

30 June 2011

## Aim

The Trust's objective is to increase its total return above the benchmark index of 50% FTSE All-Share and 50% FTSE All-World Index (ex UK sterling adjusted) over the long term, by investing in UK and international securities. The strategy of the Trust is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio.

## Risks & Features

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

The Trust seeks to enhance returns for its shareholders through gearing, in the form of long-term, fixed rate debentures. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments lose value. You should be aware that this Trust may be subject to sudden and large falls in value and you could suffer substantial capital loss.

## History

The Trust was formed from the Brunner family's interest in the sale of Brunner, Mond & Co, the largest of the four companies which came to form ICI in 1926. The Trust has been managed by RCM (a subsidiary of Allianz Global Investors formerly Kleinwort Benson) since inception.

## Fund Managers' Review



Lucy Macdonald    Jeremy Thomas

Equity markets were weak in June on renewed concerns about slowing global growth and the Greek debt crisis but rallied sharply in the last few days of the month as worst case fears on Greece were averted by a series of votes in the Greek parliament to support Prime Minister Papandreu. Continuing to provide further debt to the over indebted Greek economy solves little in the long term and could be best described as

'kicking the can down a cul-de-sac'. However, it does prevent an imminent and disorderly default which would have caused havoc in financial markets and a significant challenge to an undercapitalised continental European banking system. At some point in the coming year or so policy makers in Europe will need to find a more substantial resolution to the peripheral sovereign debt crisis, which is likely to involve a Greek default in some form.

The Brunner Investment Trust NAV was down -0.01% (capital terms) in the month, slightly behind the benchmark (+0.05%). A significant contributor to returns was athletic shoes and sports apparel company adidas. The company is making inroads in the US in the running segment, with new, appealing styles and aggressive marketing and advertising, while in China the brand is one of the industry leaders due to its aggressive pricing and marketing campaigns as well as new, appealing designs. Reebok is turning around driven by increasing shelf penetration and retail profitability has the potential to approach a 20% operating margin in the longer term. Retail sales are expected to account for 45% of group sales in 2015, making this an important driver.

Economic data that had been predominantly negative in the US over previous months was more mixed during June. We continue to invest in a framework that recognises that this is not a normal economic cycle and that we are likely to experience more frequent economic contractions (perhaps every 3 or 4 years) rather than the long cycles we have been used to in recent decades. Although we continue to expect a prolonged period of low trend economic growth from a deleveraging economy, there is scope for the second half of 2011 to be a little more encouraging now expectations have been lowered. Because economic growth is so critical to working off Western debt and sustaining the assumed expansion of developing economies, markets are highly sensitive to signals on the economic outlook. This volatility will provide opportunities to buy good companies contra to the market mood. Towards the end of the month we added to positions in Tullett Prebon, Man Group and United Business on weakness, funded from the disposals of the more defensive National Grid and Reckitt Benkiser which had performed well.

## Key Information

<b>Total Assets:</b>	£279.5m
<b>Gearing (net):</b>	5.9%
<b>No. of Shares (Ordinary 1p):</b>	44,663,455
<b>Share Price<sup>1</sup>:</b>	424.5p
<b>Net Asset Value<sup>2</sup>:</b>	503.0p (473.7p – debt at market value)
<b>Premium/-Discount to NAV<sup>3</sup>:</b>	-15.6% (-10.4% – debt at market value)
<b>Dividend Yield<sup>2</sup>:</b>	2.87%
<b>No. of Holdings:</b>	109

All data source RCM (UK) Limited as at 30.06.11 unless otherwise stated.

<b>Launch Date:</b>	January 1927
<b>AIC Sector:</b>	Global Growth
<b>Benchmark:</b>	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
<b>Year end:</b>	30 November
<b>Annual Financial Report:</b>	Final posted in February, Half-yearly posted in July
<b>AGM:</b>	March
<b>Dividends:</b>	March, August
<b>Price Information:</b>	Financial Times, The Daily Telegraph, <a href="http://www.rcm.com/investmenttrusts">www.rcm.com/investmenttrusts</a>
<b>Board of Directors:</b>	Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), William Worsley (Senior Independent Director), Vivian Bazalgette, Peter Maynard
<b>Investment Manager:</b>	Lucy Macdonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity RCM A company of Allianz Global Investors
<b>Investor Services:</b>	0800 389 4696

<sup>1</sup>Source: Lipper as at 30.06.11, market close mid price.

