# The Brunner Investment Trust PLC

Global investment solution rich in family history

Allianz Global Investors

## 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

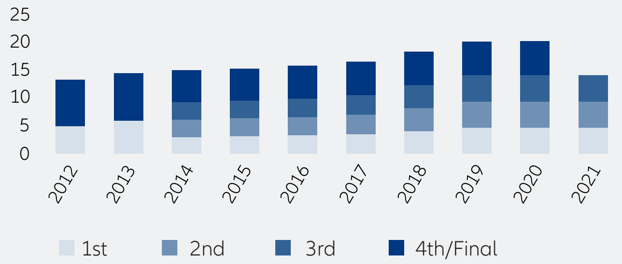
The Brunner Investment Trust PLC was formed from the Brunner family's interest in the sale of Brunner Mond & Co, the largest of the four companies which came to form Imperial Chemical Industries (ICI) in 1926. Today, Brunner shares are available for everyone to buy and are widely held by both private 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 49 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 |
|---|---|---|---|
| 29.10.2021 | 10.12.2021 | 4.70p | 3rd Interim |
| 06.08.2021 | 16.09.2021 | 4.70p | 2nd Interim |
| 18.06.2021 | 22.07.2021 | 4.70p | 1st Interim |
| 26.02.2021 | 01.04.2021 | 6.05p | Final |

Past performance is not a reliable indicator of future results.

INTEGRATED ESG iESG

aic DIVIDEND HERO

Morningstar Rating™ ★★★

Consideration of Environmental, Social and Governance (ESG) factors is fully integrated into The Brunner Investment Trust's investment process. Visit www.brunner.co.uk/Integrated-ESG/ for more information.

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



**Total Assets** £527.6m **Shares in Issue** 42,692,727 (Ordinary 25p) **Market Cap** £435.5m

| Share Price | NAV per Share | Premium/-Discount | Dividend Yield | Gearing |
|---|---|---|---|---|
| 1020.0p | 1168.2p | -12.7% | 2.0% | 6.9% |

**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.

All data source DataStream and Allianz Global Investors as at 31.10.21 unless otherwise stated.

## Fund Manager's Review

### Market Review

Global equity markets rebounded strongly in October as optimism over robust corporate earnings outweighed the growing prospect of central banks raising interest rates. Supply chain disruptions and higher energy costs continued to fuel inflation and weigh on manufacturing activity, while services sectors generally fared better despite labour shortages.

At a sector level, Energy companies were once again among the strongest performers, as oil prices hit seven-year highs. Consumer Discretionary and Technology stocks also outperformed thanks to strong earnings releases. In contrast, Communication Services and Consumer Staples lagged the broader rally.

### Portfolio Review

The Trust's equity portfolio outperformed its benchmark in October, delivering a NAV total return of 3.87% vs the benchmark's 3.05%.

**Unitedhealth Group** made the largest positive contribution to returns. The health insurance provider reported solid Q3 results, with earnings ahead of consensus. Unitedhealth has been less impacted by Covid than feared, while enrolment into its plans continues to grow strongly.

**Accenture** also boosted performance. Having lagged in September's rotation away from more growth-oriented names, the digital-focused management consultancy rebounded in October. Accenture's results the previous month indicated strong demand amid rapidly improving corporate IT spending, with sales potentially continuing to grow double digits for the next fiscal year.

> "Rising energy prices, labour shortages as well as lost manufacturing capacity continue to put upward pressure on prices across the economy

**Visa**, the global payments network, made the largest negative contribution to returns. A strong earnings release was offset by the CEO's warning that international travel is unlikely to reach pre-pandemic levels before summer 2023, combined with a more muted near-term overall revenue growth outlook.

**Tyman** also eroded performance in October. Shares in the maker of window and door components weakened on supply chain concerns and rising input costs. However, demand for Tyman's products is outpacing broader economic growth, enabling them to pass on price increases. Recent acquisitions of similar assets by Assa Abloy (a larger rival) have sold for almost double the multiple on which Tyman's shares trade.

### Significant Transactions

Within the banking sector, we sold the position in **Lloyds Banking Group** and initiated a new position in **Paragon Bank**.

Lloyds is a UK retail bank which has a market leading position in residential mortgages. The shares have rallied strongly in recent months on the expectation of rising interest rates. In recent years the UK mortgage market has become more commoditised and competitive, with only modest long-term growth. Investment requirements are also rising as the need to expand digital / customer-facing technology increases.

