

# The Brunner Investment Trust PLC



Factsheet

31 March 2015

## Fund Managers' Review



**Lucy Macdonald & Jeremy Thomas**

### Market Review

Global equity markets were broadly higher in March, helped by improving economic momentum, low inflation and optimism that central banks' monetary policies will continue to support global growth. European and Emerging Markets equities posted their best quarterly performance since 2009 and 2012 respectively while the FTSE 100 broke through 7,000 for the first time. UK economic data continued to improve with February retail sales increasing 0.7% from January and headline inflation dipping to zero as the slide in the cost of oil and food continued to act as a brake on prices. George Osborne's final budget before May's general election was viewed as mildly supportive with modest tax breaks for middle-income wage earners partly funded by increasing the levy on UK banks. In Europe, the European Central Bank initiated its sovereign bond quantitative easing programme, sending bond yields and the Euro lower, and equity markets higher. The US economy continued to expand with 295,000 jobs added in February, sending the unemployment rate to 5.5%, the lowest level since 2008. Federal Reserve Chair Janet Yellen said the Fed was giving "serious consideration" to lifting rates later this year, but that rates rises will happen only gradually. In Asia, The People's Bank of China cut the benchmark one-year lending rate by 0.25% to 5.35% and the one-year benchmark deposit rate by the same amount to 2.5%. This was the second cut in three months as the central bank attempts to prop up the slowing economy and stave off the threat of deflation.

### Portfolio Review

The Trust's NAV gained 1.53% outperforming its benchmark. Swiss pharmaceutical company Roche Holding was a top performer. The company is a leader in cancer treatments and underperformed earlier in the year due to the rapid appreciation of the Swiss Franc when the Swiss National Bank removed the currency's peg to the Euro. However, this was a one-off event and the shares have recovered almost all of the initial decline in the share price. Positive news flow is expected from an update later in the year on progress in immune-oncology and an update on a drug trial for Non-Hodgkins lymphoma. Given the effectiveness of Roche's cancer drugs, they are not experiencing pricing pressures in the U.S. and margins could actually increase next year.

FirstGroup was among the detractors. The company announced it had secured a new 3.5 year contract on its Great Western rail franchise. This gives FirstGroup time to improve returns on its bus businesses. By the time that the new franchise ends in April 2019, the company will have refinanced two of its bonds, saving roughly £25m per year at current interest rates, almost replacing the rail cashflows. At this point, assuming the bus recovery continues, the company should be generating at least £100m in annual cashflows, of which the majority could be paid out in dividends, on a market cap today of £1150m. We continue to hold the shares on the basis of this potential upside.

### Outlook

Assets including equities continue to benefit from low inflation, low interest rates and expansive central bank monetary policies. Volatility could pick up once the US starts raising interest rates later this year, albeit from depressed levels. Equity valuations in general are quite full in absolute terms although they remain attractive compared to fixed income or cash. US corporate earnings are under a bit of pressure due to the strong US dollar but on the other hand many European and Japanese companies are benefiting from weaker currencies. Equities remain a source of incremental investment returns from both dividends and the potential for further capital appreciation.

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	5.3	6.7	7.0	42.2	58.1
NAV	7.8	10.5	12.3	41.3	55.8
Benchmark	6.2	9.1	13.1	43.6	57.3

## Discrete Performance (%)

From To	31.03.10 31.03.11	31.03.11 30.03.12	30.03.12 29.03.13	29.03.13 31.03.14	31.03.14 31.03.15
Share Price	4.3	6.6	15.7	14.9	7.0
NAV	5.1	5.0	17.9	6.8	12.3
Benchmark	8.5	0.9	17.3	8.3	13.1

Source: Lipper, percentage growth, mid to mid, total return to 31.03.15.

