

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 January 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 UK FTSE 100 companies.

History

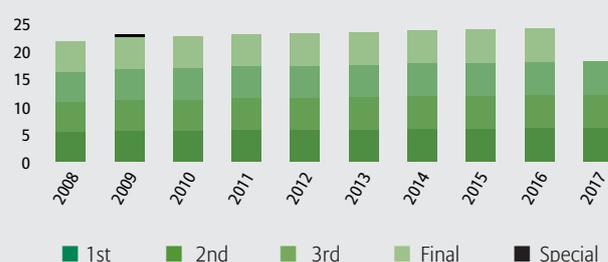
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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, Merchants has 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
27.01.2017	23.02.2017	6.10p	3rd Quarterly
07.10.2016	10.11.2016	6.00p	2nd Quarterly
15.07.2016	12.08.2016	6.00p	1st Quarterly
22.04.2016	26.05.2016	6.00p	Final

Past performance is not a reliable indicator of future results.

Total Assets £650.0m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

452.5p

Source: Lipper

NAV per Share

466.9p

Premium/-Discount

-3.1%

Dividend Yield

5.3%

Gearing

19.4%

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

Donald Trump became the 45th President of the USA on 20th January. Prime Minister Theresa May became the first foreign leader to meet him, in a historic move that could ultimately lead to a trade deal with the USA, once the UK has left the EU. President Trump moved quickly to sign off executive orders bringing in some of his campaign promises, notably a promise to build a wall with Mexico. These orders along with other tweets and comments have injected an element of uncertainty and volatility into US policy towards certain industries and trading relationships.

The UK stock market rose steadily in the first half of the month, with a record number of successive highs for the FTSE 100 index. However, the index subsequently gave back all of its January gains, ending the month down, with a total return of -0.6%, compared to the Trust's NAV which returned -0.9%. The US dollar weakened during the month, reducing the beneficial impact of a strong dollar on the overseas earnings of many British companies.

Within the stock market, mining was the strongest sector, extending its leadership from 2016, on hopes of stronger economic growth and higher commodity demand. General industrials and tobacco were also strong performers. The worst performing sectors included fixed line telecoms, where BT had a profits warning, general retailers and industrial transportation.

The portfolio underperformed the market in January. An underweight position in the strong mining sector was a drag, despite good performance from the copper miner Antofagasta. Inmarsat also fell back as analysts cut profits forecasts, partly due to the rising costs associated with servicing the growing aviation

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communications market. On the other hand, the financial services sector boosted performance with a strong rise in the price of Nex Group, which recently demerged from ICAP. Positioning in the pharmaceutical sector also helped performance.

There were a number of trades within the portfolio during January. We added to Legal & General, the life insurance company, which offers a high dividend yield and growth potential from its bulk purchase annuity and investment management divisions. We sold BT after its profit warning. Although the recent purchase of EE provides cost saving opportunities, and the ability to cross sell the UK's best fixed line and mobile networks, the profitability and cash flow of the business will be significantly lower than we previously thought, leaving less spare room for increasing pension costs, dividends and capital investment.

Elsewhere, we trimmed positions in companies that had performed well and looked more fully valued, such as CRH, Antofagasta and United Business Media, and added to cheaper stocks, like Tyman, Greene King and IG Group.

With President Trump in the White House, and the UK about to trigger article 50 to leave the EU, there are many political and economic uncertainties around. There are also, however, investment opportunities created by uncertainty. Although the UK stock market has recently reached new all-time highs, it remains only modestly above the levels it reached at the turn of the century, and many companies are trading considerably below historic peaks. We can find plenty of companies, with strong business franchises, that offer good value.



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.

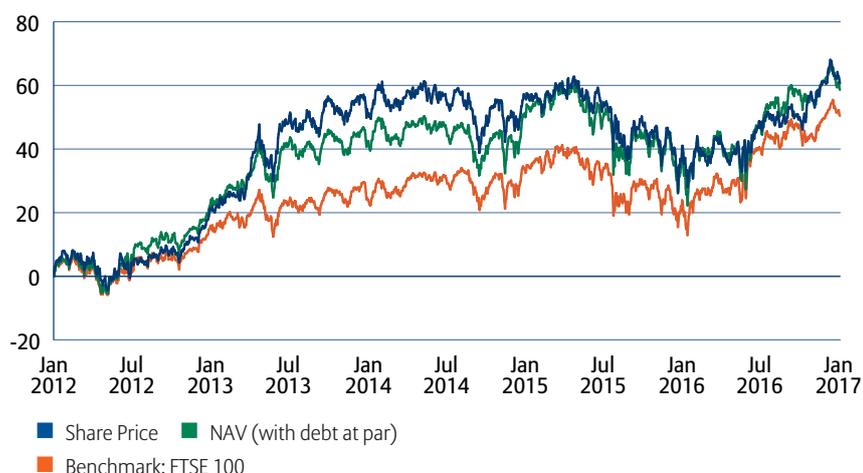
In this environment, we believe it is important to hold a diversified portfolio of companies, in different industries, that can be expected to deliver a combination of income and capital growth in the medium to long term. We see particular value in a number of “recovery” situations, where investors are generally not willing to look through a difficult period, to the business' inherent quality and value. We continue to favour a number of very large UK listed multinationals that offer exposure to the global economy and high dividend yields.

Simon Gergel
3 February 2017

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	9.2	9.6	15.6	7.8	63.0
NAV	2.1	8.9	15.4	13.6	60.9
Benchmark	2.7	7.4	21.4	21.9	50.5

Discrete 12 Month Returns (%) to 31 January

	2013	2014	2015	2016	2017
Share Price	20.8	25.2	3.4	-9.8	15.6
NAV	22.9	14.8	6.3	-7.3	15.4
Benchmark	14.8	7.5	7.4	-6.5	21.4

Source: Lipper, percentage growth, mid to mid, total return to 31.01.17. 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.

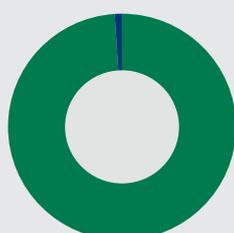
Portfolio Breakdown

Sector Breakdown (%)

Financials	28.1	
Consumer Services	14.9	
Oil & Gas	14.0	
Industrials	13.8	
Utilities	9.7	
Health Care	7.5	
Consumer Goods	5.1	
Basic Materials	3.5	
Telecommunications	2.4	
Cash	1.0	

Geographic Breakdown (%)

UK	99.0	
Cash	1.0	



Top Ten Holdings (%)

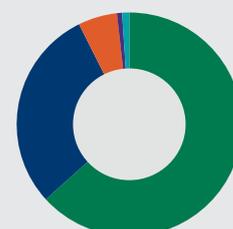
Royal Dutch Shell 'B' Shares	8.1
GlaxoSmithKline	7.4
HSBC	6.1
BP	5.8
Lloyds Banking Group	4.0
UBM	3.8
Centrica	3.0
Tate & Lyle	2.7
Scottish & Southern Energy	2.7
Prudential	2.6

Total number of holdings* 46

*Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	63.3	
FTSE 250	29.4	
FTSE Smaller Companies	5.6	
FTSE AIM	0.7	
Cash	1.0	



Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE 100 (FTSE All-Share from 01.02.2017)
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

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 31.01.17 unless otherwise stated.

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