Paragon is a specialist bank operating primarily in the UK residential buy to let market. This is relatively niche market requiring specialist and more costly manual underwriting expertise. As a result, competition is lower, giving incumbents like Paragon more pricing power and more compelling financial returns. The end market is seeing a gradual shift away from amateur landlords towards professionals. Paragon's penetration of this segment has delivered strong growth in recent years.

**Matthew Tillett, Portfolio Manager**

The Brunner Investment Trust is managed by Matthew Tillett. Having been deputy manager of Brunner since 2016, Matthew Tillett took over as the lead manager in May 2020 and is supported by portfolio managers Marcus Morris-Eyton and Christian Schneider. Matthew joined AllianzGI in 2006. He graduated from Bristol University with a first class degree in Economics and Economic History. He also holds a masters (with distinction) in International Political Economy from the London School of Economics. Matthew holds the IMC designation and is a CFA® charterholder.

### Market Outlook

The passage of time has begun to show that inflationary pressures are not as transient as the world's central bankers believe. Rising energy prices, labour shortages as well as lost manufacturing capacity continue to put upward pressure on prices across the economy. The US is seeing the highest rates of inflation but the trend is noticeable everywhere. As we have commented previously, whilst some of the factors driving this inflation are likely to prove temporary, other changes are more structural. This suggests, at the very least, a less deflationary environment than the one that existed in the years prior to the pandemic.

For the corporate sector, the recovery from the pandemic has thus far been favourable for corporate profitability. Well run companies that traded well through the pandemic and/or benefited from the reopening of the economy have, in many cases, seen margins expand to record levels. Costs have, for the most part, been kept well under control, helped by the reductions in corporate travel and marketing expenses. Looking forward however, post-pandemic base effects are naturally moderating growth expectations for 2022, whilst the impact of inflationary pressures may bite into corporate profitability,

Central banks thus find themselves in a tricky situation, balancing the need to raise rates with the possibility that the pace of economic growth may have already peaked. Recent announcements from both the US Federal Reserve System and the Bank of England have tended towards dovishness (meaning the banks are unlikely to take strong action), however there is only so long this can continue in the face of persistently high inflation.

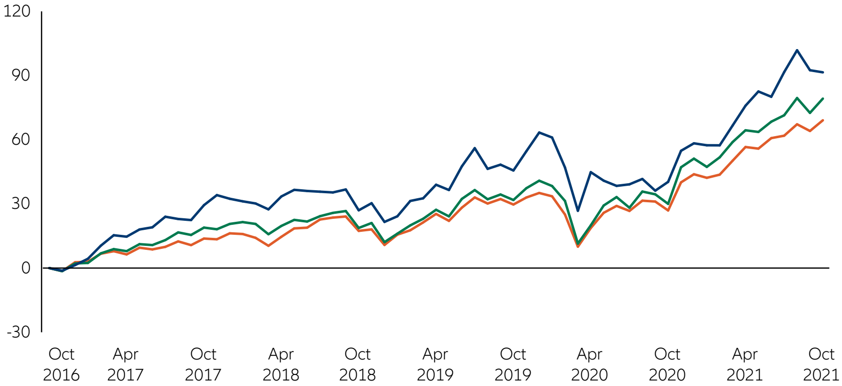
Against these shifting and uncertain macroeconomic forces, our focus on quality companies generating strong earnings growth remains steadfast. Holdings such as TSMC have in fact continued to raise their revenue and earnings guidance on the back of strong underlying demand which is structural in nature. Others such as Assa Abloy, which are clearly facing near-term headwind on rising costs, are confident of their ability to pass these on to customers over the longer-term. Sense-checking this resilience and, where appropriate, increasing positions on high conviction positions is at the heart of our active approach.

**Matthew Tillett**
**19 November 2021**

**This is no recommendation or solicitation to buy or sell any particular**

## 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 an down.

### Cumulative Returns (%)

| | 3M | 6M | 1Y | 3Y | 5Y |
|---|---|---|---|---|---|
| Share Price | -0.1 | 8.9 | 36.5 | 50.8 | 91.5 |
| NAV (debt at fair value) | 4.5 | 9.4 | 38.4 | 51.5 | 79.9 |
| Benchmark | 4.5 | 8.0 | 33.2 | 44.0 | 69.1 |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Share Price | 36.5 | -3.6 | 14.6 | -1.9 | 29.4 |
| NAV (debt at fair value) | 38.4 | -1.4 | 11.0 | -0.1 | 18.9 |
| Benchmark | 33.2 | -2.1 | 10.5 | 3.2 | 13.8 |

