EDISON

The Merchants Trust

31 years of uninterrupted dividend growth

Investment trusts

The Merchants Trust (MRCH) is managed by Simon Gergel, CIO UK Equities at RCM, part of Allianz Global Investors (AGI) and provides a blend of characteristics that should appeal to many investors. Its FTSE 100 benchmark and core holdings in large, financially strong companies capable of sustaining dividend pay outs confers the benefits of underlying geographical diversity and a premium yield. As an equity fund it should provide some protection in the event of a surge in inflation, while within the portfolio the manager has added companies with exposure to real assets partly to address this particular tail risk. The fund has outperformed its benchmark over a range of periods from one month to 10 years (see page 7). The yield of 5.4% and 31 years of uninterrupted dividend growth are key positive attributes.

12 months ending	Total share price return (%)	Total NAV return (%)	FTSE 100 TR £ (%)	FTSE 350 High Yield TR £ (%)	FTSE All Share TR £ (%)
31/03/10	64.3	67.5	45.5	38.6	47.3
31/03/11	21.5	10.7	15.5	12.3	17.0
31/03/12	(1.4)	3.5	1.6	4.1	1.5
31/03/13	19.1	23.0	12.4	13.9	14.1

Note: *Twelve-month rolling discrete performance.

Investment strategy: Higher-yielding FTSE 100 co's

MRCH aims to provide an above-average level of income; the 5.4% yield compares with the FTSE 100 index yield of 3.5% and FTSE 350 High Yield index yield of 4.4%. It invests in higher-yielding equities, uses gearing (net gearing of 21%) and selectively writes covered out-of-the-money call options to generate additional revenue income. Revenue reserves have been used to support dividend payments over the last four years, but the gap has closed substantially as dividends on the underlying portfolio have increased. Management looks to invest in companies that offer at least a market yield on an 18-month view.

Sector outlook: Favouring the middle ground

Following increases in the valuation of defensive stocks during the last year the manager has taken some profits here. Now he is finding value in stocks that have some economic sensitivity but have attractive competitive positions that provide some resilience in the event the macro environment worsens again. Importantly, given the income focus of the fund, he continues to see reasonable prospects for dividend increases for the market and portfolio companies.

Valuation: Discount settled in a range

Valuing debt at market, the NAV discount stands at c 2%, the low end of the 2-9% range over the last nine months. Prior to this it had traded at a premium and the three-year range is from a discount of 9.3% to a premium of 8.9%. Prospectively, continuation of NAV outperformance compared with the FTSE 100 index combined with the yield attraction could see the discount narrowing further. Similarly, a continuation of equity market strength would tend to play to the trust's geared structure.

24 Apr 2013

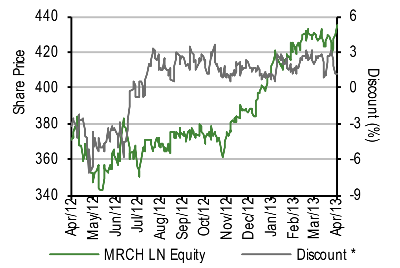
Price	**429.8p**
Market cap	**£444m**
AUM	**£615m**

NAV*	438.17p
Discount to NAV	1.9%
NAV**	466.51p
Discount to NAV	7.9%
Yield	5.4%

* Adjusted for debt at market value, including income, as at 22 April 2013. ** Adjusted for debt at par value, excluding income, as at 22 April 2013.

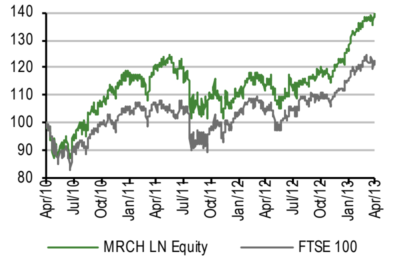
Ordinary shares in issue	103.2m
Code	MRCH
Primary exchange	LSE
AIC sector	UK Growth & Income.

Share price/discount performance



* Positive values indicate a discount; negative values indicate a premium.

Three-year cumulative perf. graph



52-week high/low	435p	342.4p
NAV* high/low	480.56p	365.32p

** Adjusted for debt at market value,* Including income.

Gearing

Gross	23%
Net	21%

Analysts

Andrew Mitchell	+44 (0)20 3681 2500
Matthew Read	+44 (0)20 3077 5758

investmenttrusts@edisongroup.com

Edison profile page

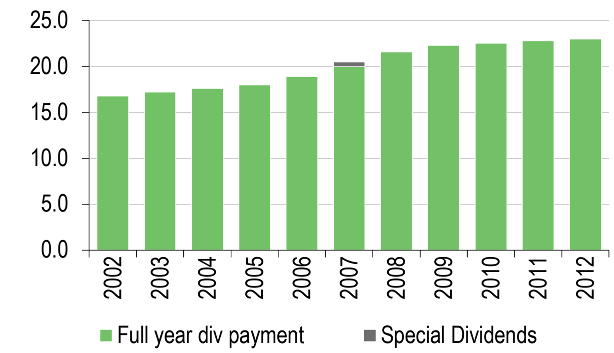
The Merchants Trust is a research client of Edison Investment Research Limited

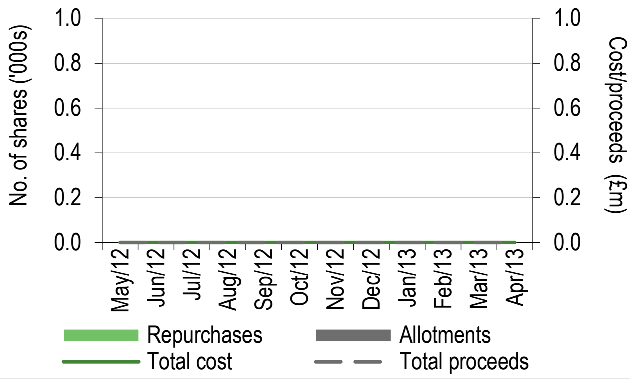
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
MRCH'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 UK FTSE 100 companies.	27 March 2013: Full year results announced. 23 January 2013: Third quarterly dividend of 5.8p announced (paid 27 February).

