

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 December 2017

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 large UK companies.

History

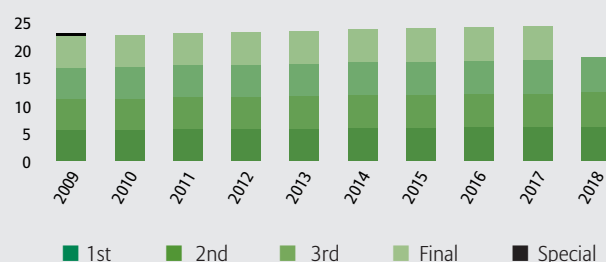
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK companies with an above average rate of dividend yield.

Trust Benefits

Merchants has for many years focused on a simple proposition to deliver a high and rising income together with capital growth for its shareholders. Simon Gergel has been managing the trust for ten years, investing in a diversified portfolio of large, well-established and well-known UK companies. Although past performance is no guide to the future, Merchants has paid increasingly higher dividends to its shareholders year on year for the last 35 years.

Ten Year Dividend History

Net Dividend Record in Pence per Share to year end 31 January



Last Four Net Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
26.01.2018	02.03.2018	6.20p	3rd Quarterly
06.10.2017	16.11.2017	6.20p	2nd Quarterly
14.07.2017	11.08.2017	6.10p	1st Quarterly
21.04.2017	18.05.2017	6.10p	Final

Past performance is not a reliable indicator of future results.

Total Assets £747.5m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £541.5m

Share Price

498.0p

Source: Lipper

NAV per Share

518.5p

Premium/-Discount

-4.0%

Dividend Yield

4.9%

Gearing

19.1%

Share Price is the price of a single ordinary share, as determined by the stock market. The share price above is the mid-market price at market close.

Net Asset Value (NAV) per Share 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.

The NAV figure above is based on the fair/market value cum income of the company's long-term

debt and preference shares (known as debt at market value). This allows for the valuation of long-term debt and preference shares at fair value or current market price, rather than at final repayment value (known as debt at par).

Premium/Discount. Since investment company shares are traded on a stock market, the share price that you get may be higher or lower than the NAV. The difference is known as a premium or discount.

Dividend Yield is calculated using the latest full year dividend divided by the current share price.

Gearing is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.

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Fund Manager's Review

In early December, the European Union agreed that the Brexit talks with the UK had made "sufficient progress" to move onto the next stage and discuss a transition period and potentially the future trading arrangements and other issues. A transition period is important as it will allow companies and other organisations to plan for Brexit in an orderly manner, rather than making precautionary changes to their operations, which could impact the economy via job losses or constrained investment.

This factor, along with US hopes for agreement on a new tax policy, helped the stock market to have a strong finish to the year, with the FTSE All-Share Index giving a total return of 4.8%. Commodity sectors, such as mining and oil & gas were strong, with the Brent oil price rising to \$67 per barrel. The real estate and travel & leisure sectors also rallied in response to corporate activity. Only a few sectors posted negative returns, with utilities and food producers notable underperformers.

One of the portfolio companies, Ladbrokes Coral, received a takeover approach from GVC, demonstrating the value of its leading position in the UK online and retail sports betting market as well as a strong international presence. The potential deal has been cleverly structured, to allow GVC to flex the consideration up or down, depending upon the severity of the likely impact on betting shops from regulatory changes to maximum stakes on fixed odds betting terminals. Based on the prevailing GVC share price, the bid was pitched at a premium of between 18% to 50% for Ladbrokes' shareholders, depending upon the regulatory outcome.

The portfolio's performance was ahead of its benchmark, with the

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Trust's NAV up by 5.6% and the FTSE All-Share Index rising by 4.8%. Strong gains in Ladbrokes Coral and BHP Billiton played their part, offset by the underperformance of SSE and UBM, as well as an overall underweight exposure to the strong mining sector.

We added a new holding to the portfolio, Landsec, a leading London Office and UK retail real estate company. We felt there was an unusually wide disconnect between the value of the company's assets and its share price, with the shares trading at a discount of over 30% to asset value. Investors have become increasingly nervous about the outlook for City offices since the Brexit referendum, despite many recent transactions at prices in line with or above current valuations. There is also nervousness about the outlook for retail property as online sales grow. However, prime centres, such as Bluewater in Kent or Westgate in Oxford, should benefit from trade concentrating in the best venues. The company has positioned itself defensively, for a potential market downturn, with a modest level of gearing and a stable income stream, backed by a nine year average lease length. This underpins a growing dividend and a yield of over 4%.

We reduced the position in Ladbrokes Coral as the proposed GVC bid took the share price closer to our view of fair value. Elsewhere we added to Barclays which we started buying in November, and we trimmed positions in several of the year's stronger performers, such as Man Group, Equiniti, and IG Group.

The stock market is extremely polarised at the moment, with many shares exposed to the domestic economy trading on depressed valuations, as investors worry about the possible impact of Brexit and political risk. Conversely, companies perceived to offer reliable growth are typically priced on very high multiples, reflecting



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer at AllianzGI and has 27 years investment experience. He is pictured here with Matthew Tillet, UK equity portfolio manager. Simon joined AllianzGI in April 2006 from HSBC Halbis Partners where he managed over £900m in high income funds as well as core institutional and life UK equity portfolios. Prior to joining HSBC, Simon worked for 14 years at Phillips & Drew Fund Management / UBS Asset Management.

low government bond yields and the lack of alternative, low risk, investment choices.