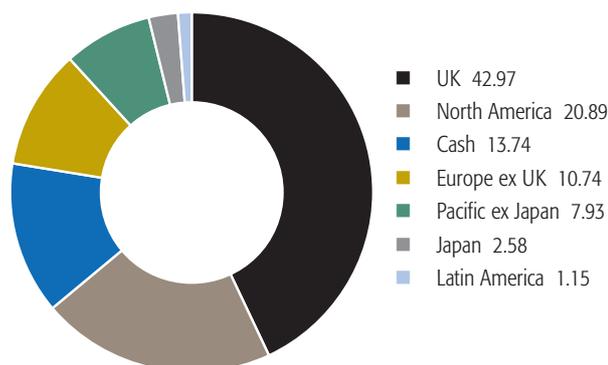
<sup>2</sup>Source: Datastream as at 30.06.11. Calculated using the latest full year dividend divided by the current share price.

<sup>3</sup>A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

## Top Ten Holdings (%)

Name	%
UK Government 5% 2012	3.7
GlaxoSmithKline	3.2
2.5% UK Government Index-Linked 2020	3.1
Royal Dutch Shell 'B'	2.9
BP	2.8
UK Government 4% Treasury Gilt 2022	2.8
Vodafone Group	2.4
HSBC	2.3
Diageo	1.9
Rio Tinto	1.8
<b>Total</b>	<b>26.9</b>

## Geographic Breakdown (%)



Changes in rates of exchange may cause the value of investments and the income from them to go down or up.

## How to Invest?

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker.

**RIC:** BUT      **SEDOL:** 0149000      **ISIN:** GB0001490001

Shares in the Trust can be held within an ISA and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website [www.rcm.com/investmenttrusts](http://www.rcm.com/investmenttrusts) or from the AIC at [www.theaic.co.uk](http://www.theaic.co.uk)

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk)

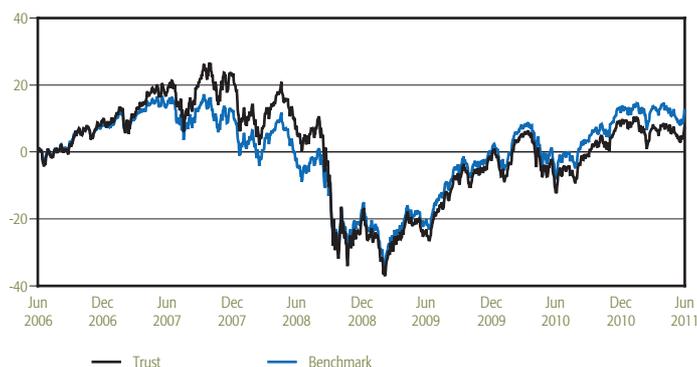
## RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

## Performance

### Five Year Trust Performance (%)



### Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	0.68	0.03	20.23	-0.31	7.58
Benchmark	0.16	1.12	20.48	14.94	12.91

### Standardised Past Performance (%)

From	30.06.06	29.06.07	30.06.08	30.06.09	30.06.10
To	29.06.07	30.06.08	30.06.09	30.06.10	30.06.11
Share Price	17.83	-8.42	-29.78	18.08	20.23

Source: Lipper, percentage growth, mid to mid, capital return, to 30.06.11  
Benchmark: 50% FTSE All-Share Index/50% FTSE All-World ex UK Index. Note the benchmark was 60% FTSE All-Share and 40% FT/S&P World Index (ex UK sterling adjusted) up to 26th March 2008.

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested.

This investment trust charges 70% of its annual management fee to the capital account and 30% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

All data source RCM (UK) Limited as at 30.06.11 unless otherwise stated.

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