

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, solicitor, accountant, bank manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.**

If you have sold or otherwise transferred all of your shares in The Merchants Trust PLC (the “**Company**”), please send this document, together with the accompanying form of proxy, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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# **THE MERCHANTS TRUST PLC**

*(Incorporated and registered in England and Wales with registered number 0028276)*

## **Notice of Annual General Meeting**

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Notice of the annual general meeting of the Company to be held on 23 June 2020 at 12.30 p.m. (the “**Annual General Meeting**” or “**AGM**”) at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF is set out at the end of this document. Given the risks posed by the global COVID-19 pandemic and in accordance with the provisions of the Articles of Association and Government guidance, the Company may impose entry restrictions on shareholder attendance at the AGM.

**Shareholders are encouraged to vote in favour of the resolutions to be proposed at the AGM in advance. In order to ensure that your votes are registered in the event that attendance at the AGM is not possible or restricted, shareholders are strongly advised to vote by form of proxy. If shares are not held directly shareholders are encouraged to arrange for their nominee to vote on their behalf. To be valid, the form of proxy accompanying this document must be completed and returned, in accordance with the instructions printed on it, to the Company’s registrars at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU or lodged at [www.signalshares.com](http://www.signalshares.com) as soon as possible, but in any event not later than 12.30 p.m. on 19 June 2020.**

*Directors*  
C M Clark (*Chairman*)  
N T Drakesmith  
K McKellar  
M A Sieghart  
S J Stanley

*Registered Office*  
199 Bishopsgate  
London  
EC2M 3TY

29 May 2020

Dear Shareholder

### **Notice of Annual General Meeting**

The AGM will be held on 23 June 2020 at 12.30 p.m. at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF. Notice of the AGM is set out at the end of this document.

The Company is required by law to hold an annual general meeting within six months of its accounting reference date. However, given the circumstances of the current global COVID-19 pandemic, the Board is concerned for the safety and wellbeing of the shareholders and other attendees of the AGM and to ensure compliance with Government restrictions. Having carefully considered all of the options available, the Board has decided that the Company will conduct only the formal, statutory business of the AGM on 23 June 2020. In order to meet the Company's legal requirements and to protect the health of shareholders the Board has put the following measures in place:

- the AGM this year will be held in Edinburgh, at the offices of Dickson Minto W.S., the Company's lawyers, to avoid any Directors, shareholders or advisers of the Company having to use public transport to attend the AGM;
- in accordance with the Articles and any Government restrictions in place at the time of the AGM, the Company may impose entry restrictions on shareholder attendance at the AGM;
- in order to ensure that a quorum is present at the AGM, one Director, represented by a Proxy, who is also a shareholder of the Company and a representative from Dickson Minto W.S., the Company's lawyers, acting as an alternate director, will be present at the Meeting;
- no other Directors or representatives of the Manager will be present in person;
- there will be no presentations at the AGM;
- in the Annual Report we explained that the final dividend which would usually be put forward to a shareholder vote at the AGM had been replaced with a fourth interim dividend which was declared by the Board and paid in May as usual. The dividend at the rate of 6.8p is being paid on 29 May 2020. This means that the total dividend for the 2019/20 year is 27.1p, an increase of 4.2% on the previous year.
- the votes on the resolutions to be proposed at the AGM will be conducted on a poll;
- the chair of the meeting will vote in accordance with the proxies held; and
- the results of the proxy votes will be published immediately following the conclusion of the AGM by way of an RNS announcement and on the Company's website.

The Directors hope that shareholders will appreciate that these are unusual circumstances. The Board will continue to monitor Government guidance and will update shareholders on any changes to the above measures by way of an announcement to the London Stock Exchange and through the Company's website. The Board hopes to be able to arrange an event for shareholders to give an opportunity to meet with the Board and portfolio manager when the current restrictions on travel and meetings are lifted and it would be safe for shareholders to attend.

## **Special Business to be proposed at the AGM**

An explanation in relation to the special business to be proposed at the AGM is set out below.

### ***Resolutions 2 to 6 – Directors' Re-election and Election***

The plans for board succession are described on page 7 of the Annual Report. Paul Yates stepped down as a director on 1 May 2020. Timon Drakesmith, Mary Ann Sieghart and Sybella Stanley retire in accordance with the Board policy on the annual re-election of Directors and offer themselves for re-election at the AGM. Colin Clark was appointed to the Board on 30 June 2019 and offers himself for election at the AGM and Karen McKellar was appointed to the Board on 1 May 2020 and offers herself for election at the AGM. Biographical details of the Directors are on pages 6 and 7 of this document together with the reasons why the Board supports and recommends their election or re-election, as appropriate.

