

As focused on dividends as you are

# The Merchants Trust PLC

Factsheet

28 February 2017

## 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

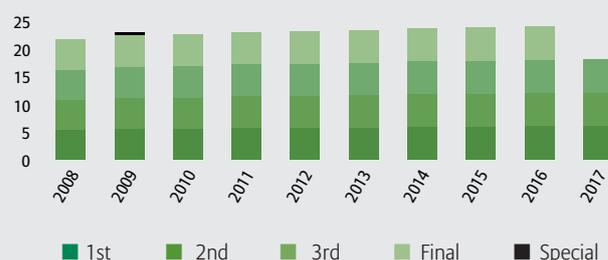
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
27.01.2017	23.02.2017	6.10p	3rd Quarterly
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

Past performance is not a reliable indicator of future results.

**Total Assets** £671.5m    **Shares in Issue** 108,728,464 (Ordinary 25p)

Share Price

470.5p

Source: Lipper

NAV per Share

480.4p

Premium/-Discount

-2.1%

Dividend Yield

5.1%

Gearing

18.3%

**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.

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## Fund Manager's Review

In February, the House of Commons passed a draft law to trigger article 50 of the Lisbon treaty for the UK to exit the EU. In corporate news, Warren Buffett backed Kraft Heinz in its takeover offer for the huge food and personal health business Unilever. However, the approach was abandoned, almost as quickly as it started, as it ran into stiff opposition from the company and other stakeholders.

The stock market had a reasonably strong month, continuing its steady appreciation since last summer. The Trust's NAV rose by 3.03% over the month whilst the FTSE All Share (the Trust's new benchmark with effect from 1 February 2017) produced a total return of 3.1%. The strongest sectors were personal goods, pharmaceuticals and aerospace & defence. The weakest sectors were in the natural resources area; oil equipment & services, mining and oil & gas producers.

Portfolio performance was in line with the FTSE All Share benchmark. The biggest positive contribution to relative performance came from Inmarsat, GlaxoSmithKline and Tate & Lyle, which all performed well. The biggest negative contributors were stocks that were not owned in the portfolio, but which performed well, namely; AstraZeneca, Unilever and Shire.

There were no major changes to the portfolio in the month. We reduced the large positions in global business-to-business events organiser UBM and Tate & Lyle, which had performed well and moved closer to fair value; we recycled the proceeds into cheaper shares that had lagged behind the market, such as National Grid, Senior and Tyman. We also added to the Trust's holding in TP ICAP, a market leading broking business formed by the merger of part

“ Although the stock market has recently traded at peak levels, we think there are still many businesses with strong competitive positions trading at sensible valuations, offering the combination of an attractive dividend yield and the potential for capital gains

of ICAP into Tullett Prebon. The company stands to benefit from strong profits growth, driven by significant cost synergies.

Although the stock market has recently traded at peak levels, we think there are still many businesses with strong competitive positions trading at sensible valuations, offering the combination of an attractive dividend yield and the potential for capital gains for investors. These businesses should deliver good returns over the medium to long term. Two major areas offer particular value and remain a major focus within the portfolio: selected “mega-cap” companies and recovery situations.

Outside of these areas, the Trust also has significant exposure



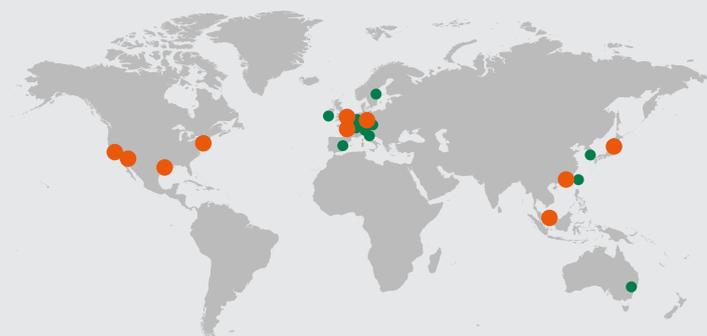
### Simon Gergel, Portfolio Manager

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.

to life insurance and utilities, sectors offering high yields and, in most cases, real dividend growth. Conversely, there is only limited exposure to consumer staples sectors, like food producers and beverages, where valuations are high and future returns are likely to be modest at best.

