

Global investment solution rich in family history

# The Brunner Investment Trust PLC

Factsheet

31 July 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.

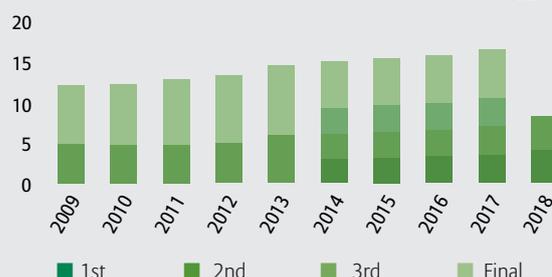
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## Ten Year Dividend History

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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**Total Assets** £398.4m    **Shares in Issue** 42,692,727 (Ordinary 25p)    **Market Cap** £334.7m

Share Price

**784.0p**

Source: Lipper

NAV per Share

**865.4p**

Premium/-Discount

**-9.4%**

Dividend Yield

**2.2%**

Gearing

**9.5%**

**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 31.07.18 unless otherwise stated.

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## Fund Manager's Review

### Market Review

Global equities posted solid gains over July. Despite mounting trade tensions all regions advanced, with investors reacting positively to continued earnings growth. Within this, we are seeing a rotation out of straightforward Growth and Momentum stocks, into companies with more Value type characteristics.

At a sector level, Industrials led the advance, recovering from June's underperformance. Financials and Health Care stocks also posted healthy gains. At the other end of the scale, Real Estate posted the weakest returns, with Energy stocks also lagging the broader market, reflecting weaker oil prices. The month also saw a notable divergence in the FAANG (Facebook, Apple, Amazon, Netflix and Google's parent, Alphabet) stocks.

Economically, data continues to highlight the US and Eurozone's diverging fortunes. US Gross Domestic Product (GDP) expanded by an annualised 4.1% in the second quarter, the fastest pace in nearly four years. Partly driven by strong consumer spending, there are also concerns this has been artificially inflated by a surge in exports as firms rush to beat impending tariffs.

Conversely, the euro-zone economy expanded by just 0.3% over the same period, its slowest pace of growth in two years. Data from the Asia Pacific region also slowed, with China's second-quarter GDP recording its slowest pace of expansion since 2016.

In general, commodity prices eased in July. Oil lost ground, with Brent crude falling back below US\$75 a barrel. Gold, traditionally seen as a safe haven in times of elevated risks, also retreated.

“ **Stock markets – which for the past year have rewarded growing companies with ever richer valuations – are increasingly focusing on fundamentals.** ”

### Portfolio Review

The Trust's NAV rose by 1.89% in July against a benchmark return of 3.21%. This underperformance was mostly due to two stocks: TP ICAP and Nielsen, both of which suffered earnings disappointments and Chief Executive Officer departures.

TP ICAP was the worst performing stock in the portfolio in July. The company warned that annualised cost synergy targets, set by the outgoing CEO, were being reduced. The targets are now seen as overly ambitious, particularly given the inflationary cost pressures of Brexit and regulatory requirements.

Nielsen Holdings also detracted from returns. The marketing information company missed earnings targets, announced a strategic review as well as the departure of its CEO. Nielsen's consumer-facing division has been a significant drag on growth and profitability.

Wabtec was the best performing stock in the portfolio. The investment thesis for this supplier of railway infrastructure has been enhanced by its acquisition of GE's transportation business, giving greater scale and higher potential synergies. Wabtec revenue growth for the second quarter was over 19%, far beating expectations. Wabtec also reported a 17% increase in order backlog for the next twelve months, driven largely by a recovery in the transit division.

TSMC also performed strongly. The semiconductor manufacturer has shown its ability to maintain a technological edge and reported revenue and income growth of 9.1% year on year, in line with market expectations.

### Significant Transactions

We have added The Cooper Companies to the portfolio and



### 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.

sold our holding in Cielo. The Cooper Companies is a medical devices company consisting of two growing businesses with good profitability, namely: Cooper Vision and Cooper Surgical. These specialise in the production of contact lenses and women's fertility devices, respectively.

### Market Outlook

Events in July have done little to change our outlook. While the world economy is still on track to grow moderately above potential for the year, we are most likely beyond peak growth in the business cycle. Likewise, the European Central Bank (ECB) and US Federal Reserve show little sign of deviating from their divergent monetary policies. As a result, stock markets – which for the past year have rewarded growing companies with ever richer valuations – are increasingly focusing on fundamentals.

