

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 generally continued to recover in March. The MSCI World Index rose 1.3% although the FTSE All-Share fell 1.0% due to weakness in the energy and basic materials sectors. Macroeconomic data out of the U.S. continued to underpin

positive sentiment with an upward revision of 4Q11 GDP growth from 2.8% to 3% and jobless claims hitting a four year low. In the UK, Chancellor of the Exchequer George Osborne unveiled his budget plan, proposing a cut in the top rate of income tax from 50% to 45% and reduced corporate taxes. News out of China was mixed with lower inflation and weak manufacturing numbers, leading to growing concerns over the strength of any economic recovery.

Portfolio Review

The Trust's NAV (0.97% total return) outperformed its benchmark (0.08%) led by positive stock selection in Industrials, Health Care and Consumer Goods. The underweight in Basic Materials also helped. Stock selection in Oil & Gas detracted. Cobham was the top contributor. The business' cost cutting program is generating savings ahead of the original plan, and the commercial business is gaining momentum. Whilst the US defence budget is still a source of uncertainty, the order environment has returned to a more normal pattern now the budget is no longer in continuing resolution. Priceline.com also outperformed as the company continues to gain market share in the growing online hotel bookings market.

Mothercare was the largest detractor. The company has announced a plan to reduce the store base to 200, and importantly, has announced their ability to do so within their newly negotiated credit facilities. The international business continues to trade well and in our opinion this is not fully reflected in the share price. Suncor Energy also detracted primarily due to an unplanned oil sands production outage. However, the shutdown is only expected to last a few weeks and the company maintained volume guidance for the year. Suncor management have a renewed focus on returns and operational momentum is positive. This year the company will generate around \$2.4bn in free cash which will be largely used for share buy backs and dividend increases.

Microsoft was added to the portfolio. Earnings forecasts are quite low ahead of the launch of Windows 8 and Microsoft's client revenues typically accelerate during the early stages of an operating system product cycle. The most meaningful sale was Carillion, the support services and construction company. Whilst local council outsourcing represents an opportunity for this business, the date at which we would expect to see contract wins has been delayed. There are also concerns about the level of exceptional items reported in their financial statements, and the poor acquisition of a solar panel installation company.

Outlook

Our base case scenario is that we remain cautiously optimistic on global economic growth. Most of the current economic risks are reflected in equity markets which are further supported by generally reasonable valuations and high degrees of corporate liquidity, which is positive for corporate spending, dividend increases, share buybacks and M&A activity. In an environment characterised by low growth, we believe quality companies that have the market position and brand strength to successfully access structural or secular growth opportunities will continue to do well.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	9.4	18.0	6.6	59.8	13.7
NAV	11.0	20.7	5.0	65.3	12.2
Benchmark	7.7	16.3	0.9	63.8	17.3

Discrete Performance (%)

From	30.03.07	31.03.08	31.03.09	31.03.10	31.03.11
To	31.03.08	31.03.09	31.03.10	31.03.11	30.03.12
Share Price	-1.4	-27.9	43.8	4.3	6.6
NAV	-1.0	-31.4	49.9	5.1	5.0
Benchmark	-5.5	-24.3	49.6	8.5	0.9

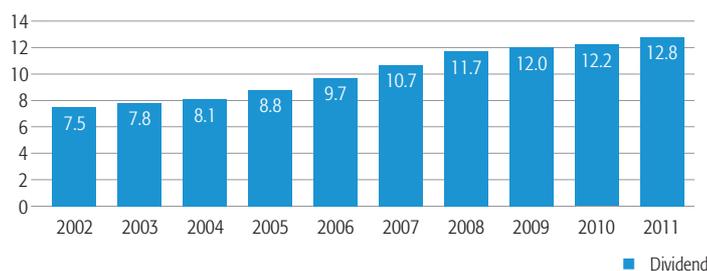
Source: Lipper, share price calculation percentage growth, mid to mid, total return to 31.03.12.

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 Paid (year ending 30 November)

	Pay Date	XD Date	Payment
Interim Dividend	02.09.11	05.08.11	4.8p
Final dividend	23.03.12	24.02.12	8.0p

Capital Structure

Total Assets:	£273.7m
Gearing (net):	7.6%
Shares in Issue:	43,277,918 (Ordinary 25p)
Share Price ¹ :	390.0p
Net Asset Value ² :	511.1p (471.2p – debt at market value)
Premium/-Discount to NAV ³ :	-23.7% (-17.2% – debt at market value)
NAV Frequency	Daily
Dividend Yield ² :	3.0%

1. Source: Lipper as at 31.03.12, market close mid price.

2. Source: Datastream as at 31.03.12. 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: 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 31.03.12 unless otherwise stated.

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Portfolio Analysis

Top 5 Equity Holdings	(%)	(%)
GlaxoSmithKline	3.3	
Royal Dutch Shell "B" Shares	3.1	
BP	3.0	
Vodafone	2.5	
HSBC	2.3	

Total Number of Holdings 111

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

Sector Breakdown	(%)
Financials	15.1
Industrials	14.8
Cash	12.7
Oil & Gas	10.2
Health Care	9.8
Consumer Goods	9.6
Technology	7.6
Consumer Services	7.3
Basic Materials	5.7
Telecommunications	4.7
Utilities	2.5

Geographic Breakdown	(%)
UK	42.6
North America	23.4
Cash	12.7
Europe ex UK	8.6
Pacific ex Japan	8.1
Japan	2.9
Latin America	1.7

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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