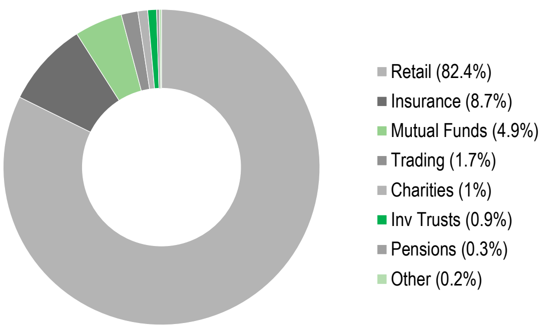
Forthcoming		Capital structure		Fund details	
AGM	May 2013	Total expense ratio	0.64%	Group	Allianz Global Investors
Preliminary results	March 2014	Net gearing	21.0%	Manager	Simon Gergel
Year end	31 January	Annual mgmt fee	0.35% of assets	Address	155 Bishopsgate, London EC2M 3AD, UK
Dividend paid	Quarterly	Performance fee	None		
Launch date	February 1889	Trust life	Indefinite	Phone	+44 (0)800 317 573
Continuation vote	N/A	Loan facilities	See page 8	Website	www.merchantstrust.co.uk

Dividend policy and history	Share buyback policy and history
Quarterly dividends paid in February, May, August and November. MRCH aims to maintain a high and growing dividend.	Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.

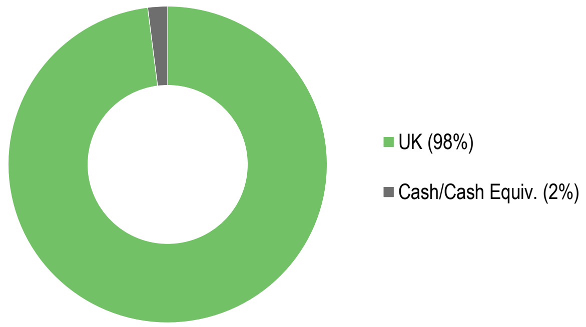




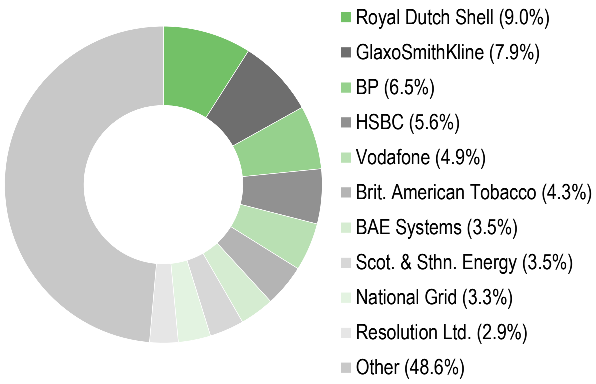
Shareholder base (as at 7 March 2013)



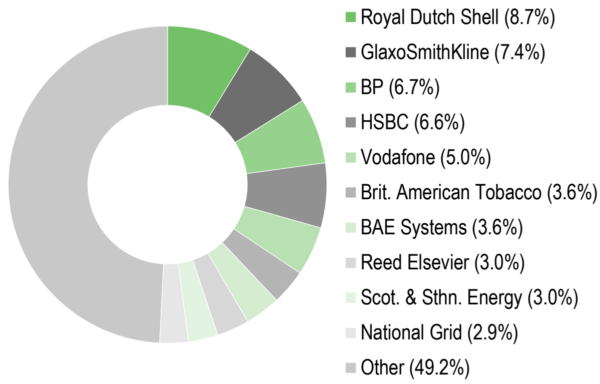
Distribution of portfolio (as at 31 March 2013)



Portfolio composition (as at 31 March 2013)



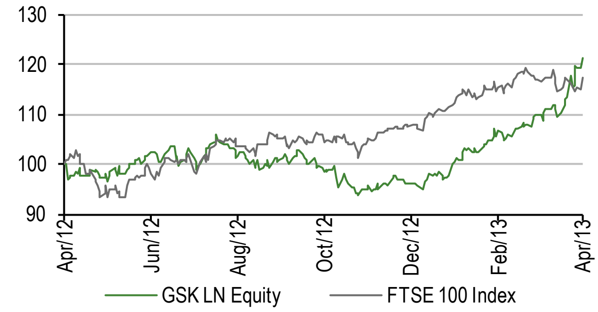
Portfolio composition (as at 30 September 2012)



