The Merchants Trust

Large-cap contrarian with above-average yield

Investment trusts

The Merchants Trust (MRCH) takes a contrarian, value-driven approach to investing in mainly large-cap UK companies, with the aim of achieving a high and growing income as well as capital growth. Managed by Allianz Global Investors and its precursor companies since launch in 1889, it has evolved from a diversified global portfolio to a focused UK specialist, and is the only trust in its peer group with a FTSE 100 index benchmark. It has beaten the index in price and NAV terms in three of the last four years to 31 May, and its 4.6% yield is among the highest in its sector. With its dividend – which has a 32-year record of growth – now fully covered by income, it has recently been issuing shares at a premium to NAV.

12 months ending	Share price (%)	NAV (%)	FTSE 100 (%)	FTSE 350 High Yield (%)	FTSE All-Share (%)
31/05/11	36.7	28.7	19.1	19.4	20.4
31/05/12	(15.3)	(9.0)	(7.7)	(3.1)	(8.0)
31/05/13	46.7	42.4	28.4	29.0	30.1
31/05/14	12.6	9.6	7.8	8.5	8.9

Source: Thomson Datastream. Note: Total return basis.

Investment strategy: Focused, conviction portfolio

MRCH manager Simon Gergel runs the trust on a stock-picking basis, using thematic ideas to aid in stock selection and taking advantage of Allianz Global Investors' deep research resources. The trust has a focused stock list and the manager is willing to take significant active positions versus the index. MRCH has a higher level of structural gearing than many of its peers, which has boosted performance in the rising markets of recent years. Turnover is relatively low, with an average holding period of between three and four years, and the manager is currently finding opportunities in areas including mega caps and recovery stocks.

Market outlook: GDP recovery largely priced in?

The large-cap FTSE 100 index has doubled over the past five years in the post-crisis period. Positively, UK GDP growth is now among the strongest in the developed economies, but UK companies are internationally exposed and economic risks remain. Market strength has pushed valuation measures higher, but the P/E ratio and dividend yield are still close to their five-year averages, suggesting they should not be a barrier to UK equity performance.

Valuation: Now issuing shares at a premium to NAV

MRCH's discount to net asset value narrowed substantially during 2013 and the shares now trade at a premium to NAV on a cum-fair basis. The current 0.5% cum-fair premium compares with a 0.6% average premium over one year and a 0.1% average premium over three years. With dividends for the year to 31 January 2014 now fully covered by earnings, the trust's board is less concerned about the dilutive effect of share issuance on the revenue reserve, and since October 2013 1.75m new shares have been issued at a premium to net asset value.

4 June 2014

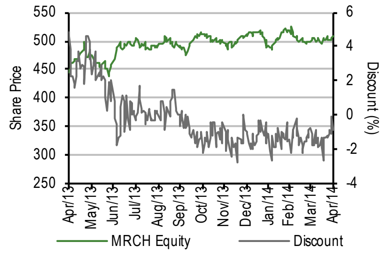
Price	**511p**
Market cap	**£536m**
AUM	**£658m**

NAV*	495.80p
Premium to NAV	3.1%
NAV**	508.34p
Premium to NAV	0.5%
Yield	4.6%

*Excluding income. **Including income. Data at 30 May 2014.

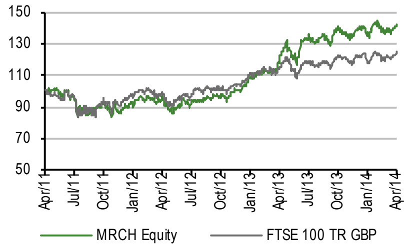
Ordinary shares in issue	104.9m
Code	MRCH
Primary exchange	LSE
AIC sector	UK Equity Income

Share price/discount* performance



*NAV with debt at fair value, including income.

Three-year cumulative perf. graph



52-week high/low	524p	438p
NAV* high/low	505.58p	432.88p

*Excluding income.

Gearing

Gross	20.5%
Net	18.6%

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Edison profile page

Exhibit 1: Trust at a glance

Investment objective and fund background

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. The benchmark index is the FTSE 100 index.

