

# The Brunner Investment Trust PLC

Factsheet

31 October 2013

## Fund Managers' Review



**Lucy Macdonald & Jeremy Thomas**

### Market Review

Equity markets rebounded in October. Among developed markets, the US and Europe led the way higher while Japan lagged. Emerging markets also rose as the US Federal Reserve's decision to delay tapering of its bond purchasing programme boosted investor confidence across the globe.

On October 1, for the first time in 17 years, the US government halted daily operations. The shutdown collided with a second fiscal issue: the US government debt ceiling. Lawmakers finally agreed on a temporary debt limit hike that is scheduled to hold only for a few months.

Progress in overcoming recessionary trends in the Eurozone, especially in the periphery, is evident. Both Spain and Ireland moved out of recession in the third quarter and the UK economy continues to strengthen with economic growth (GDP or Gross Domestic Product) expanding by 0.8% in the three months to September. In emerging markets, there are increasing signs that the Chinese economy has bottomed and Indian equities performed strongly on better-than-expected company earnings and the smallest trade deficit in 30 months. However, inflation continues to be an issue; the Reserve Bank of India has raised rates three times in three months.

### Portfolio Review

The Trust's NAV rose by 4.25%, slightly behind the benchmark which was up 4.58%. Technology stock selection was positive primarily due to Google, which announced strong results. Revenues rose 12% and earnings per share increased 19%. Insurance company Resolution also outperformed. The company is implementing significant restructuring initiatives that have been taken positively by the market. Global events-led marketing and communications services business UBM detracted from performance although we believe it should be a long term beneficiary of exhibition shows growth in emerging markets and is acting as a consolidator of the industry.

During the month we initiated a new position in Schneider Electric and eliminated several names including Union Pacific, Man Group and Mitsui Fudosan.

### Outlook

The consequences of the US budget debate are likely to be felt for some time to come. For example, the two-week government shutdown could act as a drag on US growth in the fourth quarter. On the positive side, economic growth in the emerging markets is brightening again and Japan appears to be benefiting from a weak Yen. In Europe, the peripheral countries are likely to benefit from the gradually reduced fiscal headwind and the lessening of tensions in the financial sector, especially since their competitiveness has increased due to noticeably lower labour costs

The delay in the exit from quantitative US monetary policy, coupled with a sustained unconventional monetary policy in the UK, Japan and the Eurozone as well as an economic recovery, is likely to continue to favour assets such as equities. We believe that equities stand to benefit from cheap liquidity, moderate valuations, strong cash flows and dividend growth.

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	2.5	7.8	28.5	45.2	105.1
NAV	1.1	5.7	23.4	39.2	93.8
Benchmark	2.1	6.8	24.3	37.2	96.8

## Discrete Performance (%)

From To	31.10.08 30.10.09	30.10.09 29.10.10	29.10.10 31.10.11	31.10.11 31.10.12	31.10.12 31.10.13
Share Price	21.9	15.9	3.0	9.7	28.5
NAV	19.0	16.9	0.3	12.5	23.4
Benchmark	21.9	17.6	0.6	9.8	24.3

Source: Lipper, percentage growth, mid to mid, total return to 31.10.13.

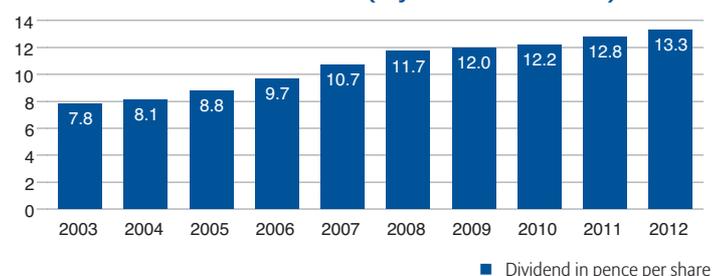
Benchmark: 50% FTSE All-Share Index; 50% FTSE World ex-UK Index.

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.

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## Dividend History

### Ten Year Net Dividend Record in Pence (to year end 30 November)



Past performance is not a reliable indicator of future results.

All data source Allianz Global Investors as at 31.10.13 unless otherwise stated.

Allianz Global Investors, 155 Bishopsgate, London EC2M 3AD

**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.**

**Allianz**   
Global Investors

## Capital Structure

Total Assets:	£319.6m
Gearing (net):	4.6%
Shares in Issue:	43,089,418 (Ordinary 25p)
Share Price <sup>1</sup> :	517.0p
Net Asset Value <sup>2</sup> :	614.0p (585.6p – debt at market value)
Premium/-Discount to NAV <sup>2</sup> :	-15.8% (-11.7% – debt at market value)
NAV Frequency	Daily
Dividend Yield <sup>2</sup> :	2.77%

1. Source: Lipper as at 31.10.13, market close mid price.

2. Source: Datastream as at 31.10.13. 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 World ex-UK Index
Annual Management Charge:	0.45%
Performance Fee:	No
On-going Charges <sup>4</sup> :	0.78%
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.brunner.co.uk
Board of Directors:	Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), Sir William Worsley (Senior Independent Director), Vivian Bazalgette, Peter Maynard
Company Secretary	Kirsten Salt
Investment Managers	Lucy Macdonald & Jeremy Thomas
Codes:	RIC: BUT SEDOL: 0149000

4. Source: AIC, as at the Trust's Financial Year End (30.11.2012). On-going Charges (previously Total Expense Ratios) are published annually to show operational expenses incurred in the running of the company but excluding financing costs.

## 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 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.

## Sector Breakdown (%)

Financials	17.6
Industrials	15.2
Cash	12.1
Health Care	11.7
Consumer Services	11.6
Oil & Gas	10.5
Consumer Goods	7.0
Telecommunications	4.9
Technology	4.5
Basic Materials	3.9
Utilities	1.0

## Geographic Breakdown (%)

UK	43.9
North America	20.8
Cash	12.1
Europe ex UK	11.8
Pacific ex Japan	6.6
Japan	3.5
Latin America	1.3

## Top Ten Holdings (%)

Royal Dutch Shell "B" Shares	3.1	Reed Elsevier	2.2
HSBC	3.0	Rio Tinto	1.5
GlaxoSmithKline	2.9	UBM	1.5
BP	2.9	BHP Billiton	1.5
Vodafone	2.8	AbbVie	1.4
<b>Total Number of Holdings</b>	<b>94</b>		

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

## Net Dividends

	Pay Date	Record Date	Payment
interim dividend	30.08.13	02.08.13	6.0p
final dividend	22.03.13	22.02.13	8.3p

## 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.

## Contact Us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

**0800 389 4696**

e-mail: [investment-trusts@allianzgi.com](mailto:investment-trusts@allianzgi.com)

website: [www.brunner.co.uk](http://www.brunner.co.uk)

All data source Allianz Global Investors as at 31.10.13 unless otherwise stated.

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