

# The Brunner Investment Trust PLC

Factsheet

31 August 2013

## Fund Managers' Review



**Lucy Macdonald & Jeremy Thomas**

### Market Review

Global equity markets fell in August as the possibility of reduced quantitative easing in the US reduced investors' risk appetite. Europe and Emerging Markets fell less than the US. From a sector perspective, Materials outperformed while Utilities and Financials lagged.

European equities benefited from positive sentiment as Eurozone economic growth rose by 0.3% in Q2, led by Germany and France. The UK economy was also stronger than expected with Q2 economic growth of 0.7%.

In the US, uncertainty over the timing of reduced bond purchases by the Federal Reserve continued as the economy recovery showed signs of increase momentum, with a 2.5% increase in Q2 GDP. Unemployment also declined from 7.6% to 7.4%.

In Asia, Japan's Q2 GDP rose 2.6%, less than anticipated due mainly to a drop in private investment on account of an anticipated increase in sales tax. Emerging markets were a mixed bag, with China's manufacturing and industrial production reaching multi-month highs while India and Brazil continued to be buffeted from capital outflows in anticipation of further interest rate increases in the US.

### Portfolio Review

The Trust's NAV declined by 3.5% while the benchmark fell by 3.2%. FirstGroup was the top performer. The shares rose on speculation that the company would be subject to a bid. We remain positive on the company due to its turnaround strategy and low valuations and the rumours have highlighted to the market the upside potential in the shares.

Online travel company priceline.com also contributed. The company benefitted from a 44% increase in travel bookings in Q2, mainly due to strong performance from their European travel brand, Booking.com. The Trust continues to execute well and grow market share in a growing market.

Munich Re was the main detractor. Q2 results missed expectations largely due to strategic write downs on derivatives such as inflation and interest rate hedges. We view the write downs in the quarter as one-offs and see no reason to change our positive view on the company.

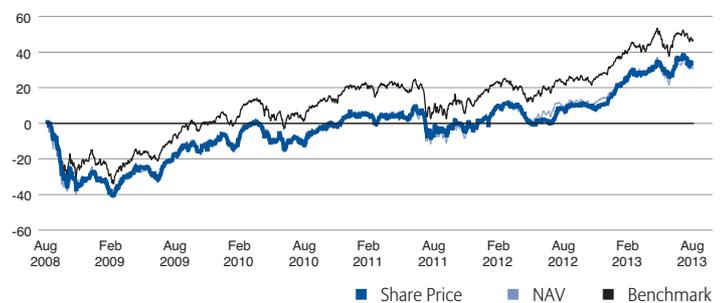
Amadeus IT Holding also detracted. The shares attracted some profit-taking after better-than-expected first half results as a result of market share gains in the US and an increase in operating margins on its airline ticketing platform. It seems that investment in adjacent business areas is also continuing to pay off. The long term investment case for Amadeus remains in place but the market is increasingly recognising the strength of the franchise and it would appear that most of the rerating of the shares has taken place.

### Outlook

We are seeing signs of better economic activity in the developed world. We think Europe could see at least a stabilisation in growth momentum in the second half of the year. US growth could surprise on the upside, provided that a political agreement on a solution to the debt ceiling is reached. Japan benefits from a weaker Yen, but the long-term effects of its economic policies are still unclear.

Ongoing expansionary monetary policy globally and slightly better economic momentum should support equity markets in the coming months. We prefer developed markets over emerging markets based on the improving cyclical outlook and look to add to reasonably valued, high quality growth companies on market weakness.

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	0.6	5.7	24.6	51.3	33.5
NAV	-1.0	2.7	19.6	46.5	30.4
Benchmark	-1.4	3.7	19.7	42.3	46.2

## Discrete Performance (%)

From To	29.08.08 31.08.09	31.08.09 31.08.10	31.08.10 31.08.11	31.08.11 31.08.12	31.08.12 30.08.13
Share Price	-17.2	6.6	11.6	8.8	24.6
NAV	-17.6	8.0	8.7	12.7	19.6
Benchmark	-6.5	9.9	7.9	10.2	19.7

Source: Lipper, percentage growth, mid to mid, total return to 31.08.13.

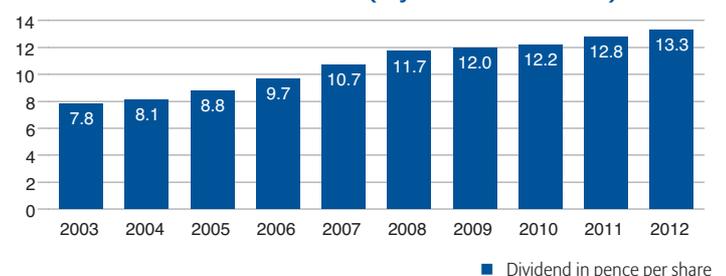
Benchmark: 50% FTSE All-Share Index; 50% FTSE World ex-UK Index.

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 31.08.13 unless otherwise stated.

Allianz Global Investors, 155 Bishopsgate, London EC2M 3AD

**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:	£305.9m
Gearing (net):	7.0%
Shares in Issue:	43,089,418 (Ordinary 25p)
Share Price <sup>1</sup> :	490.0p
Net Asset Value <sup>2</sup> :	586.0p (560.8p – debt at market value)
Premium/-Discount to NAV <sup>3</sup> :	-16.4% (-12.6% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>3</sup> :	2.92%

1. Source: Lipper as at 31.08.13, market close mid price.

2. Source: Datastream as at 31.08.13. 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 World ex-UK Index
Annual Management Charge:	0.45%
Performance Fee:	No
On-going Charges <sup>4</sup> :	0.78%
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.brunner.co.uk

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

Company Secretary: Kirsten Salt

Investment Managers: Lucy Macdonald & Jeremy Thomas

Codes:  
RIC: BUT  
SEDOL: 0149000

4. Source: AIC, as at the Trust's Financial Year End (30.11.2012). On-going 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, 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 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.

## Sector Breakdown (%)

Financials	18.5
Industrials	14.5
Consumer Services	12.4
Health Care	11.5
Oil & Gas	10.7
Cash	10.5
Consumer Goods	7.0
Telecommunications	4.8
Basic Materials	4.5
Technology	4.4
Utilities	1.1
Other	0.1

## Geographic Breakdown (%)

UK	44.6
North America	21.4
Europe ex UK	11.6
Cash	10.5
Pacific ex Japan	6.6
Japan	4.2
Latin America	1.1

## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	3.3	Reed Elsevier	2.0
GlaxoSmithKline	3.1	UBM	1.5
HSBC	3.1	Tesco	1.4
BP	2.8	Rio Tinto	1.4
Vodafone	2.7	Abbvie	1.4
<b>Total Number of Holdings</b>	<b>100</b>		

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

## Net Dividends

	Pay Date	Record Date	Payment
interim dividend	30.08.13	02.08.13	6.0p
final dividend	22.03.13	22.02.13	8.3p

## 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.

## Contact Us

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

**0800 389 4696**

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website: [www.brunner.co.uk](http://www.brunner.co.uk)

All data source Allianz Global Investors as at 31.08.13 unless otherwise stated.

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