

Global investment solution rich in family history

# The Brunner Investment Trust PLC

Factsheet

28 February 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 45 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** £399.1m    **Shares in Issue** 42,692,727 (Ordinary 25p)    **Market Cap** £322.8m

Share Price

756.0p

Source: Lipper

NAV per Share

843.7p

Premium/-Discount

-10.4%

Dividend Yield

2.2%

Gearing

7.8%

**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 28.02.18 unless otherwise stated.

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## Fund Manager's Review

### Market Review

After a strong start to the year for global equity markets, February saw a much-anticipated correction ending the month with negative returns. The first full week of February saw the S&P 500 fall 5.2 per cent, and Japan's Topix fall 7 per cent, posting their worst declines in two years. In Europe, the Eurofirst 300 index closed down 7.2 per cent, its worst weekly fall since the Eurozone crisis in 2011.

At a sector level, Information Technology stocks proved the most resilient, significantly outperforming the wider market. Consumer Discretionary stocks also continued to perform well. The Consumer Staples and Telecoms sectors extended their disappointing runs, while Energy – having showed some signs of recovery – weakened.

Initially, the sell-off was caused by rising bond yields. As ten-year US Treasury yields breached 2.7 per cent, the prospect of higher interest rates and inflation triggered an equity sell off. Fundamentally, company earnings remain strong and the global economy continues to improve.

February should thus be seen in context. Economic conditions remain positive and the S&P 500 is now back at the same level it reached on January 3. In Europe and Japan, equity markets have also sprung back, although with not quite the enthusiasm demonstrated elsewhere.

### Portfolio Review

The Trust's NAV returned -0.7 per cent against a benchmark return of -1.5 per cent. The portfolio withstood the recent market correction well, outperforming in particular thanks to stock selection in the Consumer Goods and Health Care sectors. The

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relative contribution to returns from Technology stocks has been weaker this month. However, this is largely due to the number of off-benchmark positions in the portfolio which, over the long-term, have delivered significant outperformance.

**AbbVie** has been this month's strongest performer. After a particularly strong Q4, investors had been concerned AbbVie might use the cash to make a neurology acquisition without clear benefits. This has been addressed and the company has put its cash to use through share repurchases and dividend increases. Moreover, the market continues to overstate AbbVie's reliance on Humira, despite rising sales of its new Hepatitis C drug Maryvet, and positive trial results. Consequently, even after an exceptional year, valuation remains undemanding.

**Estée Lauder** has also extended its impressive run, as demonstrated in its Q2 results. The cosmetics and beauty company's sales were up 17 per cent, 3 per cent better than expected. As in previous quarters, this was driven by strong Chinese consumption and its e-commerce platform. Estée Lauder is also successfully expanding its smaller brands into new international outlets, at the same time as seeing a rebound in its core brand. The company has demonstrated its ability to maintain an impressive growth rate and remains a key holding.

**CCR** has been the biggest detractor from performance this month. Despite solid operating performance, the Brazilian transport company has been affected by a former supplier's allegations that it overpaid for sports sponsorship contracts between 2009 and 2012. CCR, whose governance and compliance has so far been rigorous, has set up an independent investigation to review the suggestions and we will be monitoring any developments. Meanwhile, CCR has



### 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.

also proposed an additional dividend of 0.20 R\$ per share, bringing the yield to 6.4 per cent.

**Firstgroup** has also detracted from returns. The rail and bus transport company recently lowered its full-year earnings guidance in a trading update. Firstgroup attributed this to severe January snowstorms, driver shortages on its school bus unit, as well as tough competition. Despite these headwinds, the company has said it continues to expect “substantial” cash generation for the year, particularly thanks to a debt refinancing which should see interest savings of £14 million per year from 2019. Therefore, we believe that the company is fundamentally undervalued.

### Market Outlook

February's correction served as a timely reminder for a global equity market that had started to feel complacent. Markets and policy-makers are now being forced to consider the longer-term consequences.

Markets have interpreted recent statements from Jerome Powell, the new Chair of the US Federal Reserve, as a sign that four rate hikes in 2018 are now considerably more likely. Notably, Mr Powell's remarks came after the recent correction, suggesting that his policy-making would be less beholden to the short-term health of stock markets. Moreover, the Fed has historically set the direction of travel for global monetary policy.