*Simon Gergel*  
9 March 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.



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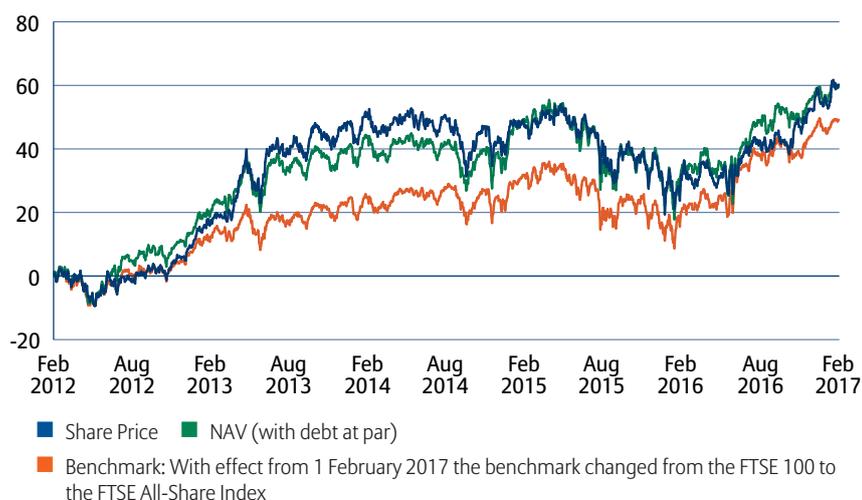
## About Allianz Global Investors

Allianz Global Investors is a diversified active investment company managing €481 billion (as at 31.12.16) in assets worldwide. AllianzGI employs more than 600 investment professionals in 25 cities in 18 countries and uses specialised in-house researchers around the world to carry out in-depth analysis across economic and industrial sectors. These analysts conduct over 5,000 meetings each year with companies that represent potential investments, feeding back their insights to the portfolio managers and their teams.

Portfolio managers also benefit from Grassroots<sup>SM</sup> Research, a global network of over 300 independent, experienced journalists and field force researchers, and over 50,000 industry contacts to identify stock and sector trends before our competitors do.

# 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	9.1	14.3	23.1	5.9	60.4
NAV	6.8	8.1	19.6	10.8	59.7
Benchmark	7.9	8.8	24.1	19.6	49.2

## Discrete 12 Month Returns (%) to 28 February

	2013	2014	2015	2016	2017
Share Price	17.2	29.2	-2.9	-11.4	23.1
NAV	20.5	19.6	3.4	-10.4	19.6
Benchmark	12.4	11.0	5.6	-8.7	24.1

Source: Lipper, percentage growth, mid to mid, total return to 28.02.17. 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.

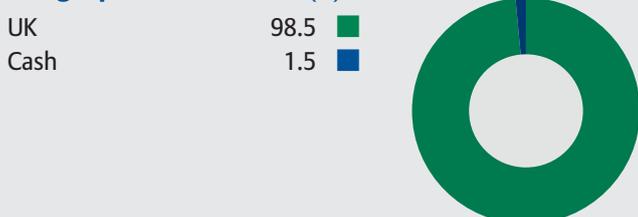
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)



### Top Ten Holdings (%)

GlaxoSmithKline	7.8
Royal Dutch Shell 'B' Shares	7.7
HSBC	5.7
BP	5.4
Lloyds Banking Group	4.1
UBM	3.5
Centrica	3.0
Scottish & Southern Energy	2.7
Inmarsat	2.7
Prudential	2.6

### Total number of holdings\* 46

\*Excludes derivatives

### Market Cap Breakdown (%)



## Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE All-Share
Annual Management Charge	0.35%
Performance Fee	No
Ongoing Charges <sup>1</sup>	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: Mary Ann Sieghart, Timon Drakesmith (Chairman of the Audit Committee), Simon Fraser (Chairman), Sybella Stanley (Senior Independent Director) and Paul Yates



## 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](http://www.merchantstrust.co.uk)

E-mail: [investment-trusts@allianzgi.com](mailto: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.



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**All data source Allianz Global Investors as at 28.02.17 unless otherwise stated.**

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