

The Merchants Trust

High income and dividend growth

The Merchants Trust (MRCH) invests in a portfolio of primarily large-cap UK equities aiming to generate income and long-term capital growth. MRCH differentiates itself from its peers due to its high income and dividend growth – its dividend yield is consistently above the benchmark FTSE 100 index – and has 34 years of consecutive annual dividend growth. Near-term investment performance has improved; this is partly a function of rising bond yields as investors are starting to rotate away from expensive bond proxies and towards more cyclical, higher-yielding sectors of the UK stock market. MRCH is now outperforming its benchmark over five years. Gearing of up to 25% of net assets is permitted.

12 months ending	Share price (%)	NAV (%)	FTSE 100 (%)	FTSE All-Share (%)
31/12/12	11.8	15.8	10.0	12.3
31/12/13	40.3	27.4	18.7	20.8
31/12/14	(3.5)	(1.6)	0.7	1.2
31/12/15	(3.3)	0.6	(1.3)	1.0
31/12/16	10.9	13.7	19.1	16.8

Source: Thomson Datastream. Note: All % on a total return basis in GBP.

Investment strategy: Income, growth and valuation

Manager Simon Gergel runs a relatively concentrated portfolio of c 40-50 stocks selected for high and growing income with the potential for long-term capital growth. The investment process combines three elements: fundamentals, valuation and themes. MRCH's portfolio is diversified by sector; currently the largest overweight exposures versus the benchmark are industrials, utilities and consumer services, while the largest underweight exposures are to consumer goods and basic materials. As well as offering a consistently higher dividend yield than the benchmark, MRCH's compound growth in annual dividends is considerably higher than the growth in UK inflation over the long term (see Exhibit 10, page 7).

Market outlook: Attractive large-cap valuations

Although UK equities have rallied significantly following the post-Brexit vote sell-off, the dividend yield of the FTSE 100 index is in line with the average of the last five years. Large-cap UK equities remain marginally more attractively valued than smaller-caps on a forward P/E multiple basis and they offer a meaningfully higher dividend yield. For investors wishing to gain exposure to UK equities, a fund offering high and growing income with the potential for long-term capital growth may appeal.

Valuation: Discount modestly wider than average

MRCH's current 5.0% share price discount to cum-income NAV (with debt at market value) is modestly wider than the averages of the last three, five and 10 years (2.9%, 2.3% and 2.0% respectively). There is potential for the discount to narrow if near-term improved investment performance is maintained and as the date for the maturity of the first tranche of MRCH's high-cost debt in January 2018 approaches. MRCH has a progressive dividend policy; its annual dividend has increased for 34 consecutive years and the current dividend yield is 5.1%.

Investment trusts

9 January 2017

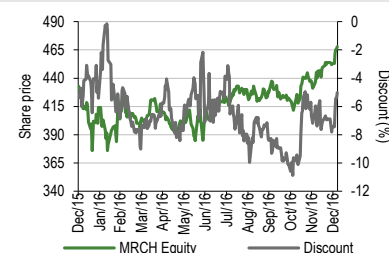
Price 468.0p
Market cap £509m
AUM £664m

NAV* 480.6p
Discount to NAV 2.6%
NAV** 492.7p
Discount to NAV 5.0%

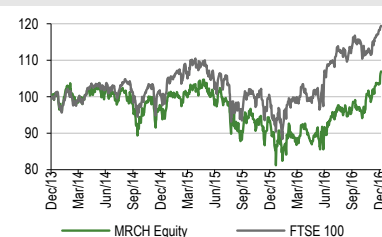
*Excluding income. **Including income. As at 5 January 2017.

Yield 5.1%
Ordinary shares in issue 108.7m
Code MRCH
Primary exchange LSE
AIC sector UK Equity Income
Benchmark FTSE 100 index

Share price/discount performance



Three-year performance vs index



52-week high/low 468.0p 376.0p
NAV** high/low 493.1p 378.3p

**Including income.

Gearing

Gross* 20.8%
Net* 19.4%

*As at 30 November 2016.

