

Global investment solution rich in family history

# The Brunner Investment Trust PLC

Factsheet

30 April 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.

Morningstar Rating™



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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
14.02.2018	29.03.2018	6.00p	Final
03.11.2017	14.12.2017	3.50p	3rd Quarterly
18.08.2017	20.09.2017	3.50p	2nd Quarterly
09.06.2017	30.06.2017	3.50p	1st Quarterly

Past performance is not a reliable indicator of future results.

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**Total Assets** £398.5m    **Shares in Issue** 42,692,727 (Ordinary 25p)    **Market Cap** £330.9m

Share Price

775.0p

Source: Lipper

NAV per Share

837.4p

Premium/-Discount

-7.5%

Dividend Yield

2.1%

Gearing

7.5%

**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 30.04.18 unless otherwise stated.

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

## Fund Manager's Review

### Market Review

After closing the first quarter on a weak note, global equities recovered in April. Market sentiment was lifted by an impressive US earnings season, in which the combination of strong performance and beneficial tax reforms saw over 80 per cent of companies beat their estimates. This was further boosted by signs that trade tensions between the US and China might ease, as well as a historic meeting between the leaders of North and South Korea.

While geopolitics tended to overshadow economic news in April, the trend persisted for softer growth, reduced liquidity and more volatility as a result, albeit with some divergence. In the US, continuing inflationary pressures and expectations of further interest rate hikes have brought US ten year Treasury bonds above three per cent for the first time since 2014. Elsewhere in the developed world, economic momentum has actually slowed, with inflation remaining subdued or even easing.

At a sector level, Energy companies led the advance, boosted by oil prices, which rose to over USD 75 a barrel. April was also notable for its rash of mergers and acquisitions. Amongst the many deals announced were Takeda and Shire in the Health sector, Sainsbury's and Asda in UK Retail and T-Mobile and Sprint in Telecoms

In contrast, Consumer Staples performed weakest. Tobacco stocks in particular, plunged after Philip Morris's quarterly results revealed weaker than expected sales of its cigarette alternatives. Rising bond yields also hurt higher yielding sectors, such as Telecoms. Indeed, investing in companies with a low debt to enterprise value has been one of the top performing investment styles for the year.

“ In this type of increasingly volatile market, our quality, growth and valuation-based investment philosophy provides a key source of differentiation. Across our portfolios, we are continuing to take profits where valuations are overly rich.

### Portfolio Review

The Trust's NAV returned 3.36% against a benchmark return of 3.80% after fees. This slight underperformance has been driven mostly by fears of a possible slowdown in semiconductor demand impacting our holdings in Microchip and TSMC. We had taken profits in both holdings after recent strong performance, but retain exposure for long term structural growth. In addition, we had a one off detractor in IFG Group. However, strong results from investee companies in the Health Care and Consumer Goods sectors have been particularly beneficial.

As mentioned, **TSMC** detracted from returns this month. Shares in the Taiwanese manufacturer of semiconductors sold off after the company predicted Q1 sales lower than expectations. The company, whose semiconductors are a key component in the iPhone, has been hit by concerns over US trade tariffs, weaker demand for Apple's new product and fears the smartphone market as a whole may have reached peak growth. Our long term investment case is, however based on a number of diverse end markets including automotive, industrial equipment and communications where the company is an industry leader. The stock has a dividend yield of over 3 per cent, and remains a key holding.

**IFG Group** has been the weakest performing stock in the portfolio in the last month. The company is made up of two separate businesses: James Hay and Saunderson House, a wealth-planning platform and fee-based financial advisor, respectively. The two businesses have performed well operationally, but are undervalued in their joint form. In February, IFG proposed to resolve this with a sale of Saunderson House. However, this has been abandoned and IFG has since appointed one of its non-executive directors, Kathryn



### 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.

Purves, as CEO. The two businesses continue to perform well operationally and shareholders should ultimately be rewarded.

**UnitedHealth Group** was the best performer in the portfolio and delivered very strong Q1 results, beating earnings per share expectations by 5 per cent. This was partially due to two months of contributions from BanMedica, UnitedHealth's Chilean acquisition, which has a seasonally inverse medical loss ratio profile. The business remains on track, although management has been conservative with forward guidance, raising full year expectations by 0.075 USD.

