The Merchants Trust PLC

As focused on dividends as you are

Allianz Global Investors

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 large UK companies.

History

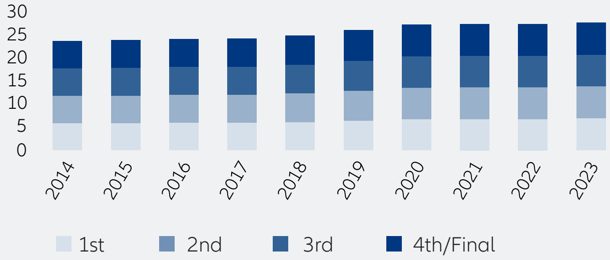
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 15 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 40 years.

Ten Year Dividend History

Dividend Record in Pence per Share
To Year End 31 January



Last Four Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
21.04.2023	26.05.2023	7.00p	Final*
03.02.2023	15.03.2023	6.90p	3rd Interim
07.10.2022	10.11.2022	6.85p	2nd Interim
15.07.2022	24.08.2022	6.85p	1st Interim

Past performance is not a reliable indicator of future results.
*Subject to approval at the AGM

A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

The RSMR rating is designed for use by professional advisers and intermediaries as part of their advice process. This rating is not a recommendation to buy. If you need further information or are in doubt then you should consult a professional adviser.

Total Assets £905.7m **Shares in Issue** 142,649,887 (Ordinary 25p) **Market Cap** £816.0m

Share Price	NAV per Share	Premium/-Discount	Dividend Yield	Gearing
572.0p	564.1p	1.4%	4.8%	12.2%

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 cum income 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.

All data source DataStream and Allianz Global Investors as at 31.03.23 unless otherwise stated.

Fund Manager's Review

In March, financial markets were rocked by the collapse of Silicon Valley Bank (SVB) in the USA, and the forced takeover of Credit Suisse by UBS, which had echoes of the Global Financial Crisis. There were specific circumstances that made SVB very different to other banks, and the regulatory structure and capital requirements for UK banks, which have been transformed over the last 15 years, limit the direct read-across. However, stress in the banking industry is a sign of increasing pressure in the real economy, from rising interest rates and tightening monetary conditions, as central banks gradually shrink their balance sheets.

In response to the stress in the banking system, we saw a moderation in the expected pace and duration of future interest rate increases. This caused bond yields to fall sharply, especially shorter dated bonds, pushing bond prices up. The stock market fell, on the back of these developments, but recovered towards the end of the month, with a negative total return of just over 3%. Medium and smaller companies, which tend to be more cyclical, underperformed.

The weakest large sector, unsurprisingly, was banks, with a double-digit percentage loss. Other financial sectors were generally weak, including insurance and real estate. However, the oil & gas sector also declined on falling oil prices, and the normally defensive tobacco sector pulled back. The stronger areas included economically resilient sectors like aerospace & defence, utilities and beverages, as well as the more cyclical construction & materials sector.

Portfolio performance lagged the market return, with performance mostly impacted by owning cyclical shares, or being under-represented in more defensive companies. The NAV Total Return for March was -5.4%, compared with the -2.8% return of the benchmark index. Two of the largest impacts came from companies where share prices fell after reporting trading information. IG Group reported a weak quarter to end February, a period when financial markets were relatively quiet. However, more recent volatile trading conditions should see an improvement. The engineering company Keller reported solid results, but a deterioration in its debt profile. Not owning AstraZeneca and Diageo also held back performance, as these shares outperformed.

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On the other hand, strong gains at the gas producer Energean and pharmaceutical company Sanofi boosted returns. Energean announced that it is now ramping up production at its large field in the Eastern Mediterranean and the visibility of future cash flows is improving. As well as these contributors, not owning HSBC and having an underweight position in Shell helped performance, as they were both weak.

There were no changes to the stocks in the portfolio during March, but we took advantage of share price movements to rebalance several positions. In general, we took profits on shares that had performed well, and where we therefore saw less upside than previously. This included defensive companies like Tesco and BAE Systems, as well as the more cyclical building materials company CRH. The proceeds were reinvested into companies where we had strong conviction and could see considerable upside. IG Group and Close Brothers have both declined on the back of weaker trading, but we don't think the long term potential is diminished. Other additions included Drax, GSK and Admiral, as well as the medium sized real estate company, CLS holdings.

Although our investment views have not changed significantly in the last month, we are not complacent. Stress in the banking system, and the tightening of monetary conditions can impact the real economy through restricted lending, or via a more general loss of confidence. However, the banking system is considerably stronger and more tightly regulated than it was before the Global Financial Crisis[1], as mentioned above. We do not see signs that finance is being restricted, in general, to larger companies. In fact, the reduction in interest rate expectations, if sustained, could be a positive factor for the economy, as it lowers mortgage costs for home owners and finance costs for companies.