Analysts

Mel Jenner +44 (0)20 3077 5720
Sarah Godfrey +44 (0)20 3681 2519

investmenttrusts@edisongroup.com

[Edison profile page](#)

The Merchants Trust is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

The Merchants Trust's investment objective is to provide an above-average level of income and income growth, together with long-term growth of capital through investing mainly in higher-yielding UK FTSE 100 companies. The benchmark index is the FTSE 100 index.

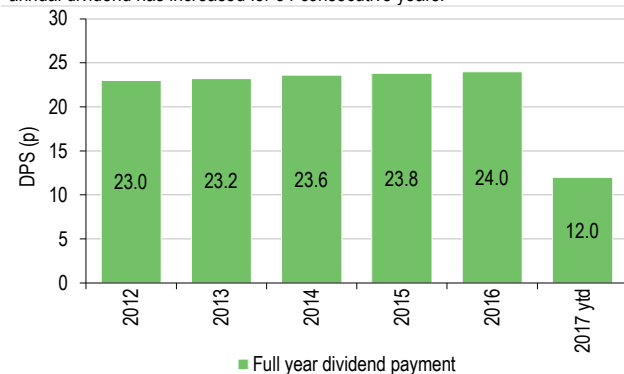
Recent developments

- 29 September 2016: Appointment of Timon Drakesmith as non-executive director, effective 1 November 2016.
- 16 September 2016: Six-month results ending 31 July 2016. NAV TR +4.9% versus benchmark TR +13.1%. Share price TR +5.3%. Second interim dividend of 6.0p declared.
- 4 July 2016: First interim dividend of 6.0p declared.

Forthcoming		Capital structure		Fund details	
AGM	May 2017	Ongoing charges	0.58%	Group	Allianz Global Investors
Final results	March 2017	Net gearing	19.4%	Manager	Simon Gergel
Year end	31 January	Annual mgmt fee	0.35%	Address	199 Bishopsgate, London, EC2M 3TY, UK
Dividend paid	Quarterly	Performance fee	None	Phone	+ 44 (0)800 389 4696
Launch date	February 1889	Trust life	Indefinite	Website	www.merchantstrust.co.uk
Continuation vote	N/A	Loan facilities	See page 7		

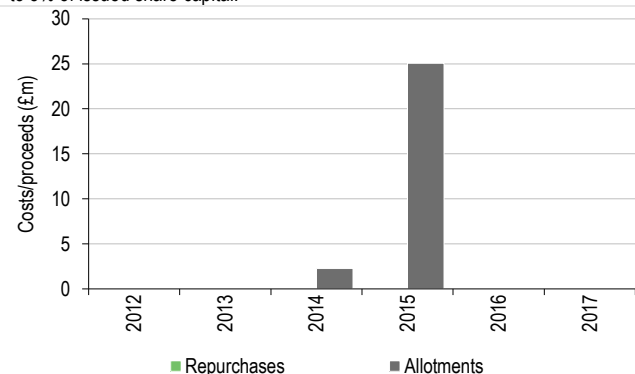
Dividend policy and history

Dividends are paid quarterly in August, November, February and May. The annual dividend has increased for 34 consecutive years.

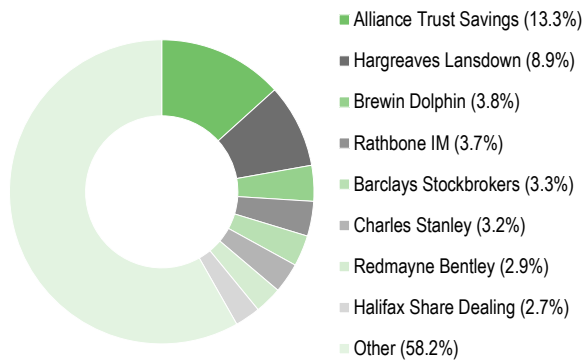


Share buyback policy and history (financial years shown)