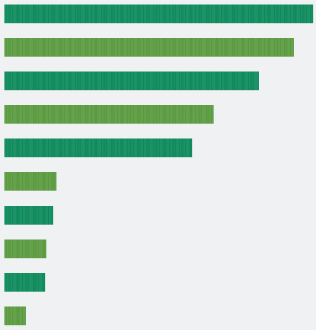


**Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount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

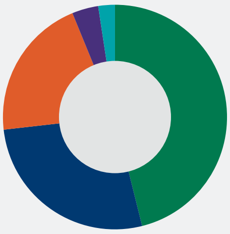
### Sector Breakdown* (%)

| | |
|---|---|
| Health Care | 21.2 |
| Industrials | 19.8 |
| Financials | 17.5 |
| Information Technology | 14.4 |
| Consumer Discretionary | 12.9 |
| Consumer Staples | 3.6 |
| Energy | 3.4 |
| Materials | 2.9 |
| Utilities | 2.8 |
| Real Estate | 1.5 |



### Geographic Breakdown* (%)

| | |
|---|---|
| North America | 46.1 |
| Europe ex UK | 27.1 |
| UK | 20.6 |
| Pacific ex Japan | 3.8 |
| Japan | 2.4 |



### Top Twenty Holdings (%)

| | |
|---|---|
| Microsoft | 5.4 |
| UnitedHealth Group | 4.3 |
| Accenture | 3.3 |
| Roche | 2.9 |
| Cooper Cos | 2.8 |
| Taiwan Semiconductor | 2.7 |
| Muenchener Rueckver | 2.7 |
| Novo Nordisk | 2.4 |
| Schneider Electric | 2.3 |
| Estée Lauder | 2.3 |
| Visa - A Shares | 2.3 |
| AbbVie | 2.3 |
| Agilent Technologies | 2.2 |
| Microchip Technology | 2.1 |
| Adidas | 1.9 |
| AIA Group | 1.9 |
| AMETEK | 1.8 |
| Partners Group | 1.8 |
| St James's Place | 1.8 |
| Royal Dutch Shell - B Shares | 1.8 |

**Total number of holdings** 65

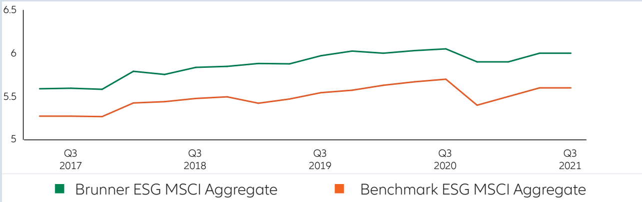
The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding. This is no recommendation or solicitation to buy or sell any particular security.

*Excludes Cash

## Environmental, Social and Governance (ESG)

AllianzGI has a dedicated ESG research team working with the portfolio managers to integrate ESG factors into investment decisions. The board supports AllianzGI's view that there is value in working with companies in the portfolio on environmental, social, governance and business conduct issues.

AllianzGI uses third party research provided by MSCI to help identify ESG factors that can impact the businesses of the companies in the portfolio. The chart below shows that the Brunner portfolio's ESG ratings compare well against the benchmark's ESG ratings over a three year period.




The chart above shows the rating of the Brunner portfolio on ESG risks and combined ESG risk measurements compared to the rating of the Benchmark (70% FTSE World ex-UK Index; 30% FTSE All-Share Index) scored on a scale of 1-10 (where 10 is high) on a quarterly basis.

## Key Information

| | |
|---|---|
| Launch Date | December 1927 |
| AIC Sector | Global |
| Benchmark | 70% FTSE World ex-UK Index; 30% FTSE All-Share Index |
| Annual Management Fee | 0.45% |
| Performance Fee | No |
| Ongoing Charges[1] | 0.64% |
| Year End | 30 November |
| Annual Financial Report | Final published in February, Half-yearly published in July |
| AGM | March |
| NAV Frequency | Daily |
| Dividends | March/April, June/July, September, December |
| Price Information | Financial Times, The Daily Telegraph, www.brunner.co.uk |
| Company Secretary | Kirsten Salt |
| Investment Manager | Matthew Tillett |
| Codes | RIC: BUT.L |
| | SEDOL: 0149000 |

1. Source: AIC, as at the Trust's Financial Year End (30.11.2020). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses, which include the annual management fee, incurred in the running of the company but excluding financing costs.

## Board of Directors

Carolan Dobson (Chairman)
Amanda Aldridge (Chair of the Audit Committee)
Andrew Hutton
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

**E-mail: 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.