

The Merchants Trust PLC

Presentation to the Annual General Meeting,
10 May 2011

informed
RCM



The Merchants Trust

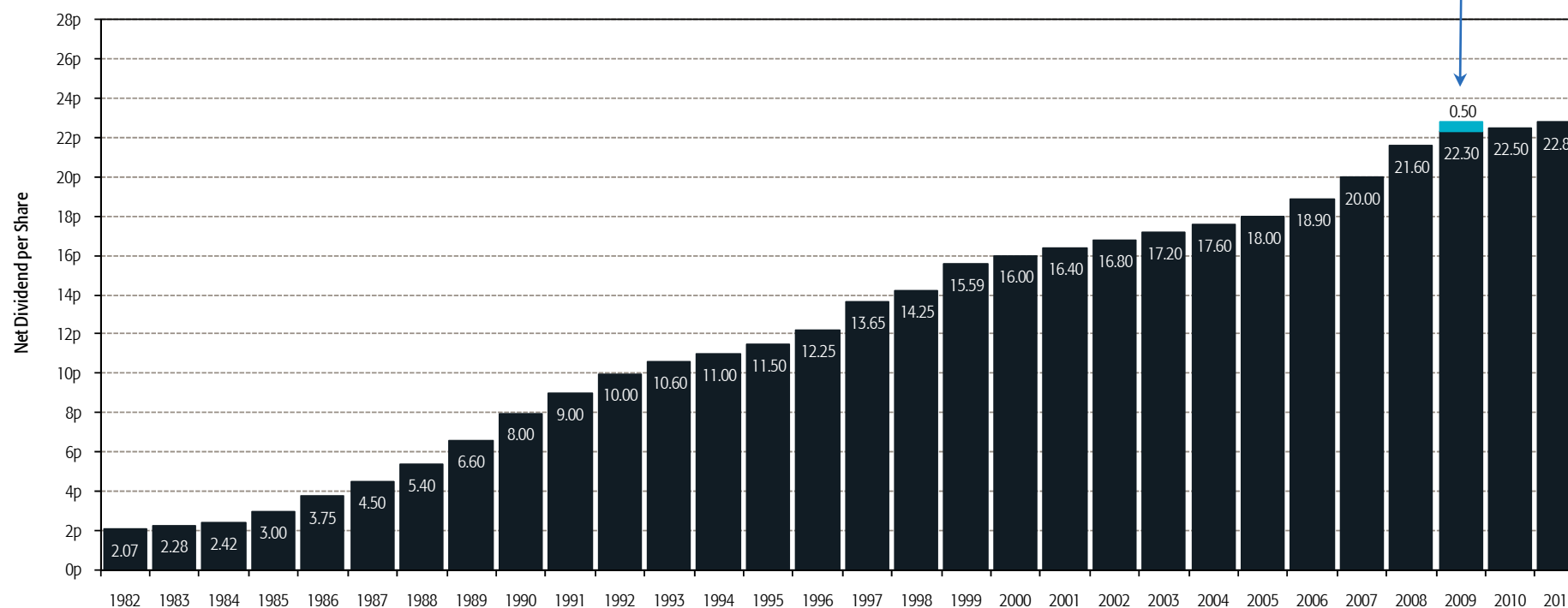
29 years of uninterrupted dividend growth

Year to January	2010	2011
Ordinary dividend	22.5p	22.8p

Revenue reserves available to smooth dividends

Revenue reserves (31/01/11)*	£12.8m
Pence per share	12.4p

Special
Dividend



Source: RCM. *Excludes dividends declared but not paid at year end.

The Merchants Trust

Valuation summary

	31 January 2010	31 January 2011	Change (%)	03 May 2011	Change (%)
Total Assets	£498m	£552m	+10.8	£564m	+2.2
Net Assets Value Per Share	372.8p	427.1p	+14.6	433.7p	+1.5
Share Price	329p	407p	+23.7	427.9p	+5.1
Premium/(Discount) (Debt at Market Value)	(7.7%)	(0.1%)	-	2.0%	
Premium/(Discount) (Debt at Book Value)	(11.7%)	(4.7%)	-	(1.3%)	
Yield	6.8%	5.6%	-	5.3%	

*Excluding special dividend.

