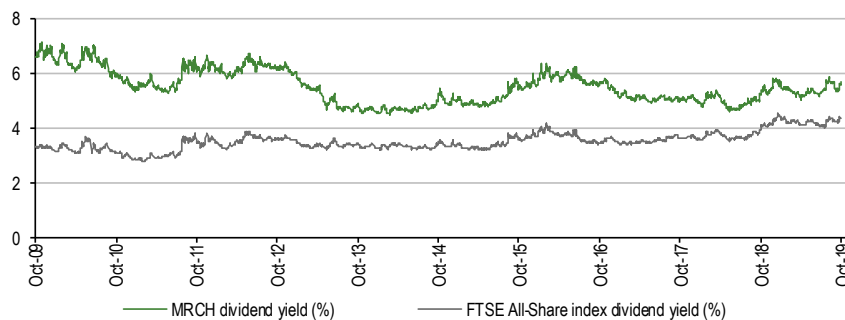


# The Merchants Trust

High and growing level of income

The Merchants Trust (MRCH) offers investors the potential for long-term capital growth along with a high and growing level of income. Helped by the refinancing of the trust's high-cost, long-term debt, for FY20 (ending 31 January) the board's intention is that MRCH's annual dividend will be at least 4.2% higher year-on-year. Manager Simon Gergel at Allianz Global Investors (AllianzGI) is optimistic about the trust's prospects, citing a broad opportunity set due to attractive valuations in the UK stock market. He says that at some stage the deeply depressed sentiment towards UK shares should improve, which could lead to a meaningful revaluation of the domestic market.

## Consistent above-market dividend yield



Source: Refinitiv, The Merchants Trust, Edison Investment Research

## The market opportunity

Brexit uncertainty has weighed heavily on the UK stock market, which in aggregate is now trading at a 17.3% discount to the world market on a forward P/E multiple basis. Cyclical stocks and companies with domestic operations are trading on very undemanding valuations, which may offer a good opportunity for investors with a longer-term horizon.

## Why consider investing in The Merchants Trust?

- Attractive 5.4% dividend yield. The board has indicated a minimum 4.2% increase in the FY20 distribution (the 38th consecutive annual increase).
- Long-term record of outperformance versus the UK stock market; the manager follows a disciplined, fundamental approach to stock selection.
- Significantly lower interest costs following the refinancing of the trust's high-cost, long-term debt.
- Low management fee and experienced independent board.

## Following re-rating, regularly trades close to NAV

Despite Brexit uncertainty, MRCH has re-rated from a c 6% discount and now regularly trades close to NAV. The current 0.1% share price discount to cumulative NAV compares with the average 0.4%, 3.7%, 3.7% and 2.2% discounts over the last one, three, five and 10 years respectively. MRCH has a progressive dividend policy and offers an above-market 5.4% yield.

## Investment trusts UK equities

31 October 2019

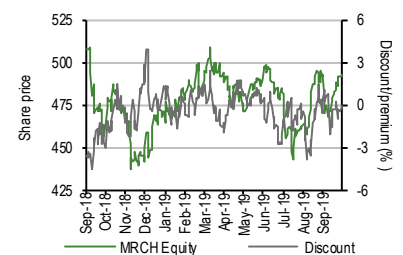
**Price** 493.0p  
**Market cap** £546m  
**AUM** £660m

NAV\* 482.1p  
 Premium to NAV 2.3%  
 NAV\*\* 493.3p  
 Discount to NAV 0.1%

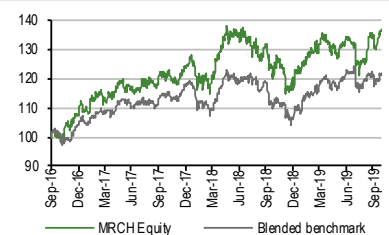
\*Excluding income. \*\*Including income. As at 29 October 2019.

Yield 5.4%  
 Ordinary shares in issue 110.7m  
 Code MRCH  
 Primary exchange LSE  
 AIC sector UK Equity Income  
 Benchmark FTSE All-Share

## Share price/discount performance



## Three-year performance vs index



52-week high/low 509.0p 437.0p  
 NAV\*\* high/low 503.8p 429.8p

\*\*Including income.

## Gearing

Gross\* 22.8%  
 Net\* 19.9%

\*As at 30 September 2019.

## Analysts

Mel Jenner +44 (0)20 3077 5720  
 Sarah Godfrey +44 (0)20 3681 2519

[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

**The Merchants Trust is a research client of Edison Investment Research Limited**

## Exhibit 1: Trust at a glance

### Investment objective and fund background

The Merchants Trust's investment objective is to provide an above-average level of income and income growth, together with long-term growth of capital, through investing mainly in higher-yielding large-cap UK companies. With effect from 1 February 2017, the benchmark is the FTSE All-Share Index.