Source: The Merchants Trust, Edison Investment Research

Exhibit 2: Holdings in portfolio themes at a glance

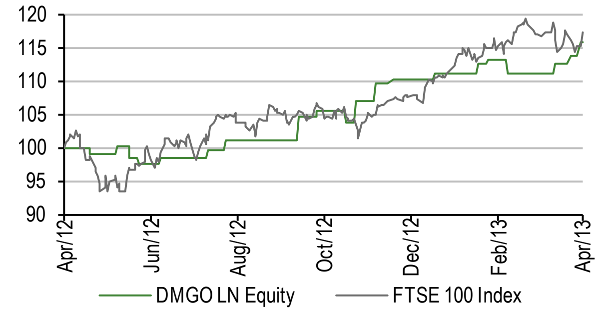
GlaxoSmithKline	Code: GSK LN	Market cap: £ 82,407m



Div Yield (trail. 12 months)	4.41%
Industry/Sector	Pharmaceuticals & Tech./Pharma
Listing	LSE - Premium Listing
Website	www.gsk.com

GlaxoSmithKline (GSK) is one of MRCH's core holdings as the manager sees the company as well-positioned to resume its growth track as the patent cliff is digested and the combination of new product launches and a greater contribution from emerging markets (26% last year) drive a hike in revenues. GSK is also focused on simplifying its operating model and recently announced further cost reductions that, together with earlier announcements, should give savings of at least £1bn pa by 2016.

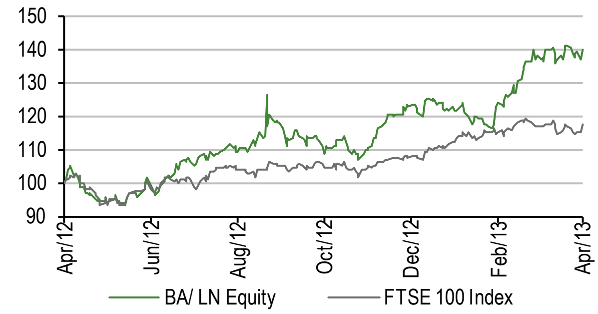
Daily Mail & General Trust	Code: DMGO LN	Market cap: £2,571m



Div Yield (trail. 12 months)	3.20%
Industry/Sector	Media/Publishing
Listing	LSE - Premium Listing
Website	www.dmgt.co.uk

The manager likes the way the business has been developed away from traditional print media (where circulation has been resilient). In part this has been the result of acquisitions and disposals, which are set to continue, but it also reflects the organic growth in the non-traditional media activities where the manager and the group expect further growth. In addition to the Daily Mail, assets include Euromoney, Mail Online, Zoopla and Jobsite.com.

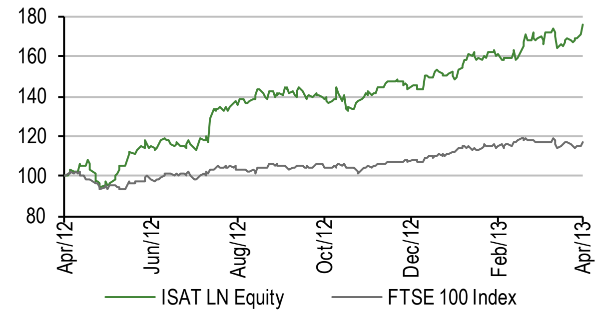
BAE Systems	Code: BA/ LN	Market cap: £ 12,396m



Div Yield (trail. 12 months)	5.10%
Industry/Sector	Aerospace & Defence/Defence
Listing	LSE - Premium Listing
Website	www.baesystems.com

At 3.5% of the portfolio, BAE Systems (BA/) is a core holding (ie, a well-financed multinational business that offers a good yield). The manager sees the valuation as attractive given the yield and P/E ratio (9.3x consensus 2013e EPS). The manager believes half the business is maintaining existing fleets and that many of its contracts are long-term, giving visibility to earnings. Non-UK/US order intake increased significantly in 2012 supporting the group's strategy of winning international business in the remaining growth markets.

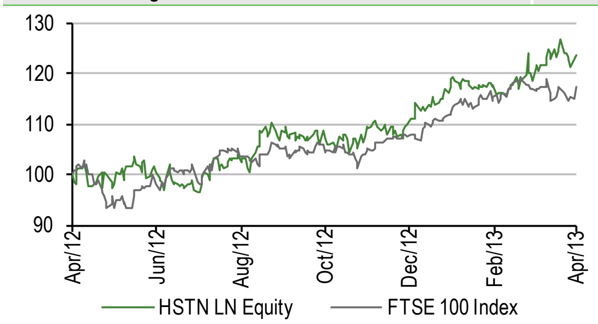
Inmarsat	Code: ISAT LN	Market cap: £3,210m



Div Yield (trail. 12 months)	4.12%
Industry/Sector	Telecoms/Communications
Listing	LSE - Premium Listing
Website	www.inmarsat.com

Inmarsat (ISAT) is market leader in mobile satellite services with 56% of revenues derived from the marine sector. Capital requirements, spectrum rights, orbital slots and licensing are among the challenges for new entrants to ISAT's market. The company is investing in new satellites and in due course should benefit from the rollout of its Global Xpress, VSAT, service that is capable of providing a global high-speed data service. The yield is attractive and dividend growth has been 10% for the last three years.

Hansteen Holdings	Code: HSTN LN	Market cap: £559m



Div Yield (trail. 12 months)	4.92%
Industry/Sector	REITS/Financial
Listing	LSE - Premium Listing
Website	www.hansteen.co.uk

Hansteen Holdings is a real estate investment trust that mainly invests in industrial property in Germany, Benelux, France and the UK. MRCH likes the company's successful model of buying assets with high yields, even allowing for voids, and then managing them carefully to attract tenants and hence increase income and valuation. The geographical spread and roster of 2,800 tenants provides diversification benefits. Dividend growth last year was 12.5%.

