

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

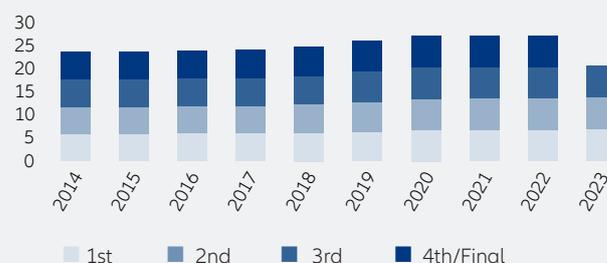
The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it invested in the fixed interest securities of railway companies in the USA, Canada and South America, but now concentrates primarily on major UK 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 £932.4m

Shares in Issue 140,784,887 (Ordinary 25p)

Market Cap £843.3m

Share Price

599.0p

NAV per Share

591.5p

Premium/-Discount

1.3%

Dividend Yield

4.6%

Gearing

13.0%

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

Economic news in February was generally positive, at least compared to low expectations. The UK avoided recession and recorded positive economic growth of 0.4% for the fourth quarter of 2022, whilst the US also reported relatively robust economic figures, despite a slowdown in the housing market. Stronger economic data raised concerns that interest rates may have to rise further, or for longer, to combat high inflation. This caused bond yields to rise significantly, and bond prices to fall. Despite weakness in bonds, equities were more resilient, with major markets generally posting only modest losses in US dollar terms.

The UK stock market produced a small positive return, in a month where many large companies reported their 2022 results. Some of the larger sectors in the UK, like banks and oil & gas saw companies report strong figures, often accompanied by significant increases in dividends and share buy-backs. However, several mining companies and domestic housing related sectors reported more difficult conditions. One of the more controversial results announcements came from BP. On the back of strong results and cash generation, the company announced a significant increase in investment spending, both in its transformation activities, such as bio-energy and electric vehicle charging, as well as in its traditional oil & gas activities. The latter is in response to the need for greater energy security, following geo-political developments over the last year. BP shares responded well, with a double-digit percentage return over the month.

There was a wide spread of sector returns. The strongest large sectors included aerospace & defence, oil & gas, telecommunications and food producers. The weakest sectors included metals & mining, life insurance and general industrials. Portfolio performance was slightly ahead of the stock market. Strong performance from WPP and Pets at Home was beneficial, as was not owning Anglo American and Glencore, which were very weak. On the other hand, PZ Cussons underperformed, and the portfolio return was held back by not owning HSBC or AstraZeneca, which both performed well. NAV total return for the month was 3.1%,

“ The UK stock market produced a small positive return, in a month where many large companies reported their 2022 results

comfortably ahead of the benchmark's 1.5%.

We made a number of modest changes to the portfolio, largely in response to valuation movements. We reduced exposure to several shares that had performed well in recent months, including housing and consumer related companies, such as Redrow and Unilever, and



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.

reinvested in companies where we have increased conviction in the portfolio investment case, such as IG Group, GSK and Drax. We also switched holdings in a couple of sectors. In oil & gas, we took advantage of the strong rally in BP to trim exposure, and reinvested in two specialist gas producers, Energean and Diversified Energy. In tobacco, we reduced Imperial Brands, which has been a strong performer, and added to British American Tobacco, which has de-rated, whilst also having a greater exposure to less harmful, non-combustible tobacco products.

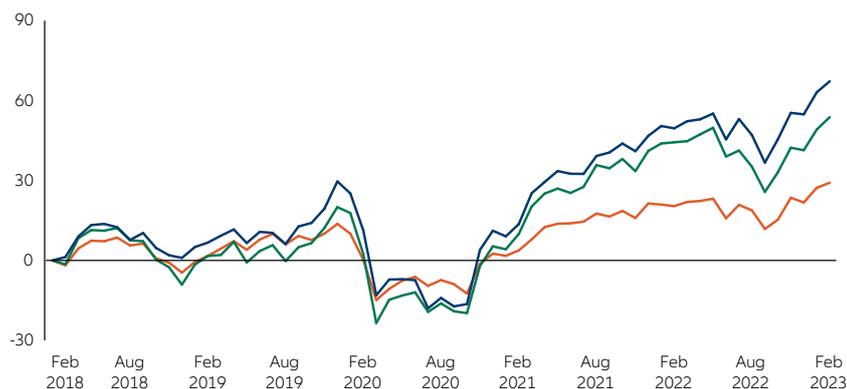
The economic outlook remains uncertain, but valuations of UK companies are generally modest and we are able to find many attractively priced strong businesses. Given the uncertainty, where we have bought cyclical companies, we have prioritised those with robust balance sheets and strong competitive advantages, so that they should be able to come through any difficult periods with their business intact. We have also balanced the portfolio with more defensive companies and those that are less correlated to the economic cycle, such as reinsurance companies.

Simon Gergel
13 March 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	7.6	13.7	11.8	50.3	67.2
NAV (debt at fair value)	8.1	13.8	10.5	55.5	59.3
Benchmark	4.6	8.7	7.3	28.9	29.2

Discrete 12 Month Returns to 28 February (%)

	2023	2022	2021	2020	2019
Share Price	11.8	31.6	2.1	4.3	6.7
NAV (debt at fair value)	10.5	31.1	7.3	0.7	1.7
Benchmark	7.3	16.0	3.5	-1.4	1.7

Source: Thomson Reuters Refinitiv DataStream, percentage growth, mid to mid, total return to 28.02.23. 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	21.7	
Industrials	16.0	
Consumer Staples	14.7	
Consumer Discretionary	14.6	
Energy	11.6	
Health Care	6.5	
Utilities	6.0	
Materials	4.0	
Real Estate	2.9	
Communication Services	1.1	
Cash	0.9	

Geographic Breakdown* (%)



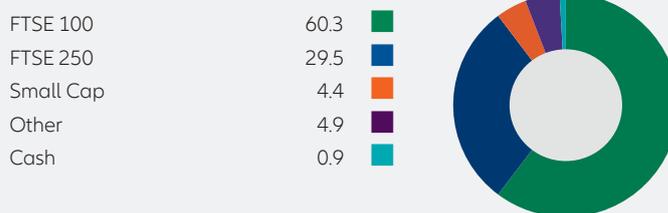
Top Ten Holdings (%)

Shell	4.4
British American Tobacco	3.9
GSK plc	3.9
BP	3.4
Rio Tinto	3.3
DCC	3.2
IG Group	2.9
Imperial Brands	2.7
Scottish & Southern Energy	2.7
Tate & Lyle	2.7

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 28.02.23 unless otherwise stated.

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