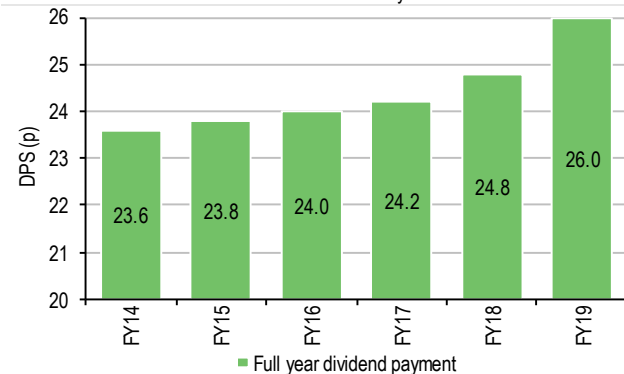
### Recent developments

- 17 September 2019: interim report to 31 July 2019. NAV TR +7.4% versus benchmark TR +10.6%. Share price TR +5.1%. Second interim dividend of 6.8p declared (+4.6% year-on-year).
- 3 July 2019: announcement of renegotiation of debt (see page 8).
- 2 July 2019: first interim dividend of 6.7p declared (+4.7% year-on-year).
- 29 March 2019: appointment of Colin Clark as non-executive director, effective 30 June 2019.

Forthcoming		Capital structure		Fund details	
AGM	May 2020	Ongoing charges	0.58%	Group	Allianz Global Investors
Final results	March 2020	Net gearing	19.9%	Manager	Simon Gergel
Year end	31 January	Annual mgmt fee	0.35%	Address	199 Bishopgate, London, EC2M 3TY, UK
Dividend paid	Quarterly	Performance fee	None	Phone	+ 44 (0)800 389 4696
Launch date	February 1889	Trust life	Indefinite	Website	<a href="http://www.merchantstrust.co.uk">www.merchantstrust.co.uk</a>
Continuation vote	None	Loan facilities	See page 7		

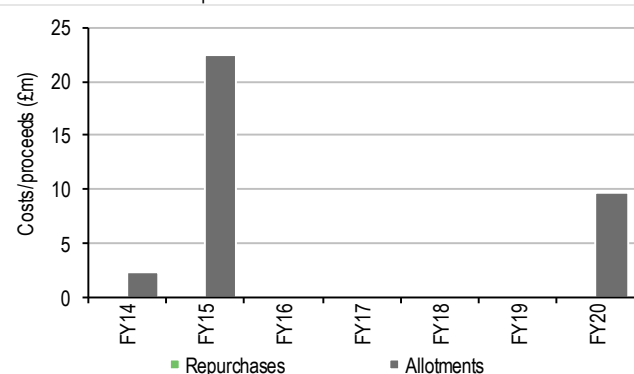
### Dividend policy and history (financial years)

Dividends are paid quarterly in August, November, February and May. The annual dividend has increased for 37 consecutive years.

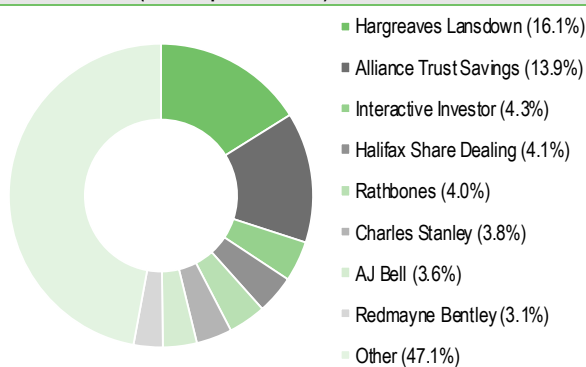


### Share buyback policy and history (financial years)

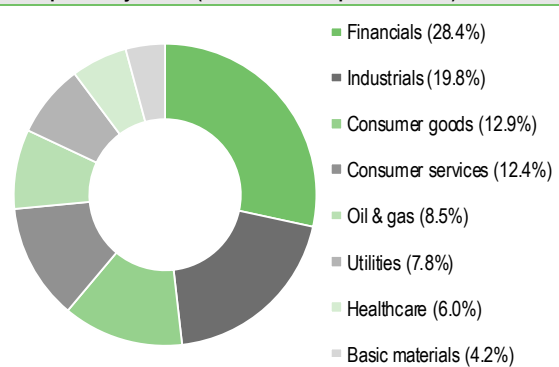
Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.



