The Brunner Investment Trust PLC

Annual Financial Report

30 November 2018

AIC DIVIDEND HERO

Allianz Global Investors

Key Information

Capital growth and dividends

The Brunner Investment Trust PLC aims to provide growth in capital value and dividends for investors over the long term through investing in a portfolio of global and UK equities.

One stop shop

The company provides a "one stop shop" for investors looking for a global portfolio of equities and a quarterly dividend. The company's shares are recognised by the Association of Investment Companies (AIC) as suitable for retail investors.

Independent

Brunner is run by an independent board of directors and has no employees. Like other investment companies, it outsources investment management and administration to an investment management company – Allianz Global Investors – and other third parties to provide shareholders with an efficient, competitive, cost-effective way to gain wide equity investment exposure through a single investment vehicle.

The Key Performance Indicators (KPIs) on pages 14 and 15 of the report show how effective the company has been in delivering its strategy.

Benchmark

For the year under review the benchmark against which the portfolio is measured was a composite of 70% FTSE World Ex UK Index and 30% FTSE All-Share Index. A statement explaining how the assets have been invested to spread risk and how gearing is managed is included in the table under "Risk Policy" on page 16.

The company's investment policy is set out in the Strategic Report on page 12.

London, England

The image of the fountain on the cover of this report is inspired by the Arms of the Brunner family. The family originated from Switzerland and 'Brunnen' is German for fountain. John Brunner was born in Canton Zürich and migrated to Lancashire in 1832. His son, Sir John Brunner, Bart, was the co-founder of Brunner Mond & Co, the largest of the four companies which came together to form ICI in 1926. The family's interest in ICI was used in the following year to establish The Brunner Investment Trust.

Jim Sharp, who joined the board on 1 January 2014, is connected to the Brunner family by marriage and continues the link between the board and the Brunner family.

The Brunner Investment Trust PLC is a member of the Association of Investment Companies (AIC).

AIC Category: Global

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Financial Highlights

As at 30 November 2018

Net assets per ordinary share*
Debt at Fair Value#

845.8p

2017 841.4p
+0.5%

Net assets per ordinary share*
Debt at Par

843.9p

2017 862.0p
-2.1%

Earnings per ordinary share

19.7p

2017 18.4p
+7.1%

Dividend per ordinary share

18.15p

2017 16.50p
+10.0%

Net asset value total return
Debt at fair value#

+2.7%

2017
+19.5%

Net asset value total return
Debt at par#

+0.0%

2017
+18.2%

Sydney, Australia

Benchmark index†	Retail price index
+4.1%	+3.2%
2017 +15.1%	2018 284.6 2017 275.8

Share price total return#	Discount - average in the year#
-2.8%	9.2%
2018 745.0p 2017 785.0p	2017 13.1%

All figures are UK GAAP unless they are stated to be Alternative Performance Measures. (Glossary page 106).

*All references to NAV in our commentary and the Strategic Report are to NAV with debt at fair value since this is the measure that the board considers best reflects the value to shareholders. However, NAV with debt at par value is reported above and in the Performance – Review of the Year on page 9.

Alternative Performance Measures (APM). See Glossary on page 106.

† The Benchmark Index of 70% FTSE World Ex UK Index and 30% FTSE All-Share Index.

Chairman's Statement

Dear Shareholder

Progress made in challenging markets

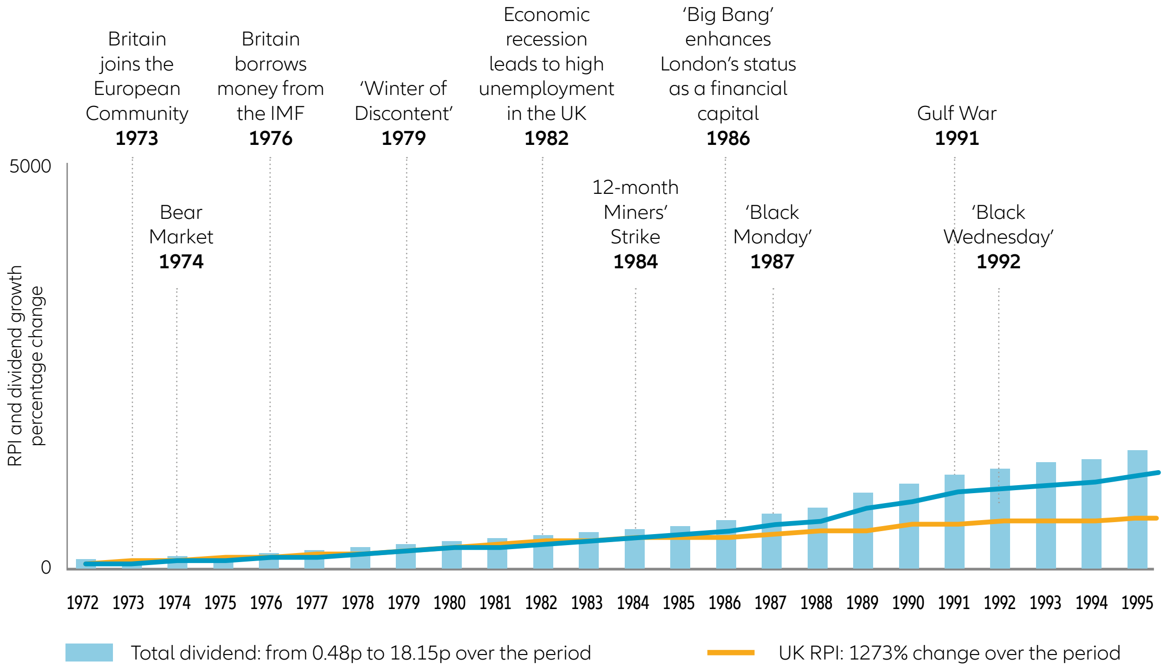
In a volatile year for global stock markets, the company's Net Asset Value (NAV) per ordinary share rose by 2.7% on a net dividends reinvested basis with debt at fair value, our key performance measure. This was a little behind the composite benchmark index (70% FTSE World Ex-UK and 30% FTSE All-Share Index) which rose by 4.1% on a total return basis over the period, due to the 0.7% NAV cost of the debt restructuring and 0.7% of portfolio returns lower than the index. Encouragingly, the average discount over the year has narrowed, however, the company's share price fell by 2.8% over the year as the year end to year end discount widened.

Earnings per share

Strong underlying dividend growth from the investment portfolio contributed to an increased level of income and earnings. Earnings per share for the year rose by 7.1%, from 18.4p to 19.7p.

Debenture restructuring

The company's balance sheet was transformed and simplified during the year following the repayment and refinancing of the two very expensive long-term debentures. In January 2018 the First Debenture Finance debenture was paid off at maturity using the company's cash reserves. Subsequently, the second debenture (Fintrust) was redeemed for a total cost of £39 million (including accrued interest) which was funded by the issue of a £25 million fixed rate 30-year unsecured private placement note at a coupon of 2.84%, with the balance funded from a combination of existing assets and bank debt. Although the debt had not been due to mature until 2023, the board took the decision to repay it early in order to lock into a long term rate at more attractive pricing levels and to achieve a balance of financing sources and maturities. Following this refinancing exercise, the company's weighted average interest rate on all of its structural borrowings and preference stock is 3.0%, compared with 9.0% previously. (More details on the restructuring can be found on page 53.)



Chairman's Statement *(continued)*

Continued focus on dividends

The board recognises the importance of delivering a reliable income to investors and is proud of its status as a 'dividend hero', as defined by the Association of Investment Companies (AIC). It is proposed that a fourth and final dividend of 6.00p per share will be paid on 5 April 2019 to shareholders on the Register of Members at close of business on 1 March 2019, bringing the total payment for 2018 to 18.15p, a substantial increase of 10.0% on last year. Dividend payments for the year are fully covered by earnings per share of 19.7p, allowing a further increase in the company's revenue reserves to 26.9p per share, after the payment of the third quarterly and proposed final dividends.

If the dividend is approved, it will mark the 47th year of successive dividend increases, a clear illustration of how the investment trust structure can deliver steady above-inflation income returns even during volatile market environments.

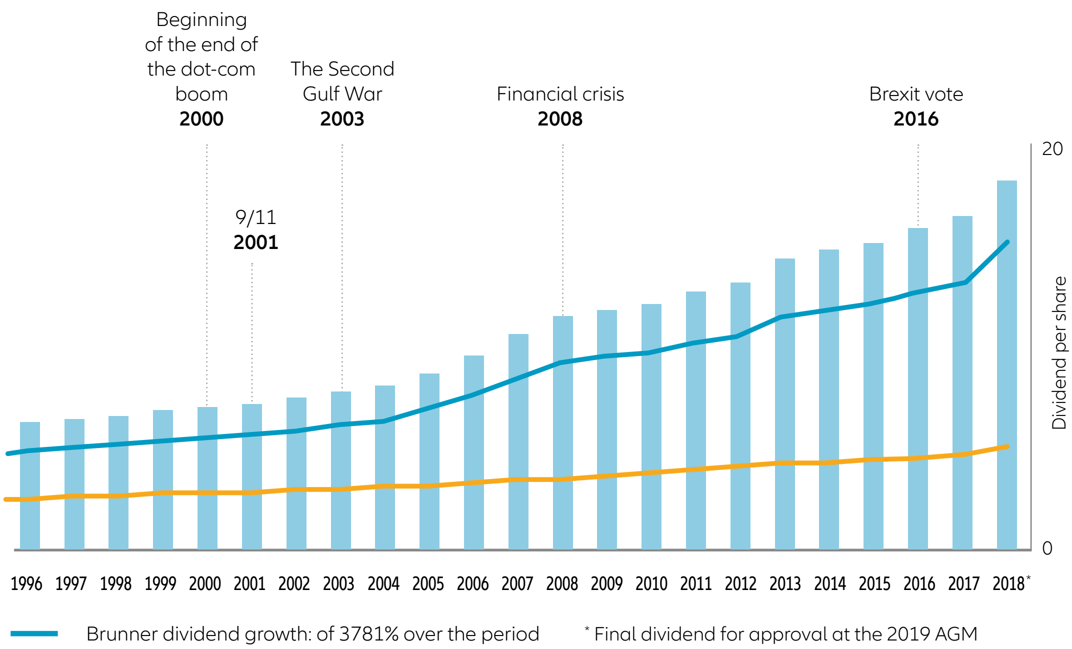
Discount management

Further progress has been achieved in the average discount to NAV at which the company's shares trade over the year as it has narrowed from 13.1% last year to 9.2% this year.

As always, it is difficult to analyse exactly what causes discounts to change but the board and managers are pursuing a clear long-term strategy and this has generated new and sustained demand for the company's shares, particularly via execution-only investment platforms.

In summary, we have:

– A focused global equity proposition, with a single manager and a single portfolio
– An active PR programme to raise awareness of Brunner's investment strategy
– A balanced stock picking approach which has demonstrated that it can deliver strong returns in a range of market environments
– A consistent growth in dividends supported by strong revenue reserves
– A simplified balance sheet following the debt refinancing.



* Final dividend for approval at the 2019 AGM

Chairman's Statement *(continued)*

Buy back of shares into treasury

There were no buybacks during the year under review, but the board is seeking renewal powers to buy back shares to retain a mechanism to manage the discount of share price to NAV. Buying back shares may help to reduce the volatility of the discount and could enhance the underlying NAV. In addition to seeking renewed authority to buy back shares at the annual general meeting, we will also be asking for approval to be able to hold these shares in treasury rather than immediately cancelling them. More information is given in the Directors' Report on page 60, but any shares issued or sold from treasury will be at a premium to NAV to ensure that existing shareholders benefit from the transaction.

Brunner in the media

Brunner has an ongoing marketing and communications programme that includes targeted advertising and proactive contact with national and trade journalists. The aim of the activity is to raise Brunner's profile and, ultimately, to create sustained demand for the company's shares – to the benefit of all shareholders. Over the year in review, Brunner has enjoyed substantial media coverage, including positive pieces in the Daily Telegraph and the Mail on Sunday. This coverage, coupled with targeted advertising, has heightened awareness and generated a significant increase in shares held via investment platforms. The company also continues to dedicate resource to Brunner's online presence, with the Brunner website serving as its 'shop window' for existing and potential investors. The focus is on providing an optimal viewing experience for visitors using all forms of devices – including mobile phones, tablets and desktop computers – as well as updating the site with fresh and relevant content on a regular basis. As always, the board continues to oversee the expenses associated with running the marketing plan, ensuring that they are kept to a sensible level.

Environmental, Social and Governance matters – responsible investment

Our manager has an active approach to investment and active stewardship is an integral component of their investment activity. AllianzGI has a dedicated ESG research team working with the portfolio managers to integrate ESG factors into investment decisions and we firmly support our manager's view that there is value in working with companies in the portfolio on environmental, social, governance and business conduct issues both to protect companies from risks and help them to realise potential. There is more detail on the engagement with the portfolio companies on page 18 and in the investment manager's review on page 32.

Board succession

The board and managers have adopted a clearer long term strategy for the company in recent years and this has included changes in both manager and benchmark as well as the repayment of long-term debt. These changes are already improving Brunner's appeal to a broader audience and the experience of the board's longest standing directors has facilitated a smooth transition during this period of change. In accordance with good corporate governance, both Ian Barlow and Vivian Bazalgette are subject to annual re-election, having served as directors for more than nine years. With the company's refocused strategy still relatively recent, the re-election of both is fully supported by the board, albeit that we are committed to refreshing board composition over the next few years.

Retirement of directors will begin later this year and will be staged over the next few years to ensure an orderly process of recruitment. Vivian joined the board in 2004 and has provided immensely valuable knowledge and experience during his tenure; he has been persuaded to remain on the board in the short term, to help guide the board through all the changes of the past few years and will retire later this year when he will be greatly missed. Ian Barlow, our audit committee chairman, has been a director for nine years and has agreed to stay on the board until late 2020. The recruitment of new directors as part of the project to refresh the board's composition, will be undertaken in an orderly and balanced way, in order to ensure a balance of skills and relevant experience is maintained. We will keep shareholders fully informed as we progress this important project.

Outlook

2018 was a year of heightened volatility across global markets, against a backdrop of ongoing trade tensions. Equity returns were weaker and our manager anticipates that these market conditions, as well as weak economic momentum and a more elevated level of market volatility, will continue to prevail. On a positive note, however, increased volatility and lower company valuations should offer more attractive buying opportunities than they did a year ago. With these factors in mind, the manager's focus will continue to be on identifying those companies which can grow independently of economic cycles.

At the time of writing, the UK Government is yet to agree a trading arrangement with the European Union following the country's scheduled departure from the EU on 29 March. This has created a heightened level of political and economic uncertainty in the UK. Although the company has 26% of its assets invested in the UK, the majority of these UK listed investments are international businesses, meaning that overall exposure to the domestic UK economy remains modest.

Chairman's Statement *(continued)*

Looking ahead, the board shares the investment manager's expectation that the resilience of overall company earnings in 2019 will be challenged by generally weaker global economic momentum, plus the great unknown of trade politics. Against this backdrop, the board is reassured by the manager's balanced approach to stock picking. The essence of Brunner's investment strategy is buying good quality companies at the right time and at the right price. The portfolio composition is based on detailed analysis so that every investment held in the portfolio is there for a good reason. This focus on stocks with the potential for structural growth, with good cash returns, strong management and balance sheets has served the company well over the long term and we are confident will continue to do so in the future.

Annual General Meeting

The Annual General Meeting will be held at Trinity House, Trinity Square, Tower Hill, London, EC3N 4DH on 4 April 2019, and on behalf of the board, I look forward to meeting those shareholders who are able to attend.

Carolan Dobson
Chairman
14 February 2019

[1] 0.0% with debt at par.

Performance – Review of the Year

Review of the Year

Revenue

Years ended 30 November	2018	2017	% change
Income available for ordinary dividend	£8,397,632	£7,874,071	+6.7
Earnings per ordinary share	19.7p	18.4p	+7.1
Dividends per ordinary share	18.15p	16.50p	+10.0
Retail price index	284.6	275.8	+3.2

Assets

As at 30 November	2018	2017	Capital return % change	Total return[1] % change
Net asset value per ordinary share with debt at fair value (capital)	845.8p	841.4p	+0.5	+2.7
Net asset value per ordinary share with debt at par	843.9p	862.0p	-2.1	+0.0
Share price	745.0p	785.0p	-5.1	-2.8
Total net assets with debt at fair value	£361,105,475	£359,228,360	+0.5	-
Total net assets with debt at par	£360,273,124	£368,013,876	-2.1	-
Ongoing charges[2]	0.66%	0.72%	-	-

Net Asset Value with Debt at Fair Value[3] Relative to Benchmark[4]

	Capital return	Total return[1]
Change in net asset value	+0.5%	+2.7%
Change in benchmark	+1.2%	+4.1%
Percentage point performance against benchmark	**-0.7**	**-1.4**

	Capital return	Total return[1]
Portfolio return[5]	+0.7%	+3.4%
Change in benchmark	+1.2%	+4.1%
Percentage point performance against benchmark	**-0.5**	**-0.7**

A Glossary of Alternative Performance Measures (APMs) can be found on page 106.

1 Total return is based on the capital net asset value, including dividends reinvested. (APM).
2 The ongoing charges percentage is calculated in accordance with the explanation given on page 15. (APM)
3 The board prefers to measure performance using net asset value with debt at fair value in line with industry practice, as demonstrated in the Chairman's statement on page 4. (APM).
4 For the period under review the benchmark was 70% FTSE World Ex UK Index and 30% FTSE All-Share Index.
5 Equity only, excludes cash and gearing.
6 The capital return on finance costs is impacted by the repayment of the Fintrust loan within the year. The net impact of the repayment to the NAV was 0.7%, with debt at fair value.
7 The difference in the relative performance of the portfolio against the sum of the asset allocation and stock selection elements arises because the information derives from the following separate sources: Benchmark - Datastream. Asset allocation and stock selection - Based on Wilshire buy and hold methodology total return (equity only). Figures may not add up due to rounding.

Performance – Review of the Year *(continued)*

Portfolio Performance against Benchmark[4]

The factors explaining the elements of the equity portfolio performance, i.e., excluding cash, are set out below. Asset allocation and stock selection is shown relative to the benchmark and the return on the company's equity portfolio is shown against the benchmark returns.

				Of which	
	Portfolio Return[5]	Index	Relative Performance	Sector Selection	Stock Selection
Brunner portfolio return	+3.4%	+4.1%	-0.7%	+0.2%	-0.9%

Reconciliation of Benchmark Performance to Total Return to Shareholders

	Debt at par			Debt at fair value		
	Capital Return	Income Return	Total Return[1]	Capital Return	Income Return	Total Return[1]
Equity Portfolio return (excluding cash)	**0.7%**	**2.7%**	**3.4%**	**0.7%**	**2.7%**	**3.4%**
Impact of gearing	0.0%	0.2%	0.2%	0.0%	0.2%	0.2%
Finance costs	-0.4%	-0.3%	-0.7%	-0.4%	-0.3%	-0.7%
Decrease in value of debt	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%
Finance costs related to the repayment of Fintrust	-3.0%	0.0%	-3.0%	-3.0%	0.0%	-3.0%
Decrease in value of debt due to Fintrust repayment	0.6%	0.0%	0.6%	2.3%	0.0%	2.3%
Other	0.1%	0.0%	0.1%	0.2%	-0.1%	0.1%
Effect of gearing	**-2.7%**	**-0.1%**	**-2.8%**	**0.1%**	**-0.2%**	**-0.1%**
Retained revenue	0.2%	-0.2%	0.0%	0.2%	-0.2%	0.0%
Management fee	-0.3%	-0.2%	-0.5%	-0.3%	-0.2%	-0.5%
Administration expenses	0.0%	-0.2%	-0.2%	0.0%	-0.2%	-0.2%
Other	0.0%	0.1%	0.1%	-0.2%	0.3%	0.1%
Total of factors above	**-0.1%**	**-0.5%**	**-0.6%**	**-0.3%**	**-0.3%**	**-0.6%**
Return to shareholders	-2.1%	2.1%	0.0%	0.5%	2.2%	2.7%
Change in benchmark	1.2%	2.9%	4.1%	1.2%	2.9%	4.1%
Relative performance	**-3.3%**	**-0.8%**	**-4.1%**	**-0.7%**	**-0.7%**	**-1.4%**

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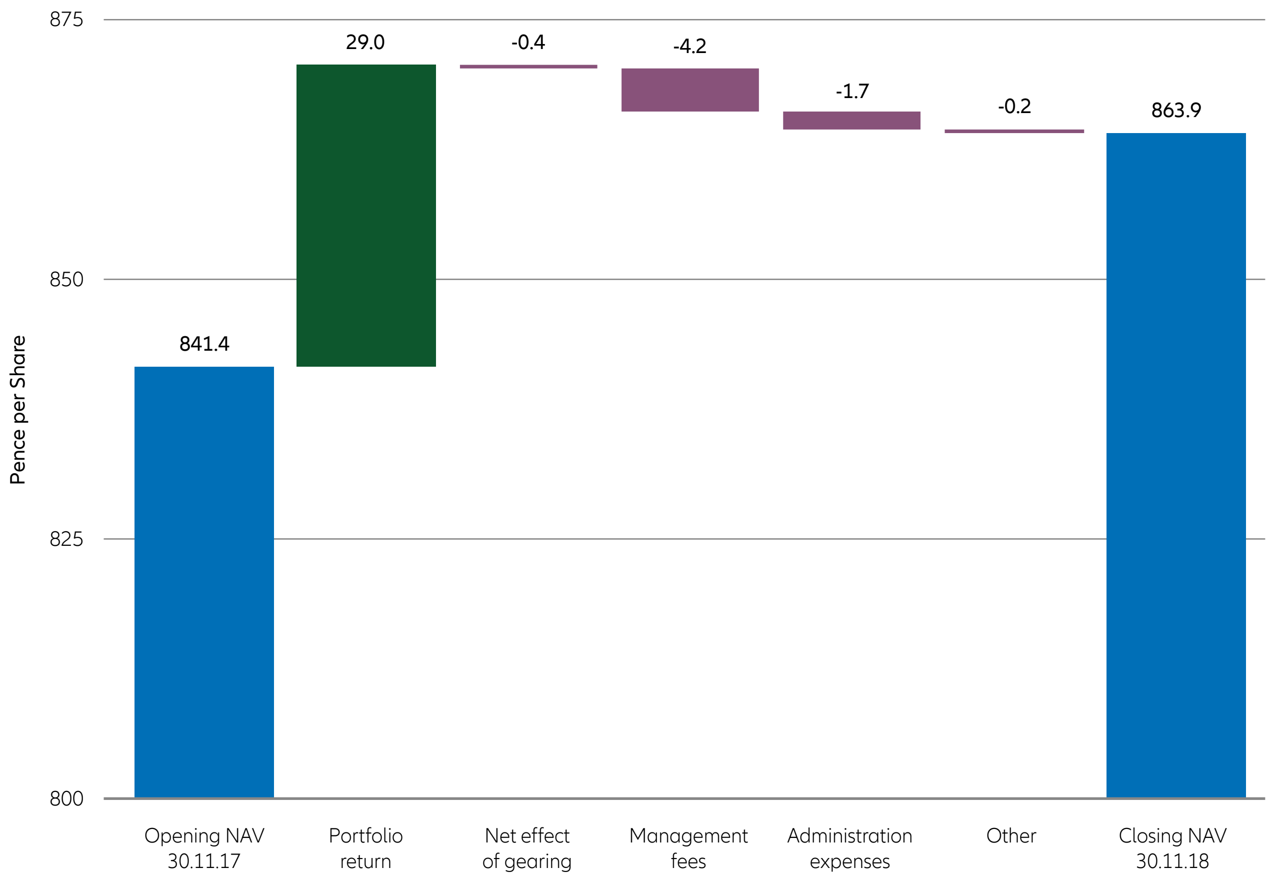
Performance – Review of the Year *(continued)*

Attribution Analysis - Movement in Total Return NAV for Year Ended 30 November 2018 with Debt at Fair Value



Strategic Report

London, United Kingdom

Strategic Report

Investment Policy

Investment Objective
The Brunner Investment Trust aims to provide growth in capital value and dividends for investors over the long term through investing in a portfolio of global and UK equities.

The benchmark against which performance is measured is 70% FTSE World Ex UK Index and 30% FTSE All-Share Index.

Risk Diversification
The company aims to achieve a spread of investments across geographies and sectors. The maximum holding in a stock is limited to 10% of gross assets at the time of investment and the portfolio will consist of at least 50 stocks. The company will not invest more than 15% of its gross assets in other UK listed investment companies.

Gearing
The company seeks to enhance returns over the long term through appropriate gearing. The board monitors the gearing, which is employed within the guidelines set from time to time by the board. Gearing in any case will not exceed 20% of net assets at the time of borrowing.

*In the investment policy above, **gross assets** means the company's assets before deduction of all debt and other obligations, **net assets** means the company's assets after deduction of all debt and other obligations based on the fair value of the long-term debt and preference shares.*

Objectives

Our investment objective is to provide shareholders with growth in capital value and dividends over the long term through investing in a portfolio of global and UK equities. The company aims to achieve a return higher than that of our benchmark, after costs and to achieve steady dividend growth in real terms.

Strategy Review

We hold an annual strategy meeting outside the normal timetable of board meetings. At the most recent meeting the topics covered included:
- the company's strategic position
- managing the discount
- the company's marketing and communications
- performance analysis and stress testing

This was the first year for many years when we had not debated the company's gearing requirements and structure. The debates and plans of the last few years had resulted in the successful restructuring of the debt. This was finalised in June this year with the early repayment of the 2023 debentures. This is described more fully in the Chairman's Statement on page 4.

London, United Kingdom

Strategic Report *(continued)*

Business Model

The Brunner Investment Trust carries on business as an investment company and follows the investment policy described above.

By pursuing our investment objective we aim to appeal to a broad range of investors and to ensure that the company's shares are attractive to new investors and investor groups, particularly individuals with smaller portfolios held either directly or in self-invested pension plans for whom we can provide a 'one stop shop' for equity investment. It is also our objective to ensure that the costs of running the company are reasonable and competitive.

