# The Brunner Investment Trust PLC

**Factsheet**

30 June 2013

## Fund Managers' Review


**Lucy Macdonald & Jeremy Thomas**

**Market Review**

Equity markets pulled back in June on concerns that the US Federal Reserve will begin "tapering" their purchases of government bonds this year. The FTSE All-Share Index fell 5.0% and the FTSE World (ex-UK) Index declined 2.5%, with most sectors in negative territory. Other asset classes which had been buoyed by liquidity were also impacted, with heavy selling of sovereign bonds and commodities, most notably gold, which tumbled to a three year low. Emerging markets asset prices were particularly impacted and also suffered from signs of weakening economic growth and tightening credit conditions in China.

Towards the end of the month market conditions began to stabilise as investors concluded that reduced asset purchases by the Federal Reserve was not imminent and that any tapering of buying would only occur once it had become clear that the US economy was improving on a sustainable basis. Short-term interest rates in China declined as its central bank stated that it would ensure sufficient liquidity for the financial system.

**Portfolio Review**

The Trust's NAV fell 4.5% compared with a 3.8% fall for the benchmark. Mothercare and Tullett Prebon continued to be strong and were the top contributors to performance. Mothercare is making steady progress on expanding internationally and turning around the loss-making UK business. Tullet Prebon is benefiting from improved trading, partly as a result of increased foreign exchange volatility.

Amadeus IT Holdings also contributed. The latest set of results showed on-going operating margin improvement and earnings were ahead of consensus forecasts. The company continues to benefit from increasing market share in the growing global air traffic market and deleveraging of the balance sheet which reduces interest expense.

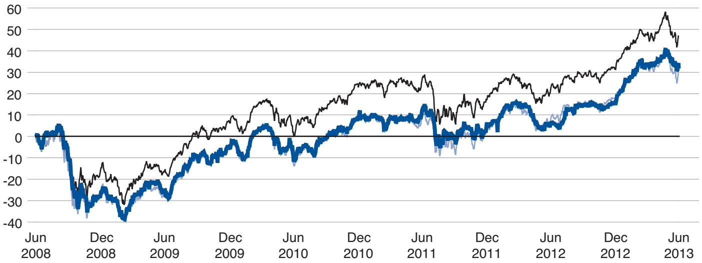
Allergan, a strong long-term contributor, detracted for the second consecutive month. The U.S. Food and Drug Administration (FDA) has opened the door for generic competition to Allergan's ophthalmic product Restasis beginning next year, which was considered a surprise. Operationally, the company continues to execute well, with strong sales of its flagship product Botox. In our view, Allergan remains well positioned over the longer term due to its high margin consumer product-like portfolio, but the shares lack a near-term catalyst.

We took advantage of the poor market reaction to First Group's rights issue to make an investment in the bus and rail company at a depressed valuation. We believe the business has the potential to significantly improve its operational performance over the medium term as it now has a stronger financial position.

**Outlook**

The recent decline in equity markets and rise in bond yields could be considered a healthy correction after a sustained bull market and one driven more by liquidity rather than any significant change in fundamentals. In fact, the spike in interest rates, coupled with the downward revision of US economic growth for the first quarter, could be viewed as increasing the downside risk to global growth, which would imply that Central Banks' support for bond markets will remain undiminished. Of course, a better economy would overall be positive for corporate earnings and supportive of equities. We believe it is a stark reminder of the unchartered territory the global economy has been navigating since the credit bubble when markets react negatively to prospective good news. Historically, bond bear markets have not been negative for risky assets and rising real rates tend to favour equities due to stronger implied growth, and we have no reason to believe that this time will be different.

## Performance (%)




### Cumulative Performance (%)

| | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Share Price | -1.5 | 14.2 | 23.5 | 46.0 | 31.8 |
| NAV | -2.9 | 10.9 | 20.1 | 47.2 | 29.5 |
| Benchmark | -0.6 | 12.0 | 20.3 | 44.2 | 47.0 |

### Discrete Performance (%)

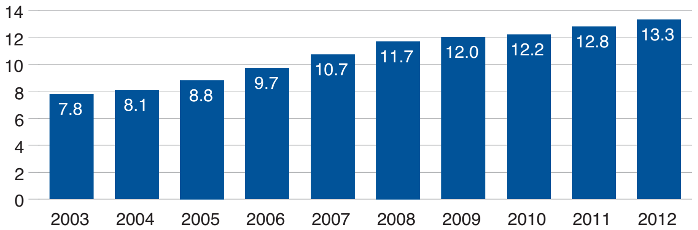
| From<br>To | 30.06.08<br>30.06.09 | 30.06.09<br>30.06.10 | 30.06.10<br>30.06.11 | 30.06.11<br>29.06.12 | 29.06.12<br>28.06.13 |
|---|---|---|---|---|---|
| Share Price | -25.1 | 20.5 | 24.0 | -4.6 | 23.5 |
| NAV | -27.6 | 21.5 | 23.3 | -0.6 | 20.1 |
| Benchmark | -16.6 | 22.2 | 23.9 | -3.3 | 20.3 |

Source: Lipper, percentage growth, mid to mid, total return to 30.06.13.
Benchmark: 50% FTSE All-Share Index; 50% FTSE World ex-UK Index.
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.



