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Midas



by **Joanne Hart**

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WHEN Great Britain was at the height of its powers, a group of top financiers and lawyers set up the **Merchants Trust** to access a range of investments providing healthy dividends and decent growth.

That was in 1889. The choice of investments has changed since then, but the underlying strategy remains strikingly similar.

Merchants invests in carefully chosen listed UK businesses with good growth potential and it pays a generous dividend to shareholders.

Dividends have increased annually for the past 35 years and, at 455p, the shares offer a yield of more than 5 per cent – highly attractive in today's low interest rate environment.

Merchants is different from most of its peers because it does

Leading lights for investment growth



not just invest in large, established firms that are household names. Instead, it looks for stock market listed companies that it believes are undervalued and are likely to deliver material share price gains. All its investments pay dividends, but they are also expected to deliver a strong share price performance.

Simon Gergel, who heads the trust, has what is known as an 'active management style'. That means he will offer advice to companies where appropriate, largely because he takes a traditional view of equity investment – seeing Merchants as an owner of the companies

that it invests in – and therefore entitled to speak out when those firms are not doing their job as well as they could be.

The trust's investments include FTSE 100 index giants such as GlaxoSmithKline, BP and HSBC, which have been unloved by the market in recent years. There are also a number of perhaps less obvious investments, such as advertising giant WPP, troubled bank Barclays and Land Securities, the UK's largest commercial property firm.

WPP has slumped more than 40 per cent in the past year or so, Barclays has tumbled almost 30 per cent in the past couple of years and Land Securities

has lost around a third of its stock market value since its 2015 peak.

Gergel and his team think the market has misjudged or underestimated these companies. They believe WPP will cope with the influx of mobile advertising and continue to thrive. They suggest that Barclays is recovering and should continue to do so. They are also more optimistic than most about the outlook for Land Securities, as its properties include prime London assets such as the Piccadilly Lights and several large office blocks in the City, as well as top retail sites such as Bluewater in Kent.

Midas verdict: Merchants Trust offers investors exposure to around 45 UK companies, selected because they are expected to deliver rising dividends and share price appreciation. The strategy works. Merchants Trust has outperformed the stock market over the years and it pays a steadily increasing dividend with a juicy yield of more than 5 per cent. A rewarding buy for income seekers.

Traded on: Main market
Contact: merchantstrust.co.uk or 0800 389 4696
Ticker: MRCH