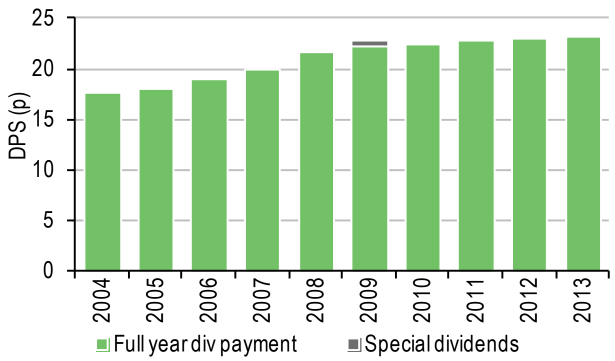
Recent developments

2 April 2014: Annual results for the year ended 31 January 2014. NAV total return +17.5%. Final quarterly dividend of 5.9p announced.
21 January 2014: Third quarterly dividend for the year ending 31 January 2014 declared at 5.9p.

Forthcoming		Capital structure		Fund details	
AGM	May 2015	Ongoing charges	0.6%	Group	Allianz Global Investors
Preliminary results	September 2014	Net gearing	18.6%	Manager	Simon Gergel
Year end	31 January	Annual mgmt fee	0.35% of assets	Address	199 Bishopsgate, London EC2M 3TY, UK
Dividend paid	Quarterly	Performance fee	None		
Launch date	February 1889	Trust life	Indefinite	Phone	+44 (0)800 389 4696
Continuation Vote	N/A	Loan facilities	See page 8	Website	www.merchantstrust.co.uk

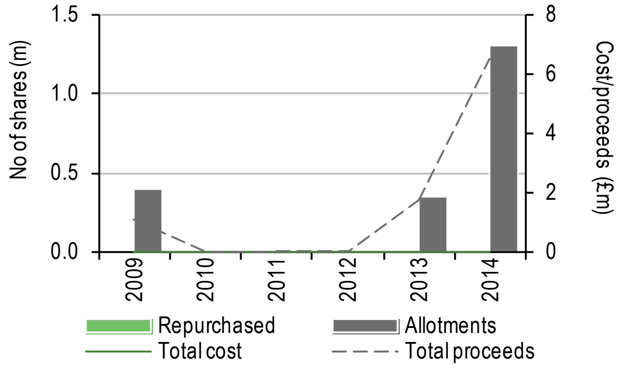
Dividend policy and history

Quarterly dividends paid in February, May, August and November. MRCH aims to maintain a high and growing dividend.

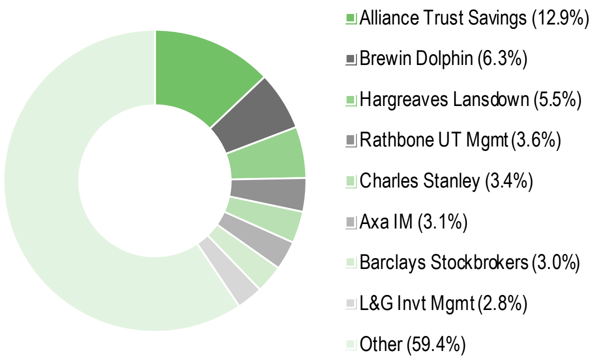


Share buyback policy and history

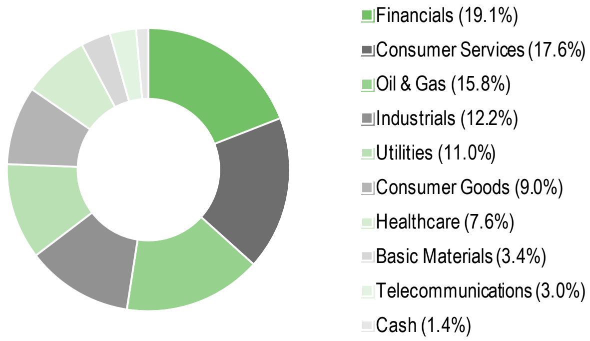
Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.



Shareholder base (as at 7 May 2014)



Portfolio composition (as at 30 April 2014)



Top 10 holdings (as at 30 April 2014)

Company	Sector	Active weight % 30 April 2014	Portfolio weight % 30 April 2014	Portfolio weight % 30 April 2013
Royal Dutch Shell B	Oil & gas	6.1*	9.3	8.9
GlaxoSmithKline	Healthcare	3.1	7.6	7.8
BP	Oil & gas	1.2	6.4	6.4
HSBC	Financials	-1.0	6.2	5.4
British American Tobacco	Consumer goods	0.8	4.3	4.1
BAE Systems	Industrials	2.8	3.6	3.2
BHP Billiton	Basic materials	1.0	3.3	N/A
Scottish & Southern Energy	Utilities	2.4	3.2	3.5
UBM	Consumer services	3.1	3.1	N/A
Inmarsat	Telecoms	2.9	2.9	N/A

