A value view

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In 2006, when I began managing The Merchants Trust, the landscape for income-seekers was very different: the Bank of England base rate was a lofty 4.5pc and it wasn't too hard to find a decent income return. However, everything changed after 2008's financial crisis. By March 2009, the base rate had plummeted to 0.5pc and that's where it is today. The last decade has been challenging for income seekers.

Equities can deliver income when other options fail. At Merchants, our aim is to choose stocks that can deliver high and rising income for shareholders, together with capital growth. The best way of delivering this is to hone in on the fundamental qualities of businesses we invest in, whilst striving to identify qualities that may be under-priced in the stock market. So, we look for companies that offer above-average yields as part of an attractive total return. This "income bias" has worked well – Merchants has one of the highest yields in its sector and is one of the Association of Investment Companies' "Dividend Heroes".

As an income-seeker, it's clear to me that strange things have been happening in the UK stock market recently. The market has been nudging all-time highs, yet politics and Brexit is never far from centre stage. That may explain why many UK companies appear quite cheap and the UK looks more reasonably priced than most global markets. More strikingly, there are an increasing number of high-yielding UK shares that appear to have relatively safe and growing dividends. Even without any share price growth many of these stocks look poised to deliver a decent return.

Of course, future dividend cuts for specific companies can never entirely be ruled out – but that's why our stock selection process aims to diversify both income stream and risk.

To find out more and listen to Simon Gergel's new podcast, visit **merchantstrust.co.uk**

The Merchants Trust PLC