

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

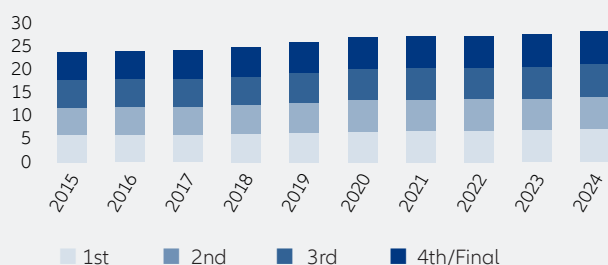
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 over 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 42 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
19.04.2024	22.05.2024	7.10p	Final
02.02.2024	14.03.2024	7.10p	3rd Interim
06.10.2023	10.11.2023	7.10p	2nd Interim
07.07.2023	24.08.2023	7.10p	1st Interim

Past performance is not a reliable indicator of future results.

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	0.55%
Year End	31 January
Annual Report	Annual 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 Kelly Nice
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. Source: AIC, as at the Trust's Financial Year End (31.01.2024). 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.



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

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Total Assets £938.9m

Shares in Issue 148,324,887 (Ordinary 25p)

Market Cap £829.1m

Share Price

559.0p

NAV per Share

568.0p

Premium/-Discount

-1.6%

Dividend Yield

5.1%

Gearing

13.9%

Fund Manager's Review

After performing well in March, the UK stock market had another strong month and performed considerably better than the leading US and European stock markets. The FTSE All-Share index produced a total return of nearly 2.5%, whilst some of the leading US indices, were down 4% or more. It is always impossible to know exactly what is driving markets, but there are a few likely contributors to this differential.

In the USA, inflation and employment data have generally been stronger than expected, causing central bankers to reassess how quickly and how far they can cut interest rates this year. In response, investors have pushed up bond yields, which has impacted valuations of equities. Whilst bond yields also rose in the UK, the magnitude was less and inflation trends seemed more benign. In addition, some of the sectors where the UK stock market has a large exposure benefitted from supportive trends. A rally in commodity prices like copper and iron ore, supported the mining sector, whilst banks were supported by "higher for longer" interest rate hopes. Finally, the UK saw a number of takeover bids launched including BHP approaching mining giant Anglo American.

The UK stock market returns were driven by mining, banks, energy and pharmaceuticals, with larger companies outperforming medium sized companies. There was less of a clear trend among the weakest sectors, but these included travel & leisure, beverages, industrial services and retail. Lowly valued companies and sectors generally outperformed higher growth sectors.

Portfolio performance was ahead of the benchmark index. The building products company Tyman agreed to a takeover approach from a US listed industry peer Quanex Building Products, which sees strong logic in combining their US product offerings to customers. Quanex is just the latest example of an overseas company taking advantage of the low valuation of certain UK listed companies. Inchcape, the largest active position in the portfolio, rose by over 10% in response to the company announcing the sale of their UK car retail operations. This will leave the

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company almost entirely exposed to higher margin and higher quality car distribution activities, where Inchcape has been winning and acquiring numerous exclusive franchise relationships with manufacturers, typically in smaller or emerging markets. Relative performance also benefitted from not owning Diageo, which underperformed, and held back the market return. Following this strong performance, Merchant's Net Asset Value (NAV) total return for April was 5.2%, compared to 2.8% from the benchmark index.

On the negative side, the three largest impacts came from not owning shares that rallied and helped boost the index return. The largest was AstraZeneca, which reported strong first quarter results, and reassured



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.

investors after some uncertainty in the fourth quarter. HSBC was also strong, in line with the overall banks sector, as it reported robust Q1 figures. Anglo American benefitted from the takeover approach from BHP.

There were no major changes to the portfolio structure in April. We reduced some large positions in shares that had been strong performers, as they moved closer to fair value, such as Shell, Inchcape and Barclays. The proceeds were reinvested in companies that seemed oversold and offered compelling value, such as Pets At Home, WPP and PZ Cussons.