Equity markets have been quick to react to US trade tariffs. However, the tangible effects are only just starting to feed through in the economic data. Consequently, we expect further volatility when the true extent of their impact materialises. Yet President Trump's trade war is just one of the barriers to continued growth.

Political machinations will also continue to shape markets. As the US approaches mid-term elections, protectionist rhetoric may escalate. Meanwhile, the UK now faces the genuine prospect of leaving the European Union without a deal. While this may represent a tougher negotiating stance from Theresa May's government, it also reflects the latter's inability to reach a solution acceptable to Europe and hard-line Brexiteers. Such an event would be detrimental to both parties.

Earnings season has once again demonstrated how unforgiving markets now are of companies which fail to meet expectations. Indeed, while volatility as measured by the Vix index has trended down since April, daily post-earnings stock movements are getting bigger<sup>[1]</sup>. For this reason, we are maintaining our disciplined approach of reducing exposure to those stocks reaching excessive valuations.

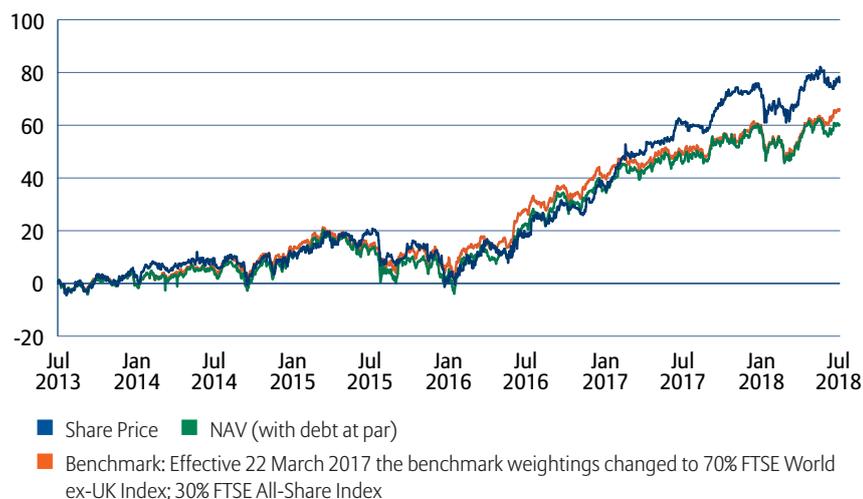
<sup>[1]</sup> Goldman Sachs Halftime Report: US Earnings Volatility; 1 August 2018

*Lucy Macdonald*  
7 August 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	1.7	3.4	9.4	48.5	76.3
NAV	1.9	0.2	6.9	40.2	58.5
Benchmark	7.1	5.8	11.6	44.9	66.4

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

	2014	2015	2016	2017	2018
Share Price	9.5	8.5	-0.7	36.6	9.4
NAV	3.7	8.9	8.1	21.4	6.9
Benchmark	5.2	9.2	11.3	16.7	11.6

Source: Lipper, percentage growth, mid to mid, total return to 31.07.18. 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.

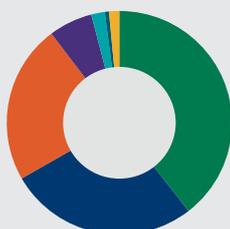
# Portfolio Breakdown

## Sector Breakdown (%)



## Geographic Breakdown (%)

North America	40.7	
UK	28.0	
Europe ex UK	23.7	
Pacific ex Japan	6.5	
Japan	2.0	
Latin America	0.6	
Cash*	-1.5	



## Top Twenty Holdings (%)

Microsoft	3.7
UnitedHealth	3.3
Royal Dutch Shell - B Shs	3.3
BP	2.5
AbbVie	2.1
Muenchener Rueckver	2.1
Visa	2.1
Agilent Technologies	2.0
Accenture	1.9
Apple	1.9
Estée Lauder	1.9
Amadeus IT Group	1.9
HSBC	1.8
Microchip Technology	1.8
Schwab (Charles)	1.8
Rio Tinto	1.7
Taiwan Semiconductor	1.7
Roche	1.7
Booking Holdings	1.7
Amphenol	1.6

**Total number of holdings 73**

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 0.5%.

## 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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