### ***Resolution 11 – Allotment of New Shares***

Resolutions authorising the Directors to allot new share capital for cash were passed (i) at the annual general meeting of the Company on 16 May 2019; and (ii) the general meeting of the Company on 27 April 2020, under section 551 of the Companies Act 2006. The current authority will expire at the AGM and approval is therefore sought for the renewal of this authority, which will last until the conclusion of the annual general meeting in 2021 or 23 September 2021 if earlier.

This authority is limited to a maximum number of 39,586,000 ordinary shares, representing approximately one third of the existing ordinary share capital of the Company as at the date of this document, provided that there is no change in the issued share capital between the date of this document and the AGM to be held on 23 June 2020.

### ***Resolution 12 – Disapplication of Pre-emption Rights***

Resolutions were passed (i) at the annual general meeting of the Company held on 16 May 2019; and (ii) the general meeting of the Company held on 27 April 2020, under section 570 of the Companies Act 2006, to authorise the Directors to allot ordinary shares for cash other than pro rata to existing shareholders. The current authority will expire at the AGM and approval is therefore sought for the renewal of this authority, which will last until the conclusion of the annual general meeting in 2021 or 23 September 2021 if earlier.

This authority is limited to a maximum number of 11,876,900 ordinary shares, representing approximately 10 per cent. of the existing ordinary share capital of the Company as at the date of this report, provided that there is no change in the issued share capital between the date of this report and the AGM to be held on 23 June 2020.

Authority will also be sought in Resolution 12, which will be proposed as a Special Resolution, to disapply pre-emption rights in respect of the allotment of shares by the sale and reissue of shares held by the company as treasury shares.

The Directors do not currently intend to allot shares under these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it would be advantageous to the Company's existing shareholders to do so. The Directors confirm that no allotments of new shares will be made unless the lowest market offer price of the ordinary shares is at least at a premium to the net asset value per share.

### ***Resolution 13 – Share Buy Back Programme***

The Board is proposing the renewal of the Company's authority under section 701 of the Companies Act 2006, to purchase ordinary shares in the market for cancellation. In addition to renewing its powers to buy back shares for cancellation, the Board will seek shareholder authority to repurchase shares for holding in treasury for sale and reissue at a later date.

This authority will give the Company the ability to reissue treasury shares quickly and cost-effectively (including pursuant to the authority under resolution 12 see above) and provides the Company with additional flexibility in the management of its capital base. Such shares may be resold for cash but

all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are in treasury. If the Board exercises the authority conferred by resolution 13, which will be proposed as a Special Resolution, the Company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue. The Company may also cancel any shares which it holds in treasury at any time.

The Board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The Company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the Board. Additionally, the Board believes that the Company's ability to purchase its own shares should create additional demand for the ordinary shares in the market and that this should assist shareholders wishing to sell their ordinary shares.

Where purchases are made at prices below the prevailing net asset value of the ordinary shares, net asset value per share for the remaining shareholders is enhanced. It is therefore intended that purchases will only be made at prices below the prevailing net asset value per share, with the purchases to be funded from the capital reserves of the Company (which at the end of the financial year were £508 million). The rules of the FCA limit the price which may be paid by the Company to 105 per cent. of the average middle market quotation for an ordinary share on the five business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25 pence per ordinary share (being the nominal value).

Under the FCA's Listing Rules, a company is permitted to purchase up to 14.99 per cent. of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99 per cent. of the ordinary shares, expires at the conclusion of the forthcoming AGM. The Board believes that the Company should continue to have authority to make market purchases of its own ordinary shares for cancellation or additionally for holding in treasury. Accordingly, a special resolution to authorise the Company to make market purchases of up to 14.99 per cent. of the Company's issued ordinary share capital will be proposed. Provided there is no change in the issued share capital between the date of this report and the AGM to be held on 23 June 2020 such authority is equivalent to 17,803,600 ordinary shares.

The authority will last until the annual general meeting of the Company to be held in 2021 or 23 September 2021 if earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

### **Action to be taken**

Shareholders will find enclosed a form of proxy for use in connection with the AGM. Shareholders are requested to complete, sign and return the form of proxy as soon as possible, in accordance with the instructions printed on it.

To be valid, the form of proxy accompanying this document must be completed and returned, in accordance with the instructions printed on it, to the Company's registrars at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU or lodged at [www.signalshares.com](http://www.signalshares.com) as soon as possible, but in any event not later than 12.30 p.m. on 19 June 2020.

The completion and return of the form of proxy will not prevent a shareholder from attending and voting in person at the AGM. However, given the risks posed by the spread of COVID-19 and in accordance with the provisions of the Company's Articles and Government guidance, the Company may impose entry restrictions on attendance at the AGM. If a shareholder does not hold their Ordinary Shares directly, they are requested to arrange for their nominee to vote on their behalf.

