

# The Brunner Investment Trust PLC

Global investment solution rich in family history



## Aim

The Trust aims to provide growth in capital value and dividends over the long term by investing in global and UK securities. The benchmark against which performance is measured is 70% FTSE World ex-UK Index and 30% FTSE All-Share Index.

## History

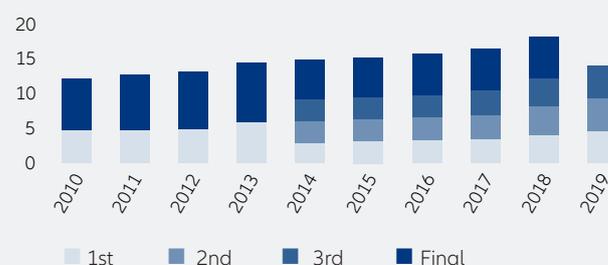
The Brunner Investment Trust PLC was formed from the Brunner family's interest in the sale of Brunner Mond & Co, the largest of the four companies which came to form Imperial Chemical Industries (ICI) in 1926. Today, Brunner shares are available for everyone to buy and are widely held by both private and institutional investors.

## Trust Benefits

Brunner aims to provide its shareholders with growing dividends and capital growth by investing in a portfolio of global equities. It is an independent company listed on the London Stock Exchange and, although past performance is no guide to the future, has paid increasingly higher dividends to its shareholders year on year for the last 47 years. The Trust invests in companies all over the world, seeking out opportunities for growth and reliable dividends wherever they may be.

## Ten Year Dividend History

Dividend Record in Pence per Share To Year End 30 November



## Last Four Dividend Payments per Share

Record Date	Pay Date	Dividend	Type
01.11.2019	12.12.2019	4.66p	3rd Quarterly
09.08.2019	19.09.2019	4.66p	2nd Quarterly
21.06.2019	25.07.2019	4.66p	1st Quarterly
01.03.2019	05.04.2019	6.00p	Final

Past performance is not a reliable indicator of future results.



Bronze

Morningstar Rating™



A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

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**Total Assets** £436.4m

**Shares in Issue** 42,692,727 (Ordinary 25p)

**Market Cap** £388.9m

Share Price

**911.0p**

NAV per Share

**949.4p**

Premium/-Discount

**-4.0%**

Dividend Yield

**2.1%**

Gearing

**7.3%**

**Share Price** is the price of a single ordinary share, as determined by the stock market. The share price above is the mid-market price at market close.

**Net Asset Value (NAV) per Share** 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.

The NAV figure above is based on the fair/

market value cum income of the company's long term debt and preference shares (known as debt at fair value). This allows for the valuation of long-term debt and preference shares at fair value or current market price, rather than at final repayment value (known as debt at par).

**Premium/Discount.** Since investment company shares are traded on a stock market, the share price that you get may be higher or lower than the NAV. The difference is known as a premium or discount.

**Dividend Yield** is calculated using the latest full year dividend divided by the current share price.

**Gearing** is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.

## Fund Manager's Review

### Market Review

Global equities closed 2019 on a strong footing, with many markets reaching fresh highs. Sentiment was lifted by two major developments: The US and China began to communicate they were close to reaching a "phase one" trade agreement, while the Conservative Party's decisive victory in the UK general election provided some clarity on Brexit.

As a fundamental underpinning to the stronger markets, economic data improved, buoying hopes that the global economic slowdown may have bottomed out. Most central banks kept interest rates on hold, with a handful of rate cuts in the developing world. However, Sweden's Riksbank bucked the broader trend, becoming the first central bank to move away from negative rates amid concerns over their wider impact.

The British pound surged following the Conservative Party's decisive victory in the UK general election, breaching USD 1.32 for the first time since the spring.

### Portfolio Review

The Trust's NAV with debt at fair value returned 2.57% against a benchmark return of 1.61%, after fees. Strong stock selection continued to be the portfolio's main driver of returns, particularly in the Industrials, Financials and Consumer Services sectors.

**Taiwan Semiconductor Manufacturing Company (TSMC)** has made the largest positive contribution to returns. A US/China rapprochement has eased pressure on the supplier of semiconductor wafers, which supplies Apple and Huawei, each country's respective smartphone giant. Looking

“ **Relative to other asset classes, equity markets are attractively valued**

ahead, the launch of TSMC's new 5 nanometre nodes will be central to the rollout of 5G handsets and infrastructure globally, which should fuel structural rather than cyclical growth. The yield of over 3% also remains attractive.

