

Key Information

Total Assets*	£473.8m
Gearing*	31%
No. of Shares [†] (Ordinary 25p)	102,103,936
Net Asset Value [†]	353.1p
Net Asset Value (debt at Market Value) [†]	333.2p
Discount to NAV [†]	13%
Discount to NAV (debt at Market Value) [†]	7%
Share price*	308.5p
Net Yield ^{††}	5.8%
Year end	31st January

* Source: Datastream as at 30.07.04

This Trust seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly.

[†] Source: Allianz Dresdner Asset Management as at 30.07.04

Investment trusts are quoted companies listed on the London Stock Exchange. Their share price is determined by factors including demand, or lack of, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

In line with industry best practice, Net Asset Values (NAVs) are now shown that take into account the 'fair value' of debt. NAVs – namely available shareholders' funds divided by the number of shares in issue, with shareholders' funds calculated as the net value of all the company's assets having deducted liabilities – are now calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. Most professional advisers and institutional investors already allow for fair value of debt when assessing NAV and discount information, so this change provides private investors with information which takes into account a more realistic impact of the cost of debt and thus a more realistic discount.

^{††}Source: Close WINS as at 30.07.04

INCOME ✓

GROWTH ✓

Investment Scheme Availability

ISA ✓

SS ✓

PEP ✓

Fund Manager



Nigel Lanning

The Merchants Trust PLC

Fund Manager's Review

July saw the UK equity market lose the gains made in June, falling by 1.6% according to the FTSE All Share Index. Company results have in general been good, and this is supportive of current share valuations. The Trust has been helped by its holdings in Rio Tinto as well as the Life Assurance and Real Estate sectors, whilst being under-weight in Media and Telecoms have also been helpful. Less positive has been the recovery in Pharmaceuticals where the portfolio has been under-weight. Despite a number of on-going uncertainties, shares are modestly rated and the strength of balance sheets in general suggests that there are still a number of 'value' opportunities to be exploited.

First Quarterly Dividend

The Board has declared a first quarterly dividend for the financial year ending 31st January 2005 of 4.5p net, payable on 13th August 2004, to holders of record at the close of business on 23rd July 2004.

Fund Performance



Source: Russell/Mellon/Allianz Dresdner Asset Management. 30th July 99 to 30th July 04, Total Return, net income reinvested, calculation indexed, UK Sterling. Please remember that past performance is not necessarily 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 or currency 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. This could lead to a higher level of income but a lower capital return.

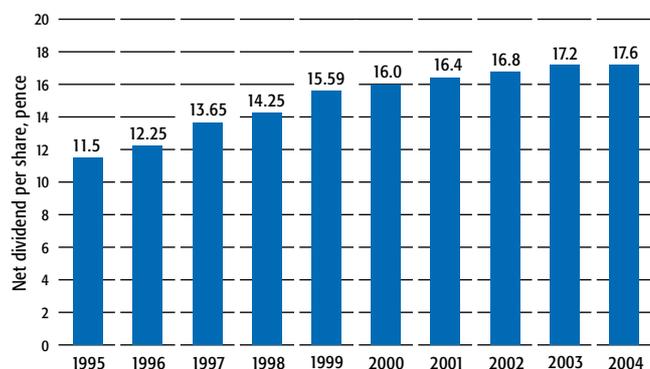
Standardised Past Performance

	01/07/99 to 30/06/00	01/07/00 to 30/06/01	01/07/01 to 30/06/02	01/07/02 to 30/06/03	01/07/03 to 30/06/04
Share Price	-10.2%	14.8%	-4.0%	-13.0%	7.1%

Source: Allianz Dresdner Asset Management/Standard & Poor's. Discrete years, single pricing basis, basic rate tax, based in UK sterling. These performance figures are produced for the purposes of these fact sheets and are intended for existing and potential investors. This performance table differs in its presentation from Fund Performance. It complies with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

10 year Net Dividend Record

to year ended 31st January 2004



Source: Allianz Dresdner Asset Management.

Top 10 Holdings

	%
BP	9.06
HSBC	6.55
GlaxoSmithKline	6.08
Shell Transport & Trading	4.57
Royal Bank of Scotland	4.48
Barclays	3.84
HBOS	3.37
BT	3.20
Lloyds TSB	2.84
Slough Estates	2.07
TOTAL	46.06

Source: Allianz Dresdner Asset Management as at 30.07.04

Aim

To provide an above average level of income and income growth together with long term growth of capital through a policy of investing mainly in higher yielding UK FTSE 100 companies.

AITC Sector

UK Income Growth.

Share Buyback

0.23m shares have been repurchased for cancellation to enhance shareholder value.

Allianz Dresdner Asset Management is the marketing name of RCM (UK) Ltd., which is authorised and regulated by the Financial Services Authority. Issued by RCM (UK) Ltd. Registered office: 155 Bishopsgate, London, EC2M 3AD. Registered in England No. 2014586. Member of the Allianz Dresdner Asset Management Marketing Group. Member of the Allianz Group. The information contained herein including any expression of opinion is for information purposes only and is given on the

History

The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Dresdner Asset Management stable. Initially it invested mostly in the fixed interest securities of railway companies in the USA, Canada and South America; with the remainder held in Government securities and companies such as Castlemain Brewery in New South Wales. The Trust now concentrates primarily upon major UK companies with an above average rate of dividend yield.

Launch Date: February 1889.

Wind-up Date: None.

Price Information

Financial Times and The Daily Telegraph
www.allianzdresdneram.co.uk

Trust Codes

ISIN – GB0005800072

Sedol – 0580007

RIC – MRCH

Shareholder Communications

Report and Accounts – Final posted in April, and Interim posted in October.

Annual General Meeting – May.

Dividends – February, May, August and November.

Board of Directors

Hugh Stevenson (Chairman), Sir John Banham, Dick Barfield, Sir Bob Reid, Joe Scott Plummer.

Contacts

Investor Services **020 7065 1407**

Brochure Line **0800 317 573**

Web Address **www.allianzdresdneram.co.uk**

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

understanding that it is not a recommendation and anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk. The opinions expressed are based on information which we believe to be accurate and reliable, however, these opinions may change without notice. Dresdner Kleinwort Wasserstein makes markets in Allianz Dresdner Asset Management's investment trusts.