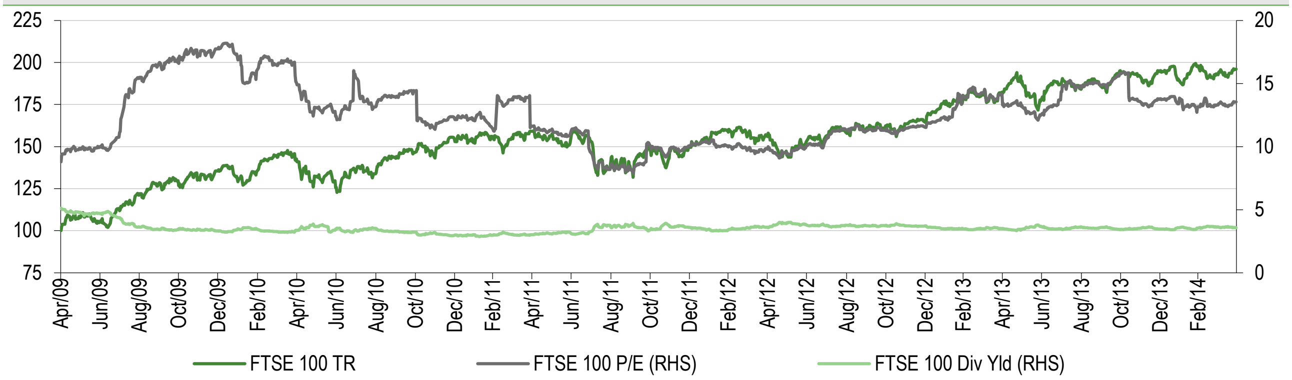
Source: The Merchants Trust, Edison Investment Research. Note: *Overweight relates to B shares only. Royal Dutch Shell A + B shares = 8.0% of FTSE 100 index.

Market outlook: More muted performance from here?

After a long road back to growth following the global financial crisis, the UK economy is now on track to provide one of the best GDP growth rates of developed economies, with preliminary figures for Q114 up 3.1% on the same period in 2013. As illustrated in Exhibit 2 below, the UK stock market rallied well in advance of the recovery, with the FTSE 100 producing a total return of almost 100% over the five years from end-April 2009.

Earnings and dividend growth have meant that valuations, as measured by the current price/earnings ratio, have not advanced to the same degree, and stand just above their five-year average, while the dividend yield, at 3.5%, is largely static over the period. At the end of April the FTSE 100 stood at almost exactly the level at which it began the year, although performance over the period has been volatile within a narrow range. Headwinds and tailwinds seem finely balanced, as the recovering economy raises the spectre of earlier than anticipated rises in interest rates, which could have a negative impact on consumer demand as debt servicing burdens increase. With no clear catalysts to aggregate index performance, it may remain range bound in the near future, and as such investors may be better rewarded by a selective approach as sector and individual company fundamentals are more differentiated.

Exhibit 2: FTSE 100 Index total return (%), P/E (x) and dividend yield (%) over five years



Source: Thomson Datastream. Note: Index rebased to 100. Data to 28 April 2014.

Fund profile: Growing income from UK blue-chips

MRCH is the oldest of three trusts managed by Allianz Global Investors, marking its 125th anniversary in February 2014. It now invests in mainly large UK companies with the aim of securing a high and growing income as well as capital growth, and pays dividends quarterly. Simon Gergel, Allianz GI's CIO of UK equities, has run the portfolio since April 2006, and is only its second manager since 1984. MRCH recently announced its 32nd successive annual dividend increase.

The fund manager: Simon Gergel

The manager's view: More muted outlook for equity markets

While acknowledging that the economic outlook in the UK is better than in many other developed markets, Gergel feels the medium-term prospects for the equity market are muted because the government and consumers remain highly indebted and are thus vulnerable to any increase in interest rates. However, he notes that with a UK general election scheduled for 2015 there may be an element of political pump-priming to maintain the 'feel-good factor'.

With markets having risen significantly in recent years, Gergel is finding fewer out-and-out value situations, although he says there are still plenty of attractive stock-specific opportunities. Themes that inform the current shape of the MRCH portfolio include a greater focus on mega caps, which lagged during the largely mid-cap driven market surge of 2013, and recovery stocks.

Gergel runs a focused portfolio and has been increasing his active share versus the FTSE 100 benchmark, with significant overweight and underweight positions such as in GlaxoSmithKline (+3.1%) or Vodafone (no longer owned; -4.8%). While there is a constant process of reassessment against valuation targets and rotation from stocks that have performed well into those that offer more future value, overall turnover is low, with an average holding period of between three and four years.