**Sirius Real Estate** also boosted performance. The UK real estate company has benefited from a decisive Conservative majority, which is seen as bringing some degree of clarity to the UK's political and economic future. However, with a high grade portfolio of properties in London and Manchester that is efficiently managed, Sirius has already substantially boosted its funds from operations. Alongside low interest rates and the high demand for yield, Sirius' investment case remains firmly intact.

**International Flavors and Fragrances (IFF)** was a weak spot in the month, as it made a surprise announcement of plans to merge with Dupont's Nutrition and Biosciences unit. The deal was met with scepticism by the market, where sentiment had only recently recovered from the recent Frutarom acquisition. While we share some concern about the timing of the deal, we do view it as a unique opportunity which is ultimately strategically sensible and fairly valued. The merged entity has the potential to create an industry leader with substantial synergy potential.

**Charles Schwab** also detracted from performance, reversing some of last month's contribution. Shares in the US financial services provider had rallied sharply in November following news it would be acquiring rival TD Ameritrade. Recent weakness is likely to reflect profit-taking. However, the month also saw a meaningful slowdown in interest-earning deposits as customers bought into equity funds. While further economic optimism



### Lucy Macdonald, Portfolio Manager

The Brunner Investment Trust is managed by Lucy Macdonald. Lucy is the Chief Investment Officer of Global Equities and a member of the European Management Committee. The Global Equity team is responsible for international mandates from clients around the world.

may impact net interest margins in the short-term, Schwab's acquisition of Ameritrade consolidates the firm's position as a leading wealth manager.

### Significant Transactions

Over the period we sold our position in **EOG Resources, Nielsen Holdings** and **TP ICAP**.

### Outlook

Monetary policy has been the strongest driver of equity market returns in 2019. This force is now on hold for the foreseeable future. This will provide a support for current asset levels, without providing stimulus for further strong appreciation. Growth, which decelerated throughout the previous year, also appears to be stabilising.

With the phase one US/China trade deal announced, the major drag on growth from trade disputes, tariffs and corporate spending should at least not increase. Corporate profits should also return to modest growth in 2020 after a year of negative momentum. In Europe, businesses are hopeful that Prime Minister Johnson's substantial majority will at last deliver some clarity on Brexit. In addition, the prospect of substantial fiscal stimulus has been widely discussed. As investors, we will need to see evidence of delivery.

Valuations have risen over the course of 2019 and remain higher than average in absolute terms. The MSCI World index's valuation, as measured by its aggregate long-term price-to-earnings ratio, is now at a level not seen since 2007. However, relative to other asset classes, notably fixed interest and cash, equity markets are attractively valued, with higher yields than most bond markets.

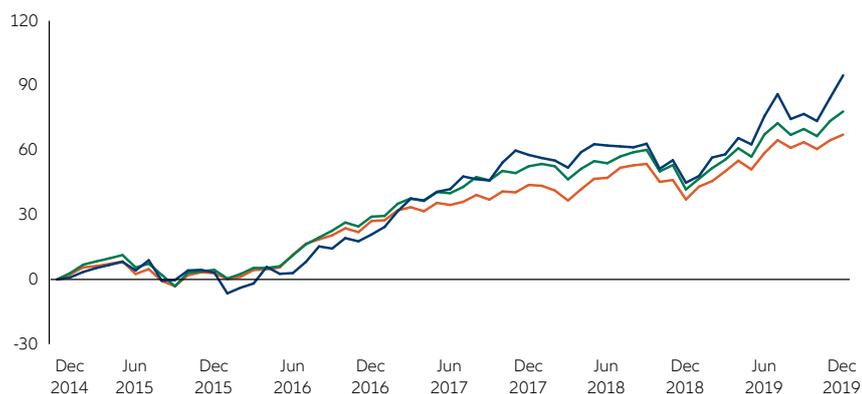
We maintain a strategic bias towards Quality and structural Growth. We believe this will continue to benefit the portfolio as sources of potential volatility remain in the uncertainty over growth, trade frictions between the US and its major trading partners, the US election and increased Middle East conflict. However, we recognise that valuations of Growth and Quality are higher than average. Therefore, within the range of our Quality Growth bias, we have been avoiding the most expensive defensives, favouring Health Care over Consumer staples for example, and maintaining some cyclical exposure via our Industrials exposure.