**FirstGroup** has also made strong gains. The international operator of rail and bus franchises saw its shares jump following a bid from the US private equity firm Apollo. FirstGroup had become vulnerable to takeover after US weather disruption caused it to guide for lower annual earnings. Nevertheless, the rest of the business has traded in-line, and is refinancing its expensive debt and generating improved cash flow. We have taken the opportunity to exit the stock, which was one of our lower quality holdings, on the bid speculation.

### Outlook

The market's adjustment to the prospect of peak liquidity, peak growth and peak valuation remains the dominant theme for the year. Indeed, with an increasingly flat yield curve in the US, the global economy appears to be moving towards the next stage of the current cycle. While we expect growth to continue during this reflationary phase, momentum is unlikely to accelerate further.

In the US, growth and inflation forecasts for 2018 have been raised again. However, with hopes already at the ambitious end, any future upward surprises have become considerably less likely.

In the euro area growth rates remain healthy, but there are signs that the cycle has passed its peak. Slowing economic momentum in Germany, is starting to be matched in France. For now, corporate profits in Europe have yet to catch up with the US, leaving room for improvement. This situation may be helped further if higher US rates redress the euro's appreciation against the dollar.

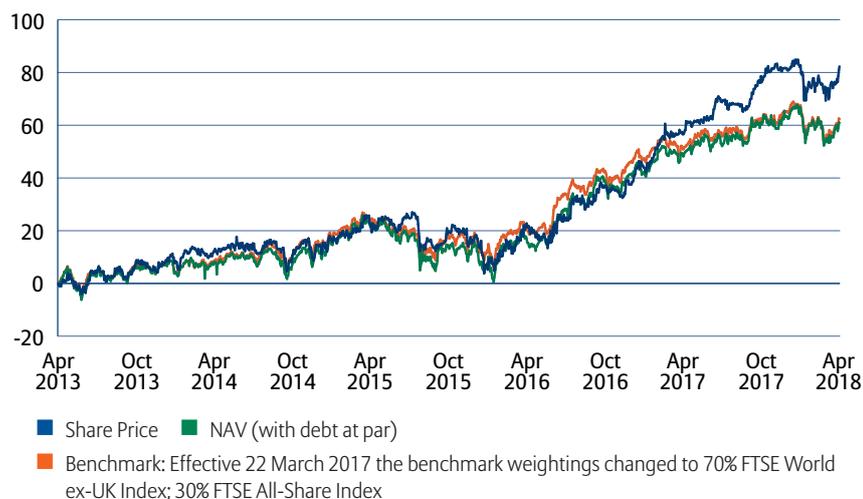
In this type of increasingly volatile market, our quality, growth and valuation-based investment philosophy provides a key source of differentiation. Across our portfolios, we are continuing to take profits where valuations are overly rich. And, at a style level, we expect that the quality of company balance sheets will start to drive share prices in noticeably more divergent ways than before.

Lucy Macdonald  
9 May 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	3.1	16.4	49.0	82.3
NAV	-1.6	0.3	9.7	34.1	62.7
Benchmark	-1.1	0.7	7.7	32.3	62.7

## Discrete 12 Month Returns (%) to 30 April

	2014	2015	2016	2017	2018
Share Price	12.2	9.0	-0.8	29.1	16.4
NAV	7.7	12.6	-4.8	28.4	9.7
Benchmark	8.6	13.2	-2.3	25.7	7.7

Source: Lipper, percentage growth, mid to mid, total return to 30.04.18. 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.

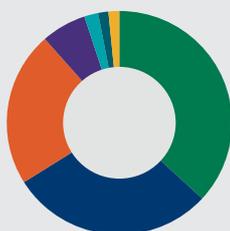
Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount 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 (%)



## Top Twenty Holdings (%)

Royal Dutch Shell - B Shares	3.2
Microsoft	3.1
UnitedHealth	3.0
BP	2.4
AbbVie	2.3
Visa	2.1
Schwab (Charles)	2.1
Muenchener Rueckver	2.1
Estée Lauder	2.0
UBS	1.8
HSBC	1.8
Accenture	1.8
Booking Holdings	1.7
United Internet	1.7
Iberdrola	1.7
Rio Tinto	1.6
Cie Financiere Richemont	1.6
Apple	1.6
Adidas	1.6
Microchip Technology	1.5

**Total number of holdings 73**

Totals may not sum to 100.0% due to rounding. The data shown is not constant over time and the allocation may change in the future. This is no recommendation or solicitation to buy or sell any particular security.

## 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>	0.73%
Year End	30 November
Annual Financial Report	Final published in February, Half-yearly published in July
AGM	March
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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