

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 May 2016

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 UK FTSE 100 companies.

History

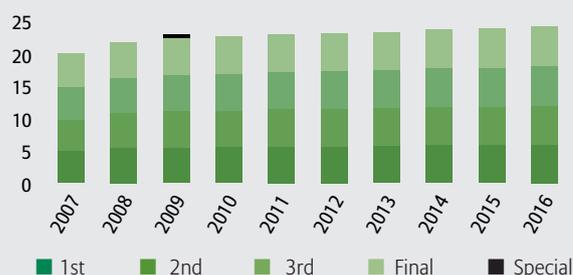
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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, after the AGM in May, Merchants will have paid increasingly higher dividends to its shareholders year on year for the last 34 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
22.04.2016	26.05.2016	6.00p	Final
29.01.2016	24.02.2016	6.00p	3rd Quarterly
09.10.2015	12.11.2015	6.00p	2nd Quarterly
17.07.2015	14.08.2015	6.00p	1st Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £606.8m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price
405.0p

Source: Lipper

NAV per Share
420.3p

Premium/-Discount
-3.6%

Dividend Yield
5.9%

Gearing
21.1%

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 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

During May, there was a considerable focus in the market on two longstanding uncertainties. Will the UK vote to leave the EU on June 23rd and when will US interest rates rise again? In the USA, several positive comments from Federal Reserve governors on the strength of the US economy raised the likelihood of an imminent rate rise in June or July. However, after the end of the month, both these trends reversed somewhat, as conflicting data and commentary emerged, with a particularly weak US employment number.

Stock markets reacted relatively calmly to the prospect of higher US interest rates with the US stock market giving a total return of 2.5%, and the FTSE 100 Index a total return of 0.3%. Domestically orientated UK mid-cap companies outperformed the more internationally exposed larger companies, as concerns over Brexit faded somewhat. The FTSE 250 Index returned 2.6%, but it has lagged the FTSE 100 on a calendar year-to-date basis. Despite the modest overall market return, there was a wide discrepancy in individual share performances. The best performing sectors included travel & leisure, financial services and healthcare, whilst the weakest sectors included mining and oil & gas producers.

The NAV return (-1.46%) was behind the market return during the month. Relative performance was driven by a number of stock specific factors. On the positive side, Ladbrokes outperformed, as the Competition and Markets Authority ordered only modest betting shop disposals in their proposed merger with Coral. Tate & Lyle had reassuring results and Equiniti and Greene King shares also outperformed. In addition, the portfolio's low exposure to the weak mining sector was helpful. On the other hand, Inmarsat shares suffered, as difficult trading conditions were highlighted by

“ **The stock market is currently placing an unusually high premium on companies that are perceived to offer relatively steady earnings growth, in sectors such as tobacco, beverages and household goods.** ”

a competitor's profit warning. Hostelworld fell sharply, as it warned on weaker booking trends in Europe following terrorist events. Centrica was weak, as it had an unexpected share placing, partly to fund acquisitions. Also, Marks & Spencer's profit forecasts were downgraded, as the company announced a new trading strategy that included lowering prices on some entry priced products.

During May, we made a switch within the gambling sector. We sold the remaining position in William Hill, where recent trading trends have been disappointing. Part of the proceeds was reinvested into Ladbrokes, where the recovery strategy is starting to deliver, and the proposed merger with Coral can bring added synergy benefits. Elsewhere, we took advantage of market and stock volatility to add to Centrica, Standard Life and Inmarsat on weakness and we took profits



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.

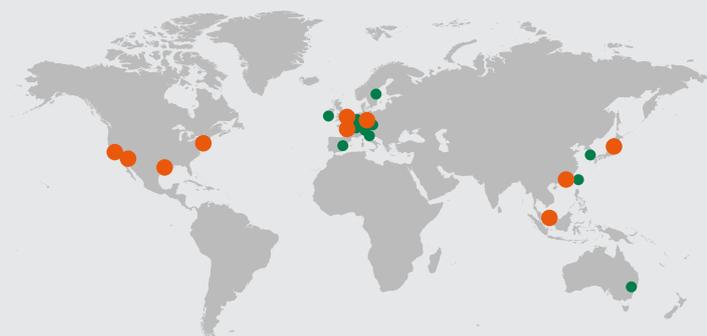
on UBM and British American Tobacco after strong performance.

The stock market is currently placing an unusually high premium on companies that are perceived to offer relatively steady earnings growth, in sectors such as tobacco, beverages and household goods. Whilst this is understandable in an environment of low economic growth, we do not see attractive prospective returns from many of these companies. Conversely, we see exceptional value in certain "mega-cap" companies, like Royal Dutch Shell and HSBC, where short term uncertainty is more than discounted in low share prices. We also see particular value in a number of recovery situations where strong business franchises are under-priced in a nervous stock market.

