

For immediate release

18 February 2016

THE BRUNNER INVESTMENT TRUST PLC

Final Results for the year ended 30 November 2015

The following comprises extracts from the Company's Annual Financial Report for the year ended 30 November 2015. The full annual financial report is being made available to be viewed on or downloaded from the company's website at [www.brunner.co.uk](http://www.brunner.co.uk). Copies will be posted to shareholders shortly.

## **MANAGEMENT REPORT**

### **Chairman's Statement**

#### **Performance**

The Net Asset Value (NAV) per ordinary share of the company fell by 0.7% on a capital basis closing at 610.3p on 30 November 2015, outperforming the benchmark which decreased by 1.1% over the period. On a total return basis the NAV increased by 1.7%, slightly underperforming the benchmark which returned 1.8%.

#### **Earnings per Share**

The company's earnings per share fell by 4.1% this year, from 14.7p to 14.1p, largely reflecting the fall in income due to the decrease in gilt interest following a strategic decision by the board to sell the gilts in May 2015 and hold the proceeds in cash to mitigate the impact of the debentures on the investment managers' desired gearing level.

#### **Dividends for the Year**

This is our second year of paying quarterly dividends. It is proposed that a fourth and final dividend of 5.7p per share will be paid on 29 March 2016 to shareholders on the Register of Members at close of business on 26 February 2016, bringing the total payment for 2015 to 15.3p, an increase of 2.0% on last year. This requires a small contribution from revenue reserves (1.2p) but these reserves remain strong at 22.6p per share, after the payment of the third quarterly dividend and the proposed final dividend.

The board's intention is to maintain a dividend which grows over time above the inflation rate, subject to performance and to maintaining adequate dividend cover over the longer term. If the dividend is approved, this will mean the company will have a 44 year record of increasing dividends.

#### **Debentures**

We continue to look at whether there are any viable early redemption options. In the meantime, as we have identified in previous annual reports, we see the cost of our debt reduce each year as we get closer to the redemption date of our debentures. The first maturity is in January 2018 and we are looking at our options at that time. There is detail on the debentures in Note 10 beginning on page 60 and we consider our position further in our Viability Statement on page 10.

#### **Buyback of Shares**

The discount has traded at an average of 12.7% (with debt at fair value on a cum income basis) during the period. The discount is wider than the sector average (7.9%). The board believes that constraints on liquidity and the relatively high cost of debt are amongst the contributing factors to this.

Buying back large numbers of shares would further impact liquidity and the board has therefore been reluctant to commit to large share buybacks. Nevertheless, as the discount was wider than the sector average during the year, the company has bought back a small number of shares as a means of reducing discount volatility and to generate modest enhancements to NAV. We will be seeking shareholder approval to renew the share buyback facility for the coming year in order to be able to continue to use this tool.

### **Brunner's wide appeal as an investment**

We are pleased to note that Brunner is becoming an increasingly popular choice for private investors. This is evidenced by the increasing numbers of shares purchased through online investment platforms and wealth managers, especially in the second half of our financial year.

Our marketing and advertising has sought to highlight the benefits of long-term investing and the reinvestment of dividends to help investors looking for options to save for retirement. The company's website continues to be the hub of our investor communications, hosting regular updates on investment performance, dividend information, regulatory market announcements and the views of our fund managers. Our monthly shareholder communications have been enhanced with a four-page fact sheet that includes more in-depth commentary from our fund managers as well as more detailed performance and dividend information. We also provide shareholders with a video interview with our fund managers each quarter via email. Both of these communications are available to subscribers registering for updates at [www.brunner.co.uk](http://www.brunner.co.uk).

The expenses of running the company have been kept to a reasonable level. As can be seen on page 9, this year ongoing charges were 0.75% of the net asset value (2014 – 0.79%).

### **The Board**

This is my tenth annual statement to shareholders and it will be my last as I will be stepping down at the conclusion of the forthcoming Annual General Meeting. As we announced in July last year, it is the board's wish that Carolan Dobson succeeds me as Chairman when I retire from the board. Carolan joined the board in December 2013 and as you can see from her biography on page 29, she has had a very successful career in the fund management industry and has wide experience of investment trusts.

### **Outlook**

Brunner's investment philosophy, which is predicated on seeking attractively valued, potentially high return businesses with secular growth opportunities largely independent of the macroeconomic environment, has the potential to continue to deliver above average results during a time of anticipated higher market volatility and low equity returns.

These companies tend to have decent growth visibility, high returns on investment and strong cash flow generation, which allow them not only to reinvest in their businesses but also, in many cases, return excess cash to shareholders through dividend growth. The recent increase in market volatility should provide opportunities to buy shares in some of these companies at more favourable prices.

