

The Merchants Trust PLC

As focused on dividends as you are



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

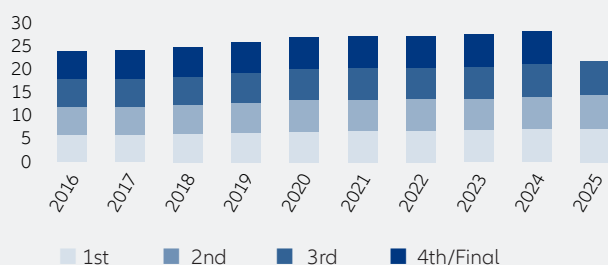
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
07.02.2025	19.03.2025	7.30p	3rd Interim
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

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 Charge 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	Kelly Nice Kirsten Salt
Investment Manager	Simon Gergel, CIO, UK Equities
Codes	RIC: MRCH.L SEDOL: 0580007

1. The Ongoing Charge does not represent an additional cost that shareholders of the Company must pay. The Company's share price already reflects the market's assessment of its value taking into consideration publicly disclosed information, including operating expenses and other costs which are disclosed in the Accounts. The investment platform or stockbroker used, or the company/person selling you or advising you about this product may charge you other costs. If so, they will provide you with the relevant information about these costs. 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.



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Total Assets £967.0m

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

Market Cap £825.2m

Share Price

556.0p

NAV per Share

582.4p

Premium/-Discount

-4.5%

Dividend Yield

5.2%

Gearing

15.4%

Fund Manager's Review

January 2025 was an eventful month. Donald Trump's second term as US president started with a deluge of executive orders, ranging from proclaiming a "national emergency" on immigration and changing the automatic birthright to US citizenship, to renaming the Gulf of Mexico as the Gulf of America. He decided to withdraw from the Paris agreement on Climate Change, just after huge fires swept through Los Angeles, as well as threatening to "take back" the Panama Canal and approaching Denmark about buying Greenland. Elsewhere, a tentative ceasefire came into effect in Gaza, between Israel and Hamas, after 15 months of fighting.

Financial markets were also eventful. Towards the end of January, US tech giant Nvidia lost a record near \$600bn in value in one day. Nvidia's prospects were threatened by the Chinese Artificial Intelligence (AI) company DeepSeek apparently demonstrating sophisticated AI capabilities at a fraction of the cost, and using cheaper silicon chips, than the leading AI platforms like Chat GPT.

In the UK, the month started with a sell-off in Gilt prices and a rise in yields, as concern grew about whether slow growth would force Chancellor Rachel Reeves to raise taxes or cut spending to balance the books, only a few months after her first budget. Market nerves were calmed later in the month, with the Chancellor and Prime Minister emphasising that economic growth is their main priority and looking for stimulative policies, even including expanding Heathrow airport. Gilt yields fell back and ended the month little changed.

Once gilt yields had peaked, the UK stock market had a strong rally, ending January with a total return of over 5%. However, the underlying mood was nervous, with the more domestically oriented mid cap index significantly underperforming the FTSE 100 index of leading, largely multi-national stocks. There was a wide range of sector returns, with banks, tobacco and media up between 8% and 10%. On the other hand, construction & materials, beverages and retail were down or flat.

“ recent movements have increased the extreme polarisation of the stock market, presenting compelling investment opportunities

The modestly priced UK stock market continued to see mergers & acquisitions activity, which impacted one of the portfolio investments. The automotive parts business, Dowlais, announced an agreed bid from a US peer American Axle, at a 25% premium to the prevailing price. This offer was roughly half in cash and half in shares of the US company.

Merchants' portfolio significantly lagged the strong market, held back by the high exposure to medium sized businesses and a more cyclical positioning than the broader market, at a time when investors were more nervous about the domestic economy. The Net Asset Value (NAV) total return was 2.93% compared to 5.52% from the benchmark, FTSE All-Share index. The largest detractor from performance was car distributor Inchcape, which fell sharply after a research report highlighted a couple of contract losses and raised some questions about current trading conditions. We did not see the issues raised as that material, for a business which had won over twenty new contracts last year, so used the fall in the share price to add to the holding. The energy companies Energean and Harbour Energy both underperformed after trading statements that led to some downgrades to cash flow expectations. In both cases, we believe the companies are capable of generating robust cash flows for the next



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.

decade and beyond. This quarter, Harbour Energy is due to hold its first capital markets event since completing a transformational deal last year. We expect that event could start to build investor confidence in the business' prospects.

There were some brighter spots in the portfolio too. Burberry shares continued their sharp recovery, rising over 20%, after reporting much stronger sales than expected over Christmas. This was the first quarter, since the new Chief Executive has started to refocus the brand on its heritage range of scarves and trench coats. There was also a very sharp rally in the banks exposed to an ongoing legal dispute over motor finance commissions. This followed highly unusual public intervention, from the Chancellor and the Financial Conduct Authority (FCA), ahead of a supreme court appeal. The Treasury and FCA want to avoid a perception that UK regulation is uncertain, and to keep the motor finance industry functioning properly. Close Brothers shares rallied over 30%, from a depressed base, and Lloyds was up well over 10%.

