

As focused on dividends as you are

The Merchants Trust PLC

Factsheet

31 December 2016

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

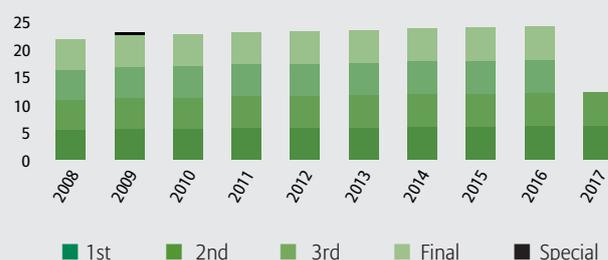
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
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
29.01.2016	24.02.2016	6.00p	3rd Quarterly

Past performance is not a reliable indicator of future results.

Total Assets £670.8m **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

453.1p

Source: Lipper

NAV per Share

477.4p

Premium/-Discount

-5.1%

Dividend Yield

5.3%

Gearing

18.1%

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.

Allianz 
Global Investors

Fund Manager's Review

December was a strong month for equity markets on the back of rising optimism for economic growth and fiscal stimulus from the incoming US president. The US Federal Reserve, as anticipated, raised interest rates by 0.25% for only the second time since the financial crisis. It also signalled that further rate increases are likely in 2017, as the US economy continues to recover and unemployment declines.

The Trust's NAV returned 4.6% in December compared to the FTSE 100 Index benchmark which produced a total return of 5.4%. The Index rose 19.1% over 2016 as a whole, ahead of the mid-cap FTSE 250 Index return of 3.3% in December and 6.7% for the year. The oil price rallied after the OPEC agreement to cap oil production in November. The best performing sectors in the month included oil & gas and media, whilst the weakest sector was basic resources, after recent gains.

Over the whole calendar year, there has been a notable polarisation of returns between different sectors as hopes have grown for a more sustained economic recovery, particularly in the USA, and a higher interest rate environment. Cyclical sectors have generally performed well, especially in the commodity areas, with mining shares doubling and oil shares up over 50%. At the other end of the spectrum, sectors seen as "bond-proxies", i.e. beneficiaries of lower bond yields, were generally poor performers, with real estate and telecommunications producing negative returns. General retailers was the other notably weak sector in 2016, reflecting the implications of Brexit on consumer confidence and higher cost inflation caused by the falling pound.

“ December was a strong month for equity markets on the back of rising optimism for economic growth and fiscal stimulus from the incoming US president.

During December, the most notable issue to affect the portfolio was a consultation launched by the Financial Conduct Authority into the spread-betting industry. This had a major impact on the share price of IG Group, as the regulator proposed introducing leverage limits on customers for the first time. IG Group has always worked closely with regulators around the world, and has taken a proactive and responsible stance to regulatory issues, such as the separation of client money and offering limited-loss trades. A leverage restriction could affect industry trading volumes materially, but the impact would likely be lower for IG, as market leader, partly because many of its larger customers do not need (or are not granted) the highest levels of leverage to trade.

We added one new company to the portfolio, Tyman, a manufacturer of hardware, seals and other products for doors and windows and other applications. The company operates predominantly in the US, where the housing market is recovering, with smaller operations in the UK and continental Europe. The shares were poor performers in 2016, despite a high proportion of US dollar earnings, and now offer good value, in our view.

Elsewhere we took advantage of relative price movements. We trimmed back strong performing shares such as UBM, BAE Systems, Hostelworld, HSBC, Diageo, Carnival and Centrica, reinvesting shares that had pulled back and offered better value, such as GlaxoSmithKline, BT, National Grid, Greene King and St Ives.

ICAP completed its transformational deal with Tullett Prebon near the end of the month. The Trust now owns shares in two companies. TP ICAP is a world leader in interdealer broking and related information services. It stands to benefit from synergy saving from combining the two businesses within an increasingly concentrated industry. NEX Group was the more profitable part of



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.

ICAP, and includes its faster growing electronic trading, information and optimisation services and its financial technology businesses.

As we look into 2017, we are likely to see a continuation of political and economic uncertainty as we find out what Donald Trump's presidency and Brexit really mean, and we have elections in Germany, France and elsewhere. Rising protectionism and greater fiscal spending in the US and the UK seem to be growing themes, along with rising bond yields, although the latter will depend upon a continuing economic recovery.

