

## 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

The FTSE All World Index edged 0.81% higher in thin trading as euro zone debt concerns eased amidst growing hopes for more policy support from central banks. Macroeconomic data points were generally weak although the US July employment numbers were better than expected. During the month the ECB announced that it favoured bringing down yields in selective Eurozone bond markets (i.e., Spain and Italy) by buying sovereign bonds. However, certain conditions were laid out including an official request for support from the EFSF and clear evidence that the transmission of monetary policy in the respective country has been damaged. While these guidelines were agreed to by all ECB council members, the Bundesbank continued to oppose the proposal. Spanish and Italian bond yield fell sharply as a result of the announcement. Markets were also supported by ongoing speculation that the US Federal Reserve stood poised to provide further quantitative easing and that the Chinese central bank would also offer monetary support to the economy if necessary. Although the S&P 500 flirted with four year highs, the Shanghai Composite remained mired in a bear market, hitting its lowest levels since Q1 2009.

#### Portfolio Review

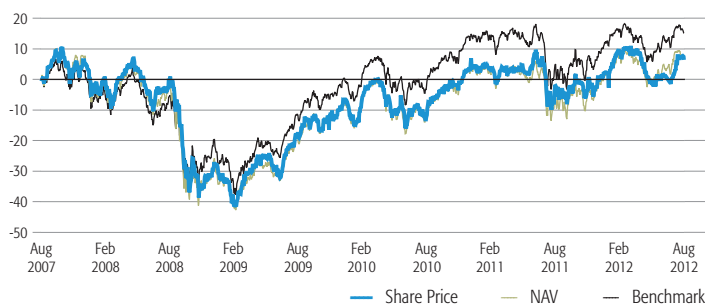
The Trust's NAV (+2.01% total return) outperformed the benchmark (+1.56%). Reed Elsevier was the best performing holding. The company's scientific, technical and medical journal publishing business benefits from proprietary content, captive clients and high margins. Although library budgets are only growing 2-3% p.a., geographic expansion and new services allow for extra revenue growth with stable margins. The stock lagged while the company restructured but should continue to re-rate as free cash flow recovers. Xchanging was another top contributor. This is another company that is going through a major restructuring and looks to be on the road to recovery.

Priceline.com was a significant detractor. The company indicated that international booking trends, particularly in Europe, were decelerating faster they had expected. The slowdown appears to be related to the macroeconomic environment and not due to a loss of market share or any company specific issues. Priceline.com has been a strong contributor to performance and we had been reducing exposure on price strength in the first half of the year. We will need to wait for the next set of results to ascertain whether international booking trends have stabilised. SMC, the Japanese pneumatic equipment manufacturer, was also weak, partly reflecting general weakness in the Japanese stock market, and partly due to signs that equipment orders from the electronics industry were slowing.

#### Outlook

After a relatively benign summer, markets could face some turbulence over the next several months. EU leaders are convening another summit in October to continue discussions on Greece and Spain. The ECB's plan to buy periphery bonds to cap yields is positive but will entail significant executions risk. The US election is extremely close and the outcome will likely hinge on two or three swing states. China continues to slow down, dampening growth prospects globally. As has been the case for some time, accommodative monetary policies, negative real interest rates and healthy corporate liquidity are mitigating some of these risks. The portfolio's focus on high quality, reasonably valued companies benefitting from global structural growth opportunities has generated positive returns.

### Performance (%)



### Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	7.0	-1.9	8.8	29.4	6.4
NAV	7.2	0.2	12.7	32.3	6.9
Benchmark	7.0	-0.1	10.2	30.6	15.4

### 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

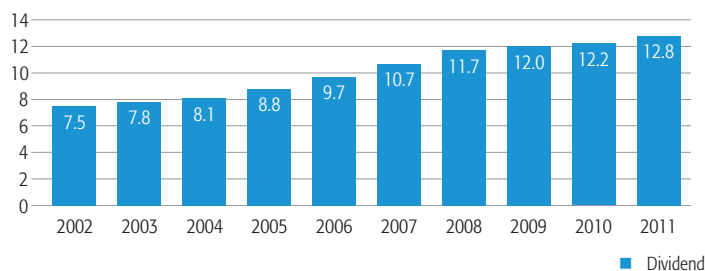
Source: Lipper, share price calculation percentage growth, mid to mid, total return to 31.08.12.

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:	£270.4m
Gearing (net):	6.4%
Shares in Issue:	43,242,918 (Ordinary 25p)
Share Price <sup>1</sup> :	405.0p
Net Asset Value <sup>2</sup> :	501.9p (457.2p – debt at market value)
Premium/-Discount to NAV <sup>3</sup> :	-19.3% (-11.4% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>2</sup> :	3.2%

1. Source: Lipper as at 31.08.12, market close mid price.

2. Source: Datastream as at 31.08.12. 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 31.08.12 unless otherwise stated.

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## Portfolio Analysis

Top Ten Holdings	(%)	(%)	
Royal Dutch Shell "B" Shares	3.3	Diageo	1.9
GlaxoSmithKline	3.2	Reed Elsevier	1.7
BP	2.9	Rio Tinto	1.6
Vodafone	2.7	Apple	1.5
HSBC	2.3	Abbot Labs	1.3
Total Number of Holdings			112

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

Sector Breakdown	(%)
Financials	14.8
Industrials	14.4
Cash	13.7
Oil & Gas	10.4
Health Care	10.1
Consumer Goods	9.0
Consumer Services	8.8
Technology	6.5
Basic Materials	5.6
Telecommunications	5.2
Other	1.8

Geographic Breakdown	(%)
UK	43.4
North America	22.4
Cash	13.7
Europe ex UK	8.9
Pacific ex Japan	7.8
Japan	2.4
Latin America	1.4

## 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 financial reports, 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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