Asset allocation

Investment process: Active, value-driven stock picking

MRCH is a value-orientated, income-focused portfolio run primarily on a bottom-up basis, with the manager backing his conviction in stocks by taking significant active positions. Allianz Global Investors operates a research-driven model, believing that an information advantage is key to identifying undervalued opportunities. Manager Simon Gergel can draw on the expertise of a large global team of sector analysts, as well as AGI's proprietary 'Grassroots^{SM}' research system, which uses a network of freelance investigative journalists to gather market intelligence.

While MRCH has a primarily income objective, a high yield is not the principal driver of stock selection. Gergel will target stocks yielding at least the market average within 18 months, but total return potential is a more important consideration, and stocks will not automatically be sold if their yield drops below the average. Stocks are assessed on the basis of fundamental factors such as competitive position and industry dynamics, themes such as the macro outlook, cash flow, and valuation in both absolute and relative terms. Each stock is given a price target, which is reviewed regularly, and a stock may be sold if it reaches the target price, if the investment case changes, or if Gergel sees better opportunities elsewhere.

Another strand to the investment process is the use of derivatives, with the manager selectively writing covered call options to generate additional income in the form of option premiums. The options give the buyer the right to buy shares at a predetermined strike price in the future. Gergel says his approach to option-writing is increasingly selective and he is writing fewer at present as volatility in individual shares has been low, leading to fewer opportunities to benefit. In the year ended 31 January 2014 the derivatives strategy generated £1.2m of income, or 4% of the total income, versus 7% (£1.9m) in the prior year. Overall it was slightly negative for performance (-0.2%), as the opportunity cost incurred by selling shares at the strike price when they subsequently rose further in value outweighed the additional income generated by the option premiums.

Current portfolio positioning

MRCH had 46 equity holdings at 30 April 2014, with the top 10 holdings accounting for 49.9% of the portfolio. This is more concentrated than the AIC UK Equity Income peer group, where the weighted average number of holdings is 66, with the top 10 accounting for 41% of assets. FTSE 100 stocks make up 70% of the portfolio, with the balance principally in mid-cap stocks. At a broad sector level, the trust is significantly overweight consumer services, industrials and utilities, and underweight consumer goods, telecoms and basic materials, although sector weightings are largely an output of individual stock selection rather than top-down views. The largest individual sector underweight is to banks, with HSBC the only holding in this area.

Gergel says he is continuing to find opportunities despite flatter market conditions recently, and he has increased his active share versus the FTSE 100 index, which now stands at c 60%, up from 50% in late 2012. High-conviction positions include GlaxoSmithKline, UBM and BAE Systems, all at least three percentage points above their index weighting.

Exhibit 3: Sector allocations (all data as at 30 April 2014 except where stated)

	Trust weight % 30 April 2014	Trust weight % 30 April 2013	Benchmark weight %	Trust active weight	Trust weight/ benchmark weight
Financials	19.1	18.0	20.8	-1.7	0.9
Consumer Services	17.6	16.8	9.6	8.0	1.8
Oil & Gas	15.8	15.5	17.5	-1.7	0.9
Industrials	12.2	11.1	7.9	4.4	1.6
Utilities	11.0	10.5	4.3	6.8	2.6
Consumer Goods	9.0	8.5	15.3	-6.3	0.6
Healthcare	7.6	7.8	9.7	-2.1	0.8
Basic Materials	3.4	2.4	8.8	-5.4	0.4
Telecommunications	3.0	8.2	5.2	-2.2	0.6
Technology	0.0	0.0	1.0	-1.0	0.0
Cash	1.4	1.2	0.0	1.4	n/a
Total	**100**	**100**	**100**	**0.0**	

Source: The Merchants Trust, Edison Investment Research

The two biggest themes in the portfolio at present, according to the manager, are mega caps and recovery. Recent market developments, such as GSK's asset swap with Novartis, Vodafone's sale of its stake in Verizon Wireless and HSBC divesting non-core businesses, show a greater than expected willingness for the largest companies to evolve and unlock shareholder value. Recovery stocks may be either cyclical – for instance Balfour Beatty, which is benefiting from a recovery in construction, and recruitment firm SThree, where falling unemployment is having an impact – or company-specific. Recent purchase Ladbrokes fits into the latter category. Gergel contrasts it with William Hill, also recently added. Hill has a market-leading online betting business while Ladbrokes has been weaker in this area, but Ladbrokes' engagement of the company that helped shape Hill's online offering may be an indicator of better things to come.

