

## Investment Rationale

Jointly managed by Lucy MacDonald and Jeremy Thomas, The Brunner Investment Trust PLC provides investors with a globally diversified equity portfolio. It combines a base in the UK with the freedom to invest globally. Through Brunner, investors can access a spread of high quality companies in a single portfolio.

## 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.

## 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



Brunner Investment Trust NAV (capital only) was down 0.8% versus -0.7% for its benchmark. On the positive side, returns were helped by Consumer Goods company Estee Lauder, which continued to exceed consensus earnings expectations, and an underweight in

Financials, in particular not owning Lloyds Banking Group. Performance was held back, however, by weakness in smaller companies such as Keller and Tullett Prebon as investors favoured a narrower group of large cap defensive stocks.

Two new stocks were added to the portfolio at the end of the month: AZ Electronic Materials, a niche provider of speciality chemicals to the semiconductor industry, and Xstrata, the diversified mining company. AZ Electronic Materials benefits from the increasing complexity of memory and logic chips. Their products have high barriers to entry and leading market positions from intellectual property and customer relationships resulting in high margins and returns on capital. The business is significantly more stable than the semiconductor industry as sales are more dependent on volumes than on selling prices. This point may have been underestimated by the wider market where growth forecasts for 2012 are modest. Although we remain sceptical on the upside potential for commodity prices as global growth weakens and construction in China comes under pressure, the mining sector has been weak in the short term and may benefit from the provision of liquidity to the financial system in coming months. As a result we reduced the size of the sector underweight to a more modest 2% via the purchase of Xstrata.

The global environment remains highly uncertain. Unlike the immediate aftermath of the global financial crisis two years ago policy makers have less scope to respond to economic weakness with interest rates already low and fiscal deficits at, or even above, their limits. Politicians will need to get the big decisions surrounding the future of the euro and the US budget deficit right in 2012 if the volatility in asset prices is to abate. As in the UK it seems likely that growth in the US will need to be supported by more quantitative easing. If no rapid solution can be found to the Eurozone problem the ECB may well have to swallow its principles and resort to the printing press to fund sovereign debt challenges.

## Performance (%)



## Cumulative Performance (%)

|             | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|-------------|----------|----------|--------|---------|---------|
| Share Price | -1.01    | -9.03    | -2.56  | 32.69   | -6.74   |
| NAV         | 0.87     | -8.39    | -1.66  | 31.33   | -5.95   |
| Benchmark   | 0.78     | -9.33    | -1.95  | 33.11   | -2.27   |

## Standardised Past Performance (%)

|             | From | To | 29.09.06 | 28.09.07 | 30.09.08 | 30.09.09 | 30.09.10 | 30.09.11 |
|-------------|------|----|----------|----------|----------|----------|----------|----------|
| Share Price |      |    | 16.57    | -21.14   | -2.04    | 7.22     | -4.92    |          |
| NAV         |      |    | 17.76    | -23.65   | 0.94     | 6.32     | -6.86    |          |
| Benchmark   |      |    | 9.64     | -21.24   | 7.56     | 7.93     | -6.89    |          |

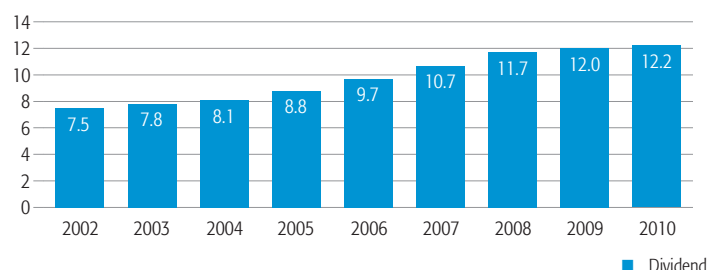
Source: Lipper, share price calculation percentage growth, mid to mid, capital return to 30.11.11.

Benchmark: 50% FTSE All-Share Index; 50% FTSE All-World ex UK Index.

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.

## Dividend History

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



### Net Dividends Paid (calendar year to date)

|                  | Pay Date | XD Date | Payment |
|------------------|----------|---------|---------|
| Interim Dividend | 2.9.11   | 5.8.11  | 4.8p    |

## Capital Structure

|   |  |
|---|--|
| Total Assets:                           | £255.8m                                |
| Gearing (net):                          | 8.9%                                   |
| Shares in Issue:                        | 43,658,587 (Ordinary 25p)              |
| Share Price <sup>1</sup> :              | 390.0p                                 |
| Net Asset Value <sup>2</sup> :          | 460.8p (422.6p – debt at market value) |
| Premium/-Discount to NAV <sup>3</sup> : | -15.4% (-7.7% – debt at market value)  |
| NAV Frequency                           | Daily                                  |
| Dividend Yield <sup>2</sup> :           | 3.21%                                  |

1. Source: Lipper as at 30.11.11, market close mid price.

2. Source: Datastream as at 30.11.11. 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 All-World ex UK Index  |
| Annual Management Charge:         | 0.45%   |
| Performance Fee:                  | No  |
| Total Expense Ratio: <sup>4</sup> | 0.60%   |
| 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><a href="http://www.rcm.com/investmenttrusts">www.rcm.com/investmenttrusts</a> |

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

|                    |   |
|--------------------|---|
| Company Secretary  | Kirsten Salt  |
| Investment Manager | Lucy MacDonald, CIO, Global Equity<br>Jeremy Thomas, CIO, UK Equity |
| Codes:             | RIC: BUT<br>SEDOL: 0149000<br>ISIN: GB0001490001                    |

4. Source: Annual Financial Report

## 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.

All data source RCM (UK) Limited as at 30.11.11 unless otherwise stated.

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## Portfolio Analysis

| Top Ten Holdings                | (%) | (%)      |     |
|---------------------------------|-----|----------|-----|
| UK Gov Bond 5.0% 2012           | 4.0 | BP       | 3.1 |
| UK Gov Bond 2.5% Ind-Linked '20 | 3.6 | Vodafone | 2.7 |
| GlaxoSmithKline                 | 3.5 | Diageo   | 2.2 |
| UK Gov Bond 4.0% 2022           | 3.4 | HSBC     | 2.0 |
| Royal Dutch Shell "B" Shares    | 3.2 | Unilever | 1.9 |
| Total Number of Holdings        |     |          | 109 |

| Sector Breakdown   | (%)   |
|--------------------|-------|
| Financials         | 14.94 |
| Industrials        | 13.93 |
| Cash               | 12.91 |
| Oil & Gas          | 10.40 |
| Consumer Goods     | 9.70  |
| Consumer Services  | 8.92  |
| Health Care        | 8.80  |
| Technology         | 6.60  |
| Basic Materials    | 6.26  |
| Telecommunications | 5.10  |
| Utilities          | 2.44  |
| Other              | 0.01  |

| Geographic Breakdown | (%)   |
|----------------------|-------|
| UK                   | 44.80 |
| North America        | 20.74 |
| Cash                 | 12.91 |
| Europe ex UK         | 9.24  |
| Pacific ex Japan     | 7.77  |
| Japan                | 3.12  |
| Latin America        | 1.42  |

## 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 or from the AIC at [www.theaic.co.uk](http://www.theaic.co.uk)

## CONTACT US

To download the Annual Financial Report, Trust brochure or watch an interview with the fund manager, please visit us online at [www.rcm.com/investmenttrusts](http://www.rcm.com/investmenttrusts)



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

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**website: [www.rcm.com/investmenttrusts](http://www.rcm.com/investmenttrusts)**