

The Merchants Trust PLC

Presentation to the
Annual General Meeting
24 May 2016



www.merchantstrust.co.uk

Allianz 
Global Investors

Simon Gergel, Portfolio Manager

Understand. Act.

The Merchants Trust

Highlights

NAV Total Return* 2016 -5.0%

FTSE 100 Index 2016 -6.5%

Net asset value per ordinary share*

437.7p

2015 486.8p

-10.0%

Earnings per ordinary share

24.1p

2015 23.6p

+2.1%

Dividend

24.0p

2015 23.8p

+0.8%

Yield

5.8%

2015 4.9%

- 34 years of dividend growth
- Market return negative despite FTSE 100 index hitting new peak in April
- NAV total return ahead of benchmark

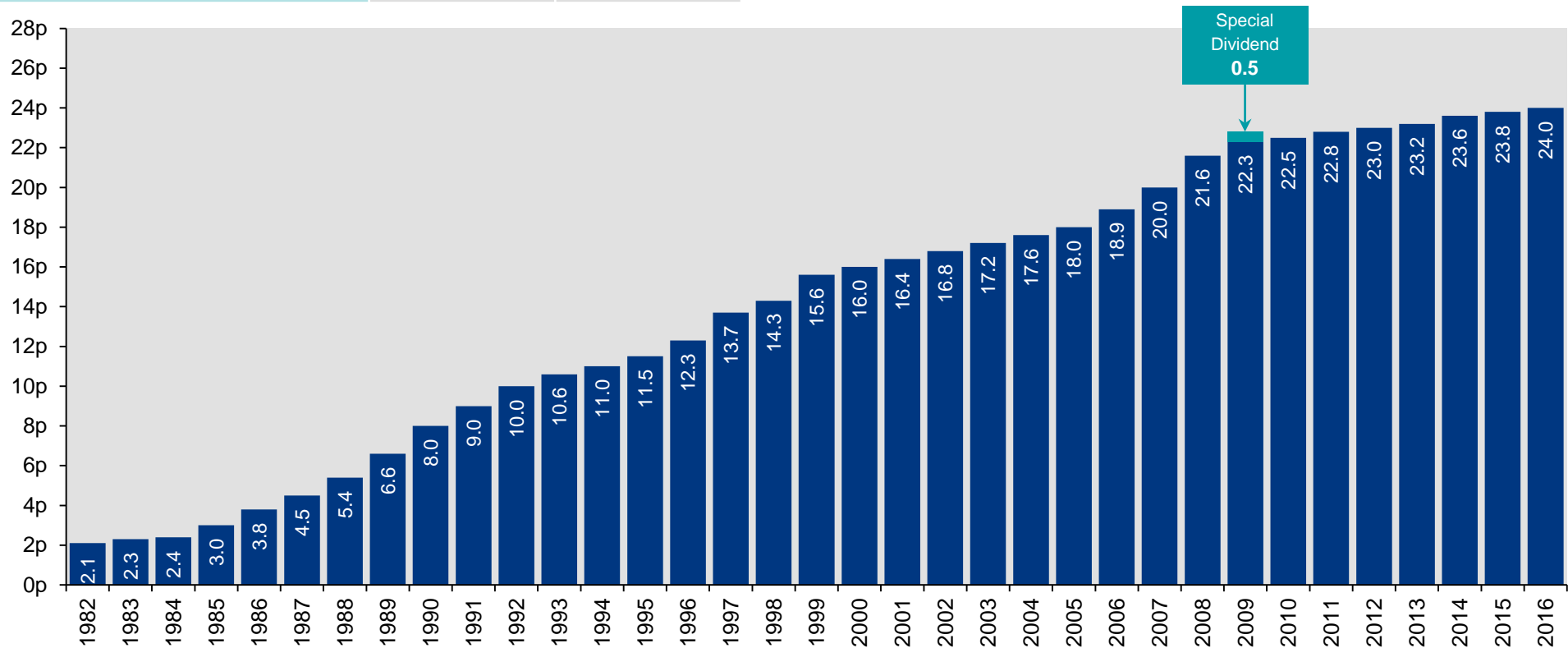
Debt at market value.