### Shareholder base (at 30 September 2019)



### Portfolio exposure by sector (ex-cash at 30 September 2019)



### Top 10 holdings (at 30 September 2019)

Company	Sector	Portfolio weight %	
		30 September 2019	30 September 2018*
Royal Dutch Shell 'B' Shares	Oil & gas producers	5.9	6.8
GlaxoSmithKline	Pharma & biotech	5.8	6.4
Imperial Brands	Tobacco	3.8	2.8
BAE Systems	Aerospace & defence	3.7	3.2
HSBC	Banks	3.7	4.1
British American Tobacco	Tobacco	3.6	N/A
Standard Life Aberdeen	Financial services	3.0	3.5
Legal & General	Life insurance	2.9	3.2
Barclays	Banks	2.8	N/A
SSE	Electricity	2.8	N/A
<b>Top 10 (% of holdings)</b>		<b>38.0</b>	<b>41.0</b>

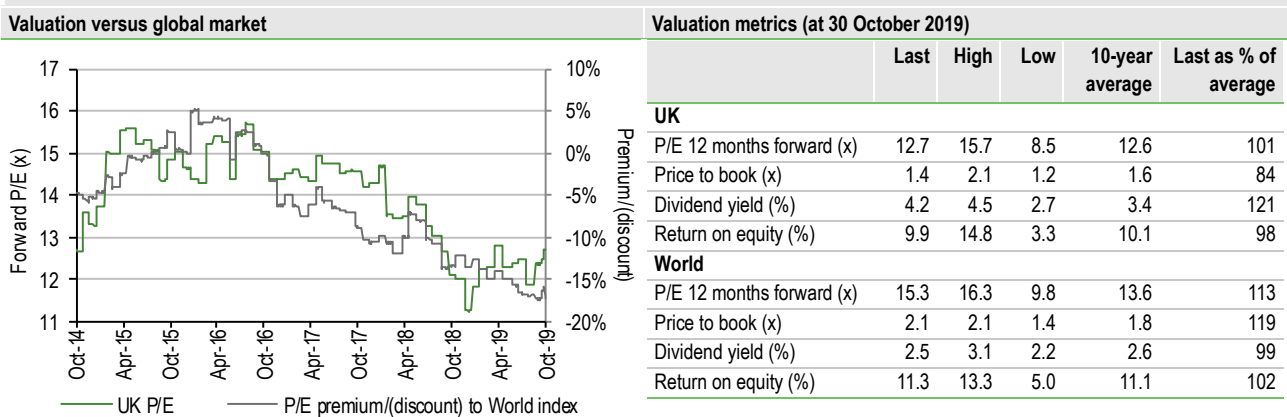
Source: MRCH, Edison Investment Research, Bloomberg, Morningstar. Note: \*N/A where not in end-September 2018 top 10.

## Market outlook: Potential alleviation of Brexit discount

Exhibit 2 (LHS) shows how much UK shares have de-rated since the Brexit vote in June 2016. The Datastream UK index is currently trading on a forward P/E multiple of 12.7x, which is a 17.3% discount to the world market, considerably wider than the 6.1% five-year average discount.

Looking more closely at the performance of the UK market so far this year, investors have continued to gravitate towards growth and perceived 'safe-haven' stocks, shunning more cyclical operations and firms with domestic businesses. This has resulted in very attractive valuations in certain areas of the UK market, which may present exciting opportunities for investors willing to look through the current uncertainty due to Brexit negotiations.

**Exhibit 2: Valuation of UK equities**



Source: Refinitiv, Edison Investment Research

## Fund profile: Still going strong after 130 years

This year, MRCH is celebrating its 130th anniversary. Notable events in its launch year of 1889 include the opening of the Exposition Universelle (World Fair) in Paris, with the recently completed Eiffel Tower serving as the entrance arch; the founding of the Society for the Protection of Birds, the precursor to the RSPB; and the first publication of the Wall Street Journal. The trust was originally set up to gain exposure to the expansion of North American railways and was subsequently diversified by geography and sector, investing not only in equities, but government fixed income securities. Its initial assets under management were £1.4m.

Since 2006, MRCH has been managed by Simon Gergel, chief investment officer for UK equities at AllianzGI. Gergel has 32 years of investment experience and works closely with two other members of the UK investment team, Matthew Tillet (portfolio manager) and Richard Knight (associate portfolio manager). The manager aims to generate an above-average level of income and income growth, and long-term capital appreciation from a diversified portfolio of c 40–60 UK stocks. Although MRCH's performance is benchmarked against the FTSE All-Share index, the manager employs a contrarian investment approach, seeking undervalued equities that can be held for the long term. To mitigate risk, he operates within investment guidelines; MRCH must be invested in at least half of the 10 market sectors, with a maximum of 35% of the portfolio in any sector and a single investment may not exceed 15% of assets. At the time of drawdown, gearing in a range of 10–25% of NAV is permitted; at end-September 2019, net gearing was 19.9%.

The trust offers an attractive 5.4% dividend yield, which is the highest of the 13 largest funds in the AIC UK Equity Income sector; it is on track for 38 consecutive years of dividend growth.

