

The Merchants Trust PLC



Factsheet

31 August 2014

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 - celebrating 125 years

The Trust 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, with the remainder held in Government securities and companies such as Castlemaine Brewery in Australia. The Trust now concentrates primarily on major UK companies with an above average rate of dividend yield.

Fund Manager's Review



Simon Gergel

The Eurozone was centre of attention in August with generally disappointing economic news and signs that the economy had stagnated in the second quarter. ECB President Draghi acknowledged the problems and raised expectations that the ECB would act to help restore growth (with action taken in early September). In company news Tesco slashed their interim dividend by 75% during a profit warning, ahead of their new Chief Executive joining.

As is often the case these days in markets, weak economic news was matched by positive market movements. The stock market was firm on hopes for potential ECB action, with a 2.1% return on the FTSE 100 Index taking it close to its peak levels. In the USA, the S&P 500 Index went through the 2000 level for the first time. Bond markets were also strong with yields falling significantly in the UK, Europe and the USA. Sterling fell back against the dollar, with the pound dropping from \$1.69 to \$1.66 during the month. Within the stock market, the best performing large sectors were mobile telecoms, pharmaceuticals and support services, whilst food retail and mining were the weakest.

The Trust's NAV (+0.72%) was behind the index (+2.06%) for the month. There were no dominant themes but negative contributions came from Sainsbury, Inmarsat and Friends Life which were weak. These were partially offset by a strong performance from Tate & Lyle and from not owning Tesco or Rio Tinto that underperformed.

We sold the remaining holding in Daily Mail & General Trust which has been a strong performer in the last two years as investors have appreciated the growth prospects of its non-newspaper assets including Zoopla, RMS and Mail-Online, and the shares are now fully valued. We also took profits in Hammerson, Pennon and Reed Elsevier as they reached higher valuations, building up positions in AMEC, Ladbroke and Greene King amongst other purchases.

The UK economic recovery should support domestic company profits, particularly in industries like construction and consumer services. However we remain concerned over the risks to growth from high debt levels, which make consumers sensitive to interest rate increases, and the weak Eurozone. Within the portfolio we are emphasising recovery situations where we see good value and also certain "mega cap" large companies, such as the oil majors, which remain attractively priced.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-0.7	-1.3	8.0	56.2	105.2
NAV	-1.7	-1.9	6.6	58.2	91.5
FTSE 100	0.7	2.4	10.1	41.3	66.1

Discrete Performance (%)

From To	31.08.09 31.08.10	31.08.10 31.08.11	31.08.11 31.08.12	31.08.12 30.08.13	30.08.13 29.08.14
Share Price	15.7	13.5	2.5	41.0	8.0
NAV	11.4	8.7	16.1	27.8	6.6
FTSE 100	10.1	6.7	10.1	16.6	10.1

Source: Lipper, percentage growth, mid to mid, total return to 31.08.14. Benchmark: FTSE 100 Index.

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.

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All data source Allianz Global Investors as at 31.08.14 unless otherwise stated.

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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.

Allianz
Global Investors

Capital Structure

Total Assets:	£659.3m
Gearing (net):	17.8%
Shares in Issue:	105,263,464 (Ordinary 25p)
Share Price ¹ :	492.0p
Net Asset Value ² :	506.7p (481.0p – debt at market value)
Premium/-Discount to NAV ² :	-2.9% (2.3% – debt at market value)
NAV Frequency	Daily
Dividend Yield ³ :	4.71%

1. Source: Lipper as at 31.08.14, market close mid price.

2. Source: Datastream as at 31.08.14. Calculated using the latest full year dividend divided by the current share price.

3. A trust's Net Asset Value (NAV) 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. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

Key Information

Launch Date:	16 February 1889
AIC Sector:	UK Equity Income
Benchmark:	FTSE 100 Index
Annual Management Charge:	0.35%
Performance Fee:	No
Ongoing Charges ⁴ :	0.66%
Year end:	31 January
Annual Financial Report:	Final posted in April, Half-yearly posted in September
AGM:	May
Dividends:	February, May, August, November
Price Information:	Financial Times, The Daily Telegraph, www.merchantstrust.co.uk

Board of Directors:
Simon Fraser (Chairman), Mike McKeon (Chairman of the Audit Committee),
Henry Staunton (Senior Independent Director), Paul Yates

Company Secretary	Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes:	RIC: MRCH.L SEDOL: 0580007

4. Source: AIC, as at the Trust's Financial Year End (31.01.2014). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

Risks & 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, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

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.

Sector Breakdown (%)

Financials	19.0
Consumer Services	17.0
Oil & Gas	16.1
Industrials	13.2
Utilities	10.3
Consumer Goods	8.8
Health Care	7.0
Basic Materials	3.4
Telecommunications	2.9
Cash	2.3

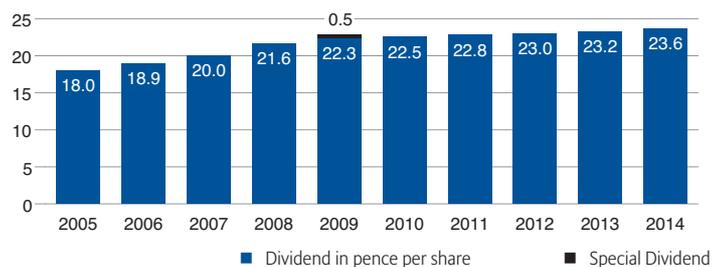
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.6	BAE Systems	4.1
GlaxoSmithKline	6.9	BHP Billiton	3.4
HSBC	6.8	Scottish & Southern Energy	3.2
BP	5.3	UBM	3.0
British American Tobacco	4.4	Inmarsat	2.9
Total Number of Holdings	45*		

*excludes derivatives

Dividend History

Ten Year Net Dividend Record in Pence (to year end 31 January)



Past performance is not a reliable indicator of future results.

Net Dividends

	Pay Date	Record Date	Payment
1st quarterly dividend	14.08.14	12.07.14	5.9p per share
4th quarterly dividend	23.05.14	25.04.14	5.9p per share
3rd quarterly dividend	26.02.14	31.01.14	5.9p per share
2nd quarterly dividend	12.11.13	11.10.13	5.9p per share

How to Invest

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

Contact Us

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

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All data source Allianz Global Investors as at 31.08.14 unless otherwise stated.

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