Source: Merchants Trust 2016 Annual Report & Accounts.

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34 years of rising dividends

Year to January	2015	2016*
Ordinary dividend	23.8p	24.0p

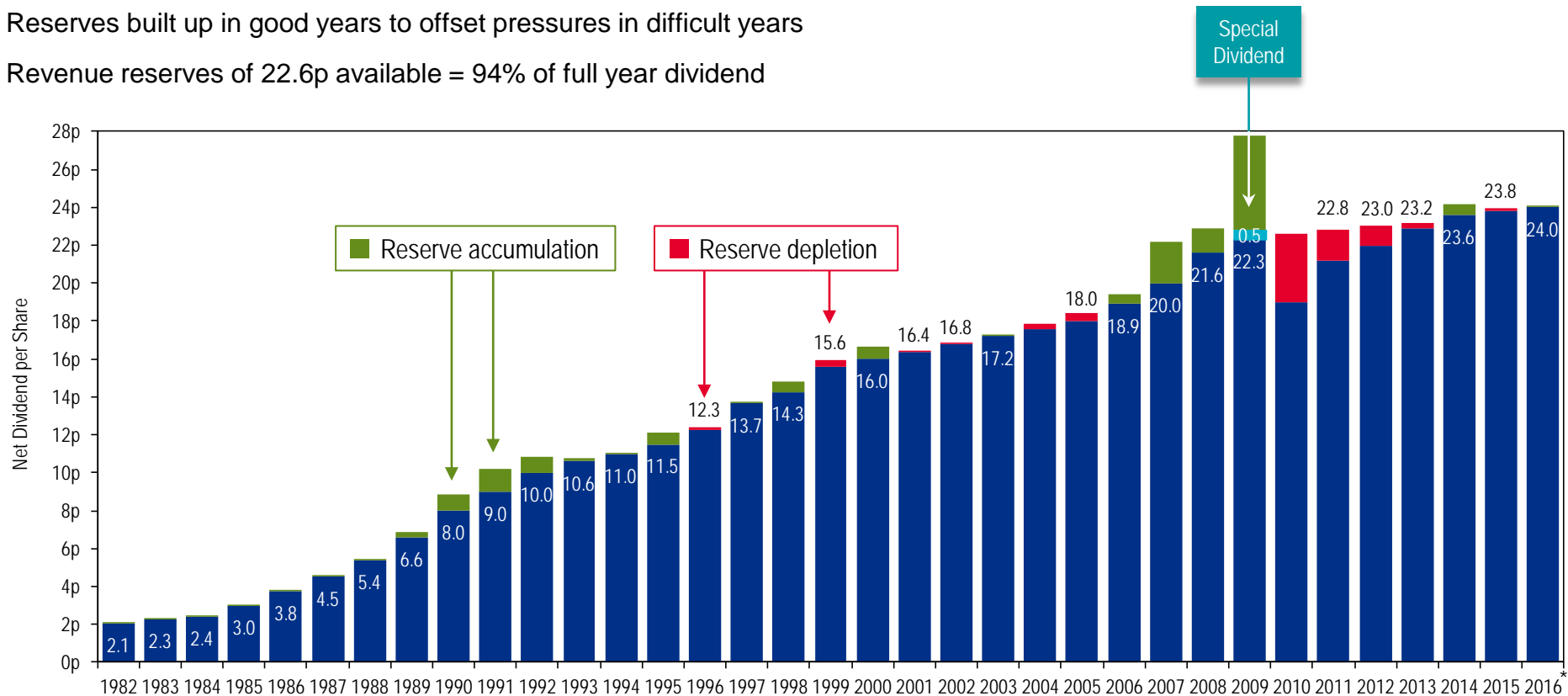


Source: AllianzGI. *Includes dividend proposed at today's AGM.

