

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

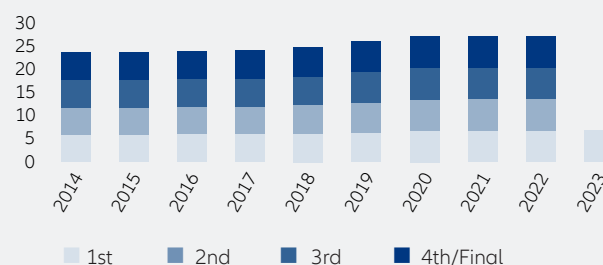
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
15.07.2022	24.08.2022	6.85p	1st Interim
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

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/ 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 £819.0m

Shares in Issue 134,329,887 (Ordinary 25p)

Market Cap £726.7m

Share Price

541.0p

NAV per Share

540.4p

Premium/-Discount

0.1%

Dividend Yield

5.1%

Gearing

12.4%

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

In response to rapidly rising inflation, the US central bank raised interest rates by the most in nearly 30 years, with a 0.75% increase to a range of 1.5%-1.75%. The focus of central banks has turned firmly towards trying to control inflation, even at the potential cost of slower economic growth or recession. The fears of recession hit equity markets in June, whilst bond markets were weak on concerns over higher inflation and higher interest rates. Commodity prices also pulled back from high levels on recession fears, with iron ore and copper falling sharply, and the oil price weakening.

The first half of 2022 has been a poor one for both equity and bond returns. Even the UK stock market, which has been one of the more resilient, sold off sharply in June, leaving the FTSE All-Share index down nearly 5% in total return terms for this calendar year. Large UK companies once again outperformed mid and small caps, largely due to sector mix, with large UK companies only modestly down in the half year. In contrast, mid-cap UK companies were down nearly 20% for the six-month period, a similar return to the US S&P 500 index.

Investor concerns were very clear from the sector moves during the month. Cyclical and commodity sectors were very weak, with double digit percentage declines in industrial metals & mining, oil & gas, travel & leisure and construction & materials, amongst others. On the other hand, defensive sectors like aerospace & defence, pharmaceuticals, tobacco and telecommunications produced positive or flat returns.

Portfolio performance was slightly behind the FTSE All-Share index and this was reflected in a Net Asset Value Total Return of -7.2%, behind the -6.0% of the benchmark index. On the positive side, BAE systems rallied

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nearly 10% on hopes for higher defence spending, with the government announcing an intention to raise spending to 2.5% of Gross Domestic Product (GDP) by the end of the decade, well above the 2% required by NATO membership. Imperial Brands also outperformed, and not owning the miners Anglo American and Glencore helped relative performance, as they pulled back. On the negative side, not owning AstraZeneca and HSBC was detrimental to relative performance, as both outperformed the wider market and help support the index return. Also, Tyman and National Express were weak, with the latter warning on the costs and difficulties of recruiting school bus drivers in the USA.

With the stock market polarising in recent months, defensive shares outperforming and cyclicals generally very weak, we are starting to see better value on a long-term basis in many of the more cyclical sectors of the stock market, even allowing for a potential economic downturn. Where we have high conviction in individual investment cases, we took advantage of attractive prices to add to several positions, including



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.

housebuilders Bellway and Redrow, building materials company CRH, real estate businesses Landsec and CLS, and financial firms Close Brothers and St James's Place. We also added to DCC and IG Group, where share prices have also fallen back, even though trading should be relatively resilient in the current environment.

These purchases were funded by reducing defensive businesses that had outperformed, Vodafone and Imperial Brands. The Vodafone sale was the most significant, as our conviction on the investment case has reduced, with certain of their markets seeing tough competitive conditions or structural challenges.