The strength of fundamental data over the next few months will be key to establishing how far this market cycle has to run. Consumer sentiment, PMIs (Purchasing Manager Index), and company earnings remain close to record highs, but momentum is starting to cool. This may be further complicated if President Trump imposes punitive steel tariffs and European markets react adversely to the results of Italy's recent election.

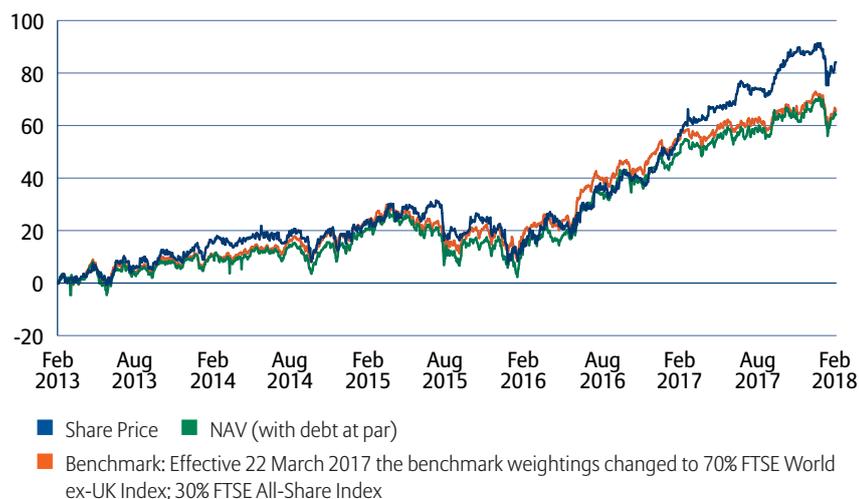
With this in mind, we have retained our underweight positioning in sectors adversely affected by a rising rate environment, like Utilities. However, our investment philosophy remains the same. Indeed, if we see a repeat of February's highly correlated sell-off, it could generate significant opportunities to pick up quality stocks at attractive valuations, after a period in which multiples had become harder to justify.

*Lucy Macdonald*  
12 March 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	-2.9	5.9	17.9	49.9	84.1
NAV	2.1	3.3	12.8	42.7	76.3
Benchmark	0.6	1.5	7.0	33.8	65.8

## Discrete 12 Month Returns (%) to 28 February

	2014	2015	2016	2017	2018
Share Price	15.2	6.6	-7.1	36.9	17.9
NAV	13.3	9.1	-4.1	31.9	12.8
Benchmark	10.9	11.8	-4.1	30.5	7.0

Source: Lipper, percentage growth, mid to mid, total return to 28.02.18. 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.

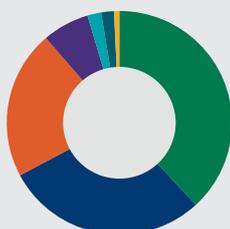
# Portfolio Breakdown

## Sector Breakdown (%)

Financials	24.6	
Industrials	20.6	
Technology	13.1	
Health Care	11.6	
Consumer Goods	7.2	
Basic Materials	6.6	
Oil & Gas	6.2	
Consumer Services	6.0	
Telecommunications	1.7	
Utilities	1.6	
Cash	0.8	

## Geographic Breakdown (%)

North America	38.1	
UK	29.1	
Europe ex UK	21.5	
Pacific ex Japan	6.7	
Japan	2.0	
Latin America	1.8	
Cash	0.8	



## Top Twenty Holdings (%)

AbbVie	3.2
Microsoft	3.1
Royal Dutch Shell B Shs	2.9
UnitedHealth	2.8
Estée Lauder	2.2
BP	2.1
UBS	2.1
Visa	2.1
Muenchener Rueckver	2.0
Schwab (Charles)	2.0
Accenture	1.9
HSBC	1.8
United Internet	1.8
Covestro	1.8
Apple	1.7
Taiwan Semiconductor	1.7
Microchip Technology	1.7
Rio Tinto	1.6
Booking Holdings	1.6
Tencent	1.6

**Total number of holdings 73**

## 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:

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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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