## The fund manager: Simon Gergel

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### The manager's view: UK valuations are appealing

Considering the UK versus the rest of the world, Gergel says the UK is one of the cheaper markets; he suggests this is largely due to Brexit uncertainty as the economy has been 'pretty resilient' so far. There have been significant outflows from the UK stock market, especially in thinly traded smaller companies, putting pressure on stock prices. The manager notes that higher fund flows into passively rather than actively managed funds, and into certain quality and growth styles, have also led to exaggerated share price moves, as outperforming stocks continue to be purchased. This behaviour has led to a polarisation in the UK market as poorer-performing stocks continue to lag. Gergel suggests the disparity between growth and value stocks is at an extreme. He says it is difficult to call a turn in market leadership, as high-growth companies benefit from reduced interest rates, which lower the discount rate on their future income streams. However, the manager feels the trade has gone too far and notes that bond yields have started to rise. As a result, he says 'there are great opportunities at the value end of the market'.

The manager suggests the UK's lack of favour with global investors – which is especially evident in fund manager surveys – is providing a good opportunity, particularly if there is increased clarity surrounding Brexit. Gergel says that uncertainty surrounding the UK's departure from the European Union is beginning to have a noticeable negative impact on the UK economy, although he is surprised the effects are only now becoming apparent. He cites a number of recent weak trading statements as evidence of slower consumer spending, along with lower investment intentions at the corporate level and stalling house prices. The manager says that anecdotally there is more bad news from companies, although some of this is a result of a global slowdown, which has affected the automotive and semiconductor sectors in particular. He adds that 'the US-China trade issue does not help and Brexit provides an excuse not to do things'.

However, Gergel is not especially pessimistic on the macro backdrop, despite a slowing global economy. The world has experienced a long economic expansion, but it has not been particularly buoyant, so the manager suggests any slowdown could be modest and a recession may be avoided. He says that 'valuations are looking good for UK investors' and notes the potential for an increase in UK government spending and reduced political risk, as the Labour party is looking less electable. Regarding the upcoming general election, the manager suggests the UK stock market would rally if Labour does poorly in the vote.

## Asset allocation

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### Investment process: Disciplined fundamental approach

Gergel is a member of AllianzGI's well-resourced investment team, which along with fund managers and equity analysts includes specialists in macroeconomic, credit and environment, social and governance (ESG) research, as well as the company's proprietary Grassroots market research team. He believes that stock markets are inefficient and that thorough fundamental research can uncover undervalued securities.

MRCH's buy discipline is a blend of three inputs: fundamentals (industry dynamics, a company's competitive position, its financials and its ESG track record); valuation (in absolute and relative terms versus history, the sector and the market and dividend yield); and themes (analysis of the macroeconomic outlook, the business cycle and industry/secular themes). Shares may be sold if they are fully valued, there is a change in the investment case, or if a better investment is identified.

The manager shows that MRCH's portfolio can be broken down into four 'buckets':

- **High yield** (c 32% of the portfolio, ex-cash, at end-August 2019) – undervalued companies with a high dividend yield, such as Royal Dutch Shell and Imperial Brands. Expected return is from dividends and revaluation. The manager stresses that when a company has revalued, it is time to exit.
- **Cyclical growth** (c 35%) – companies that can grow over a cycle, but may have economic or market sensitivity, such as HSBC and CRH. Expected return is from revaluation, compounding growth and dividends. This is where Gergel is finding the most investment opportunities.
- **Defensive growth** (c 23%) – firms that can grow with limited economic sensitivity, such as GlaxoSmithKline and BAE Systems. Expected return is from dividends, compounding growth and potentially revaluation.
- **Special situations** (c 7%) – companies undergoing a turnaround or restructuring, such as Barclays and Morgan Advanced Materials. Expected return is primarily via capital appreciation as their shares are revalued.

In addition to the investment categories noted above, there are particular themes represented in MRCH's portfolio, which include:

- exposure to consumer spending growth in emerging markets (positions include Inchcape, PZ Cussons and Prudential);
- multinational companies trading on UK valuations (positions include Keller, National Express and STthree);
- modestly valued recovery situations (positions include Balfour Beatty, Bovis Homes and Morgan Advanced Materials); and
- beneficiaries of digitisation (positions include GVC Holdings, Kin + Carta and IG Group).

## Current portfolio positioning

At end-September 2019, MRCH's top 10 positions made up 38.0% of the portfolio, which was modestly less than 41.0% a year earlier; seven positions were common to both periods. As shown in Exhibit 3 below, there has been very little change in the structure of the fund in market cap terms over the last 12 months.