In the event that the situation surrounding COVID-19 should change the Company will update shareholders through an announcement to the London Stock Exchange and will provide further details on the Company's website. The Board encourages all shareholders to exercise your votes in respect of the AGM in advance. This should ensure that your votes are registered in the event that attendance at the AGM is not possible or is restricted.

### **Recommendation**

The Directors consider the passing of the resolutions to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the resolutions.

The Directors intend to vote in favour of the resolutions in respect of their own beneficial holdings of Ordinary Shares (amounting to 34,114 Ordinary Shares, representing approximately 0.03 per cent. of the issued share capital of the Company as at the date of this document).

Yours faithfully

**Colin Clark**

*Chairman*

## **Directors' Biographies**

### **Colin Clark**

#### **Chairman of the Board and of the Management Engagement Committee and the Nomination Committee and a member of the Remuneration Committee**

Joined the Board in June 2019 and became Chairman in September 2019. Colin is Chairman of the boards of AXA Investment Managers UK Ltd and AXA Investment Managers GS Ltd, a non-executive director of Rathbone Brothers Plc. Colin has had a 35 year career in asset and wealth management. His most recent executive roles were from 2010 at Standard Life Investments and as an executive director of Standard Life Plc where he was responsible for the Global Client Group. Prior to this he was with Mercury Asset Management, Merrill Lynch Investment Managers and S.G. Warburg & Co.

#### **Experience:**

Colin has had senior leadership roles in the asset management industry and is an experienced chairman.

#### **Reasons for the recommendation for re-election:**

Colin's senior expertise and asset management knowledge are valued for their input into the Board's governance and the response by the Board to challenging external events.

### **Timon Drakesmith**

#### **Chairman of the Audit Committee and member of Management Engagement Committee, Remuneration Committee and Nomination Committee**

Joined the Board in November 2016. Timon, was until recently the Chief Financial Officer of Hammerson plc. Timon was formerly finance director of Great Portland Estates plc and Group Director of Financial Operations of Novar plc. He is a Chartered Accountant and has held previous financial roles at Credit Suisse, Barclays and Deloitte Haskins and Sells.

#### **Experience:**

Timon has acted as a financial director of large UK corporates and is a chartered accountant.

#### **Reasons for the recommendation for re-election:**

Timon has professional skills as a financial expert and brings understanding and in depth knowledge of company financing, leading the board's exploration of refinancing.

### **Mary Ann Sieghart**

#### **Member of Management Engagement Committee, Audit Committee, Remuneration Committee and Nomination Committee**

Joined the Board in November 2014. Mary Ann is chair of the Social Market Foundation and a non-executive director of Pantheon International Plc. She is a trustee of the Kennedy Memorial Trust and a trustee and Investment Committee Chair of The Scott Trust, the owner of the Guardian and the Observer newspapers. Mary Ann also holds various other voluntary posts. She was previously senior independent director of The Henderson Smaller Companies Investment Trust plc. Mary Ann is a political journalist and broadcaster and was formerly Assistant Editor of the Times, a Lex Columnist at the Financial Times and City Editor of Today. She was a Visiting Fellow at All Souls College, Oxford for the academic year 2018-19.

#### **Experience:**

Mary Ann has a communications background with experience as a journalist and broadcaster and investment trust board experience.

**Reasons for the recommendation for re-election:**

In addition to knowledge and understanding of investment trusts Mary Ann has insight into marketing and promotion, providing guidance on media engagement to raise the profile of the Company.

**Sybella Stanley****Senior Independent Director, Chairman of the Remuneration Committee, Member of Management Engagement Committee, Audit Committee and Nomination Committee**

Joined the Board in November 2014. She is Director of Corporate Finance at RELX Group plc, where she manages RELX Group's global mergers and acquisitions programmes, and is a non-executive director of Tate & Lyle PLC. Sybella is also a Member of the Department of Business, Energy and Industrial Strategy's Industrial Development Advisory Board and Co-chair of the Development Board of Somerville College, Oxford. Before joining RELX Group in 1997, Sybella was a member of the M&A advisory teams at, successively, Citi and Barings. Sybella is a barrister.

**Experience:**

Sybella is a lawyer with wide corporate finance experience at a senior level in industry and FTSE 100 non-executive director experience.

**Reasons for the recommendation for re-election:**

Sybella's legal knowledge and expertise at a high level across industries invested in by the portfolio are valuable to the Board.

**Karen McKellar****Member of Management Engagement Committee, Audit Committee, Remuneration Committee and Nomination Committee**

Joined the Board in April 2020 to replace Paul Yates. Karen has had a long career as an investment manager at Standard Life, managing the Standard Life Equity Income Investment Trust as well as several large UK equity open-ended funds.

**Experience:**

Karen is an asset management professional with senior management and money management experience.

**Reasons for the recommendation for election:**

Karen brings to the board a deep understanding of portfolio management.