Source: 2009/2010 Accounts/Consortium list at 3 May 2011.

The Merchants Trust

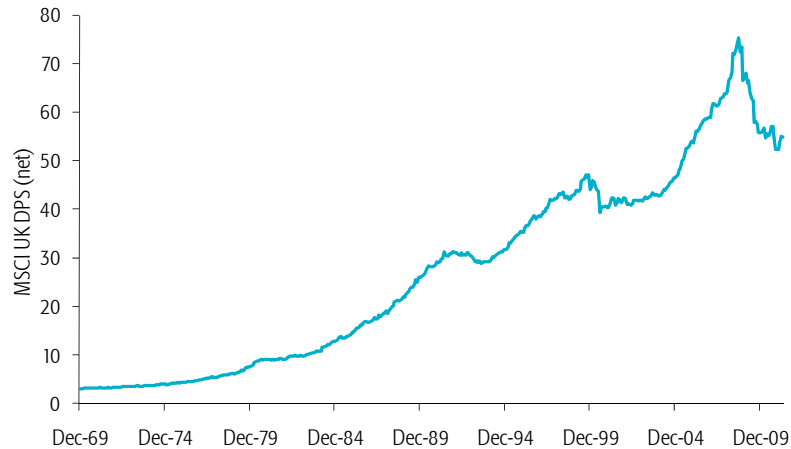
Yield comparisons

Merchants Trust	5.3%
FTSE All Share Index	2.9%
FTSE 100 Index	3.0%
Ten Year Gilts	3.4%
Cash (Base Rates)	0.5%

The Merchants Trust

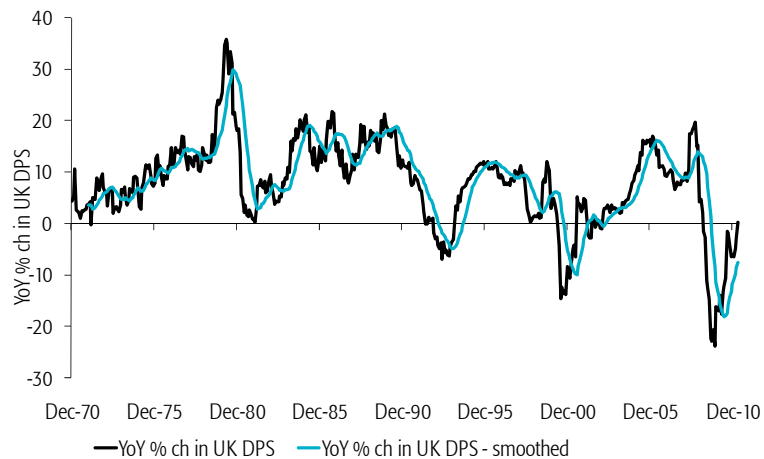
UK Dividend outlook

UK dividends since 1969



- Long-term UK dividend growth around 7.5% p.a.
- After exceptional cuts, dividends now growing again
- 2010 impacted by BP cut
- Consensus expectations show double digit dividend growth in 2011 and 2012
- Merchants Trust has reserves of 12.4p after 1.6p drawdown
- Call overwriting added £2m or 8% of 2010 income

UK dividend growth



Source: ??, as at XX

The Merchants Trust

Borrowings

	31 Jan 2010 (£m)	%	31 Jan 2011 (£m)	%
Total Assets	498	100	552	100
Borrowings	113	23	111	20
Shareholders Funds	385	77	441	80

