

# 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

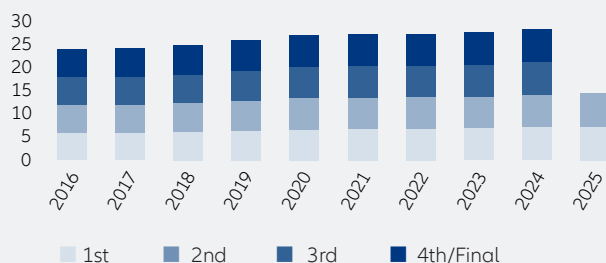
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
11.10.2024	15.11.2024	7.30p	2nd Interim
12.07.2024	22.08.2024	7.20p	1st Interim
19.04.2024	22.05.2024	7.10p	Final
02.02.2024	14.03.2024	7.10p	3rd 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 <sup>1</sup>	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.

This is a marketing communication. Please refer to the Key Information Document (KID) before making any final investment decisions.



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

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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** £968.1m

**Shares in Issue** 148,424,887 (Ordinary 25p)

**Market Cap** £874.2m

Share Price  
**589.0p**

NAV per Share  
**586.5p**

Premium/-Discount  
**0.4%**

Dividend Yield  
**4.9%**

Gearing  
**13.8%**

## Fund Manager's Review

The US Federal Reserve cut interest rates by 0.5%, in the first cut of this cycle. Whilst this rate cut was well-flagged, it was larger than expected, and provided a support for equity markets. The European Central Bank also cut interest rates, but the Bank of England held interest rates flat, after cutting in August. This combination of events supported sterling, which rose to its highest level against the US dollar in over two years. In China, the authorities announced a major stimulus package to support the weak economy.

Equity markets were mixed in September. The standout market was China which surged in the last week, to post a double-digit percentage gain. Major US equity indices had small gains, but UK equities posted small losses and the main European indices were relatively flat.

Within the UK stock market, the FTSE 100 index of large companies showed the biggest decline, whilst small and mid-cap companies were broadly flat over the month. Larger companies typically earn more of their income internationally, and are therefore more impacted by the strength of the pound. The strongest large sector was metals & mining, boosted by the Chinese stimulus package, as China is the largest buyer of many commodities. The travel & leisure sector as well as beverages were also strong performers. The weakest large sectors were pharmaceuticals and oil & gas. The latter pulled back, on declining energy prices, with some market concern about OPEC's (Organisation of the Petroleum Exporting Countries) willingness to keep supporting the oil price.

The Net Asset Value (NAV) total return for September was -2.19%, versus -1.29% from the benchmark index. Portfolio performance was modestly behind the index. The biggest negative impact was from Close Brothers. This specialist bank announced the sale of its asset management business. We regard this as a positive development, to shore up the company's financial position, ahead of any potential cost of addressing the FCA's ongoing review into historic car finance commissions. However, this sale and some additional costs in the business, impacted short term

**“ The UK economy seems to be gradually recovering from a period of stagnation at the turn of the year, although growth prospects internationally are more mixed**

earnings forecasts and caused the shares to fall. We took advantage of this move, to add to the Close Brothers holding, as we think the company now has sufficient financial strength to deal with any likely cost of the FCA review, and the shares were trading at a depressed valuation.

Morgan Advanced Materials and GSK shares were also weak. On the other hand, not owning AstraZeneca was the biggest positive contributor to relative performance, as the shares fell by over 10% on the back of disappointing trial results on one of their important oncology pipeline drugs. This pulled back the index return. An underweight position in Shell also helped performance as the whole oil sector weakened. The gambling stock Entain rose by nearly 20%, with the market reacting to positive signs of progress, following significant management and operational changes that we referenced last month.

Portfolio activity principally reflected rotation out of strong performers, where position sizes have grown or we see less upside, into weaker



### 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.

performers where we see significant potential. In the reinsurance sector we added to the French company SCOR, which has been weak on the back of problems in its life & health insurance division, partly funded by profit taking in industry peers Lancashire and Conduit, which have both rallied. Other significant additions included Harbour Energy, fund manager Man Group, distributor DCC and the real estate companies Assura and Unite Group. Major reductions to holdings included several defensive businesses that have outperformed: Tesco, British American Tobacco, Imperial Brands, SSE and Haleon. Also, we took further profits in a few cyclical companies, notably Keller and IG Group.

