

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

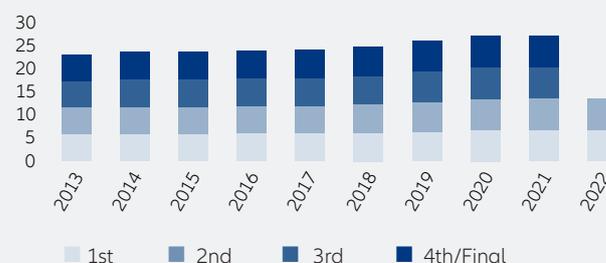
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 15 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 39 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
08.10.2021	11.11.2021	6.80p	2nd Quarterly
10.07.2021	20.08.2021	6.80p	1st Quarterly
23.04.2021	18.05.2021	6.80p	Final
05.02.2021	16.03.2021	6.80p	3rd Quarterly

Past performance is not a reliable indicator of future results.



Consideration of Environmental, Social and Governance (ESG) factors is fully integrated into The Merchants Trust's investment process. Visit www.merchantstrust.co.uk/Integrated-ESG/ for more information.

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 £782.0m

Shares in Issue 124,729,887 (Ordinary 25p)

Market Cap £676.0m

Share Price

542.0p

NAV per Share

540.1p

Premium/-Discount

0.4%

Dividend Yield

5.0%

Gearing

12.5%

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

September seemed to bring an autumnal feel to the UK. Not so much the change in the weather, as surging energy prices, causing the collapse of several energy suppliers, and fuel shortages at petrol stations, caused by a shortage of lorry drivers, which exacerbated logistical problems and lengthening supply chains across many industries. These factors, on top of other inflationary pressures, threaten the pace of profits recovery and growth into 2022. However, this should be seen in the context of a domestic economy that has been growing fast, with second quarter economic growth revised upwards to 5.5% at the end of the month, record low interest rates, high consumer savings and increasing government spending on infrastructure.

The stock market also reflected a change in the seasons, with a small decline over the month, but a notable change in leadership. Energy was the stand-out performer, with both BP and Shell up by around 15%, on the back of firm energy prices. There were modest gains in travel & leisure, aerospace & defence and banks, but most sectors produced negative returns. Amongst the worst performing industries were construction, housebuilding, real estate and mining, which was impacted by a sharp fall in the price of iron ore.

The portfolio performance was modestly ahead of the broader market, reflected in a NAV total return for the month of -0.87% versus the -0.96% from the benchmark index. Biomass and hydro generator Drax benefitted from higher electricity prices, whilst positioning in the energy sector was also positive and SThree continued to perform well. On the other hand, not owning pharmaceutical company AstraZeneca and miner Glencore were detractors from relative performance as both shares performed well,

“ We expect to see greater differentiation between company performance in the coming months, with operational resilience and the ability to pass on cost increases to customers becoming increasingly important

with AstraZeneca buoyed by positive drug trial results. Elsewhere IG Group shares underperformed, despite solid first quarter results.

We made a new investment in Homeserve during the month. This company offers various heating, plumbing and electrical insurance and repair services to homeowners in the UK, US and certain European countries, as well as owning the online services directory Checkatrade in the UK and similar businesses overseas. It has a strong growth track record, over many years, with a particularly successful and market leading US business. The shares have fallen back in the last year on the back of disruption to Checkatrade's growth from the pandemic, and some other specific issues, such as the decision to cancel and write-off a new IT system. This brought the valuation down to a level which, in our view, did not reflect the growth prospects or quality of the business. Elsewhere, we continued to build the position in Drax early in the month, and also added to household products company PZ Cussons after a reassuring trading update.



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 32 years investment experience. He is pictured here with Matthew Tillett, Senior 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 largest sales were the two companies that received recommended takeover bids in August. We sold out of Meggitt completely and sold approximately half of the holding in Stock Spirits, both at prices above the agreed takeover bids. We also sold the remaining position in Inchcape after the shares had more than doubled from their 2020 low point, and the valuation had reached our assessment of fair value. In addition to the benefit from realising gains in these shares, the recycling of capital into new investments also helps the Merchants' income generation. Despite Meggitt and Inchcape both suspending dividends during the pandemic, we held onto the shares, and indeed added to the positions, believing that they offered considerable upside potential. Selling these companies at fair prices, along with Stock Spirits, provides funds to invest in higher yielding shares.