Source: The Merchants Trust, Thomson Datastream, Edison Investment Research

Fund profile: Higher-yielding FTSE 100 companies

Managed by RCM, part of AGI and its predecessors since its launch in February 1889, MRCH is the oldest trust in the AGI stable. It is an income trust that pays quarterly dividends and has provided 31 years of uninterrupted dividend growth. Simon Gergel, CIO of UK Equities and head of AGI's value and income investment style team, has led the management of MRCH's portfolio since April 2006.

Equity outlook: Yield and inflation hedge appeal

The calendar year to date has seen a positive equity market performance with the trust's benchmark index, the FTSE 100 up 8%, reflecting a continued switch from risk aversion to return-seeking against the backdrop of quantitative easing and very low 'risk-free' returns.

Investors, in our view, are therefore left facing poor returns from low-risk fixed income investments, higher equity valuations than previously and uncertainty over the economic (and political) outlook in a number of regions. Economic indicators in Europe remain weak and while the US still appears to be on a faster growth track, economic metrics are mixed.

How to balance these considerations? While there must be a danger of an equity market correction following the period of strength and given the global macro risks, there seems a reasonable case for equities as a 'least bad' option. Exposure to a fund seeking income through investing in FTSE 100 stocks is likely to provide useful geographical diversification by virtue of the underlying exposures of the index constituents (c 70% of revenues are international). The index average yield (3.5%) compares well with current 10-year UK government bond yields of 1.7% and deposit rates. Further, while the risk may be modest, equities should fare better than bonds in the event of a significant increase in inflation.

The fund manager: Simon Gergel

The manager's view: Favouring middle-ground companies

The FTSE 100 is 3.5% below its recent peak, but, at over 6,300, the manager regards it as high in its trading range. His central view is that medium-term economic growth in the UK will be muted as debt is paid down. Having said this, valuations are seen as reasonable in a long-term context while markets do not track economic trends closely and the high international exposure of larger UK quoted companies means that they should benefit from serving more dynamic markets as well as those facing post-crisis challenges. This has contributed to the relatively strong trading performance of many quoted companies.

The portfolio has a mixture of relatively defensive and more cyclical holdings, but the manager notes that many defensive stocks are now fully valued, so he has taken some profits from these holdings. This has not meant a substantial shift into the more cyclical sectors and the trust's exposure to the more cyclical banks and mining sectors, for example, is limited.

The manager still identifies opportunities to acquire companies in the middle ground that have been left behind by the market. These are companies that are not immune to economic fluctuations but have strong competitive positions that mean their earnings should be more sustainable over the medium term.

Gergel tries to allow for a number of scenarios when constructing the portfolio. Illustrating this, he has added to holdings of companies with strong asset backing that gives them both a competitive advantage and a hedge against a possible resurgence of inflation. Examples of such companies are Sainsburys and the pub groups Greene King and Marstons.

A number of other themes remain in place in the portfolio:

- Large core holdings in well-financed larger cap names that help support the income of the trust (including GlaxoSmithKline, Royal Dutch Shell, Unilever and HSBC).
- Growth stocks at a reasonable price (Smiths, IG Group, Inmarsat, and Ashmore).
- Emerging market consumer growth exposure (Unilever, GlaxoSmithKline, UBM and Mothercare).
- The media sector, to gain exposure to corporate spending and growth businesses (UBM, DMGT, Reed Elsevier).
- Oversold aerospace and defence companies (BAE Systems, Cobham, Meggitt, BBA Aviation).
- Consumer stocks where conditions are stable, there is scope for operational improvement and valuations are reasonable (Carnival, Britvic, Cineworld).
- Non-bank financials (Hiscox, Resolution, ICAP, IG Group and Hansteen).

The trust's focus on dividends means that the outlook for UK company payout levels is a key part of the manager's outlook. After growth of c 10% in 2012 recent forecasts have indicated the potential for 5-10% growth this year underpinned by strengthened balance sheets and lower payout ratios thanks to a recovery in earnings.

Asset allocation

Investment process: Bottom-up stock selection

MRCH is managed using a predominantly bottom-up investment approach, supported by macro analysis, using the fundamental research capability of AGI's UK equity team. The manager is also able to draw on the expertise of AGI's global team of 78 analysts. Analyst recommendations are monitored for their efficacy and analysts are incentivised accordingly. In conducting their analysis, the manager can draw on AGI's Grassroots research function. This is a proprietary network of c 70 freelance investigative journalists who research and gather information on a variety of business-related topics, supported by a team of c 300 field investigators who specialise in conducting quantitative market research. AGI believes that Grassroots provides access to public data on company-specific issues in a timely and value-creating manner.

When constructing the portfolio, the manager takes at least an 18-month view and does not chase sector allocations. Instead the manager looks thematically for ideas, such as themes based on the macroeconomic outlook, stage of the business cycle as well as industry and secular themes. In terms of stock selection, the manager looks for companies with favourable industry dynamics and strong competitive positions as well as strong free cash flow and thus a good capacity to pay sustainable dividends. The manager also considers valuation in absolute terms, relative to history, relative to market and the dividend yield. The manager has a contrarian style and targets stocks with at least a market yield on an 18-month view, backing them with conviction (c 50 holdings versus peer-average of 64 and top 10 holdings 50% of portfolio versus 45%). Yield in isolation is not a consideration for buying a stock and stocks are not automatically disposed of if the yield drops below the market average. Instead purchase and sale decisions are driven by total return considerations. The manager has access to a range of metrics to manage portfolio risk.