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34 years of rising dividends

- High yield, fully covered by earnings in FY 2016
- Significant yield premium over sector and wider market
- Reserves built up in good years to offset pressures in difficult years
- Revenue reserves of 22.6p available = 94% of full year dividend



Past performance is not a reliable indicator of future results. *Includes dividend proposed at today's AGM.

Source: AllianzGI, as at 18 May 2016.

The Merchants Trust Valuation summary

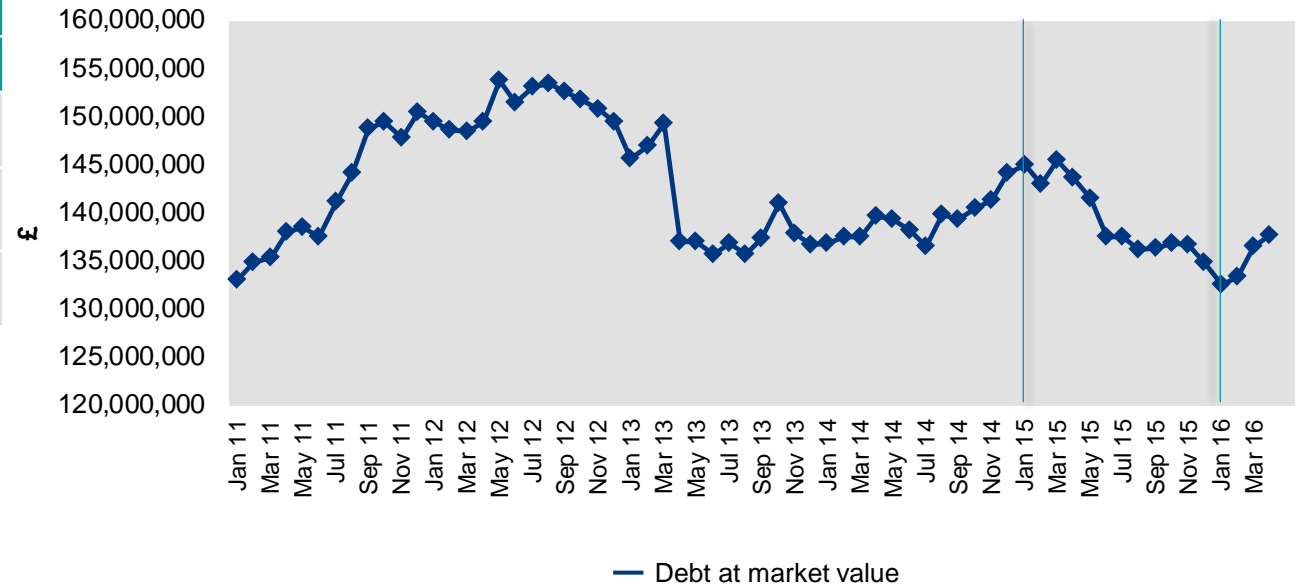
	31 January 2015	31 January 2016	Change (%)
Total Assets	£672m	£608m	-9.5
Net Assets Value Per Share (Debt at Market Value)	486.1p	437.7p	-10.0
Share Price	484.0p	414.0p	-14.5
Premium/(Discount) (Debt at Market Value)	(0.4%)	(5.4%)	-
FTSE 100 Index	6749	6084	-9.9

The Merchants Trust Debt structure

Debt and gearing structure

	31 Jan 2015		31 Jan 2016	
	£m	%	£m	%
Total Assets	672	100	608	100
Borrowings (Debt at book value)	110	16	110	18
Shareholder Funds	562	83	498	82
Average Maturity	7 yrs			
Average Interest Charge	8.5%			

Debt at market value



- Value of debt fell during the year
- “Pull to par” effect coming through
- First maturity Jan 2018

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Total Return Periods to 31 January 2016 %	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.
Merchants' Portfolio (excludes gearing)	-3.8	5.5	7.5	5.5
Merchants NAV with debt at fair value	-5.6	5.5	7.1	5.1
Merchants Share Price	-9.8	5.3	5.9	4.8
FTSE 100 Index	-6.5	2.6	4.5	4.3

