number of concerns seemed to affect investor sentiment. US government bond yields rose in response to the late September interest rate increase by the Federal Reserve Board. Higher borrowing costs often affect market sentiment as they act as a drag on corporate activity and may prompt investors to reallocate money into bonds. There was also concern about trade tensions between the US and China, a rising oil price and signs of difficult trading in certain sectors, particularly the automotive industry. All of this weighed on a US stock market which had been highly rated after several years of gains. The US stock market dropped sharply, led down by technology stocks, which had led prior performance.

The UK stock market fell by just over 5%, with considerable volatility at the sector and stock level. The market was led down by cyclical sectors including industrials and life insurance, but aerospace & defence was also weak, on concerns about the UK's relationship with Saudi Arabia. In contrast, the best performing sectors were typically defensive, such as utilities, fixed line telecommunications and pharmaceuticals.

The Trust's NAV fell by -6.38% in October, lagging the benchmark return of -5.19%. The portfolio's performance lagged the market return primarily due to a profit warning from Keller, as their Malaysian operation, in particular, suffered from deteriorating economic conditions. Elsewhere, engineering components supplier Tyman and recruitment organisation SThree were weak, on the back of poor sentiment towards cyclical industries. On the other hand, the portfolio benefitted from good share price

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performance at TP ICAP, Pennon and National Express.

We took advantage of the volatility in the market, reducing positions where shares had performed well and valuations were high, then reinvesting the proceeds into other cheaper shares. Most notably, we sold the remaining holding in Diageo towards the end of October. Diageo is a leading global spirits and beer business, with a number of attractive franchises. However, the shares have performed well over many years, and we felt the time was right to sell.

We significantly increased Merchants' holding in CRH, a building materials company with strong market positions in the USA, UK



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.

and Continental Europe. The shares have retreated, on general fears of slowing economic activity and rising raw material costs. However, we believe that CRH is well placed to benefit from significant demand growth, due to an increase in infrastructure spending in the next few years, especially in the USA, in addition to gains from cost savings from recent acquisitions and other efficiency improvements. The shares were lowly valued, in our view, and represented excellent long term value. Other smaller additions to holdings included St James's Place, Keller, IG Group and Landsec.

The decline in the stock market during October, and higher volatility, has brought many individual share valuations down to very attractive levels. The underlying dividend yield on the portfolio was over 5% at the end of the month, considerably higher than the broader market average yield. With a diversified portfolio of fundamentally sound, lowly valued shares, we believe the portfolio is well positioned to continue to deliver a rising income stream and attractive long term total returns, in line with Merchants' objectives.

*Simon Gergel
6 November 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 (%)



■ Share Price ■ NAV (with debt at par)
 ■ Benchmark: With effect from 1 February 2017 the benchmark changed from the FTSE 100 to the FTSE All-Share Index

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	-6.9	-3.9	3.3	26.9	20.5
NAV	-10.4	-7.4	-2.6	21.7	20.5
Benchmark	-7.2	-3.5	-1.5	26.7	28.6

Discrete 12 Month Returns (%) to 31 October

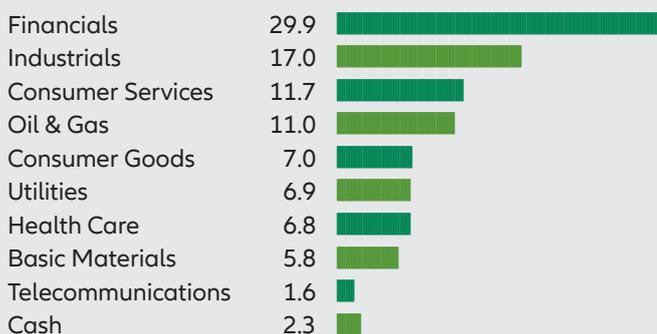
	2018	2017	2016	2015	2014
Share Price	3.3	21.5	1.1	-2.0	-3.1
NAV	-2.6	14.1	9.6	1.7	-2.6
Benchmark	-1.5	13.1	13.7	0.8	0.7

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.10.18. Copyright 2018 © 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.

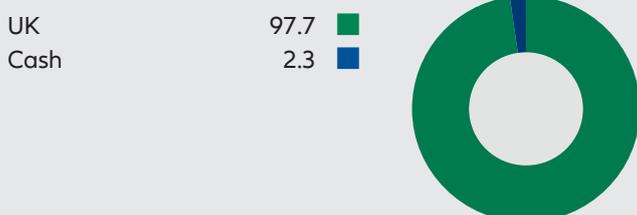
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)



Geographic Breakdown (%)



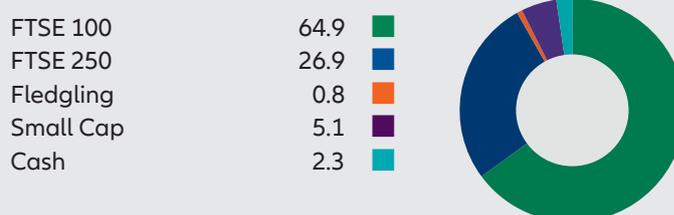
Top Ten Holdings (%)

Royal Dutch Shell 'B' Shares	6.9
GlaxoSmithKline	6.7
HSBC Holdings	4.2
BP	4.0
BHP Billiton	4.0
Legal & General	3.2
Imperial Brands	3.0
Standard Life Aberdeen	2.9
BAE Systems	2.8
Scottish & Southern Energy	2.7

Total number of holdings* 48

*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.



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All data source Allianz Global Investors as at 31.10.18 unless otherwise stated.

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