

Global investment solution rich in family history

# The Brunner Investment Trust PLC

Factsheet

31 October 2018

## 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

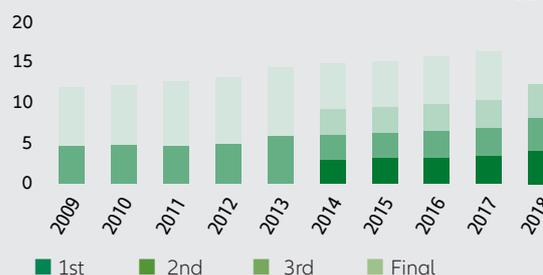
The Brunner Investment Trust PLC was formed from the Brunner family's interest in the sale of Brunner Mond & Co, the largest of the four companies which came to form Imperial Chemical Industries (ICI) in 1926. Today, Brunner shares are available for everyone to buy and are widely held by both private 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 46 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
09.11.2018	14.12.2018	4.05p	3rd Quarterly
10.08.2018	21.09.2018	4.05p	2nd Quarterly
22.06.2018	27.07.2018	4.05p	1st Quarterly
14.02.2018	29.03.2018	6.00p	Final

Past performance is not a reliable indicator of future results.

**Total Assets** £380.2m    **Shares in Issue** 42,692,727 (Ordinary 25p)    **Market Cap** £311.7m

Share Price

730.0p

Source: Lipper

NAV per Share

823.3p

Premium/-Discount

-11.3%

Dividend Yield

2.5%

Gearing

7.8%

**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.

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All data source Allianz Global Investors as at 31.10.18 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

## Fund Manager's Review

### Market Review

Global equities sold off sharply in October, suffering their worst month since 2012. A rise in the 10-year US Treasury bond to 3.26%, its highest level in seven years, provided the catalyst for the sell-off. The downward movement gathered pace as investors focused on more hawkish comments from the Federal Reserve. In addition, Italy's government presented a budget with a 2.6% deficit, a level which the European Union views as unsustainable. Investor unease also increased due to more aggressive US/China trade conflict ahead of the US mid-term elections.

Many markets fell into correction territory, declining over 10% from their recent peaks. The Vix index, a measure of market volatility, reached a high of 25, almost double its average over the previous three months. As a team, we have been monitoring the drivers behind this since the start of the year. Slowing global and corporate earnings growth into 2019, normalising monetary policy and full valuations have been a consistent feature of these reports over the last few months.

At a sector level, the steepest falls were in Technology, particularly the popular FAANG (Facebook, Apple, Amazon, Netflix and Alphabet's Google) group of stocks, many of which had led the market higher over the year. Industrials, Materials and Energy companies also retreated sharply. Growth and Momentum investment styles did poorly amid a broad rotation into defensive sectors, such as Consumer Staples and Utilities.

### Portfolio Review

“ Despite its concentrated, highly active profile, the balanced style and diversification of the portfolio has meant no excessively dramatic downdraft in this volatile month.

The Trust's NAV returned -6.18% against a benchmark return of -5.42%, partly due to a slight widening of the discount. At the portfolio level, the performance marginally lagged the market due to a couple of our Industrials holdings faring worse than average, in part due to the impact of tariffs.

**Tyman** made the largest negative contribution to performance over the month. The manufacturer of door and window components has been impacted by negative sentiment towards housing in the US, and is also having to pass on rising input costs, with estimates that tariffs on Chinese imports will require a further 2% surcharge. Nevertheless, Tyman has guided conservatively and has made significant capital investments.

**Wabtec** also underperformed. The manufacturer of parts for railway locomotives has experienced sector weakness, but there was also some investor disappointment following its Q3 results. This was attributed to tariffs, lower margin contracts in the UK and higher costs from the General Electric Transportation merger.

On the more positive side **Walgreens Boots Alliance** made the largest positive contribution at a stock level. The international pharmacy chain has rallied since the second half of the year and benefitted further from the market's recent defensive rotation. With prescription sales rising on the back of its Rite Aid acquisition, Walgreens is also executing well strategically, containing costs, buying back shares and building out partnerships.

The Trust's holding in **Nex Group** also boosted returns. The Chicago Mercantile Exchange (CME) announced its bid to acquire the former ICAP electronic brokerage arm in March, causing the share price to rally sharply. October saw the deal receive antitrust approval, driving the share price higher.



### 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.

Despite its concentrated, highly active profile, the balanced style and diversification of the portfolio has meant no excessively dramatic downdraft in this volatile month.

### Market Outlook

At the time of writing, October's market correction shows signs of reversing. Partially, this is being driven by yet another strong earnings season. However, it also reflects a decline in US 10 year Treasury yields as geopolitical tensions in Europe and the Middle East ease, and optimism around US China trade relations grows. Approaching the final months of the year, investors must consider whether this short-term support is likely to outweigh the longer-term factors which have played out so far.