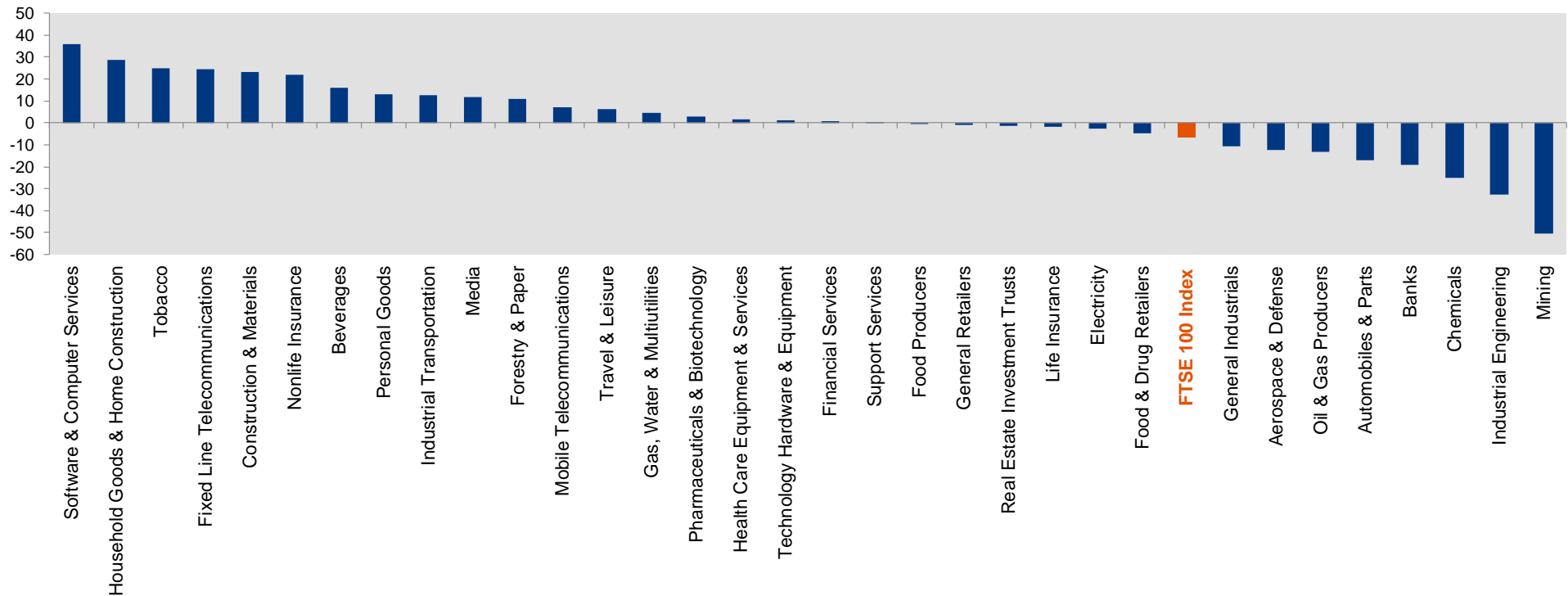
- Disciplined process to pick high yielding cheap stocks
- High conviction, actively managed portfolio
- Outperformance of benchmark

Past performance is not a reliable indicator of future results.
Source: AllianzGI/Merchants Trust, as at 31 January 2016.