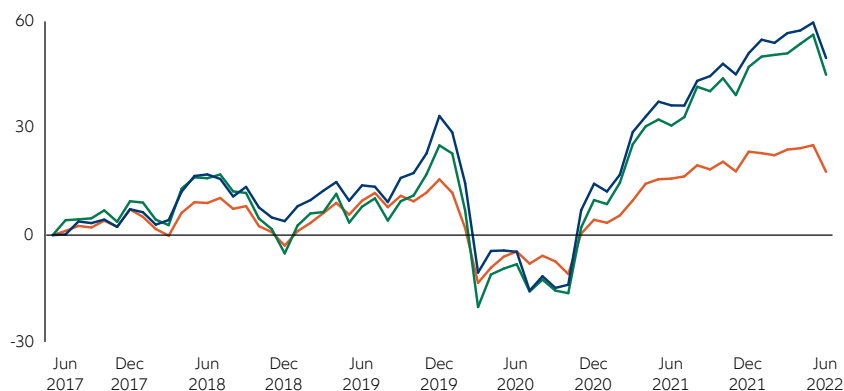
It is very hard to predict how the economy will perform in the coming months, not least because certain factors are inherently uncertain, such as the course of the Russian invasion of Ukraine and its effect on commodity prices, the impact of future Covid-19 lockdowns in China, and central bank interest rate policy. What is evident, however, is that investors have collectively priced in considerable uncertainty into stock market valuations, particularly in cyclical sectors. Whilst many of the defensive sectors still offer reasonable value in absolute terms, and these provide a firm foundation for the portfolio, we believe that there are an increasing number of cyclical businesses that now offer compelling long-term value. We have been building positions in these stocks, although with limited insight into when sentiment may improve. We believe that the portfolio can provide a good income stream and attractive long-term returns, to meet Merchants' objectives.

Simon Gergel
20 July 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	-4.5	-0.9	9.7	31.4	49.7
NAV (debt at fair value)	-4.0	-1.5	10.9	34.1	44.8
Benchmark	-5.0	-4.6	1.6	7.4	17.8

Discrete 12 Month Returns to 30 June (%)

	2022	2021	2020	2019	2018
Share Price	9.7	43.1	-16.4	-2.6	17.0
NAV (debt at fair value)	10.9	42.2	-15.0	-6.9	16.0
Benchmark	1.6	21.5	-13.0	0.6	9.0

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 30.06.22. 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.

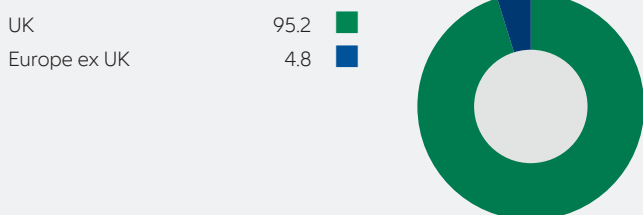
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	22.8	<div style="width: 22.8%;"></div>
Consumer Staples	16.8	<div style="width: 16.8%;"></div>
Industrials	14.8	<div style="width: 14.8%;"></div>
Consumer Discretionary	12.9	<div style="width: 12.9%;"></div>
Energy	9.5	<div style="width: 9.5%;"></div>
Health Care	6.9	<div style="width: 6.9%;"></div>
Utilities	6.8	<div style="width: 6.8%;"></div>
Materials	3.5	<div style="width: 3.5%;"></div>
Real Estate	3.1	<div style="width: 3.1%;"></div>
Communication Services	1.6	<div style="width: 1.6%;"></div>
Cash	1.3	<div style="width: 1.3%;"></div>

Geographic Breakdown* (%)



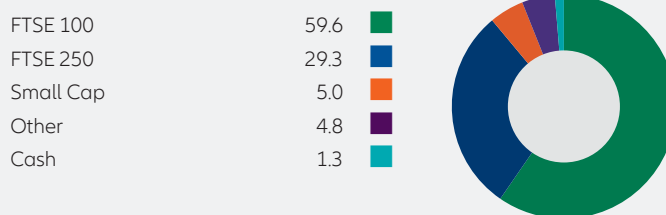
Top Ten Holdings (%)

GSK plc	5.5
British American Tobacco	4.6
Imperial Brands	4.3
Shell	4.0
BAE Systems	3.3
IG Group	3.2
HomeServe	3.2
BP	3.0
Rio Tinto	2.8
Legal & General	2.8

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 ¹	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, 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 (31.01.2022). 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

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.



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 30.06.22 unless otherwise stated.

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