Monetary policy normalisation shows no signs of abating. The Federal Reserve continues to raise rates in a bid to steady US economic growth and prevent runaway inflation. And in Europe, where economic momentum is weaker, the European Central Bank is set to end quantitative easing in December.

Even in the US, there are signs growth may be slowing at the margins, with October's Purchasing Manager Index coming in 2.1 percentage points lower than in September. In emerging markets, where growth was more precarious, the stronger dollar has already driven borrowing costs up and growth potential down. And, as has been the case for some time, European economic indicators are weakening.

Finally, in the wake of October's sell-off, there is no question that markets are now much cheaper. Earnings season looms and is locking in a divergence between the US and Europe which has characterised market performance year to date.

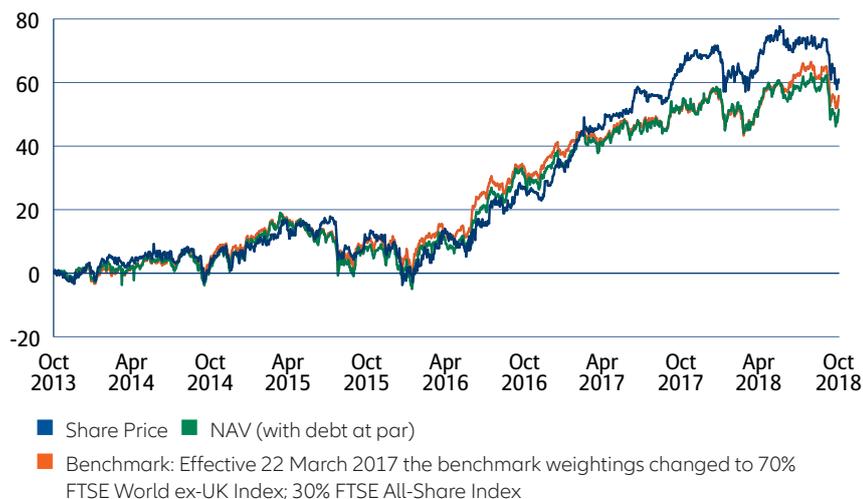
This past month has seen monetary policy normalisation and slowing growth start to take hold on equity valuations. To prepare for this in our portfolios, we have consistently reduced our best-performing stocks over the year, taking profits to fund positions where valuations appeared more reasonable. While moments of underperformance are never comfortable, market rotations are invariably short lived. Moreover, it is in these moments when a tried and tested investment process becomes paramount. When the market fails to discriminate good companies from bad, this can create unique buying opportunities for quality, growing companies that are usually too expensive. For truly long-term investors, a rise in volatility is nothing to fear.

*Lucy Macdonald  
9 November 2018*

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 (%)



## 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	-6.4	-4.8	-1.9	45.3	61.0
NAV	-4.5	-2.7	-2.5	39.9	49.7
Benchmark	-4.3	2.4	3.2	42.4	56.0

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

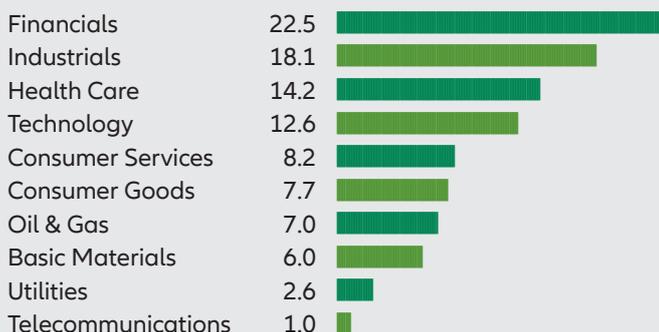
	2018	2017	2016	2015	2014
Share Price	-1.9	29.4	14.4	6.0	4.6
NAV	-2.5	17.7	21.9	3.3	3.7
Benchmark	3.2	13.8	21.3	4.0	5.3

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.10.18. Copyright 2018 © 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\* (%)



## Geographic Breakdown\* (%)



## Top Twenty Holdings (%)

Microsoft	4.0
UnitedHealth	3.7
Royal Dutch Shell B Shares	3.1
BP	2.4
Apple	2.4
Visa	2.2
Cooper Cos	2.2
Roche	2.2
Muenchener Rueckver	2.2
Agilent Technologies	2.1
Accenture	2.1
Ecolab	2.1
GlaxoSmithKline	2.0
AbbVie	1.9
Amadeus IT Group	1.9
Estée Lauder	1.8
Charles Schwab	1.7
Taiwan Semiconductor	1.7
Adidas	1.7
Amphenol	1.7

**Total number of holdings 67**

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

## 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>	0.72%
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, www.brunner.co.uk
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 (30.11.2017). 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

Peter Maynard, Ian Barlow (Chairman of the Audit Committee), Carolan Dobson (Chairman), Jim Sharp, Vivian Bazalgette (Senior Independent Director)



## 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.



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**All data source Allianz Global Investors as at 31.10.18 unless otherwise stated.**

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