

Global investment solution rich in family history

# The Brunner Investment Trust PLC

Factsheet

31 August 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.

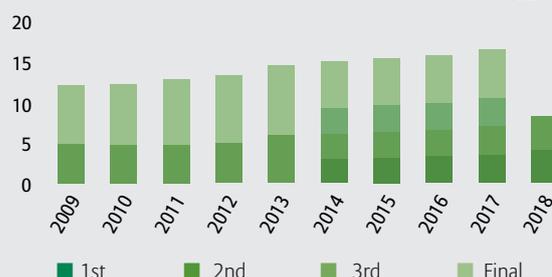
Morningstar Rating™



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## 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
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
03.11.2017	14.12.2017	3.50p	3rd Quarterly

Past performance is not a reliable indicator of future results.

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

**Total Assets** £400.8m    **Shares in Issue** 42,692,727 (Ordinary 25p)    **Market Cap** £332.1m

Share Price

**778.0p**

Source: Lipper

NAV per Share

**871.9p**

Premium/-Discount

**-10.8%**

Dividend Yield

**2.3%**

Gearing

**8.1%**

**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 31.08.18 unless otherwise stated.

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

## Fund Manager's Review

### Market Review

Global equities rose over August, although performance between the major developed markets was decidedly mixed. Strong corporate results propelled US equities to all-time highs, while euro-zone equities came under pressure from global trade concerns, as well as increasing fears over rising Italian debt levels.

There was a further escalation in the trade dispute between the US and China. While the US agreed the basis of a new trade deal with Mexico, it failed to strike a new trade pact with Canada. Along with increased risk aversion on the euro zone's periphery, the period was also marked by further selling of Turkish and Argentine assets.

US economic data was generally robust, whereas euro-zone monthly data continued to be mixed. UK economic data also failed to impress amid continuing Brexit uncertainty. Inflation rose in the US and UK but eased in the core euro-zone. In line with expectations, the Bank of England (BoE) raised interest rates by 25 basis points to 0.75 per cent.

Against mixed economic data and rising concern surrounding Italian debt levels, the euro weakened modestly against both the dollar and the yen. The pound also fell against the dollar as the lack of progress in Brexit negotiations weighed on sterling assets.

### Portfolio Review

The Trust's NAV returned 1.25 per cent against a benchmark return of 0.73 per cent. As is the intention, the largest contribution to returns came from stock selection. This was particularly strong in the Consumer Goods and Industrials sectors.

“ As long-term investors, we aim to invest in companies that will be able to outgrow the market regardless of the wider environment.

Adidas made the biggest positive contribution to returns. The maker of sportswear apparel delivered strong second-quarter results, with sales visibly boosted by the World Cup in key markets. Adidas has also benefitted from its speed in producing new styles of footwear in response to changing trends. With four-fifths of sales generated by products that are less than a year old, the company has strong control over pricing. Adidas is executing its strategy efficiently and remains a key holding.

UnitedHealth continues to deliver strong returns. Having recorded another impressive set of quarterly results, shares in the multinational healthcare provider also gained following the market's recent rotation into Health Care stocks. Optum, the integrated health care division, continues to be the main driver of growth. While we have taken profits in the stock, it remains a significant holding.

Covestro, the manufacturer of speciality plastics, has been the weakest performer in the fund due to concerns about pricing pressure and potential tariff impacts on autos and construction, two of its key end markets. The concerns appear to us overdone, as second quarter sales were up 15 per cent year-on-year and the company raised its full year earnings guidance.

Microchip also detracted from returns this month. While the US semiconductor manufacturer posted solid first quarter results, comfortably beating expectations, it became clear that the recently acquired Microsemi had over-shipped products, inflating its sales figures ahead of purchase and forward guidance has therefore required further revisions. Despite this disappointment, Microchip is confident the issue is now resolved.

### Significant Transactions

We have initiated positions in Compass Group and Cooper Cos Inc and sold our holdings in CCR, Vodafone and IFG.



### 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.

### Market Outlook

The new height reached by the S&P 500 this August was celebrated by some as the longest bull market in history. Meanwhile, the MSCI World Index has yet to surpass its January peak. This neatly highlights the continuing divergence in today's global markets.

The US is booming. Second quarter US Gross Domestic Product growth of 4.1 per cent saw Jerome Powell, the Federal Reserve Chair upgrade his view of the economy from "solid" to "strong". Positive sentiment, combined with late-cycle tax cuts continue to produce substantive results. As a result, rate hikes and balance sheet reduction will proceed as planned.

Yet markets are pricing in slower US growth ahead. The difference between expected interest rates in two and ten years (as measured by US Treasury yields) has been narrowing since February. President Trump's tax cuts are storing up a growing fiscal deficit and our expectation that protectionist rhetoric could escalate as we approach the US mid-term elections has been validated.

The consequences of this are already being felt. At a sector level, semiconductors and autos are visibly deteriorating, while Health Care stocks are benefitting from a flight to quality. Outside of the US, positive earnings revisions are visibly slowing. Further trade disruption would exacerbate an already challenging climate for euro-zone equities.