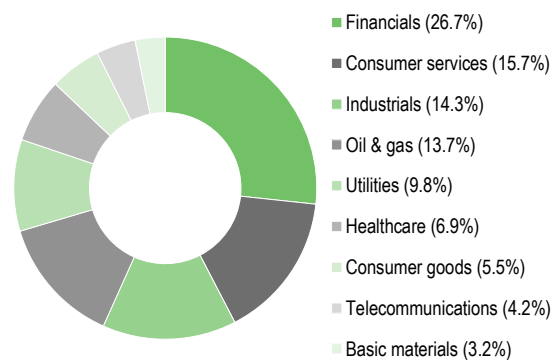
Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.



Shareholder base (as at 7 December 2016)



Sector breakdown of portfolio (excluding cash, as at 30 November 2016)



Top 10 holdings (as at 31 December 2016)

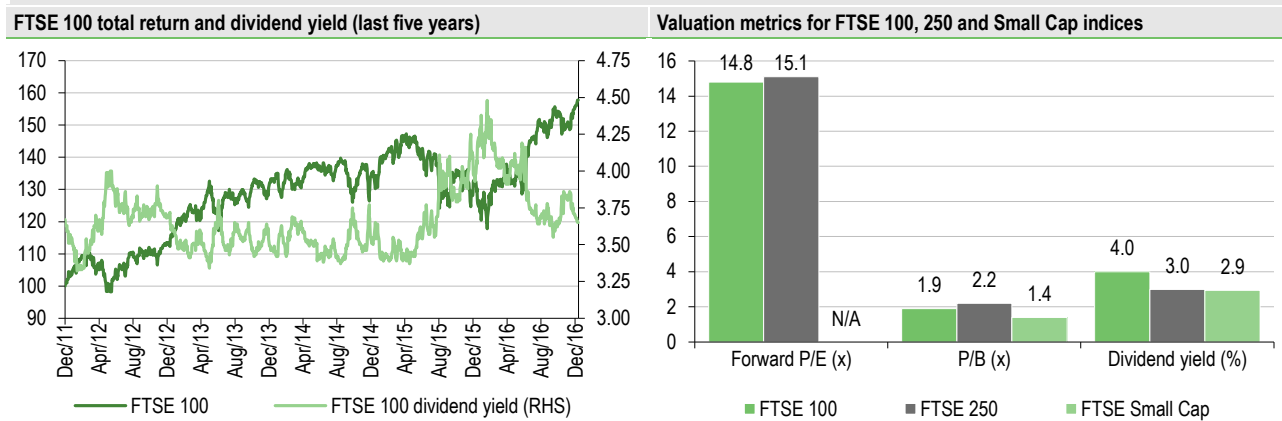
Company	Sector	Portfolio weight %	
		31 December 2016	31 December 2015*
Royal Dutch Shell 'B' Shares	Oil & gas	8.3	6.2
GlaxoSmithKline	Healthcare	7.4	6.9
BP	Oil & gas	6.1	4.5
HSBC	Banks	5.8	6.4
UBM	Media	4.0	4.7
Lloyds Banking Group	Banks	3.8	3.7
Centrica	Utilities	3.1	N/A
Inmarsat	Telecoms	2.9	3.4
Tate & Lyle	Consumer goods	2.8	N/A
SSE	Utilities	2.7	2.6
Top 10		46.9	44.0

Source: The Merchants Trust, Edison Investment Research, Morningstar, Bloomberg. Note: *N/A where not in December 2015 top 10.

Market outlook: Large-caps relatively attractive

Exhibit 2 (left-hand side) shows the total return and dividend yield of the FTSE 100 index over the last five years. UK share prices have rallied strongly following the post-Brexit vote sell-off and the FTSE 100 index has hit a record high. However, the current dividend yield of the FTSE 100 index is in line with the average of the last five years. As shown in Exhibit 2 (right-hand side), the valuation of UK large-cap companies remains marginally more attractive than for smaller-cap companies on a forward P/E basis and more significantly on a dividend yield basis. For investors looking for exposure to large-cap UK equities, a fund with a long-term record of high and growing income may be of interest.