Index	Portfolio end-September 2019	Portfolio end-September 2018	Change (pp)
FTSE 100	64.0	64.0	0.0
FTSE 250	25.2	25.9	(0.7)
FTSE Small Cap	7.9	5.7	2.2
FTSE Fledgling	0.0	0.8	(0.8)
Cash	2.9	3.6	(0.7)
	<b>100.0</b>	<b>100.0</b>	

Source: The Merchants Trust, Edison Investment Research

	Portfolio end-Sept 2019	Portfolio end-Sept 2018	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	27.6	28.7	(1.1)	25.6	2.0	1.1
Industrials	19.2	17.1	2.1	11.7	7.5	1.6
Consumer goods	12.5	8.0	4.5	14.3	(1.8)	0.9
Consumer services	12.0	11.6	0.4	12.0	0.1	1.0
Oil & gas	8.3	11.0	(2.7)	13.2	(4.9)	0.6
Utilities	7.6	6.2	1.4	2.7	4.9	2.8
Healthcare	5.8	6.4	(0.6)	9.4	(3.6)	0.6
Basic materials	4.1	5.8	(1.7)	7.4	(3.3)	0.6
Telecommunications	0.0	1.6	(1.6)	2.8	(2.8)	0.0
Technology	0.0	0.0	0.0	1.0	(1.0)	0.0
Cash	2.9	3.6	(0.7)	0.0	2.9	N/A
	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>		

Source: The Merchants Trust, FTSE Russell, Edison Investment Research

Looking at MRCH's sector exposure in Exhibit 4, the largest changes in the 12 months to the end of September 2019 are a higher weighting in consumer goods (+4.5pp) and less exposure to oil & gas

stocks (-2.7pp). The manager's unconstrained investment approach is illustrated by the trust's 7.5pp and 4.9pp overweight positions in the industrial and utility sectors respectively, with a 4.9pp underweight to the oil & gas sector, and no exposure to telecoms or technology.

Below we highlight changes in MRCH's portfolio since our last [note](#) published in May 2019.

There is a new position in Stock Spirits, the leader in the Eastern European spirits market, with a number one position in the Czech Republic, number two in larger market Poland (54% of the company's sales), and smaller operations in other countries including Italy. Gergel explains that the firm has a relatively new management team and there have been changes to its sales and distribution teams. AllianzGI undertook a Grassroots study on the clear vodka market in Poland and Stock Spirits received very positive feedback. The company has been gaining share, not due to lower pricing, but as a result of its perceived quality and image, helped by its increased investment in marketing, which can encourage customers to trade up to higher-priced products. Stock Spirits is trading on a modest valuation while investors wait to see more evidence of the company's progress, particularly against its larger, but more traditional and more indebted Russian competitor.

Inchcape, another new holding, is a luxury car distributor and retailer, whose businesses include operating as Toyota's distributor in Hong Kong and Singapore, providing marketing, spares and finance services. The company is increasing its emerging markets presence, using its global skills, including digital capabilities. Inchcape is selling off its low-profit, asset-intensive businesses, such as some of its UK and Australian retail sites and its UK fleet operations, to focus on areas with higher returns on capital. The company is trading on a modest valuation due to its association with the cyclically weak auto industry. This is a firm that Gergel knows well; it was a successful position in MRCH's portfolio in the past.

The newest position in the fund is sofa company DFS. It has a 34% market share, which is multiple times larger than the number two industry player. The manager had been considering buying shares in this company for a long time, but as its business is cyclical, he needed to be careful on timing the purchase. Gergel says that sofas are a high-value product that customers like to look at and feel, which makes DFS less at risk from online competition. He adds that the company has relatively few outlets as they are seen as 'destination stores' and customers are prepared to travel to them, while it has been able to negotiate good reductions in its rental leases. The manager says that DFS is well managed and has grown organically and via acquisitions; it now has four brands – DFS, Dwell, Sofa Workshop and Sofology. He believes that although the company's current trading conditions are 'tough', its shares could perform well once there is increased clarity around Brexit.

There are two relatively recent disposals from the portfolio: Ashmore (an emerging market fund manager that had performed well and which Gergel deemed to have reached fair value); and Inmarsat (a satellite company that received an acquisition bid from a consortium of private equity firms). In addition, the position in Greene King was meaningfully reduced following a takeover bid.