Brunner is run by an independent board of non-executive directors and has no employees or premises of its own. Like other investment companies, it outsources investment management, accounting, company secretarial and other administration services to an investment management company – Allianz Global Investors GmbH, UK Branch – and to other parties, including HSBC Bank PLC as depositary and custodian, and Link Asset Services as registrar. This enables Brunner to provide shareholders with a competitive, cost-effective way to gain wide investment exposure through a single investment vehicle.

The company has a main market listing on the London Stock Exchange. In addition to annual and half-yearly financial reports, the company announces net asset values per share daily and provides more detailed information monthly to the Association of Investment Companies (AIC), of which the company is a member, in order for investors and market professionals to compare its performance with its peer group. The investment manager also issues a monthly update on investment performance which is posted on the company's website and is available by email.

Manager's Investment Style

The essence of the investment style which we ask the investment manager to follow is to select the best stocks in a 'bottom up' approach, before sector and country selection. The portfolio is concentrated into 65 stocks at 30 November 2018 (74 stocks in 2017). Within that concentration modest gearing - employing the company's borrowings to invest - is within guidelines set by the board.

Strategic Report *(continued)*

Key Performance Indicators

The board uses the following Key Performance Indicators (KPIs) to monitor and evaluate the performance of the company, shown on pages 8 to 10, in executing its strategy.

Performance against the Benchmark Index

This is the most important KPI by which performance is judged. The principal objective is to achieve a return higher than that of the benchmark index, currently 70% FTSE World Ex UK Index and 30% FTSE All-Share Index, over the long term, after absorbing costs.

For this indicator, we measure the performance against the benchmark using NAV with debt at fair value, in line with industry practice. We have also disclosed here the performance against the benchmark using NAV with debt at par value for information purposes. Total Return NAV against the benchmark is shown in the graph on page 21. Capital returns are shown on pages 2 and 3 and in the Chairman's Statement. An explanation of the impact of finance costs in the year is in the Directors' Report on page 53.

For the year under review the benchmark was 70% FTSE World Ex UK Index and 30% FTSE All-Share Index. In the prior year the benchmark was 50% FTSE World Ex UK Index and 50% FTSE All-Share Index until 21 March 2017.

Brunner NAV Total Return

	2018	2017
Debt at fair value	+2.7%	19.5%
Debt at par	+0.0%	18.2%
Benchmark	+4.1%	15.1%
Percentage point relative return with debt at fair value	-1.4	+4.4
Percentage point relative return with debt at par	-4.1	+3.1

Dividends

The board aims to pay a progressive dividend each year, taking into account inflation and the ability to achieve this subject to general earnings growth and dividends received in the portfolio. Dividends paid in the past ten years are set out in the Historical Record table on page 48 which shows that dividends have risen in every year and the graph on page 20 shows how the dividends have outpaced inflation.

Annual Dividend

2018	2017
18.15p*	16.50p
+10.0%	+4.4%

*Includes the proposed final dividend.

Share Ownership

The marketing programme targets both professional and retail investors and aims to create ongoing and sustained demand for Brunner shares. A successful marketing strategy stands to benefit all of the company's shareholders. We look at the growth of share holdings of clients of wealth managers and of investment platforms to see the impact of retail demand for the company's shares.

Percentage of issued capital held by wealth managers and investment platforms

2018	2017
36.8*	35.8

Analysis as at 31 December. Source: RD:IR and AllianzGI.

Strategic Report *(continued)*

Discount

The company's shares currently trade at a discount to the net asset value per share. The share price depends on a number of factors, including sentiment towards the company and towards investments in equities in general. The board monitors the discount with the aim of keeping in step with average discounts in the sector. The board gives the manager authority in certain circumstances to buy back and cancel the company's shares which would be likely to result in a narrowing of the discount.

Discount

	2018	2017
Highest	11.8%	20.4%
Lowest	5.2%	6.6%
Average	9.2%	13.1%

Ongoing Charges

Ongoing charges are operating expenses incurred in the running of the company, whether charged to revenue or capital but excluding financing costs. The ongoing charges figure is calculated by dividing operating expenses, that is, the company's investment management fee (charged to both income and capital, as per Note 2 on page 82) and all other administration expenses (Note 3 on page 83), by the average net asset value (with debt at fair value) over the year in accordance with the AIC's recommended methodology. This figure does not include costs incurred from trading activities, as these are capitalised within the investment valuation (Note 8 on page 86) which amount to a further 0.04% of net assets (2017 - 0.04%).

Ongoing charges are published by the AIC.

Ongoing Charges

2018	2017
0.66%	0.72%

Risk Policy

The board operates a risk management policy to ensure that the level of risk taken in pursuit of the board's objectives and in implementing its strategy are understood. The principal risks identified by the board are set out in the table on page 16, together with the actions taken to mitigate these risks. The process by which the directors monitor risk is described in the Audit Committee Report on page 63.

Risk Appetite

The directors' approach to risk is to identify where there are risks and to note mitigation actions taken and then to look at the probability of the event and consider the extent to which the resulting residual risk is acceptable, which is defined as the board's risk appetite. As a result of this exercise the risks are rated as 'red' or 'high' when the risk is of concern and sufficient mitigation measures are not possible or not yet in place; 'amber' or 'moderate' when the risk is of concern but sufficient measures are defined and have been or are being implemented; and 'green' or 'acceptable' when the risk is acceptable and no further measures are needed. The nature of the company's business means that a certain amount of risk must be taken for the objectives to be met and it is not surprising that portfolio risk measures are allocated amber ratings.

Strategic Report *(continued)*

Principal Risks

A more detailed version of the table below, in the form of a risk matrix, is reviewed and updated by the audit committee at least twice yearly. The principal risks are broadly unchanged from the previous year.

Risk Type*	Principal Risks identified	Controls and mitigation
Portfolio (amber ✓)	– Significant market movements may adversely impact the investments held by the company increasing the risk of loss or challenges to the investment strategy. – Reduction of dividends across the market affecting the portfolio yield and the ability to pay in line with dividend policy. – Exposure to significant exchange rate volatility could affect the performance of the investment portfolio.	– The board meets with the portfolio managers and considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines that are monitored and reported on by AllianzGI. – The board monitors yields and can modify investment parameters and consider a change to dividend policy. – The board receives reports from the manager on the stress testing of the portfolio at least twice each year and contact is made with the chairman and board if necessary between board meetings. – Currency movements are monitored closely and are reported to the board.
Business (green ✓)	– An inappropriate investment strategy e.g. asset allocation or the level of gearing may lead to underperformance against the company's benchmark index and peer group companies, resulting in the company's shares trading on a wider discount.	– The board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and on which the board receives reports at every meeting. The board monitors the implementation and results of the investment process with the investment managers, who attend all board meetings, and reviews data which shows risk factors and how they affect the portfolio. The manager employs the company's gearing tactically within a strategic range set by the board. The board also meets annually specifically to discuss strategy, including investment strategy.
Operational (green ✓)	– Risk of inadequate procedures for the identification, evaluation and management of risks at outsourced providers including Allianz Global Investors (AllianzGI), and AllianzGI's outsourced administration provider, State Street Bank & Trust Company (SSBTC).	– AllianzGI carries out regular monitoring of outsourced administration functions, this includes compliance visits and risk reviews where necessary. Results of these reviews are monitored by the board. – Agreed Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) are in place and the board receives reports against these.

Emerging Risks: The board also considers the impact from emerging risks that are not yet know or fully identifiable, such as economic, regulatory and political risks arising from the implementation of the UK's exit from the European Union or other geopolitical factors. The board maintains close relations with its advisers (auditors, lawyers and manager) and will make preparations for mitigation of these risks as and when they are known or can be anticipated. More detail on the Brexit risks is set out on page 17.

Risk Appetite:

- ■ (green) Risk is acceptable, no additional measures needed
- ■ (amber) Risk is of concern, but sufficient measures are defined and implemented
- ■ (red) Risk is of concern, sufficient mitigation measures not possible or not yet in place

* The board identifies risks, considers controls and mitigation, and then evaluates whether its risk appetite is satisfied. This column shows whether the residual risks, measured against the board's risk appetite, are satisfactory. The ticks enable the board to conclude that its assessment of risk is in line with its risk appetite.

Strategic Report *(continued)*

Cyber Security Risks – review

The risk of cyber attacks is identified in the company's risk matrix as being a moderately low impact risk, likely to occur with moderate frequency (every two to five years). In the year under review the board has received the results of a review of the cyber security frameworks in place, including firewall security, and site visits, at each of the company's key suppliers, and it has concluded that there are sufficient safeguards in place for the risk profile in the matrix to remain unchanged.

In addition to the principal risks described above, the board has identified more general risks, for example relating to compliance with accounting, tax, legal and regulatory requirements and to the provision of services from third parties. As in all companies, the board is alert to the risks of financial crime and threat of cyber attacks and monitors reports provided by third party service providers on how these threats are being handled. After ensuring that there are appropriate measures in place, the board considers that these risks are effectively mitigated.

Brexit – Risks and Implications

The board has considered the likely impact of the changes to the UK's relationship with The European Union and identified the areas where it believes there will be adjustments in how the company operates.

Portfolio management: There could be an impact on the day to day ability of the company to trade as the UK will be seen as a third country party under MiFID II. While the UK is expected to put in place a temporary permissions regime, there has been no clarity from the EU on how it will treat UK institutions. For example, the EU would need to formally recognise UK clearing banks as being properly regulated and supervised. Brunner will be in the same position as other investment companies and will monitor the developments in this area closely with its advisers.

Regulations: The company will need to consider the impact of Brexit on the key financial services regulations which apply to it. Data Protection laws in the UK will remain in force, although there will need to be some safeguards on any transfers of personal data between the EEA and the UK. The UK government has indicated that it will enshrine all existing EU law into UK law at the date of withdrawal. The company's AIFM, Allianz Global Investors GmbH (AllianzGI GmbH) is incorporated in Germany and it currently provides cross-border management services to the company using the AIFMD management passport. The German regulator, BaFin, and the FCA in the UK have reached a formal understanding that AllianzGI GmbH can continue to operate as the AIFM after Brexit and apply to be regulated in the UK by the FCA in a three year transition period.

Banking and finance: The temporary permissions register being introduced by the UK government will also allow EEA firms which currently passport into the UK (such as its lending bank, ING Bank NV) to continue to operate in the UK for up to three years while they apply for full authorisation.

The board has concluded that although there may be some changes to the way the company operates after Brexit comes into force on 29 March, that it is well prepared for what is foreseeable, and that there is likely to be no fundamental change to its business model.

Viability Statement

Brunner is an investment company and has operated as an investment vehicle since 1927 with the aim of offering a return to investors over the long term. The directors have formally assessed the prospects of the company for a period of longer than a year. Now that the company has restructured its long term debt the board's view is that it is appropriate to look at a longer term viability period than reported in previous years. The directors believe that five years is the suitable outlook period for this review as there is a realistic prospect that the company will continue to be viable whilst seeking to achieve its aim to provide growth in capital value and dividends over the long term. This also reflects the longevity of the company and the expectation that investors will want to hold on to their shares for some time.

The board has assessed the long-term viability of the company against the principal risks faced by the company, outlined in the reporting under Risk Policy on page 15.

Many of these matters are subject to ongoing review and the final assessment, to enable this statement to be made, has been formally reviewed by the board.

The factors considered at each board meeting are:

- The company's investment strategy and the long-term performance of the company, together with the board's view that it can continue to provide attractive returns to investors;
- The financial position of the company, including the impact of foreseeable market movements on cash flows. The board monitors the financial position in detail at each board meeting and at least twice each year it stress-tests the portfolio against significant market falls; and
- The liquidity of the portfolio, and the company's ability to pay dividends and to meet the budgeted expenses, including interest payments, of running the company.

Based on the results of this assessment, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their review.

Strategic Report *(continued)*

Social, Community and Human Rights Issues

As an investment trust, the company has no direct social or community responsibilities. However, the board shares the manager's view that it is in shareholders' interests to be aware of and consider human rights issues, together with environmental, social and governance factors, when selecting and retaining investments. Details of the company's policy on socially responsible investment are set below.

Environmental, Social and Governance Research and Stewardship

Active stewardship is an integral component of our manager's active approach to investment. Investment stewardship can help to unlock potential in companies, as well as protect companies from downside risks.

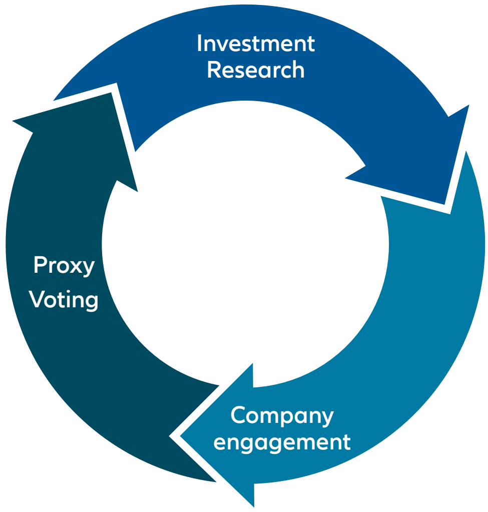
Active engagement by the manager with the direct involvement of investment professionals spans all aspects of company performance, improves practices and enhances company research.

Active proxy voting engagement for clients is seen as a core element of fiduciary responsibilities and the manager provides total voting coverage. This active global approach to the exercise of voting rights is aimed at improving governance standards across all portfolios managed by AllianzGI.

Company Engagement

The manager conducts regular meetings with companies which:

- Enriches investment analysis and decision making
- Helps assess company leadership and culture and build trust
- Facilitates active involvement from portfolio managers and sector analysts in company engagements
- Provides an inclusive transparent process and multiple pressure points from within AllianzGI
- Focuses on material issues in a case-by-case approach
- Provide an organic link to Proxy Voting decisions



Engagement success is part of delivering investment performance

More information can be found at:
www.allianzgi.com/en/our-firm/our-esg-approach

Directors and Employees and Gender Representation

The directors of the company who were in office during the year and up to the date of signing the financial statements are set out in the directors' biographies on pages 50 and 51. There are currently four male directors and one female director. The company has no employees.

The Future

The main trends and factors likely to affect the company in the future are common to all investment companies and are the attractiveness of investment companies as investment vehicles for the asset classes in which the company invests, and the returns available from the market. The development of the company is dependent on the success of the company's investment strategy against the economic environment and market developments. The Chairman gives her view on the outlook in her statement on page 6 and the investment manager discusses her view of the outlook for the company's portfolio in her review on page 35.

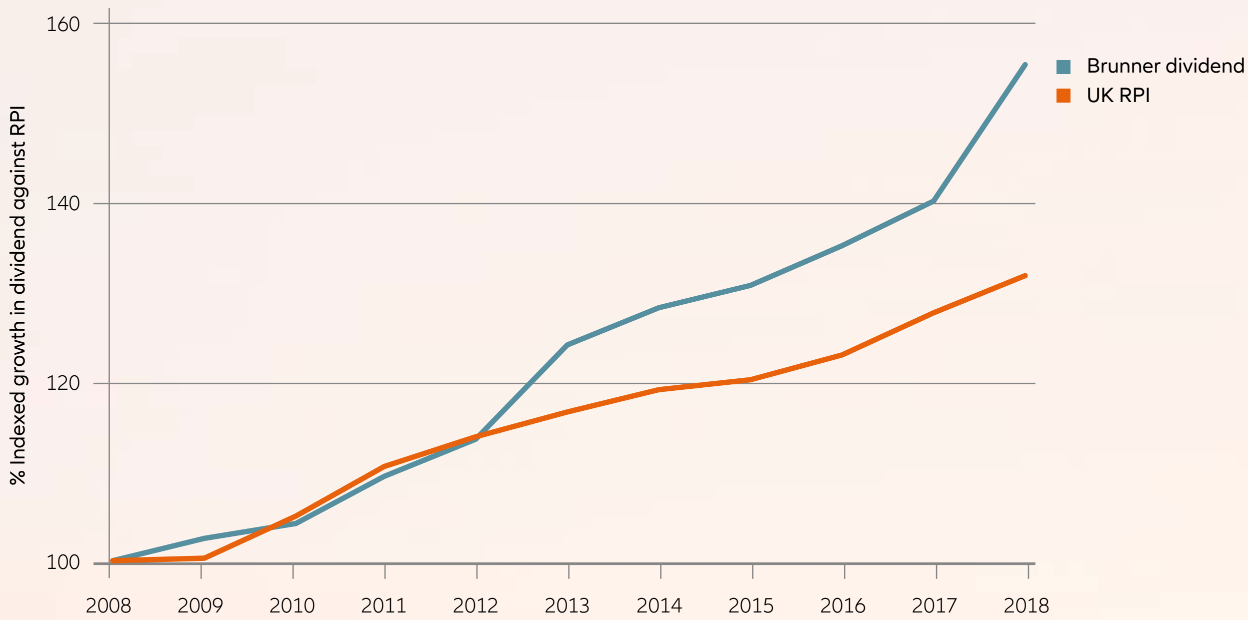
By order of the board
Kirsten Salt
Company Secretary
14 February 2019

Investment Manager's Review

New York, USA

Performance – Ten Year Record

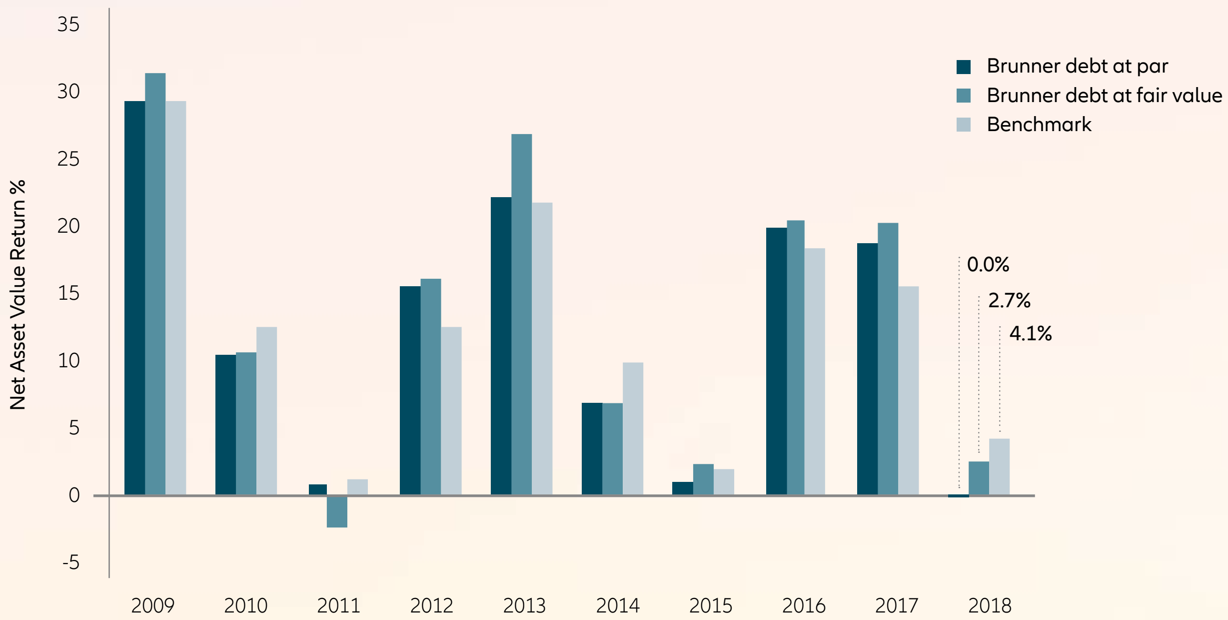
Dividends in respect of each year against the Retail Price Index



Source: AllianzGI/Thomson DataStream.

New York, USA

Net Asset Value Total Return with Debt at Fair Value and Debt at Par against Benchmark



Re-based to 100. Source: AllianzGI/Thomson Reuters DataStream. Benchmark: 70% FTSE World Ex UK Index and 30% FTSE All-Share Index.

Top 20 Holdings

1 Microsoft

Software & Computer Services
North America
£ 15,745,779
4.12%

Microsoft develops, manufactures, licenses, and supports a wide range of hardware and software. Since Satya Nadella took over as CEO in 2014, the company has moved away from its traditional hardware business to focus on its Azure cloud computing platform. As a result, Microsoft's revenue is now split roughly equally between its personal computing, cloud and business processing divisions.

2 UnitedHealth

Health Care Equipment & Services
North America
£ 15,080,853
3.96%

UnitedHealth is a leading health insurer in the US and internationally. It manages various plans including Medicare, Medicaid, state-funded, and supplemental vision and dental options. In addition, its Optum health services units provide wellness and care management programs, financial services, information technology solutions, and pharmacy benefit management (PBM) services to individuals and the health care industry.

3 Shell

Oil & Gas Producers
UK
£ 11,090,997
2.92%

Royal Dutch Shell (Shell) is an energy company known for its production of fuels, chemicals, and lubricants. Since the oil price crash of 2014, the company has streamlined its operations and focused on cleaner fuels like natural gas. More recently, Shell has also taken steps to prepare for the shift towards renewable energy by pumping up to 2 billion USD into new energies, which produce renewable and low-carbon power.

4 The Cooper Companies

Health Care Equipment & Services
North America
£ 9,173,341
2.40%

Cooper Vision and Cooper Surgical specialise in the production of contact lenses and women's fertility devices respectively. The market leader in speciality lenses, Cooper Vision has consistently outperformed, gaining +1% market share annually since 2011. Although much smaller, Cooper Surgical is using its scale and distribution capacity to consolidate and corner a relatively fragmented market.

 Sector Headquarters £ Value of holding Percentage of portfolio

Top 20 Holdings *(continued)*

5 Roche Holdings

Pharmaceuticals & Biotechnology
Switzerland
8,895,491
2.33%

Roche operates two segments -- pharmaceuticals and diagnostics -- and sells its products in some 190 countries. Roche's prescription drugs are used in the treatment of many diseases, including cancer and hepatitis. Its Tamiflu product is used to prevent and treat influenza (including pandemic strains). The company markets many of its bestsellers through subsidiary Genentech and affiliate Chugai Pharmaceutical.

6 Agilent

Electronic & Electrical Equipment
North America
8,861,330
2.32%

Agilent Technologies is a leading manufacturer of scientific testing equipment, Agilent supplies a slew of analytical and measurement instruments, including gas and liquid chromatographs, mass spectrometers, vacuum pumps, anatomic pathology workflows, and genetic and diagnostic instruments and tools. Its products are used in life sciences, chemical analysis, energy, food, forensics and the environment.

7 Visa

Financial Services
North America
8,766,249
2.30%

Visa operates the world's largest consumer payment system and boasts nearly 2.5 billion credit and other payment cards in circulation across more than 200 countries. As part of its business, the company licenses the Visa name to member institutions, which issue and market their own Visa products and participate in the VisaNet payment system that provides authorization, processing, and settlement services.

8 AbbVie

Pharmaceuticals & Biotechnology
North America
8,730,754
2.29%

AbbVie discovers, develops, and commercialises both biopharmaceutical and small molecule drugs, with a focus on autoimmune diseases, hepatitis C, HIV, and other ailments. Its primary product is Humira, best known as a rheumatoid arthritis drug, which accounts for more than 60% of AbbVie's sales. The firm has seven facilities making products that are available in more than 170 countries.

Top 20 Holdings *(continued)*

9 BP

Oil & Gas Producers
UK
8,520,663
2.24%

BP is one of the world's largest integrated energy companies, operating in 70 countries. The company is the largest oil and gas producer in the US, is a top refiner and is a major producer of petrochemicals. BP is also moving into alternative forms of energy including biofuels and renewables.

10 MunichRe

Non-Life Insurance
Germany
8,379,307
2.19%

Muenchener Rueckversicherungs-Gesellschaft (MunichRe) provides reinsurance, insurance and asset management services. The company also provides direct insurance including life, health, and property coverage. As one of the world's leading reinsurers and risk management firms, the company operates in some 160 countries.

11 Ecolab

Chemicals
North America
8,303,124
2.17%

Ecolab provides solutions and on-site services to companies in a range of sectors. These range from the food and hospitality industry, to hospitals and energy companies. Operating in a logistically and chemically complex sector creates high barriers to entry. Customer relationships are solid, with 90% of revenues on a recurring basis. Returns on capital are also consistently around 15% or higher.

12 Accenture

Support Services
North America
8,271,780
2.17%

Accenture, a leading global professional services company, provides a broad range of services and solutions in strategy, consulting, digital, technology and operations to many of the top companies and government organisations in the world. Corporate clients span more than 40 industries and include more than three-quarters of the FORTUNE Global 500.

Top 20 Holdings *(continued)*

13 GlaxoSmithKline

- Pharmaceuticals & Biotechnology
- UK
- £ 8,105,000
- 2.12%

GSK is a science-led healthcare company. It has particularly strong global positions in pharmaceutical medicines, vaccines and consumer healthcare products. Since Emma Walmsley took over as CEO in 2017 the company has launched a new strategy focusing on immunology, genetics and technology. Longer term, the company is considering separating its consumer health and pharma businesses.

14 Apple

- Technology Hardware & Equipment
- North America
- £ 7,398,484
- 1.94%

Apple designs and manufactures personal technology devices worldwide alongside a variety of related software and services. In 2018, the company became the first to reach a trillion dollar market capitalisation. Since it launched the iPhone in 2007, it has gone on to become Apple's most successful product, generating tens of billions in revenue and profit.

15 Estée Lauder

- Personal Goods
- North America
- £ 7,266,528
- 1.90%

Estée Lauder sells cosmetics, fragrances, and skin and hair care products, with brands including Estée Lauder, Clinique, Origins, Bobbi Brown and Tom Ford. The company's products are sold through department stores, via speciality retailers and online. Estée Lauder operates a chain of freestanding retail stores (primarily for its M.A.C, Origins and Aveda brands).

16 Walgreens Boots Alliance

- Food & Drug Retailers
- North America
- £ 6,516,178
- 1.71%

Walgreens Boots Alliance operates retail pharmacies that offer a wide variety of prescription and non-prescription drugs as well as general goods. Formed through the merger of US-based Walgreen Co with the European counterpart Alliance Boots, the company has operations in more than 20 countries, serving more than 230,000 pharmacies, hospitals, and chemists.