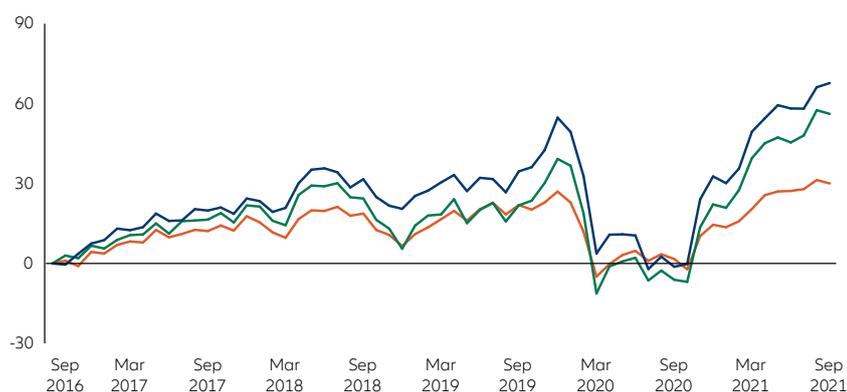
As we touched on above, the outlook for company profitability is subject to contrasting forces. Order growth in many industries is robust or even strong, benefitting from pent up demand, high consumer savings and low interest rates. Yet cost pressures are building, and many companies are suffering from logistical challenges. We expect to see greater differentiation between company performance in the coming months, with operational resilience and the ability to pass on cost increases to customers becoming increasingly important. We have constructed a portfolio of reasonably priced, but sound quality businesses, that we believe can perform well in the medium term, in order to deliver an income stream and capital returns in line with Merchants' objectives.

Simon Gergel
18 October 2021

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 (debt at fair value)

■ 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	6.0	12.2	69.8	27.4	67.7
NAV (debt at fair value)	7.4	11.7	66.1	25.4	55.9
Benchmark	2.2	8.0	27.9	9.5	30.0

Discrete 12 Month Returns to 30 September (%)

	2021	2020	2019	2018	2017
Share Price	69.8	-26.6	2.2	9.8	19.9
NAV (debt at fair value)	66.1	-22.9	-2.1	6.8	16.4
Benchmark	27.9	-16.6	2.7	5.9	12.1

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.09.21. Copyright 2021 © 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.

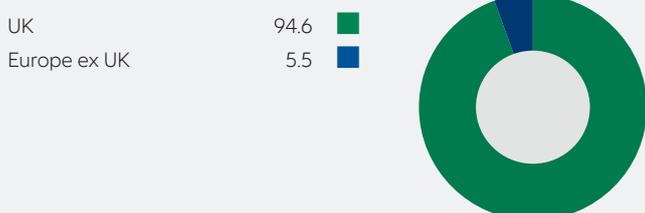
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	21.7	
Consumer Staples	15.0	
Consumer Discretionary	14.4	
Industrials	14.2	
Energy	10.8	
Utilities	9.1	
Health Care	6.3	
Communication Services	3.1	
Materials	2.1	
Real Estate	1.5	
Cash	1.8	

Geographic Breakdown* (%)



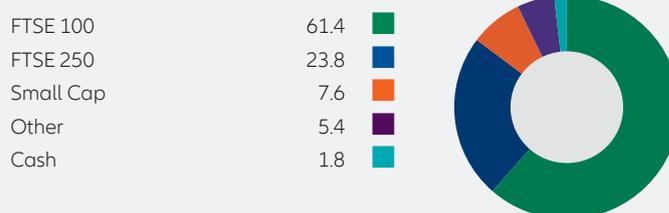
Top Ten Holdings (%)

GlaxoSmithKline	4.9
British American Tobacco	4.5
Imperial Brands	4.2
Royal Dutch Shell - B Shares	4.0
BP	3.8
BAE Systems	3.4
Scottish & Southern Energy	3.4
WPP	3.3
Legal & General	3.2
Vodafone	3.1

Total number of holdings** 47

**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.

*Excludes Cash

Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE All-Share
Annual Management Fee	0.35%
Performance Fee	No
Ongoing Charges ¹	0.61%
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 (31.01.2021). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses, which include the annual management fee, incurred in the running of the company but excluding financing costs.

Board of Directors

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

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 30.09.21 unless otherwise stated.

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