

# The Brunner Investment Trust PLC

Factsheet

31 July 2013

## Fund Managers' Review



Lucy Macdonald & Jeremy Thomas

### Market Review

Equity markets shrugged off recent concerns about potentially reduced central bank support for bond markets and moved higher in July, helped by growing optimism about the global economy and a healthy start to the 2013 second quarter corporate earnings season. The FTSE All-Share Index gained 6.8% and the FTSE World ex-UK Index rose 4.9%. Market strength was broad based with all sectors comfortably in positive territory. Bonds also recovered some of their losses.

The month began with positive news out of Japan and the US. The Bank of Japan's quarterly Tankan report showed a strong rise in business confidence to the highest level in two years. In the US, the ISM Manufacturing Index also came in higher than expected. China's economic growth figure of 7.5% for the second quarter was in-line with expectations although manufacturing was weak. Markets also took comfort in comments by US Federal Reserve Chairman Ben Bernanke that a reduction in bond purchases would only occur if economic data firmly showed a drop in unemployment and rise in inflation. Q2 corporate earnings, which began to be released towards the end of the month, were also positive with close to 70% of S&P companies reporting exceeding consensus forecasts, according to Bloomberg.

### Portfolio Review

The Trust's NAV was up 7.4%, outperforming the benchmark which rose by 5.8%. US biotechnology company Celgene was the top contributor. Celgene has a number of new and existing drugs with potential new therapeutic indications in various trial phases. Quarterly results were better than anticipated and the company continues to have good earnings visibility although this is now reflected in valuations.

Reed Elsevier was also strong. Results also surprised on the upside driven by margin improvements from a combination of its Risk Solutions business and disposals of lower margin businesses. The company is successfully transforming its business from print to digital and growing in emerging countries which implies ongoing margin expansion. We continue to like Reed's defensive, steady growth businesses but as with Celgene, valuations are full.

Microsoft was a top detractor. The company released disappointing quarterly earnings that missed expectations mainly due to weakness in the Windows business. Enterprise continues to show healthy growth as evidenced by Office 365 revenues increasing nearly 50% quarter-on-quarter. With a nearly 3% dividend yield, over 25% of its market cap in cash and improving longer-term prospects, we remain positive on the shares.

Visa also detracted. The shares fell at the end of the month on a US court ruling that increased the risk of a cut in debit card interchange fees which would at worst have a marginal impact on earnings. Prior to the ruling, Visa had released strong results and we continue to like the company for its strong cash flow generation, high operating margins and robust transaction volume growth.

### Outlook

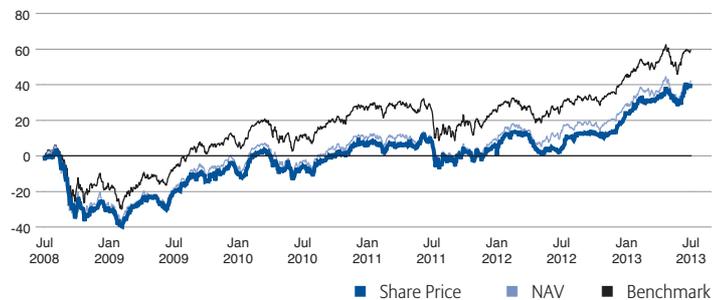
As suggested last month, we believe the recent decline in equity markets and rise in bond yields were simply a healthy liquidity-driven correction after a sustained bull market run and did not signal a significant change in fundamentals. We continue to see signs of slightly better economic activity globally. We believe European growth momentum is likely to stabilise in the second half of the year and US growth could surprise on the upside, provided that politicians agree on a solution to the fiscal cliff. On the other hand, emerging market data remains mixed and while Japan benefits from a weaker Yen, the long-term effects of its economic policies remain unclear. However, the US Federal Reserve has explicitly outlined the economic conditions in the US necessary to begin the tapering of bond purchases and monetary policy continues to be accommodative. Together with slightly improving cyclical data, this should continue to provide support for equities.

All data source Allianz Global Investors as at 31.07.13 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.**

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	5.2	14.2	36.0	51.1	40.5
NAV	4.6	11.6	26.5	48.7	42.6
Benchmark	4.6	10.9	25.5	45.3	59.8

## Discrete Performance (%)

From To	31.07.08 31.07.09	31.07.09 30.07.10	30.07.10 29.07.11	29.07.11 31.07.12	31.07.12 31.07.13
Share Price	-20.3	16.7	15.4	-3.8	36.0
NAV	-18.8	18.1	13.7	3.4	26.5
Benchmark	-7.2	18.6	14.3	1.3	25.5

Source: Lipper, percentage growth, mid to mid, total return to 31.07.13.

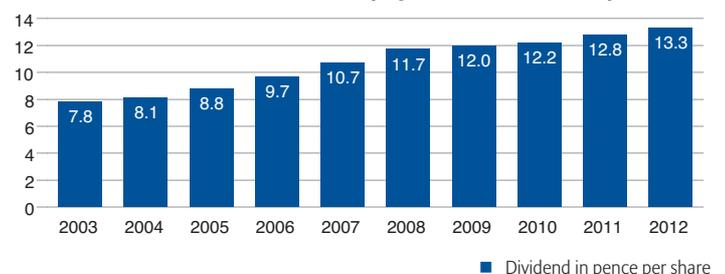
Benchmark: 50% FTSE All-Share Index; 50% FTSE World ex-UK Index.

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.

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## Dividend History

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



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**Allianz**   
Global Investors

# The Brunner Investment Trust PLC

## Capital Structure

Total Assets:	£313.9m
Gearing (net):	7.0%
Shares in Issue:	43,089,418 (Ordinary 25p)
Share Price <sup>1</sup> :	504.5p
Net Asset Value <sup>2</sup> :	607.3p (580.6p – debt at market value)
Premium/-Discount to NAV <sup>2</sup> :	-16.9% (-13.1% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>3</sup> :	2.83%

1. Source: Lipper as at 31.07.13, market close mid price.

2. Source: Datastream as at 31.07.13. 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 50% FTSE World ex-UK Index
Annual Management Charge:	0.45%
Performance Fee:	No
On-going Charges <sup>4</sup> :	0.78%
Year end:	30 November
Annual Financial Report:	Final posted in February, Half-yearly posted in July
AGM:	March
Dividends:	March, August
Price Information:	Financial Times, The Daily Telegraph, 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	18.6
Industrials	14.5
Consumer Services	12.3
Health Care	11.9
Oil & Gas	10.5
Cash	9.0
Consumer Goods	8.4
Telecommunications	4.6
Basic Materials	4.4
Technology	4.4
Utilities	1.4

## Geographic Breakdown (%)

UK	44.4
North America	22.3
Europe ex UK	11.6
Cash	9.0
Pacific ex Japan	7.1
Japan	4.2
Latin America	1.4

## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	3.4	Reed Elsevier	2.1
HSBC	3.3	UBM	1.5
GlaxoSmithKline	3.0	Rio Tinto	1.4
BP	2.7	Tesco	1.3
Vodafone	2.5	Resolution	1.3
<b>Total Number of Holdings</b>	<b>104</b>		

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

## Net Dividends

	Pay Date	Record Date	Payment
interim dividend	30.08.13	02.08.13	6.0p
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**

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

All data source Allianz Global Investors as at 31.07.13 unless otherwise stated.

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