

The Merchants Trust PLC

Factsheet

28 February 2015

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 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

In February, the FTSE 100 Index finally reached its first record high this century, having previously peaked at the very end of 1999. Equities had another strong month with the FTSE 100 Index giving a 3.3% total return and mid-cap shares were even stronger. Bond markets sold off during the month after a very strong run, with the ten year gilt yield rising from 1.4% to 1.8%.

Economic news showed a gradually improving outlook, with notable improvements in European sentiment and activity data, helped by the weak Euro currency. In the UK, inflation continued to fall reflecting lower food and petrol prices. Consumer price inflation fell to 0.3% (0.5%) in January.

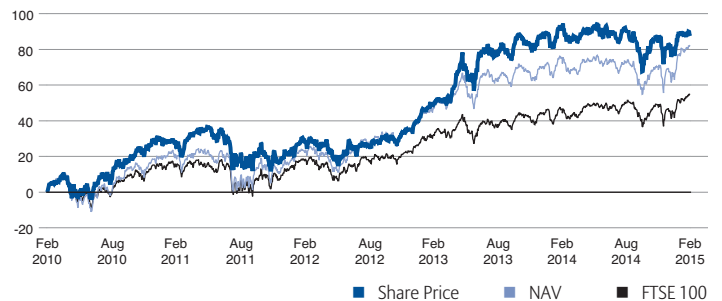
Within the stock market, there was a strong bounce in some of the sectors that had previously been very weak, notably mining, food retail and oil & gas producers. However the best performing sector was construction & materials as CRH rallied when they announced a purchase assets made available by the Lafarge / Holcim merger. Conversely the weakest sectors included utilities, mobile telecommunications and real estate which had all previously benefitted from falling bond yields as investors sought alternative high yielding assets. Centrica was the worst performing FTSE 100 stock as they announced a surprise dividend cut.

Performance reflected some of the themes discussed above. The Trust (+3.1% NAV) benefitted from the strong construction sector with CRH and Balfour Beatty producing double digit returns as well from a strong rise at inter-dealer broker ICAP. There was also a benefit from not owning Vodafone or AstraZeneca which were weak and held back the index return. On the other hand positions in Centrica, Tate & Lyle and Pennon held back performance as well as having only a modest exposure to the strong mining sector.

There were no changes to the portfolio names in the month, although we took some profits after strong performance at ICAP and Unilever and added to Kier Group and SThree.

Although the FTSE 100 index has finally reached a new record high after 15 years, valuations are still reasonable in aggregate across the market. In 1999 the stock market rally was dominated by so called "new economy" sectors in telecoms, media and technology as the "old economy" sectors such as tobacco, beverages and household goods languished.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	0.0	-1.7	-2.9	47.1	87.5
NAV	6.8	5.4	3.4	49.1	81.7
FTSE 100	3.9	3.1	5.6	31.8	54.7

Discrete Performance (%)

From To	26.02.10 28.02.11	28.02.11 29.02.12	29.02.12 28.02.13	28.02.13 28.02.14	28.02.14 27.02.15
Share Price	27.3	0.2	17.2	29.2	-2.9
NAV	20.9	0.8	20.5	19.6	3.4
FTSE 100	15.5	1.6	12.4	11.0	5.6

Source: Lipper, percentage growth, mid to mid, total return to 28.02.15. 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.

Copyright 2015 © 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.

Fund Manager's Review (continued)

Today many of the "old economy" sectors are highly rated due to their defensive qualities and we have limited exposure there. We find the best value in certain very large companies in the oil, banking and pharmaceutical sectors as well as several recovery stocks where medium term potential is not being fully priced into the shares.

All data source Allianz Global Investors as at 28.02.15 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

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:	£687.0m
Gearing (net):	17.9%
Shares in Issue:	108,728,464 (Ordinary 25p)
Share Price ¹ :	481.0p
Net Asset Value ² :	521.2p ³ (493.2p ⁴ – debt at market value)
Premium/-Discount to NAV:	-7.7% (-2.5% – debt at market value)
NAV Frequency	Daily
Dividend Yield ⁵ :	4.93%

1. Source: Lipper as at 28.02.15, market close mid price.

2. 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.

3. Capital net asset value per ordinary share based on the par value of the company's long term debt and preference shares.

4. Capital net asset value per ordinary share based on the fair/market value of the company's long term debt and preference shares. This allows for the valuation of debt at fair value or current market price, rather than at final repayment value.

5. Source: Datastream as at 28.02.15. Calculated using the latest full year dividend divided by the current share price.

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 ⁶ :	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 and Senior Independent Director), Paul Yates, Mary Ann Sieghart, Sybella Stanley

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

6. Source: AIC, as at the Trust's Financial Year End (31.01.2015). 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.

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	21.0
Consumer Services	18.2
Oil & Gas	15.4
Industrials	12.6
Consumer Goods	10.2
Utilities	9.1
Health Care	6.0
Telecommunications	3.3
Basic Materials	2.8
Cash	1.4

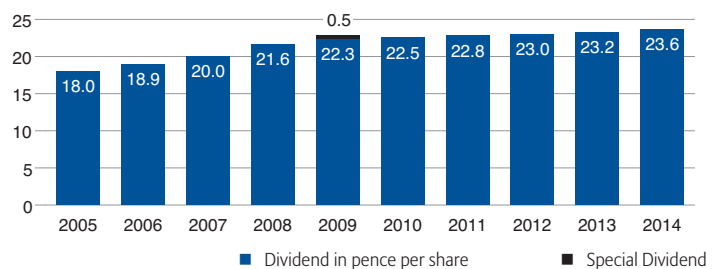
Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	8.1	UBM	4.4
GlaxoSmithKline	6.0	Inmarsat	3.3
HSBC	5.8	Scottish & Southern Energy	3.2
BP	5.2	Standard Life	3.2
British American Tobacco	4.5	BHP Billiton	2.8
Total Number of Holdings	46*		

*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
3rd quarterly dividend	25.02.15	30.01.15	6.0p per share
2nd quarterly dividend	11.11.14	10.10.14	5.9p per share
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

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:

0800 389 4696

e-mail: investment-trusts@allianzgi.com

website: www.merchantstrust.co.uk

All data source Allianz Global Investors as at 28.02.15 unless otherwise stated.

This is a marketing communication issued by Allianz Global Investors GmbH, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, D-60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (www.bafin.de). Allianz Global Investors GmbH has established a branch in the United Kingdom, Allianz Global Investors GmbH, UK branch, which is subject to limited regulation by the Financial Conduct Authority (www.fca.org.uk). Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been, or will be, made or concluded, shall prevail.