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A year of contrast

Sector Total Return – 12 months to 31 January 2016



- Sharp divergence in returns
- Defensive sectors, bond proxies, construction and media strong
- Resources, industrial cyclicals and banks weak

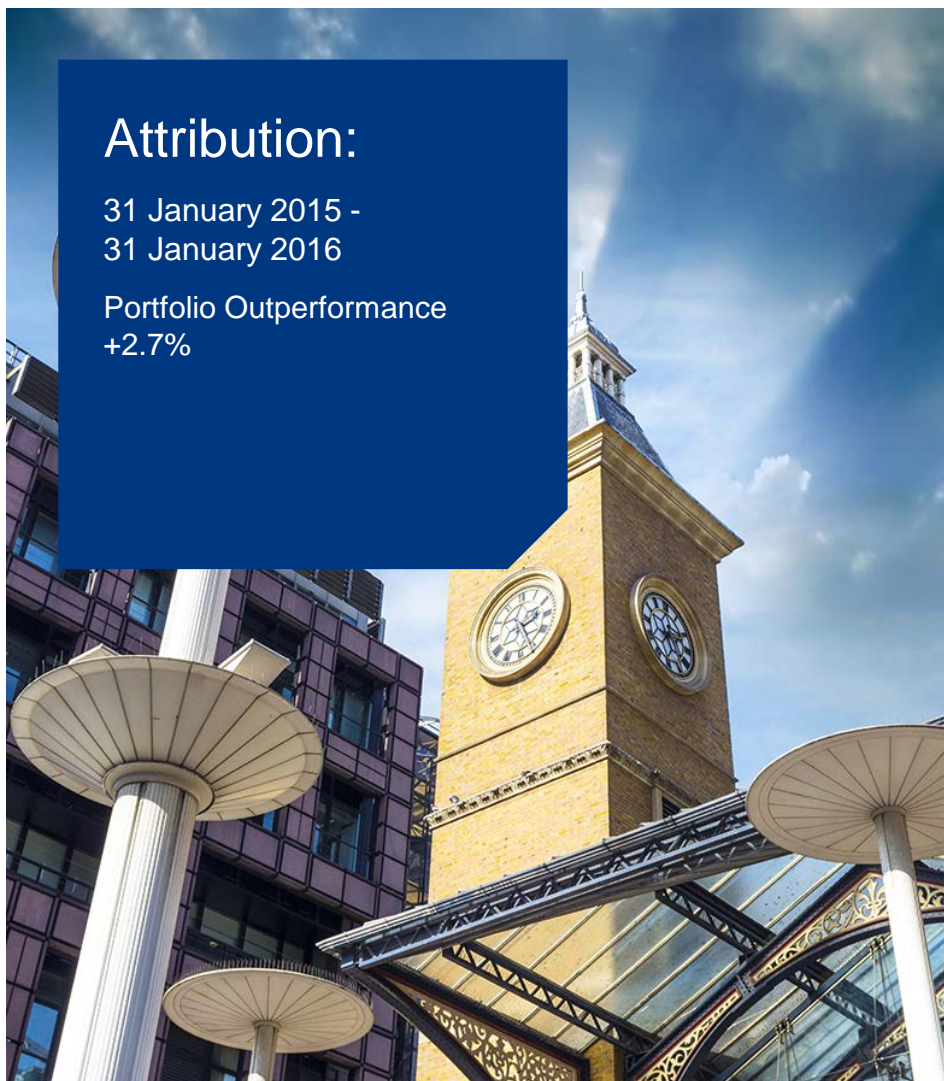
Source: AllianzGI. As at 31 January 2016.

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Attribution:

31 January 2015 -
31 January 2016

Portfolio Outperformance
+2.7%



Top and bottom contributors

Top Contributors	Active Contribution (%)
Inmarsat	1.1
Glencore*	0.9
Rio Tinto*	0.7
Anglo American*	0.6
Carnival	0.5
UBM	0.4
Standard Chartered*	0.4
Glaxosmithkline	0.3
Rolls Royce*	0.3
Greene King	0.3
Bottom Contributors	Active Contribution (%)
Antofagasta	-0.6
Imperial Tobacco*	-0.6
BT*	-0.5
Amec Foster Wheeler	-0.5
SAB Miller*	-0.5
Brammer	-0.5
BG*	-0.5
Lloyds Banking Group	-0.5
Reckitt Benckiser*	-0.4
Centrica	-0.4

* = underweight.

This is no recommendation or solicitation to buy or sell any particular security. Source: AllianzGI, data from 31 January 2015 to 31 January 2016.