Exhibit 2: Market performance and valuation



Source: Thomson Datastream, Edison Investment Research, Bloomberg

Fund profile: High and growing income

Launched in 1889, MRCH is a well-established investment trust. It aims to provide a high and growing level of income and long-term capital growth by investing mainly in higher-yielding, large-cap UK equities. Since April 2006, MRCH has been managed by AllianzGI's chief investment officer of UK equities, Simon Gergel, who runs a relatively concentrated portfolio of c 40-50 positions. MRCH is currently benchmarked against the FTSE 100 rather than the FTSE All-Share index, although at end-November 2016 c 35% was invested outside the benchmark. Gearing as a percentage of net assets (at the time of drawdown) of 10-25% is permitted. No single investment may exceed 15% of total assets at the time of purchase and individual sector exposure is limited at 35% of the portfolio. MRCH has one of the highest dividend yields in the AIC UK Equity Income sector and has 34 years of consecutive dividend growth – this has continued through many economic cycles including the global financial crisis; when necessary, reserves have been used to ensure consistent annual dividend growth.

The fund manager: Simon Gergel

The manager's view: Attractive investment opportunities

Manager Simon Gergel comments that the FTSE 100 is outperforming mid-cap stocks for the first time in many years. There has been strong performance from mega-cap companies such as HSBC, BP and Royal Dutch Shell, where MRCH has greater exposure than most of its peers, although it does have c 35% of the portfolio outside the benchmark. MRCH's near-term performance has also benefited from higher bond yields – in H116, the high value of its debt was a drag as bond yields fell; however, the value of MRCH's debt has fallen with higher bond yields. Gearing has also enhanced investment returns as the UK market has rallied significantly in recent months.

The manager highlights three areas of the UK stock market that he considers particularly interesting on a valuation basis: mega-caps, telecoms/utilities and recovery stocks. Despite recent upward stock price moves, the manager suggests that some mega-cap companies still offer good value, such as BP, HSBC and Royal Dutch Shell. They have dividend yields of c 6% and Gergel has more confidence in their ability to continue to pay high dividends. A recent addition to the portfolio is BT, where the manager took advantage of a pullback in the share price to repurchase a position; an 8% free cash flow yield is viewed as attractive. Although there have been concerns about the competitive environment, the manager believes that the acquisition of EE ensures that BT has the leading mobile and fixed network and the deal offers the opportunity for major cost savings. In addition, higher bond yields are reducing the size of BT's significant defined benefit pension deficit. Within utilities, exposure has been added to National Grid; its regulated earnings are protected by an inflation linkage rather than having an allowed fixed rate of return.

With regard to recovery stocks, investors had been paying high multiples for stocks with perceived earnings certainty, such as consumer staples and undervaluing many companies where the earnings outlook is depressed or uncertain. Gergel suggests that this trend appears to be turning as value stocks are recovering and quality growth/momentum stocks are starting to struggle. He highlights Marks & Spencer, where its food business is delivering robust results and the company is generating strong cash flow. However, investors do not have high confidence in management's ability to turn the clothing operations around. The manager suggests that the company's CEO is making the right decisions, although it will take time for any turnaround to become apparent.

The UK construction industry has suffered a multi-year decline, but there are now indications of higher construction and infrastructure spending. A white paper on the housing sector is due to be published in January 2017, which should lead to higher activity in the sector. In addition, there are major projects underway such as the Hinkley Point nuclear facility, expansion of Heathrow Airport, the High Speed 2 railway and higher spending on highways.