Overview: FTSE 100-based, income-focused, geared fund

As at 28 February 2013, MRCH had 49 equity investments (versus peer-average 64), while the top 10 holdings accounted for 50% of the portfolio (peer-average 45%), cash 1.5%, and the remaining equity investments 48.5%. As displayed in Exhibit 3, MRCH's asset allocation can differ significantly from that of the FTSE 100, reflecting the actively managed nature of the trust. As shown in Exhibit 1, apart from the 1.5% of the portfolio held as cash, the remaining 98.5% of the portfolio is fully invested in the UK.

Derivatives strategy

The trust has continued to follow a policy of writing selected covered call options. This generates additional income for the trust. There is a maximum exposure of 15% of gross assets at the time of writing. The options usually have less than a four-month duration and, depending on the manager's views, the number of covered calls written on the portfolio can vary substantially. However, they typically range between five and 20. The positions taken are driven by fundamental views on the stocks, rather by any specific derivative strategy. For the year to 31 January 2013 call writing generated approximately £1.9m (similar to 2012) of additional revenue income and a net cost of £0.15m once the opportunity cost of exercised options is taken into account (profit c £0.95m 2012 and £0.48m 2011).

Exhibit 3: Sector allocations as at 28 February 2013

	Trust weight %	Benchmark weight %	Trust active weight % points	Trust weight/benchmark weight
Consumer Services	16.9	8.6	8.3	1.97
Utilities	9.8	4.2	5.6	2.34
Industrials	11.9	7.2	4.8	1.66
Telecommunications	7.8	6.4	1.5	1.23
Technology	0.0	1.1	-1.1	0.00
Health Care	7.6	7.9	-0.3	0.96
Financials	18.6	20.8	-2.3	0.89
Oil & Gas	15.1	17.7	-2.6	0.85
Consumer Goods	8.6	15.6	-7.1	0.55
Basic Materials	2.4	10.7	-8.3	0.22
Cash	1.5	0.0	1.5	N/A
	100.0	100.0	**0.0**	

Source: The Merchants Trust, Edison Investment Research

Current portfolio positioning

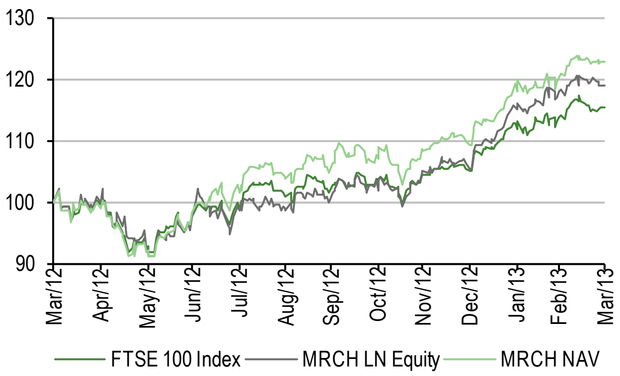
The main underweight positions taken by the manager are in basic materials and consumer goods with smaller underweights in oil & gas and financials. The financials underweight is concentrated in the banks (active weight -8 percentage points) balanced in part by other financial service companies and REITS.

The key overweight positions are consumer services, utilities and industrials. Within consumer services media is the predominant theme with key overweights being Daily Mail & General Trust and UBM. The industrials holdings include overweight positions in aerospace and defence companies such as BAE Systems, Cobham and Meggitt giving an active weight of three percentage points for this subsector.

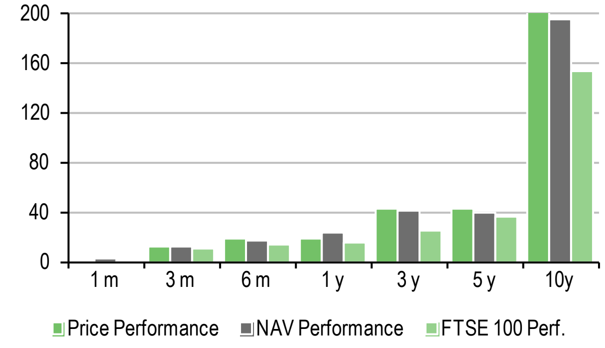
Performance: Outperformed benchmarks

Exhibit 4: Investment trust performance

Price, NAV and benchmark total return perf, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Thomson Datastream, Edison Investment Research

Exhibit 5: Share price and NAV total return performance (sterling adjusted), relative to benchmarks