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Active portfolio management

Key portfolio changes

Financial year to 31 January 2016

New Additions	Disposals
Lloyds	Unilever
Barclays	Hammerson
Prudential	Cineworld
Antofagasta	Premier Farnell
Equiniti	Amec Foster Wheeler
Hostelworld	Britvic
	Smiths

- Active stock selection, driven by opportunities
- 6 additions, 7 disposals within 43 stock portfolio
- Purchases focused on:
 - Domestic banks – Returning to normality, modest valuations
 - Prudential – Undervalued growth
 - Antofagasta – Depressed copper miner
 - New IPO's – Strong business franchises, attractive valuations
- Sales driven by:
 - Full valuation/bond proxies:
Unilever, Hammerson, Cineworld, Britvic
 - Change of view, deteriorating trading:
Premier Farnell, Amec, Smiths

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Economic and market outlook

- UK Economy recovering though mixed picture overseas
- Growth will be restrained by high debt burden
- Brexit referendum a risk, but large companies geographically diversified
- Corporates generally in good shape, balance sheets repaired
- Interest rates cycle turning, slowly
- Best value in Mega Caps and recovery situations
- Safe defensive stocks and bond proxies expensive

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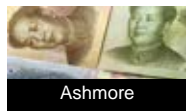
Key portfolio themes

Investment Themes

- Large core holdings in well financed **global**, “**mega**” caps with strong franchises and good yields



- Earnings growth** is hard to achieve: Favour **growth** stocks on reasonable valuations



- Exposure to emerging market consumer spending growth



- Inflation** “tail risk”: Real assets, inflation-linked revenues attractive



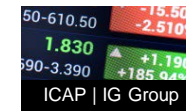
- Cyclical Recovery situations:** Industries recovering, companies on modest valuations



- Turnaround situations**



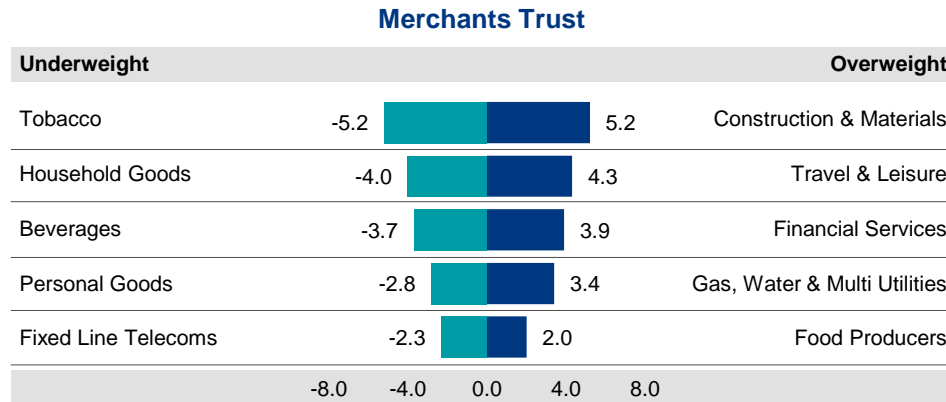
- Financials:** exposure to rising interest rates/volatility



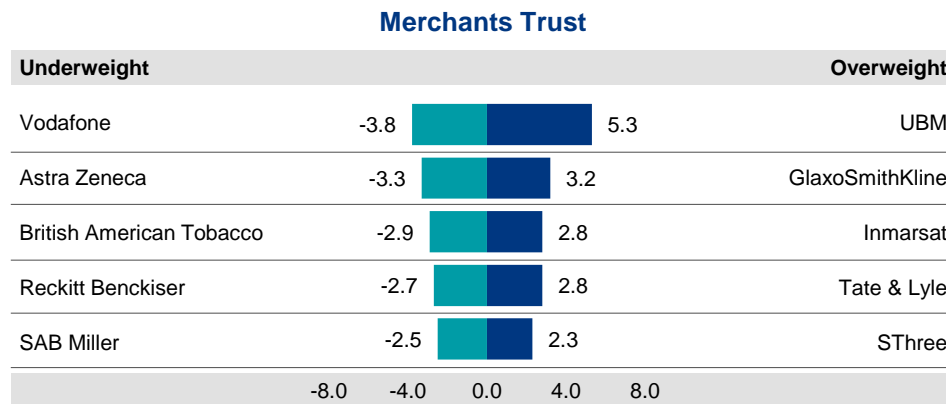
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High conviction positioning

