

The Merchants Trust PLC

Factsheet

29 November 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.

Fund Manager's Review



Simon Gergel

Economic news flow in November was generally positive in the UK and USA. Expectations for growth in the UK economy have been rising with the Bank of England bringing forward the date they expect unemployment to fall to 7% to the fourth quarter of 2014. In the USA, October payroll and building permits data were stronger than expected. However stronger growth is seen perversely as a concern in financial markets, as it may hasten the day when central banks "taper" their asset purchases. This flow of money has supported many financial markets in recent years. It was a relatively quiet month in the stock market with the FTSE 100 Index staying in a tight trading range, although trending downwards, and delivering a total return of -0.8% over the month. The best performing large sectors were Mobile Telephony, Travel & Leisure and Pharmaceuticals, all showing modest gains. The worst performing sector was Non-life Insurance with a profit warning at RSA Insurance. Utilities and Mining were also weak.

The Trust's NAV fell by 1.87% over the month, slightly behind the FTSE 100 Index. Britvic shares rose on strong results and the signing of a 15 year contract with PepsiCo for distributing its FruitShoot range in 41 US states. Daily Mail and General Trust also continued its rally on the back of confidence about its business services operations. Elsewhere BAE systems shares retreated, following strong earlier performance, as anticipated news on Eurofighter contracts failed to come through. SSE and other utilities were weak on concerns about greater political risk in the sector.

We made a new investment in property company Hammerson which owns prime retail shopping centres in the UK and France as well as having a stake in designer outlet malls such as Bicester Village. Merchants has owned Hammerson in the past but recent share price underperformance allowed us to invest again at an approximate 10% discount to its net asset value which we see as well underpinned. We sold out of the engineering and aerospace company Meggitt and the speciality lender Close Brothers which have both been excellent performers and we believe offer less value at current levels. We also sold out of the Royal Mail holding purchased at the IPO on valuation grounds.

We are wary of extrapolating recent improvements in the UK's economic performance due to enduring high consumer and government debt levels which are likely to subdue activity. However we believe many companies are trading well, dividend growth is solid and we are finding investment opportunities within the stock market, especially amongst the "mega" caps and certain recovery situations.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	3.6	7.2	37.3	52.4	151.1
NAV	3.2	4.3	26.3	54.3	124.9
FTSE 100	4.4	2.8	17.5	34.2	86.6

Discrete Performance (%)

From To	28.11.08 30.11.09	30.11.09 30.11.10	30.11.10 30.11.11	30.11.11 30.11.12	30.11.12 29.11.13
Share Price	30.4	26.3	0.4	10.6	37.3
NAV	28.0	13.9	5.3	16.1	26.3
FTSE 100	26.3	10.0	3.2	10.7	17.5

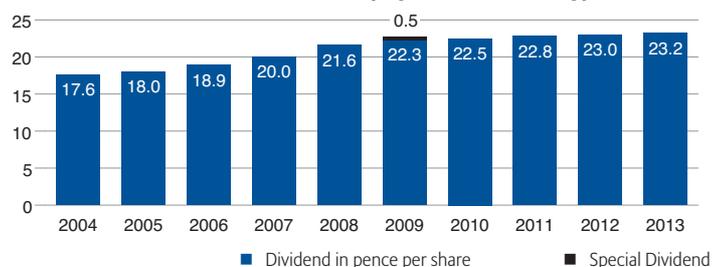
Source: Lipper, percentage growth, mid to mid, total return to 29.11.13. Benchmark: FTSE 100 Index.

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.

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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 29.11.13 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:	£650.6m
Gearing (net):	17.8%
Shares in Issue:	103,413,464 (Ordinary 25p)
Share Price ¹ :	498.1p
Net Asset Value ² :	508.1p (484.3p – debt at market value)
Premium/-Discount to NAV ² :	-2.0% (2.8% – debt at market value)
NAV Frequency	Daily
Dividend Yield ³ :	4.70%

1. Source: Lipper as at 29.11.13, market close mid price.

2. Source: Datastream as at 29.11.13. 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 29.11.13 unless otherwise stated.

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Sector Breakdown (%)

Financials	18.9	
Consumer Services	18.4	
Oil & Gas	15.0	
Industrials	12.7	
Utilities	9.8	
Health Care	7.7	
Consumer Goods	6.0	
Telecommunications	5.4	
Basic Materials	3.4	
Cash	2.7	

Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.6	BHP Billiton	3.3
GlaxoSmithKline	7.7	Resolution	3.3
BP	6.3	British American Tobacco	3.2
HSBC	6.2	Scottish & Southern Energy	2.9
BAE Systems	3.5	Vodafone	2.8
Total Number of Holdings	47*		

*excludes derivatives

Net Dividends

	Pay Date	Record Date	Payment
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
3rd quarterly dividend	27.02.13	01.02.13	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:

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