Average Maturity

12 years

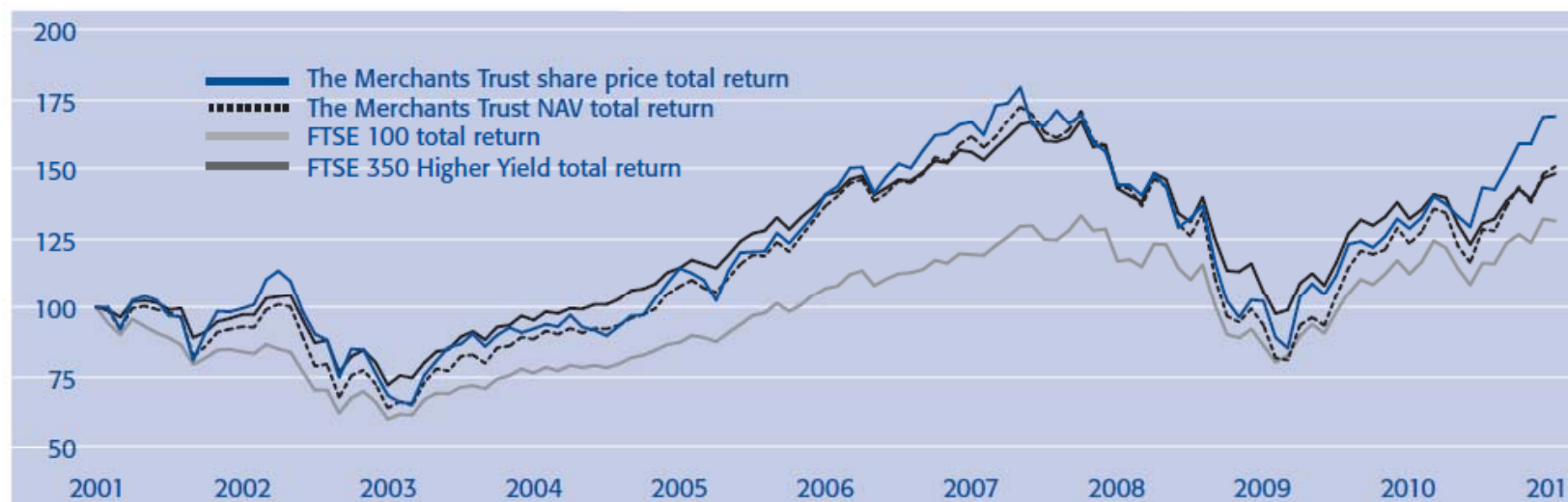
Average Interest Charge

8.5%

The Merchants Trust

Total return history

The Merchants Trust 10 year cumulative return compared to key UK equity indices

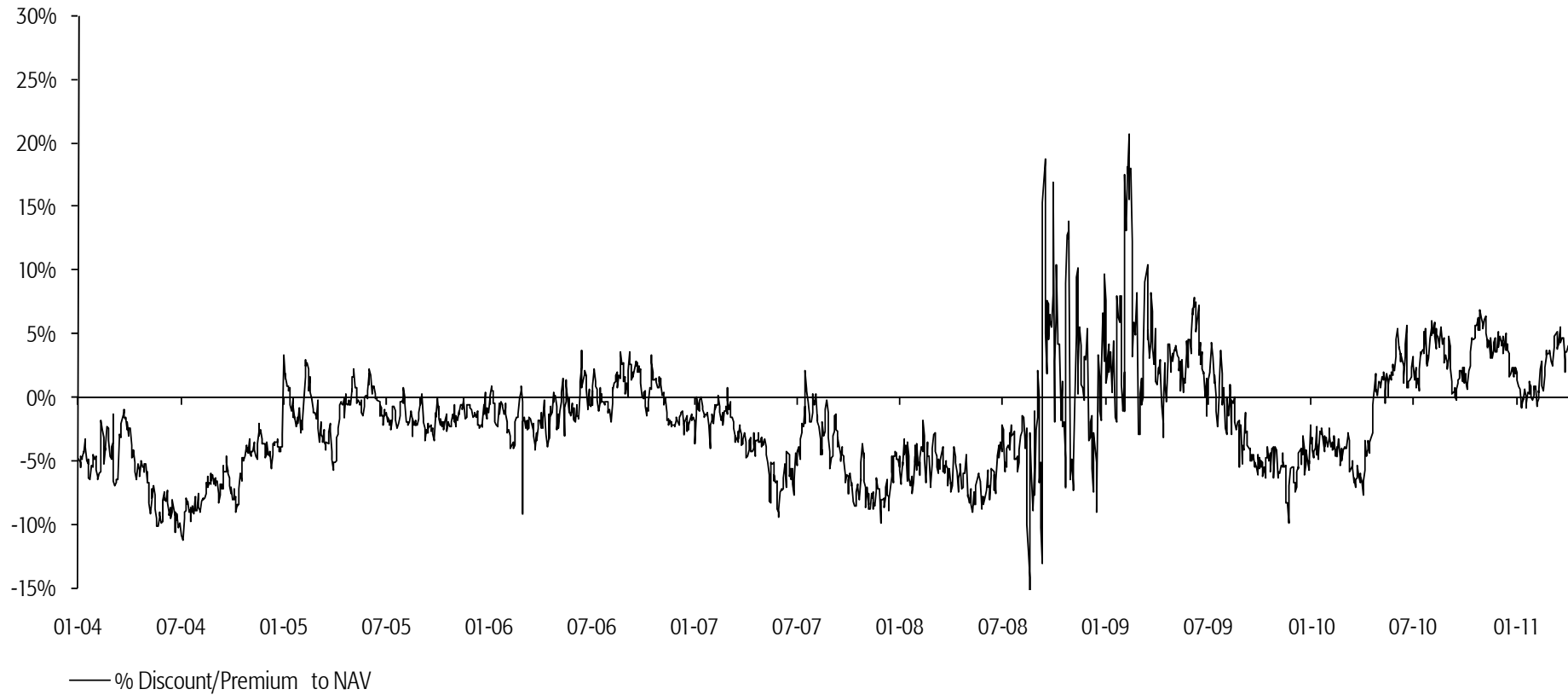


- Strong 10 year returns compared to FTSE 100 and FTSE 350 Higher Yield Indices
- 2010/11 Portfolio total return and NAV total return ahead of both indices
- 2010/11 Strong performance within peer group

The Merchants Trust

Share discount to N.A.V.

% Discount/Premium to NAV (Fair Value)
31/01/04 to 03/05/11



The Merchants Trust

Total return 2010/11 compared to FTSE 100 Index

Stocks that added value	Relative Weighting	Stocks that detracted value	Relative Weighting
Premier Farnell	+	Rio Tinto	-
Arriva	+	GlaxoSmithKline	+
Brit Insurance	+	BAE Systems	+
Melrose	+	Unilever	+
BT	+	Anglo American	-

- **Strong performance:** driven by selected medium sized companies
- **Takeover bids:** for Arriva, Brit Insurance and International Power
- **Negative factors:** low exposure to strong mining sector and exposure to large “defensives”

+ = Overweight vs. Index - = Underweight vs. Index

Source: RCM.

The Merchants Trust

Key portfolio changes in the financial year to 31 January 2011

New additions	Disposals
United Business Media	Arriva
Daily Mail & General Trust	Rexam
Hays	Halfords
Imperial Tobacco	Informa
Tesco	International Power
Hiscox	Inchcape
Inmarsat	International Personal Finance
Cobham	
Greene King	

- 9 new additions, 7 disposals, 48 holdings at year end
- Bought media, undervalued growth and defensives
- Sold takeovers, recovered cyclical and low conviction holdings