Asset allocation

Investment process: Disciplined stock selection

Manager Simon Gergel aims to generate high and growing income and long-term capital growth from a relatively concentrated portfolio of primarily large-cap UK equities. Stocks are selected based on an investment process that is a blend of three elements: fundamentals, valuation and themes. Fundamental analysis is undertaken to determine industry dynamics and a company's competitive position, financial considerations focus on cash flow strength as a key driver of performance and the potential for dividends, and a company's corporate governance record is assessed. When considering a company's valuation the manager focuses on both absolute measures and relative to its history/the overall stock market as well as dividend yield. A focus on themes takes the macroeconomic environment into account, as well as the stage of the business cycle and any industry-specific or secular issues. Positions may be sold if target prices are achieved, if there is a company/industry change so that the original buy thesis is put into question, or if a better investment opportunity has been identified; a holding is not automatically sold if its dividend yield falls below a certain level. Gergel is able to draw on extensive analyst resources at AllianzGI, which includes GrassrootsSM, a proprietary market research network.

Current portfolio positioning

At end-December 2016, MRCH's top 10 positions comprised 46.9% of the portfolio. This was a modest increase in concentration from 44.0% at end-December 2015; eight holdings were common to both periods. Exhibit 3 shows that over the last 12 months to end-November 2016 there has been a small decrease in exposure to benchmark FTSE 100 stocks, with investment increased in mid- and small-cap companies. The majority of revenue from portfolio companies is generated

overseas, such as oil and pharmaceutical companies, which have significant sales in US dollars. In periods of sterling weakness, companies with global operations, which do not hedge their currency exposure, generate higher profits, enhancing their ability to pay or increase their dividends.

Exhibit 3: Market capitalisation breakdown (%)

Index	Portfolio end-November 2016	Portfolio end-November 2015	Change (pp)
FTSE 100	62.8	66.1	-3.3
FTSE 250	30.1	27.4	2.7
FTSE Smaller Companies	5.0	3.9	1.1
FTSE AIM	0.7	1.3	-0.6
Cash	1.4	1.3	0.1
	100.0	100.0	

Source: The Merchants Trust, Edison Investment Research

Exhibit 4 shows MRCH's exposure by sector. Over the last 12 months the largest increase in exposure has been oil and gas, while the largest decreases have been consumer services, which remains an overweight position, and consumer goods, where MRCH is significantly underweight versus the benchmark as the manager considers the companies expensive. The largest overweight sector is industrials; holdings include aerospace components company Senior, which is benefiting from Airbus and Boeing ramping up their production schedules. Senior also sells into some cyclically depressed industries such as oil and gas and trucking, which have recovery potential. The manager considers that given the growth in the aerospace industry, it is an attractive time to buy shares in Senior and he believes that the company should be in a position to grow its dividend.

Exhibit 4: Portfolio sector exposure vs benchmark (% unless stated)

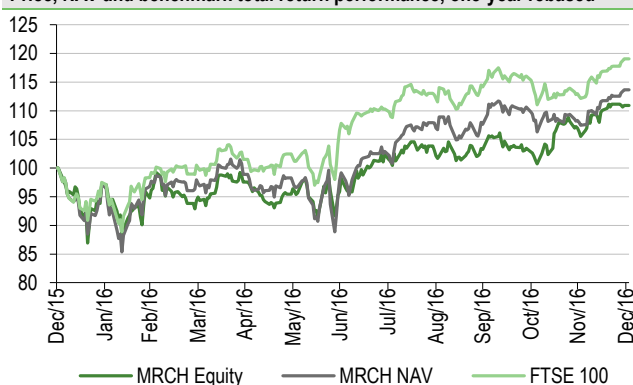
	Portfolio end-November 2016	Portfolio end-November 2015	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	26.3	26.3	0.0	22.0	4.3	1.2
Consumer services	15.5	17.6	-2.1	10.5	5.0	1.5
Industrials	14.1	13.4	0.7	7.6	6.5	1.9
Oil & gas	13.5	11.5	2.0	14.8	-1.3	0.9
Utilities	9.7	9.9	-0.2	4.2	5.5	2.3
Healthcare	6.8	6.8	0.0	10.7	-3.9	0.6
Consumer goods	5.4	7.4	-2.0	16.7	-11.3	0.3
Telecommunications	4.1	3.3	0.8	4.8	-0.7	0.9
Basic materials	3.2	2.5	0.7	8.2	-5.0	0.4
Technology	0.0	0.0	0.0	0.7	-0.7	0.0
Cash	1.4	1.3	0.1	0.0	1.4	N/A
	100.0	100.0		100.0		