### **Annual General Meeting**

The Annual General Meeting will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH, on 15 March 2016, and we, the board, look forward to meeting those shareholders who are able to attend.

Keith Percy  
Chairman  
17 February 2016

**Risk**

The principal risks identified by the board are set out in the table on this page, together with the actions taken to mitigate these risks. A more detailed version of this table, in the form of a risk matrix, together with mitigating actions, is reviewed and updated by the audit committee twice yearly. The principal risks are broadly unchanged from the previous year.

<b>Description</b>	<b>Mitigation</b>
<p><b>Investment Strategy</b>                      An inappropriate investment strategy, e.g., asset allocation or the level of gearing, may lead to underperformance against the company's benchmark index and peer group companies, resulting in the company's shares trading on a wider discount.</p>	<p>The board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and on which the board receives reports at every meeting. The board monitors the implementation and results of the investment process with the investment managers, who attend all board meetings, and reviews data which show risk factors and how they affect the portfolio. The investment managers employ the company's gearing tactically within a strategic range set by the board. The board also meets annually specifically to discuss strategy, including investment strategy.</p>
<p><b>Market Volatility</b>                      Market risk arises from uncertainty about the future prices of the company's investments. It represents the potential loss the company might suffer through holding investments in the face of negative market movements.</p>	<p>The board considers asset allocation, stock selection and levels of gearing at every board meeting and has set investment restrictions and guidelines that are monitored and reported on by AllianzGI. The board also monitors currency movement and determines hedging policy as appropriate. At the year end the company had no hedging in place.</p>
<p><b>Financial and Liquidity Risk</b></p>	<p>The financial risks to the company and the controls in place to manage these risks are disclosed in detail in Note 17 beginning on page 64. The chief risk the board has discussed this year relates to the redemption of the first of the debentures maturing in 2018. In preparation for this event the board has identified sufficient available funds for the repayment of debenture holders.</p>

### **Directors' Responsibility Statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors, at the date of the approval of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

For and on behalf of the board

Keith Percy  
Chairman

For further information contact:

Melissa Gallagher  
Head of Investment Trusts  
Allianz Global Investors

Telephone: 020 3246 7539

**PORTFOLIO ANALYSIS as at 30 November 2015**

	<b>% of Invested Funds</b>
United Kingdom	42.12
North America	31.34
Continental Europe	16.02
Pacific Basin	5.98
Japan	3.36
Latin America	1.18
<b>Total</b>	<b>100.0</b>

**THIRTY LARGEST EQUITY INVESTMENTS as at 30 November 2015**

	Valuation (£)	% of Invested Funds	Principal Activities
Microsoft	8,540,745	2.94	Software & Computer Services
HSBC	7,987,804	2.75	Banks
Vodafone	7,303,111	2.51	Mobile Telecommunications
Royal Dutch Shell 'B Shares'	7,276,416	2.50	Oil & Gas Producers
BP	6,542,965	2.25	Oil & Gas Producers
GlaxoSmithKline	5,549,023	1.91	Pharmaceuticals & Biotechnology
Walgreen	5,479,470	1.88	Food & Drug Retailers
Roche Holdings	5,475,282	1.88	Pharmaceuticals & Biotechnology
Nielsen	5,398,265	1.86	Media
Muenchener Rueckver	5,386,568	1.85	Non-Life Insurance
Estee Lauder 'A' Shares	5,378,360	1.85	Personal Goods
Mothercare	5,328,000	1.83	General Retailers
UBM	5,055,000	1.74	Media
AbbVie	5,042,358	1.73	Pharmaceuticals & Biotechnology
BG Group	4,908,075	1.69	Oil & Gas Producers
Visa	4,805,822	1.65	Financial Services
Better Capital	4,650,000	1.60	Equity Investment Instruments
Balfour Beatty	4,642,940	1.60	Construction & Materials
United Health	4,544,219	1.56	Health Care Equipment & Services
United Internet	4,372,722	1.50	Software & Computer Services
UBS	4,296,653	1.48	Banks
Accenture	4,294,756	1.48	Support Services
Fresenius	4,224,765	1.45	Health Care Equipment & Services
Monsanto	4,221,418	1.45	Food Producers
Apple	4,153,978	1.43	Technology Hardware & Equipment
Intertek	4,149,810	1.43	Support Services
Wells Fargo	4,005,919	1.38	Banks
EOG Resources	3,990,747	1.37	Oil & Gas Producers
Adidas	3,967,675	1.36	Personal Goods
SMC	3,779,259	1.30	Industrial Engineering
	<b>154,752,125</b>	<b>53.21</b>	<b>% of Total Invested Funds</b>