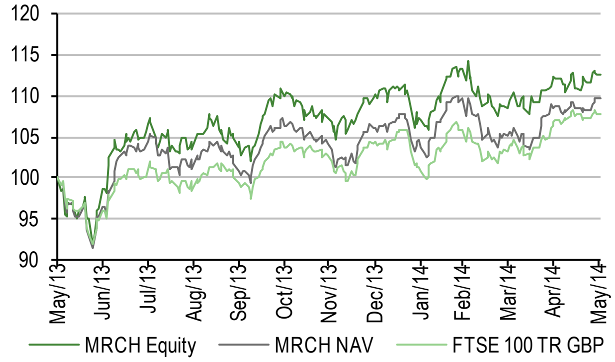
The manager notes that market participants tend to be put off by uncertainty, leading to greater opportunity for those prepared to look through the noise. While measures in the recent budget hit gambling stocks and those in the insurance sector, Gergel has used weakness as a chance to top up holdings such as Standard Life and Resolution, the latter of which was the top performer in the portfolio in 2013 but was negatively affected both by the removal of the requirement for pension savers to buy an annuity, and by inaccurately leaked news regarding an FCA enquiry into sales of life insurance products. Because of his relatively small universe of large-cap, high-yield stocks, Gergel can monitor potential holdings over long periods, and has recently taken a stake in Tate & Lyle, which has sold its commodity sugar business and refocused on more specialist ingredients. The purchase of Tate & Lyle, along with Unilever, marks a slight reversal of the underweight in consumer staples, although Gergel stresses that while he does take account of sector themes and the economic environment, ultimately the portfolio is driven by stock selection, and the focus on finding companies that are interesting and potentially cheap means the MRCH portfolio will often look quite different from the index in terms of its exposures.

The portfolio currently has some exposure (4.5%) to property through industrial specialists Segro and Hansteen, and shopping centre operator Hammerson (all added during the year to 31 January 2014). Gergel favours property for its exposure to real assets, which can be valued separately from the companies' market valuation, and give an element of downside protection in a mature equity bull market, as property cycles tend to be slower and smoother. Industrial property in particular has lagged the recovery in the wider property market, but yields have now begun to come down and Gergel sees potential for good returns from the area as tenant demand picks up.

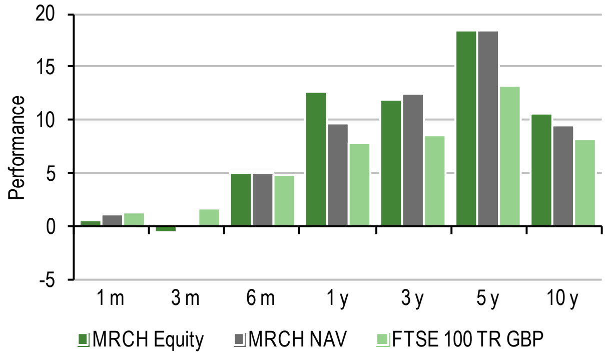
Performance: Strong record over time

Exhibit 4: Investment trust performance

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



Price, NAV and benchmark total return performance (%)*



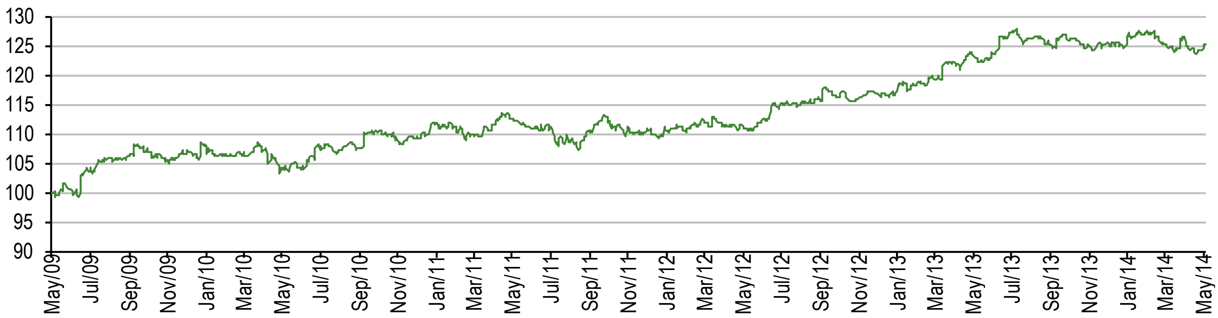
Source: Thomson Datastream. Note: *Three, five and 10 years annualised.

