

30 September 2010

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.

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.

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

Markets surged upwards in September (the S&P 500 had its best September since 1939), continuing the volatile pattern we have seen in markets this year which have switched between having a risk appetite and risk aversion. The market is highly sensitive to newsflow on economic growth

currently as leading indicators have been signalling a rolling over of growth rates in the US as the inventory recovery comes to an end. The speculation of a further and decisive round of quantitative easing in the US to attempt to head off a double dip in the economy, is driving all asset markets where correlations are now at extremely high levels.

The Trust's NAV (+7.16%, capital only) outperformed its benchmark which returned 6.6%. The key driver of relative stock performance in the UK for the Trust was the market's tentative reappraisal of the risk to stocks exposed to government spending. We feel the market has overreacted and the strength of the remaining businesses not exposed to government budget cuts has been overlooked. For example, during September, Logica, Hays and BAe Systems were amongst the best contributors to performance. This was partly offset by continued weakness in Hansen Transmissions, where the market remains unconvinced a recovery in the wind turbine market will seemingly ever happen. The best performing stock for the Trust was Amazon which benefited from continued expansion of online retailing and its eBook reader, Kindle. LVMH also performed well as the company expanded into Emerging Markets. We see excellent value in some stocks and sectors, but considerable opacity and risk in others and continue to invest in stocks that have attractive valuations and the potential to perform in both good and bad economic environments.

Key Information

Total Assets:	£267.2m
Gearing (net):	5.8%
No. of Shares (Ordinary 1p):	46,047,805
Share Price¹:	386.0p
Net Asset Value²:	461.8p (432.5p – debt at market value)
Premium/-Discount to NAV²:	-16.4% (-10.7% – debt at market value)
Dividend Yield²:	2.49%
No. of Holdings:	118

All data source RCM (UK) Limited as at 30.09.10 unless otherwise stated.

Launch Date:	January 1927
AIC Sector:	Global Growth
Benchmark:	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
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
Investment Manager:	Lucy MacDonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity RCM A company of Allianz Global Investors
Investor Services:	020 7065 1407

¹Source: Lipper as at 30.09.10, market close mid price.

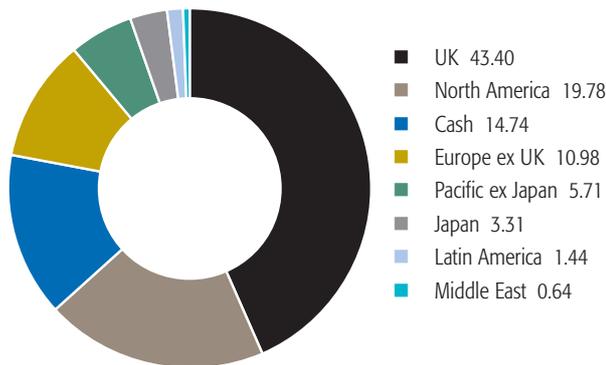
²Source: Datastream as at 30.09.10. Calculated using the latest full year dividend divided by the current share price.

³A 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.

Top Ten Holdings (%)

Name	%
UK Government 4.25% 2011	3.8
GlaxoSmithKline	3.2
2.5% UK Government Index-Linked 2020	3.1
4% UK Government 2022	3.0
Vodafone Group	2.5
BP	2.5
HSBC	2.5
Royal Dutch Shell 'B'	2.5
BG Group	2.0
Rio Tinto	1.8
Total	26.9

Geographic Breakdown (%)



Changes in rates of exchange may cause the value of investments and the income from them to go down or up.

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.

RIC: BUT **SEDOL:** 0149000 **ISIN:** GB0001490001

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 www.rcm.com/investmenttrusts or from the AIC at www.theaic.co.uk

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or contact@alliancetrust.co.uk

RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

Performance

Five Year Trust Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	9.35	-5.04	7.22	-17.17	9.82
Benchmark	10.17	-3.31	7.93	-8.57	9.62

Standardised Past Performance (%)

From	30.09.05	29.09.06	28.09.07	30.09.08	30.09.09
To	29.09.06	28.09.07	30.09.08	30.09.09	30.09.10
Share Price	13.73	16.57	-21.14	-2.04	7.22

Source: Lipper, percentage growth, mid to mid, capital return, to 30.09.10
Benchmark: 50% FTSE All-Share Index/50% FTSE All-World ex UK Index. Note the benchmark was 60% FTSE All-Share and 40% FT/S&P World Index (ex UK sterling adjusted) up to 26th March 2008.

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

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.

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