In emerging markets, Turkey and Argentina are demonstrating how a stronger dollar and heightened trade conflagrations can exacerbate internal weakness. Even China has been forced to reverse its financial deleveraging ambitions, boosting infrastructure spending and bringing borrowing costs lower to sustain growth.

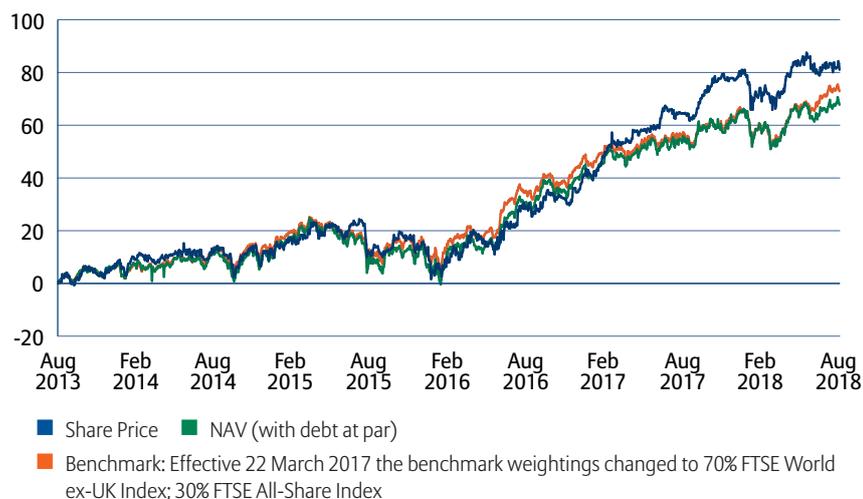
As long-term investors, we aim to invest in companies that will be able to outgrow the market regardless of the wider environment. Moreover, earnings growth continues to be the best driver of outperformance, with more value-like stocks continuing to underperform. So, while ongoing trade machinations have given us cause to tweak some positions, they are largely with a view to buying where fears appear overdone and reducing where they are insufficiently priced in. Overall, we continue to reduce exposure to more richly valued stocks, in favour of companies with greater scope for appreciation.

*Lucy Macdonald  
7 September 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	-0.9	4.0	10.1	62.2	81.0
NAV	0.9	2.3	5.0	49.6	66.4
Benchmark	4.3	8.3	9.9	54.1	73.1

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

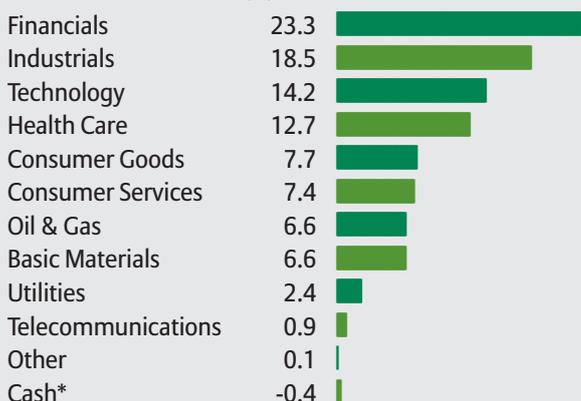
	2014	2015	2016	2017	2018
Share Price	11.7	-0.1	16.0	27.1	10.1
NAV	11.0	0.2	17.0	21.8	5.0
Benchmark	12.0	0.3	19.5	17.4	9.9

Source: Lipper, percentage growth, mid to mid, total return to 31.08.18. Copyright 2018 © Lipper, a Thomson Reuters company. All rights reserved. Lipper 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.

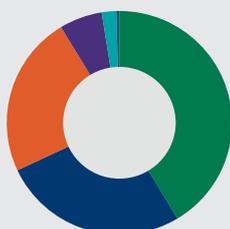
# Portfolio Breakdown

## Sector Breakdown (%)



## Geographic Breakdown (%)

North America	41.7	
UK	26.9	
Europe ex UK	23.5	
Pacific ex Japan	6.2	
Japan	2.1	
Cash*	-0.4	



## Top Twenty Holdings (%)

Microsoft	3.9
UnitedHealth	3.5
Royal Dutch Shell - B Shs	2.9
Apple	2.3
BP	2.2
Visa	2.2
AbbVie	2.2
Accenture	2.1
Amadeus IT Group	2.0
Muenchener Rueckver	2.0
Agilent Technologies	2.0
Taiwan Semiconductor	1.8
Charles Schwab	1.8
Estée Lauder	1.7
Roche	1.7
Adidas	1.7
Microchip Technology	1.7
Amphenol	1.7
Booking Holdings	1.6
GlaxoSmithKline	1.6

**Total number of holdings 71**

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.

\*Cash includes bank debt used to repay Fintrust Debenture. The percentage of un-invested cash in the portfolio is 1.6%.

## 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

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.



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