Top 20 Holdings *(continued)*

17 Amadeus

Software & Computer Services
Spain
£ 6,440,118
1.69%

Amadeus processes transactions for the global travel and tourism industry. The company conducts business through its Distribution and IT Solutions units which represent around 65% and 35% of revenue, respectively. Distribution acts as an interface between providers and agents, while IT includes the Altéa system used by airlines for reservations, inventory management, and departure control.

18 Charles Schwab

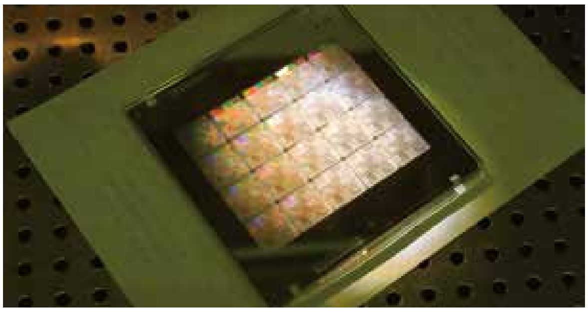
Financial Services
North America
£ 6,426,188
1.68%

The Charles Schwab Corporation provides a variety of financial services to individual investors, independent investment managers, and institutions. The company manages more than 3.4 trillion USD in assets for over 13 million individual investors and institutional clients. It also operates Charles Schwab Bank, a federal savings bank, and Charles Schwab Investment Management.

19 Booking Holdings

Travel & Leisure
North America
£ 6,418,331
1.68%

Formerly known as Priceline, Booking Holdings offers consumers a platform to make travel reservations with a range of different providers. Through the Booking.com, Agoda, KAYAK, RentalCars and OpenTable platforms, the company is able to span accommodation reservations, rental cars, airline tickets, restaurants and entire vacation packages. Operating in more than 220 countries, Booking Holdings has truly global reach.

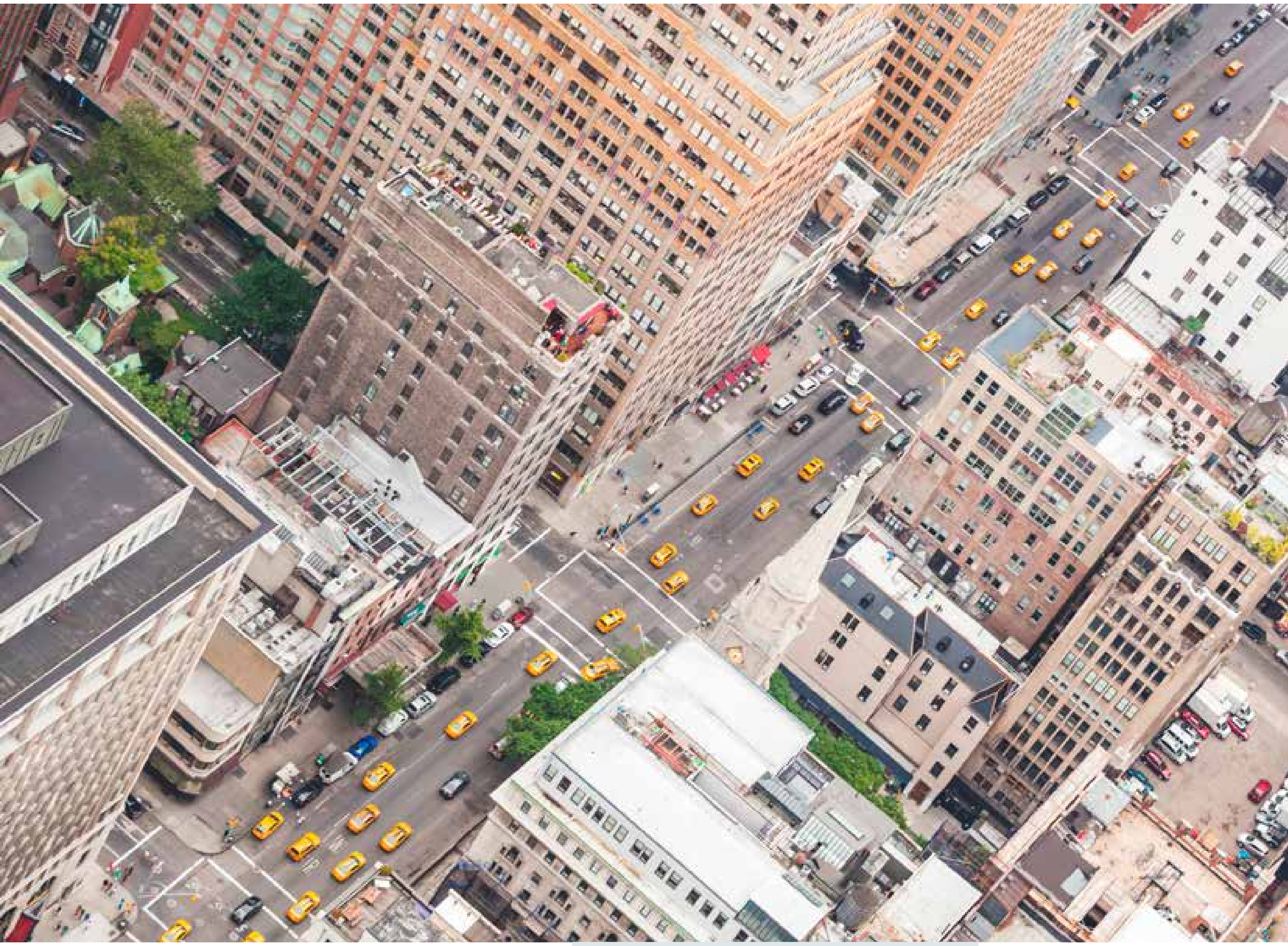


20 Taiwan Semiconductor

Technology Hardware & Equipment
Taiwan
£ 6,389,134
1.67%

Taiwan Semiconductor Manufacturing Company (TSMC) is the first and largest dedicated silicon foundry (contract semiconductor manufacturer) in the world, with nine plants in Asia and one in the US. Logic semiconductors make up about 75% of sales, while mixed-signal products are most of the rest. The company gets about 69% of its sales from customers in the US.

 Sector Headquarters £ Value of holding Percentage of portfolio



Regionally, the US market has delivered double digit returns to sterling investors, far outstripping other markets.

Lucy Macdonald
Portfolio Manager

Investment Manager's Review

Lucy Macdonald is Allianz Global Investors' Chief Investment Officer, Global Equities

Market Review

Over the twelve months ended in November 2018, global equity markets posted a modestly positive but increasingly volatile return, in line with our expectations. The period began with broad optimism and high valuations, as improving economic data coincided with US tax reforms. However, this exuberance has been progressively tempered by tighter liquidity conditions and increasing concerns about the impact of trade conflicts.

Trade discussions have dominated headlines over the past year. Unlike in 2017, markets have been unable to shrug these off as mere rhetoric from President Trump. Initially targeting solar panels and washing machines, US tariffs now also encompass steel, aluminium and over 250 billion USD of Chinese imports. While Mexico and Canada have managed to sign a revised version of the North American Free Trade Agreement (NAFTA), China and Europe have responded with tariffs in kind.

These barriers to trade have placed additional strain on a global economy which was already starting to show signs of slowing. Consequently, some of the worst performing sectors in the period have been those with cyclical exposures. Basic materials have been particularly weak, as well as European car manufacturers; the latter having been threatened with a possible 25% tariff, on top of new emissions tests and softer consumer demand.

Conversely, the leading sectors have tended to be those with sustainable high quality growth characteristics, such as health care, consumer discretionary and technology stocks. Health care companies in particular have benefited from their ability to generate earnings independently of economic growth, alongside their minimal exposure to trade confrontations. Similar qualities have boosted technology stocks, although social media companies have faced a headwind of public opinion. Revelations in March that Facebook data had been used to shape political campaigns without users' knowledge have triggered repeated scrutiny from users and regulators alike.

Regionally, the US market has delivered double digit returns to sterling investors, far outstripping other markets. The economy has seen a sustained economic improvement,

US tariffs now include steel, aluminium and over 250 billion USD of Chinese imports.

Investment Manager's Review *(continued)*

with stock markets further elevated by President Trump's fiscal stimulus package and stronger earnings. While weaker Purchasing Manager Index (PMI) numbers suggest some of this momentum is fading, unemployment remains at 3.7%, its lowest rate since 1969.

China by comparison, has seen its annual economic growth slow from 6.8% to 6.5%, its lowest rate since the financial crisis. US tariffs have coincided with weaker domestic demand, making China the worst performing stock market over the period. These factors drove similarly weak performance in the eurozone, where resurgent populist movements in Italy, France and Germany have also suppressed investor appetite.

The UK market (as measured by the FTSE All-Share Total Return Index) has also declined modestly over the period. Investor sentiment towards the UK has deteriorated as the Government has tried and failed to reach an acceptable withdrawal agreement with the European Union.

The global peak in liquidity has been a headwind to all asset classes. By the end of the calendar year, the Federal Reserve had raised interest rates four times , taking them to a more normal range of between 2.25% and 2.50%. The European Central Bank confirmed that it would bring to an end its long running bond purchasing programme. Even in the UK, which remained mired in Brexit related uncertainty, the Bank of England raised rates by 25 basis points in August.

Commodity prices have occupied a fairly broad range over the period. Up until early October, oil prices had risen steadily, with Brent crude reaching over 85 USD a barrel in October. However, since then, prices have dipped sharply to below 60 USD, a level last seen in October 2017. The gold price meanwhile, rose at the start of the year, only to fall by over 10% over the summer. It is now seeing increased support as volatility increases.

China's economic growth has slowed to 6.5%, its lowest rate since the financial crisis.

Investment Manager's Review *(continued)*

Portfolio Review

2018 has been an increasingly volatile year for global equity markets. Our decision to restructure the Trust's debt, combined with a slight underperformance at the portfolio level, means the company has returned 2.7% on a total return basis in the twelve months ending November 2018. In comparison, the benchmark returned 4.1%.

Repayment of one debenture has reduced the Trust's interest cost, improved its earnings profile, strengthened its reserves position and bolstered dividend growth prospects. On 1 June 2018 the company announced a new £25m 30 year private placement note at a coupon rate of 2.84% and issued a notice of redemption for its share of the Fintrust debenture. The trust now has a £10m short term revolving credit facility providing portfolio management flexibility.

The portfolio underperformed over the period. Unusually, the majority of this relative return was driven by country factors, rather than stock selection, which was positive. This outcome was largely due to the impact of global trade tensions which led to a greater than usual divergence in regional performance.

Overall, stock selection within the portfolio remains the key driver of long term performance. It is particularly reassuring to see that our biggest overweights, such as UnitedHealth Group and Microsoft, are driving some of the most sizeable alpha generation, in accordance with our conviction based approach. Elsewhere, our exposure to cash generative health care names has been a particular benefit.

The integrated health care company **UnitedHealth Group**, has reported consistently impressive results, recently raising its full year earnings per share (EPS) guidance. Following this, management has reiterated its commitment to long term EPS growth of between 13-16%, driven by acquisitions and a lower medical-cost trend. The company's purchase of two speciality pharmacies (Avella and Genoa) in Q3 are a testament to the former and reinforce its ability to manage drug costs. These should pave the way to further growth.

The international pharmacy chain **Walgreens Boots Alliance** has also boosted returns. Benefiting from a defensive market rotation, the stock continued to rally in the second half

UnitedHealth Group reported consistently impressive results and purchased two specialty pharmacies during the year.

Investment Manager's Review *(continued)*

of the year. The company has seen prescription sales grow following the absorption of its Rite Aid acquisition. Walgreens is also executing well strategically, containing costs, buying back shares and building out partnerships.

While stock selection was positive overall, a few stocks did disappoint during the period. The portfolio has limited exposure to the most cyclical areas of the market, but **Covestro**, a manufacturer of speciality plastics which spun out of Bayer in 2015, did come under pressure due to a combination of weaker demand and supply concerns around its key polyurethane products, MDI and TDI. The industry's oligopolistic market structure and move towards more value-add, high margin applications means pricing should remain resilient. In addition to Covestro's ongoing share buybacks, the company looks overly discounted relative to peers.

Our position in **United Internet**, a leading European broadband supplier, also underperformed due to a combination of competitive and strategic concerns. The former arose as a result of Telefonica Deutschland revising its low-frills 'Blau' offering. The environment has since stabilised and, although competitive skirmishes will remain a feature, they are unlikely to pose a severe long-term threat. At the time of writing, the second concern – that United will invest in the 5G spectrum auction, entailing increased capital expenditure – is yet to be decided.

Not owning Amazon has also detracted from relative returns over the year, but our holding in Microsoft, has more than offset this. **Microsoft** gives us exposure to a cloud computing division which is growing at c.90%, a rate much faster than Amazon's own Web Services, the company's highest margin growth division. Moreover, at a price to cash flow multiple of over 50 compared to Microsoft's 24, Amazon remains richly valued . Microsoft also has the added benefit of a 1.6% dividend, whereas Amazon has yet to pay a dividend. For a trust with a focus on delivering dividend growth over time, we currently feel Microsoft is a more appropriate holding.

Microsoft was one of the biggest contributors to alpha. Revenue for the company's cloud computing service, Azure, grew 89% year over year and total revenues exceeded 100bn USD for the first time in fiscal year 2018.

Investment Manager's Review *(continued)*

Environmental, Social and Governance (ESG)

ESG analysis has always been part of the Trust's investment process. When we assess a company in terms of its quality, this inevitably encompasses factors like how it treats staff, public opinion and, ultimately, the longer-term sustainability of the business. However, throughout 2018, AllianzGI has made a concerted effort to integrate Environmental, Social and Governance (ESG) criteria into investment processes.

Some examples of engagement in the past year include a series of meetings with **Unilever** over its proposal to abandon UK incorporation in favour of the Netherlands, which we believe was against the interests of plc shareholders. The plan was withdrawn and Unilever agreed to explore other options for its corporate structure. We also engaged with Unilever on its remuneration policy, transparency of executive compensation and a clear link between pay and performance. We believe that our constructive approach has also helped to strengthen our relationship with the company.

We engaged with **Richemont** on several corporate governance issues, including board independence and structural issues in the remuneration plan. This led us to vote against a range of resolutions at the Annual General Meeting. We considered the company a buy and since our engagement with the company Richemont has begun refreshing its board and reconsidering its fee structure for directors. We expect this process to result in stronger corporate governance in the future, and we will continue to support the company in their efforts while holding shares.

ESG also informs our decisions on which stocks not to own, such as British American Tobacco (BAT). Partly this is due to regulatory risks, especially in the US. Consequently, even at an attractive valuation and with a yield of around 8%, we do not believe the current growth potential adequately compensates for the visible downside ESG risks.

Transactions

Total turnover for the year has been 13.9%. This relatively low figure underscores one of our key investment principles: as long-term stewards

Buys	Sells
Cooper Companies	CCR
Compass Group	Cielo
Informa	BASF
Enel	Balfour Beatty
Partners Group	IFG Group
	FirstGroup
	WPP
	Vodafone
	Equiniti
	Nex Group
	Tencent
	SMC Corp
	Celgene

Investment Manager's Review *(continued)*

of our clients' capital, we are high conviction owners, aiming to hold companies for at least three to five years. In other words, we expect to change around a fifth of the portfolio's holdings each year. Owning companies for longer periods of time not only means that we are better placed to hold management to account on a range of issues, but also, when things go right, that we continue to benefit from their steadily compounding growth.

Overall, we have initiated positions in five companies, while selling out of thirteen. This has had the combined effect of increasing portfolio concentration and giving a more global focus, in line with the board's policy. These are both objectives that we have had for the portfolio.

The companies we have added span a range of sectors, including media, energy and finance. However, they all share a common feature in that their business models are not overly cyclical i.e. they are capable of increasing revenues independently of global economic conditions. Moreover, at a time of elevated valuations, we have been especially careful not to overpay for quality and growth, as this can seriously impact performance in times of heightened volatility.

On a more thematic level, we have continued to focus on the increasingly pervasive influence of technology. All of our new holdings, even those companies not operating specifically in the IT sector are either incorporating IT to their advantage, or are at minimal risk of being disrupted by emerging technological advances. Lastly, the likes of **Enel**, **Compass**, **Informa** and **Partners Group** should strengthen the Trust's dividend income.

The addition of the **Cooper Companies** has made a sizeable impact on the portfolio. Despite only initiating a position in July, the maker of medical devices is one of the top ten largest contributors to returns over the year. Cooper consists of two attractively growing businesses with good profitability, namely: Cooper Vision and Cooper Surgical. These specialise in the production of contact lenses and women's fertility devices, respectively.

Compass Group has a track record of above-industry growth and profit margins. The world's largest food service provider operates internationally, and has historically grown at around 4-6% each year thanks to organic growth and acquisitions. At the time

Multinational energy company Enel is one of the portfolio's new holdings. The firm places an emphasis on sustainability and innovation. Initiatives in 35 countries include a hydroelectric project at Rock Creek Dam in California.

Investment Manager's Review *(continued)*

of purchase, valuation was depressed due to investor concern about a management transition. However, we believed this was misplaced, thus making for a good entry point.

Similar pressure on valuation informed our decision to buy shares in **Enel**. Although it is based in Italy, the integrated utility company derives over half of its operating income from other countries. Thus, when May saw Italian equities sell off sharply in response to the formation of a Lega/Five Star coalition, we viewed this as an attractive buying opportunity. As well as its 5% dividend yield, Enel has a clear growth trajectory, with a focus on growing renewables, implementing efficiency savings and restructuring its Latin America division.

The majority of companies that we have sold, are ones in which the investment thesis ran its course. For example, **Balfour Beatty** was sold from the portfolio, having reached our valuation target. The shares had rallied from their lows in 2017, and went up further following some encouraging disposal news from the PFI portfolio.

We sold our positions in two companies when they were taken over by other entities. **Nex Group**, was formally acquired by the Chicago Mercantile Exchange on 5 November 2018. Shares in the former ICAP electronic brokerage arm rallied sharply when the deal was announced in March and as shareholders, we received 500p in cash and 0.0444 new CME shares for each Nex share.

Likewise, the events and media company **UBM** was taken over by its rival **Informa** in June. Announced in January, the deal initially faced some scepticism but shares soon rallied. Exhibitions and events are a scalable, high returns business with significant incumbent advantages and the new Informa is the largest company of its kind in the world. As a result, we continue to hold the shares.

However, we have also sold positions in companies where we deemed the investment case no longer valid. For example, we exited our holding in **WPP** last April to fund higher conviction ideas elsewhere. Weaker growth in fast-moving consumer goods companies

Following the takeover of rival firm UBM, events and media company Informa is the largest of its kind in the world.

Investment Manager's Review *(continued)*

(FMCGs) and poor execution meant growth prospects in the advertising and marketing conglomerate were no longer as attractive or stable as before.

Conversely, **FirstGroup** saw its shares jump in value substantially following a bid from the US private equity firm, Apollo. Shares in the international operator of rail and bus franchises had been depressed, following weaker guidance in March due to operating difficulties and tough competition. We took the opportunity of the bid approach to exit the stock.

Known as a producer of video games and online platforms, the Chinese multimedia conglomerate **Tencent** has recorded an exceptional rate of growth since its addition to the portfolio. Originally due to games licensing issues with the Chinese government, this has been compounded by Tencent's decision to pivot towards developing smart city infrastructure. While licensing pressures appear to have eased, the company will continue to attract intense government scrutiny. Consequently, we exited our position.

We have also made transactions on the basis of our renewed focus on ESG analysis. Our decision to sell BOCD for example, was largely due to concerns over governance issues. The manufacturer of pneumatic equipment had been a strong performer but its management practices were characterised by undue family influence, board entrenchment and a questionable level of audit independence. While AllianzGI will continue to engage with SMC Corp in a bid to improve these practices, we felt these ESG concerns presented an unnecessary and unquantifiable downside risk for the Trust and thus sold our holding.

Lastly, recent market volatility has presented several opportunities to increase our positions in undervalued stocks. Reduced risk appetite has affected certain sectors in general, like Technology where investors appear to have minimised their exposure regardless of individual company performance. This has encouraged us to add to high conviction names where recent results have been positive, such as **Agilent**, a supplier of biomedical measurement devices and the aforementioned **Compass Group**.

Market Outlook December 2018

High starting valuations have met steadily tightening liquidity and slowing economic growth against a backdrop of trade friction. The consequences of this have, as expected, been a period of weaker equity returns and higher volatility. These causes are still in place, thus we anticipate a similar market environment to prevail for the foreseeable future. However, the fact that some derating has occurred means there are more attractive valuations available than a year ago.

The US Federal Reserve (Fed) continues to drive global monetary policy tightening. Having raised rates to 2.5%, Chair Jay Powell is still expected to raise at least twice more in 2019, although he has recently suggested some flexibility if required. In addition, the Fed's balance sheet is shrinking by around 50 billion USD each month, reducing liquidity further. With the European Central Bank indicating that it would like to follow suit, the safety net of cheap credit is being removed and the outlook for highly leveraged companies is starting to worsen. Volatility is also rising back up to more normal levels, with an increasing incidence of spikes, such as that reached in December.

At the same time, global growth is slowing as US fiscal stimulus begins to fade and the trade war weighs on China. In the US, the composite Purchasing Manager Index (PMI) fell to 53.6 in December 2018 from 54.7 the previous month. While a rating above 50 indicates growth, this change has translated to parts of the yield curve inverting. In China, the world's other growth engine, manufacturing PMI slipped into contraction as of December 2018, at 49.7. Although we do not expect a global recession, our focus will be on identifying those companies whose revenues can outgrow global GDP and are not dependent on economic cycles.

Looking forward, the resilience of overall company earnings in 2019 will be challenged by weaker economic momentum, itself impacted by trade politics. President Trump's willingness to pursue trade wars with China and Europe has clearly weakened the Industrial and Automotive sectors. If the US is now willing to make a deal, this could provide some much needed support, particularly in the context of weaker oil prices which act as an economic stimulus. The UK's departure from the European Union appears to present similarly binary outcomes. In the event of a deal which

Investment Manager's Review *(continued)*

prioritises the status quo for business, London-listed companies with largely international end markets may appear oversold.

Lastly, digitalisation is posing structural threats to a growing range of industries. As investors, we are keenly aware of how companies are embracing technology in order to develop a competitive edge, be it in travel, entertainment or health care. The divide between digital winners and losers is growing increasingly stark and we expect 2019 will see less technologically adept companies fall out of the market at an even faster rate than before. Conversely, beneficiaries of IT spending, particularly in cyber security, are reaping significant rewards. The resulting concentration effect will create issues for both investors and regulators.

We expect the confluence of these factors to keep market volatility in its more recent elevated range over the course of 2019. Our bias towards quality growth will become more important as liquidity tightens and highly indebted companies see their valuations suffer. The increased volatility and more attractive valuations are opening up the available investment universe again. Wholesale rotations out of certain sectors or geographies can produce excellent entry points into quality businesses for more discerning investors. China, in particular, may present stock opportunities which insufficiently account for their longer-term growth trajectories. Implementing our investment process and taking a truly active approach too will be key to navigating the months and year ahead.

The European Central Bank's intention to tighten monetary policy means the outlook for highly leveraged companies looks set to worsen.

Stock Stories

Compass Group

Travel & Leisure UK 6,040,800 1.58%

Compass is the world's largest food service provider. The company operates internationally, with a strong presence in the US and Europe. Serving public sector and business clients, Compass also runs franchises like Starbucks and Burger King under licence.

Compass has a track record of above-industry growth and profit margins It also has first-mover advantage in the industry's most attractive market – the US. Efficiency improvements are steadily driving higher returns and the balance sheet is solid.

Outsourced food service remains an underpenetrated market in which Compass is well-placed to capture thanks to its scale, superior execution and strategic investments. Cost-cutting pressures in both corporate and public sectors is driving steady growth for large players, particularly in the US where 75% of the food service market is still fragmented.

At the time of purchase, the stock was valued at c.17x next year's earnings. This valuation was depressed due to investor concern about a management transition. However, we believed this concern was misplaced, thus making for a good entry point.

Sector Headquarters Value of holding Percentage of portfolio

Stock Stories *(continued)*

Informa

Media UK 5,856,500 1.53%

Informa's key business operations are in events and exhibitions, business intelligence and academic publishing. In January 2018, Informa announced its acquisition of UBM, creating the world's largest exhibitions company.

Exhibitions and Events are a scalable high returns business with significant incumbent advantages. The combined entity should continue to reap the benefits of consolidating a fragmented industry with high barriers to entry. And, due to its capital-light business model, cash flow return on investment will be high at 40-50%.

The combination of UBM and Informa is expected to generate organic revenue growth of between 3-4% per annum, with operating margins of c.32%. Exhibitions, which will drive 60% of Informa's post-UBM business, are free from structural risks and expected to grow at over 5% per annum. There are also straightforward synergy benefits of c.£60million.

When the deal was announced, shareholders were sceptical. The valuation was also depressed by scepticism over Informa's sector and domicile. As a result, Informa was added to the portfolio at around 15 times price to earnings.