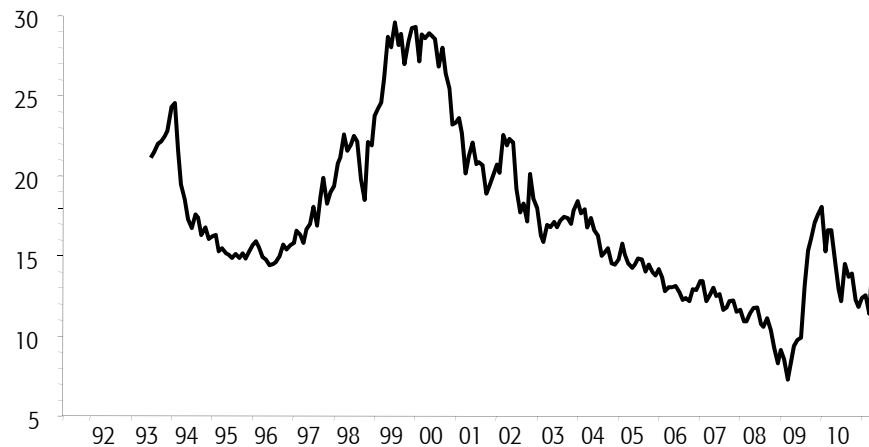
The Merchants Trust

Economic and market outlook

Positives

- Continuing economic recovery
- Stimulative monetary policy
- Growth in emerging markets
- Corporate profits and dividends growing
- Corporate balance sheets rebuilt
- FTSE 100 revenue is >60% international
- Valuations modest

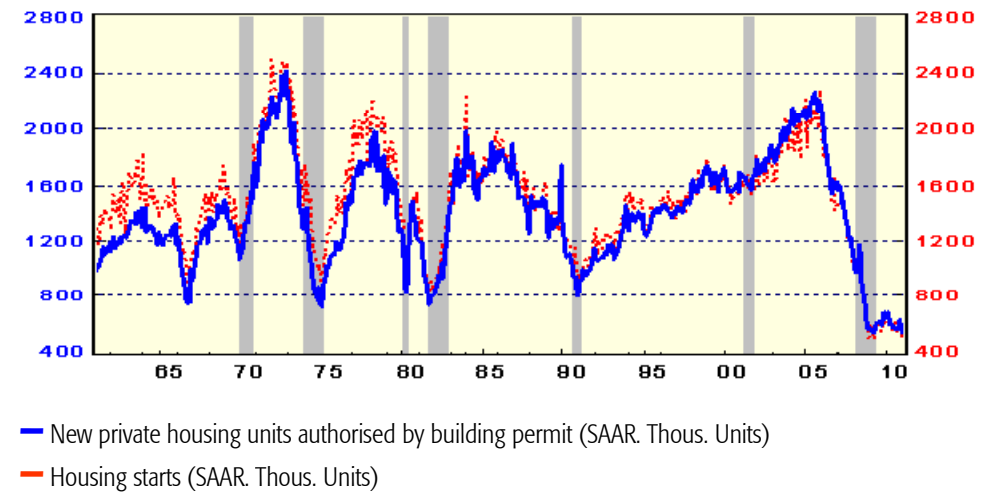
FTSE 100 Price/Earnings Ratio¹



Negatives/Risks

- Debt overhang, budget deficits
- US housing market depressed, budget deficit to be addressed
- Eurozone periphery pressures
- Chinese inflation, tighter policy
- Interest rate cycle turning
- UK austerity measures

US new housing construction²



¹Source: Thomson Datastream as at 5 May 2011. ²Sources: Census Bureau/Haver Analytics.