## Performance: Recent improvement in performance

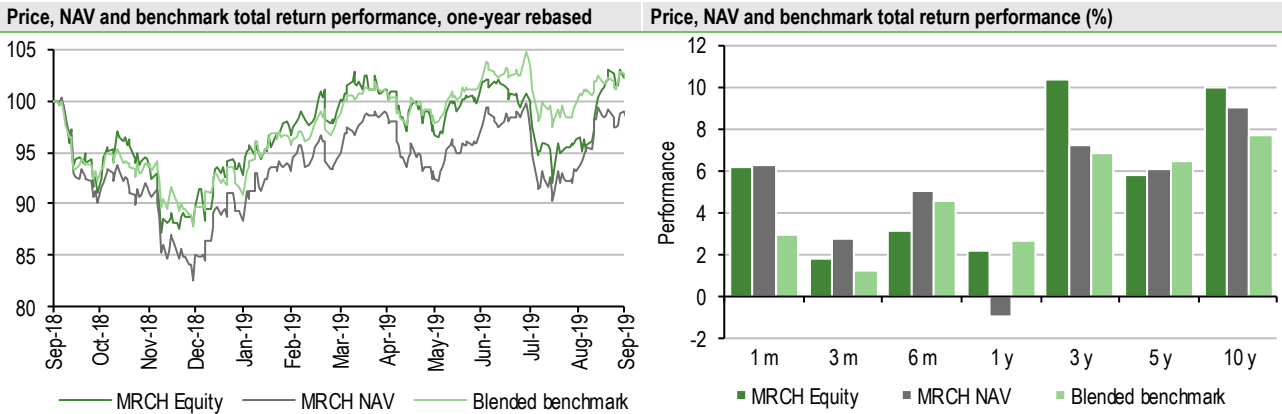
Exhibit 5: Five-year discrete performance data					
12 months ending	Share price (%)	NAV* (%)	Blended benchmark** (%)	FTSE All-Share (%)	FTSE 100 (%)
30/09/15	(8.3)	(3.1)	(5.1)	(2.3)	(5.1)
30/09/16	7.4	12.6	18.4	16.8	18.4
30/09/17	19.9	16.5	12.3	11.9	11.2
30/09/18	9.8	6.9	5.9	5.9	6.1
30/09/19	2.2	(1.0)	2.7	2.7	3.2

Source: Refinitiv. Note: All % on a total return basis in pounds sterling. \*NAV with debt at market value.  
 \*\*Blended benchmark is FTSE 100 Index until 31 January 2017 and FTSE All-Share Index thereafter.



In H120 (ending 31 July), MRCH's NAV and share price total returns of +7.4% and +5.1% respectively trailed the benchmark's +10.6% total return. The best relative contributors to performance were the positions in Inmarsat (+0.5pp) and Standard Life Aberdeen (+0.4pp), as well as not holding Glencore (+0.4pp), while the main negative contributions came from Hammerson (held) and AstraZeneca (not held), which both detracted by -0.7pp.

### Exhibit 6: Investment trust performance to 30 September 2019



Source: Refinitiv, Edison Investment Research. Note: NAV with debt at market value. Three, five and 10-year performance figures annualised. Blended benchmark is FTSE 100 Index until 31 January 2017 and FTSE All-Share Index thereafter.

Gergel says that in the run-up to the 31 October 2019 Brexit deadline (prior to the most recent extension to 31 January 2020), MRCH's performance improved rapidly, helped by a lack of 'blow-ups' in the portfolio. Greene King's share price rallied by c 50% in mid-August following an acquisition bid from Hong Kong-based company, CKA. The trust's real estate holdings, Hammerson and Land Securities, also performed better in anticipation of a favourable Brexit outcome, while gaming firm GVC Holdings issued a positive trading statement and its CEO has been buying the company's shares.

Exhibit 7 shows MRCH's relative returns. An improvement in recent performance means the trust is now ahead of its blended benchmark over both three and 10 years in NAV and share price terms.

### Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to blended benchmark	3.2	0.5	(1.3)	(0.5)	10.2	(3.3)	22.9
NAV relative to blended benchmark	3.3	1.4	0.4	(3.6)	1.0	(1.9)	12.6
Price relative to FTSE All-Share	3.2	0.5	(1.3)	(0.5)	10.6	(4.6)	17.5
NAV relative to FTSE All-Share	3.3	1.4	0.4	(3.6)	1.3	(3.2)	7.7
Price relative to FTSE 100	3.1	0.8	(1.1)	(1.0)	10.5	(3.1)	23.2
NAV relative to FTSE 100	3.3	1.7	0.6	(4.1)	1.2	(1.7)	12.9

Source: Refinitiv, Edison Investment Research. Note: Data to end-September 2019. Geometric calculation.