Stock Stories *(continued)*

Agilent Technologies

Electronic & Electrical Equipment North America 8,861,330 2.32%

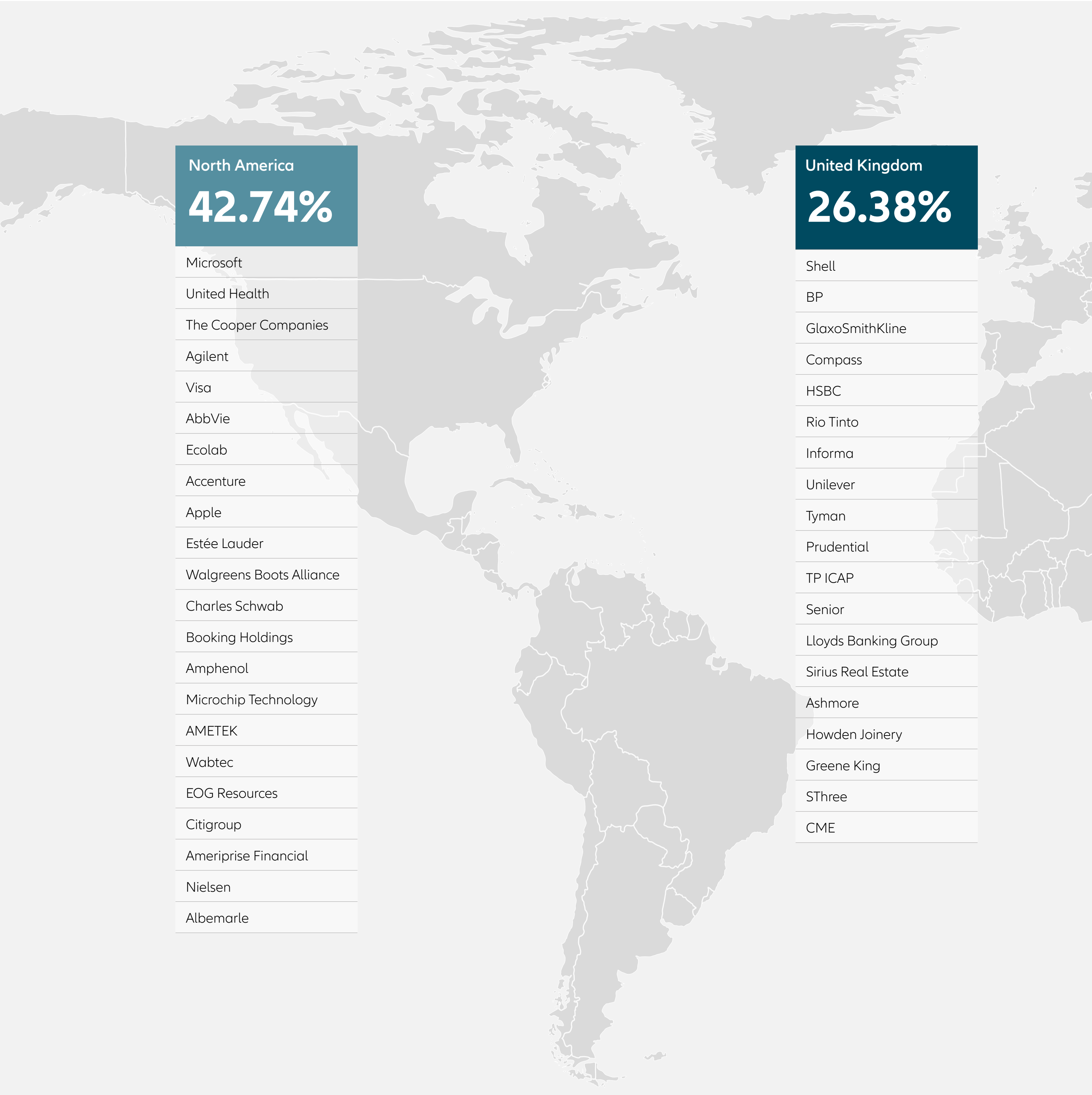
Agilent provides core bio-analytical and electronic measurement solutions to a range of medical, environmental and other scientific industries. The company consists of three divisions: Life Sciences and Applied Markets, Crosslab and Diagnostics and Genomics. Life Sciences develops analytical measuring instruments and software, accounting for just under half of total revenue. Crosslab provides a range of services around laboratory productivity and system support, and generates roughly a third of total revenue. Lastly, Diagnostics and Genomics focus on a range of analytical and genetic research.

Over the past ten years, the company has generated steadily higher levels of cash flow return on investment. Margins typically exceed 20%. Since the appointment of its new CEO in 2015, Agilent has embarked on significant restructuring across its divisions. This has accompanied a renewed emphasis on capital allocation and alignment with shareholder returns. The company expects to grow its revenues between 5% and 6% towards revenues of almost 5.5 billion USD by 2020. In particular, the company benefits from its close association with the biopharmaceutical industry, which relies on new product innovation to sustain itself. As a result, Agilent expects Crosslab and Diagnostics and Genomics to become larger revenue drivers over time. Agilent also has a strong and growing presence in China.

At a price to earnings ratio of around 22 times, Agilent remains slightly undervalued given its level of cash flow return on investment generation compared to peers. On an intrinsic value basis, we anticipate further revenue acceleration accompanied by progressive margin expansion.

Portfolio Breakdown

at 30 November 2018



North America

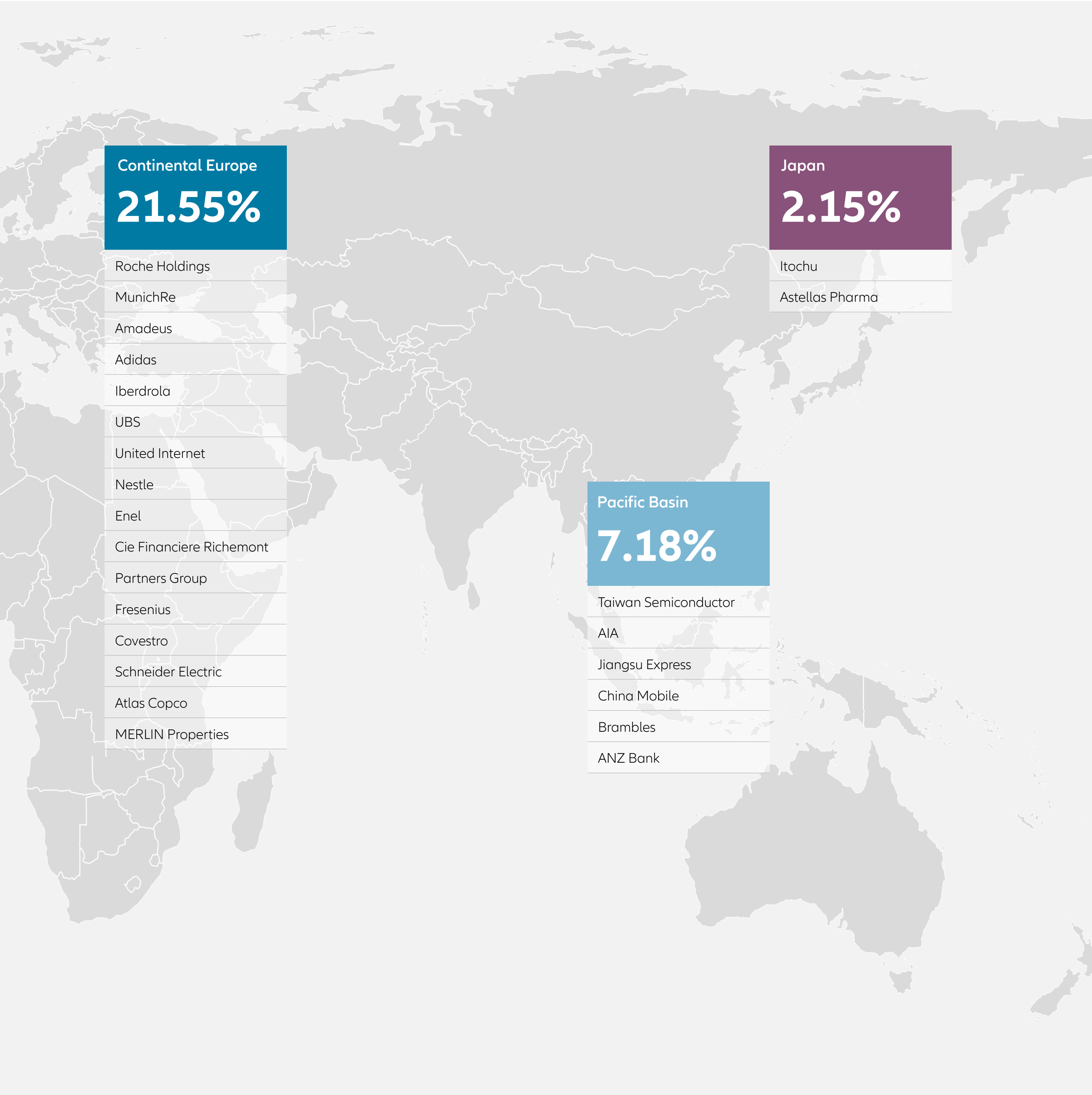
42.74%

- Microsoft
- United Health
- The Cooper Companies
- Agilent
- Visa
- AbbVie
- Ecolab
- Accenture
- Apple
- Estée Lauder
- Walgreens Boots Alliance
- Charles Schwab
- Booking Holdings
- Amphenol
- Microchip Technology
- AMETEK
- Wabtec
- EOG Resources
- Citigroup
- Ameriprise Financial
- Nielsen
- Albemarle

United Kingdom

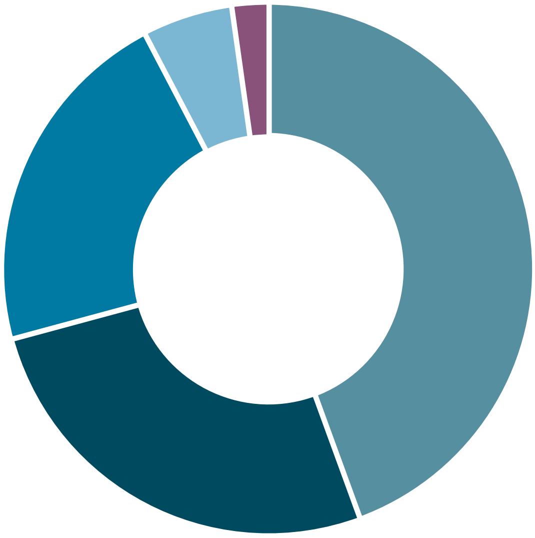
26.38%

- Shell
- BP
- GlaxoSmithKline
- Compass
- HSBC
- Rio Tinto
- Informa
- Unilever
- Tyman
- Prudential
- TP ICAP
- Senior
- Lloyds Banking Group
- Sirius Real Estate
- Ashmore
- Howden Joinery
- Greene King
- SThree
- CME


Continental Europe
21.55%
Roche Holdings
MunichRe
Amadeus
Adidas
Iberdrola
UBS
United Internet
Nestle
Enel
Cie Financiere Richemont
Partners Group
Fresenius
Covestro
Schneider Electric
Atlas Copco
MERLIN Properties
Japan
2.15%
Itochu
Astellas Pharma
Pacific Basin
7.18%
Taiwan Semiconductor
AIA
Jiangsu Express
China Mobile
Brambles
ANZ Bank

Portfolio Breakdown *(continued)*

at 30 November 2018



Geographical Breakdown of the Portfolio

Region	% of Invested Funds
North America	42.74
UK	26.38
Continental Europe	21.55
Pacific Basin	7.18
Japan	2.15

North America Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Microsoft	15,745,779	4.12	Software & Computer Services
United Health	15,080,853	3.96	Health Care Equipment & Services
The Cooper Companies	9,173,341	2.40	Health Care Equipment & Services
Agilent	8,861,330	2.32	Electronic & Electrical Equipment
Visa	8,766,249	2.30	Financial Services
AbbVie	8,730,754	2.29	Pharmaceuticals & Biotechnology
Ecolab	8,303,124	2.17	Chemicals
Accenture	8,271,780	2.17	Support Services
Apple	7,398,484	1.94	Technology Hardware & Equipment
Estée Lauder 'A' Shares	7,266,528	1.90	Personal Goods
Walgreens Boots Alliance	6,516,178	1.71	Food & Drug Retailers
Charles Schwab	6,426,188	1.68	Financial Services
Booking Holdings	6,418,331	1.68	Travel & Leisure
Amphenol	6,328,772	1.66	Electronic & Electrical Equipment
Microchip Technology	5,944,184	1.56	Technology Hardware & Equipment
AMETEK	5,700,418	1.49	Electronic & Electrical Equipment
Wabtec	5,437,550	1.42	Industrial Engineering
EOG Resources	5,235,071	1.37	Oil & Gas Producers
Citigroup	4,719,643	1.24	Banks
Ameriprise Financial	4,474,530	1.17	Financial Services
Nielsen	4,195,078	1.10	Media
Albemarle	4,159,370	1.09	Chemicals
	163,153,535	**42.74**	**% of Total Invested Funds**

Portfolio Breakdown *(continued)*

at 30 November 2018

United Kingdom Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Royal Dutch Shell 'B' Shares	11,090,997	2.92	Oil & Gas Producers
BP	8,520,663	2.24	Oil & Gas Producers
GlaxoSmithKline	8,105,000	2.12	Pharmaceuticals & Biotechnology
Compass	6,040,800	1.58	Travel & Leisure
HSBC	6,042,400	1.58	Banks
Rio Tinto	5,886,969	1.54	Mining
Informa	5,856,500	1.53	Media
Unilever	5,771,160	1.51	Personal Goods
Tyman	4,782,250	1.25	Construction & Materials
Prudential	4,620,000	1.21	Life Insurance
TP ICAP	4,390,505	1.15	Financial Services
Senior	4,323,600	1.13	Aerospace & Defence
Lloyds Banking Group	4,289,625	1.12	Banks
Sirius Real Estate	4,172,000	1.09	Real Estate
Ashmore	4,099,600	1.07	Financial Services
Howden Joinery	3,895,500	1.02	Support Services
Greene King	3,187,366	0.83	Travel & Leisure
SThree	3,048,025	0.80	Support Services
CME	2,639,260	0.69	Financial Services
	100,762,220	**26.38**	**% of Total Invested Funds**

United Kingdom Unlisted Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Fintrust Debenture	4,338	0.00	Financial Services
	4,338	**0.00**	**% of Total Invested Funds**

Portfolio Breakdown *(continued)*

at 30 November 2018

Continental Europe Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Roche Holdings	8,895,491	2.33	Pharmaceuticals & Biotechnology (Switzerland)
MunichRe	8,379,307	2.19	Non-Life Insurance (Germany)
Amadeus	6,440,118	1.69	Software & Computer Services (Spain)
Adidas	6,054,621	1.59	Personal Goods (Germany)
Iberdrola	5,596,486	1.47	Electricity (Spain)
UBS	5,176,064	1.36	Banks (Switzerland)
United Internet	5,090,530	1.33	Software & Computer Services (Germany)
Nestle	4,859,185	1.27	Food Producers (Switzerland)
Enel	4,813,056	1.26	Electricity (Italy)
Cie Financiere Richemont	4,740,997	1.24	Personal Goods (Switzerland)
Partners Group	4,114,649	1.08	Financial Services (Switzerland)
Fresenius	3,838,071	1.01	Health Care Equipment & Services (Germany)
Covestro	3,836,373	1.00	Chemicals (Germany)
Schneider Electric	3,698,375	0.97	Electronic & Electrical Equipment (France)
Atlas Copco	3,495,970	0.92	Industrial Engineering (Sweden)
MERLIN Properties	3,217,203	0.84	Real Estate (Spain)
	82,246,496	**21.55**	**% of Total Invested Funds**

Nacka Strand, Sweden

Portfolio Breakdown *(continued)*

at 30 November 2018

Japan Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Itochu	4,359,448	1.14	General Industrials
Astellas Pharma	3,848,839	1.01	Pharmaceuticals & Biotechnology
	8,208,287	**2.15**	**% of Total Invested Funds**

Pacific Basin Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Taiwan Semiconductor	6,389,134	1.67	Technology Hardware & Equipment (Taiwan)
AIA	5,386,063	1.41	Life Insurance (Hong Kong)
Jiangsu Express	4,450,377	1.17	Industrial Transportation (Hong Kong)
China Mobile	3,930,174	1.03	Mobile Telecommunications (Hong Kong)
Brambles	3,900,078	1.02	General Industrials (Australia)
Australia & New Zealand Bank	3,356,610	0.88	Banks (Australia)
	27,412,436	**7.18**	**% of Total Invested Funds**

Distribution of Invested Funds

at 30 November 2018

Breakdown of Equity Portfolio

Sector	% Held
Financials	22.06
Industrials	18.48
Health Care	15.12
Technology	12.31
Consumer Services	8.43
Consumer Goods	7.51
Oil & Gas	6.53
Basic Materials	5.80
Utilities	2.73
Telecommunications	1.03

Total Invested Funds - £381,787,312 (2017 - £382,956,118)

	United Kingdom %	North America %	Other Countries %	2018 Total %	Composite Benchmark Sector Weighting*	2017 Total %
Financials						
Banks	2.70	1.24	2.24	6.18	9.46	6.51
Equity Investment Instruments	-	-	-	-	1.47	-
Financial Services	2.91	5.15	1.08	9.14	5.48	9.49
Life Insurance	1.21	-	1.41	2.62	2.00	2.78
Non-Life Insurance	-	-	2.19	2.19	2.72	2.12
Real Estate	1.09	-	0.84	1.93	2.86	1.65
	7.91	**6.39**	**7.76**	**22.06**	**22.52**	**22.55**
Industrials						
Aerospace & Defence	1.13	-	-	1.13	1.80	1.29
Construction & Materials	1.25	-	-	1.25	1.33	2.38
Electronic & Electrical Equipment	-	5.47	0.97	6.44	1.30	5.70
General Industrials	-	-	2.16	2.16	1.65	0.99
Industrial Engineering	-	1.42	0.92	2.34	1.65	2.72
Industrial Transportation	-	-	1.17	1.17	1.45	1.44
Support Services	1.82	2.17	-	3.99	3.21	7.55
	4.20	**9.06**	**5.22**	**18.48**	**12.39**	**22.07**
Health Care						
Health Care Equipment & Services	-	6.36	1.01	7.37	3.17	4.22
Pharmaceuticals & Biotechnology	2.12	2.29	3.34	7.75	8.44	7.57
	2.12	**8.65**	**4.35**	**15.12**	**11.61**	**11.79**

Distribution of Invested Funds *(continued)*

at 30 November 2018

	United Kingdom %	North America %	Other Countries %	2018 Total %	Composite Benchmark Sector Weighting*	2017 Total %
Technology						
Software & Computer Services	-	4.12	3.02	7.14	6.01	6.38
Technology Hardware & Equipment	-	3.50	1.67	5.17	5.26	5.11
	-	**7.62**	**4.69**	**12.31**	**11.27**	**11.49**
Consumer Services						
Food & Drug Retailers	-	1.71	-	1.71	1.33	1.37
General Retailers	-	-	-	-	4.30	-
Media	1.53	1.10	-	2.63	2.64	3.46
Travel & Leisure	2.41	1.68	-	4.09	3.18	2.92
	3.94	**4.49**	**-**	**8.43**	**11.45**	**7.75**
Consumer Goods						
Automobiles	-	-	-	-	1.63	-
Beverages	-	-	-	-	2.29	-
Food Producers	-	-	1.27	1.27	1.72	2.83
Household Goods	-	-	-	-	1.78	-
Leisure Goods	-	-	-	-	0.58	-
Personal Goods	1.51	1.90	2.83	6.24	2.22	4.74
Tobacco	-	-	-	-	1.65	-
	1.51	**1.90**	**4.10**	**7.51**	**11.87**	**7.57**
Oil & Gas						
Alternative Energy	-	-	-	-	0.03	-
Oil & Gas Producers	5.16	1.37	-	6.53	7.12	6.68
Oil Equipment, Services & Distribution	-	-	-	-	0.78	-
	5.16	**1.37**	**-**	**6.53**	**7.93**	**6.68**
Basic Materials						
Chemicals	-	3.26	1.00	4.26	2.09	4.85
Forestry & Paper	-	-	-	-	0.21	-
Industrial Metals	-	-	-	-	0.49	-
Mining	1.54	-	-	1.54	2.24	1.51
	1.54	**3.26**	**1.00**	**5.80**	**5.03**	**6.36**
Utilities						
Electricity	-	-	2.73	2.73	1.72	1.77
Gas, Water & Multiutilities	-	-	-	-	1.31	-
	-	**-**	**2.73**	**2.73**	**3.03**	**1.77**

Distribution of Invested Funds *(continued)*

at 30 November 2018

	United Kingdom %	North America %	Other Countries %	2018 Total %	Composite Benchmark Sector Weighting*	2017 Total %
Telecommunications						
Fixed Line Telecom	-	-	-	-	1.57	-
Mobile Telecommunications	-	-	1.03	1.03	1.32	1.96
	-	**-**	**1.03**	**1.03**	**2.89**	**1.96**
Unquoted						
	-	-	-	-	-	0.01
	-	**-**	**-**	**-**	**-**	**0.01**
Total	**26.38**	**42.74**	**30.88**	**100.00**	**100.00**	**100.00**

*The above groupings are based on The Industry Classification Benchmark (ICB).

Historical Record

Revenue and Capital	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total income (£000s)	7,531	6,674	7,822	8,165	9,113	9,031	8,735	9,996	11,000	10,968
Earnings per share	12.22p	10.31p	12.28p	13.34p	15.22p	14.71p	14.09p	16.40p	18.40p	19.67p
Dividend per share	12.00p	12.20p	12.80p	13.30p	14.50p	15.00p	15.30p	15.80p	16.50p	18.15p
Total net assets (£000s)*	206,492	217,747	204,580	227,194	268,254	278,363	273,630	318,334	368,014	360,273
Total net assets (£000s)†	195,161	203,399	186,946	208,301	255,769	264,945	262,487	307,707	359,228	361,105
Net asset value per ordinary share*	443.8p	476.0p	468.6p	525.4p	622.6p	646.0p	636.2p	742.8p	862.0p	843.9p
Net asset value per ordinary share†	419.4p	444.6p	428.2p	481.7p	593.6p	614.9p	610.3p	718.0p	841.4p	845.8p
Share price	368.0p	390.5p	380.5p	413.5p	508.0p	541.0p	540.5p	591.8p	785.0p	745.0p
Year end discount %†	12	12	11	14	14	12	11	18	7	12

* Debt at par. † Debt at fair value.

Geographical Disposition — % of Investment Funds* at 30 November

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
United Kingdom	51.4	49.8	51.4	50.2	50.5	47.0	42.1	35.0	30.8	26.4
Europe	11.4	11.9	10.7	10.6	13.3	13.6	16.0	20.4	20.8	21.6
Americas	26.4	26.5	25.4	27.3	25.3	30.7	32.5	34.1	37.5	42.7
Japan	4.0	4.2	3.6	2.7	4.0	3.0	3.4	3.7	2.6	2.1
Pacific Basin	6.1	6.9	8.9	9.2	6.9	5.7	6.0	6.8	8.3	7.2
Other Countries	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Excludes Cash.

Governance

Madrid, Spain

Directors, Manager and Advisers

Carolan Dobson BSc Chartered FCSI*†

Chairman

Joined the board in December 2013 and has been Chairman since the AGM in March 2016. She is also Chairman of JP Morgan European Smaller Companies Plc, Baillie Gifford UK Growth Fund plc and BlackRock Latin American Investment Trust plc. Carolan is a non-executive director of Woodford Patient Capital Trust plc. Carolan was previously head of UK equities at Abbey Asset Managers, Head of Investment Trusts at Murray Johnstone and was the portfolio manager of two investment trusts.

Ian Barlow MA FCA CTA (Fellow)*

Audit Committee Chairman

Joined the board in November 2009. Ian worked full time from 1973 until 2008 at KPMG, latterly as London Office Senior Partner, and prior to that, as Head of Tax and Legal from 1993-2001. He is a non-executive director of Smith & Nephew PLC, Foxtons Group PLC and Urban&Civic plc. Ian is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Taxation.

*Independent of the manager.
†Independent on appointment as Chairman.

Directors, Manager and Advisers *(continued)*

Vivian Bazalgette MA*

Senior Independent Director and Remuneration Committee Chairman

Joined the board in January 2004. He is Chairman of Fidelity European Values PLC. He is also an adviser to the pension fund of BAE Systems Plc. He retired as Chief Investment Officer of M & G Investment Management in September 2002 and was formerly a director of Gartmore Investment Management plc.

Peter Maynard MA*

Joined the board in October 2010. He is a retired solicitor and qualified with Slaughter and May in 1977. He is a non-executive director of Edinburgh Dragon Investment Trust plc. He was Group Legal Director at Prudential plc from 1998 to 2009 and Company Secretary from July 1999. Prior to that he was with HSBC for 14 years during which time he was variously a director of HSBC Investment Bank, President and Chief Executive Officer of James Capel Inc in New York and finally Deputy Group Legal Adviser. He is a former chairman of the GC100 and was a supervisory board member of the London Business School Centre for Corporate Governance.

Jim Sharp MA*

Joined the board in January 2014. He began his career in financial services with J. Henry Schroder & Co from 1992 to 2002, where he was a director, and has since held senior roles with a number of private equity backed businesses. He is chairman of In The Style Fashion, Seraphine and Rupert Sanderson Shoes and a non-executive director of James Cropper PLC and feelunique.com.

Directors, Manager and Advisers *(continued)*

The Manager or Alternative Investment Fund Manager (AIFM)

Allianz Global Investors GmbH (AllianzGI) is an investment company with limited liability incorporated in Germany and registered in the UK as a branch with establishment number BR009058 and with an establishment address of 199 Bishopsgate, London EC2M 3TY. It is authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and is subject to limited regulation by the Financial Conduct Authority (FCA).

AllianzGI is an active asset manager operating across nineteen markets with specialised in-house research teams around the globe, managing assets for individuals, families and institutions worldwide.

As at 30 September 2018, AllianzGI had €535 billion of assets under management worldwide.

Through its predecessors, AllianzGI has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and as at 31 December 2018 had £1.41 billion assets under management in a range of investment trusts.

Website: www.allianzgi.co.uk

Head of Investment Trusts

Stephanie Carbonneil
Email: stephanie.carbonneil@allianzgi.com

Investment Manager

Lucy Macdonald, Global CIO, representing Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY (the manager).

Company Secretary and Registered Office

Kirsten Salt BA (Hons) ACIS,
199 Bishopsgate, London EC2M 3TY
Telephone: 020 3246 7513
Email: kirsten.salt@allianzgi.com

Registered Number

00226323

Bankers

HSBC Bank plc

Depositary and Custodian

HSBC Bank plc

Solicitors

Herbert Smith Freehills LLP

Independent Auditors

PricewaterhouseCoopers LLP

Registrars

Link Asset Services
(full details on page 101)

Stockbrokers

Stifel Nicolaus Europe Limited

Directors' Report

The directors present their Report which incorporates the audited financial statements for the year ended 30 November 2018.

Share Capital

Details of the company's share capital are set out in Note 12 on page 89. Following a resolution passed on 22 March 2018, during the year the company did not purchase any ordinary shares for cancellation. Furthermore, since the year end no shares have been repurchased for cancellation.

A resolution to renew the authority to purchase shares for cancellation is to be put to shareholders at the forthcoming annual general meeting and the full text is set out in the notice of meeting on pages 103 to 105.

