

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

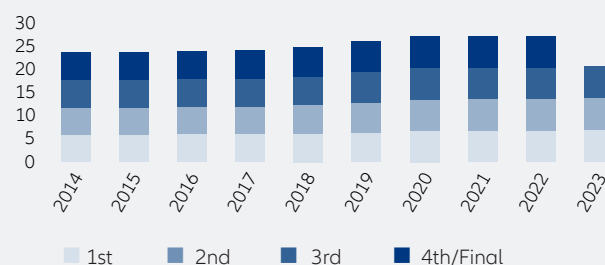
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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
03.02.2023	15.03.2023	6.90p	3rd Interim
07.10.2022	10.11.2022	6.85p	2nd Interim
15.07.2022	24.08.2022	6.85p	1st Interim
19.04.2022	24.05.2022	6.85p	Final

Past performance is not a reliable indicator of future results.



A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

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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 £921.5m

Shares in Issue 140,134,887 (Ordinary 25p)

Market Cap £828.2m

Share Price

591.0p

NAV per Share

585.0p

Premium/-Discount

1.0%

Dividend Yield

4.6%

Gearing

13.6%

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

January witnessed a strong start to the calendar year and a strong finish to Merchants' fiscal year. Financial asset prices, both equities and bonds, continued to rebound after the weakness seen through much of 2022. This rebound was driven by an easing of inflationary pressures, and hopes that central banks may not have to raise interest rates as far as previously feared, leading to lower bond yields, and higher bond prices. There was a further boost to sentiment from hopes of an economic recovery in China, as it eased its Covid restrictions. The UK equity market produced a total return of 4.5%, with similar a performance seen amongst large, medium and small companies.

There was a distinctly pro-cyclical mood in the market, on the back of falling inflation and lower energy prices, with hope that the worst recessionary pressures could be averted. The UK stock market was led by consumer sensitive sectors like retail, travel & leisure, housebuilding and banks. Conversely, more defensive sectors like beverages, tobacco and pharmaceuticals pulled back and underperformed notably.

Portfolio performance was ahead of the benchmark, benefitting from a modestly pro-cyclical positioning. NAV total return for the month was 5.5%, against the 4.5% return of the benchmark. At the individual company level, the biggest benefit to relative performance came from not owning AstraZeneca and Diageo, which both underperformed, whilst DCC and the housing related stocks Redrow and Grafton performed well. The biggest negative relative stock contribution came from not owning HSBC, which rallied in a strong bank sector, and it further benefited from Chinese re-opening hopes. Elsewhere, weaker energy prices weighed on the share prices of Energean and Drax, and Close Brothers took a large provision in one of its lending businesses, although this seems to be an isolated issue.

We have been closely reviewing the retail sector over the last few months. With consumer budgets under pressure from rising food, energy and mortgage costs, shares in the general retail sector were understandably weak for much of last year. The portfolio already included Next and

“ **A challenging economic environment is balanced by good value in the UK stock market and a wide dispersion of valuations**

DFS Furniture, which have strong market positions - but we have been analysing other retailers, to see if they might offer good value after this sector weakness

We made a new investment in Pets At Home. This is the clear UK market leader in retailing pet products in store and online. The business has significant scale advantages, such as the ability to develop its own-brand range of pet food and nutritional products. The pet industry is also relatively resilient to cyclical pressures, with consumers prioritising spending on their pets above many other areas.

However, much of the value in the company comes from its vet services



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.

business, Vets4Pets. This is one of the largest chains in the country, with over 400 practices, often co-located within the stores. Most of these operate under a unique joint venture model, with the company providing capital and support services, whilst allowing vets considerable autonomy to manage their businesses in an entrepreneurial manner. There is considerable scope to cross-sell vet services to retail customers and vice versa. Although the vet business only represents a small proportion of the company's sales it accounts for nearly a third of profits. We believed that the high quality and growth potential of the vet business was not reflected in the company's valuation, which had come down, along with much of the retail sector in 2022.

Other than the investment in Pets, we continued to build a position in Admiral and added to DCC and Energean. These investments were funded primarily by some profit taking in CRH and BAE Systems.

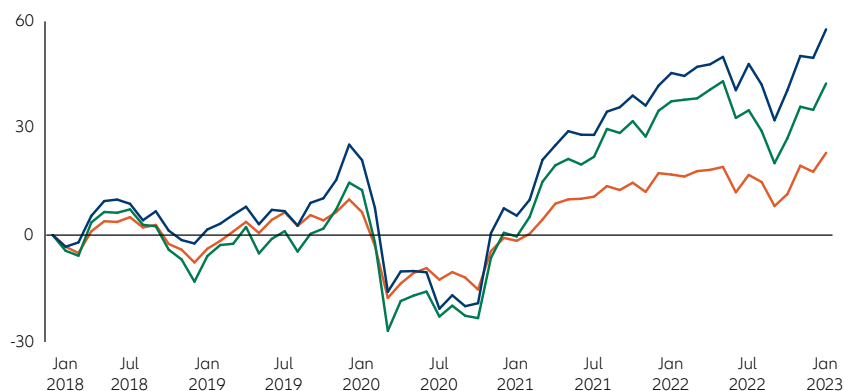
Our outlook has not changed since last month. A challenging economic environment is balanced by good value in the UK stock market and a wide dispersion of valuations. This means that many fundamentally strong companies are trading at particularly attractive levels. Markets are likely to remain volatile in response to economic developments. However, we believe that from current valuations, the portfolio is capable of delivering capital returns and income generation to meet Merchants' objectives.

Simon Gergel
23 February 2023

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	12.1	6.6	8.4	30.3	57.8
NAV (debt at fair value)	12.1	5.6	7.5	31.1	47.6
Benchmark	10.4	5.3	5.2	15.6	23.1

Discrete 12 Month Returns to 31 January (%)

	2023	2022	2021	2020	2019
Share Price	8.4	38.0	-12.9	19.2	1.6
NAV (debt at fair value)	7.5	37.9	-11.6	19.7	-5.9
Benchmark	5.2	18.9	-7.5	10.7	-3.8

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 31.01.23. Copyright 2023 © 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.

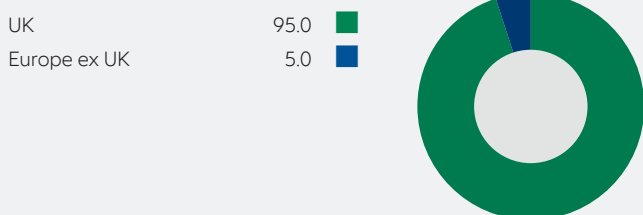
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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	21.3	
Industrials	16.4	
Consumer Staples	15.2	
Consumer Discretionary	14.8	
Energy	10.5	
Health Care	6.3	
Utilities	5.8	
Materials	4.3	
Real Estate	3.0	
Communication Services	1.1	
Cash	1.3	

Geographic Breakdown* (%)



Top Ten Holdings (%)

Shell	4.3
Rio Tinto	3.8
GSK plc	3.6
British American Tobacco	3.5
BP	3.3
Imperial Brands	3.3
DCC	3.2
IG Group	2.7
Scottish & Southern Energy	2.7
WPP	2.6

Total number of holdings** 53

**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)
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.



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All data source Allianz Global Investors as at 31.01.23 unless otherwise stated.

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