

# The Brunner Investment Trust PLC



Factsheet

28 February 2015

## Fund Managers' Review



**Lucy Macdonald & Jeremy Thomas**

### Market Review

Global equity markets were broadly higher in February, helped by the combination of improving economic momentum, low inflation and continuing monetary support from central banks. All sectors gained except utilities. Bonds were mixed as yields rose in the US and UK but fell in the Eurozone in anticipation of the start of the European Central Bank's bond purchasing programme in March. Oil prices had a strong rebound and other commodities also rallied.

### Portfolio Review

The Trust's NAV gained 3.3%. Estee Lauder was the top contributor as 2Q 2015 results were better than expected, driven by solid revenue growth across all channels with the exception of travel retail. A recent Grassroots study found that the company is gaining market share in China as their skin products, including Clinique, have strong brand perception due to effective marketing campaigns. We continue to like the stock.

Online travel agent Priceline Group also contributed. The company posted good 4Q 2014 results with hotel room nights increasing 24%. There had been concerns that the weaker euro would hurt performance as the company has meaningful exposure to European travel but these were assuaged by a 27% increase in international bookings, well ahead of forecasts. Although Europe to US travel is weakening, the US, Southern Europe and Asia are strong. While the shares are valued at a premium to the market, the company continues to gain market share in the fast growing online travel market and the earnings outlook remains positive.

Business technology and services company Xchanging was the top detractor. The company has been undergoing a transformation over the last few years and has made a number of acquisitions in technology and procurement and exited non-core areas. 2014 saw a 22.7% decline in revenues offset by an increase in operating margins from 10.5% in 2013 to 13.7%. Now that the restructuring has been completed, the company is well-placed to grow sales, expand margins further and increase profits. There is a meaningful opportunity to grow the high margin Xuber commercial insurance software solutions business. We believe the shares are undervalued.

Centrica also detracted. The company announced a decline in earnings and a reduction in next year's dividend and capital expenditures due to falling commodity prices and the need to conserve cash to protect their credit rating. However, this is already reflected in the stocks low valuation at 13.8 times 2015 earnings per share and an attractive forward dividend yield of 4.8%.

### Outlook

Central banks will continue to pursue expansive monetary policy for some time to come. Together with moderate global growth, this course should support risk assets, including equities. However, we anticipate an uptick in volatility from the low levels we have seen over the last few years as markets focus more on growth and corporate data and less on monetary policy. With interest rates remaining low and trending lower (with some 20 rate cuts by central banks already this year), equities will remain a source of incremental investment returns from both dividends and capital appreciation.

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	1.8	4.0	6.6	42.0	67.2
NAV	4.8	5.7	9.2	40.5	64.3
Benchmark	4.0	6.7	11.8	42.9	67.0

## Discrete Performance (%)

From To	26.02.10 28.02.11	28.02.11 29.02.12	29.02.12 28.02.13	28.02.13 28.02.14	28.02.14 27.02.15
Share Price	12.8	4.4	15.7	15.2	6.6
NAV	13.1	3.4	16.6	10.4	9.2
Benchmark	15.7	1.1	15.3	10.9	11.8

Source: Lipper, percentage growth, mid to mid, total return to 28.02.15.

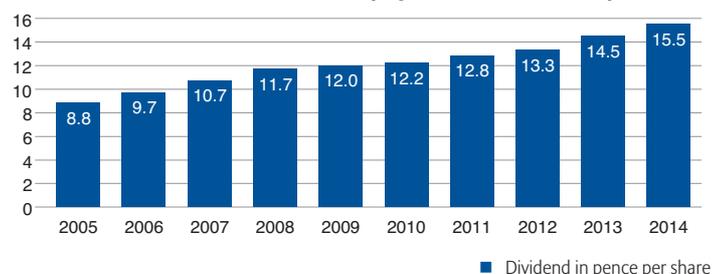
Benchmark: 50% FTSE All-Share Index; 50% FTSE World ex-UK Index.

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 28.02.15 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

# The Brunner Investment Trust PLC

## Capital Structure

Total Assets:	£341.1m
Gearing (net):	14.0%
Shares in Issue:	43,089,418 (Ordinary 25p)
Share Price <sup>1</sup> :	550.5p
Net Asset Value <sup>2</sup> :	668.2p <sup>3</sup> (638.2p <sup>4</sup> – debt at market value)
Premium/-Discount to NAV:	-17.6% (-13.7% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>5</sup> :	2.72%

1. Source: Lipper as at 28.02.15, 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 28.02.15. 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> :	0.80%
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, 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 an down.

## Sector Breakdown (%)

Industrials	19.8
Financials	19.2
Health Care	11.6
Oil & Gas	10.9
Consumer Services	9.8
Consumer Goods	7.7
Cash	6.9
Technology	6.9
Basic Materials	3.5
Telecommunications	3.1
Utilities	0.6

## Geographic Breakdown (%)

UK	42.8
North America	26.8
Europe ex UK	12.3
Cash	6.9
Pacific ex Japan	6.7
Japan	2.9
Latin America	1.6

## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	2.8	Microsoft	2.0
HSBC	2.6	GlaxoSmithKline	1.9
BP	2.2	Monsanto	1.8
Vodafone	2.1	Mothercare	1.8
UBM	2.0	Roche	1.6
<b>Total Number of Holdings</b>	<b>90</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
4th quarterly 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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All data source Allianz Global Investors as at 28.02.15 unless otherwise stated.

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