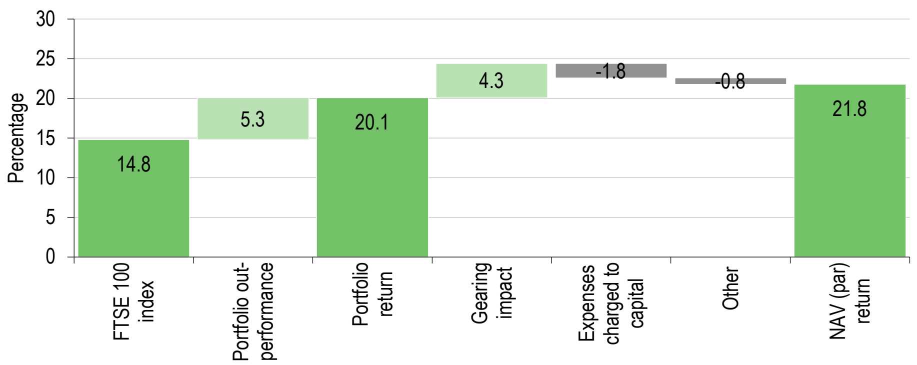
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to FTSE 100 Index	2.2	3.9	6.1	6.1	18.3	8.2	53.0
NAV relative to FTSE 100 Index	1.9	4.0	3.4	10.1	16.6	4.6	38.0
Price relative to FTSE 350 High Yield Index	0.7	2.3	6.3	4.4	12.0	8.4	55.0
NAV relative to FTSE 350 High Yield Index	0.4	2.4	3.6	8.5	10.2	4.8	40.1
Price relative to FTSE All-Share Index	2.2	3.5	5.2	4.8	15.6	4.7	32.9
NAV relative to FTSE All-Share Index	1.9	3.6	2.6	8.8	13.8	1.1	17.9

Source: Thomson Datastream, Edison Investment Research

Over all the periods shown in Exhibit 5 MRCH has outperformed not only its own benchmark index, the FTSE 100, but also the FTSE 350 High Yield and broader FTSE All-Share indices (all on a total return basis). MRCH's investment policy is to remain substantially fully invested and geared, which has affected performance during falling markets. This is partly evident in the more subdued outperformance seen in the five-year period shown above and, more obviously, in the underperformance recorded in calendar year 2008 when the financial crisis had an impact (-8.8% for NAV versus FTSE 100). Conversely, the policy has assisted during rising markets, as seen in the rally following the financial crisis.

The attribution analysis for the year ended 31 January 2012 in Exhibit 6 shows how the portfolio outperformance of 5.3% and gearing impact of 4.3% contributed to the overall NAV return of 21.8% for the trust's last financial year.

Exhibit 6: Attribution analysis – total return to 31 January 2013



Source: The Merchants Trust

Quantitative easing has lowered borrowing costs and driven up the market value of corporate debt, MRCH's included. However, the most expensive debt, the £34.3m First Debenture Finance loan, expires in 2018. This will not only reduce the interest drag on the portfolio, but, being currently valued above par, its value will reduce as it moves closer to maturity. The total 'pull to par' is indicated in Exhibit 7 below, with a positive effect of c £4.5m pa on the fair value NAV equivalent to nearly one percent of current NAV.

Exhibit 7: Merchants Trust – debt repayment schedule

	Repayment due	Repayment amount (£m)	Market value 31 January 2013 (£m)	Market value less Par repayment amount (£m)	Time to expiry (years)	Straight line yearly decrease (£m)
First Debenture Finance loan	2018	34.3	46.8	12.5	5	2.5
Fixed int. rate loan Fintrust	2023	45.8	62.6	16.8	10	1.7
Secured Bonds	2029	29.4	34.5	5.1	16	0.3
Total		**109.5**	**143.9**	**34.4**		**4.5**

Source: The Merchants Trust

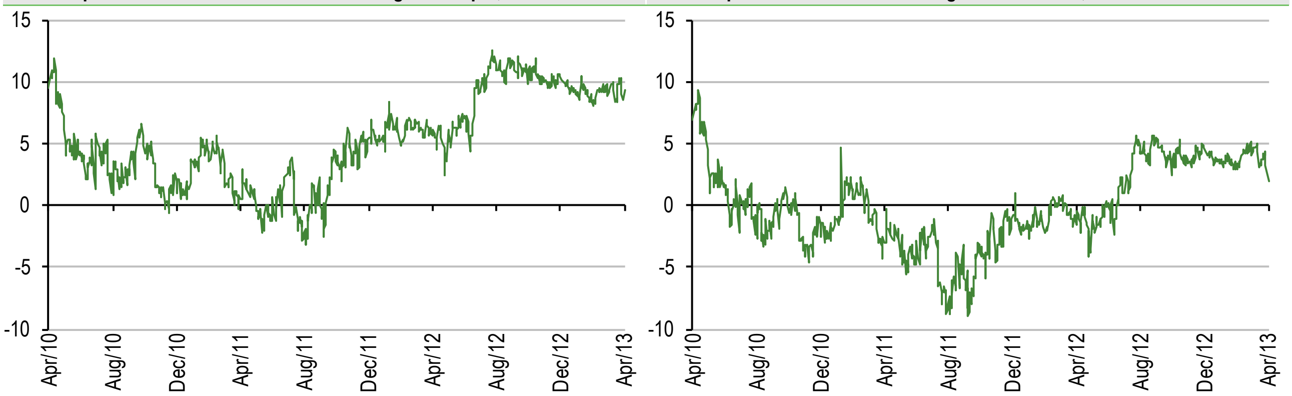
Discount: Relatively stable recently

MRCH has the authority, renewed annually, to allot up to 10% or make market purchases of up to 14.99% of issued share capital, which gives the manager a mechanism to influence the discount, although there is no explicit maximum or target level. Exhibit 8 illustrates the discount – the first graph is produced using NAVs calculated valuing debt at par and the second values debt at market. Under both measures it can be seen that after two years where MRCH's discount broadly contracted it widened again and has been broadly stable over nine months at around 10% valuing debt at par or 3-5% valuing debt at market, compared with a three-year average close to zero.