We are not surprised to see an increasing number of takeover bids being launched for UK listed companies, as UK valuations remain much cheaper than in many other markets, whilst financing conditions have improved since last year. It is too early to tell whether the recent outperformance of UK equities is part of a longer-term trend. We do not spend too much time trying to predict the unknowable. We devote our attentions to searching for attractive investment opportunities that meet our investment criteria, and regularly reviewing existing portfolio companies to see if the fundamental qualities or the valuations have changed materially.

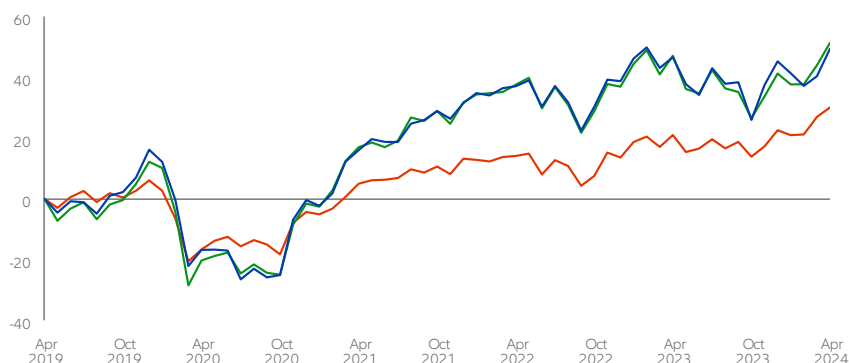
We still see excellent value in the portfolio and we continue to find new ideas to examine for the future. We believe that, from this starting level, the prospects for future income and total returns are very good and commensurate with Merchants' objectives.

Simon Gergel
17 May 2024

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.

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	5.7	18.6	1.9	28.8	49.4
NAV (debt at fair value)	9.9	19.6	2.9	29.4	51.3
Benchmark	7.5	14.2	7.5	23.9	30.1

Discrete 12 Month Returns to 30 April (%)

	2024	2023	2022	2021	2020
Share Price	1.9	7.0	18.2	39.5	-16.8
NAV (debt at fair value)	2.9	6.9	17.6	46.8	-20.3
Benchmark	7.5	6.0	8.7	25.9	-16.7

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 30.04.24. Copyright 2024 © DataStream, a Thomson Reuters company. All rights reserved. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount 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	20.8	<div style="width: 20.8%;"></div>
Industrials	18.5	<div style="width: 18.5%;"></div>
Consumer Staples	14.3	<div style="width: 14.3%;"></div>
Consumer Discretionary	11.8	<div style="width: 11.8%;"></div>
Energy	11.1	<div style="width: 11.1%;"></div>
Utilities	7.8	<div style="width: 7.8%;"></div>
Health Care	6.5	<div style="width: 6.5%;"></div>
Materials	4.3	<div style="width: 4.3%;"></div>
Real Estate	3.8	<div style="width: 3.8%;"></div>
Cash	1.1	<div style="width: 1.1%;"></div>

Geographic Breakdown* (%)



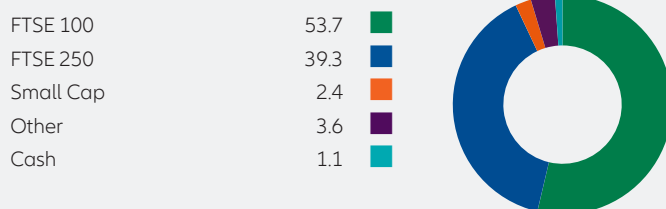
Top Ten Holdings (%)

GSK	5.1
Shell	4.4
British American Tobacco	4.2
Inchcape	3.5
BP	3.4
Barclays	3.3
Rio Tinto	3.2
WPP	3.1
IG Group	3.0
Scottish & Southern Energy	2.9

Total number of holdings** 50

**Excludes derivatives

Market Cap Breakdown (%)



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

Board of Directors

Colin Clark (Chairman)

Timon Drakesmith (Chairman of the Audit Committee)

Lisa Edgar

Karen McKellar (Senior Independent Director)

Mal Patel

Glossary

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.

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.



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All data source Allianz Global Investors as at 30.04.24 unless otherwise stated.

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