

Investment Rationale

Jointly managed by Lucy MacDonald and Jeremy Thomas, The Brunner Investment Trust PLC provides investors with a globally diversified equity portfolio. It combines a base in the UK with the freedom to invest globally. Through Brunner, investors can access a spread of high quality companies in a single portfolio.

Aim

The Trust's objective is to increase its total return above the benchmark index of 50% FTSE All-Share and 50% FTSE All-World Index (ex UK sterling adjusted) over the long term, by investing in UK and international securities. The strategy of the Trust is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio.

History

The Trust 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 ICI in 1926. The Trust has been managed by RCM (a subsidiary of Allianz Global Investors, formerly Kleinwort Benson) since inception.

Fund Managers' Review

Lucy MacDonald Jeremy Thomas



Brunner Investment Trust (NAV +3.46%, capital only) slightly outperformed the benchmark (+3.37%) in January. The principal reason for this was Agilent Technologies, which announced that it would commence paying a quarterly dividend and also benefitted from

positive results from other companies in the life sciences industry. Tesco was the largest detractor as it surprised the market with news that it would require a period of reinvestment in the UK business to restore its trading performance, implying that earnings are unlikely to grow this year. Tesco will emphasise return on capital rather than space growth in coming years and this should see this key metric of corporate performance improve over time. This will be supported by the maturing of the considerable overseas investment put in over the last decade or so and the fruition of the strategy to grow the services and banking offer.

Financials, which rallied strongly as a result of the ECB providing long term funding to European banks, also impacted results. The portfolio has an underweight in European banks as we believe the risk reward trade-off remains unattractive due to a weak macro environment, stricter regulation, asset quality and weak balance sheets. Low interest rates and flat yield curves are further headwinds. That is not to say that all financials face the same issues. During the month we purchased Ameriprise Financial which is involved in private wealth and asset management. We believe that the market is underestimating the contribution that will come from an improving mix of business which should create higher returns on equity. We also added to HSBC and Tullett Prebon which offer attractive absolute valuations at a time that the liquidity from the ECB long term refinancing operations should improve the trading environment and reduce downside risk. This was funded by profit taking in some defensives that performed particularly well in the final months of 2011 such as Bunzl, Sage and Unilever. US economic data have surprised on the upside but are likely to face growing headwinds as fiscal tightening begins to create a drag on the economy. The euro zone crisis is only in remission so further bouts of volatility and risk aversion are likely. Emerging markets are growing but at a slower rate. Quality companies that profitably capture secular global growth opportunities should outperform in this type of environment.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-2.0	-7.8	-7.7	29.6	-10.9
NAV	4.1	-1.8	-3.5	41.3	-4.9
Benchmark	3.5	-2.4	-4.0	39.9	-1.4

Discrete Performance (%)

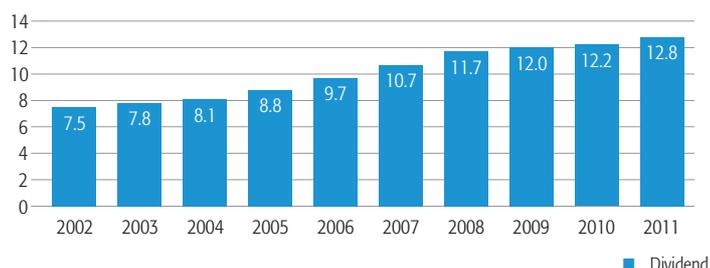
	From	To	Share Price	NAV	Benchmark
	29.12.06	31.12.07	10.6	12.6	4.2
	31.12.07	31.12.08	-35.4	-35.0	-26.5
	31.12.08	31.12.09	23.1	22.1	20.3
	31.12.09	31.12.10	10.7	10.2	12.5
	31.12.10	30.12.11	-5.3	-7.0	-7.6

Source: Lipper, share price calculation percentage growth, mid to mid, capital return to 31.01.12.

Benchmark: 50% FTSE All-Share Index; 50% FTSE All-World ex UK Index. Past performance is not a reliable indicator of future performance. 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. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

Dividend History

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



Net Dividends Paid (year ending 30 November)

	Pay Date	XD Date	Payment
Interim dividend	02.09.11	05.08.11	4.8p
Final dividend	23.09.11	24.02.12	8.0p

Capital Structure

Total Assets:	£265.3m
Gearing (net):	6.4%
Shares in Issue:	43,594,918 (Ordinary 25p)
Share Price ¹ :	390.0p
Net Asset Value ² :	484.0p (442.6p – debt at market value)
Premium/-Discount to NAV ³ :	-19.4% (-11.9% – debt at market value)
NAV Frequency	Daily
Dividend Yield ² :	3.2%

1. Source: Lipper as at 31.01.12, market close mid price.

2. Source: Datastream as at 31.01.12. 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 All-World ex UK Index
Annual Management Charge:	0.45%
Performance Fee:	No
Total Expense Ratio: ⁴	0.60%
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.rcm.com/investmenttrusts

Board of Directors:
Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), William Worsley (Senior Independent Director), Vivian Bazalgette, Peter Maynard

Company Secretary	Kirsten Salt
Investment Manager	Lucy MacDonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity
Codes:	RIC: BUT SEDOL: 0149000 ISIN: GB0001490001

4. Source: Annual Financial Report

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, fixed rate 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.

All data source RCM (UK) Limited as at 31.01.12 unless otherwise stated.

Issued by RCM (UK) Limited. Authorised and regulated by the Financial Services Authority. The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation and anyone who acts on it, or changes their opinion thereon, does so entirely at their own risk. The opinions expressed are based on information which we believe to be accurate and reliable, however, these opinions may change without notice.

Portfolio Analysis

Top 5 Equity Holdings	(%)	(%)
GlaxoSmithKline	3.4	
Royal Dutch Shell "B" Shares	3.1	
BP	3.1	
Vodafone	2.6	
HSBC	2.3	

Total Number of Holdings 110

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

Sector Breakdown	(%)
Financials	15.0
Industrials	14.4
Cash	14.0
Oil & Gas	10.4
Health Care	9.6
Consumer Goods	9.1
Consumer Services	7.3
Technology	6.6
Basic Materials	6.3
Telecommunications	4.8
Utilities	2.4

Geographic Breakdown	(%)
UK	43.5
North America	21.2
Cash	13.9
Europe ex UK	8.4
Pacific ex Japan	8.2
Japan	3.1
Latin America	1.7

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 or from the AIC at www.theaic.co.uk

CONTACT US

To download the Annual Financial Report, Trust brochure or watch an interview with the fund manager, please visit us online at www.rcm.com/investmenttrusts



If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

0800 389 4696

e-mail: investment-trusts@uk.rcm.com

website: www.rcm.com/investmenttrusts