

## 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.

### Fund Managers' Review

Lucy MacDonald    Jeremy Thomas



#### Market Review

Equity markets rallied in June with the FTSE All World index gaining 3.03%. The month had a volatile start when Spain requested financial support from European institutions to support its troubled banking sector. Fitch downgraded

Spain's credit rating by three notches from A to BBB, warning that the nation is at risk of being downgraded to junk bond status. The outcome of the Greek election brought some relief to investors, with Greece continuing to stay within the euro zone. The biggest catalyst came on the last trading day of the month, when leaders agreed at an EU summit to restructure Spain's recapitalisation plan and allow EU funds to be invested directly into its banks and thus not be treated as additional sovereign debt. The conditions under which EU funding could be used to purchase government bonds were also relaxed, which cause the yields on Spanish and Italian bonds to fall sharply.

#### Portfolio Review

The Trust rose in NAV terms (+3.04% TR) but underperformed the benchmark (+3.85%) mainly due to stock selection in Health Care. Celgene was weak on news that the company had withdrawn its application for approval to market its leukemia drug Revlimid in Europe. The company was asked to provide additional data which will take a few quarters to gather. In the meantime, management has indicated that Revlimid sales are running ahead of forecasts in the US and the prospects for a new product to treat psoriatic arthritis looks promising.

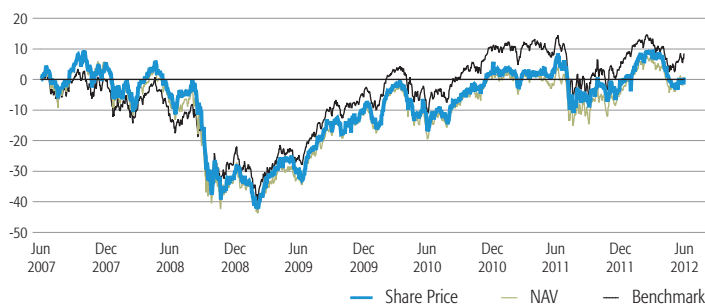
Amadeus IT Holdings was the top contributor to performance. The company beat earnings forecasts although margins came in lower than expected. Amadeus has a powerful business model as both a software and IT service provider, and has a transaction-based revenue model that offers very high operating leverage.

Daily Mail & General Trust was also strong. DMGT offers a diversified business structure; while traditionally thought of as just a UK newspaper group, the reality is that over 70% of earnings come from non-newspaper businesses, with a high exposure to business to business and digital assets. First half results were in-line with expectations although the outlook for national newspaper advertising has deteriorated. However, operating margin guidance has increased, so the overall profitability profile remains unchanged. A recent meeting with management has confirmed that consensus forecasts are probably too low.

#### Outlook

The European debt crisis will continue to be the central factor driving market sentiment into mid-summer. However, we maintain our base-case view that the Eurozone is not going to collapse and that adequate liquidity will be provided to the financial system by the European Central Bank and quite possibly by the US Federal Reserve. We continue to believe that we are in a low growth, low interest rate and low return environment with little visibility. Deleveraging and fiscal austerity will weigh on growth for an extended period and will be only somewhat offset by monetary stimulus and negative real interest rates. Given the lack of positive macro tailwinds, stock picking will continue to be critical. A global portfolio comprised of quality growth companies, supported, as appropriate, by solid dividends, should be well-positioned to generate positive long-term returns.

### Performance (%)



### Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-7.7	1.0	-4.6	42.5	0.6
NAV	-4.6	5.8	-0.6	49.0	0.8
Benchmark	-3.1	4.4	-3.3	46.5	8.5

### Discrete Performance (%)

From	29.06.07	30.06.08	30.06.09	30.06.10	30.06.11
To	30.06.08	30.06.09	30.06.10	30.06.11	29.06.12
Share Price	-5.8	-25.1	20.5	24.0	-4.6
NAV	-6.6	-27.6	21.5	23.3	-0.6
Benchmark	-11.2	-16.6	22.2	23.9	-3.3

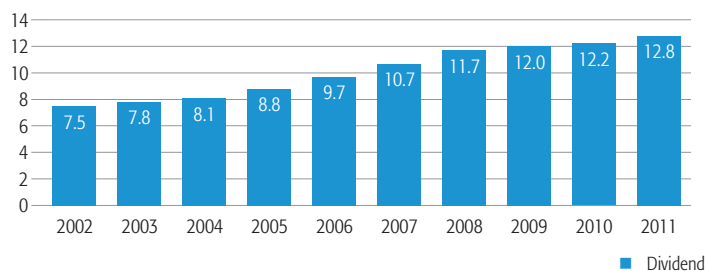
Source: Lipper, share price calculation percentage growth, mid to mid, total return to 30.06.12.

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 (financial year to date)

	Pay Date	XD Date	Payment
Interim Dividend	31.08.12	03.08.12	5.0p

## Capital Structure

Total Assets:	£265.9m
Gearing (net):	7.4%
Shares in Issue:	43,277,918 (Ordinary 25p)
Share Price <sup>1</sup> :	392.5p
Net Asset Value <sup>2</sup> :	487.4p (444.8p – debt at market value)
Premium/-Discount to NAV <sup>3</sup> :	-19.5% (-11.8% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>2</sup> :	3.3%

1. Source: Lipper as at 30.06.12, market close mid price.

2. Source: Datastream as at 30.06.12. 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: <sup>4</sup>	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, <a href="http://www.rcm.com/investmenttrusts">www.rcm.com/investmenttrusts</a>

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 as at 30 November 2011

## 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 30.06.12 unless otherwise stated.

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## Portfolio Analysis

Top Ten Holdings	(%)	(%)	
Royal Dutch Shell "B" Shares	3.3	Diageo	2.3
GlaxoSmithKline	3.3	Unilever	1.6
BP	2.8	Apple	1.5
Vodafone	2.7	Rio Tinto	1.5
HSBC	2.4	Reed Elsevier	1.5
Total Number of Holdings			112

Largest holdings shown excluding Government debt which is held for structural and not investment reasons

Sector Breakdown	(%)
Financials	14.9
Industrials	14.1
Cash	13.0
Health Care	11.1
Oil & Gas	10.2
Consumer Goods	9.7
Consumer Services	8.0
Technology	6.5
Basic Materials	5.7
Telecommunications	5.1
Utilities	1.7

Geographic Breakdown	(%)
UK	43.3
North America	22.8
Cash	13.0
Europe ex UK	8.7
Pacific ex Japan	7.8
Japan	2.9
Latin America	1.5

## 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](http://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](http://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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