Exhibit 5: Share price and NAV total return performance relative to benchmarks, to 31 May 2014 (%)*

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to FTSE 100 index	(0.8)	(2.3)	0.2	4.5	3.1	4.7	2.1
NAV relative to FTSE 100 index	(0.3)	(1.8)	0.3	1.7	3.6	4.6	1.1
Price relative to FTSE 350 High Yield index	(0.0)	(2.1)	(0.9)	3.9	1.1	4.5	2.6
NAV relative to FTSE 350 High Yield index	0.5	(1.7)	(0.8)	1.1	1.6	4.4	1.5
Price relative to FTSE All Share index	(0.8)	(1.4)	0.2	3.5	2.4	3.9	1.5
NAV relative to FTSE All Share index	(0.2)	(0.9)	0.3	0.7	2.9	3.8	0.5

Source: Thomson Datastream. *Note: Three, five and 10 years annualised.

Exhibit 6: MRCH NAV total return vs benchmark total return, over five years, rebased to 100



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

MRCH has a good medium-term record of outperformance versus its FTSE 100 benchmark (Exhibit 6), and has performed particularly strongly in share price total return terms over the past year (Exhibit 4), not just versus the FTSE 100 index but also relative to indices that include the mid-cap sector, which did so well in 2013 (Exhibit 5). Outperformance on both a share price and NAV basis is notable over five years, while over 10 years it is more muted.

Manager Simon Gergel says the flatter relative performance over the past six months is partly a function of running a structurally geared portfolio in a sideways market, as without gains at the portfolio level, the fixed cost of debt is a more noticeable drag. Portfolio performance (that is, stripping out the effect of gearing) was ahead of the FTSE 100 over three months and in line over one month. Stock selection has been the principal factor in outperformance over longer periods, although gearing in a rising market has also had a positive impact. Gergel says the trust’s sell discipline means he is constantly reinvesting gains from successful stock picks into companies on more depressed ratings. Over the very recent past some holdings have been affected by political factors, with stocks in the gambling and insurance sectors both selling off as a result of budget measures. This is a factor in the trust's slight performance dip since the turn of the year, although the weakness in these stocks may prove temporary.

Looking ahead, the 'pull to par' as the first tranche of MRCH's expensive debenture debt approaches maturity should provide a boost to net asset value (at fair) as the market value of the debt decreases. With a current coupon of 14.75% and an effective annual interest rate of 11.28%, the £34.3m (£25.6m nominal plus £8.4m premium) First Debenture Finance loan, repayable in 2018, has been valued well in excess of its par value, because of the wide differential between its coupon and the prevailing market interest rate. As shown in Exhibit 7 below, both the interest drag on the portfolio and the market value of the debt will reduce as the maturity dates approach, with the total 'pull to par' having a positive effect on the fair value NAV of c £4m a year (0.8%). As debt markets look ahead to the end of extraordinary monetary policy measures, market interest rates are rising, which has resulted in a total fall in the market value of the debt of £8.8m, or 6%, between 31 January 2013 and 31 January 2014, representing a further 0.9% uplift to NAV.

Interest costs of £9.6m a year (charged around two-thirds to capital and one-third to revenue) represent 1.8% of NAV. However, the overall impact of gearing has been largely positive in the on-off bull market of recent years, as illustrated in Exhibit 8 below. Between 2009 and 2014 gearing accounted for an aggregate 10.6 percentage points of the 52.5% NAV total return, despite having a negative impact during the global financial crisis (-7.6% in the year ended 31 January 2009). Over the six years shown in Exhibit 8, Gergel has produced a capital return of 2.4% ahead of the FTSE 100, having underperformed during the crisis and in the rally that followed the low point in March 2009. Over the past four years the portfolio has outperformed the index by 11.5%.

Exhibit 7: The pull to par

Gearing tranche	Repayment due	Par repayment amount (£m)	Market value – 31 January 2013 (£m)	Market value – 31 January 2014 (£m)	Mkt value 2014 less par repayment amount (£m)	12m change in market value (%)	Time to expiry (years)	Straight line yearly decrease (£m)	Effective interest rate (%)	Annual interest (£m)
Stepped int. rate loan	2018	34.3	46.8	43.9	9.6	-6.2	4	2.4	11.3	3.9
Fixed int. rate loan Fintrust	2023	45.6	62.6	57.4	11.8	-8.3	9	1.3	8.5	3.9
Secured Bonds	2029	29.4	34.5	33.8	4.4	-2.0	15	0.3	6.2	1.8
Total		**109.3**	**143.9**	**135.1**	**25.8**			**4.0**		**9.6**

