

The Brunner Investment Trust PLC

Global investment solution rich in family history



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

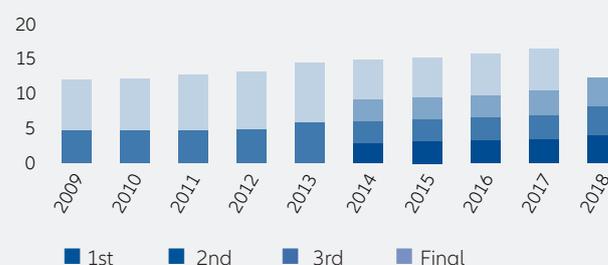
The Brunner Investment Trust PLC was formed from the Brunner family's interest in the sale of Brunner Mond & Co, the largest of the four companies which came to form Imperial Chemical Industries (ICI) in 1926. Today, Brunner shares are available for everyone to buy and are widely held by both private 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 46 years. The Trust invests in companies all over the world, seeking out opportunities for growth and reliable dividends wherever they may be.

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
09.11.2018	14.12.2018	4.05p	3rd Quarterly
10.08.2018	21.09.2018	4.05p	2nd Quarterly
22.06.2018	27.07.2018	4.05p	1st Quarterly
14.02.2018	29.03.2018	6.00p	Final

Past performance is not a reliable indicator of future results.



A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

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Total Assets £358.1m

Shares in Issue 42,692,727 (Ordinary 25p)

Market Cap £296.7m

Share Price

695.0p

Source: Lipper

NAV per Share

773.5p

Premium/-Discount

-10.1%

Dividend Yield

2.6%

Gearing

8.3%

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.

Fund Manager's Review

Market Review

Global equities sank in December and volatility spiked as fears rose about the impact of US trade policies on global growth. Domestic politics also unsettled investors, with a US government shutdown and Europe affected by continued uncertainty over Brexit and civil unrest in France.

Chinese equities were among the weakest performers, as data signalled that the US trade war was affecting economic growth. European equities also retreated to touch a two-year low, with resurgent French political instability exacerbating growth and trade concerns.

At a sector level, Energy stocks saw the worst fall, driven by weaker oil prices. In contrast, while Utilities stocks fell, they outpaced the broader market as investors were attracted by their stable dividends. Financials also sold off sharply as the flattening yield curve pressured banks' profit margins. Industrials stocks also posted double-digit losses as growth expectations were lowered as a result of the heightened cyclical concerns.

Portfolio Review

The Trust's NAV fell by 7.39% over the month, against a benchmark return of -6.17%. Despite sizeable performance variations between sectors, the Trust's relative performance continues to be driven by stock selection rather than allocation, as per its strategy. Overall, negative contributions within Basic Materials, Health Care and Industrials outweighed positive contributions within the Utilities and Financials sectors.

Iberdrola made the largest positive contribution to performance. While the energy provider has benefitted from the market's recent defensive

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rotation into Utilities, the company has outperformed its peers. This is due to its superior quality profile, having focused on high-quality grid and renewable investments, as well as cost efficiencies in recent years. **Enel** also boosted returns. Like Iberdrola, the electricity and gas supplier has outperformed peers thanks to strong earnings. Enel has also increased its focus on Demand Response systems following its acquisition of Enernoc in 2017. The company is developing software which it hopes will integrate all customer, network and power management. **Wabtec** was the worst performing stock in the portfolio. Although all Industrial stocks came under pressure as investors factored in the trade war's rising impact on the US economy, shares in the manufacturer of rail industry parts saw a disproportionate decline. Given that almost all North American freight rail indicators continue to improve, this is most likely due to arbitrage around the impending closure of Wabtec's General Electric deal and therefore a short term technical issue.

Walgreens Boots Alliance was also a negative contributor over the month, reversing a strong performance in the previous few months. The operator of retail pharmacies reported mixed results, with growth rising but operating income down. The sell-off was to some extent due to US same-store sales, which were down 3.2 per cent. In this respect, we noted the company's plans to roll out next-day prescription delivery service with positive interest.