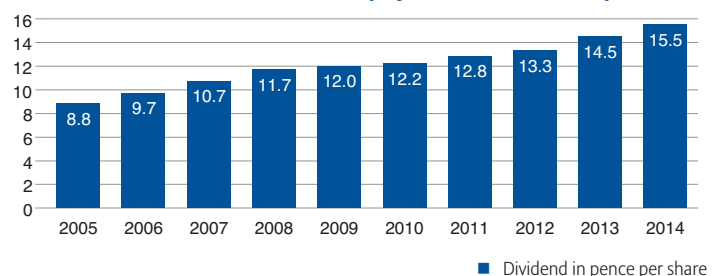
Benchmark: 50% FTSE All-Share Index; 50% FTSE World ex-UK Index.

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.

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## Dividend History

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



Past performance is not a reliable indicator of future results.

All data source Allianz Global Investors as at 31.03.15 unless otherwise stated.

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

**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.**

**Allianz** **Global Investors**

## Capital Structure

Total Assets:	£341.7m
Gearing (net) <sup>†</sup> :	8.0%
Shares in Issue:	43,089,418 (Ordinary 25p)
Share Price <sup>1</sup> :	554.5p
Net Asset Value <sup>2</sup> :	672.7p <sup>3</sup> (641.6p <sup>4</sup> – debt at market value)
Premium/-Discount to NAV:	-17.6% (-13.6% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>5</sup> :	2.72%

<sup>†</sup>Gearing in form of two long-term debentures.

1. Source: Lipper as at 31.03.15, market close mid price.

2. 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.

3. Capital net asset value per ordinary share based on the par value of the company's long term debt and preference shares.

4. Capital net asset value per ordinary share based on the fair/market value of the company's long term debt and preference shares. This allows for the valuation of debt at fair value or current market price, rather than at final repayment value.

5. Source: Datastream as at 31.03.15. Calculated using the latest full year dividend divided by the current share price.

## Key Information

Launch Date:	December 1927
AIC Sector:	Global Growth
Benchmark:	50% FTSE All-Share Index 50% FTSE World ex-UK Index
Annual Management Charge:	0.45%
Performance Fee:	No
Ongoing Charges <sup>6</sup> :	0.79%
Year end:	30 November
Annual Financial Report:	Final posted in February, Half-yearly posted in July
AGM:	March
Dividends:	March, June, September, December
Price Information:	Financial Times, The Daily Telegraph, www.brunner.co.uk
Board of Directors:	Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), Vivian Bazalgette (Senior Independent Director), Carolan Dobson, Peter Maynard, Jim Sharp
Company Secretary	Kirsten Salt
Investment Managers	Lucy Macdonald & Jeremy Thomas
Codes:	RIC: BUT.L SEDOL: 0149000

6. Source: AIC, as at the Trust's Financial Year End (30.11.2014). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

## 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.

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 and down.

All data source Allianz Global Investors as at 31.03.15 unless otherwise stated.

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## Sector Breakdown (%)

Industrials	20.6
Financials	19.3
Health Care	10.6
Oil & Gas	10.0
Consumer Services	9.9
Cash	8.1
Consumer Goods	7.7
Technology	6.9
Basic Materials	3.3
Telecommunications	3.0
Utilities	0.6

## Geographic Breakdown (%)

UK	40.8
North America	27.8
Europe ex UK	12.3
Cash	8.1
Pacific ex Japan	6.4
Japan	3.1
Latin America	1.5

## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	2.7	Microsoft	1.9
HSBC	2.5	GlaxoSmithKline	1.9
BP	2.2	Monsanto	1.7
Vodafone	2.1	Roche	1.7
Mothercare	1.9	Walgreens Boots	1.6
<b>Total Number of Holdings</b>	<b>89</b>		

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

## Net Dividends (dividends payable quarterly from June 2014)

	Pay Date	Record Date	Payment
Final dividend	26.03.15	06.03.15	5.7p
3rd quarterly dividend	19.12.14	21.11.14	3.2p
2nd quarterly dividend	22.09.14	22.08.14	3.1p
1st quarterly dividend	27.06.14	30.05.14	3.0p

## 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, JISA, SIPP and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website.

## Contact Us

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

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