Going Concern

The directors have considered the future viability of the company, as reported on page 17. In the light of this they believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements, as the assets of the company consist mainly of securities which are readily realisable and accordingly, the company has adequate financial resources to continue in operational existence for the foreseeable future. The directors' policy on going concern is set out on page 80.

Auditor

During the year Deloitte LLP resigned as the company's auditor and PricewaterhouseCoopers LLP was appointed by the board to fill the casual vacancy. There are more details in the Audit Committee Report on page 64 and this is also mentioned in the notes on the business being put to the Annual General Meeting on page 60.

A resolution to approve the re-appointment of PricewaterhouseCoopers LLP as auditor of the company will be proposed at the annual general meeting, together with a resolution authorising the directors to determine the auditor's remuneration.

Each of the directors at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

2. the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Debt Refinancing

The company announced on 1 June 2018 that it had priced the issue of a £25 million fixed rate 30 year unsecured private placement note at a coupon of 2.84% (the Notes). The funding date for the Notes was 28 June 2018.

The proceeds of the Notes were used towards an early repayment of the company's portion of Fintrust Debenture PLC borrowings of £28m (Fintrust). Brunner had two tranches of debt from Fintrust. The first tranche of £15 million was issued in 1993 at an effective interest rate of 9.3%. The second tranche of £13 million was assumed from an existing borrower in 1998 at an effective interest rate of 6.0%. The Fintrust debt was due to mature in 2023 but has now been repaid in full. The total cost of redeeming the debt was £39.4m including accrued interest. The balance of the cost was funded from a combination of existing assets and bank debt.

Following this refinancing exercise, the company's weighted average interest on all structural borrowings and preference stock is now 3.0%, compared with 7.7% immediately prior to this repayment and 9.0% prior to the repayment of First Debenture Finance in January 2018.

The board took the decision to repay Fintrust early in order to achieve a balance of financing sources and maturities and to lock into new long term debt at a pricing level that the board considered to be highly attractive. While the cost of redemption initially reduced the NAV per share by 0.7% (or 6.1 pence per share) with debt at fair value (the board's preferred measure, following industry practice) and 2.4% (or 21.1 pence per share) at book value, the refinancing exercise described above has reduced the total annual interest cost by approximately £1.4m (or 3.3 pence per share). This will enhance both the revenue earnings and capital returns, as the company charges 70% of the cost of debt to its capital account and 30% to its revenue account. There is further information in the Chairman's Statement on page 4 and also in Note 4 on page 83, Note 11 on pages 88 and 89, and Note 16 on pages 91 to 97.

Related Party Transactions

During the financial year no transactions with related parties have taken place which would materially affect the financial position or the performance of the company.

Management Contract and Management Fee

The main expense of the company and therefore the most significant element of the ongoing charges is the investment management fee and the board is keen to ensure this fee remains competitive.

Directors' Report *(continued)*

The manager's performance under the contract and the contract terms are reviewed annually by the management engagement committee. During the year, the committee met with the manager to review the current investment framework, including the company's objectives and benchmark; level of gearing; sector and geographical portfolio weightings; and parameters for the portfolio and future outlook. The committee also reviewed the manager's investment process and considered the investment management performance over various time periods. It also considered the level of the management fee, which it found to be appropriate. The committee was satisfied with its review and believes that the continuing appointment of the manager is in the best interests of shareholders as a whole.

Under the Alternative Investment Fund Managers Directive (AIFMD) the company has appointed Allianz Global Investors GmbH (AllianzGI) as the designated Alternative Investment Fund Manager (AIFM) for the company on the terms and subject to the conditions of the management and administration agreement between the company and AllianzGI (the management contract). AllianzGI has been authorised to act as an Alternative Investment Fund Manager by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and has completed the relevant notifications to enable it to conduct its activities from its UK Branch in accordance with AIFMD and Financial Conduct Authority requirements.

The management contract provides for a management fee based on 0.45% per annum of the value of the company's assets after the deduction of current liabilities, short-term loans with an initial duration of less than one year and the value of the company's investments in any other funds managed by the manager. The contract can be terminated with six months' notice.

Revenue

	2018 £	2018 £
Gross income for the year		10,968,206
Deduct		
Expenses of administration (including investment management fee)	(1,144,234)	
Finance costs of borrowings	(723,962)	
Total expenses		**(1,868,196)**
Amount subject to taxation		**9,100,010**
Taxation		(702,378)
Available for distribution to the ordinary shareholders		**8,397,632**
Dividends in respect of the financial year		
First interim 4.05p per ordinary share paid 27 June 2018	(1,729,055)	
Second interim 4.05p per ordinary share paid 21 September 2018	(1,729,055)	
Third interim 4.05p per ordinary share paid 14 December 2018	(1,729,055)	
Final proposed 6.0p per ordinary share payable 5 April 2019	(2,561,564)	
		(7,748,729)
Total transferred to revenue reserve		**648,903**

The first two quarterly dividends were paid during the company's financial year to 30 November 2018 and the board declared a third quarterly dividend of 4.05p per ordinary share which was paid on 14 December 2018. The board recommends a final dividend for the year ended 30 November 2018 of 6.0p, payable on 5 April 2019, making a total distribution for the year of 18.15p per ordinary share. The next quarterly dividend payment is expected to be made in July 2019.

Directors' Report *(continued)*

Assets and Liabilities

	2018 £	2018 £
Fixed assets		
Investments held at fair value through profit or loss		381,787,312
Current assets		
Other receivables	1,520,117	
Cash and cash equivalents	11,132,616	
	12,652,733	
Current liabilities		
Other payables	(9,111,545)	
Net current assets		**3,541,188**
Total assets less current liabilities		**385,328,500**
Creditors - amounts falling due after more than one year		(25,055,376)
Total net assets		**360,273,124**

On 2 January 2018 the Stepped Rate Interest Loan of £18,200,000 was repaid in full on its maturity using cash reserves. This reduced both the cash balance and the current liabilities.

Details of the total return of the company and the split between revenue and capital returns are shown in the Income Statement on page 76. The revenue and capital split is explained in more detail in the Statement of Accounting Policies on page 80 under 'Investment management fee and administrative expenses' and on page 81 under 'Finance costs'.

The following disclosures are made in accordance with Part 6 of Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

Capital Structure

The company's capital structure is set out in Note 12 on page 89.

Listing Rule 9.8.4R

There are no matters requiring disclosure under this Rule.

Voting Rights in the Company's Shares

As at 1 February 2019, the company's capital consisted of:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p	42,692,727	1	42,692,727
5% Cumulative preference shares of £1	450,000	0	0
Total	**43,142,727**		**42,692,727**

These figures remain unchanged as at the date of this report.

Directors' Report *(continued)*

Common Reporting Standards (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the company to provide certain additional details to HMRC in relation to UK resident foreign investment holders. The reporting obligation began in 2016 and will be an annual requirement going forward. The Registrars, Link Asset Services, have been engaged to collate such information and file the reports with HMRC on behalf of the company.

Interests in the Company's Share Capital

As at 1 February 2019, the company was aware of the following interests in the company's share capital greater than 3%: J Maitland (as trustee 14.39%); Sir Hugo Brunner (beneficial 2.32% – as trustee 12.39)%; TBH Brunner (beneficial 1.67% – as trustee 4.63%).

J Maitland acts as a co-trustee with TBH Brunner in respect of 1,710,520 ordinary shares (4.01%), which form part of TBH Brunner's trustee holding. J Maitland also acts as co-trustee with Sir Hugo Brunner in respect of 4,431,213 ordinary shares (10.38%) which form part of Sir Hugo Brunner's trustee holdings.

In addition, the company has notification of the following interest in the voting rights of the ordinary shares: Aviva PLC 18.75%.

Directors

The plans for board succession, including the arrangements for the retirements of the directors with over nine years' service, are described on page 57. Vivian Bazalgette and Ian Barlow, having both held office for nine years or more, are subject to annual re-election under the provisions of the currently applicable AIC Code of Corporate Governance. Both will retire at the annual meeting and both offer themselves for re-election. Notwithstanding the length of service of both Vivian Bazalgette and Ian Barlow, the board views both of them as independent of the manager. Peter Maynard also retires by rotation and is standing for re-election at the AGM. Biographical details of the directors are on pages 50 and 51. Directors serving during the year and their interests in the share capital of the company as at 30 November 2018 are set out in the Directors' Remuneration Report on pages 66 to 68.

The board was subject to an internal performance appraisal during the course of the year and it was found that the board is effective and that each director continues to be effective, has the appropriate skills and has demonstrated commitment and devoted the necessary time to his or her role. All directors attended all board and relevant committee meetings during the year.

No contracts of significance in which directors are deemed to have been interested have subsisted during the year under review. Contracts of service are not entered into with the directors, who hold office in accordance with the company's Articles.

Board Composition and Succession

There are five directors on the board. The current board composition of two investment professionals, an accountant, a lawyer and a director with commercial expertise, with a connection to the Brunner family, provides a balanced board. The optimum number of directors is therefore five, but the number could fall to four and go as high as six to cover periods of recruitment and retirement.

Board Attendance

Attendance by the directors at formal board and committee meetings during the year was as follows:

Director	Board	Board Strategy Day	Audit Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee
No. of meetings	6	1	2	1	1	1
Carolan Dobson	6	1	2[1]	1	1	1
Ian Barlow	6	1	2	1	1	1
Vivian Bazalgette	6	1	2	1	1	1
Peter Maynard	6	1	2	1	1	1
Jim Sharp	6	1	2[1]	1	1	1

[1] Invited to attend meetings, although not a committee member.

Directors' Report *(continued)*

The board has a plan for the retirement of directors staged over the next few years to ensure that an orderly process of recruitment can take place and that the board's balance of skills and relevant experience is maintained. Under this plan, Vivian Bazalgette, who joined the board in January 2004, will retire in Autumn 2019, or when his successor has been appointed if later. Ian Barlow, who will have completed nine years' service this year, will retire in 2020. Both are therefore included in the number of directors standing for re-election at the forthcoming AGM.

Gender Diversity

Four of the company's directors are male and one is female. As the company is an investment trust, all of its activities are outsourced and it does not have any employees. Therefore it has nothing further to report in respect of gender representation within the company.

Corporate Governance Statement

The board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) and been guided by the AIC Corporate Governance 2016 Guide for Investment Companies (AIC Guide). Both documents can be found on the AIC website www.theaic.co.uk. As confirmed by the Financial Reporting Council, following the AIC Corporate Governance Guide enables investment company boards to meet their obligations under the UK Corporate Governance Code and Listing Rules. The company has complied with the recommendations of the AIC Code and the relevant provisions of UK Corporate Governance Code 2016, except in relation to the UK Corporate Governance Code provisions relating to: the role of the chief executive; executive directors' remuneration; the remuneration committee and the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the board considers these provisions are not relevant to the company as it is an externally managed investment company with an entirely non-executive board. The company has therefore not reported further in respect of these provisions.

The board has noted the revised UK Corporate Governance Code published in 2018, together with the draft AIC Code of Corporate Governance, which takes effect for financial years beginning after 1 January 2019

Statement of the Depositary's Responsibilities in Respect of The Brunner Investment Trust PLC provided by HSBC Securities Services, Depositary to the Company.

"The Depositary must ensure that the company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, (the Sourcebook), the Alternative Investment Fund Managers Directive (AIFMD) (together the Regulations) and the company's Articles of Association.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the company and its investors.

The Depositary is responsible for the safekeeping of the assets of the company in accordance with the Regulations.

The Depositary must ensure that:

- the company's cash flows are properly monitored and that cash of the company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the assets under management and the net asset value per share of the company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the company's assets is remitted to the company within the usual time limits;
- that the company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager (the AIFM) are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the company.

Report of the Depositary to the Shareholders of The Brunner Investment Trust PLC ("the company") for the period ended 30 November 2018.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the company, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Articles of Association of the company and as required by the AIFMD."

HSBC Securities Services
14 December 2018

Further information about the relationship with the Depositary is on page 100.

Directors' Report *(continued)*

and therefore which applies to the company for the year ending 30 November 2020. Under the new Code, the company will be required to report on a number of issues which, given we have no employees, will not apply in practice.

The full text of the company's Corporate Governance Statement can be found on the website www.brunner.co.uk in the Literature/Trust Documents section.

Conflicts of Interest

Under the Companies Act 2006 directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Since 1 October 2008, directors are able to authorise these conflicts and potential conflicts. The board reports annually on the company's procedures for ensuring that its powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest relating to the company. These statements have been considered and approved by the board. The directors have undertaken to notify the Chairman and Company Secretary of any proposed new appointments and new conflicts or potential conflicts for consideration, if necessary, by the board. The board has agreed that only directors who have no interest in the matter being considered will be able to participate in taking the relevant decision and that in taking the decision the directors will act in a way they consider, in good faith, will be most likely to promote the company's success. The board is able to impose limits or conditions when giving authorisation if it thinks this is appropriate.

The board confirms that its powers of authorisation are operating effectively and that the agreed procedures have been followed.

Directors' Indemnities

Directors' and Officers' Liability insurance cover is held by the company. As permitted by the company's Articles, the company has granted indemnities to the directors.

Board Committees

Audit Committee
The Audit Committee Report is on pages 63 to 65.

Nomination Committee
The nomination committee meets as needed – at least once each year – and makes recommendations on board succession planning and the appointment of new directors and considers the composition and balance of the board. The committee is chaired by Carolan Dobson, the Chairman of the board, and met once in the last year when it considered the re-election of directors at the annual general meeting. All directors serve on the nomination committee and consider nominations made in accordance with an agreed procedure.

It is the board's policy to use external agencies to draw up lists of candidates as part of the recruitment of new directors. The brief to the recruitment consultant includes the request that the shortlist should include a significant proportion of female candidates.

Management Engagement Committee
The management engagement committee met once in the year to review the Management and Administration Agreement and the manager's performance. It has defined terms of reference and consists of all the directors. It is chaired by Carolan Dobson, the Chairman of the board.

Remuneration Committee
The remuneration committee met once in the year and consists of all the directors. The committee is chaired by Vivian Bazalgette. The committee determines the company's remuneration policy and determines the remuneration of each director within the terms of that policy. The Directors' Remuneration Report is on pages 66 to 68.

The terms of reference for each of the committees may be viewed by shareholders on request and are published on the company's website www.brunner.co.uk in the Literature & Resources/Literature/Terms of Reference and Corporate Documents section.

Directors' Report *(continued)*

Internal Control

The directors have overall responsibility for the company's system of internal control. Whilst acknowledging their responsibility for the system of internal control, the directors are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the company. This process has been fully in place throughout the year under review and up to the date of the signing of this Annual Financial Report.

The key elements of the process are as follows:

- In addition to the review of the Risk Matrix (see page 16), every six months, the board receives from the manager a formal report which details any known internal controls failures, including those that are not directly the responsibility of the manager.
- Allianz Global Investors GmbH, UK Branch (AllianzGI), as the appointed manager, provides investment management, accounting and company secretarial services to the company. The manager therefore maintains the internal controls associated with the day-to-day operation of the company. These responsibilities are included in the Management and Administration Agreement between the company and the manager. The manager's systems of internal control are regularly evaluated by its management and monitored by internal auditors.
- There is a regular review by the board of asset allocation and any risk implications. There are also regular and comprehensive reviews by the board of management accounting information, including revenue and expenditure projections, actual revenue against projections and performance comparisons.
- Authorisation and exposure limits are set and maintained by the board.
- The board meets with senior representatives of AllianzGI and also receives an Internal Controls Report from the manager, together with a report on compliance with the manager's anti-bribery policy.
- The audit committee on behalf of the board reviews the Internal Controls Reports of other third party service providers, including those of AllianzGI and all other providers of administrative and custodian services to AllianzGI or directly to the company. The board has also reviewed the anti-bribery policies of these third parties.

The directors confirm that the audit committee has reviewed the effectiveness of the system of internal control, which it has found to be appropriate.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is on page 62 and a statement of going concern is on page 53. The Independent Auditor's Report can be found on pages 70 to 75.

Relations with Shareholders

The board strongly believes that the annual general meeting should be an event which all shareholders are encouraged to attend. The annual general meeting is attended by the Chairman of the board, the respective Chairmen of the board's committees, other board members and the manager. The number of proxy votes cast in respect of each resolution will be made available at the annual general meeting and is on the website www.brunner.co.uk after the meeting.

The notice of meeting sets out the business of the annual general meeting and the special business is explained more fully below. Separate resolutions are proposed for each substantive issue.

The manager meets with institutional shareholders on a regular basis and reports to the board on matters raised at these meetings. The Chairman and, where appropriate, other directors are available to meet with shareholders to discuss governance and strategy and to understand any issues or concerns.

All correspondence received from shareholders is circulated to directors and discussed by them. Shareholders who wish to communicate directly with the Chairman or other directors may write care of the Company Secretary at 199 Bishopsgate, London EC2M 3TY.

The UK Stewardship Code and Exercise of Voting Powers

The board has delegated discretion to discharge its responsibilities in respect of investments, including the exercise of voting powers on its behalf to the manager, AllianzGI. There is more information on company engagement in the Strategic Report on page 18.

Greenhouse Gas Emissions

The company has an external manager, AllianzGI, part of Allianz Group, and has no physical assets, operations, premises or employees of its own. Consequently it has no greenhouse gas emissions to report. Allianz Group reports on the greenhouse gas emissions for its own operations.

Directors' Report *(continued)*

Modern Slavery Act 2015

The company does not provide goods or services in the normal course of business, and as a financial investment vehicle does not have customers. The directors therefore consider that the company is not required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking.

Bribery Act 2010

The board has a zero tolerance policy in relation to bribery and corruption and has received assurance through internal controls reporting from the company's main third party service providers that adequate safeguards are in place to protect against any such potentially illegal behaviour by employees or agents.

Annual General Meeting

Appointment of Auditor

PricewaterhouseCoopers LLP (PwC) were appointed as Auditor by the board on 13 December 2018 to fill the casual vacancy on the resignation of Deloitte LLP. PwC are now being put forward for re-appointment as the company's Auditor at the AGM.

Further details are given in the Audit Committee Report on page 64.

Allotment of New Shares

A resolution authorising the directors to allot new share capital for cash was passed at the annual general meeting of the company on 22 March 2018 under section 551 of the Companies Act 2006. The current authority will expire on 22 June 2019 and approval is therefore sought for the renewal of this authority, which will last until the conclusion of the annual general meeting in 2020 or 3 July 2020 if earlier.

This authority is limited to a maximum number of 14,230,908 ordinary shares, representing approximately one third of the existing ordinary share capital of the company as at the date of this report, provided that there is no change in the issued share capital between the date of this report and the annual general meeting to be held on 4 April 2019.

Disapplication of Pre-emption Rights

A resolution was passed at the annual general meeting of the company held on 22 March 2018 under section 570 of the Companies Act 2006, to authorise the directors to allot ordinary shares for cash other than pro rata to existing shareholders. The current authority will expire on 22 June 2019 and approval is therefore sought for the renewal of this authority, which will last until the conclusion of the annual general meeting in 2020 or 3 July 2020 if earlier.

This authority is limited to a maximum number of 2,134,636 ordinary shares, representing approximately 5% of the existing ordinary share capital of the company as at the date of this report, provided that there is no change in the issued share capital between the date of this report and the annual general meeting to be held on 4 April 2019.

Accordingly resolution 9 as set out in the notice of meeting on page 103 will be proposed as an ordinary resolution and resolution 10 will be proposed as a special resolution.

The directors do not currently intend to allot shares under these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it would be advantageous to the company's existing shareholders to do so. The directors confirm that no allotments of new shares will be made unless the lowest market offer price of the ordinary shares is at least at a premium to net asset value.

Share Buy Back Programme

As referred to in the Chairman's Statement, the board is proposing the renewal of the company's authority under section 701 of the Companies Act 2006, to purchase ordinary shares in the market for cancellation. In addition to renewing its powers to buy back shares for cancellation, the board will seek shareholder authority to repurchase shares for holding in treasury for sale and reissue at a later date.

This authority will give the company the ability to reissue treasury shares quickly and cost-effectively (including pursuant to the authority under resolution 10, see above) and provides the company with additional flexibility in the management of its capital base. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are in the treasury. If the board exercises the authority conferred by resolution 11, which will be proposed as a Special Resolution, the company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue.

The board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the board.

Directors' Report *(continued)*

Where purchases are made at prices below the prevailing net asset value of the ordinary shares, net asset value per share for the remaining shareholders is enhanced. It is therefore intended that purchases will only be made at prices below net asset value, with the purchases to be funded from the realised capital profits of the company (which are currently in excess of £193 million). The rules of the UK Listing Authority limit the price which may be paid by the company to 105% of the average middle market quotation for an ordinary share on the five business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value). Additionally, the board believes that the company's ability to purchase its own shares should create additional demand for the ordinary shares in the market and that this increase in liquidity should assist shareholders wishing to sell their ordinary shares. Overall this share buy back proposal should help to reduce the discount to net asset value at which the company's shares currently trade.

Under the Financial Conduct Authority's Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the company to purchase up to 14.99% of the ordinary shares, expires at the conclusion of the forthcoming annual general meeting. The board believes that the company should continue to have authority to make market purchases of its own ordinary shares for cancellation or additionally for holding in treasury. Accordingly, a special resolution to authorise the company to make market purchases of up to 14.99% of the company's issued ordinary share capital will be proposed. Provided there is no change in the issued share capital between the date of this report and the annual general meeting to be held on 4 April 2019 such authority is equivalent to 6,399,639 ordinary shares.

The authority will last until the annual general meeting of the company to be held in 2020 or the expiry of 18 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

The Brunner Family

Since the establishment of the company in 1927, various members of the extended Brunner family have held shares in the company. Jim Sharp is connected by marriage to the Brunner family.

Following discussions in 2013, agreement was reached with the Takeover Panel that for the purposes of the City Code on Takeovers and Mergers (the Code), Sir Hugo Brunner and Mr TBH Brunner, together with their children (and their spouses) and related trusts (the Connected Parties) will be treated as acting in concert for the purposes of the Code. The Connected Parties currently hold 9,864,858 shares, representing 23.11% of the ordinary share capital of the company. If the proposed buy back authority were to be used in full, the repurchase of ordinary shares could result in the Connected Parties holding 27.18% of the reduced ordinary share capital of the company (assuming that the Connected Parties did not sell any ordinary shares in connection with the exercise of the buy back authority).

The board and the Annual Financial Report

Following the process reported in the Audit Committee Report, on pages 63 to 65, the board is able to state that it considers that the Annual Financial Report, taken as a whole, is fair, balanced and understandable.

By order of the board
Kirsten Salt
Company Secretary
14 February 2019

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under Disclosure Guidance and Transparency Rule 4.1.12

The directors, at the date of the approval of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

This responsibility statement was approved by the board of directors on 14 February 2019 and signed on its behalf by:

Carolan Dobson
Chairman

Audit Committee Report

I am pleased to introduce the audit committee's report for 2018. There were no significant changes during the year, however since the year end the committee conducted an audit tender and following this the board has appointed PricewaterhouseCoopers LLP as the company's new auditors. There is more detail on the change of auditors below.

Composition

The audit committee comprises all of the directors, except for the Chairman of the board and Jim Sharp, both of whom are invited to attend audit committee meetings, as are representatives of the manager. I am the Chairman of the audit committee, and as you will see from my biography on page 50, I am a Chartered Accountant and until 2008, I was Senior Partner, at KPMG, London. I also chair the audit committees of two other listed companies. During the year the board reviewed the composition of the audit committee and it considers that, collectively, its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

Role

The principal role of the committee is to assist the board in relation to the reporting of financial information, review of financial controls and management of risk. The committee has defined terms of reference and duties and the terms of reference are published on the company's website, www.brunner.co.uk. These include:

- responsibility for the review of the Annual Financial Report and the half-yearly Financial Report;
- consideration of the nature and scope, independence and effectiveness of the external audit and of the auditor's findings and recommendations; and
- review of the terms of appointment of the auditor, including their remuneration and the provision of any non audit services by them.

Activities

The committee meets twice each year. These meetings are attended by the auditors and also by representatives of the manager, including both risk and compliance officers. Since the year end a further, non-scheduled audit committee meeting was held, and the new audit director, Gillian Alexander of PricewaterhouseCoopers LLP, attended this meeting to present her audit plan.

At the scheduled meetings in respect of the year ending 30 November 2018 the committee reviewed the company's accounting policies and confirmed their appropriateness, and reviewed in detail the annual and half-yearly financial reports and in each case recommended them for adoption by the board. In the meeting relating to the year ended 30 November 2017 the committee also considered the auditor's report on the annual financial statements.

At each meeting the committee received a report on the operation of controls relating to the company and the proper conduct of its business in accordance with the regulatory environment in which both the company and the manager operate.

Risk

Although the board has ultimate responsibility for the management of risk, the audit committee assists by monitoring the formal reports from the manager and third party service providers on internal controls. All directors are invited to attend the meetings of the committee.

The committee reviewed its approach to the risk management process and concluded that existing processes were adequate to ensure that its assessment of risk is robust and of sufficient frequency, namely carried out at each committee meeting and twice annually by the board as follows:

- A matrix of risks is reviewed at each of its meetings. We consider whether new risks should be added or previously identified risks removed, assess their likelihood of occurring and potential scale, review the mitigating actions and assess the residual risk against what we regard as acceptable –'risk appetite'.
- Assurance over mitigating actions in relation to these risks is provided in a series of reports from all the third party service providers.
- Resulting from the work of the audit committee, certain key risks are identified for disclosure and discussion in our annual report. In the year we have also assessed residual risks after controls and mitigating actions have been applied, and evaluated whether our risk appetite has been satisfied. The principal risks are in relation to Portfolio, Business and Operational matters. The risks identified, together with mitigating actions, and the results of the risk appetite assessment are set out in the Strategic Report on page 16.

Viability Statement

Based on this review of risk the committee reviewed a paper that supported the board's conclusion, set out on page 17 in the strategic report, of their reasonable expectation that the company is viable in the longer term, assessed as the next five years.

Audit Committee Report *(continued)*

Change of auditor for the year ended 30 November 2018

On 20 December 2018 the board sent a letter to shareholders providing information about the resignation of Deloitte LLP (Deloitte) and the appointment of PricewaterhouseCoopers LLP (PwC) as the auditor of the company for the financial year ended 30 November 2018.