The Merchants Trust

Our central views

- Sharp recovery from depressed levels now over
- Medium term economic growth will be muted as debt burden is paid down
- Corporate spending likely to grow faster than consumer or government
- Equities offer long term value especially vs. gilts
- Markets likely to remain volatile as risks persist



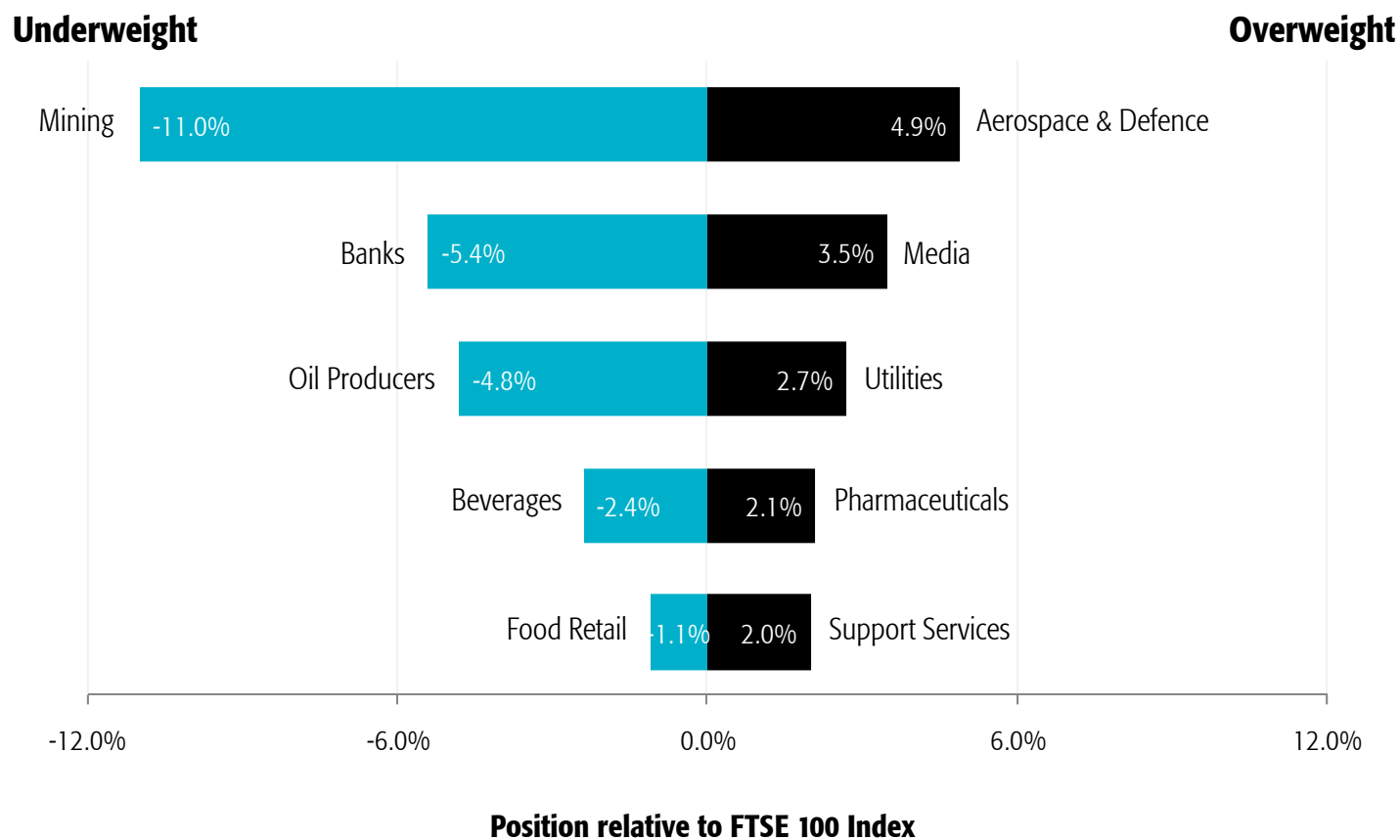
The Merchants Trust

Portfolio themes

- Large core holdings in well financed, “mega” caps with strong franchises and good yields
 - **GlaxoSmithKline, Royal Dutch Shell, Vodafone, Scottish & Southern Energy**
- Favour high quality, growth stocks on reasonable valuations
 - **Reckitt Benckiser, Bunzl, IG Group, Ashmore**
- Exposure to emerging market consumer spending growth
 - **Unilever, BATS, GlaxoSmithKline, United Business Media**
- Management turnaround and recovery situations attractive
 - **Unilever, Compass, Melrose, Resolution, Premier Farnell**
- Media sector exposed to corporate operational expenditure with attractive valuations
 - **United Business Media, Daily Mail & General Trust, Reed Elsevier, WPP**
- Companies exposed to government spending cuts oversold
 - **BAE Systems, Balfour Beatty, Hays, Cobham**
- Limited exposure to mining (muted recovery) and banks (low dividends)

The Merchants Trust

Sector views



The Merchants Trust

Summary

- 29 year record of dividend increases maintained
