

# The Merchants Trust PLC

Factsheet

30 June 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

Greece dominated the headlines in June, with the country first announcing a delay in a payment to the International Monetary Fund until the month end and then failing to pay it when it was due. The Greek government also announced a referendum on whether to accept their creditors' offer, and they closed the banking system and imposed capital controls.

Unsurprisingly equities had a poor month the FTSE 100 Index producing a -6.4% total return with mid-single digit falls in European and World equities (in sterling terms). Domestically orientated medium sized companies in the FTSE Mid Cap Index outperformed with a -3.3% total return. The best performing sectors included food retail and fixed line telecoms, the only sectors to make a positive return, and beverages, construction and support services. The worst performing sectors included aerospace & defence, mining and pharmaceuticals.

The biggest positive performance contribution came from avoiding stocks that were weak in June, including Vodafone, AstraZeneca and Glencore. The main negative contribution came from positions in Amec Foster Wheeler, Inmarsat and Standard Life which also fell back.

We made relatively minor changes to the portfolio during June. We took profits on stocks that had performed well and offered less upside, reducing holdings in the consumer companies Britvic and Cineworld, as well as the satellite communications business Inmarsat. We added to Tate & Lyle, where the shares have been weak after a number of trading issues. We see an improving business mix going forwards, as the company has moved out of many commodity products to re-focus on speciality ingredients. This business mix should offer better growth and improving returns.

As the stock market has pulled back from its all-time high levels, aggregate valuations have become more attractive, although there remains a wide divergence within the market. We continue to see the best value amongst the "mega-cap" companies and selected recovery situations. However the recent volatility may present other opportunities. With medium sized companies having performed very well, especially in the consumer sectors, we see less value in this area and more opportunities emerging in sectors like oils and financials.

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-2.2	1.2	-3.4	47.9	87.9
NAV	-3.3	3.5	0.8	44.4	89.3
FTSE 100	-2.8	1.4	0.2	30.4	58.5

## Discrete Performance (%)

From To	30.06.10 30.06.11	30.06.11 29.06.12	29.06.12 28.06.13	28.06.13 30.06.14	30.06.14 30.06.15
Share Price	36.5	-6.9	32.3	15.7	-3.4
NAV	32.5	-1.1	27.4	12.5	0.8
FTSE 100	24.9	-2.7	15.8	12.4	0.2

Source: Lipper, percentage growth, mid to mid, total return to 30.06.15. 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.

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All data source Allianz Global Investors as at 30.06.15 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:	£660.9m
Gearing (net) <sup>1</sup> :	18.3%
Shares in Issue:	108,728,464 (Ordinary 25p)
Share Price <sup>1</sup> :	464.5p
Net Asset Value <sup>2</sup> :	490.9p <sup>3</sup> (468.2p <sup>4</sup> – debt at market value)
Premium/-Discount to NAV:	-5.4% (-0.8% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>5</sup> :	5.12%

<sup>1</sup>Gearing in form of two long-term debentures.

1. Source: Lipper as at 30.06.15, 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 30.06.15. 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 <sup>6</sup> :	0.59%
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), Mary Ann Sieghart, Sybella Stanley, Paul Yates

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	19.9
Consumer Services	19.3
Oil & Gas	14.3
Industrials	13.9
Consumer Goods	10.0
Utilities	9.3
Health Care	5.3
Telecommunications	3.1
Basic Materials	3.0
Cash	1.9

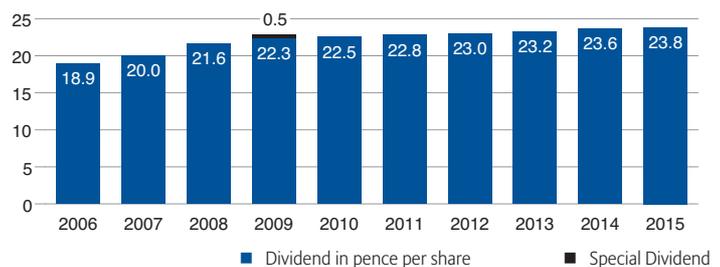
## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	6.9	British American Tobacco	4.2
HSBC	5.9	Scottish & Southern Energy	3.2
GlaxoSmithKline	5.3	Inmarsat	3.1
BP	5.1	Standard Life	2.8
UBM	4.5	Carnival	2.6
Total Number of Holdings	47*		

\*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	14.08.15	17.07.15	6.0p per share
4th quarterly dividend	22.05.15	24.04.15	6.0p per share
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

## 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 30.06.15 unless otherwise stated.

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