### Exhibit 8: NAV total return performance relative to benchmark over three years

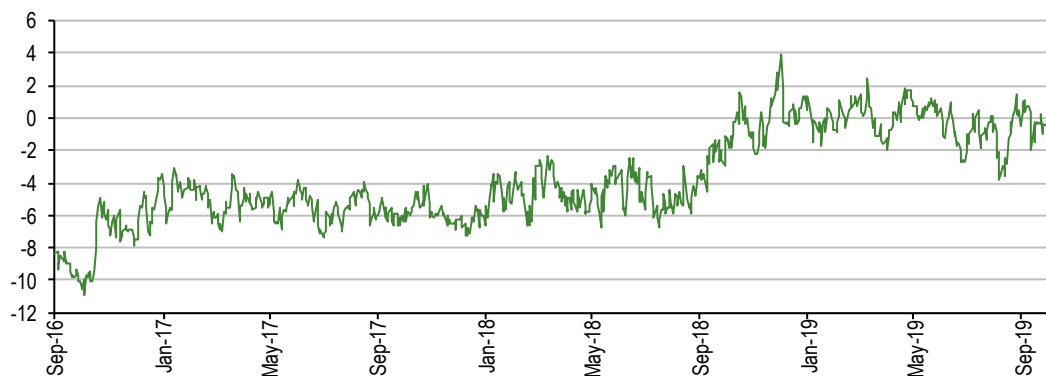


Source: Refinitiv, Edison Investment Research

## Discount: Significant re-rating

Exhibit 9 shows MRCH's valuation over the last three years; starting in H218, the trust meaningfully re-rated from a c 6% discount and now regularly trades close to NAV. The current 0.1% share price discount to cum-income NAV compares with the range of a 3.9% premium to a 4.6% discount over the past 12 months and the 0.4% to 3.7% range of discounts over the last one, three, five and 10 years. Gergel believes that MRCH's higher valuation is significant given the Brexit uncertainty and is due to a combination of better investment performance, the trust's higher yield and the refinancing of its high-cost, long-term debt. He also highlights marketing initiatives undertaken to increase the breadth of MRCH's shareholder base; there is now a higher number of smaller-ticket platform investors, which has helped increase liquidity in the trust's shares. During FY20, the board has been issuing shares at a premium; in H120, 1.3m shares were allotted (1.2% of the share base), raising c £6.3m.

**Exhibit 9: Share price premium/discount to NAV (including income) over three years (%)**



Source: Refinitiv, Edison Investment Research. Note: With debt at fair value.

## Capital structure and fees

MRCH is a conventional investment trust with one class of share; there are 110.7m ordinary shares in issue. Following on from the repayment of the trust's £34m, 11.125% debt in January 2018, on 3 July 2019, the board announced that MRCH had entered into a £42m three-year revolving credit facility (RCF) with Scotiabank Europe. The proceeds of this were used to partially pay down its £42m 9.25% 2023 Fintrust debenture (total redemption cost of £56.2m plus accrued interest; the balance was funded from existing assets). While the cost of redemption reduced MRCH's NAV per share by 0.5% (2.3p) with debt at fair value, annual interest cost savings will be 2.6p per share.

Restructuring MRCH's debt has meaningfully reduced its effective interest rate from 8.5% in January 2018 to its current level of 3.5%. Gergel highlights that while the latest reduction in interest paid will provide a significant benefit to earnings and capital costs (65% of interest costs go through the capital account), it will also introduce an element of flexibility as the repaid Fintrust debenture was fixed. The manager will now be in a position to deleverage somewhat if markets rally and valuations are less attractive, although he stresses that he will not be taking short-term views on the direction of the UK stock market. Gergel reports that shareholder feedback on MRCH's latest refinancing initiative has been overwhelmingly positive.

AllianzGI is paid 0.35% pa of the value of MRCH's gross assets (minus current liabilities, short-term loans and any funds within the portfolio managed by AllianzGI), allocated 65:35 between the capital and revenue accounts respectively, reflecting the board's expected split of long-term returns between capital and income. In FY19, the ongoing charge of 0.58% was 1bp lower year-on-year.



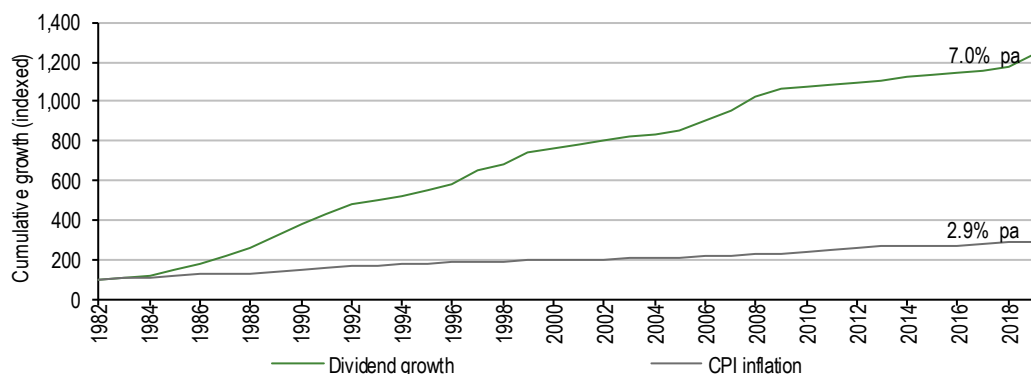
## Dividend policy and record

MRCH pays quarterly dividends, generally in August, November, February and May. In FY19, the annual dividend was 4.8% higher year-on-year and was c 1.1x covered. The 4.8% dividend growth was meaningfully higher than 2.5% in FY18 and 0.8% in the prior three financial years. At the end of FY19, the trust had revenue reserves of £28.3m (c 1x the FY19 dividend payment). These may be used to smooth dividend payments in years of lower income; they were last drawn on in FY17.