- Supportive dividend reserve position
- Equity market fair value but there are risks
- Portfolio defensively positioned with selected exposure to higher growth stocks
- Volatility continues to present stock selection opportunities

Appendices

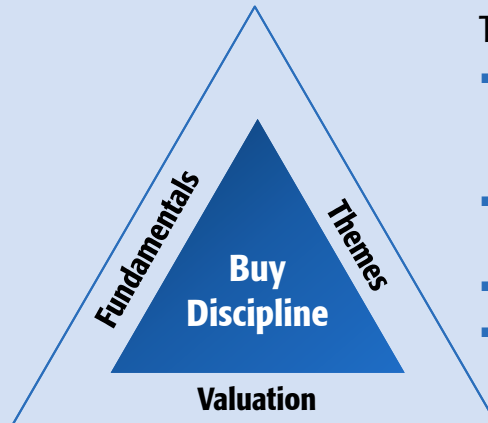


The Merchants Trust

Premier Farnell: High service distributor of industrial and electronic products

Fundamentals

- 1 of 4 leading companies in a fragmented global market
- 400,000 stock items and 2m customers provides significant barrier to competitors
- Good pricing power due to high service, low volume orders
- Exceptional management team with clear strategy
- Grassroots Research® confirms UK strengths



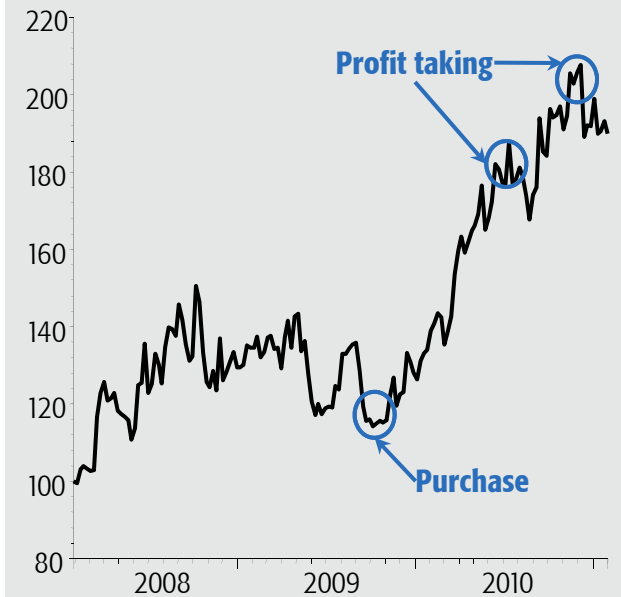
Themes

- Internet dramatically improving business fundamentals; higher sales, lower costs
- Strong growth in developing markets
- Anticipated cyclical recovery
- Restructuring underway with significant momentum

Valuation (at purchase)

- P/E of 8x on forecast recovered earnings
- 9% free cash flow yield
- 5.7% dividend yield
- 1.1x Ev/S vs 13% normal margin

Share price relative to FTSE All Share Index



Disclaimer

Please remember that past performance is not a guide to future performance. 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. You should not make any assumptions about the future on the basis of this information.