As we said last month, with an uncertain outlook, it is particularly important to pay attention to the fundamental qualities and valuations of the companies we invest in. We are looking to own strong businesses that are priced at attractive valuations, from which investors can expect to earn a decent return over the medium to long term. This return will come from a combination of dividend yield and capital growth.

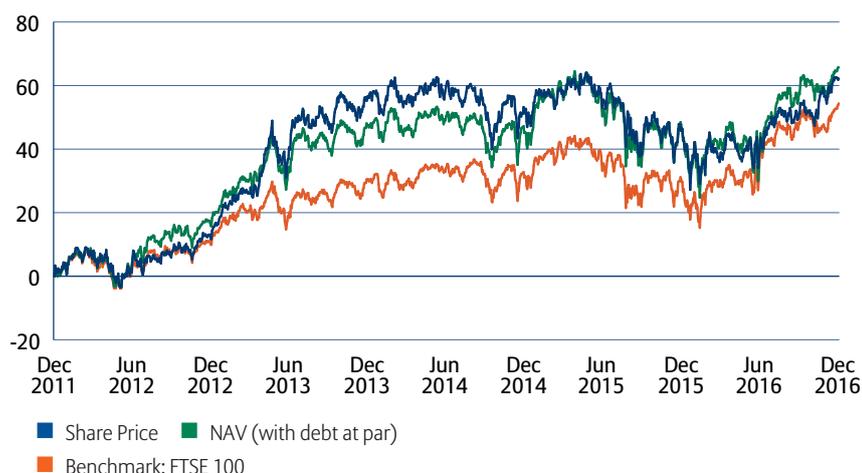
Within the portfolio, we continue to favour certain of the very largest companies, especially the oil majors, BP and Shell, HSBC bank and the pharmaceutical, vaccines and consumer business GSK. Many recovery situations also still offer good value, although some, like Carnival and CRH have already improved their profitability significantly. We have also been increasing exposure to telecommunications and utilities recently, as they have been poor performers in 2016, bringing shares down to more attractive levels.

*Simon Gergel
9 January 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	7.5	15.7	10.9	3.6	62.4
NAV	5.3	15.9	13.4	12.2	65.7
Benchmark	4.3	11.7	19.1	18.4	54.5

Discrete 12 Month Returns (%) to 31 December

	2012	2013	2014	2015	2016
Share Price	11.8	40.3	-3.5	-3.3	10.9
NAV	15.8	27.4	-1.6	0.6	13.4
Benchmark	10.0	18.7	0.7	-1.3	19.1

Source: Lipper, percentage growth, mid to mid, total return to 31.12.16. 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.

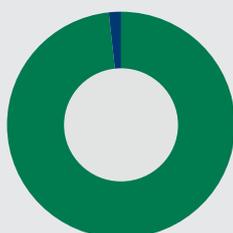
Portfolio Breakdown

Sector Breakdown (%)



Geographic Breakdown (%)

UK	98.3
Cash	1.7



Top Ten Holdings (%)

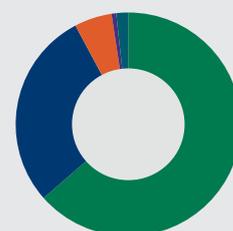
Royal Dutch Shell 'B' Shares	8.3
GlaxoSmithKline	7.4
BP	6.1
HSBC	5.8
UBM	4.0
Lloyds Banking Group	3.8
Centrica	3.1
Inmarsat	2.9
Tate & Lyle	2.8
Scottish & Southern Energy	2.7

Total number of holdings* 47

*Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	63.5
FTSE 250	28.7
FTSE Smaller Companies	5.4
FTSE AIM	0.7
Cash	1.7



Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE 100
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: Sybella Stanley, Simon Fraser (Chairman), Paul Yates, Mary Ann Sieghart and Mike McKeon (Senior Independent Director). Timon Drakesmith joined the board on 1 November 2016 as Chairman of the Audit Committee.



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.



Allianz 
Global Investors

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.

All data source Allianz Global Investors as at 31.12.16 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. This communication has not been prepared in accordance with legal requirements designed to ensure the impartiality of investment (strategy) recommendations and is not subject to any prohibition on dealing before publication of such recommendations.