Source: The Merchants Trust, Edison Investment Research, FTSE Russell

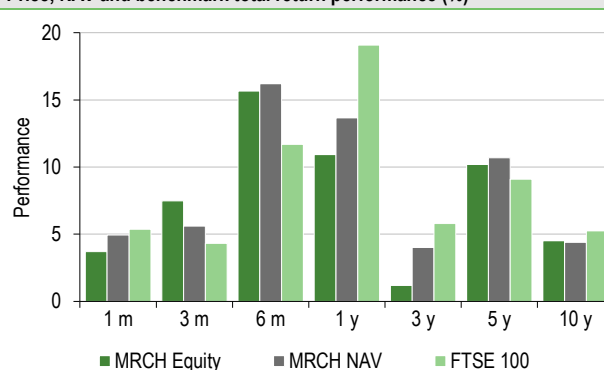
Performance: Improved near-term relative performance

Exhibit 5: Investment trust performance to 31 December 2016

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Thomson Datastream, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 5 (right-hand side) shows the absolute performance of MRCH's share price, NAV and the benchmark over both the short and long term, while Exhibit 6 highlights MRCH's performance versus the benchmark FTSE 100 and FTSE All-Share indices. Better relative performance over three and six months has led to higher relative performance over one, three and five years compared to our [last review](#), which was published in July 2016. MRCH's share price and NAV total returns are now both outperforming the benchmark over five years.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to FTSE 100	(1.6)	3.0	3.6	(6.8)	(12.5)	5.1	(6.8)
NAV relative to FTSE 100	(0.4)	1.2	4.0	(4.6)	(4.9)	7.5	(7.9)
Price relative to FTSE All-Share	(1.3)	3.4	3.3	(5.0)	(13.2)	0.3	(9.6)
NAV relative to FTSE All-Share	(0.1)	1.6	3.8	(2.7)	(5.7)	2.6	(10.6)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-December 2016. Geometric calculation.

Exhibit 7: NAV total return performance relative to benchmark over five years

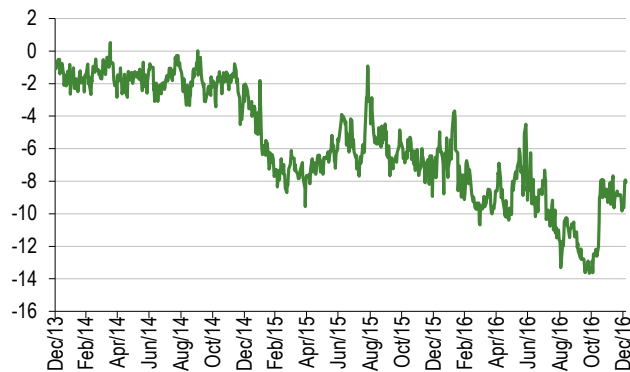


Source: Thomson Datastream, Edison Investment Research

Discount: Modestly wider than historical averages

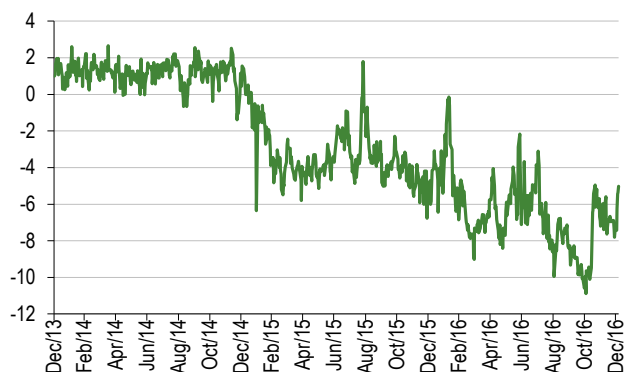
MRCH's current 5.0% share price discount to cum-income NAV with debt at market value is narrower than the 6.5% average of the last year. Over the last year, the discount has been in a range of 0.2% to 10.9%; the widest discount was on 3 November 2016, a period of heightened investor risk aversion ahead of the US presidential election. The current discount is modestly wider than the averages of the last three, five and 10 years (range of 2.0% to 2.9%).

