

# 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

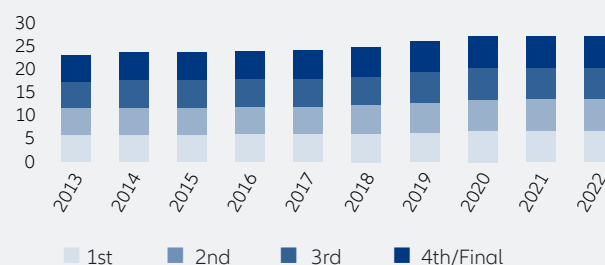
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 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
19.04.2022	24.05.2022	6.85p	Final
05.02.2022	15.03.2022	6.85p	3rd Interim
08.10.2021	11.11.2021	6.80p	2nd Interim
10.07.2021	20.08.2021	6.80p	1st Interim

Past performance is not a reliable indicator of future results.



Consideration of Environmental, Social and Governance (ESG) factors is fully integrated into The Merchants Trust's investment process. Visit [www.merchantstrust.co.uk/Integrated-ESG/](http://www.merchantstrust.co.uk/Integrated-ESG/) for more information.

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** £847.6m

**Shares in Issue** 132,004,887 (Ordinary 25p)

**Market Cap** £751.1m

Share Price

**569.0p**

NAV per Share

**566.9p**

Premium/-Discount

**0.4%**

Dividend Yield

**4.8%**

Gearing

**9.5%**

**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.

## Fund Manager's Review

Rising inflationary pressures and expectations of interest rate increases caused bond yields to rise significantly in April, with US 10-year yields<sup>1</sup> jumping from 2.3% to 2.9%, bringing bond prices down. UK 10-year gilt<sup>2</sup> yields also rose, moving above 2% briefly, before pulling back to 1.9%. There were heightened fears of a slowdown in economic growth, due to the impact of surging commodity costs and supply chain disruptions, exacerbated by Covid-19 related lockdowns in China. The US recorded a 1.4% decline in real (inflation adjusted) economic growth in the first quarter, compared to the previous quarter.

Stock markets generally fell back during the month, with the technology stocks particularly weak, leading to a double digit fall in the US Nasdaq Index. The UK stock market was one of the brighter spots, with the FTSE All-Share index giving a small positive return. The large defensive exposure and limited technology exposure of the UK market led to its outperformance. Within the UK market, the strongest sectors included defensive industries, such as pharmaceuticals, electricity, personal care and tobacco. The laggards included cyclical areas such as industrial transportation, life insurance, metals & mining and retail.

Investment performance was ahead of the benchmark. HomeServe shares rallied by 17%, as the company confirmed that they had entered into discussions with Brookfield after the latter had made a number of approaches about a potential takeover offer. Relative performance also benefitted from not owning HSBC and Anglo American, which were both weak and held back the index return. The main detractors from relative performance, were the consumer exposed stocks Tyman and DFS Furniture, which underperformed, and not owning AstraZeneca which was strong.

**“ Copper is an attractive commodity, essential to renewable power generation and electricity storage and transmission**

We bought a new holding in copper miner Atalaya, whose principal asset is the famous Rio Tinto mine in Spain, which has been operational since Roman times. This is a high quality mine, with local expansion potential, in a country with a strong legal framework. Copper is an attractive commodity, essential to renewable power generation and electricity storage and transmission, which are driving the energy transition away from fossil fuels. With strong structural growth and limited new mine capacity, the long-term prospects for the copper price look well underpinned. We were able to buy Atalaya shares at substantial discount to the prevailing price, as a large shareholder placed their shareholding to strengthen their financial position.

We sold the relatively small investment in ITV, following the recent announcement that it plans to significantly increase spending on content for its streaming operations, such as Britbox and ITV HUB, to better compete with Netflix, Disney and other media companies. This unexpected increase in spending will depress the company's cash flow in the near term, with no guarantee of success. We took the difficult decision



### 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. He is pictured here with Matthew Tillett, Senior Portfolio Manager. 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.

to sell the holding, despite a low headline valuation and ITV's valuable content business, as our original investment case had been undermined.

We also rotated money out of some of the shares that had performed very well, such as Drax, HomeServe, BAE Systems and Man Group, and added to cheaper businesses that had underperformed, like Barclays Bank, Legal & General, BMW and Morgan Advanced Materials.