Deloitte was first appointed by the company in August 2006 for the financial year ended 30 November 2006. In preparation for changes to the Companies Act 2006 (the "Companies Act") on auditor rotation enacted from June 2016, Deloitte notified the board that they could continue to serve as auditor until 2025, representing the maximum engagement period permitted of twenty years. On this basis, the board had recommended Deloitte's reappointment for the financial years ended 2017 and 2018.

However, it was brought to the attention of the board for the first time in November 2018 that Deloitte's ability to serve the full twenty years was conditional on a qualifying selection procedure being conducted after ten years of service. Since no such procedure had been carried out, Deloitte under the Companies Act should not have accepted reappointment for the financial years ended 2017 and 2018.

The board moved swiftly to conduct a formal tender process. The audit committee invited four firms to tender for the audit and received presentations from three of these. These firms all had the required skills and resources and each presented and was evaluated on a number of criteria, including a willingness to complete the transfer quickly and ensure the existing timetable for the audit could be adhered to. Two firms were then put forward to the board, with a preference for one. Using its powers under the Companies Act to fill the casual vacancy created by the resignation of Deloitte, the board then appointed PwC as auditor for the financial year.

The letter to shareholders explained that the board believes that in all other respects the audit for the year ended 30 November 2017 was carried out in compliance with the law and relevant regulation, and is satisfied with the quality and effectiveness of the audit.

The relevant authorities were contacted and it was confirmed that no further action was required.

We met with the new auditor, PwC, on their appointment in early December 2018 to discuss the audit plan for the year and identify the significant issues to be dealt with in the review of the year end results.

The audit, its effectiveness and the terms of appointment of the auditor

The committee reviewed the terms of appointment of the auditor, monitored the audit process, assessed the auditor's independence and objectivity as well as the effectiveness of the audit process. It was noted that there were no non audit services provided by the firm, and that none are planned in the financial year to 30 November 2019.

As part of the review of the auditor, the members of the committee and those representatives of the manager involved in the audit process reviewed and considered a number of areas including:

- the reputation and standing of the audit firm;
- the audit processes, evidence of partner oversight and external information such as annual reports from the auditor's regulator;
- the skills, experience and specialist knowledge of the audit team, particularly relating to investment trusts;
- audit communication including details of planning, information on relevant accounting and regulatory developments, and recommendations on corporate reporting;
- the reasonableness of audit fees; and
- the Financial Reporting Council's Audit Quality Report on PricewaterhouseCoopers for 2017/18.

For the 2018 financial year, the committee was satisfied that the audit process was effective. PricewaterhouseCoopers, having tendered for the 2018 audit and, once invited to accept the appointment, were required to conduct the audit at short notice. However, they had ably demonstrated their willingness and capability of doing this and provided assurance that they could commit time and resources to carry this out in accordance with the company's existing timetable.

There were no non audit services in the year. In 2017, £3,700 was paid to Deloitte for the certification of borrowing covenants.

The committee considered the representations made by the auditor and sought comments from representatives of the manager on the provision of services by the auditor and the effectiveness of the external audit for the year ended 30 November 2018.

It is the practice of the committee to meet with the auditor without management present. Based on all of the above, the audit committee considers that the performance of the auditor is satisfactory and has recommended to the board that a resolution proposing the re-appointment of the auditor is put to shareholders at the annual general meeting.

Audit Committee Report *(continued)*

Financial Report and Significant Issues

The chief issues identified for the review of the financial statements, those identified as presenting the greatest risks, were substantively similar to those identified in the audit for the year ended 2017:

- the valuation and existence of the investments in the portfolio; and
- the accuracy, occurrence and completeness of dividend income.

Valuation and existence of the investments in the portfolio

Investments are valued using stock exchange prices provided by third party financial data vendors. Unlisted investments are recognised on a fair value basis as set out in the Statement of Accounting Policies on page 80 and are reviewed by the manager's valuation committee before being approved by the company and being made available to the auditor.

The manager confirms to us the existence and ownership of portfolio investments. The manager receives information from the custodian which is reconciled with the portfolio list.

Accuracy, occurrence and completeness of dividend income

We review income reports and forecasts in detail with the manager at each meeting of the board, including yield information. We also look at changes to the forecast for each portfolio stock from meeting to meeting.

The committee confirms that these reports and checks have provided the directors with reasonable assurances on the risks identified.

These and other matters, identified as posing lesser risk, were considered and discussed with the manager and the auditor as part of the year end process.

In addition we reviewed the manner in which expenses are allocated between capital and income and concluded that the ratio of 70:30 remains appropriate since it fairly reflects our investment policy and split of prospective capital and income returns.

We also confirmed, as stated in the Statement of Accounting Policies on page 81, that there are no judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The committee observed the audit materiality and error reporting thresholds in the audit plan and confirmed that they were satisfied with these. As in previous years, the auditor set the materiality threshold as 1% of net asset value to align closely with comparable companies, but continues to report to the committee on matters below that level on qualitative grounds. In practice there were no unadjusted errors reported in the audit.

The audit committee and then the whole board reviewed the entire annual report and noted all of the supporting information received. It then considered whether the annual report satisfactorily reflected a true picture of the company and its activities and performance in the year, with a clear link between the relevant sections of the report and concluded that it did so. The directors were then able to confirm that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Internal audit

The audit committee continues to believe that the company does not require an internal audit function of its own as it delegates its day-to-day operations to third parties from whom it receives internal control reports. Reports from third party auditors on the internal controls maintained on behalf of the company by AllianzGI and by all other providers of administrative and custodian services to AllianzGI or directly to the company were reviewed during the year.

Whistleblowing

As the company has no employees it does not have a formal policy concerning the raising, in confidence, of any concerns about improprieties for appropriate independent investigation. The audit committee has, however, received and noted the manager's policy on this matter. However, any matters concerning the company should be raised with the Chairman or Senior Independent Director.

Ian Barlow FCA CTA
Audit Committee Chairman
14 February 2019

Directors' Remuneration Report

This is the Directors' Remuneration Report for the year. The report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended August 2013, for the year ended 30 November 2018.

An ordinary resolution for the approval of the Directors' Remuneration Policy Report was first put to a binding shareholder vote at the annual general meeting in 2014 and was placed before shareholders for approval at the AGM in 2017. It will next be put to shareholders in 2020. The Directors' Remuneration Implementation Report is to be put to the AGM, annually, as an advisory shareholder vote.

The information provided in this part of the Directors' Remuneration Report is not subject to audit unless specified below.

The Board

The board of directors is composed solely of non-executive directors. The determination of the directors' fees is guided by the remuneration policy (see below) and the recommendations of the remuneration committee which is made up of the independent directors and is chaired by Vivian Bazalgette.

Directors' Interests (Audited)

The directors are required to hold 4,000 shares in the company under the company's Articles. Pursuant to Article 19 of the EU Market Abuse Regulations the directors' interests in the share capital of the company are shown in the table below.

Ordinary shares of 25p	2018 Beneficial	2018 Non-beneficial	2017 Beneficial	2017 Non-beneficial
Carolan Dobson	4,750	-	4,750	-
Ian Barlow	61,059	-	61,059	-
Vivian Bazalgette	4,000	-	4,000	-
Peter Maynard	4,000	-	4,000	-
Jim Sharp	114,561	651,956	111,873	651,956

Directors retire and offer themselves for re-election at least once every three years and annually after nine years. No director has a service contract with the company. The company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears. In accordance with the AIC Code of Corporate Governance, there are no long term incentive schemes and fees are not related to the individual director's performance, nor to the performance of the board as a whole. No exit payments are made when a director leaves the board.

Directors' Remuneration Policy

The company's Articles currently limit the aggregate fees payable to the board of directors to a total of £200,000 per annum. The board's policy, subject to this overall limit, is to determine the level of directors' fees having regard to the level of fees payable to non-executive directors in the investment trust industry generally, the rate of inflation, the increasing requirements in the nature of the role that individual directors fulfil, and the time committed to the company's affairs. These requirements are particularly relevant to the Chairman and the Chairman of the Audit Committee. The board believes that levels of remuneration should be sufficient to attract and retain non-executive directors with the relevant experience and skills to oversee the company.

The company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the directors are outside the scope of the ordinary duties of a director.

Directors' Remuneration Report *(continued)*

Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at meetings. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the company and its directors concerning compensation for loss of office.

Fees may be increased up to a total of no more than £200,000 per annum by resolution of the board and this limitation will apply until a new Directors' Remuneration Policy is approved by shareholders.

This Directors' Remuneration Policy is the same in all material respects as that currently followed by the board and summarised in the last Directors' Remuneration Report and approved by shareholders at the annual general meeting held on 22 March 2018.

The company has no employees and consequently has no policy on the remuneration of employees.

The board will consider, where raised, shareholders' views on directors' remuneration.

Implementation Report

The policy is to review directors' fee rates from time to time, but reviews will not necessarily result in a change to the rates. In the year under review the directors were paid at a rate of £24,000 per annum and the Chairman at a rate of £38,000 per annum, with an additional £5,000 for the Chairman of the Audit Committee, and an additional £2,000 for the Senior Independent Director. The current fees have been effective since 1 December 2017, with the exception of the Chairman's fee and the additional fee for the Senior Independent Director, which have been unchanged for three years.

The fees were reviewed during the year and it was determined that there would be no increase for the time being.

Directors' Emoluments (Audited)

The directors received directors' fees and no other remuneration during the year and therefore the directors' emoluments during the year and in the previous year are as follows:

Directors' fees	**2018 £**	**2017 £**
Carolan Dobson	38,000	38,000
Ian Barlow	29,000	27,500
Vivian Bazalgette	26,000	25,000
Peter Maynard	24,000	23,000
Jim Sharp	24,000	23,000
Total	**141,000**	**136,500**

Analysis of Pay against Distributions

A table showing actual expenditure by the company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the company on remuneration and distributions to the shareholders

	2018 £	**2017 £**
Remuneration paid to all directors	141,000	136,500
Distributions paid during the financial year	7,513,919	6,924,964

This disclosure is a statutory requirement. The directors, however, do not consider that the comparison of directors' remuneration with distributions to shareholders is a meaningful measure of the company's overall performance.

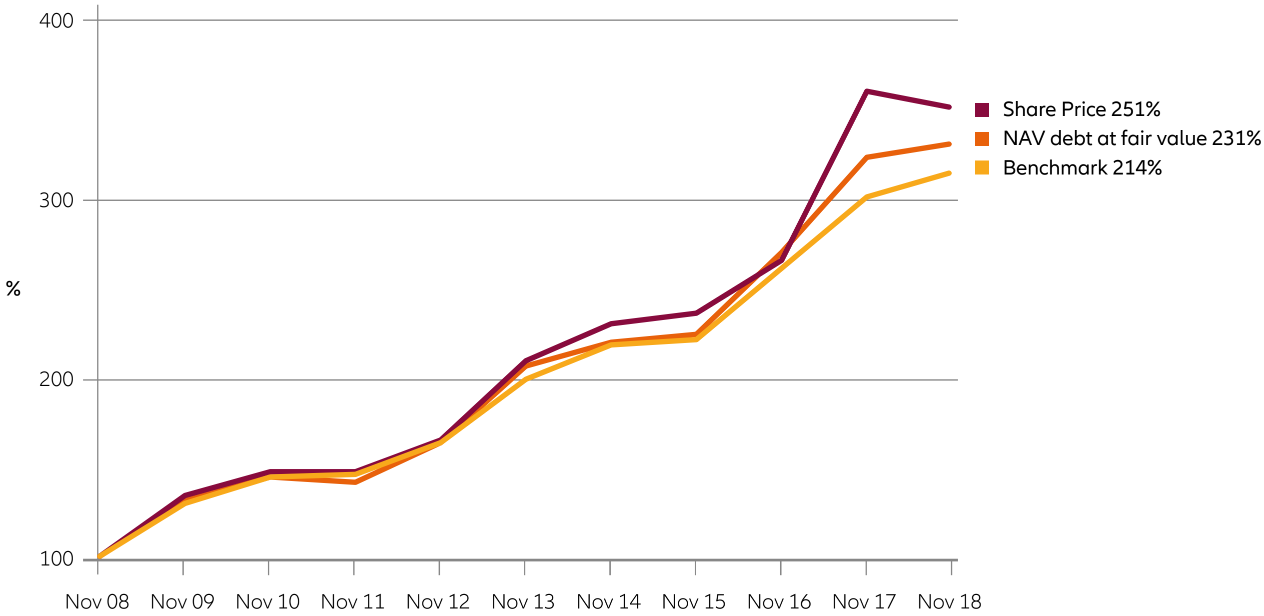
Directors' Remuneration Report *(continued)*

Performance Graph

The performance graph below measures the company's share price and net asset value performance on a total return basis against the benchmark index: 70% FTSE World Ex UK Index and 30% FTSE All-Share Index. An explanation of the company's performance is given in the Chairman's Statement and the Investment Manager's Review.

The Brunner Investment Trust PLC

30 November 2008 - 30 November 2018



Source: AllianzGI/Thomson Reuters DataStream

Vivian Bazalgette
Remuneration Committee Chairman
14 February 2019

Financial Statements

Rome, Italy

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC

Report on the audit of the financial statements

Opinion

In our opinion, The Brunner Investment Trust PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Annual Financial Report, which comprise: the Balance Sheet as at 30 November 2018; the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement, for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

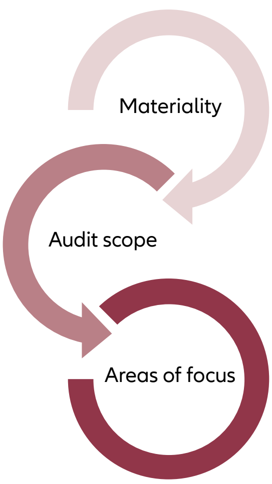
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 December 2017 to 30 November 2018

Our audit approach

Overview



- Overall materiality: £3,602,000, based on 1% of net asset value.

- The company is a standalone Investment Trust Company and engages Allianz Global Investors GmbH, UK Branch (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from State Street Bank & Trust Company (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which it operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.

- Valuation and existence of investments
- Accuracy, occurrence and completeness of dividend income.

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC *(continued)*

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud.

Based on our understanding of the entity and industry, we identified that the principal risks of non-compliance with laws and regulations related to the on-going qualification as an Investment Trust under the Corporation Tax Act 2010 (see page 84 of the Annual Financial Report) and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entities to increase income or to overstate the value of investments and increase the net asset value of the Trust. We performed the following procedures in response to those risks:

– Discussions with management, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

– Evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;

– Assessment of the Trust's compliance with the requirements of s1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and

– Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or round sum amounts.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments *Refer to page 63 (Report of the Audit Committee), page 80 (Accounting Policies) and page 86 (Notes to the financial statements).* The investment portfolio at the year-end comprised listed equity investments valued at £381.8m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No differences were identified which required reporting to those charged with governance.
Accuracy, occurrence and completeness of dividend income *Refer to page 63 (Report of the Audit Committee), page 80 (Accounting Policies) and page 82 (Notes to the financial statements).* We focused on the accuracy, occurrence and completeness of dividend income recognition as incomplete or inaccurate income could have a material impact on the company's net asset value and dividend cover. We also focused on the accounting policy for income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP") as incorrect application could indicate a misstatement in income recognition.	We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No misstatements were identified which required reporting to those charged with governance. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. No misstatements were identified which required reporting to those charged with governance. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. Our testing did not identify any misstatements which required reporting to those charged with governance. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any misstatements which required reporting to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company's accounting is delegated to the Administrator who maintains the company's accounting records and who has implemented controls over those accounting records.

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC *(continued)*

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£3,602,000.
How we determined it	1% of net asset value.
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £180,100 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC *(continued)*

Reporting on other information

The other information comprises all of the information in the Annual Financial Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 62 of the Annual Financial Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Financial Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 17 of the Annual Financial Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the company and statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. *(Listing Rules).*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 62, that they consider the Annual Financial Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Financial Report on page 63 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC *(continued)*

- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 19 December 2018 to audit the financial statements for the year ended 30 November 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Gillian Alexander (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 February 2019

Income Statement

for the year ended 30 November 2018

	Notes	2018 Revenue £	2018 Capital £	2018 Total Return £	2017 Revenue £	2017 Capital £	2017 Total Return £
Gains on investments held at fair value through profit or loss	8	-	3,230,518	3,230,518	-	54,114,501	54,114,501
Losses on foreign currencies		-	(140,338)	(140,338)	-	(87,645)	(87,645)
Income	1	10,968,206	-	10,968,206	10,999,706	-	10,999,706
Investment management fee	2	(537,597)	(1,254,394)	(1,791,991)	(539,701)	(1,259,301)	(1,799,002)
Administration expenses	3	(606,637)	(1,391)	(608,028)	(684,371)	(5,579)	(689,950)
Profit before finance costs and taxation		**9,823,972**	**1,834,395**	**11,658,367**	**9,775,634**	**52,761,976**	**62,537,610**
Finance costs: interest payable and similar charges	4	(723,962)	(10,458,860)	(11,182,822)	(1,330,903)	(3,052,939)	(4,383,842)
Profit (loss) on ordinary activities before taxation		**9,100,010**	**(8,624,465)**	**475,545**	**8,444,731**	**49,709,037**	**58,153,768**
Taxation	5	(702,378)	-	(702,378)	(570,660)	-	(570,660)
Profit (loss) after taxation attributable to ordinary shareholders		**8,397,632**	**(8,624,465)**	**(226,833)**	**7,874,071**	**49,709,037**	**57,583,108**
Earnings (loss) per ordinary share (basic and diluted)	7	**19.67p**	**(20.20p)**	**(0.53p)**	**18.44p**	**116.41p**	**134.85p**

Dividends to be distributed in respect of the financial year ended 30 November 2018 total 18.15p (2017 - 16.50p), amounting to £7,748,729 (2017 - £7,044,299). Details are set out in Note 6 on page 85.

The total return column of this statement is the profit and loss account of the company.

The supplementary revenue return and capital return columns are both prepared under the guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The net profit for the year disclosed above represents the company's total comprehensive income.

The notes on pages 80 to 98 form an integral part of these Financial Statements.

Balance Sheet

at 30 November 2018

	Notes	2018 £	2018 £	2017 £
Fixed assets				
Investments held at fair value through profit or loss	8		381,787,312	382,956,118
Current assets				
Other receivables	10	1,520,117		5,060,574
Cash and cash equivalents	10	11,132,616		30,997,744
		12,652,733		**36,058,318**
Current liabilities				
Other payables	10	(9,111,545)		(20,425,573)
Net current assets			**3,541,188**	**15,632,745**
Total assets less current liabilities			**385,328,500**	**398,588,863**
Creditors: amounts falling due after more than one year	11		(25,055,376)	(30,574,987)
Total net assets			**360,273,124**	**368,013,876**
Capital and reserves				
Called up share capital	12		10,673,181	10,673,181
Capital redemption reserve	13		5,326,819	5,326,819
Capital reserve	13		328,485,311	337,109,776
Revenue reserve	13		15,787,813	14,904,100
Equity shareholders' funds	14		**360,273,124**	**368,013,876**
Net asset value per ordinary share	14		**843.9p**	**862.0p**

The financial statements on pages 80 to 98 of The Brunner Investment Trust PLC, company number 00226323, were approved and authorised for issue by the Board of Directors on 14 February 2019 and signed on its behalf by:

Carolan Dobson
Chairman

The notes on pages 80 to 98 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 30 November 2018

	Notes	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Net assets as at 1 December 2016		10,714,414	5,285,586	288,392,980	13,941,045	318,334,025
Revenue profit		-	-	-	7,874,071	7,874,071
Shares repurchased during the year		(41,233)	41,233	(992,241)	-	(992,241)
Dividends on ordinary shares	6	-	-	-	(6,924,964)	(6,924,964)
Unclaimed dividends over 12 years		-	-	-	13,948	13,948
Capital profit		-	-	49,709,037	-	49,709,037
Net assets as at 30 November 2017		**10,673,181**	**5,326,819**	**337,109,776**	**14,904,100**	**368,013,876**
Net assets as at 1 December 2017		10,673,181	5,326,819	337,109,776	14,904,100	368,013,876
Revenue profit		-	-	-	8,397,632	8,397,632
Dividends on ordinary shares	6	-	-	-	(7,513,919)	(7,513,919)
Capital loss		-	-	(8,624,465)	-	(8,624,465)
Net assets as at 30 November 2018		**10,673,181**	**5,326,819**	**328,485,311**	**15,787,813**	**360,273,124**

The notes on pages 80 to 98 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 30 November 2018

	Notes	2018 £	2017 £
Operating activities			
Profit before finance costs and taxation*		11,658,367	62,537,610
Less: Gains on investments held at fair value through profit or loss		(3,230,518)	(54,114,501)
Less: Overseas tax suffered		(702,378)	(570,660)
Add: Losses on foreign currency		140,338	87,645
Purchase of fixed asset investments held at fair value through profit or loss		(58,464,100)	(54,668,866)
Sales of fixed asset investments held at fair value through profit or loss		65,927,432	61,973,144
(Increase) decrease in other receivables		(84,741)	109,602
Increase in other payables		39,789	153,997
Net cash inflow from operating activities		**15,284,189**	**15,507,971**
Financing activities			
Interest paid and similar charges		(13,874,360)	(4,650,987)
Repayment of Stepped Rate Interest Loan		(18,200,000)	-
Repayment of Fixed Rate Interest Loan		(28,000,000)	-
Proceeds from Revolving Credit Facility		8,000,000	-
Net proceeds from 2.84% Fixed Rate Note 2048		24,601,800	-
Dividend paid on cumulative preference stock		(22,500)	(22,500)
Dividends paid on ordinary shares	6	(7,513,919)	(6,924,964)
Unclaimed dividends over 12 years		-	13,948
Repurchase of ordinary shares for cancellation		-	(996,131)
Net cash outflow from financing activities		**(35,008,979)**	**(12,580,634)**
(Decrease) increase in cash and cash equivalents		**(19,724,790)**	**2,927,337**
Cash and cash equivalents at the start of the year		30,997,744	28,158,052
Effect of foreign exchange rates		(140,338)	(87,645)
Cash and cash equivalents at the end of the year		11,132,616	30,997,744
Comprising:			
Cash at bank		11,132,616	30,997,744

* Cash inflow from dividends was £10,982,138 (2017 - £10,253,557) and cash inflow from interest was £15,759 (2017 - £161,029).

The notes on pages 80 to 98 form an integral part of these Financial Statements.

Statement of Accounting Policies

for the year ended 30 November 2018

The company is incorporated in the United Kingdom under the Companies Act. The company is a public company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on page 52.

The principal activity of the company and the nature of its operations are set out in the strategic report on pages 11 to 18.

The company conducts its business so as to qualify as an investment trust company within the meaning of sub-section 1158 of the Corporation Tax Act 2010. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

1. Basis of preparation – The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments held at fair value through profit or loss and in accordance with the Companies Act 2006, other applicable United Kingdom law and UK Accounting Standards (UK GAAP), including Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and in line with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies (AIC SORP) in November 2014 and updated in February 2018.

   In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of revenue and capital nature has been presented alongside the Income Statement. In accordance with the company's Articles of Association, net capital returns may not be distributed by way of dividend.

   The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the company consist mainly of securities, which are readily realisable and significantly exceed liabilities. Accordingly, the directors believe that the company has adequate financial resources, to continue in operational existence for the foreseeable future. The company's business, the principal risks and uncertainties it faces, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 11 to 18.

2. Income – Dividends received on equity shares are accounted for on an ex-dividend basis. Foreign dividends are grossed up at the appropriate rate of withholding tax.

   Special dividends are recognised on an ex-dividend basis and treated as a capital or revenue item depending on the facts and circumstances of each dividend. The board reviews special dividends and their treatment at each meeting.

   Where the company has elected to receive its dividends in the form of additional shares rather than in cash, the equivalent of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

   Deposit interest receivable is accounted for on an accruals basis.

   Commissions in respect of underwriting are recognised when the underwritten issue closes and are generally recognised within the Income Statement as revenue. Where, however, the company is required to take up a proportion of the shares underwritten, the same proportion of the shares underwritten is recognised as capital, with the balance recognised as revenue.

3. Investment management fee and administrative expenses – The investment management fee is calculated on the basis set out in Note 2 to the financial statements and is charged to capital and revenue in the ratio 70:30 to reflect the company's investment policy and prospective capital and income growth. Other administrative expenses are charged in full to revenue, except custodian handling charges on investment transactions which are charged to capital. All expenses are accounted for on an accruals basis.

4. Investments – As the company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 102 Section 11: 'Basic Financial Instruments' and Section 12: 'Other Financial Instruments'. The company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about investments is provided on this basis to the board.

   Investments held at fair value through profit or loss are initially recognised at fair value. After initial recognition, these continue to be measured at fair value, which for quoted investments is either the bid price or the last traded price depending on the convention of the exchange on which they are listed. Gains or losses on investments are recognised in the capital column of the Income Statement. Purchases and sales of financial assets are recognised on the trade date, being the date which the company commits to purchase or sell assets.

Statement of Accounting Policies *(continued)*

for the year ended 30 November 2018

Unlisted investments are valued by the Directors based upon the latest dealing prices, stockbrokers' valuations, net asset values, earnings and other known accounting information in accordance with the principles set out by the International Private Equity and Venture Capital Valuation Guidelines issued in December 2015.

After initial recognition unquoted stocks are valued by the board on an annual basis.

5. Finance costs – In accordance with the FRS 102 Section 11: 'Basic Financial Instruments' and Section 12 'Other Financial Instruments', long term borrowings are stated at the amortised cost, this being the amount of net proceeds on issue plus accrued finance costs to date. Finance costs are calculated over the term of the debt on the effective interest rate basis.

   Where debt is issued at a premium, the premium is amortised over the term of the debt on the effective interest rate basis.

   Finance costs net of amortised premiums are charged to capital and revenue in the ratio 70:30 to reflect the board's investment policy and prospective split of capital and revenue returns.

   Dividends payable on the 5% cumulative preference stock are classified as an interest expense and are charged in full to revenue.

6. Taxation – Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal basis using the company's effective rate of corporation tax for the accounting period.

   Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

   A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of corporation tax that is expected to apply when the timing differences are expected to reverse.

7. Shares repurchased and subsequently cancelled – Share capital is reduced by the nominal value of the shares repurchased, and the capital redemption reserve is correspondingly increased in accordance with Section 733 Companies Act 2006. The full cost of the repurchase is charged to the capital reserve within Gains (Losses) on Sales of Investments.

8. Dividends – In accordance with FRS 102 Section 32: 'Events After the End of the Reporting Period', the final dividend proposed on ordinary shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid. Dividends are paid from the revenue reserve.

9. Foreign Currency – In accordance with FRS 102 Section 30: 'Foreign Currency Translation', the company is required to nominate a functional currency, being the currency in which the company predominately operates. The functional and reporting currency is pounds sterling, reflecting the primary economic environment in which both the company and its' shareholders predominantly operate and in which its' expenses are generally paid. Transactions in foreign currencies are translated into pounds sterling at the rates of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Profits and losses thereon are recognised in the capital column of the income statement and taken to the capital reserve.

10. Significant judgements, estimates and assumptions – In the application of the company's accounting policies, which are described above, the directors are required to consider whether there are any judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. There are no significant judgements, estimates, and assumptions.

    Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

for the year ended 30 November 2018

1. Income

	2018 £	2017 £
Income from Investments*		
Equity income from UK investments†	4,935,335	5,447,324
Equity income from overseas investments††	6,012,967	5,435,921
	10,948,302	**10,883,245**
Other Income		
Deposit interest	13,930	93,615
Underwriting commission	5,974	22,846
	19,904	**116,461**
Total income	**10,968,206**	**10,999,706**

* All dividend income is derived from listed investments.
† Includes special dividends of £93,243 (2017 - £45,900).
†† Includes special dividends of £114,578 (2017 - £154,267).

2. Investment Management Fee

	2018 Revenue £	2018 Capital £	2018 Total £	2017 Revenue £	2017 Capital £	2017 Total £
Investment management fee	**537,597**	**1,254,394**	**1,791,991**	**539,701**	**1,259,301**	**1,799,002**

Under the terms of the Management and Administration Agreement the company's manager is Allianz Global Investors GmbH, UK Branch (AllianzGI). The agreement was restated in July 2014, with the appointment of AllianzGI as the Alternative Investment Fund Manager. The terms of the agreement were unchanged: it provides for a management fee based on 0.45% per annum of the value of the assets after deduction of current liabilities, short-term loans under one year and the value of any investments in other funds managed by AllianzGI, calculated monthly. The fee is charged in the ratio 70:30 between capital and revenue as set out in the Statement of Accounting Policies.

The provision of investment management services, company administrative and secretarial services by AllianzGI under the Management and Administration Agreement may be terminated by either the company or AllianzGI on not less than six months' notice.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

3. Administration Expenses

	2018 £	2017 £
Auditors' remuneration		
for audit services	28,500	28,500
for non audit services - certification of borrowing covenants	-	3,700
VAT on auditor's remuneration	5,700	6,440
	34,200	**38,640**
Directors' fees	141,000	136,500
Depositary fees	44,274	42,003
Custody fees	53,223	46,095
Registrars' fees	46,819	48,719
Association of Investment Companies' fees	20,837	20,630
Marketing costs	145,271	137,173
Printing and postage	42,502	24,931
Directors' and officers' liability insurance	7,089	9,806
Professional and advisory fees	34,830	101,026
Other	91,554	103,019
VAT recovered	(54,962)	(24,171)
	606,637	**684,371**

(i) The above expenses include value added tax where applicable.
(ii) Directors' fees are set out in the Directors' Remuneration Report on page 67.
(iii) Custodian handling charges of £1,391 were charged to capital (2017 - £5,579).

4. Finance Costs: Interest Payable and Similar Charges

	2018 Revenue £	2018 Capital £	2018 Total £	2017 Revenue £	2017 Capital £	2017 Total £
On Stepped Rate Interest Loan	55,664	128,449	184,113	613,241	1,430,895	2,044,136
On Fixed Rate Interest Loan	496,596	1,158,724	1,655,320	695,162	1,622,044	2,317,206
Administration fees related to Fixed Rate Interest Loan repayment	29,827	69,595	99,422	-	-	-
On Fixed Rate Interest Loan repayment premium	-	8,831,014	8,831,014	-	-	-
On 5% Cumulative Preference Stock repayable after more than five years	22,500	-	22,500	22,500	-	22,500
On 2.84% Fixed Rate Notes 2048 repayable after more than five years	91,859	214,339	306,198	-	-	-
On Revolving Credit Facility	24,317	56,739	81,056	-	-	-
On Sterling overdraft	3,199	-	3,199	-	-	-
	723,962	**10,458,860**	**11,182,822**	**1,330,903**	**3,052,939**	**4,383,842**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

The Fixed Rate Interest Loan was repaid on 2 July 2018. The total cost of redeeming the debt was £38.9m net of expenses and £0.3m of interest already accrued to 2 July 2018. The early repayment premium, as required under the Fintrust legal agreement, of £10.9m over the borrowed amount of £28.0m, was paid from capital. The early repayment premium above of £8.8m is net of the £2.1m unamortised portion of the premium received in 1998, which was accelerated and offset against the early repayment premium paid.

5. Taxation

	2018 Revenue £	2018 Capital £	2018 Total £	2017 Revenue £	2017 Capital £	2017 Total £
Overseas taxation	702,378	-	702,378	570,660	-	570,660
Total tax	702,378	-	702,378	570,660	-	570,660
Reconciliation of tax charge						
Profit before taxation	9,100,010	(8,624,465)	475,545	8,444,731	49,709,037	58,153,768
Tax on profit at 19.00% (2017 - 19.33%)	1,729,002	(1,638,649)	90,353	1,632,648	9,610,414	11,243,062
Effects of:						
Non taxable income	(2,080,177)	-	(2,080,177)	(2,075,073)	-	(2,075,073)
Non taxable capital gains	-	(587,134)	(587,134)	-	(10,445,192)	(10,445,192)
Disallowable expenses	4,512	818	5,330	5,525	1,560	7,085
Overseas tax suffered	702,378	-	702,378	570,660	-	570,660
Excess of allowable expenses over taxable income	346,663	2,224,965	2,571,628	436,900	833,218	1,270,118
Total tax	**702,378**	**-**	**702,378**	**570,660**	**-**	**570,660**

The company's taxable income is exceeded by its tax allowable expenses, which include both the revenue and capital elements of the management fee and finance costs.

As at 30 November 2018, the company had accumulated surplus expenses of £100.1 million (2017 - £86.6 million) and eligible unrelieved foreign tax of nil (2017 - nil).

The company has not recognised a deferred tax asset of £17.0 million (2017 - £14.7 million) in respect of these expenses, based on a prospective corporation tax rate of 17% (2017 - 17%) because there is no reasonable prospect of recovery.

The reduction in the standard rate of corporation tax was substantively enacted on 6 September 2016 and will be effective from 1 April 2020. Provided the company continues to maintain its current investment profile, it is unlikely that the expenses will be utilised and that the company will obtain any benefit from this asset.

In May 2013 the company received confirmation from HM Revenue & Customs as an approved investment trust for accounting periods commencing on or after 1 December 2012, subject to the company continuing to meet the eligibility conditions at Section 1158 Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) Tax Regulations 2011 (Statutory Instrument 2011/2999).

The company intends to retain this approval and self-assesses compliance with the relevant conditions and requirements.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

6. Dividends on Ordinary Shares

	2018 £	2017 £
Dividends paid on ordinary shares		
Third interim dividend - 3.50p paid 14 December 2017 (2016 - 3.30p)	1,494,245	1,417,603
Final dividend - 6.00p paid 29 March 2018 (2017 - 5.90p)	2,561,564	2,518,871
First interim dividend - 4.05p paid 27 July 2018 (2017 - 3.50p)	1,729,055	1,494,245
Second interim dividend - 4.05p paid 21 September 2018 (2017 - 3.50p)	1,729,055	1,494,245
	7,513,919	6,924,964

Dividends payable at the year end are not recognised as a liability under FRS 102 Section 32 'Events After the End of the Reporting Period' (see page 81 - Statement of Accounting Policies). Details of these dividends are set out below.

	2018 £	2017 £
Third interim dividend - 4.05p paid 14 December 2018 (2017 - 3.50p)	1,729,055	1,494,245
Final proposed dividend - 6.00p payable 5 April 2019 (2018 - 6.00p)	2,561,564	2,561,564
	4,290,619	4,055,809

The proposed final dividend accrued is based on the number of shares in issue at the year end. However, the dividend payable will be based on the numbers of shares in issue on the record date and will reflect any changes in the share capital between the year end and the record date.

All dividends disclosed in the tables above have been paid or are payable from the revenue reserves.

7. Earnings per Ordinary Share

	2018 Revenue £	2018 Capital £	2018 Total £	2017 Revenue £	2017 Capital £	2017 Total £
Profit (loss) after taxation attributable to ordinary shareholders	8,397,632	(8,624,465)	(226,833)	7,874,071	49,709,037	57,583,108
Earnings (loss) per ordinary share	19.67p	(20.20p)	(0.53p)	18.44p	116.41p	134.85p

The earnings per ordinary share is based on a weighted number of shares 42,692,727 (2017 - 42,701,435) ordinary shares in issue. Diluted and basic earnings per share are the same.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

8. Fixed Asset Investments

	2018 £	2017 £
Listed at market valuation on recognised Stock Exchanges		
United Kingdom	100,762,220	117,917,632
Overseas	281,020,754	265,009,970
	381,782,974	**382,927,602**
Unlisted at directors' valuation (United Kingdom)	4,338	28,516
Total investments	**381,787,312**	**382,956,118**
Market value of investments brought forward	382,956,118	339,322,416
Investment holding gains brought forward	(139,715,648)	(97,982,721)
Cost of investments held brought forward	**243,240,470**	**241,339,695**
Additions at cost	57,902,910	55,117,543
Disposals at cost	(54,607,462)	(53,216,768)
Cost of investments held at 30 November	**246,535,918**	**243,240,470**
Investment holding gains at 30 November	135,251,394	139,715,648
Market value of investments held at 30 November	**381,787,312**	**382,956,118**
Gains on investments		
Investment holding gains on sales of investments based on historical costs	7,694,772	12,381,574
Adjustment for investment holding (losses) gains recognised in previous years	(8,518,192)	9,632,580
(Losses) gains on sales of investments based on carrying value at previous balance sheet date	**(823,420)**	**22,014,154**
Investment holding gains arising in the year	4,053,938	32,100,347
Gains on investments	**3,230,518**	**54,114,501**

The board considers that the company's unlisted investment is not material to the financial statements. No material disposals of unlisted investments took place during the year (2017 - none).

Transaction costs and stamp duty on purchases amounted to £92,101 (2017 - £93,831) and transaction costs on sales amounted to £36,825 (2017 - £44,641). Transaction costs and stamp duty amount to 0.04% of net assets (2017 - 0.04%).

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

9. Investments in Other Companies

The company held more than 10% of the share capital of the following company at 30 November 2018.

Company	Class of Shares held	%
Fintrust Debenture PLC (Fintrust)	Ordinary Shares	50.0

Fintrust is incorporated in Great Britain and registered in England and Wales.

In the opinion of the directors, the company is not in a position to exert significant influence over the financial operating policies of Fintrust, either through voting rights or through agreement with the company's other shareholders, due to provisions in Fintrust's Articles of Association and in certain contracts between the company and Fintrust. Accordingly, Fintrust is not considered to be an Associate Undertaking as per FRS 102 Section 14 and is therefore included in the balance sheet at the directors' valuation. Fintrust was the lender of the company's Fixed Rate Interest Loan, as detailed in Note 11(i). The Fixed Rate Interest Loan was repaid on 2 July 2018, however the company continues to own share capital in Fintrust and will continue to pay its share of Fintrust's expenses until Fintrust matures in 2023.

10. Other Receivables and Other Payables

		2018 £	2017 £
Other receivables			
Sales for future settlement		-	3,625,198
Accrued income		1,473,796	1,395,594
Prepayments		46,321	39,782
		1,520,117	**5,060,574**
Cash and cash equivalents			
Current account		11,132,616	11,402,613
Deposit account		-	19,595,131
		11,132,616	**30,997,744**
Other payables: amounts falling due within one year			
Stepped Rate Interest Loan	10(i)	-	18,203,038
Purchases for future settlement		-	561,190
Management fee and administration expenses		774,821	735,032
Interest on borrowings (see below)		313,873	926,313
Revolving Credit Facility	10(ii)	8,022,851	-
		9,111,545	**20,425,573**

The carrying amount of other receivables, cash and cash equivalents and other payables: amounts falling due within one year, each approximate their fair value.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

	2018 £	2017 £
Interest on outstanding borrowings consists of:		
Stepped Rate Interest Loan	-	836,351
Fixed Rate Interest Loan	-	78,712
5% Cumulative Preference Stock	11,250	11,250
2.84% Fixed Rate Note 2048	302,623	-
	313,873	**926,313**

(i) The Stepped Rate Interest Loan of £18,203,038 comprised adjustable Stepped Rate Interest Loan Notes of £2,977,442 and Stepped Rate Interest Bonds of £11,909,766. The Loan Notes and Bonds were issued in 1987 at 97.4% of par value. The initial interest rate on the Loan Notes and Bonds was 8.35% per annum. This increased annually by 5.0% compound until January 1998 when it reached its maximum rate of 13.6%. This stepped interest rate, when combined with an accrual for a premium payable on maturity of £3,315,830, resulted in an effective interest rate of 11.27% per annum.

The Stepped Rate Interest Loan was repaid out of cash reserves to the lender First Debenture Finance (FDF) on 2 January 2018, together with the premium. This enabled FDF to discharge its liability to its debenture stockholders to repay principal and interest on its £52.2m (of which Brunner's share was £18m) of 11.125% Severally Guaranteed Debenture Stock 2018, thus eliminating the floating charge FDF had over the company's assets. The company also agreed to meet its proportionate share of any expenses incurred by FDF. FDF was subsequently liquidated.

(ii) On 28 June 2018 the company entered into a revolving credit facility agreement of £10,000,000 and drew down £8,000,000. The rate of interest for the revolving credit facility is set at each roll-over date and is made up of a fixed margin plus LIBOR rate. Under this agreement £8,000,000 was rolled over on 28 September 2018 at a rate of 1.65% with a maturity date of 28 March 2019. The repayment date of the revolving facility is the last day of its interest period and the termination date is 28 June 2019.

The company pays a commitment fee of 0.2% p.a. on any undrawn amounts.

11. Creditors: Amounts falling due after more than one year

		2018 £	2017 £
Fixed Rate Interest Loan	11(i)	-	30,124,987
5% Cumulative Preference Stock	11(ii)	450,000	450,000
2.84% Fixed Rate Note 2048	11(iii)	24,605,376	-
		25,055,376	**30,574,987**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

(i) The Fixed Rate Interest Loan of £28,000,000 was due to Fintrust Debenture PLC (Fintrust). It comprised a principal amount of £15,000,000 taken out in 1993, and a further amount of £13,000,000 assumed in 1998 from another of Fintrust's borrowers. The loan carried interest at 9.25125% per annum on the principal amount. As security for the loan, the company had granted a floating charge over its assets in favour of the lender. This charge ranked pari passu with the floating charge noted in 10(i) above.

The principal of £15,000,000 was taken out in 1993. At 30 November 2017, it was stated at £14,968,502, being the net proceeds of £14,929,474 plus accrued finance costs of £39,028. The effective interest rate of this portion of the loan was 9.30%.

On assuming the additional loan of £13,000,000 in 1998, the company also received a premium of £5,727,111 to ensure that the finance costs on this additional loan were comparable to prevailing market interest rates. This premium was amortised over the remaining life of the loan. At 30 November 2017, the loan was stated at £15,156,485, being the principal amount of £13,000,000 plus the unamortised premium of £2,156,485. The effective interest rate of this portion of the loan was 6.00%.

The loan was originally repayable on 20 May 2023 but the board decided to repay the loan early to Fintrust Debenture PLC on 2 July 2018. The total cost of redeeming the debt was £38.9m net of expenses and accrued interest and including the early payment premium. The company will continue to own share capital in Fintrust and will continue to pay its share of Fintrust's expenses until the loan matures in 2023. Repayment released the floating charge over the company's assets. Further details can be found in the Directors Report on page 53.

(ii) The 5% Cumulative Preference Stock is recognised as a creditor due after more than one year under the provisions of FRS102 Section 11: 'Basic Financial Instruments' and Section 12: 'Other Financial Instruments'. The right of the preference stockholders to receive payments is not calculated by reference to the company's profits and, in the event of a return of capital are limited to a specific amount, being £450,000. Dividends on the preference stock are payable on 30 June and 31 December each year.

(iii) The Fixed Rate Note of £25,000,000 is stated at £24,605,376, being the net proceeds of £24,601,800, net of issuance costs of £398,200 plus accrued finance costs of £3,576.

The Note is repayable on 28 June 2048 and carries interest at 2.84% per annum on the principal amount. Interest is payable in June and December each year. The effective interest rate of the loan inclusive of the issue costs is 2.94%.

The Note was funded on 28 June 2018. Proceeds were used to pay part of the cost of redeeming the Fixed Rate Interest Loan of £28,000,000 on 2 July 2018.

12. Called up Share Capital

	2018 £	2017 £
Allotted and fully paid		
42,692,727 ordinary shares of 25p each (2017 - 42,692,727)	**10,673,181**	**10,673,181**

The directors are authorised by an ordinary resolution passed on 22 March 2018 to allot relevant securities, in accordance with section 551 of the Companies Act 2006, up to a maximum of 14,230,908 ordinary shares of 25p each. This authority expires on 21 June 2019 and accordingly a renewed authority will be sought at the annual general meeting on 4 April 2019.

During the year nil (2017 - 164,931) ordinary shares were repurchased by the company. The aggregate purchase price of these shares, amounting to £nil (2017 - £992,241) was charged to the capital reserve, within gains on sales of investments (see Note 13).

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

13. Reserves

		Capital Reserve		
	Capital Redemption Reserve £	Gains (losses) on sales of Investments £	Investment Holding Gains (losses) £	Revenue Reserve £
Balance at 1 December 2017	5,326,819	197,246,682	139,863,094	14,904,100
Losses on realisation of investments	-	(823,420)	-	-
Transfer on disposal of investments	-	8,518,192	(8,518,192)	-
Movement in investment holding gains	-	-	4,053,938	-
Losses on foreign currency	-	-	(140,338)	-
Investment management fee	-	(1,254,394)	-	-
Finance costs of borrowings	-	(10,458,860)	-	-
Other capital expenses	-	(1,391)	-	-
Dividends appropriated in the year	-	-	-	(7,513,919)
Profit retained for the year	-	-	-	8,397,632
Balance at 30 November 2018	**5,326,819**	**193,226,809**	**135,258,502**	**15,787,813**

Under the terms of the company's Articles of Association, the capital reserves are distributable only by way of redemption or purchase of the company's own shares, for so long as the company carries on business as an Investment Company. The Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants in Scotland (ICAS), in its technical guidance TECH 02/17, states that investment holding gains arising out of a change in fair value of assets may be recognised as gains on sales of investments provided they can be readily converted into cash. Securities listed on a stock exchange are generally regarded as being readily convertible into cash and hence investment holding gains in respect of such securities may be regarded as realised under company law.

All paid and payable dividends for the year are charged to the revenue reserve (2017 - same). In accordance with the company's Articles of Association, net capital returns may not be distributed by way of a dividend.

14. Net Asset Value Total Return

The net asset value total return for the year is the percentage movement from the capital net asset value as at 30 November 2017 to the net asset value, on a total return basis as at 30 November 2018. The net asset value total return with debt at fair value is 2.7% (2017: 19.50%) and the net asset value total return with debt at par is 0.0% (2017: 18.20%).

The net asset value per ordinary share is based on 42,692,727 ordinary shares in issue at the year end (2017: 42,692,727). The method of calculation of the net asset value with debt at fair value is described in Note 16(c) on page 96.

The net asset value per ordinary share was as follows:

	Debt at fair value 2018	Debt at par 2018	Debt at fair value 2017	Debt at par 2017
Net asset value per ordinary share attributable	845.8p	843.9p	841.4p	862.0p
Effect of dividends reinvested on the respective ex-dividend dates	18.15p	18.15p	16.40p	16.40p
Net asset value total return	**863.95p**	**862.05p**	**857.8p**	**878.4p**
Net asset value attributable	**£361,105,475**	**£360,273,124**	**£359,228,360**	**£368,013,876**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

15. Contingent Liabilities, Capital Commitments and Guarantees

At 30 November 2018 there were no contingent liabilities (2017 - £nil).

16. Financial Risk Management policies and procedures

The company invests in equities and other investments in accordance with its investment objective as stated in the Strategic Report on page 12. In pursuing its investment objective, the company is exposed to certain inherent risks that could result in either a reduction in the company's net assets or a reduction in the profits available for distribution by way of dividends.

The main risks arising from the company's financial instruments are: market risk (comprising market price risk, market yield risk, foreign currency risk and interest rate risk), liquidity risk and credit risk. The directors' approach to the management of these risks, are set out below. The directors determine the objectives and agree policies for managing each of these risks, as set out below. The manager, in close cooperation with the directors, implements the company's risk management policies. These policies have remained substantially unchanged during the current and preceding year.

(a) Market Risk

The manager assesses the exposure to market risk when making each investment decision, and monitors the risk on the investment portfolio on an ongoing basis. Market risk consists of market price risk (price and yield), foreign currency risk and interest rate risk.

(i) Market Price Risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the company might suffer through holding market positions in the face of price movements. An analysis of the company's portfolio is shown on pages 40 to 48.

Market Price Risk Sensitivity

The value of the company's listed equities which were exposed to market price risk as at 30 November 2018 was as follows:

	2018 £	2017 £
Listed equity investments held at fair value through profit or loss	**381,782,974**	**382,927,602**

The following illustrates the sensitivity of the return after taxation for the year and the net assets to an increase or decrease of 20% (2017: 20%) in the fair values of the company's quoted equities. This level of change is considered to be reasonably possible based on observation of market conditions in recent years. The sensitivity analysis on the profit after taxation and net assets is based on the impact of a 20% increase or decrease in the value of the company's listed investments at each closing balance sheet date and the consequent impact on the investment management fees for the year, with all other variables held constant.

	2018 20% Increase in fair value £	2018 20% Decrease in fair value £	2017 20% Increase in fair value £	2017 20% Decrease in fair value £
Revenue earnings				
Investment management fee	(103,081)	103,081	(103,390)	103,390
Capital earnings				
Gains (losses) on investments at fair value	76,356,595	(76,356,595)	76,585,520	(76,585,520)
Investment management fee	(240,523)	240,523	(241,244)	241,244
Change in net earnings and net assets	**76,012,991**	**(76,012,991)**	**76,240,886**	**(76,240,886)**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

Management of Market Price Risk

The directors meet regularly to review the asset allocation of the portfolio recommended by the manager, in order to minimise the risk associated with particular countries or industry sectors. Dedicated fund managers have the responsibility for monitoring the existing portfolio selection in accordance with the company's investment objectives and seek to ensure that individual stocks meet an acceptable risk reward profile.

(ii) Market Yield Risk

Market yield risk arises from the uncertainty about the company's ability to maintain its income objectives due to a systematic decline in corporate dividend levels.

Management of Market Yield Risk

The directors regularly review the current and projected yield of the investment portfolio, and discuss with the manager the extent to which it will enable the company to meet its investment income objective.

(iii) Foreign Currency Risk

Foreign currency risk is the risk of the movement in the values of overseas financial instruments as a result of fluctuations in exchange rates.

Management of Foreign Currency Risk

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. The company does not currently hedge against foreign currency exposure. The table below summarises in sterling terms the foreign currency risk exposure:

	2018 Investments £	2018 Other net Liabilities £	2018 Total Currency Exposure £	2017 Investments £	2017 Other net Liabilities £	2017 Total Currency Exposure £
Pounds Sterling	100,766,558	(23,726,790)	77,039,768	117,946,149	(17,124,485)	100,821,664
Australian Dollar	7,256,688	100,235	7,356,923	7,293,332	98,217	7,391,549
Brazilian Real	-	-	-	4,872,640	-	4,872,640
Euro	50,964,140	227,465	51,191,605	54,877,913	276,576	55,154,489
Hong Kong Dollar	13,766,614	-	13,766,614	17,935,706	-	17,935,706
Japanese Yen	8,208,287	109,862	8,318,149	10,124,903	106,095	10,230,998
Norwegian Krona	-	4,202	4,202	-	4,110	4,110
Swedish Krona	3,495,970	-	3,495,970	4,594,187	-	4,594,187
Swiss Franc	27,786,386	335,253	28,121,639	20,286,189	292,784	20,578,973
Taiwan Dollar	-	876,566	876,566	-	848,462	848,462
US Dollar	169,542,669	559,019	170,101,688	145,025,099	555,999	145,581,098
Total	**381,787,312**	**(21,514,188)**	**360,273,124**	**382,956,118**	**(14,942,242)**	**368,013,876**

The following table details the company's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on net return and net assets. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

	2018 20% Decrease in sterling against foreign currencies £	2018 20% Increase in sterling against foreign currencies £	2017 20% Decrease in sterling against foreign currencies £	2017 20% Increase in sterling against foreign currencies £
Australian Dollar	1,839,231	(1,226,154)	1,847,887	(1,231,925)
Brazilian Real	-	-	1,218,160	(812,107)
Euro	12,797,901	(8,531,934)	13,788,623	(9,192,415)
Hong Kong Dollar	3,441,654	(2,294,436)	4,483,927	(2,989,284)
Japanese Yen	2,079,537	(1,386,358)	2,557,749	(1,705,166)
Norwegian Krona	1,051	(700)	1,027	(685)
Swedish Krona	873,993	(582,662)	1,148,547	(765,698)
Swiss Franc	7,030,410	(4,686,940)	5,144,743	(3,429,829)
Taiwan Dollar	219,142	(146,094)	212,115	(141,410)
US Dollar	42,525,422	(28,350,281)	36,535,572	(24,357,048)
Total	**70,808,341**	**(47,205,559)**	**66,938,350**	**(44,625,567)**

(iv) Interest Rate Risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

Interest Rate Exposure

The table below summarises in sterling terms the financial assets and financial liabilities whose values are directly affected by changes in interest rates.