Exhibit 8: Three-year discount to NAV (debt at par or book value)



Source: Thomson Datastream, Edison Investment Research

Exhibit 9: Three-year cum-income discount (debt at fair or market value)



Source: Thomson Datastream, Edison Investment Research

While interest rates have started to rise, they remain historically low. This means that the market value of MRCH's debt is higher than its par value (and thus the value of the NAV with debt at par

value is higher than the value of the NAV with debt at market value), so the share price discount to NAV with debt at market value is narrower than the discount to NAV with debt at par value.

Capital structure and fees

MRCH is a conventional investment trust with one class of share; there are currently 108.7m ordinary shares in issue. At the end of FY16 (January 2016), MRCH held £110m book value of debt with an average maturity of seven years and an average interest charge of 8.5%. Interest costs are split 35:65 between the revenue and capital account. The first tranche of MRCH's high-cost debt is getting closer to maturity – the £34m 11.125% debenture is repayable in January 2018. The board regularly considers options for the debt position; if it was refinanced at the current level of interest rates, the manager estimates it would add 3-4% to earnings per share.

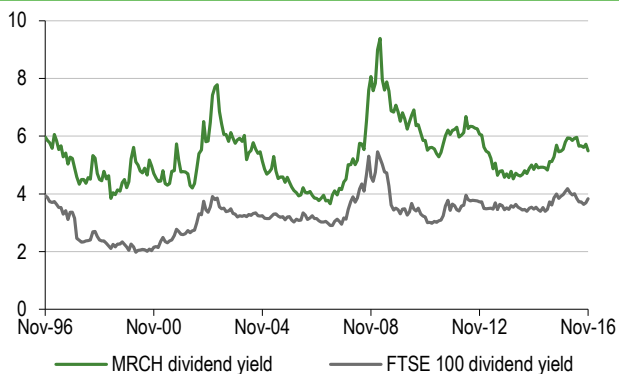
In FY16, the annual management fee was 0.35% of net assets, which was in line with the previous year, and the ongoing charge was 0.58% versus 0.62% in FY15. This is in line with the average of the larger investment trusts in the AIC UK Equity Income sector, but much lower than average when compared to all of the peers in the sector.

Dividend policy and record

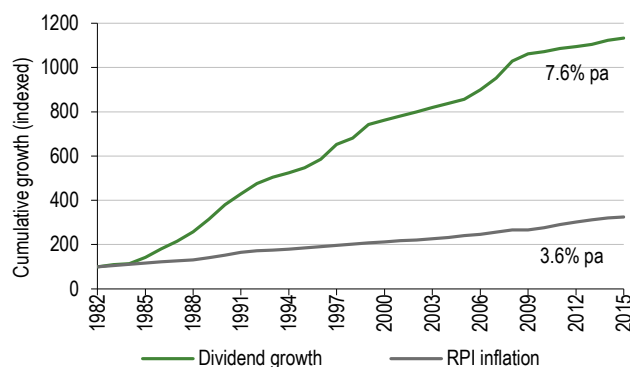
MRCH has a progressive dividend policy; annual dividends have increased for 34 consecutive years. Exhibit 10 (left-hand side) shows that over the last 20 years, MRCH's dividend yield has consistently exceeded that of the FTSE 100 index. The right-hand chart illustrates that since the 1980s, MRCH's annual dividend has compounded at an annual rate of 7.6% versus an average 3.6% annual RPI inflation rate.

