

Investment Rationale

Jointly managed by Lucy MacDonald and Jeremy Thomas, The Brunner Investment Trust PLC provides investors with a globally diversified equity portfolio. It combines a base in the UK with the freedom to invest globally. Through Brunner, investors can access a spread of high quality companies in a single portfolio.

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.

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



Brunner Investment Trust NAV (+1.50%) performed ahead of the benchmark (+0.82%) during December. Technology stock selection was the main driver of performance, particularly not owning Oracle Systems, which announced disappointing results. Weakness in Tullett

Prebon and Baidu.com was offset by good returns from Celgene and Petroceltic and continued relative strength in GlaxoSmithKline, which is the Trust's largest position.

A new investment in the US pharmaceutical company Pfizer was started during the month. Pfizer has a strong shareholder focus and is creating value operationally, through cost savings, productivity enhancements, R&D and asset sales, as well as financially through higher dividends and aggressive share buy backs. Amazon.com was eliminated from the portfolio. The risks to revenue growth and margins over the next several quarters have risen due to the high percentage of consumer electronic sales, where pricing pressures are intensifying, and, ironically, the success of the Kindle Fire, which the company is selling at a loss. We believe earnings forecasts could be reduced further, which would negatively impact the share price.

The outlook for 2012 is particularly opaque, and we would avoid making bold predictions about the outcome of the challenges facing the Eurozone, other indebted economies such as the US and the UK, or the extent of the slowdown in China. These risks are well known and the general positioning of investors is defensive. It is worth noting that the corporate sector is surprisingly healthy. Many companies have cut costs aggressively since the recession and have rebuilt their balance sheets as profits have recovered. Labour costs have been under tight control and profit margins are high. In addition multinational companies, which make up a large part of the UK market, have been able to exploit growth opportunities in developing countries in contrast to the relatively tough home environment. We continue to bias the portfolio towards high quality, attractively valued businesses with strong balance sheets operating in relatively defensive or less cyclical industries such as pharmaceuticals, technology, telecoms, utilities or household products. However, there do remain opportunities in other sectors, including selective industrials and financials. We also favour businesses with structural growth potential such as those with exposure to emerging market consumers, as we think sustainable growth should be valued at a premium in this environment.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	7.90	-6.71	-5.26	28.99	-7.80
NAV	8.75	-7.00	-6.98	25.14	-8.33
Benchmark	7.31	-8.64	-7.62	25.00	-4.33

Standardised Past Performance (%)

	From	To	Share Price (%)	NAV (%)	Benchmark (%)
3 Months	29.12.06	31.12.07	10.59	12.62	4.19
6 Months	31.12.07	31.12.08	-35.37	-34.95	-26.54
1 Year	31.12.08	31.12.09	23.05	22.12	20.31
3 Years	31.12.09	31.12.10	10.66	10.16	12.47
5 Years	31.12.10	30.12.11	-5.26	-6.98	-7.62

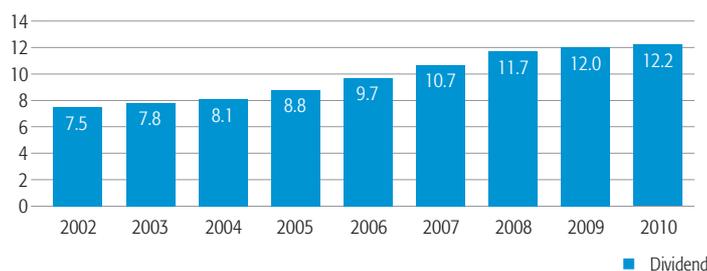
Source: Lipper, share price calculation percentage growth, mid to mid, capital return to 30.12.11.

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

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.

Dividend History

Ten Year Net Dividend Record in Pence (to year end 30 November)



Net Dividends Paid (calendar year to date)

	Pay Date	XD Date	Payment
Interim Dividend	2.9.11	5.8.11	4.8p

Capital Structure

Total Assets:	£257.8m
Gearing (net):	8.9%
Shares in Issue:	43,603,587 (Ordinary 25p)
Share Price ¹ :	390.0p
Net Asset Value ² :	467.8p (424.1p – debt at market value)
Premium/-Discount to NAV ³ :	-16.6% (-8.0% – debt at market value)
NAV Frequency	Daily
Dividend Yield ² :	3.08%

1. Source: Lipper as at 30.12.11, market close mid price.

2. Source: Datastream as at 30.12.11. Calculated using the latest full year dividend divided by the current share price.

3. 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. 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.

Key Information

Launch Date:	January 1927
AIC Sector:	Global Growth
Benchmark:	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
Annual Management Charge:	0.45%
Performance Fee:	No
Total Expense Ratio: ⁴	0.60%
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

Company Secretary	Kirsten Salt
Investment Manager	Lucy MacDonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity
Codes:	RIC: BUT SEDOL: 0149000 ISIN: GB0001490001

4. Source: Annual Financial Report

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.

All data source RCM (UK) Limited as at 30.12.11 unless otherwise stated.

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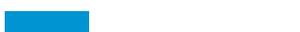
Portfolio Analysis

Top Ten Holdings	(%)	(%)	
UK Gov Bond 5.0% 2012	3.9	BP	3.1
GlaxoSmithKline	3.7	Vodafone	2.8
UK Gov Bond 2.5% Ind-Linked '20	3.6	Diageo	2.2
UK Gov Bond 4.0% 2022	3.4	HSBC	2.0
Royal Dutch Shell "B" Shares	3.4	Unilever	1.9
Total Number of Holdings			109

Sector Breakdown (%)

Financials	14.83	
Industrials	14.10	
Cash	12.49	
Oil & Gas	10.69	
Consumer Goods	9.72	
Health Care	9.56	
Consumer Services	8.38	
Technology	6.82	
Basic Materials	6.01	
Telecommunications	4.98	
Utilities	2.40	
Other	0.01	

Geographic Breakdown (%)

UK	44.66	
North America	21.11	
Cash	12.48	
Europe ex UK	9.15	
Pacific ex Japan	7.84	
Japan	3.12	
Latin America	1.64	

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 and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website or from the AIC at www.theaic.co.uk

CONTACT US

To download the Annual Financial Report, Trust brochure or watch an interview with the fund manager, please visit us online at www.rcm.com/investmenttrusts



If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

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