

Key Information

Total Assets*	£482.7m
Gearing*	31%
No. of Shares [†] (Ordinary 25p)	102,103,936
Discount to NAV [†]	10%
Net Asset Value [†]	355.3p
Share price*	320p
Net Yield [†]	5.5%
Year end	31st January

* Source: Datastream as at 30.06.04
 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 30.06.04
 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.

Investment Scheme Availability

- INCOME** ✓
- GROWTH** ✓
- ISA** ✓
- SS** ✓
- PEP** ✓

Fund Manager



Nigel Lanning

Ratings

We have commissioned independent risk ratings for all our investment trusts, to help investors assess their potential volatility.

Close WINS Risk Rating **Slightly Above Average Risk**

Source: Close WINS Investment Trusts (a division of Winterflood Securities Limited). Data as at 21st April 2004. The ratings apply only to asset performance and not share price. The risk characteristics of a trust may change over time, particularly for trusts with gearing, complex capital structures or with assets invested in volatile asset classes. These risk ratings are made available without responsibility on the part of Close WINS, who neither assumes nor accepts any responsibility or liability (including for negligence) in relation thereto. No action should be taken or omitted to be taken in reliance upon this information.

The Merchants Trust PLC

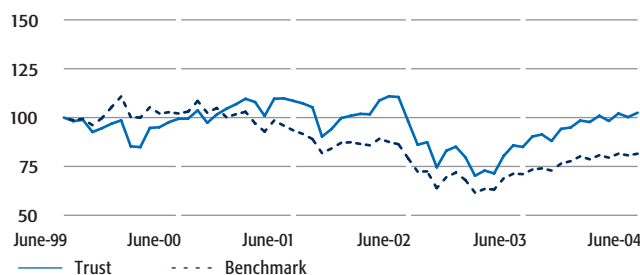
Fund Manager's Review

UK equities marked time in June, with the FTSE All Share rising by 1.2%. Notably mid-caps led the way, rising by 3.7%, and three of the biggest sectors, namely Pharmaceuticals, Telecoms and Banks, under-performed. The leading sectors were of a more cyclical nature, including Steel, Autos and Aerospace. The Trust did well from the recovery in Oil shares, and through under-weight positions in Pharmaceuticals and Telecoms. BAT also did well following the clearance of its proposed merger with R.J. Reynolds in the US. There remain a number of interesting value opportunities, which the Trust will seek to exploit.

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 June 99 to 30th June 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.

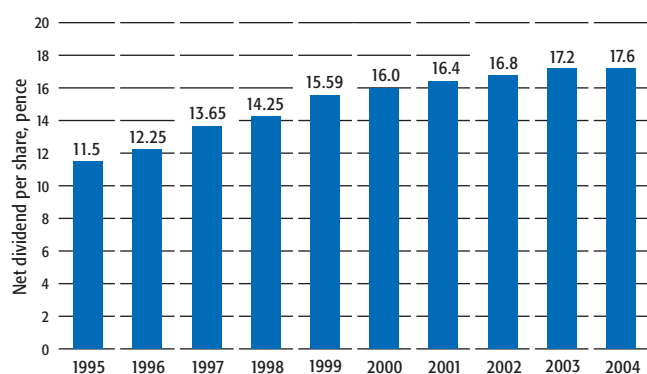
Discrete Years Performance

	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/ S&P Micropal. Discrete years, mid to mid, based in UK sterling. These performance figures are produced for the purposes of these fact sheets and are intended for existing investors.

10 year Net Dividend Record

to year ended 31st January 2004



Source: Allianz Dresdner Asset Management.

Top 10 Holdings

	%
BP	8.91
HSBC	6.55
GlaxoSmithKline	5.98
Shell Transport & Trading	4.57
Royal Bank of Scotland	4.53
Barclays	3.86
BT	3.31
HBOS	3.18
Lloyds TSB	2.93
Aviva	2.07
TOTAL	45.89

Source: Allianz Dresdner Asset Management as at 30.06.04

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.

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