Interest rates are now declining in the US, UK and Eurozone. Falling borrowing costs should provide a helpful relief for consumers and the corporate sector. The UK economy seems to be gradually recovering from a period of stagnation at the turn of the year, although growth prospects internationally are more mixed. We do not expect the Labour government's first Budget, at the end of October, to materially change the outlook for the UK economy or the stock market, although it may impact one or two specific sectors. However, the political environment in the UK looks relatively stable, particularly compared to the US and much of Europe.

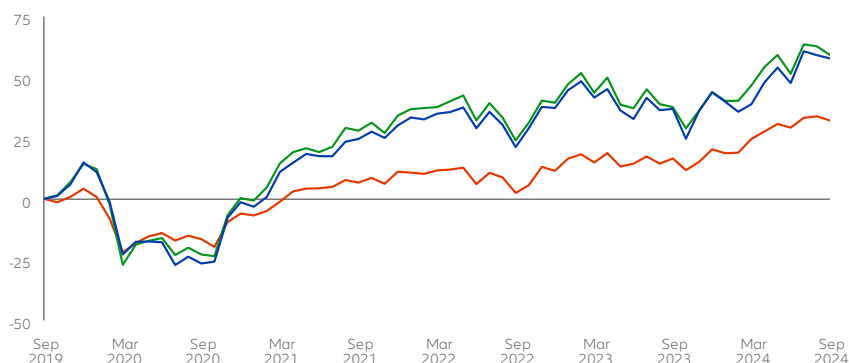
Although the UK stock market has had a strong last 12 months, it remains modestly priced compared to its history and most other leading markets. There is also a high level of dispersion within the market. The combination of falling interest rates, an improving economy, a stable government and a modestly priced, yet polarised, stock market is very positive for stock pickers. We continue to find many compelling investment opportunities.

**Simon Gergel**  
**17 October 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	6.9	13.5	15.2	26.6	57.7
NAV (debt at fair value)	5.1	8.5	15.6	24.3	59.2
Benchmark	2.3	6.1	13.4	23.9	32.2

### Discrete 12 Month Returns to 30 September (%)

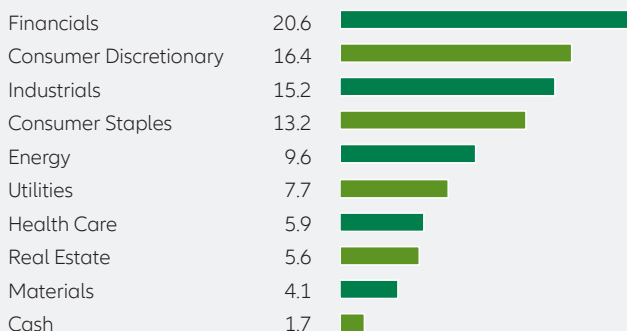
	2024	2023	2022	2021	2020
Share Price	15.2	13.0	-2.7	69.8	-26.6
NAV (debt at fair value)	15.6	11.0	-3.1	66.1	-22.9
Benchmark	13.4	13.8	-4.0	27.9	-16.6

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 30.09.24. 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.

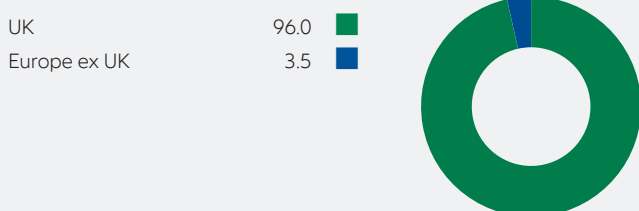
Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. This investment trust charges 65% of its annual management fee to the capital account and 35% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result.

## Portfolio Breakdown

### Sector Breakdown (%)



### Geographic Breakdown\* (%)



### Top Ten Holdings (%)

GSK	4.5
British American Tobacco	4.1
Shell	3.4
Lloyds Banking Group	3.2
Barclays	3.1
Rio Tinto	3.1
WPP	3.0
Tate & Lyle	2.9
Scottish & Southern Energy	2.9
Inchcape	2.9

Total number of holdings\*\* 54

\*\*Excludes derivatives

### Market Cap Breakdown (%)



This is for guidance only and not indicative of future allocation. 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](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.



**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 may not get back the full amount invested.** The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail. For further information contact the issuer at the address indicated below.

**All data source Allianz Global Investors as at 30.09.24 unless otherwise stated.**

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