**Lucy Macdonald**  
16 January 2020

**This is no recommendation or solicitation to buy or sell any particular security. Any security mentioned above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.**

## Performance Track Record

### Five Year Performance (%)



■ Share Price ■ NAV (debt at fair value)  
 ■ Benchmark: Effective 22 March 2017 the benchmark weightings changed to 70% FTSE World ex-UK Index; 30% FTSE All-Share Index

### Risk & 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.

The Trust seeks to enhance returns for its shareholders through gearing which 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.

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

### Cumulative Returns (%)

	3M	6M	1Y	3Y	5Y
Share Price	10.1	10.7	34.4	61.1	94.7
NAV (debt at fair value)	4.8	6.4	25.6	37.9	78.0
Benchmark	2.2	5.4	21.9	31.6	67.2

### Discrete 12 Month Returns to 31 December (%)

	2019	2018	2017	2016	2015
Share Price	34.4	-8.2	30.6	17.1	3.2
NAV (debt at fair value)	25.6	-7.1	18.1	23.6	4.5
Benchmark	21.9	-4.7	13.2	23.5	2.9

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.12.19. Copyright 2019 © DataStream, a Thomson Reuters company. All rights reserved. DataStream shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

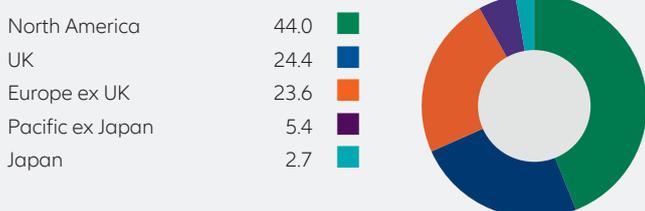
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

## Portfolio Breakdown

### Sector Breakdown\* (%)

Financials	22.7	
Industrials	22.4	
Health Care	15.5	
Technology	12.2	
Consumer Goods	9.2	
Consumer Services	7.2	
Basic Materials	5.0	
Utilities	2.7	
Oil & Gas	2.4	
Telecommunications	0.7	

### Geographic Breakdown\* (%)



### Top Twenty Holdings (%)

Microsoft	4.9
UnitedHealth Group	3.5
Muenchener Rueckver	3.2
Roche	3.0
Taiwan Semiconductor	2.9
Accenture	2.7
Visa - A Shares	2.6
Royal Dutch Shell - B Shares	2.4
Cooper Cos	2.3
Estée Lauder	2.3
Agilent Technologies	2.3
Ecolab	2.2
GlaxoSmithKline	2.0
Adidas	2.0
AIA Group	2.0
Microchip Technologies	1.8
Schneider Electric	1.8
AbbVie	1.8
Itochu	1.7
AMETEK	1.7

Total number of holdings 64

The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding.

This is no recommendation or solicitation to buy or sell any particular security.

\*Excludes Cash

## Key Information

Launch Date	December 1927
AIC Sector	Global
Benchmark	70% FTSE World ex-UK Index; 30% FTSE All-Share Index
Annual Management Charge	0.45%
Performance Fee	No
Ongoing Charges <sup>1</sup>	0.66%
Year End	30 November
Annual Financial Report	Final published in February, Half-yearly published in July
AGM	March/April
NAV Frequency	Daily
Dividends	March/April, June/July, September, December
Price Information	Financial Times, The Daily Telegraph, <a href="http://www.brunner.co.uk">www.brunner.co.uk</a>
Company Secretary	Kirsten Salt
Investment Manager	Lucy Macdonald
Codes	RIC: BUT.L SEDOL: 0149000

1. Source: AIC, as at the Trust's Financial Year End (30.11.2018). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

## Board of Directors

Carolan Dobson (Chairman)  
Amanda Aldridge  
Ian Barlow (Chairman of the Audit Committee)  
Peter Maynard (Senior Independent Director)  
Jim Sharp

## How to invest

You can buy shares in the Trust through:

- A third party provider - see 'How to Invest' on our website, where you will find links to a range of these platforms, many of which allow you to hold the shares within an ISA, Junior ISA, SIPP and/or savings scheme.
- A stockbroker.
- A financial adviser.

## Contact us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

0800 389 4696

[www.brunner.co.uk](http://www.brunner.co.uk)

**E-mail: [investment-trusts@allianzgi.com](mailto:investment-trusts@allianzgi.com)**

You will find much more information about The Brunner Investment Trust on our website.

Please note that we can only offer information and are unable to provide investment advice. You should contact your financial adviser before making any investment decision.



**Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested.** The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail.

**All data source Allianz Global Investors as at 31.12.19 unless otherwise stated.**

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