Exhibit 8: Discount/premium over three years

Discount/premium calculated with NAVs valuing debt at par, exc. income*

Discount/premium with NAVs valuing debt at market, inc. income*



Source: Morningstar, Edison Investment Research, Note: *Positive values indicate a discount; negative values indicate a premium.

Capital structure and fees: Conventional, fixed gearing

MRCH is a conventional trust, having only one class of share in issue – 25p ords. It uses a range of other debt instruments to gear up: 3.65% cumulative preference stock, 4% perpetual debenture stock, 5.875% secured bonds expiring 2029, Fintrust Debenture 9.25125% loans expiring 2023 and a stepped-interest-rate loan expiring January 2018. The stepped interest rate loan has a coupon rate of 14.75%. These structural debt elements are now relatively expensive when compared to current rates of interest. All have fair values above their par values as illustrated in Exhibit 7. Although profitable over the longer term, the interest cost is potentially a drag on performance. MRCH's borrowings are not allowed to exceed its called-up share capital and reserves, which allows it considerable flexibility in choosing its gearing policy and it currently has net gearing of 21%.

The management fee is 0.35% per year of the value of the assets, calculated quarterly after the deduction of any current liabilities, any loans under one year and any funds within the portfolio managed by AGI. There is no performance fee and the management contract can be terminated at one year's notice. The total expense ratio (TER) was 0.64% for the year ended 31 January 2013, which reflects the economies of scale offered by a trust of this size. As illustrated in Exhibit 11, MRCH's ongoing charges are competitive, ranking fourth out of 22 when compared to its peers. MRCH has an indefinite life and there is no specific mechanism to wind up the company.

Dividend policy and record: Moving to full cover

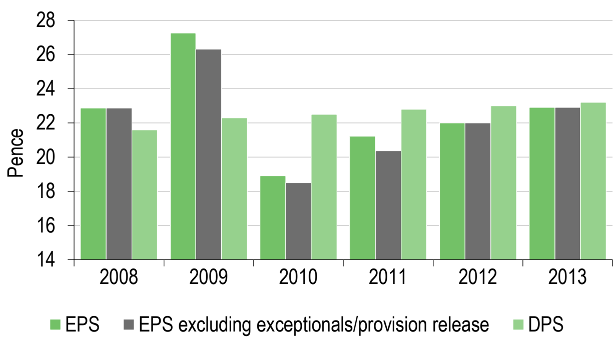
Dividends are paid quarterly and a key objective is to maintain a high and growing total dividend. For the year ending 31 January 2013, MRCH has proposed a final payment of 5.8p giving an increased total dividend of 23.2p (23.0p, 2012), delivering 31 years of uninterrupted dividend growth since 1982. During this time MRCH increased its dividend by a total of 1,005%, a compound annual growth rate of 8.0%. Because of its significant dividend obligations, the board carefully models dividend flows and reviews the income outlook six times a year.

As Exhibit 7 illustrates, MRCH has, for the last four years, dipped into revenue reserves to support the dividend payment. These shortfalls, which reflect both the dividend cuts by the banks post 2009 and the BP dividend cut following the Gulf of Mexico oil spill, have become progressively smaller as dividend income has recovered. With companies earning good margins, the market saw strong dividend growth during 2011/12. For the year ended January 2013 the revenue reserve drawdown was only 0.3p. The manager and board are confident that MRCH is now moving back towards a position where the dividend will once again become covered. At the end of financial year 2013 MRCH had revenue reserves of 22.8p per share, or 11.2p after allowing for the third interim and final payments – a still healthy cushion.

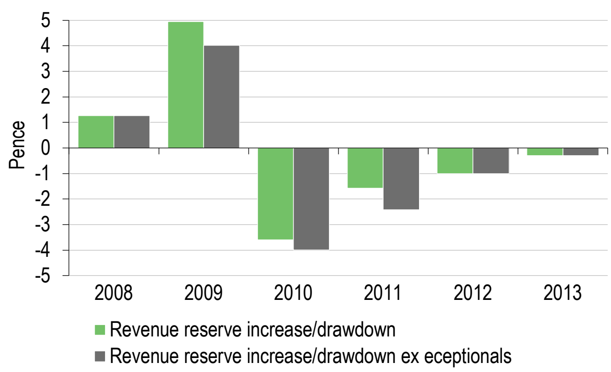
Exhibit 10 provides an illustration of the components that make up MRCH's yield. The yield premium of nearly one percentage point on the trust portfolio holdings versus the market makes the largest single contribution to the overall two percentage point yield premium the trust offers. Derivative income, the effect of gearing and the price discount to the NAV are the other main factors contributing to this premium over the market yield.

