

# 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

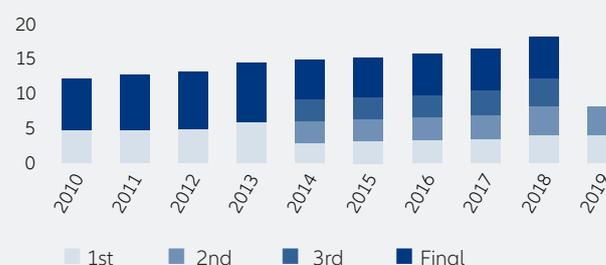
The Brunner Investment Trust PLC was formed from the Brunner family's interest in the sale of Brunner Mond & Co, the largest of the four companies which came to form Imperial Chemical Industries (ICI) in 1926. Today, Brunner shares are available for everyone to buy and are widely held by both private 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 47 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
21.06.2019	25.07.2019	4.66p	1st Quarterly
01.03.2019	05.04.2019	6.00p	Final
09.11.2018	14.12.2018	4.05p	3rd Quarterly
10.08.2018	21.09.2018	4.05p	2nd Quarterly

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** £429.0m

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

**Market Cap** £375.7m

Share Price

**880.0p**

NAV per Share

**929.8p**

Premium/-Discount

**-5.4%**

Dividend Yield

**2.1%**

Gearing

**7.7%**

**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 continued to advance over July, buoyed by an increasingly cautious stance from central banks. Almost all sectors rose, with Information Technology and Communication Services performing best. Energy, Materials and Health Care were the only sectors to lose ground.

In the US, data confirmed that the pace of economic activity was moderating. Similarly, the majority of company earnings thus far have surprised positively, although many also lowered guidance previously. Elsewhere, German manufacturing activity fell to a seven-year low, weighing on European equities.

On the final day of July, the US Federal Reserve (Fed) announced a 25 basis point cut in interest rates, but indicated that the move was not "the beginning of a lengthy cutting cycle". In Europe, the European Central Bank (ECB) indicated it stood ready to cut rates and reinstate its asset-purchase programme. Elsewhere, July was notable for a plethora of rate cuts across the Asia-Pacific region, as well as several emerging economies in Europe, the Middle East and Africa and Latin America.

The appointment of Boris Johnson as UK Prime Minister caused pound sterling to reach a two-year low, reflecting investor fears of the increased probability of a 'no deal' departure from the European Union on 31 October.

### Portfolio Review

The Trust's NAV with debt at fair value returned 3.1% against a benchmark return of 3.7%. The lag was due to some weaker stock selection in

“ **Loosening liquidity conditions have been the market recovery's main driver during the year to date.** ”

Industrials and Financials this month, which outweighed better outcomes in Basic Materials and Consumer Services.

Within Industrials, **Tyman** was the negative contributor. Shares weakened following soft first half-year results. While disappointing in the short term, the new management team understand the challenges and the longer term attraction of growing market share within niche, high margin sectors remains. We have added to the position.

**St James's Place**, a relatively new holding, also had a volatile month. The wealth management company reported strong growth, but lower cash earnings reflecting significant business investment.

Two holdings in the technology sector boosted returns this month. Our holding in **Taiwan Semiconductor Manufacturing Company**, which we added to earlier this year, made the largest positive contribution. The maker of semiconductors reported solid revenue and earnings growth, thanks to high seasonal iPhone demand. Longer term, the structural shift towards 5G will be a further driver for the stock. The yield of over 3% also remains attractive.

**Microchip Technology** has also performed well. Shares in the maker of microcontrollers have steadily strengthened in the run-up to its Q1 results. While the company has been open about the challenge of US-China trade frictions, management has reiterated its view that overall semiconductor demand is recovering. The acquisition of Microsemi has provided fruitful cross-selling opportunities.

### Significant Transactions

We have sold our holding in United Internet. The German telecoms



### 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.

provider has reduced its dividend pay-out by 94%, reflecting the increased investment in 5G. In addition, from an environmental, social and governance perspective, we have concerns regarding Mr Ralph Dommermuth, who is CEO of both United Internet and 1&1 Drillisch in which it owns a 75% stake. AllianzGI has repeatedly engaged and pressed for change over the past three years, to no avail. As a result, we have sold our position to fund more compelling opportunities.

### Market Outlook

Loosening liquidity conditions have been the market recovery's main driver during the year to date. Central bank policy, most importantly at the Fed, has responded to the weaker macroeconomic environment. The European Central Bank and Bank of Japan have also committed to maintaining their supportive stance.