## Dividend History

### Ten Year Net Dividend Record in Pence (to year end 30 November)




Past performance is not a reliable indicator of future results.

All data source Allianz Global Investors as at 30.06.13 unless otherwise stated.

**Allianz Global Investors,** 155 Bishopsgate, London EC2M 3AD

**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.**

Allianz Global Investors

## Capital Structure

| | |
|---|---|
| Total Assets: | £301.5m |
| Gearing (net): | 8.7% |
| Shares in Issue: | 43,101,918 (Ordinary 25p) |
| Share Price[1]: | 470.0p |
| Net Asset Value[3]: | 571.0p (546.7p – debt at market value) |
| Premium/-Discount to NAV[3]: | -17.7% (-14.0% – debt at market value) |
| NAV Frequency | Daily |
| Dividend Yield[2]: | 2.83% |

1. Source: Lipper as at 30.06.13, market close mid price.
2. Source: Datastream as at 30.06.13. Calculated using the latest full year dividend divided by the current share price.
3. 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.

## Key Information

| | | |
|---|---|---|
| Launch Date: | January 1927 | |
| AIC Sector: | Global Growth | |
| Benchmark: | 50% FTSE All-Share Index<br>50% FTSE World ex-UK Index | |
| Annual Management Charge: | 0.45% | |
| Performance Fee: | No | |
| On-going Charges:[4] | 0.78% | |
| Year end: | 30 November | |
| Annual Financial Report: | Final posted in February,<br>Half-yearly posted in July | |
| AGM: | March | |
| Dividends: | March, August | |
| Price Information: | Financial Times, The Daily Telegraph,<br>www.brunner.co.uk | |

Board of Directors:
Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), Sir William Worsley (Senior Independent Director), Vivian Bazalgette, Peter Maynard

| | | |
|---|---|---|
| Company Secretary | Kirsten Salt | |
| Investment Managers | Lucy Macdonald & Jeremy Thomas | |
| Codes: | RIC: | BUT |
| | SEDOL: | 0149000 |

4. Source: AIC, as at the Trust's Financial Year End (30.11.2012). On-going Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

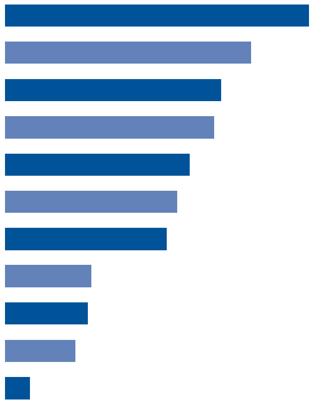
## Risks & Features

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 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.

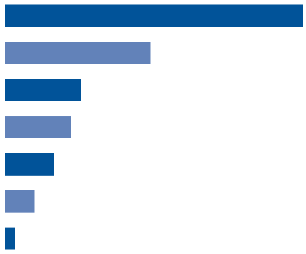
## Sector Breakdown (%)

| | |
|---|---|
| Financials | 17.3 |
| Industrials | 14.0 |
| Consumer Services | 12.3 |
| Health Care | 11.9 |
| Oil & Gas | 10.5 |
| Cash | 9.8 |
| Consumer Goods | 9.2 |
| Technology | 4.9 |
| Telecommunications | 4.7 |
| Basic Materials | 4.0 |
| Utilities | 1.4 |



## Geographic Breakdown (%)

| | |
|---|---|
| UK | 44.2 |
| North America | 21.6 |
| Europe ex UK | 11.2 |
| Cash | 9.8 |
| Pacific ex Japan | 7.3 |
| Japan | 4.4 |
| Latin America | 1.5 |



## Top Ten Holdings (%)

| | | | |
|---|---|---|---|
| Royal Dutch Shell "B" Shares | 3.3 | Reed Elsevier | 2.0 |
| HSBC | 3.1 | UBM | 1.4 |
| GlaxoSmithKline | 3.1 | Unilever | 1.4 |
| BP | 2.9 | Rio Tinto | 1.3 |
| Vodafone | 2.5 | Tesco | 1.3 |
| Total Number of Holdings | 108 | | |

Largest holdings shown excluding Government debt which is held for structural and not investment reasons

## Net Dividends (Financial Year to Date)

| | Pay Date | Record Date | Payment |
|---|---|---|---|
| interim dividend | 31.08.12 | 03.08.12 | 5.0p |
| final dividend | 22.03.13 | 22.02.13 | 8.3p |

## 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. 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.

## Contact Us

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

**0800 389 4696**

e-mail: investment-trusts@allianzgi.com
website: www.brunner.co.uk

All data source Allianz Global Investors as at 30.06.13 unless otherwise stated.