

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/ 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 £834.7m

Shares in Issue 129,749,887 (Ordinary 25p)

Market Cap £743.5m

Share Price

573.0p

NAV per Share

564.5p

Premium/-Discount

1.5%

Dividend Yield

4.8%

Gearing

11.3%

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

The US Federal Reserve raised interest rates for the first time since the pandemic began, in response to rapidly rising prices, most notably oil and gas, following the Russian invasion of Ukraine. Bond yields rose on expectations of further interest rate increases, causing bond prices to fall.

Equity markets initially fell, on geopolitical concerns and fears about the impact of higher inflation. Markets subsequently rallied, with the FTSE All-Share index giving a total return of just over 1%, and delivering a positive return so far this calendar year. Within the stock market there was a considerable polarisation of sector performances. The mining and oil & gas sectors rallied on the back of strong commodity prices. Defensive sectors like pharmaceuticals, healthcare and utilities were also strong. However, economically sensitive sectors fell heavily on fears of an economic slowdown caused by surging energy prices, a squeeze on disposable incomes and rising costs for businesses. Sectors like retail, housebuilders and travel & leisure were worst affected.

The portfolio performance lagged behind the stock market return.

The NAV total return of 0.3% was also behind the 1.3% return from the benchmark index. Not owning the pharmaceutical company AstraZeneca and the miner Glencore held back relative returns, as both shares rallied. Also, ITV shares fell heavily as the company announced significant increase in expenditure on content, to boost its streaming services such as HUB and Britbox. On the other hand, Homeserve shares rose by 25%, in response to a potential takeover offer being considered by Brookfield. Man Group shares also responded well to annual results, and Drax continued to rally.

“ In all these situations, we have focused on the long-term attractions of individual companies that we could invest in, and how they were valued

We added two new companies to the portfolio in March. Unilever is one of the world largest consumer goods companies, supplying 3.4bn people a day across 190 countries, with food, personal care and homecare products, including brands like Dove, Magnum and Knorr. The shares have been poor performers in the last two years, as Covid-19 disruption has held back growth in emerging markets in particular, and rising commodity costs has put pressure on profitability. We see long term potential for the business as demonstrated by the majority of sales coming from emerging markets, which should grow faster than developed markets. We also expect a continued improvement in the product mix towards faster growing categories and believe there should be a recovery in profitability as inflationary cost increases moderate and price rises are passed through to consumers. The valuation was attractive considering the quality of the company, and it offered a good dividend yield.

We funded Unilever by selling other defensive portfolio holdings, to maintain the broad cyclicity of the portfolio. In particular, we sold the information and analytics company Relx which has performed well since our purchase in early 2021 and had reached our assessment of fair value. We also reduced Vodafone and took some profits in National Grid and SSE.

The other new company was OSB (OneSavingsBank) a specialist bank with a strong market position in the professional buy-to-let market.



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.

The bank earns higher returns, has delivered better growth and has stronger capital ratios than most of the big banks, yet was trading on a very undemanding valuation. We decided to switch around half of the Barclays holding into OSB, after Barclays had performed well in the prior 18 months, and because the outlook had deteriorated for Barclays' investment banking operation.

Elsewhere, we sold out of TotalEnergies, which has material exposure to Russia. We reinvested part of the proceeds back into sector peers, but reduced the overall energy position, after strong performance.

In recent years we have seen many challenging periods; the Global Financial Crisis, the Covid-19 pandemic, and, to a lesser extent the uncertainty over Brexit. As investors, it is important to maintain perspective. In all these situations, we have focused on the long-term attractions of individual companies that we could invest in, and how they were valued.

Assessing the situation today, the good news is that corporate profitability, as reported in recent results, has generally recovered well from the worst of the pandemic impact. The UK stock market is reasonably priced compared to long term averages, and remains polarised, with many sound companies trading on very attractive valuations, from which we believe they can deliver strong shareholder returns and a high income stream.

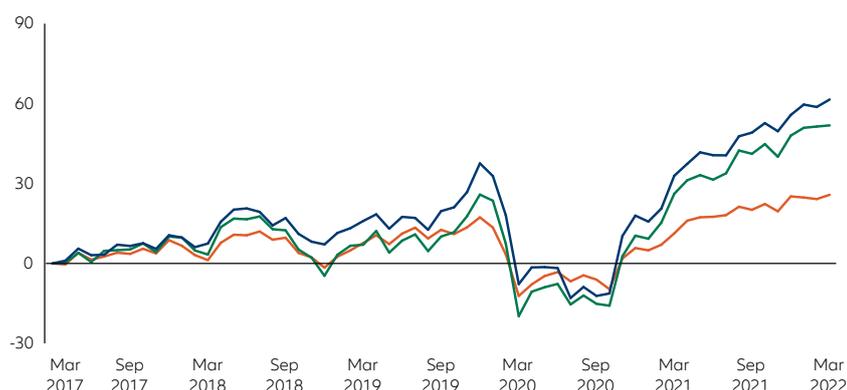
The average valuation of companies in the portfolio is at a significant discount to the broader stock market. The portfolio is diversified into cyclical, defensive, commodity and financial companies, many with uncorrelated or idiosyncratic risks. There is a broad mix of sectors and geographic exposures, within the context of a high conviction, actively managed portfolio. Whilst there is considerable uncertainty today, we believe that this portfolio can continue to deliver Merchants' objectives of delivering a high and rising income stream and long term capital growth.

Simon Gergel
25 April 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	3.7	8.3	21.6	39.3	61.5
NAV (debt at fair value)	2.6	7.6	20.2	41.7	51.6
Benchmark	0.5	4.7	13.0	16.8	25.8

Discrete 12 Month Returns to 31 March (%)

	2022	2021	2020	2019	2018
Share Price	21.6	44.1	-20.4	7.9	7.5
NAV (debt at fair value)	20.2	57.2	-25.0	3.6	3.3
Benchmark	13.0	26.7	-18.5	6.4	1.2

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.03.22. 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	
Consumer Staples	16.1	
Consumer Discretionary	13.2	
Industrials	12.9	
Energy	9.4	
Utilities	9.0	
Health Care	6.3	
Materials	3.1	
Communication Services	2.9	
Real Estate	2.0	
Cash	2.3	

Geographic Breakdown* (%)



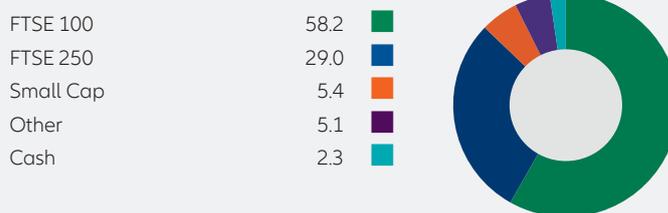
Top Ten Holdings (%)

GlaxoSmithKline	5.0
British American Tobacco	4.1
Imperial Brands	4.1
Shell	3.9
Scottish & Southern Energy	3.3
BAE Systems	3.3
Drax Group	3.3
IG Group	3.2
Rio Tinto	3.1
WPP	2.9

Total number of holdings** 47

**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 31.03.22 unless otherwise stated.

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