

# 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

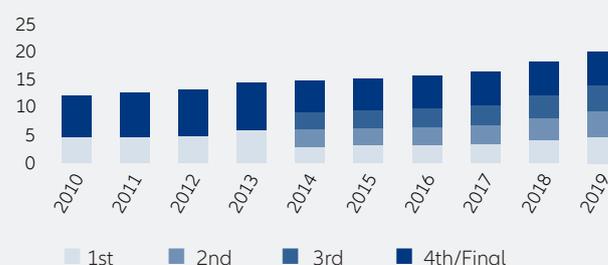
The Brunner Investment Trust PLC was formed from the Brunner family's interest in the sale of Brunner Mond & Co, the largest of the four companies which came to form Imperial Chemical Industries (ICI) in 1926. Today, Brunner shares are available for everyone to buy and are widely held by both private 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 48 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
28.02.2020	03.04.2020	6.00p	4th Quarterly
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

Past performance is not a reliable indicator of future results.



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** £351.3m

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

**Market Cap** £299.7m

Share Price

**702.0p**

NAV per Share

**746.2p**

Premium/-Discount

**-5.9%**

Dividend Yield

**2.9%**

Gearing

**9.4%**

**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 entered a bear market in March, as the MSCI All Country World Index fell 21 per cent, its worst quarter since 2008. The World Health Organisation (WHO) declared COVID-19 a global pandemic, with governments restricting travel, public assembly and business operations in a bid to avoid overloading health systems. The resulting reduction in economic activity means a global recession is now most investors' base case scenario.

Economic data is already showing an impact and this has translated to double-digit share price declines across all sectors. Energy stocks performed worst, as on top of reduced demand, a price war between Saudi Arabia and Russia caused oil prices to hit an 18-year low.

Central banks and governments have been quick to provide support. The US Federal Reserve (Fed) reintroduced asset-purchase programmes, and announced two emergency rate cuts. Monetary policy is similarly accommodative across Europe and Asia. However, unprecedented fiscal measures are providing the bulk of economic support.

### Portfolio Review

The portfolio underperformed its benchmark, with a handful of slightly more cyclical, UK-domiciled stocks making significant negative contributions. However, this has largely been offset by our long-standing underweight to the Oil and Gas sector, as well as positive performance from our Health Care holdings. Against this backdrop, the trust's NAV fell by 15.2% over March, underperforming the 12% fall in the benchmark.

**Redrow** has been the largest detractor from returns. Following

“ More than ever, maintaining focus on our investment philosophy and process will be key

government advice, the UK housebuilder closed all its sites. With the country in lockdown, it is unclear when activity will resume. However, the shares are now valued at a wide discount to asset value, and the company is well capitalised, has a reputation for build quality and owns a substantial land bank.

**Tyman** has also weakened performance. Like Redrow, shares in the maker of window and door components have suffered on account of the company's exposure to new-build homes. However, its 2019 results showed profits were ahead of estimates and strong cash flow has enabled it to reduce its leverage substantially.

**Roche** has made the largest positive contribution to returns. Shares in the pharmaceuticals and diagnostics giant have been boosted by the US Food and Drug Administration's (FDA) emergency approval of its Cobas 6800/8800 COVID-19 testing system.

**UnitedHealth Group** has also boosted returns. Shares in the provider of managed healthcare initially benefitted from Joe Biden's emergence as the Democratic Party's leading candidate for US President, over those in favour of universal healthcare. Shares have dipped in response to COVID-19, as higher US unemployment will push up the number of Americans on Medicaid.

Mindful of the Trust's income focus, dividend payments are less certain across the entire market. As well as months of reduced or, in some cases, zero revenues, the Coronavirus has prompted unprecedented levels of support to business from governments, banks and citizens. There is a risk that redistributing any gains to a narrow pool of shareholders will be seen as a breach of the social contract. As a result, even companies which might have continued to pay out during a more normal downturn, are choosing to pass or cancel their dividends.



### 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.

Nonetheless, over the past year, we have taken steps to increase the portfolio's underlying income generation. More recently, we have analysed the potential for each stock in the portfolio to cut or cancel its dividend. Under our current predictions, any income deficit should easily be coverable with the Trust's long-accumulated revenue reserves.

### Significant Transactions

We have sold our holdings in **Sirius Real Estate**, **HSBC** and **Prudential**. Having weathered recent market volatility well, we took profits in order to fund higher conviction positions.

### Market Outlook

Short term, the environment is one of profound uncertainty. Major economies face lockdowns with no clear end point. Company revenues will be sharply reduced, while workers are paid lower salaries or furloughed. At the same time, mounting social costs are pushing governments and regulators to make unprecedented fiscal and corporate interventions. The market backdrop is therefore one of heightened volatility. Nonetheless, we expect the sharp drop in supply and demand for the global economy to be a pause, rather than a complete derailment. If further turbulence does lie ahead, we are using the present period to ensure portfolios are well-positioned both to weather it and benefit from any recovery. Despite a lack of immediate economic certainty, the current situation may expedite longer-term structural trends to which we already have exposure such as digitalisation and the drive to decarbonise.