Exhibit 10: MRCH's dividend yield and growth (%)

Merchants Trust's dividend yield vs FTSE 100 dividend yield



Growth of Merchants Trust's dividend vs UK inflation



Source: Thomson Datastream, The Merchants Trust, Edison Investment Research

Dividends are paid quarterly in August, November, February and May. The 24.0p dividend in FY16 was 0.8% higher than the prior year; it was fully covered by revenue. Revenue reserves of £27.2m at end-H117 (July 2016) were 4.2% higher than the FY16 annual dividend payment. As shown in the following section, MRCH's current dividend yield compares favourably with the peer group.

Peer group comparison

MRCH is one of 23 investment trusts in the AIC UK Equity Income sector; Exhibit 11 shows the largest funds with market caps above £400m. MRCH is the only trust benchmarked against the

FTSE 100 index rather than the FTSE All-Share index. Its near-term performance versus the peers is improving as bond yields have started to rise, as MRCH has low exposure to bond proxies and higher bond yields are reducing the value of MRCH's debt. MRCH's NAV total return is significantly above the selected and sector peer group average over one year, ranking seventh out of 23 trusts; however, it lags the averages over three, five and 10 years. In terms of risk-adjusted returns as measured by the Sharpe ratio, MRCH is above the average over one year, reflecting its improved near-term performance, and is in line over three years. Its discount is one of the widest in the sector, perhaps as a result of its high level of gearing, ranking 19th out of 23 trusts. MRCH's ongoing charge is in line with the selected average, and in common with most trusts in the sector, no performance fee is payable. MRCH has a significantly higher dividend yield than the sector average; its yield of 5.3% is 1.2pp higher, and 1.6pp higher than the largest trusts in the sector. This may be an important consideration for investors in an environment where asset yields remain low.

Exhibit 11: AIC UK Equity Income peer group (market cap above £400m) at 2 January 2017

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	NAV TR 10 Year	Sharpe 1y (NAV)	Sharpe 3y (NAV)	Discount (ex-par)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Merchants Trust	492.7	13.6	13.0	66.0	51.4	(0.2)	(0.2)	(9.8)	0.6	No	119	5.3
City of London	1,366.1	10.4	22.7	77.5	86.6	(0.4)	(0.1)	0.8	0.4	No	107	3.9
Edinburgh Investment trust	1,401.0	6.8	35.4	86.8	107.1	(0.6)	0.1	(3.1)	0.6	No	117	3.4
Finsbury Growth & Income	967.1	12.8	34.6	83.3	168.3	(0.3)	0.0	0.8	0.7	No	103	2.0
Murray Income Trust	485.2	15.8	17.3	59.4	64.3	(0.1)	(0.2)	(9.8)	0.8	No	109	4.5
Perpetual Income & Growth	887.0	1.8	20.0	89.7	116.4	(0.8)	(0.2)	(7.8)	0.7	Yes	116	3.5
Temple Bar	817.9	20.7	17.5	81.5	112.3	0.1	(0.2)	(5.9)	0.5	No	103	3.3
Selected stock average	916.7	11.7	22.9	77.7	100.9	(0.3)	(0.1)	(5.0)	0.6		111	3.7
Sector average (23 peers)	403.0	8.3	20.8	82.7	72.1	(0.5)	(0.2)	(1.7)	1.0		113	4.1
MRCH rank (out of 23 peers)	6	7	20	18	17	6	17	19	21		4	4

Source: Morningstar, Edison Investment Research. Note: TR=total return. Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

There are six members of the board at MRCH; all are non-executive and independent of the manager. Chairman Simon Fraser was appointed in 2009 and elected to his current position in 2010. The other directors and their dates of appointment are senior independent director Mike McKeon (2008), Paul Yates (2011) and Mary Ann Sieghart and Sybella Stanley (2014). On 29 September 2016 the board announced the appointment of Timon Drakesmith with effect from 1 November 2016. He will be chair of the audit committee and is the CFO at Hammerson, a UK REIT, which is a member of the FTSE 100 index.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt and Sydney. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by The Merchants Trust and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.