# THE MERCHANTS TRUST PLC

*(Incorporated and registered in England and Wales with registered number 00028276)*

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of The Merchants Trust PLC (the “**Company**”) will be held on 23 June 2020 at 12.30 p.m. at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF to consider and, if thought fit, pass the following resolutions:

### ORDINARY BUSINESS

To consider, and if thought fit, to pass the following resolutions 1 to 10 as ordinary resolutions of the Company:

#### Ordinary Resolutions

1. To receive and adopt the Directors’ Report and the Financial Statements for the year ended 31 January 2020 with the Auditor’s Report thereon.
2. To elect Colin Clark as a Director.
3. To re-elect Timon Drakesmith as a Director.
4. To re-elect Mary Ann Sieghart as a Director.
5. To re-elect Sybella Stanley as a Director.
6. To elect Karen McKellar as a Director.
7. To approve the Directors’ Remuneration Policy Report as set out in the Annual Report of the Company for the year ended 31 January 2020.
8. To approve the Directors’ Remuneration Implementation Report as set out in the Annual Report of the Company for the year ended 31 January 2020.
9. To re-appoint BDO LLP as the Auditor of the Company, to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Auditor.

### SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolution 11 will be proposed as an ordinary resolution and resolutions 12 and 13 will be proposed as special resolutions:

11. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot relevant securities (within the meaning of section 551 of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £9,896,500 (39,586,000 ordinary shares) and shall expire at the conclusion of the next annual general meeting of the Company held after the meeting at which this resolution is passed or 23 September 2021 if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
12. That the Directors be and are hereby empowered, pursuant to section 570 of the Companies Act 2006, to allot equity securities (as defined in section 560 of that Act) pursuant to the authority conferred by resolution 11 above or by way of a sale of treasury shares as if section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash of an aggregate maximum nominal amount of £2,969,225 (11,876,900 ordinary shares) and shall expire at the conclusion of the next annual general meeting of the Company held after the meeting at which this resolution is passed or 23 September 2021, if earlier, save that the Directors may before such expiry make an offer or

agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

13. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of that Act) of ordinary shares of 25p each in the capital of the Company (ordinary shares) either for retention as treasury shares or for cancellation, provided that:
- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 17,803,600;
  - (ii) the minimum price which may be paid for an ordinary share is 25p;
  - (iii) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Official List for the 5 business days immediately preceding the day on which the ordinary share is purchased or such other amount as may be specified by the London Stock Exchange from time to time;
  - (iv) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company in 2021 or 23 September 2021 if earlier, unless such authority is renewed prior to such time; and
  - (v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board

**Kirsten Salt**  
*Company Secretary*

29 May 2020

*Registered office*

199 Bishopsgate  
London EC2M 3TY

Notes:

1. Members entitled to attend and vote at this meeting may appoint one or more proxies to attend, speak and vote in their stead by completion of a personalised form of proxy. Full details on how to complete the form of proxy are set out on the form of proxy. The proxy need not be a member of the Company.
2. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A proxy has one vote on a show of hands in all cases (including where one member has appointed multiple proxies) except where he is appointed by multiple members who instruct him to vote in different ways, in which case he has one vote for and one vote against the resolution.
3. A personalised form of proxy is provided with this document. Any replacement forms must be requested direct from the registrars.
4. Completion of the form of proxy does not exclude a member from attending the meeting and voting in person.
5. Duly completed forms of proxy must reach the office of the registrars at least 48 (excluding non-business days) hours before the Meeting.
6. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website ([euroclear.com/CREST](http://euroclear.com/CREST)).
7. To be entitled to attend and vote at the meeting (and for the purpose of determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members by close of business on 19 June 2020 (the record date).
8. If the meeting is adjourned to a time not more than 48 hours after the record date applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives new notice of the adjourned meeting, at the record date specified in that notice.
9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
10. Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006. Pursuant to the Companies (Shareholders' Rights) Regulations 2009 (SI 2009/1632), multiple corporate representatives appointed by the same corporate member can vote in different ways provided they are voting in respect of different shares.
11. Members have a right under section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting.
12. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company, at its expense, to publish a statement on the Company website setting out any matter which relates to the audit of the Company's financial statements that are to be laid before the meeting. Any such statement must also be sent to the Company's auditor no later than the time it is made available on the website and must be included in the business of the meeting.
13. As at 28 May 2020, the latest practicable date before this notice is given, the total number of shares in the Company in respect of which members are entitled to exercise voting rights was 118,769,887 ordinary shares of 25 pence each and 1,178,000 3.65% Cumulative Preference Stock of £1 each. Each share carries the right to one vote and therefore the total number of voting rights in the Company on 28 May 2020 is 119,947,887.
14. Further information regarding the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this notice), can be accessed at [www.merchantstrust.co.uk](http://www.merchantstrust.co.uk).
15. Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles.



