

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 March 2018

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

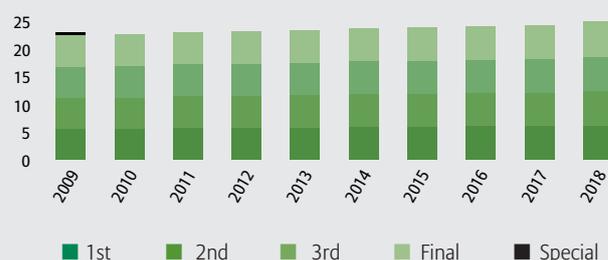
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 36 years.

Ten Year Dividend History

Dividend Record in Pence per Share to year end 31 January



Last Four Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
20.04.2018	30.05.2018	6.30p	Final
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

Past performance is not a reliable indicator of future results.

Total Assets £670.2m **Shares in Issue** 108,728,464 (Ordinary 25p) **Market Cap** £519.7m

Share Price

478.0p

Source: Lipper

NAV per Share

481.1p

Premium/-Discount

-0.6%

Dividend Yield

5.2%

Gearing

22.1%

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

Merchants reported results for the year ending 31st January, with the board proposing dividends totalling 24.8p, up 2.5% on last year, representing the 36th consecutive year of dividend growth. The Trust continues to have one of the highest dividend yields in its sector. The chairman noted that it had also been a strong year for asset returns for shareholders, both in absolute terms and relative to the benchmark. Further details are available on Merchants' website.

March was a difficult month for the stock market. Various issues weighed on market sentiment, such as trade tensions in the USA, rising interest rates and a sharp pull back in leading technology shares. The Trust's NAV returned -1.43% compared to the FTSE All Share index which produced a total return of -1.8%, with the weakest sectors including software & computers services, general retail and banks. The best performers included pharmaceuticals, utilities and personal goods.

The Trust's NAV fell by 1.4% over the month ahead of the benchmark. Relative performance was helped by takeover approaches for two of our companies from foreign competitors. NEX shares rose almost 50% as the financial services business received an agreed takeover offer from CME Group. Hammerson, which we purchased early in the month (see below) announced that it had been approached by a large French competitor, Klépierre. Elsewhere GlaxoSmithKline pleased investors by ruling out bidding for Pfizer's consumer health business, whilst announcing its intention to buy out Novartis' minority holding in its own consumer business. National Express shares performed well,

“ The Trust continues to have one of the highest dividend yields in its sector.

after reporting strong results. Relative performance also benefitted from not owning Micro Focus, after a profit warning led to the halving of the share price, which weighed on the index return.

The largest negative performance contributor was Inmarsat, which cut its dividend due to a combination of difficult trading conditions in parts of the business, plus the cost of building out next generation infrastructure and buying equipment to service a large number of new contracts, which should support future growth. Other weak performers included Greene King and WPP, which are both experiencing relatively weak trading, and TP ICAP which had disappointing results. Elsewhere, not owning Shire impacted performance, with the company reported to be a target of Japanese firm Takeda.

We added two new holdings to the portfolio. In early March, we bought a holding in the real estate company Hammerson, which owns prime retail shopping centres such as the Bull Ring in Birmingham, premium outlets like Bicester Village, as well as prime retail properties in Ireland and France. The share price had fallen significantly, on concerns about the outlook for retail property, as online shopping takes share from store based sales. More recently, the stock market reacted negatively to Hammerson's proposed combination with its peer Intu, which owns the Trafford Centre in Manchester, amongst other assets, pushing the share price down to an extreme discount of 40% to its net asset value. At that level Hammerson had a dividend yield comfortably over 5%, despite a good track record of earnings and dividend growth, and we saw compelling value. As mentioned above, the low valuation of the shares, tempted Klépierre to approach Hammerson with a possible takeover bid, which the board rejected.

At the end of the month we bought a holding in St James's Place, a wealth management and financial advice business with



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.

£90billion of assets under management. Over the last decade, St James's Place has grown its advisor numbers by 9% p.a., funds under management by 17% p.a. and dividends by 25% p.a. This type of business is normally too highly priced for our value based investment approach, however, a period of sideways share price movement left the shares offering good value in our view. St James's Place has a dividend yield over 4%, and a valuation underpinned by the existing book of business, even without future asset inflows. Elsewhere, we used market weakness to add to several other holdings at attractive valuations, notably the building products company Tyman, which raised money to make an acquisition in its core market. We took profits on certain portfolio holdings that had performed well and no longer offered such good value, such as the large companies Diageo, HSBC and BP, and we received the cash portion of the takeover of Ladbrokes Coral by GVC.

After a period of weakness, the UK stock market is offering good value on a long-term basis, especially when compared to overseas markets. There is understandable uncertainty over how Brexit may affect the economy, but many businesses are truly global in nature, and some of the domestic stocks are priced at extremely depressed levels. This valuation opportunity is prompting a large number of takeover approaches for British companies, often from overseas acquirers. It is a fertile environment for stock selection as several strong businesses are being priced below our view of their intrinsic value. We have built a portfolio of such companies, with the objective of continuing to provide Merchants' shareholders with a high and rising dividend together with attractive total returns.

Simon Gergel
4 April 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 (%)



■ Share Price ■ NAV (with debt at par)
 ■ Benchmark: With effect from 1 February 2017 the benchmark changed from the FTSE 100 to the FTSE All-Share Index

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	-2.8	0.8	7.5	16.7	44.9
NAV	-6.0	-2.1	2.5	13.0	34.8
Benchmark	-6.9	-2.3	1.2	18.4	34.4

Discrete 12 Month Returns (%) to 31 March

	2014	2015	2016	2017	2018
Share Price	22.4	1.4	-11.2	22.3	7.5
NAV	12.1	6.4	-8.5	20.5	2.5
Benchmark	6.7	6.3	-5.3	23.5	1.2

Source: Lipper, percentage growth, mid to mid, total return to 31.03.18. Copyright 2018 © 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.

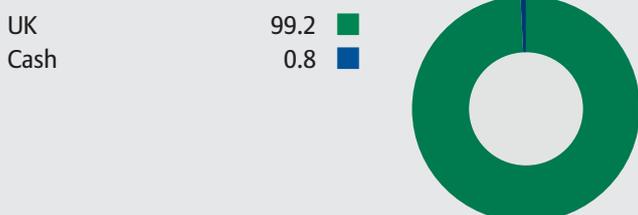
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 'B' Shares	7.0
GlaxoSmithKline	6.5
BP	4.8
UBM	4.3
HSBC Holdings	4.2
Lloyds Banking Group	3.9
BHP Billiton	3.5
Legal & General	3.2
Standard Life Aberdeen	3.2
BAE Systems	3.1

Total number of holdings* 49

*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	0.59%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	February/March, 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 (31.01.2018). 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 31.03.18 unless otherwise stated.

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