Exhibit 9: Analysis of revenue reserve

Comparison of EPS, DPS and EPS excluding exceptionals

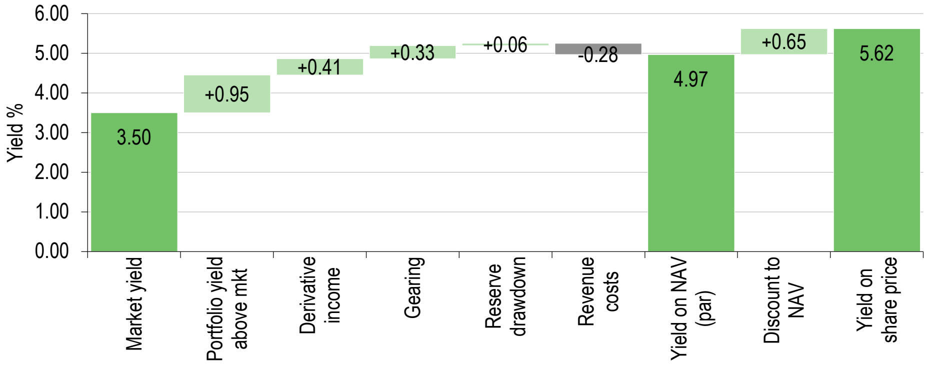


Revenue reserve increase/drawdown including and excluding exceptionals



Source: The Merchants Trust

Exhibit 10: Dividend yield analysis as at 31 January 2013



Source: The Merchants Trust

Peer group comparison

UK Growth and Income is the third-largest sector within the Association of Investment Company classification of investment trusts, behind the Global Growth and Private Equity categories. There are 22 constituents with varied approaches evidenced in part by the different gearing levels and yields shown in Exhibit 11 below. The priority given to dividend payments at MRCH is evident in the dividend yield ranking where it is second-highest, while the geared structure that contributes to income generation means the trust has the fourth-highest gearing in the group.

Looking at the share price total return, MRCH ranks 13th over one year, 15th over three years and 15th over five years. Not shown in the table, the NAV total return rankings are sixth, 11th and 15th respectively for the same periods. As shown earlier, the trust NAV has outperformed its benchmark over one, three and five years (10%, 17% and 5% respectively). The NAV tracking error versus the fund benchmark has ranged from 5.6% to 8.4% over one and five years respectively and has been somewhat lower than the peer group average (6% and 12%). Turning to a risk-adjusted measure of performance, the NAV one-year Sharpe ratio is above one and ranks 17th among peers.

Exhibit 11: UK growth and income sector, as at 23 April 2013

Company	Share price total return on £100 One year	Three years	Five years	Ongoing charges (%)	(Disc)/ prem.	Net gearing (100=no gearing)	5-year dividend growth (%)	Div. yield	Sharpe ratio NAV one year	Sharpe ratio price one year
Sector Average	**127.1**	**157.4**	**167.9**	**0.8**	**0.2**	**110.1**	**2.0**	**3.7**	**1.6**	**1.7**
Merchants Trust	**124.1**	**142.9**	**138.1**	**0.7**	**(3.5)**	**120.0**	**0.8**	**5.3**	**1.3**	**1.1**
BlackRock Income and Growth	123.5	122.0	112.5	1.3	(1.8)	106.0	0.6	3.4	1.0	0.9
British & American	121.5	152.5	138.3	2.7	5.7	153.0	2.3	9.3	1.1	1.4
City of London	125.4	150.1	160.2	0.5	2.2	108.0	4.3	4.1	1.8	1.7
Diverse Income Trust	133.6			2.0	3.2	99.0	0.0	3.4	2.6	2.8
Dunedin Income Growth	127.1	152.6	148.7		(1.9)	105.0	1.0	4.1	1.4	1.8
Edinburgh Investment	123.0	166.3	179.6	0.0	3.6	117.0	1.5	3.8	1.1	1.4
F&C Capital & Income	119.8	131.0	134.0	0.8	(1.3)	101.0	3.1	3.8	1.5	1.3
Finsbury Growth & Income	138.7	185.0	220.7	0.9	0.8	105.0	1.0	2.2	2.5	2.4
Invesco Income Growth	122.4	151.9	156.7	1.0	(5.9)	109.0	1.7	3.8	1.9	2.3
Investment Company	104.8	166.3	128.8	7.4	(37.1)	182.0	3.7	2.5	1.8	0.3
JPMorgan Claverhouse	128.8	133.5	128.1	0.8	(7.7)	117.0	2.8	3.7	1.3	1.3
JPMorgan Elect Managed Inc	119.8	134.5	124.8	0.7	(0.9)	98.0	(4.6)	3.8	1.6	1.6
Lowland	136.0	201.7	178.2	0.7	1.4	114.0	3.8	2.7	2.0	2.3
Murray Income Trust	125.2	152.6	154.6	0.8	2.0	107.0	2.0	3.9	1.4	1.3
Perpetual Income & Growth	130.2	166.6	183.6	1.0	(0.2)	114.0	5.0	3.2	2.0	2.0
Schroder Income Growth	130.8	147.8	168.5	1.1	0.3	104.0	1.8	4.0	1.6	1.6
Shires Income	135.9	152.6	160.2	1.1	0.7	120.0	(9.5)	5.1	1.8	2.0
Standard Life Equity Income	129.2	139.4	150.6	1.0	(3.7)	105.0	3.1	3.7	1.5	1.7
Temple Bar	129.2	157.5	205.3	0.5	2.0	101.0	2.2	3.2	1.8	1.6
Troy Income & Growth	117.5	143.9	112.4	1.2	1.0	97.0	(15.9)	3.6	1.3	1.3
Value & Income	123.9	140.6	147.3	1.4	(21.2)	126.0	1.7	3.9	1.9	1.3

Source: Morningstar

The board

All directors are non-executive and independent of the manager. They are SJ Fraser (chairman), HE Staunton (senior independent director), MJE McKeon and PT Yates (directors). The average length of director service is 3.9 years.