## INCOME STATEMENT

for the year ended 30 November 2015

	Revenue £	2015 Capital £	Total Return £ (Note C)
Net gains on investments at fair value	-	362,014	362,014
Net losses on foreign currencies	-	(10,799)	(10,799)
Income	8,735,318	-	8,735,318
Investment management fee	(447,212)	(1,043,494)	(1,490,706)
Administration expenses	(525,631)	(1,284)	(526,915)
<b>Net return before finance costs and taxation</b>	<b>7,762,475</b>	<b>(693,563)</b>	<b>7,068,912</b>
Finance costs: interest payable and similar charges	(1,340,142)	(3,074,497)	(4,414,639)
<b>Net return on ordinary activities before taxation</b>	<b>6,422,333</b>	<b>(3,768,060)</b>	<b>2,654,273</b>
Taxation	(357,378)	-	(357,378)
<b>Net return on ordinary activities attributable to ordinary shareholders</b>	<b>6,064,955</b>	<b>(3,768,060)</b>	<b>2,296,895</b>
<b>Return per ordinary share</b> (basic and diluted) (Note B)	<b>14.09p</b>	<b>(8.75p)</b>	<b>5.34p</b>

## BALANCE SHEET

as at 30 November 2015

Investments held at fair value through profit or loss	290,746,116
<b>Net current assets</b>	<b>32,225,025</b>
<b>Total assets less current liabilities</b>	<b>322,971,141</b>
Creditors – amounts falling due after more than one year	(49,341,078)
<b>Total net assets</b>	<b>273,630,063</b>
<b>Capital and reserves</b>	
Called up share capital	10,753,104
Capital redemption reserve	5,246,896
Capital reserve	244,074,684
Revenue reserve	13,555,379
<b>Equity shareholders' funds</b>	<b>273,630,063</b>
<b>Net asset value per ordinary share</b>	<b>636.2p</b>

The net asset value is based on 43,012,418 ordinary shares in issue.

## INCOME STATEMENT

for the year ended 30 November 2014

	Revenue £	2014 Capital £	Total Return £ (Note C)
Net gains on investments at fair value	-	14,137,065	14,137,065
Net gains on foreign currencies	-	27,279	27,279
Income	9,030,506	-	9,030,506
Investment management fee	(434,377)	(1,013,546)	(1,447,923)
Administration expenses	(595,417)	(6,710)	(602,127)
<b>Net return before finance costs and taxation</b>	<b>8,000,712</b>	<b>13,144,088</b>	<b>21,144,800</b>
Finance costs: interest payable and similar charges	(1,343,188)	(3,081,606)	(4,424,794)
<b>Net return on ordinary activities before taxation</b>	<b>6,657,524</b>	<b>10,062,482</b>	<b>16,720,006</b>
Taxation	(319,765)	-	(319,765)
<b>Net return on ordinary activities attributable to ordinary shareholders</b>	<b>6,337,759</b>	<b>10,062,482</b>	<b>16,400,241</b>
<b>Return per ordinary share</b> (basic and diluted) (Note B)	<b>14.71p</b>	<b>23.35p</b>	<b>38.06p</b>

## BALANCE SHEET

as at 30 November 2014

Investments held at fair value through profit or loss	329,280,814
<b>Net current liabilities</b>	<b>(1,318,754)</b>
<b>Total assets less current liabilities</b>	<b>327,962,060</b>
Creditors – amounts falling due after more than one year	(49,599,030)
<b>Total net assets</b>	<b>278,363,030</b>
<b>Capital and reserves</b>	
Called up share capital	10,772,354
Capital redemption reserve	5,227,646
Capital reserve	248,284,533
Revenue reserve	14,078,497
<b>Equity shareholders' funds</b>	<b>278,363,030</b>
<b>Net asset value per ordinary share</b>	<b>646.0p</b>

The net asset value is based on 43,089,418 ordinary shares in issue.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 November 2015