The Brexit referendum represents a specific, short term, binary risk that is hard to call. However, the make-up of the FTSE 100 Index and the Merchants Trust portfolio includes many globally diversified businesses that would be relatively unaffected by a vote for the UK to leave the EU. Furthermore, a potential drop in sterling could raise the value to UK investors of overseas earnings, and would go some way to offset the pressure on more domestically focused companies in the portfolio from any slowdown in UK economic growth.

Simon Gergel
8 June 2016

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.



- Global centres of investment expertise
- Investment and client service offices

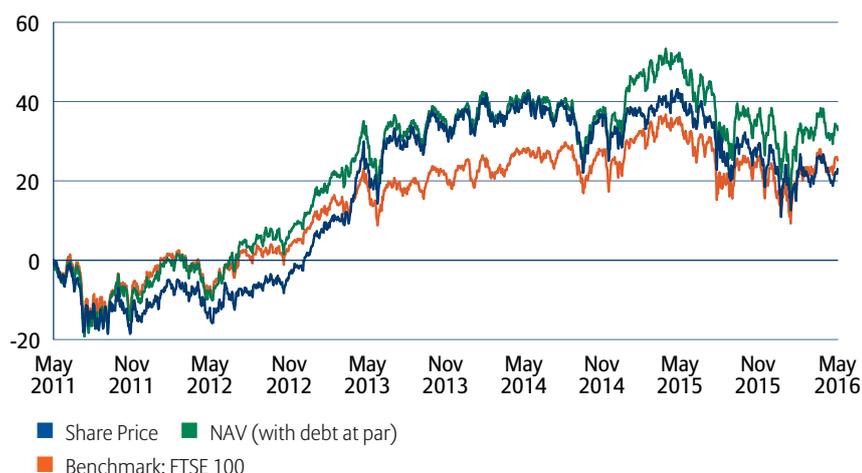
About Allianz Global Investors

Allianz Global Investors is a diversified active investment company managing €442 billion (as at 31.12.15) in assets worldwide. AllianzGI employs more than 500 investment professionals in 24 cities in 18 countries and uses specialised in-house researchers around the world to carry out in-depth analysis across economic and industrial sectors. These analysts conduct over 5,000 meetings each year with companies that represent potential investments, feeding back their insights to the portfolio managers and their teams.

Portfolio managers also benefit from GrassrootsSM Research, a global network of over 300 independent, experienced journalists and field force researchers, and over 50,000 industry contacts to identify stock and sector trends before our competitors do.

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	1.7	-4.7	-13.2	-0.9	23.1
NAV	0.8	-2.5	-12.0	2.5	32.8
Benchmark	3.5	0.1	-7.2	5.7	25.3

Discrete 12 Month Returns (%) to 31 May

	2012	2013	2014	2015	2016
Share Price	-15.3	46.7	12.6	1.3	-13.2
NAV	-9.0	42.4	9.5	6.3	-12.0
Benchmark	-7.7	28.4	7.8	5.7	-7.2

Source: Lipper, percentage growth, mid to mid, total return to 31.05.16. Copyright 2016 © 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.

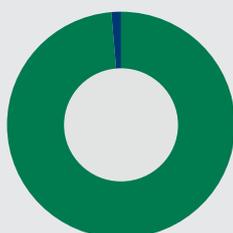
Portfolio Breakdown

Sector Breakdown (%)

Financials	25.9	
Consumer Services	17.4	
Industrials	14.5	
Oil & Gas	11.6	
Utilities	10.1	
Health Care	7.5	
Consumer Goods	6.5	
Telecommunications	2.6	
Basic Materials	2.5	
Cash	1.4	

Geographic Breakdown (%)

UK	98.6	
Cash	1.4	



Top Ten Holdings (%)

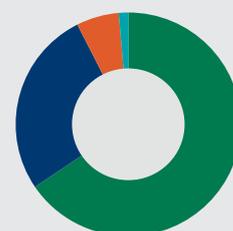
GlaxoSmithKline	7.5
Royal Dutch Shell "B" Shares	6.9
HSBC	5.6
UBM	4.9
BP	4.7
Lloyds Banking Group	4.1
Centrica	3.5
BAE Systems	3.2
Tate & Lyle	3.0
Scottish & Southern Energy	2.7

Total number of holdings* 44

*Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	65.5	
FTSE 250	27.0	
FTSE Smaller Companies	6.1	
Cash	1.4	



Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE 100
Annual Management Charge	0.35%
Performance Fee	No
Ongoing Charges ¹	0.58%
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 (31.01.2016). 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

Left to right: Sybella Stanley, Simon Fraser (Chairman), Paul Yates, Mary Ann Sieghart, Mike McKeon (Chairman of the Audit Committee and Senior Independent Director)



How to invest

The Trust is a UK public limited company traded openly on the stock market and you can purchase shares through a stock broker. Shares in the Trust can be held within an ISA, JISA, SIPP and/or savings scheme. A number of providers offer this facility, a list of which is available on our website.

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 31.05.16 unless otherwise stated.

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