Except for products investing exclusively in the UK, currency exposure exists in all funds. These funds will suffer a negative impact if sterling rises in value relative to the currencies in which the investments are made.

The information is for the sole use of the addressee, who it is believed is a professional customer as defined by the Financial Services Authority, Allianz Global Investors staff or consultants and independent financial advisers who have received instructions from RCM (UK) Ltd. Some of the products or product types are not suitable for retail investors. If you are not sure if you are a professional customer as defined by the Financial Services Authority please contact our Compliance Department. Furthermore, the material contained herein is directed only at persons or entities in any jurisdiction or country where such information and the use thereof is not contrary to local law or regulation. Accordingly, it may not be reproduced in any form without the express permission of RCM (UK) Ltd. To the extent that it is passed on, care must be taken to ensure that this is in a form which accurately reflects the information presented here and that it complies with the laws and regulations of any jurisdiction in which it is used.

While RCM (UK) Limited believe that the information is correct at the date of this document, no warranty or representation is given to this effect and no responsibility can be accepted by RCM (UK) Limited to any intermediaries or end users for any action taken on the basis of the information.

The information contained herein including any expression of opinion is for information only and is given on the understanding that anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk.

Allianz Global Investors represents products and services of RCM (UK) Ltd. Authorised and regulated by the Financial Services Authority, their registered office 155 Bishopsgate, London, EC2M 3AD, telephone +44 (0)20 7859 9000 and is a wholly owned subsidiary of Allianz SE. This document has been issued in the UK by RCM (UK) Ltd. and complies with UK regulations. Registered in England No 2014586. Member of the Allianz Global Investors Marketing Group.

For our mutual protection, calls are recorded and may be used for quality control and training purposes, however, Allianz Global Investors reserves the right to use such recordings in the event of a dispute.

Web site: www.rcm.co.uk

Web site: www.allianzgi.co.uk

The Merchants Trust PLC

Presentation to the Annual General Meeting,
10 May 2011

informed
RCM



The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 1 - to receive and adopt the Annual Financial Report

For	Discretion	Against	Withheld
25,534,296	252,437	100,526	4,772,922

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 2 - to declare a final dividend

For	Discretion	Against	Withheld
30,371,210	249,122	24,974	14,876

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 3 - to re-elect Mr Mike McKeon as a Director

For	Discretion	Against	Withheld
29,732,205	258,942	221,948	387,087

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 4 - to re-elect Mr Henry Staunton as a Director

For	Discretion	Against	Withheld
29,795,370	258,942	212,669	393,201

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 5 - to elect Mr Paul Yates as a Director

For	Discretion	Against	Withheld
29,732,342	258,942	158,085	510,813

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 6 - to approve the Directors' Remuneration Report

For	Discretion	Against	Withheld
28,319,084	254,052	1,233,217	853,829

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 7 - to re-appoint PricewaterhouseCoopers LLP as Auditors

For	Discretion	Against	Withheld
29,446,961	254,653	459,181	499,387

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 8 - to authorise the Directors to determine the remuneration of the Auditors

For	Discretion	Against	Withheld
29,904,272	254,653	152,317	348,940

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 9 - to authorise the Directors to allot Shares

For	Discretion	Against	Withheld
29,266,032	256,682	668,646	468,822

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 10 - to disapply pre-emption rights

For	Discretion	Against	Withheld
28,513,412	260,581	1,242,025	644,164

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 11 - to authorise the Company to make market purchases of Ordinary Shares

For	Discretion	Against	Withheld
29,499,042	253,436	589,778	317,926

The Merchants Trust PLC
Annual General Meeting, 10 May 2011

Resolution 12 - to enable the Company to call a meeting on not less than 14 days' clear notice

For	Discretion	Against	Withheld
29,384,459	247,316	816,719	211,688

The Merchants Trust PLC

Presentation to the Annual General Meeting,
10 May 2011

informed
RCM