The volatility of the stock market and sharp rotation between sectors and stocks, continues to provide opportunities to invest into companies that meet our criteria. Specifically, we are buying fundamentally sound businesses, which are attractively priced and which benefit from supportive structural themes. We have balanced the portfolio across defensive, cyclical, commodity and financial sectors, with a broad spread of geographic market exposures.

### 40 Years of Dividend Growth

Merchants announced its annual results in April. The highlight was the 40th successive year of dividend growth, which has been achieved whilst delivering strong absolute and relative investment performance. Investment companies benefit from the ability to retain income in revenue reserves in good years to support dividend payments in years where income is more constrained. By using this capability, Merchants has managed to keep growing dividends through the Global Financial Crisis and the recent pandemic, whilst maintaining an investment portfolio suited to the longer term objectives.

1. Yield on a bond is the regular coupon payment divided by the price paid.

2. Gilts are UK government bonds.

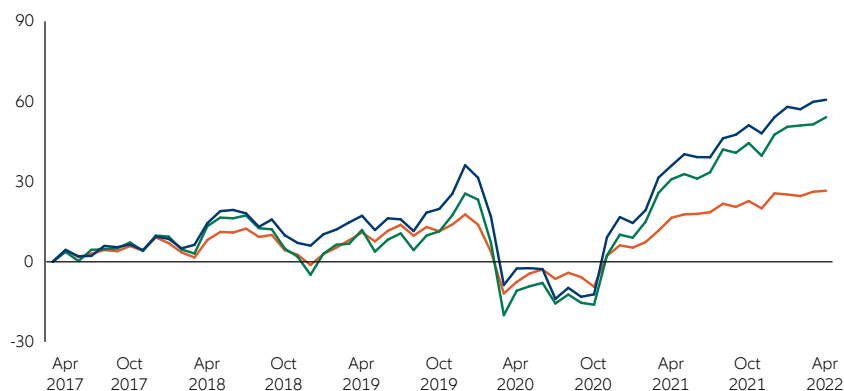
Simon Gergel

24 May 2022

**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	1.7	6.3	18.2	37.0	60.7
NAV (debt at fair value)	2.4	6.7	17.6	37.5	53.9
Benchmark	1.1	3.1	8.7	14.1	26.6

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

	2022	2021	2020	2019	2018
Share Price	18.2	39.5	-16.8	2.4	14.5
NAV (debt at fair value)	17.6	46.8	-20.3	-1.3	13.3
Benchmark	8.7	25.9	-16.7	2.6	8.2

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.04.22. Copyright 2022 © 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.

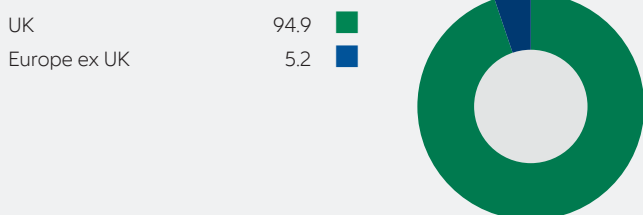
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	22.0	
Consumer Staples	16.7	
Consumer Discretionary	12.4	
Industrials	12.3	
Energy	9.5	
Utilities	8.6	
Health Care	6.8	
Materials	3.9	
Communication Services	2.8	
Real Estate	2.0	
Cash	3.0	

### Geographic Breakdown\* (%)



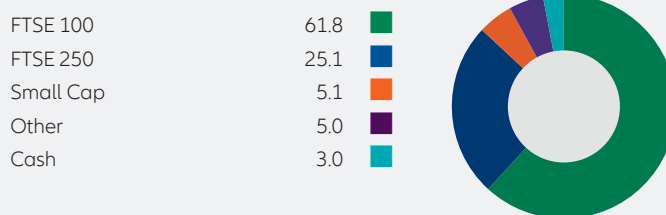
### Top Ten Holdings (%)

GlaxoSmithKline	5.3
British American Tobacco	4.2
Imperial Brands	4.1
Shell	3.9
Scottish & Southern Energy	3.2
Rio Tinto	3.2
BAE Systems	3.1
IG Group	3.1
Drax Group	3.0
Tate & Lyle	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

## 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 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, <a href="http://www.merchantstrust.co.uk">www.merchantstrust.co.uk</a>
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 (31.01.2022). 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)  
Sybella Stanley (Senior Independent Director)  
Mary Ann Sieghart  
Timon Drakesmith (Chairman of the Audit Committee)  
Karen McKellar

## 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.



**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 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.

**All data source Allianz Global Investors as at 30.04.22 unless otherwise stated.**

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