	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Net assets at 1 December 2013	10,772,354	5,227,646	238,222,051	14,031,793	268,253,844
Revenue return	-	-	-	6,337,759	6,337,759
Dividends on ordinary shares	-	-	-	(6,291,055)	(6,291,055)
Capital return	-	-	10,062,482	-	10,062,482
<b>Net assets at 30 November 2014</b>	<b>10,772,354</b>	<b>5,227,646</b>	<b>248,284,533</b>	<b>14,078,497</b>	<b>278,363,030</b>
Net assets at 1 December 2014	10,772,354	5,227,646	248,284,533	14,078,497	278,363,030
Revenue return	-	-	-	6,064,955	6,064,955
Shares repurchased during the year	(19,250)	19,250	(441,789)	-	(441,789)
Dividends on ordinary shares	-	-	-	(6,588,073)	(6,588,073)
Capital return	-	-	(3,768,060)	-	(3,768,060)
<b>Net assets at 30 November 2015</b>	<b>10,753,104</b>	<b>5,246,896</b>	<b>244,074,684</b>	<b>13,555,379</b>	<b>273,630,063</b>

**CASH FLOW STATEMENT**

**For the year ended 30 November 2015**

	2015 £	2015 £	2014 £
<b>Net cash inflow from operating activities</b>		<b>6,749,379</b>	<b>7,563,571</b>
<b>Return on investments and servicing of finance</b>			
Interest paid	(4,650,523)		(4,654,782)
Dividends paid on preference stock	(22,500)		(22,500)
<b>Net cash outflow from servicing of financing</b>		<b>(4,673,023)</b>	<b>(4,668,282)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of fixed asset investments	(40,245,200)		(79,721,202)
Sale of fixed asset investments	78,381,093		65,235,890
<b>Net cash inflow (outflow) from financial investments</b>		<b>38,135,893</b>	<b>(14,485,312)</b>
Equity dividends paid		(6,588,073)	(6,291,055)
<b>Net cash inflow (outflow) before financing</b>		<b>33,624,176</b>	<b>(17,881,078)</b>
<b>Financing</b>			
Repurchase of ordinary shares for cancellation		(441,789)	-
<b>Increase (decrease) in cash</b>		<b>33,182,387</b>	<b>(17,861,078)</b>

Notes

Note A

The financial statements have been prepared under the historical cost basis, except for the measurement at fair value of the investments, and in accordance with applicable accounting standards, the United Kingdom law and United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice – 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP) issued in January 2009 by the Association of Investment Companies.

Note B

The return per ordinary share is based on a weighted average number of shares in issue of 43,047,245 (30 November 2014 – 43,089,418) ordinary shares in issue.

Note C

The total column of this statement is the profit and loss account of the company.

The supplementary revenue return and capital return columns are both prepared under the guidance published by the Association of Investment Companies.

All revenue and capital items in the Income Statement derive from continuing operations. No operations were acquired or discontinued in the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the company have been reflected in the Income Statement.

Included in the cost of investments are transaction costs and stamp duty on purchases of £172,661 (2014 – £232,222) and transaction costs on sales of £51,304 (2014 – £61,222).

Note D

Valuation – As the company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'. The company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the board.

Note E

**Dividends on Ordinary Shares**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Dividends paid on ordinary shares:		
Third Interim – 3.2p paid 26 March 2015	1,378,861	-
Final – 5.70p paid 26 March 2015 (2014 - 8.50p)	2,456,096	3,662,601
First Interim – 3.20p paid 30 June 2015 (2014 – 3.00p)	1,376,718	1,292,683
Second Interim – 3.20p paid 21 September 2015 (2014 - 3.10p)	1,376,398	1,335,771
	<u>6,588,073</u>	<u>6,291,055</u>

Dividends payable at the year end are not recognised as a liability under FRS 21 'Events after Balance Sheet Date' (see Annual Financial Report - Statement of Accounting Policies). Details of these dividends are set out below.

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Third interim – 3.20p payable 16 December 2015 (2014 – 3.20p)	1,376,398	1,378,861
Final proposed dividend – 5.70p payable 29 March 2016 (2015 – 5.70p)	2,451,708	2,456,096
	<u>3,828,106</u>	<u>3,834,957</u>

The proposed final dividend accrued is based on the number of shares in issue at the year end. However, the dividend payable will be based on the numbers of shares in issue on the record date and will reflect any changes in the share capital between the year end and the record date.

Note F

The financial information for the year ended 30 November 2015 has been extracted from the statutory accounts for that year. The auditor's report on those accounts was unqualified and did not contain a statement under either section 498(2) or (3) of the Companies Act 2006. The annual financial report has not yet been delivered to the registrar of companies.

The financial information for the year ended 30 November 2014 has been extracted from the statutory accounts for that year which have been delivered to the registrar of companies. The auditor's report on those accounts was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

The full annual financial report is available to be viewed on or downloaded from the company's website at [www.brunner.co.uk](http://www.brunner.co.uk). Neither the contents of the company's website nor the contents of any website accessible from hyperlinks on the company's website (or any other website) is incorporated into, or forms part of this announcement.