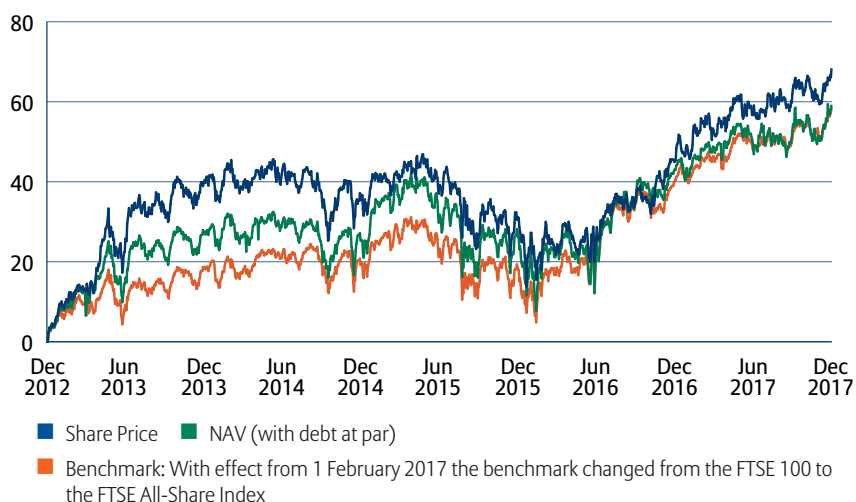
As value investors, we have been gradually raising exposure to the domestically oriented stocks, taking advantage of the absolute value they offer to those with a longer term perspective. In recent months we have bought new positions in Barclays, Landsec and Bovis Homes, whilst also adding to existing positions in Greene King and Kier. The portfolio has limited exposure to the highly rated consumer staples sectors, such as tobacco, personal care and food producers, where we cannot find sufficient value.

Simon Gergel
8 January 2018

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.

Performance Track Record

Five Year Performance (%)



Risk & 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.

Merchants seeks to enhance returns for its shareholders through gearing which 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 may be used to manage the Trust efficiently.

Cumulative Returns (%)

	3M	6M	1Y	3Y	5Y
Share Price	3.8	7.3	15.7	24.2	68.1
NAV	4.2	8.6	12.8	28.7	61.4
Benchmark	5.0	7.2	12.8	32.6	58.5

Discrete 12 Month Returns (%) to 31 December

	2013	2014	2015	2016	2017
Share Price	40.3	-3.5	-3.3	10.9	15.7
NAV	27.4	-1.6	0.6	13.4	12.8
Benchmark	18.7	0.7	-1.3	19.1	12.8

Source: Lipper, percentage growth, mid to mid, total return to 31.12.17. Copyright 2017 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

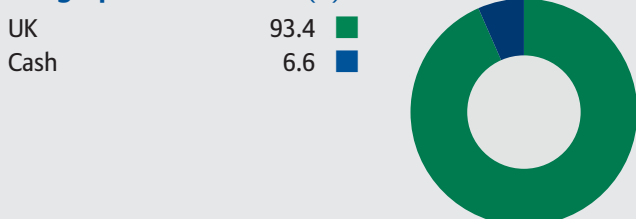
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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.

Portfolio Breakdown

Sector Breakdown (%)



Geographic Breakdown (%)



Top Ten Holdings (%)

Royal Dutch Shell	7.4
BP	5.5
GlaxoSmithKline	5.3
HSBC Holdings	4.6
Lloyds Banking	3.6
BHP Billiton	3.4
Standard Life Aberdeen	3.2
UBM	3.1
Prudential	2.8
Legal & General	2.7

Total number of holdings* 47

*Excludes derivatives

Market Cap Breakdown (%)



Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE All-Share
Annual Management Charge	0.35%
Performance Fee	No
Ongoing Charges ¹	0.63%
Year End	31 January
Annual Financial Report	Final posted in April, Half-yearly posted in September
AGM	May
NAV Frequency	Daily
Dividends	February, May, August, November
Price Information	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk
Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. Source: AIC, as at the Trust's Financial Year End (31.01.2017). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

Board of Directors

Directors from left to right: Mary Ann Sieghart, Timon Drakesmith (Chairman of the Audit Committee), Simon Fraser (Chairman), Sybella Stanley (Senior Independent Director) and Paul Yates



How to invest

You can buy shares in the Trust through:

- A third party provider - see 'How to Invest' on our website, where you will find links to a range of these platforms, many of which allow you to hold the shares within an ISA, Junior ISA, SIPP and/or savings scheme.
- A stockbroker.
- A financial adviser.

Contact us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

0800 389 4696

www.merchantstrust.co.uk

E-mail: investment-trusts@allianzgi.com

You will find much more information about The Merchants Trust on our website.

Please note that we can only offer information and are unable to provide investment advice. You should contact your financial adviser before making any investment decision.



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All data source Allianz Global Investors as at 31.12.17 unless otherwise stated.

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