It is also important to emphasise that our investment approach is predominantly "bottom up" focusing on the fundamentals and valuations of individual companies, rather than "top down" taking account of macro-economic conditions. Macro-economic predictions are notoriously hard to get right consistently, and do not always lead to the expected results on stock selection, even if correct. At the moment, we can find numerous compelling opportunities to invest in strong businesses, trading at unusually depressed valuations. We believe that these companies, in aggregate, can deliver capital gains and income commensurate with Merchants' objectives.

[1] https://www.bankofengland.co.uk/-/media/boe/files/news/2017/september/the-financial-crisis-10-years-on-fact-sheet.pdf

Simon Gergel
21 April 2023

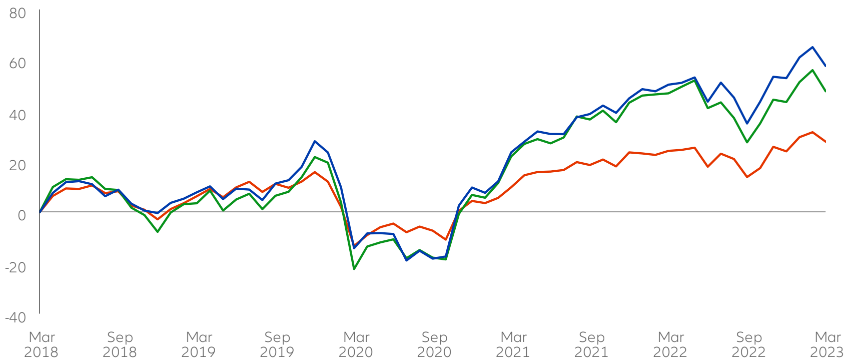
This is no recommendation or solicitation to buy or sell any particular security. Any security mentioned above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.

Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer, UK Equities at AllianzGI and has 32 years investment experience. 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.

Performance Track Record

Five Year Performance (%)



■ Share Price ■ NAV (debt at fair value)

■ Benchmark: With effect from 1 February 2017 the benchmark changed from the FTSE 100 to the FTSE All-Share Index

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	3.1	16.8	4.9	83.7	57.7
NAV (debt at fair value)	3.0	15.8	4.3	97.1	53.0
Benchmark	3.1	12.3	2.9	47.4	27.8

Discrete 12 Month Returns to 31 March (%)

	2023	2022	2021	2020	2019
Share Price	4.9	21.6	44.1	-20.4	7.9
NAV (debt at fair value)	4.3	20.2	57.2	-25.0	3.6
Benchmark	2.9	13.0	26.7	-18.5	6.4

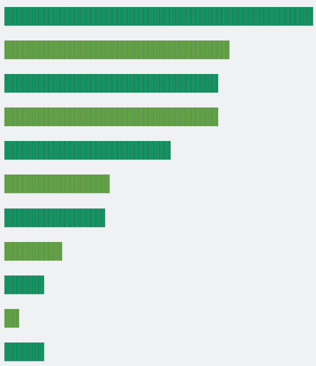
Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.03.23. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

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 (%)

Financials	20.7
Industrials	15.1
Consumer Discretionary	14.4
Consumer Staples	14.4
Energy	11.2
Health Care	7.1
Utilities	6.8
Materials	3.9
Real Estate	2.7
Communication Services	1.0
Cash	2.7



Top Ten Holdings (%)

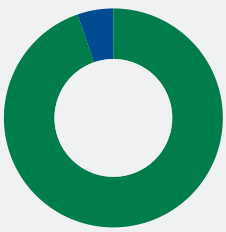
Shell	4.2
GSK plc	4.2
British American Tobacco	3.7
Rio Tinto	3.3
BP	3.2
DCC	3.2
Scottish & Southern Energy	2.9
IG Group	2.8
Tate & Lyle	2.7
WPP	2.7

Total number of holdings** 53

**Excludes derivatives

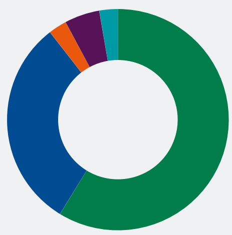
Geographic Breakdown* (%)

UK	94.7
Europe ex UK	5.3



Market Cap Breakdown (%)

FTSE 100	58.8
FTSE 250	30.7
Small Cap	2.7
Other	5.1
Cash	2.7



The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding.
This is no recommendation or solicitation to buy or sell any particular security.
*Excludes Cash

Key Information

Launch Date	16 February 1889
AIC Sector	UK Equity Income
Benchmark	FTSE All-Share
Annual Management Fee	0.35%
Performance Fee	No
Ongoing Charges[1]	0.56%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	March, 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 (31.01.2023). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses, which include the annual management fee, incurred in the running of the company but excluding financing costs.

Board of Directors

Colin Clark (Chairman)
Timon Drakesmith (Chairman of the Audit Committee)
Karen McKellar
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)

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

E-mail: 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.