

30 January 2009

## 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.

## Risks & Features

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including demand, or lack of, 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.

## 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 Manager's Review



Mark Lovett



Lucy MacDonald

The beginning of 2009 saw sharp falls across global markets, as investors re-examined the outlook for major world economies against a backdrop of doubt and uncertainty over the efficiency of government policy measures aimed at stimulating growth. Economic data from around the world provided investors with

little to cheer, with rising unemployment in particular causing real concern. World Central banks continued with their policy of aggressive interest rate cuts in January, with both the Bank of England and the ECB lowering benchmark rates by 50 basis points to 1.5% and 2% respectively. In the US, markets marked the political transition for incoming President Barack Obama with one of the worst trading sessions in the history of US inaugurations. Amidst these challenging market conditions, the portfolio managed to outperform the benchmark, led by holdings in BAE Systems and Cobham. Investors have sought refuge in the defensive UK aerospace industry, attracted by the strong cash generation and high earnings visibility, along with a strong dividend yield. Ongoing financial turmoil saw Bank of America and Commerzbank amongst the worst contributors. In the US, the ability of Bank of America to absorb losses and operations from the Merrill Lynch takeover prompted the US government to invest a further \$20bn, making full nationalisation a real fear for investors. Commerzbank also suffered from investors questioning its capital position, and ability to service debts. However, positive gains from Northern Trust demonstrated the potential for stock selection to contribute to outperformance, even within the battered US financial sector.

## Key Information

<b>Total Assets:</b>	£216.0m
<b>Gearing (net):</b>	15.8%
<b>No. of Shares (Ordinary 1p):</b>	46,760,356
<b>Share Price<sup>1</sup>:</b>	295.0p
<b>Net Asset Value<sup>2</sup>:</b>	342.4p (310.6p – debt at market value)
<b>Premium/-Discount to NAV<sup>2</sup>:</b>	-13.9% (-5.0% – debt at market value)
<b>Dividend Yield<sup>2</sup>:</b>	3.76%
<b>No. of Holdings:</b>	125

All data source RCM (UK) Limited as at 30.01.09 unless otherwise stated.

<b>Launch Date:</b>	January 1927
<b>AIC Sector:</b>	Global Growth
<b>Benchmark:</b>	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
<b>Year end:</b>	30 November
<b>Reports &amp; Accounts:</b>	Final posted in February, Interim posted in July
<b>AGM:</b>	March
<b>Dividends:</b>	March, August
<b>Price Information:</b>	Financial Times, The Daily Telegraph, www.rcm.com/investmenttrusts
<b>Board of Directors:</b>	Keith Percy (Chairman), Vivian Bazalgette, Ben Siddons, William Worsley, Richard Wakeling
<b>Investment Manager:</b>	Mark Lovett, CIO, UK & European Equity Lucy MacDonald, CIO, Global Equity RCM A company of Allianz Global Investors
<b>Investor Services:</b>	020 7065 1407

<sup>1</sup>Source: Lipper as at 30.01.09, market close mid price.

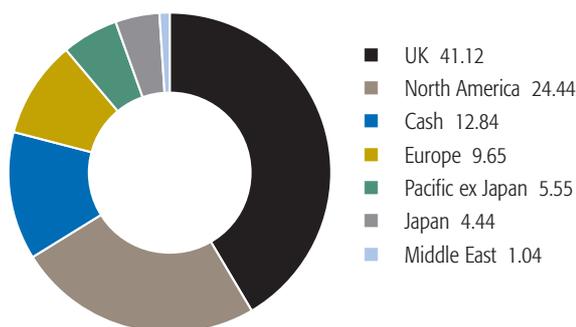
<sup>2</sup>Source: Datastream as at 30.01.09. Calculated using the latest full year dividend divided by the current share price.

<sup>3</sup>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.

## Top Ten Holdings (%)

Name	%
4% Treasury Stock 2009	9.2
BP	3.2
Royal Dutch Shell "B" Shares	3.2
GlaxoSmithKline	3.2
Vodafone Group	2.8
BHP Billiton	2.3
Reed Elsevier	2.1
BG Group	1.9
HSBC	1.9
Cobham	1.7
<b>Total</b>	<b>31.5</b>

## Geographic Breakdown (%)



Changes in rates of exchange may cause the value of investments and the income from them to go down or up.

## 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.

**RIC:** BUT      **SEDOL:** 0149000      **ISIN:** GB0001490001

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 from the AIC at [www.theaic.co.uk](http://www.theaic.co.uk)

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk)

## RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

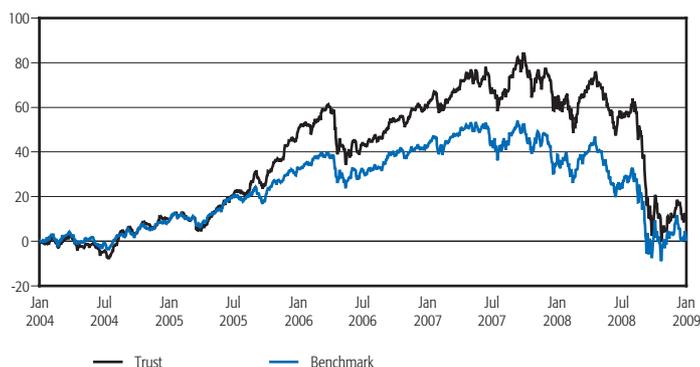
RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

All data source RCM (UK) Limited as at 30.01.09 unless otherwise stated.

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## Performance

### Five Year Trust Performance (%)



### Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-0.67	-30.26	-31.03	-26.48	10.07
Benchmark	-2.91	-20.17	-26.02	-24.41	0.17

### Standardised Past Performance (%)

From	31.12.03	31.12.04	30.12.05	29.12.06	31.12.07
To	31.12.04	30.12.05	29.12.06	31.12.07	31.12.08
Share Price	7.73	31.11	11.99	10.59	-35.37

Source: Lipper, percentage growth, mid to mid, capital return, to 30.01.09  
Benchmark: 50% FTSE All-Share Index/50% FTSE All-World ex UK Index. Note the benchmark was 60% FTSE All-Share and 40% FT/S&P World Index (ex UK sterling adjusted) up to 26th March 2008.

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

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.