Global equity markets have repeatedly demonstrated their ability to deliver long-term growth despite sharp pullbacks. Against a background of monetary and fiscal support, valuations in some well-managed, consistently high-returning businesses with solid balance sheets are thus becoming attractive.

However, now is not the time for excessive trading. In these circumstances, investors are better served by focusing on more meaningful time horizons. While performance year to date has been resilient and our longer-term track record remains intact, the portfolio is designed to deliver outperformance of global equity markets through a market cycle. More than ever, maintaining focus on our investment philosophy and process will be key to delivering meaningful returns over the longer-term.

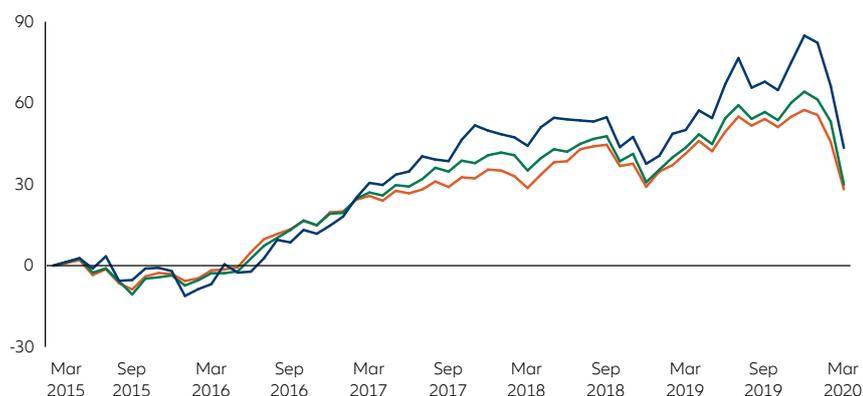
This is an edited version – for the full version, please visit [www.brunner.co.uk/Portfolio-and-Performance](http://www.brunner.co.uk/Portfolio-and-Performance)

**Lucy Macdonald**  
15 April 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	-22.4	-14.5	-4.4	9.9	43.5
NAV (debt at fair value)	-20.9	-17.1	-9.4	2.4	30.0
Benchmark	-18.6	-16.8	-9.4	2.0	28.2

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

	2020	2019	2018	2017	2016
Share Price	-4.4	4.1	10.5	40.1	-6.8
NAV (debt at fair value)	-9.4	6.2	6.4	30.7	-2.8
Benchmark	-9.4	9.9	2.3	27.9	-1.8

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.03.20. Copyright 2020 © 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\* (%)

Industrials	20.2	<div style="width: 20.2%;"></div>
Health Care	19.1	<div style="width: 19.1%;"></div>
Financials	18.0	<div style="width: 18.0%;"></div>
Technology	10.9	<div style="width: 10.9%;"></div>
Consumer Goods	10.1	<div style="width: 10.1%;"></div>
Consumer Services	7.2	<div style="width: 7.2%;"></div>
Utilities	5.3	<div style="width: 5.3%;"></div>
Basic Materials	5.2	<div style="width: 5.2%;"></div>
Oil & Gas	3.1	<div style="width: 3.1%;"></div>
Telecommunications	0.9	<div style="width: 0.9%;"></div>

### Geographic Breakdown\* (%)

North America	45.1	<div style="width: 45.1%;"></div>
Europe ex UK	26.1	<div style="width: 26.1%;"></div>
UK	19.9	<div style="width: 19.9%;"></div>
Pacific ex Japan	5.8	<div style="width: 5.8%;"></div>
Japan	3.1	<div style="width: 3.1%;"></div>

### Top Twenty Holdings (%)

Microsoft	5.0
Roche	4.0
UnitedHealth Group	3.9
Royal Dutch Shell - B Shares	3.1
Cooper Cos	3.0
Visa - A Shares	2.9
Muenchener Rueckver	2.9
Accenture	2.7
Agilent Technologies	2.5
AbbVie	2.5
Enel	2.4
Ecolab	2.3
Taiwan Semiconductor	2.3
AIA Group	2.2
GlaxoSmithKline	2.1
Estée Lauder	2.1
Schneider Electric	2.0
Itochu	2.0
Adidas	1.8
Iberdrola	1.8

Total number of holdings 63

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.

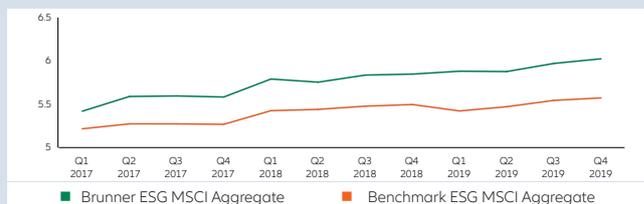
This is no recommendation or solicitation to buy or sell any particular security.

\*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 over

## 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>	0.67%
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 (30.11.2019). 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 31.03.20 unless otherwise stated.**

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