Source: The Merchants Trust, Edison Investment Research

Exhibit 8: Performance attribution and the impact of gearing, 2009-14 (%)

Year to 31 January	2009	2010	2011	2012	2013	2014
FTSE 100 capital return	-29.4	25.0	13.0	-3.1	10.5	3.7
Portfolio relative return	-1.8	-6.5	1.0	0.4	4.3	5.4
Portfolio capital return	-31.2	18.5	14.0	-2.7	14.8	9.1
Impact of gearing	-7.6	8.1	4.4	-0.9	4.3	2.3
Other	1.0	-4.8	-3.8	-2.3	-3.1	-1.9
Change in NAV per share	-37.8	21.8	14.6	-5.9	16.0	9.5
NAV total return (including dividends)	-33.2	29.2	20.7	-0.5	21.8	14.5

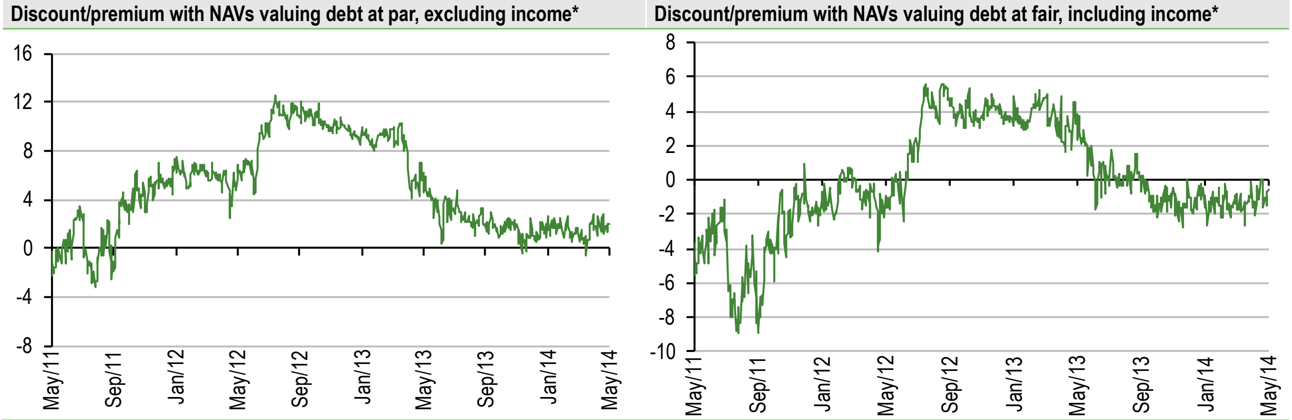
Source: The Merchants Trust, Edison Investment Research

Discount: Issuing shares as reserve worries abate

MRCH's discount to net asset value has narrowed sharply over the past 12 months, and the board has used its authority to allot shares, issuing 1.75m shares at a premium to NAV, equivalent to 1.6% of the shares in issue, since October 2013. This is the first time since 2009 that new shares have been issued, even though the trust traded at a premium (on a cum-fair basis) for much of the period from mid-2010 to mid-2012. The directors had been reluctant to dilute the revenue reserve by issuing new shares, but as the dividend was fully covered for the year ended 31 January 2014, this is now less of a factor. In addition to managing the premium to NAV, the new share issuance also reduces MRCH's level of gearing, which is among the highest in its peer group and is also relatively expensive (see Capital structure section, below).

MRCH's 4.6% dividend yield – one of the highest in the AIC UK Equity Income sector – is likely to support demand for the shares as long as yields on other assets remain depressed. The current cum-fair premium of 0.5% compares with a one-year average premium of 0.6% and a three-year average premium of 0.1%. During the past three years the shares have traded in a range from a 5.6% discount to an 8.9% premium.

Exhibit 9: Discount/premium over three years



Source: Thomson Datastream. Note: *Positive values indicate a discount; negative values indicate a premium.

Capital structure and fees: Low fees, structural gearing

MRCH is a conventional trust with one class of equity share. Its relatively high level of gearing (£111m or 18.5% net) falls broadly into five tranches: a £25.6m 14.75% debenture repayable plus an £8m premium in 2018, a £42m debenture at 9.25% repayable in 2023, £30m of 5.875% secured bonds maturing in 2029, and two small issues (a perpetual debenture and a preference share) with no repayment date. As noted in the Performance section above, the reduction in NAV from the expensive 2018 debenture is beginning to moderate as the repayment date approaches. The board will be considering whether and how to refinance the debt as it nears maturity.