	2018 Fixed rate interest £	2018 Floating rate interest £	2018 Nil Interest £	2018 Total £	2017 Fixed rate interest £	2017 Floating rate interest £	2017 Nil Interest £	2017 Total £
Financial assets	-	11,132,616	381,787,312	392,919,928	-	30,997,744	382,956,118	413,953,862
Financial Liabilities	(25,055,376)	-	-	(25,055,376)	(30,574,987)	-	-	(30,574,987)
Net financial (liabilities) assets	**(25,055,376)**	**11,132,616**	**381,787,312**	**367,864,552**	**(30,574,987)**	**30,997,744**	**382,956,118**	**383,378,875**
Short term receivables and payables	-	-	-	(7,591,428)	-	-	-	(15,364,999)
Net (liabilities) assets per balance sheet	**(25,055,376)**	**11,132,616**	**381,787,312**	**360,273,124**	**(30,574,987)**	**30,997,744**	**382,956,118**	**368,013,876**

As at 30 November 2018, the interest rates received on cash balances, or paid on bank overdrafts respectively, are approximately 0.27% and 1.60% per annum (2017: 0.14% and 1.35% per annum).

The fixed rate interest bearing liabilities bear the following coupons and effective rates as at 30 November 2017 and 30 November 2018.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

2018	Maturity date	Amount borrowed £	Coupon rate	Effective rate since inception*
5% Cumulative Preference Stock	n/a	450,000	5.00%	n/a
2.84% Fixed Rate Note 2048	28/06/2048	25,000,000	2.84%	2.94%

2017	Maturity date	Amount borrowed £	Coupon rate	Effective rate since inception*
5% Cumulative Preference Stock	n/a	450,000	5.00%	n/a
First Debenture Finance PLC (FDF) - Bonds	02/01/2018	11,909,766	13.60%	11.27%
First Debenture Finance PLC - Notes	02/01/2018	2,977,442	13.60%	11.27%
Fintrust Debenture PLC (Fintrust) - Original Loan	20/05/2023	15,000,000	9.25125%	9.30%
Fintrust Debenture PLC - Additional Loan	20/05/2023	13,000,000	9.25125%	6.00%

* The effective rates are calculated in accordance with FRS 102 Section 12: 'Other Financial Instruments' as detailed in the Statement of Accounting Policies on page 81.

The weighted average effective rate of the company's fixed interest bearing liabilities (excluding the 5% cumulative preference stock) is 2.94% (2017 - 8.98%) and the weighted average period to maturity of these liabilities is 29.5 years (2017 - 3.9 years).

The above year end amounts are reasonably representative of the exposure to interest rates during the year, as the level of exposure does not change materially. The company's profit after tax and net assets, is not significantly affected by changes in interest rates.

Management of Interest Rate Risk

The company invests mainly in equities, the values of which are not directly affected by changes in prevailing market interest rates.

The company finances its operations through a mixture of share capital, retained earnings and long term borrowings which are subject to fixed and variable interest rates. Movement in interest rates will not materially affect the finance costs of the company.

The company is considered to have low direct exposure to interest rate risk.

(b) Liquidity Risk

Liquidity risk relates to the capacity to meet liabilities as they fall due and is dependent on the liquidity of the underlying assets.

Maturity of Financial Liabilities

The table below presents the future cash flows payable by the company in respect of its financial liabilities.

Cash flows in respect of the principal and interest on the 2.84% Fixed Rate Note 2048 reflect the maturity dates set out in Note 11 on pages 88 and 89. Cash flows in respect of the 5% cumulative preference stock, which has no fixed repayment date, assume maturity of 20 years from the balance sheet date. Cash flows have not been discounted.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

2018	Three months or less £	Between three months and one year £	Between one and five years £	More than five years £	Total £
Other payables					
Finance costs of borrowing	366,250	389,101	-	-	755,351
Revolving Credit Facility	-	8,000,000	-	-	8,000,000
Other payables	774,821	-	-	-	774,821
Creditors: amounts falling due after more than one year					
Maturity of borrowings	-	-	-	25,450,000	25,450,000
Finance costs of borrowing	-	-	2,930,000	18,087,500	21,017,500
	1,141,071	**8,389,101**	**2,930,000**	**43,537,500**	**55,997,672**

2017	Three months or less £	Between three months and one year £	Between one and five years £	More than five years £	Total £
Other payables					
Finance costs of borrowing	1,032,430	2,601,600	-	-	3,634,030
Other payables	1,296,222	-	-	-	1,296,222
Creditors: amounts falling due after more than one year					
Maturity of borrowings	18,203,038	-	-	28,450,000	46,653,038
Finance costs of borrowing	-	-	10,451,400	2,927,850	13,379,250
	20,531,690	**2,601,600**	**10,451,400**	**31,377,850**	**64,962,540**

Other creditors include trade creditors only, no accrued finance costs included.

Management of Liquidity Risk

Liquidity risk is not considered to be significant as the company's assets mainly comprise realisable securities, which can be sold to meet funding requirements. Short-term flexibility can be achieved through the use of overdraft facilities, where necessary. The company has an undrawn committed borrowing facility of £5 million (2017 - £5 million).

(c) Credit Risk

Credit risk is the risk of default by a counterparty in discharging its obligations under transactions that could result in the company suffering a loss. There were no impaired assets as of 30 November 2018 (30 November 2017 - nil). The counterparties which the company engages with are regulated entities and are of high credit quality.

Management of Credit Risk

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the company through its decision to transact with counterparties of high credit quality. The company only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed quarterly by the manager.

The company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the company's rights with respect to cash held by banks to be delayed or limited. The company's cash balances are held by HSBC Bank PLC and HBOS plc, rated Aa3 and Aa3, respectively, by Moody's rating agency. The directors believe the counterparties the company has chosen to transact with are of high credit quality, therefore the company has minimal exposure to credit risk.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

In summary, the exposure to credit risk at 30 November 2018 was as follows:

	2018 £	2017 £
Other Receivables:		
Outstanding Settlements	-	3,625,198
Accrued income	1,473,796	1,395,594
Prepayments	46,321	39,782
	1,520,117	**5,060,574**
Cash and cash equivalents	11,132,616	30,997,744
	12,652,733	**36,058,318**

Fair Values of Financial Assets and Financial Liabilities

Investments are designated as held at fair value through profit or loss in accordance with FRS 102 sections 11 and 12.

FRS 102 as amended for fair value hierarchy disclosures (March 2016) sets out three fair value levels.

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.
Level 3 - Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

With the exception of those financial liabilities measured at amortised cost, all other financial assets and financial liabilities are either carried at their fair value or the balance sheet amount is a reasonable approximation of their fair value.

As at 30 November 2018 the financial assets at fair value through profit and loss of £381,787,312 (2017 - £382,956,118) are categorised as follows:

	2018 £	2017 £
Level 1	381,782,974	382,927,602
Level 2	-	-
Level 3	4,338	28,516
	381,787,312	**382,956,118**

Level 3 investments comprise the one (2017 - two) unlisted equity holdings held by the company.

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 30 November 2018 and 30 November 2017.

The financial liabilities measured at amortised cost have the following fair values:*

	2018 Book Value £	2018 Fair Value £	2017 Book Value £	2017 Fair Value £
First Debenture Finance Loan	-	-	18,203,038	19,162,942
Fintrust Loan	-	-	30,124,987	37,707,003
Preference Stock	450,000	555,525	450,000	693,596
Fixed Rate Note	24,605,376	23,667,500	-	-
	25,055,376	**24,223,025**	**48,778,025**	**57,563,541**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

The net asset value per ordinary share, with the debt at fair value is calculated as follows:

	2018 £	2017 £
Net assets per balance sheet	360,273,124	368,013,876
Add: financial liabilities at book value	25,055,376	48,778,025
Less: financial liabilities at fair value *	(24,223,025)	(57,563,541)
Net assets (debt at fair value)	**361,105,475**	**359,228,360**
Net asset value per ordinary share (debt at fair value)	**845.8p**	**841.4p**

* The fair value has been derived from the closing market value as at 30 November 2018 and 30 November 2017.

The fair value of the long term debt is calculated with reference to the nearest relevant gilt based on repayment date. A margin is added to the yield of the relevant reference gilt to calculate the fair value. This margin is derived from the excess of UK corporate bond yields over gilt yields.

The net asset value per ordinary share is based on 42,692,727 ordinary shares in issue at 30 November 2018 (2017 - 42,692,727).

17. Capital Management Policies and Procedures

The company's objective is to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities.

The company's capital at 30 November comprises:

	2018 £	2017 £
Debt		
Stepped Rate Interest Loan due within one year	-	18,203,038
Revolving Credit Facility	8,022,851	-
Creditors: amounts falling due after more than one year	25,055,376	30,574,987
	33,078,227	**48,778,025**
Equity		
Called up share capital	10,673,181	10,673,181
Share premium account and other reserves	349,599,943	357,340,695
	360,273,124	**368,013,876**
Total capital	**393,351,351**	**416,791,901**
Debt as a percentage of total capital	8.4%	11.7%

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2018

The board, with the assistance of the manager, monitors and reviews the broad structure of the company's capital on an ongoing basis. The level of gearing is monitored, taking into account the manager's view on the market and the future prospects of the company's performance. Capital management also involves reviewing the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium) to assess the need to repurchase shares for cancellation.

The company is subject to several externally imposed capital requirements. The company has an overdraft facility of £5m (2017 - £5m) available, hence any amounts drawn under this facility should not exceed £5m, and as a public company the minimum share capital is £50,000. The company's objective, policies and processes for managing capital are unchanged from the preceding accounting period, and the company has complied with them. The terms of the debenture trust deeds have various covenants which prescribe that moneys borrowed should not exceed the adjusted total of capital and reserves. These are measured in accordance with the policies used in the annual financial statements. The company has complied with these.

18. Transactions with the Investment Manager and related parties

The amounts paid to the investment manager together with details of the investment management contract are disclosed in note 2 on page 82. The existence of an independent board of directors demonstrates that the company is free to pursue its own financial and operating policies and therefore, under FRS102 Section 33: 'Related Party Disclosures', the investment manager is not considered to be a related party.

The company's related parties are its directors. Fees paid to the company's board are disclosed in the Directors' Remuneration Report on page 67.

There are no other identifiable related parties at the year end, and as of 14 February 2019.

19. Post Balance Sheet Events

There are no significant events after the end of the reporting period requiring disclosure.

Investor Information

Chicago, USA

Investor Information

AIFM and Depositary

Allianz Global Investors GmbH (AllianzGI) is designated the Alternative Investment Fund Manager (AIFM). AllianzGI is authorised to act as an AIFM and to conduct its activities from its UK Branch by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), in accordance with AIFMD and Financial Conduct Authority requirements. The management fee and the notice period are unchanged in the restated Management and Administration Agreement (details in Note 2 on page 82).

The company appointed HSBC Bank PLC as its depositary and custodian in accordance with AIFMD under an agreement between the company, AllianzGI and HSBC. Depositary fees are charged in addition to custody fees and are calculated on the basis of net assets.

Leverage and Risk Policies under AIFMD

Details of leverage and risk policies required under AIFMD are published on the website www.brunner.co.uk under Literature/Trust Documents/Disclosures to Investors under AIFMD. These policies represent no change to the board's policies in existence prior to AIFMD and are in place to ensure that these limits would not be breached under any foreseeable circumstances.

Remuneration Disclosure of the AIFM

Employee remuneration of Allianz Global Investors GmbH for the financial year ending 31 December 2017 (all values in Euro).

Number of employees: 1,744

	All employees	Risk Taker	Board Member	Other Risk Taker	Employees with Control Function	Employees with Comparable Compensation
Fixed remuneration	153,835,884	8,967,874	2,928,279	691,151	1,483,435	3,865,009
Variable remuneration	120,722,786	30,359,156	12,025,974	635,594	5,150,455	12,547,133
Total remuneration	**274,558,670**	**39,327,030**	**14,954,253**	**1,326,745**	**6,633,890**	**16,412,142**

Remuneration Policy of the AIFM

The compensation structure at AllianzGI is set up to avoid any kind of excessive risk-taking. Variable compensation awards are delivered via deferral programmes to ensure they are linked to sustainable performance. In addition, any compensation decisions have to be reviewed and approved by the AIFM's Functional, Regional and Global Compensation Committees on both an aggregate and individual basis, to further ensure effective risk mitigation.

Key Investor Information Document (KID)

The Key Investor Information (KID) is a new document which came into force in January 2018 for investment trusts and many other investment products operating under the Packaged Retail and Insurance-based Investment Products (PRIIP) Regulation. The KID is a standardised pan-European document that contains product, risk, charges and other information. It is a regulatory requirement that you are provided with a KID before you invest, and you will be required to declare that you have seen the latest KID when you make your investment.

The Brunner Investment Trust KID is available from the Literature Library at www.brunner.co.uk. However, your chosen platform provider or stockbroker should provide you with a copy before accepting your investment instructions. Please note that existing investors do not need to review the KID unless planning to add to an investment. The KID's standardised format is intended to allow potential investors to compare funds easily, on a like-for-like basis. However, there are wider investment industry concerns that disclosures mandated for inclusion may prove to be unhelpful for investors. Investors should be aware that the performance and risk numbers in the KID are based on the last five years' experience and note that past experience is not always a guide to the future.

Investor Information *(continued)*

Financial Calendar

Year end 30 November.
Full year results announced and Annual Financial Report posted to shareholders in February.
Annual General Meeting held in March/April.
Half year results announced and half-yearly Financial Report posted to shareholders in July.

Ordinary Dividends

It is anticipated that dividends will be paid as follows:

1st quarterly	June/July
2nd quarterly	September
3rd quarterly	December
Final	March/April

Preference Dividends

Payable half-yearly 30 June and 31 December.

Benchmark

For the year under review the benchmark was 70% FTSE World Ex UK Index / 30% FTSE All-Share Index. For further information, the FTSE 100 Index was 6980.24 at 30 November 2018, compared to 7326.67 at 30 November 2017, a decrease of 4.7%.

Market and Portfolio Information

The company's ordinary shares are listed on the London Stock Exchange. The market price range, gross yield and net asset value are shown daily in the Financial Times and The Daily Telegraph under the headings 'Investment Companies' and 'Investment Trusts', respectively. The net asset value of the ordinary shares is calculated daily and published on the London Stock Exchange Regulatory News Service. The geographical spread of investments and ten largest holdings are published monthly on the London Stock Exchange Regulatory News Service. They are also available from the manager's Investors Helpline on 0800 389 4696 or via the company's website: www.brunner.co.uk.

Website

Further information about The Brunner Investment Trust PLC, including monthly factsheets, daily share price and performance, is available on the company's website: www.brunner.co.uk.

How to Invest

Alliance Trust Savings Limited (ATS) is one of a number of providers offering a range of products and services, including Share Plans, ISAs and pension products. ATS also maintains services including online and telephone-based dealing facilities and online valuations. More information is available from Allianz Global Investors either via Investor Services on 0800 389 4696 or on the company's website: www.brunner.co.uk, or from Alliance Trust Savings Customer Services Department on 01382 573737 or by email: contact@alliancetrust.co.uk.

A list of other providers can be found on the company's website: www.brunner.co.uk.

Dividend

The board is recommending a final dividend of 6.0p to be payable on 5 April 2019 to shareholders on the Register of Members at the close of business on 1 March 2019, making a total distribution of 18.15p per share for the year ended 30 November 2018, an increase of 10.0% over last year's distribution. The ex dividend date is 28 February 2019.

A Dividend Reinvestment Plan (DRIP) is available for this dividend and the relevant Election Date is 8 March 2019.

Cash dividends will be sent by cheque to first-named shareholders at their registered address. Dividends may be paid directly into shareholders' bank accounts. Details of how this may be arranged can be obtained from Link Asset Services. Dividends mandated in this way are paid via Bankers' Automated Clearing Services (BACS).

Registrars

Link Asset Services (formerly Capita Asset Services),
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0371 664 0300. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday.
Email: enquiries@linkgroup.co.uk.
Website: www.linkassetservices.com

Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates, dividend payments, registered details, etc., shareholders should contact the registrars on 0371 664 0300. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Investor Information *(continued)*

Changes of name and address must be notified to the registrars in writing. Any general enquiries about the company should be directed to the Company Secretary, The Brunner Investment Trust PLC, 199 Bishopsgate, London EC2M 3TY. Telephone: 020 3246 7513.

Dividend Reinvestment Plan for Ordinary Shareholders (DRIP)

The registrars offer a DRIP which gives ordinary shareholders the opportunity to use their cash dividend to buy further shares in the company under a low-cost dealing arrangement. Terms and Conditions and an application form are enclosed with each dividend payment. For more information please email shares@linkgroup.co.uk or call 0371 664 0381.

Share Dealing Services

Link Asset Services operate an online and telephone dealing facility for UK resident shareholders with share certificates. Stamp duty and commission may be payable on transactions.

For further information on these services please contact: http://www.linksharedeal.com for online dealing or 0371 664 0445 for telephone dealing. Lines are open 8.00 a.m. to 4.30 p.m. (London time) Monday to Friday. Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Share Portal

Link Asset Services offer shareholders a free online service called Share Portal, enabling shareholders to access a comprehensive range of shareholder related information. Through Share Portal, shareholders can: view their current and historical shareholding details; obtain an indicative share price and valuation; amend address details; view details of dividend payments; and apply for dividends to be paid directly to a bank or change existing bank details.

Shareholders can access these services at www.signalshares.com. Shareholders will need to register for a Share Portal Account by completing an on-screen registration form. An email address is required.

International Payment Services

Link Asset Services operate an international payment service for shareholders, whereby they can elect either for their dividend to be paid by foreign currency draft or they can request an international bank mandate. This service is only available for dividend payments of £10 or more.

The International Payment Service will generally cost less than the fees charged by your local bank to convert your pounds sterling dividend into your local currency. A small administration fee per dividend payment applies. Your dividends are paid as cleared funds directly into your bank or sent to you as a draft.

Link Asset Services, working in partnership with Deutsche Bank, will arrange for your dividend to be exchanged into your local currency at competitive market based rates.

To use this service you will need to register online at: http://ips.linkassetservices.com/services/share-dealing-services or by contacting Link as detailed below.

For further information on these services please contact: 0371 664 0385. Lines are open between 9.00am and 5.30pm (London time), Monday to Friday or email IPS@linkgroup.co.uk.

CREST Proxy Voting

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

Association of Investment Companies (AIC)

The company is a member of the AIC, the trade body of the investment trust industry, which provides a range of literature including fact sheets and a monthly statistical service. Copies of these publications can be obtained from the AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY, or at www.theaic.co.uk.

AIC Category: Global.

Notice of Meeting

Notice is hereby given that the ninety-second annual general meeting of The Brunner Investment Trust PLC will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH, on Thursday 4 April 2019 at 12 noon to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and the Financial Statements for the year ended 30 November 2018 with the Auditor's Report thereon.
2. To declare a final dividend of 6.0p per ordinary share.
3. To re-elect Vivian Bazalgette as a director.
4. To re-elect Ian Barlow as a director.
5. To re-elect Peter Maynard as a director.
6. To approve the Directors' Remuneration Implementation Report.
7. To re-appoint PricewaterhouseCoopers LLP as the Auditor of the company.
8. To authorise the directors to determine the remuneration of the Auditor.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions:

9. That the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot relevant securities (within the meaning of section 551 of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £3,557,727 (14,230,908 ordinary shares) and shall expire at the conclusion of the next annual general meeting of the company held after the meeting at which this resolution is passed or 3 July 2020 if earlier, save that the directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10. That the directors be and are hereby empowered, pursuant to section 570 of the Companies Act 2006, to allot equity securities (as defined in section 560 of that Act) pursuant to the authority conferred by resolution 9 above or by way of a sale of treasury shares as if section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash of an aggregate maximum nominal amount of £533,659 (2,134,636 ordinary shares) and shall expire at the conclusion of the next annual general meeting of the company held after the meeting at which this resolution is passed or 3 July 2020, if earlier, save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

11. That the company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the company (ordinary shares) either for retention as treasury shares or for cancellation, provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 6,399,639;

(ii) the minimum price which may be paid for an ordinary share is 25p;

(iii) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Official List for the 5 business days immediately preceding the day on which the ordinary share is purchased or such other amount as may be specified by the London Stock Exchange from time to time;

(iv) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the company in 2020 or 3 July 2020 if earlier, unless such authority is renewed prior to such time;

(v) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract; and

199 Bishopsgate, London EC2M 3TY
14 February 2019

By order of the board
Kirsten Salt
Company Secretary

Notice of Meeting *(continued)*

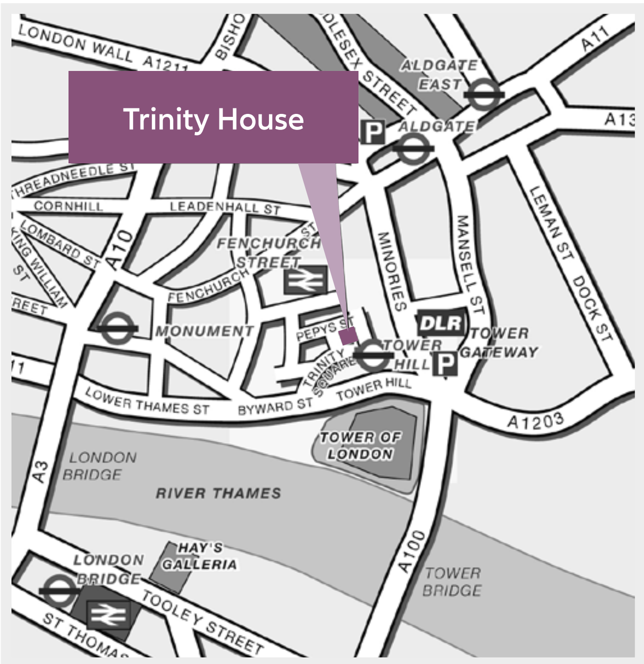
Notes:

1. Members entitled to attend and vote at this meeting may appoint one or more proxies to attend, speak and vote in their stead by completion of a personalised form of proxy. Full details on how to complete the form of proxy are set out on the form of proxy. The proxy need not be a member of the company.
2. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A proxy has one vote on a show of hands in all cases (including where one member has appointed multiple proxies) except where he is appointed by multiple members who instruct him to vote in different ways, in which case he has one vote for and one vote against the resolution.
3. A personalised form of proxy is provided with the Annual Financial Report. Any replacement forms must be requested direct from the registrars.
4. Completion of the form of proxy does not exclude a member from attending the meeting and voting in person.
5. Duly completed forms of proxy must reach the office of the registrars at least 48 (excluding non-business days) hours before the Meeting.
6. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com/CREST).
7. To be entitled to attend and vote at the meeting (and for the purpose of determination by the company of the number of votes they may cast), members must be entered on the company's Register of Members by close of business on 2 April 2019 (the record date).
8. If the meeting is adjourned to a time not more than 48 hours after the record date applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the company's Register of Members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives new notice of the adjourned meeting, at the record date specified in that notice.
9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
10. Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006. Pursuant to the Companies (Shareholders' Rights) Regulations 2009 (SI 2009/1632), multiple corporate representatives appointed by the same corporate member can vote in different ways provided they are voting in respect of different shares.
11. Members have a right under section 319A of the Companies Act 2006 to require the company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the company's website; or (c) it is undesirable in the best interests of the company or the good order of the meeting.
12. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the company, at its expense, to publish a statement on the company website setting out any matter which relates to the audit of the company's financial statements that are to be laid before the meeting. Any such statement must also be sent to the company's auditor no later than the time it is made available on the website and must be included in the business of the meeting.
13. As at 14 February 2019, the latest practicable date before this notice is given, the total number of shares in the company in respect of which members are entitled to exercise voting rights was 42,692,727 ordinary shares of 25p each. Each ordinary share carries the right to one vote and therefore the total number of voting rights in the company on 14 February 2019 is 42,692,727. The 5% cumulative preference shares do not ordinarily have any voting rights.
14. Further information regarding the meeting which the company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this notice), can be accessed at www.brunner.co.uk.

Notice of Meeting *(continued)*

15. Contracts of service are not entered into with the directors, who hold office in accordance with the Articles.

Annual General Meeting venue



Glossary of UK GAAP Performance Measures and Alternative Performance Measures

UK GAAP performance measures

Net Asset Value is the value of total assets less all liabilities. The Net Asset Value, or NAV, per ordinary share is calculated by dividing this amount by the total number of ordinary shares in issue. The debt in the company used in the calculation is measured at par value, that is, the net proceeds on issue plus accrued finance costs to date and, if issued at a premium, the amortised premium to date.

Earnings per ordinary share is the profit after taxation, divided by the weighted average number of shares in issue for the period.

Alternative Performance Measures (APMs)

Net Asset Value per ordinary share, **debt at fair value**, is the value of total assets less all liabilities, with the company's debt measured at the market value at the time of calculation. The Net Asset Value, or NAV, per ordinary share with debt at fair value is calculated by dividing this amount by the total number of ordinary shares in issue.

Net Asset Value per ordinary share, total return represents the theoretical return on NAV per ordinary share, assuming that dividends paid to shareholders were reinvested at the NAV per ordinary share at the close of business on the day the shares were quoted ex dividend (see Note 14 on page 90).

Share Price Total Return represents the theoretical return to a shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the ordinary shares of the company at the close of business on the day the shares were quoted ex dividend.

Benchmark Total Return is the return on the benchmark, on a closing market price basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time their shares were quoted ex dividend. Further information on the company's benchmark, which was changed during the financial year, can be found on page 12.

Discount is the amount by which the stock market price per ordinary share is lower than the Net Asset Value, or NAV, with debt at fair value, per ordinary share. The discount is normally expressed as a percentage of the NAV per ordinary share. The opposite of a discount is a premium.

Ongoing Charges are operating expenses incurred in the running of the company, whether charged to revenue or capital, but excluding financing costs. These are expressed as a percentage of the average net asset value during the year and this is calculated in accordance with guidance issued by the Association of Investment Companies (see page 15 for more detail).

The Brunner Investment Trust PLC
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