Sector View



Stock Views



% position relative to FTSE 100 Index

- Strong valuation discipline
- Opportunities in recovery situations:
 - Construction and materials
 - Travel and leisure
 - Financial services
- Limited exposure to expensive defensives

The Merchants Trust Conclusion

- Good performance track record
- Active, value driven, stock selection approach
- 34 years of dividend growth
- High yield supported by significant reserves
- Low management fee
- Merchants is well positioned for the future

For further information:

- www.merchantstrust.co.uk
- Blog: www.unconstrainedthinking.com



Disclaimer

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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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, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

A trust's Net Asset Value (NAV) 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. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

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.

Merchants seeks to enhance returns for its shareholders through gearing in the form of long-term debentures. Gearing 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 are used to manage the trust efficiently. Covered call options are written to supplement the income generation of the portfolio. This may lead to an opportunity cost if options are exercised.

All data source Allianz Global Investors as at 31 March 2016 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, 199 Bishopsgate, London EC2M 3TY, 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.



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Annual General Meeting, 24 May 2016

Resolution 1:

To receive the annual report

For	Discretion	Against	Withheld
29,571,844	351,330	41,583	147,978

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Annual General Meeting, 24 May 2016

Resolution 2:

To declare a final dividend

For	Discretion	Against	Withheld
29,703,296	349,384	0	60,055

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Annual General Meeting, 24 May 2016

Resolution 3:

To re-elect Simon Fraser as a director

For	Discretion	Against	Withheld
28,647,171	357,195	640,473	467,896

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Annual General Meeting, 24 May 2016

Resolution 4:

To re-elect Mike McKeon as a director

For	Discretion	Against	Withheld
28,583,013	360,187	661,166	508,379

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Annual General Meeting, 24 May 2016

Resolution 5:

To re-elect Mary Ann Sieghart as a director

For	Discretion	Against	Withheld
28,120,427	360,463	1,069,093	562,752

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Annual General Meeting, 24 May 2016

Resolution 6:

To re-elect Sybella Stanley as a director

For	Discretion	Against	Withheld
28,532,566	360,463	757,130	462,576

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Annual General Meeting, 24 May 2016

Resolution 7:

To re-elect Paul Yates as a director

For	Discretion	Against	Withheld
28,607,940	362,363	644,365	498,067

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Annual General Meeting, 24 May 2016

Resolution 8:

To approve the Directors' Remuneration Implementation Report

For	Discretion	Against	Withheld
27,357,137	362,958	1,668,485	724,155

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Annual General Meeting, 24 May 2016

Resolution 9:

To re-appoint PricewaterhouseCoopers LLP as Auditors

For	Discretion	Against	Withheld
28,482,820	361,293	914,450	354,172

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Annual General Meeting, 24 May 2016

Resolution 10:

To authorise the directors to determine the remuneration of the Auditors

For	Discretion	Against	Withheld
28,680,647	370,943	604,723	456,422

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Annual General Meeting, 24 May 2016

Resolution 11:

To authorise the directors to allot ordinary shares

For	Discretion	Against	Withheld
28,886,655	416,210	649,936	159,934

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Annual General Meeting, 24 May 2016

Resolution 12:

To disapply pre-emption rights

For	Discretion	Against	Withheld
27,574,636	423,959	1,225,803	888,337

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Annual General Meeting, 24 May 2016

Resolution 13:

To authorise the company to make market purchases of ordinary shares

For	Discretion	Against	Withheld
28,815,094	437,382	694,178	166,081

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