The continuing wide dispersion of share price movements, provided many opportunities to take profits on better performers and reinvest in companies offering more compelling value for the portfolio. We took some profits in IG Group, Imperial Brands, Barclays and Burberry, amongst others. We used this money to finance additional purchases of Unite Group, Bellway, GSK, Harbour Energy, Whitbread and several other shares.

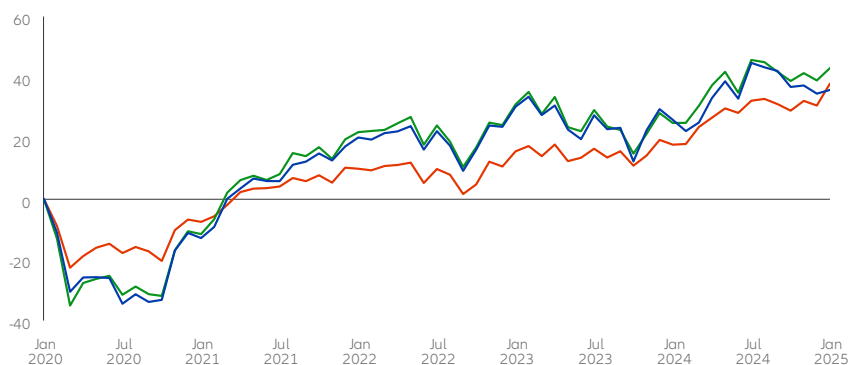
Although the UK stock market had a strong January, UK valuations remain low on a historic basis. Furthermore, recent movements have increased the extreme polarisation of the stock market, presenting compelling investment opportunities for value and income oriented investors. Whilst our shorter-term performance has been disappointing, recent movements have only increased our confidence in the potential of Merchants' portfolio to deliver superior capital growth and income, in line with the company's objectives.

Simon Gergel
14 February 2025

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	-0.7	-6.1	7.8	13.0	35.8
NAV (debt at fair value)	3.0	-1.9	14.4	17.2	43.0
Benchmark	6.9	4.3	17.1	25.5	37.9

Discrete 12 Month Returns to 31 January (%)

	2025	2024	2023	2022	2021
Share Price	7.8	-3.3	8.4	38.0	-12.9
NAV (debt at fair value)	14.4	-4.7	7.5	37.9	-11.6
Benchmark	17.1	1.9	5.2	18.9	-7.5

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.01.25. 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.

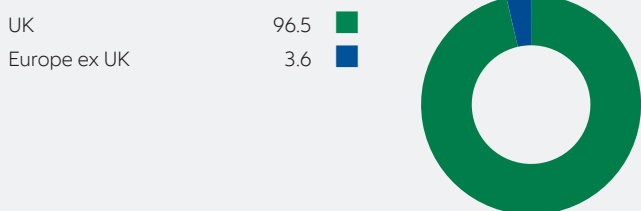
Past performance does not predict future returns. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. This investment trust charges 65% of its annual management fee to the capital account and 35% 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	20.1	<div style="width: 20.1%;"></div>
Consumer Discretionary	17.3	<div style="width: 17.3%;"></div>
Industrials	14.7	<div style="width: 14.7%;"></div>
Consumer Staples	13.3	<div style="width: 13.3%;"></div>
Energy	10.6	<div style="width: 10.6%;"></div>
Utilities	7.1	<div style="width: 7.1%;"></div>
Health Care	6.0	<div style="width: 6.0%;"></div>
Real Estate	5.6	<div style="width: 5.6%;"></div>
Materials	4.0	<div style="width: 4.0%;"></div>
Cash	1.3	<div style="width: 1.3%;"></div>

Geographic Breakdown* (%)



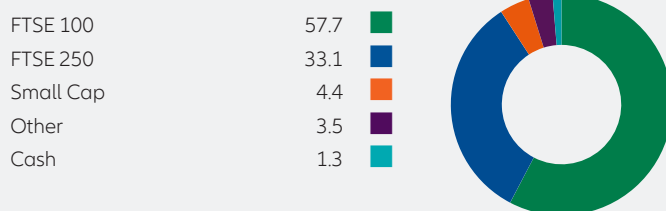
Top Ten Holdings (%)

British American Tobacco	4.9
GSK	4.8
Shell	3.7
Lloyds Banking Group	3.7
BP	3.3
DCC	3.1
WPP	3.0
Rio Tinto	3.0
Tate & Lyle	2.9
Inchcape	2.8

Total number of holdings** 53

**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

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.



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 31.01.25 unless otherwise stated.

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