The board has announced that it intends to at least maintain the second FY20 quarterly dividend of 6.8p per share in the following two quarters, meaning a minimum 27.1p per share dividend for the year, which would be up 4.2% year-on-year and a 38th consecutive increase in the annual distribution. As shown in Exhibit 10 below, over the last 37 years, MRCH's dividend has compounded at an annual rate of 7.0% pa, considerably higher than the 2.9% annual inflation rate over the period.

Gergel explains that the trust's dividend growth in recent quarters has been helped by reasonable income growth from portfolio companies, sterling weakness and refinancing its debt at more favourable rates. Over the last two to three years, the manager has diversified MRCH's income stream: the portfolio now has less exposure to high-yielding, low-growth companies (such as in the oil & gas sector) and more to firms with higher rates of dividend growth.

**Exhibit 10: Growth of MRCH's dividend vs UK inflation**



Source: Refinitiv, The Merchants Trust, Edison Investment Research

As shown in the chart on page 1, MRCH offers a competitive dividend yield, consistently higher than the yield on its benchmark, the FTSE All-Share Index. Based on its current share price, the trust yields 5.4%.

## Peer group comparison

In Exhibit 11, we show the 13 funds in the AIC UK Equity Income sector with market caps above £300m. MRCH's NAV total returns are above the selected peer group average over the last 12 months, in line over three years, ranking eighth in both periods, while lagging over five and 10 years. Following a meaningful re-rating, the trust now has the narrowest discount in the selected peer group (two funds are trading at a premium to NAV). MRCH's ongoing charge is in line with the mean. It has the highest level of gearing and offers a generous 5.4% dividend yield, the highest in the selected peer group and 1.3pp above average.

**Exhibit 11: Selected peer group as at 29 October 2019\***

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Merchants Trust	545.3	11.4	19.1	37.6	133.5	(0.1)	0.6	No	120	5.4
BMO Capital & Income	334.0	16.0	30.2	61.6	146.0	(1.2)	0.6	No	102	3.4
City of London	1,616.1	11.9	18.3	41.9	162.0	2.7	0.4	No	108	4.6
Diverse Income Trust	340.8	2.3	14.4	44.4		(4.0)	1.2	No	100	4.1
Dunedin Income Growth	393.4	17.3	21.2	40.8	135.7	(9.1)	0.6	No	108	4.7
Edinburgh Investment Trust	1,099.8	1.2	1.6	29.0	164.1	(11.0)	0.6	No	103	4.6
Finsbury Growth & Income	1,787.2	20.2	42.6	95.9	355.2	0.6	0.7	No	100	1.9
JPMorgan Claverhouse	402.6	11.5	22.0	44.7	144.5	(3.1)	0.7	No	119	4.0
Law Debenture	703.2	8.7	21.4	47.4	177.0	(8.8)	0.5	No	108	3.3
Lowland	350.6	2.3	10.1	31.3	211.5	(7.5)	0.6	Yes	113	4.6
Murray Income Trust	563.3	18.7	25.9	47.6	152.1	(4.2)	0.7	No	103	4.0
Perpetual Income & Growth	709.1	1.3	(1.0)	15.7	146.9	(10.9)	0.7	No	114	4.5
Temple Bar	893.4	15.6	22.0	42.6	156.7	(3.3)	0.5	No	109	4.0
<b>Selected group average (13 funds)</b>	<b>749.1</b>	<b>10.6</b>	<b>19.1</b>	<b>44.7</b>	<b>173.8</b>	<b>(4.6)</b>	<b>0.6</b>		<b>108</b>	<b>4.1</b>
<b>MRCH rank</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>12</b>	<b>3</b>	<b>7</b>		<b>1</b>	<b>1</b>

Source: Morningstar, Edison Investment Research. Note: \*Performance to 28 October 2019. NAV with debt at par. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

## The board

MRCH's board has five directors, all of whom are non-executive and independent of the manager. Chairman Colin Clark was appointed relatively recently, having joined the board on 30 June 2019 and assumed his current role on 1 September 2019 following the retirement of Simon Fraser. The four other directors are: Sybella Stanley (senior independent director, appointed in November 2014); Timon Drakesmith (chairman of the audit committee, appointed in November 2016); Paul Yates (appointed in March 2011); and Mary Ann Sieghart (appointed in November 2014). MRCH's board is proud of its gender diversity and broad investment/corporate commercial experience.

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Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1,185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia