



THE SUNDAY TIMES

The Sunday Times March 31, 2019

MONEY

FUND FOCUS MERCHANTS TRUST



What it is

Launched in 1889, Merchants Trust aims to deliver a mix of income and growth by investing mainly in large UK stocks.

What it invests in

The portfolio is dominated by FTSE 100 names such as Glaxo Smith Kline, BP and HSBC. Manager Simon Gergel, who looks out for undervalued companies, recently invested in the tobacco stocks BAT and Imperial Brands as their shares had become cheap.

Performance

The trust has returned 42.3% over three years, compared with a sector average of 17.5%, and the ongoing charge is low at 0.59%. Merchants is also a so-called dividend hero, having grown its payout for 36 consecutive years; it currently yields 5.3%.

What the manager says

"The UK is a great place to invest at the moment because we are under a cloud of uncertainty and valuations of stocks are low," said Gergel. "In the coming months or years, we will get certainty again and I can find a lot of good businesses that should produce a good return."

What the experts say

Thomas McMahan, senior analyst at advisory firm Kepler Partners, said: "The chief attraction of this trust is its 5.3% yield, one of the highest in the sector. It has increased its exposure to medium-sized companies to about 30% of the portfolio but remains heavily invested in the FTSE 100. That means it could do better ... if sterling remains weak."

Holly Black