The trust has an indefinite life and is not subject to a continuation vote. It may allot up to 10% and buy back up to 14.99% of issued share capital. AGI receives an annual management fee of 0.35% of assets, calculated quarterly. MRCH's ongoing charges figure for the year ended 31 January 2014 was 0.6%, a fall from the 2013 figure (0.7%) and below the peer group average of 0.8%.

Dividend policy and record: 32 years of growth

MRCH's core objective is to provide a high and growing income with longer-term capital growth, and it pays dividends in February, May, August and November. Dividends have been maintained or grown in each of the last 32 years, a record exceeded by only 11 trusts according to the AIC. While MRCH has dipped into its revenue reserve in the last four years in order to grow the dividend, for the year to 31 January 2014 the dividend was fully covered by the net revenue return of 24.2p per share, and the trust was able to transfer £0.86m into reserve. Even excluding the £1.2m income generated by the derivatives strategy, the dividend was close to fully covered. At 23.6p per share, the 2014 dividend is 1.7% higher than the prior year and represents a dividend yield of 4.6%. At the year-end MRCH had revenue reserves of £24.4m, or 23.5p/share. Allowing for the third and fourth interim dividends of 5.9p (one paid in February and one due in May), the reserve reduces to £12.2m or 11.6p/share.

Peer group comparison

There are 24 trusts in the AIC's UK Equity Income sector, and Exhibit 10 below shows the 12 with a market capitalisation in excess of £200m. MRCH's net asset value total return lags the weighted average for the peer group over one, three and five years, although it is important to note in light of the recent outperformance of small and mid caps that it is the only trust in the group with a FTSE 100 benchmark. It has the fourth-highest yield in the sector and the fourth-lowest ongoing charges.

Exhibit 10: UK Equity Income investment trusts

% unless stated	Market cap £m	TR one year	TR three years	TR five years	Ongoing charge	Perf. fee	Discount (-) / premium	Net gearing	Yield	Sharpe NAV 1 year	Sharpe NAV 3 years
The Merchants Trust	**535.2**	**6.4**	**42.7**	**127.1**	**0.6**	**No**	**1.2**	**120.0**	**4.6**	**0.8**	**0.8**
City of London	1,082.6	9.1	46.7	125.0	0.4	No	1.4	108.0	3.9	0.8	1.1
Diverse Income Trust	271.0	29.2	82.2		1.8	No	2.8	99.0	2.6	4.5	
Dunedin Income Growth	416.6	7.5	41.1	119.2	0.6	No	-3.3	106.0	4.0	0.6	0.8
Edinburgh Investment	1,175.6	7.7	49.2	132.1	0.7	No	-3.9	116.0	3.8	1.0	1.3
F&C Capital & Income	246.3	5.2	31.4	86.5	0.7	No	2.6	104.0	3.6	0.6	0.8
Finsbury Growth & Income	485.7	10.7	64.2	185.8	0.9	Yes	0.2	105.0	2.1	1.0	1.5
JPMorgan Claverhouse	328.5	10.3	40.6	107.1	0.7	Yes	-3.1	116.0	3.4	1.1	0.8
Lowland	387.6	17.0	63.5	225.3	0.6	Yes	3.0	112.0	2.5	1.7	1.3
Murray Income Trust	540.6	7.6	42.0	121.4	0.8	No	-2.9	106.0	3.9	0.7	0.9
Perpetual Income & Growth	897.7	13.2	60.4	142.3	0.9	Yes	-1.4	114.0	3.1	1.6	1.6
Temple Bar	792.5	7.4	49.7	136.2	0.5	No	0.8	98.0	3.1	1.1	1.2
Sector weighted average		**10.1**	**50.0**	**135.4**	**0.8**		**-0.7**	**111.7**	**3.5**	**1.1**	**1.1**
MRCH rank in sector	**6**	**23**	**13**	**9**	**21**		**8**	**5**	**4**	**16**	**17**

Source: Morningstar, 27 May 2014, Edison Investment Research. Note: Only shows trusts with more than £200m market cap. TR = net asset value total return. The Sharpe ratio is a measure of risk-adjusted return. The ratios we show are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is shown here as total assets less cash/cash equivalents as a percentage of shareholders' funds.

The board

MRCH has four directors, all non-executive and independent of the manager. Chairman Simon Fraser joined the board in 2009. Mike McKeon and Henry Staunton have served on the board since 2008 and Paul Yates joined in 2011.

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