Significant Transactions

We took advantage of market volatility to increase our positions in a couple of stocks. Having reported good overall numbers, slightly weaker new business figures for **Accenture** caused the consultancy firm's share price to decline to overly pessimistic levels. We also increased our position



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.

in **Senior**, the specialist engineering company, by 25 per cent. The shares had been extremely weak following a minor earnings downgrade. However, this was primarily related to growing pains rather than the business or its end markets.

Market Outlook

High starting valuations have met tightening liquidity and slowing economic growth against a backdrop of trade friction. The consequences of this have, as expected, been a period of weaker equity returns and higher volatility. As the causes remain in place, we anticipate a similar market environment to prevail, albeit with more attractive valuations than a year ago.

The US Federal Reserve continues to drive global monetary policy tightening, though Chair Jay Powell has recently suggested some flexibility. With the European Central Bank indicating it would like to follow suit, our quality growth bias will become more important as highly indebted companies see their valuations suffer. At the same time, global growth is slowing as US fiscal stimulus fades and the trade war weighs on China.

The resilience of overall company earnings in 2019 will be challenged by this weaker economic momentum, itself impacted by trade politics. If the US is willing to make trade deals, it could provide some much needed support, particularly in the context of weaker oil prices. Likewise, a Brexit deal which prioritises the status quo could make London-listed companies with largely international end markets appear oversold.

Lastly, digitalisation continues to pose structural threats to a growing range of industries. Less technologically adept companies will fall out of the market at an even faster rate while beneficiaries of IT spending reap significant rewards. The resulting concentration effect will create issues for both investors and regulators.

We expect the confluence of these factors to keep market volatility in its more recent elevated range. However, we do not expect a global recession and, our focus will be on identifying those companies which can grow independently of economic cycles. Indeed, the increased volatility and more attractive valuations are opening up the available investment universe again.

Lucy Macdonald
9 January 2019

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 (%)



■ Share Price ■ NAV (debt at fair value)

■ Benchmark: Effective 22 March 2017 the benchmark weightings changed to 70% FTSE World ex-UK Index; 30% FTSE All-Share Index

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	-11.1	-10.6	-8.2	40.4	54.9
NAV (debt at fair value)	-11.5	-7.9	-7.1	35.7	45.9
Benchmark	-10.7	-6.8	-4.7	33.2	46.2

Discrete 12 Month Returns to 31 December (%)

	2018	2017	2016	2015	2014
Share Price	-8.2	30.6	17.1	3.2	6.9
NAV (debt at fair value)	-7.1	18.1	23.6	4.5	2.9
Benchmark	-4.7	13.2	23.5	2.9	6.6

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.12.18. Copyright 2018 © DataStream, a Thomson Reuters company. All rights reserved. DataStream 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* (%)

Sector	Percentage (%)
Financials	22.3
Industrials	18.4
Health Care	14.8
Technology	12.4
Consumer Services	8.1
Consumer Goods	7.6
Oil & Gas	6.5
Basic Materials	5.7
Utilities	3.1
Telecommunications	1.1

Geographic Breakdown* (%)

Region	Percentage (%)
North America	42.7
UK	27.2
Europe ex UK	22.3
Pacific ex Japan	5.7
Japan	2.1

Top Twenty Holdings (%)

Microsoft	4.0
UnitedHealth Group	3.7
Royal Dutch Shell - B Shares	3.0
AbbVie	2.4
Roche	2.4
Muenchener Rueckver	2.3
Cooper Cos	2.3
Agilent Technologies	2.3
Visa - A Shares	2.3
BP	2.3
Ecolab	2.1
GlaxoSmithKline	2.1
Accenture	2.0
Estée Lauder	1.9
Apple	1.8
Amadeus IT Group	1.8
Taiwan Semiconductor	1.8
Rio Tinto	1.7
Iberdrola	1.7
Charles Schwab	1.7

Total number of holdings 66

The data shown is not constant over time and the allocation may change in the future. Totals may not sum to 100.0% due to rounding. This is no recommendation or solicitation to buy or sell any particular security.*Excludes Cash

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 ¹	0.72%
Year End	30 November
Annual Financial Report	Final published in February, Half-yearly published in July
AGM	March/April
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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All data source Allianz Global Investors as at 31.12.18 unless otherwise stated.

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