

31 May 2011

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 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, 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 Managers' Review



Lucy Macdonald



Jeremy Thomas

Global equity markets fell in May on indications that US economic growth was slowing along with renewed fears about debt contagion in Europe. The European Central Bank and Eurozone countries discussed additional measures to address Greece's onerous debt burden. These concerns led to a sharp correction in commodity prices and caused investors to become more risk-averse, switching out of economically sensitive areas such as energy, materials, industrials and financials and into more defensive sectors such as consumer staples and health care.

The Brunner Investment Trust was marginally down for the month (-0.25% NAV, capital only), outperforming its benchmark (-1.17%). Results benefited from the ten largest active positions in the portfolio which all contributed favourably to relative returns during the month. Of these Diageo and Reed Elsevier were the largest contributors. Stock selection in Financials and Technology also helped returns. Lloyds Bank was sold on concerns over the slow pace of restructuring of the business under the new CEO and the proceeds were used to switch into Royal Bank of Scotland which is further ahead in terms of restructuring and trades at a lower valuation. In Technology data network traffic management company F5 Networks rebounded from weakness earlier in the year. The company announced better-than-expected results and is poised to continue to benefit from increasing demand for application delivery controllers driven by strong growth in mobile computing. An underweight in Consumer Goods and stock selection in Health Care detracted as both sectors benefited from the increase in risk aversion.

As discussed previously, the outlook for global equities is mixed, with a macro environment characterised by modest growth and low interest rates. At this point we do not expect the US economy to relapse into recession during 2011, and believe the data indicate a pause in the post-crisis expansion, much as was observed in the summer of 2010. Markets have now appeared to have factored in sluggish growth, falling liquidity as emerging markets raise interest rates and quantitative easing comes to an end, and the need for fiscal tightening in the US and Europe. Against this backdrop the emphasis on high quality large cap companies trading on reasonable valuations remains appropriate.

Key Information

Total Assets:	£280.9m
Gearing (net):	5.3%
No. of Shares (Ordinary 1p):	45,076,162
Share Price¹:	418.3p
Net Asset Value²:	503.0p (473.5p – debt at market value)
Premium/-Discount to NAV³:	-16.9% (-11.7% – debt at market value)
Dividend Yield²:	2.92%
No. of Holdings:	109

All data source RCM (UK) Limited as at 31.05.11 unless otherwise stated.

Launch Date:	January 1927
AIC Sector:	Global Growth
Benchmark:	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
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.rcm.com/investmenttrusts
Board of Directors:	Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), William Worsley (Senior Independent Director), Vivian Bazalgette, Peter Maynard
Investment Manager:	Lucy Macdonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity RCM A company of Allianz Global Investors
Investor Services:	0800 389 4696

¹Source: Lipper as at 31.05.11, market close mid price.

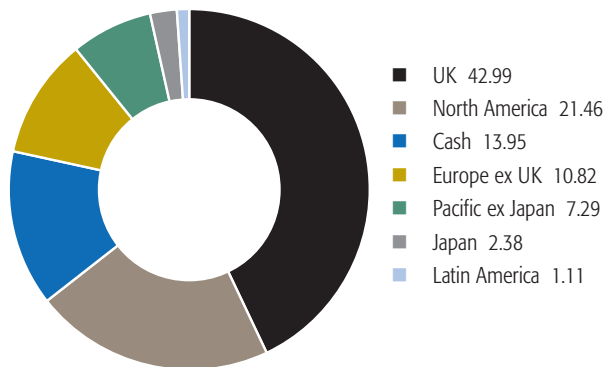
²Source: Datastream as at 31.05.11. Calculated using the latest full year dividend divided by the current share price.

³A 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	%
UK Government 5% 2012	3.7
GlaxoSmithKline	3.2
2.5% UK Government Index-Linked 2020	3.0
BP	2.8
Royal Dutch Shell 'B'	2.8
UK Government 4% Treasury Gilt 2022	2.8
Vodafone Group	2.4
HSBC	2.3
Diageo	1.9
Rio Tinto	1.7
Total	26.6

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 on our website www.rcm.com/investmenttrusts or from the AIC at 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

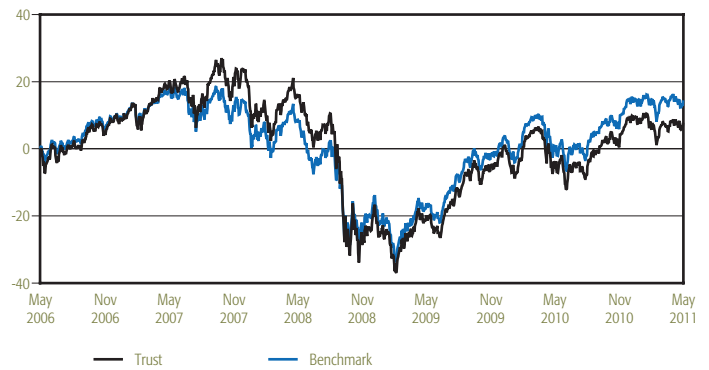
RCM Advantage

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.

Performance

Five Year Trust Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	0.14	7.35	12.63	-7.30	7.76
Benchmark	0.01	8.14	13.73	5.35	14.47

Standardised Past Performance (%)

From	31.03.06	30.03.07	31.03.08	31.03.09	31.03.10
To	30.03.07	31.03.08	31.03.09	31.03.10	31.03.11
Share Price	3.51	-2.92	-33.52	45.66	2.41

Source: Lipper, percentage growth, mid to mid, capital return, to 31.05.11
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.

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