

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

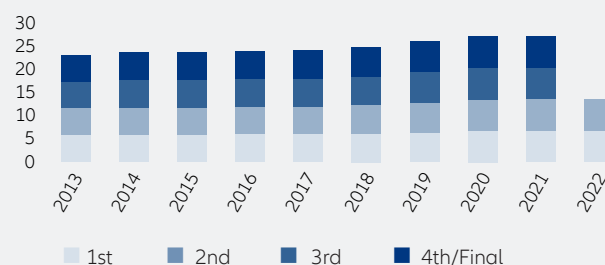
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 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 39 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
08.10.2021	11.11.2021	6.80p	2nd Quarterly
10.07.2021	20.08.2021	6.80p	1st Quarterly
23.04.2021	18.05.2021	6.80p	Final
05.02.2021	16.03.2021	6.80p	3rd Quarterly

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 £815.2m

Shares in Issue 126,529,887 (Ordinary 25p)

Market Cap £707.3m

Share Price

559.0p

NAV per Share

557.8p

Premium/-Discount

0.2%

Dividend Yield

4.9%

Gearing

10.9%

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 Bank of England raised interest rates for the first time since the pandemic began, taking the base rate from 0.1% to 0.25%. This move was in response to rapidly rising inflation, with the consumer price index rising just over 5% in November, compared to a year earlier. The rate rise came, despite a surge in COVID-19 cases reported, as the Omicron variant spread rapidly. Interest rates remain extremely low by historic standards and well below the 0.75% level in early 2020, prior to the pandemic. UK Government bond yields rose in response to the higher base rate with bond prices falling.

The equity market shrugged off both the UK interest rate increase and rising COVID-19 cases to record a strong month, with a total return of nearly 5%, and 18% for the calendar year, with the market recovering to its pre-pandemic level. Investors took encouragement from early signs that the Omicron variant seems to be significantly less harmful than earlier mutations, which should limit the impact on public health and the economy. Within the stock market the strongest sectors included travel & leisure, recovering after a sharp drop in the previous month, tobacco and housebuilders. The weakest sectors included industrial transport, aerospace & defence and oil & gas.

The portfolio's performance was in line with the benchmark and the NAV total return was 5.7% for the month, against the 4.7% from the FTSE All-Share. The biggest positive contributors to relative performance were Drax, British American Tobacco and Keller, whilst the biggest detractors from performance were STthree, Homeserve and Scor.

We added to several holdings in the portfolio where we saw good value,

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typically after a period of share price weakness. These included Close Brothers, Conduit Reinsurance, IG Group and Norcros. We also increased the position in property owner Landsec, where we have increasing conviction in the company's development strategy and the recovery opportunity, whilst the valuation remains attractive for us as a portfolio holding. Real estate values seem to be bottoming out, especially offices. Furthermore, whilst the pandemic has led to more people working from home part-time, it is also clear that most companies continue to see a vital role for their offices and occupation levels between Tuesday and Thursday have typically recovered quickly when restrictions have been lifted. There



Simon Gergel, Portfolio Manager

The Merchants Trust PLC is managed by Simon Gergel who is Chief Investment Officer 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.

is also likely to be increasing differentiation between higher quality office space with a low carbon footprint, where Landsec is well positioned, and older, less environmentally friendly space.

The purchases were funded by profit taking in shares that had performed well, and moved closer to fair value, such as GlaxoSmithKline, National Grid, Relx, St James's Place and Drax.

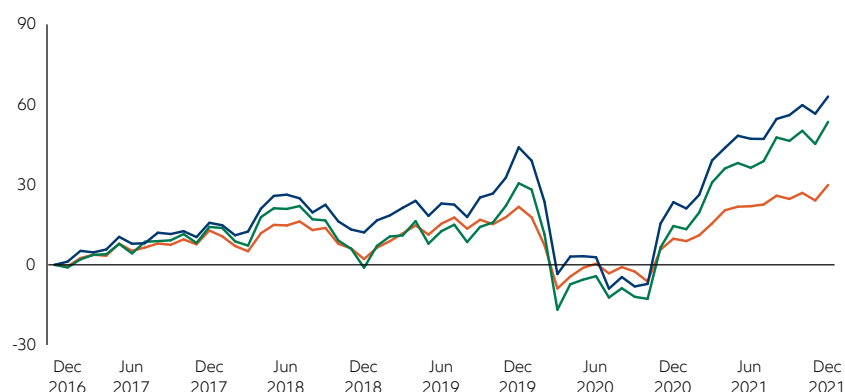
Looking forward into 2022, the UK stock market has now regained its pre-pandemic level. That may suggest that further gains are going to be more difficult to achieve. However, share prices in aggregate are only roughly where they were four years ago. The UK remains one of the cheapest large equity markets in the world, and there is a high level of polarisation between individual valuations. We continue to be excited by the opportunities we can find to invest in strong companies at valuations well below our assessment of their fundamental worth. By building a diversified portfolio of these companies, we believe we can deliver an above average dividend yield and capital returns in line with Merchants' objectives.

Simon Gergel
19 January 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	10.7	32.0	45.4	63.0
NAV (debt at fair value)	4.8	12.6	33.8	55.0	53.3
Benchmark	4.2	6.5	18.3	27.2	29.9

Discrete 12 Month Returns to 31 December (%)

	2021	2020	2019	2018	2017
Share Price	32.0	-14.3	28.4	-3.1	15.7
NAV (debt at fair value)	33.8	-12.3	32.0	-13.4	14.2
Benchmark	18.3	-9.8	19.2	-9.5	12.8

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.12.21. Copyright 2021 © 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.

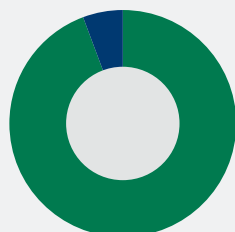
Portfolio Breakdown

Sector Breakdown (%)

Financials	22.4	
Consumer Staples	14.3	
Consumer Discretionary	14.3	
Industrials	13.6	
Energy	9.7	
Utilities	9.6	
Health Care	6.3	
Communication Services	3.1	
Materials	2.3	
Real Estate	1.9	
Cash	2.5	

Geographic Breakdown* (%)

UK	94.4
Europe ex UK	5.7



Top Ten Holdings (%)

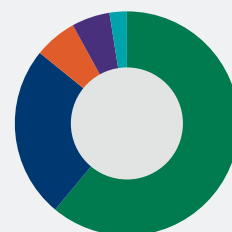
GlaxoSmithKline	5.0
British American Tobacco	4.6
Imperial Brands	4.2
BP	3.6
WPP	3.5
Scottish & Southern Energy	3.5
Royal Dutch Shell - B Shares	3.4
National Grid	3.3
Legal & General	3.3
BAE Systems	3.2

Total number of holdings** 46

**Excludes derivatives

Market Cap Breakdown (%)

FTSE 100	61.1
FTSE 250	24.8
Small Cap	6.2
Other	5.5
Cash	2.5



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	0.61%
Year End	31 January
Annual Financial Report	Final published in April, Half-yearly published in September
AGM	May
NAV Frequency	Daily
Dividends	February/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 (31.01.2021). 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)
Timon Drakesmith (Chairman of the Audit Committee)
Karen McKellar
Mary Ann Sieghart
Sybella Stanley (Senior Independent Director)

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 31.12.21 unless otherwise stated.

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