Both Germany's and China's latest purchasing managers' indices (PMI) are in contraction territory, with the US only narrowly avoided doing so. As this cyclical environment becomes more challenging, and US tax benefits are lapped, corporate earnings are also softening.

Trade, and increasingly currency disputes, will also remain a key source of volatility and downward pressure on growth. The long-term tensions between the US and China around state subsidies, technology transfer and cyber security will not disappear. Nonetheless, expectations of any deal are now on the pessimistic side, allowing for relief if any progress is made, however short term and cosmetic.

From a valuation perspective, earnings have deteriorated such that markets' strong year-to-date rebound has largely reflected stocks rerating. Lower bond yields have been supportive, but now factor in recessionary outcomes. Within equity markets, defensive assets have been sought and are trading relatively expensively, while cyclical or trade exposure has de-rated.

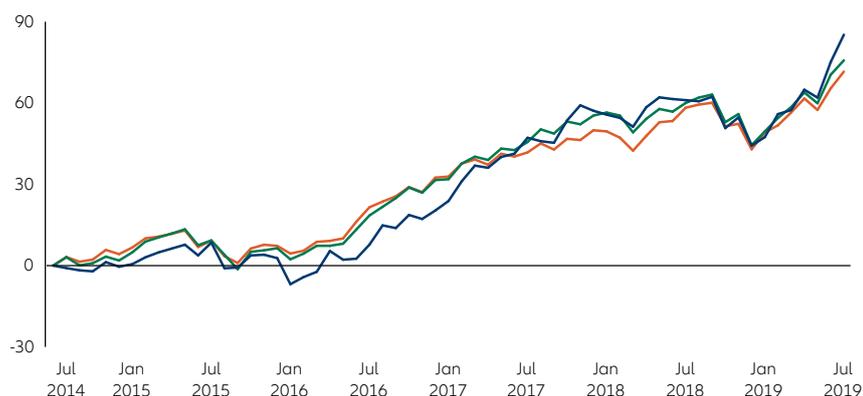
Our central expectation for equity markets of moderate positive returns and higher volatility remains in place. The portfolio tends to have a balanced outlook towards market direction, macro risk and style at all times. In this environment, our stance should mean a less volatile outcome than average. Active stock selection driven by fundamental analysis will be the main driver of returns.

**Lucy Macdonald**  
**13 August 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	12.3	25.6	15.0	71.9	85.2
NAV (debt at fair value)	7.2	17.6	9.8	48.3	75.7
Benchmark	6.1	15.1	8.4	41.2	71.6

### Discrete 12 Month Returns to 31 July (%)

	2019	2018	2017	2016	2015
Share Price	15.0	9.4	36.6	-0.7	8.5
NAV (debt at fair value)	9.8	9.9	22.9	8.4	9.3
Benchmark	8.4	11.6	16.7	11.3	9.2

Source: Thomson Reuters DataStream, percentage growth, mid to mid, total return to 31.07.19. Copyright 2019 © 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\* (%)

Financials	22.4	
Industrials	21.3	
Health Care	14.3	
Technology	11.6	
Consumer Goods	9.0	
Consumer Services	7.0	
Oil & Gas	5.9	
Basic Materials	5.1	
Utilities	2.6	
Telecommunications	0.8	

### Geographic Breakdown\* (%)

North America	42.8	
UK	25.8	
Europe ex UK	22.9	
Pacific ex Japan	6.1	
Japan	2.4	

### Top Twenty Holdings (%)

Microsoft	4.7
UnitedHealth Group	3.2
Royal Dutch Shell - B Shares	2.8
Accenture	2.7
Cooper Cos	2.7
Visa - A Shares	2.7
Ecolab	2.5
Taiwan Semiconductor	2.4
Estée Lauder	2.3
Muenchener Rueckver	2.3
Roche	2.2
Adidas	2.1
AIA Group	2.1
BP	2.1
Agilent Technologies	2.1
GlaxoSmithKline	2.0
Microchip Technologies	1.8
Compass	1.8
Amadeus IT Group	1.7
Informa	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 <sup>1</sup>	0.66%
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, <a href="http://www.brunner.co.uk">www.brunner.co.uk</a>
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 (30.11.2018). 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:

**0800 389 4696**

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

**E-mail: [investment-trusts@allianzgi.com](mailto: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.



**Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested.** The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail.

**All data source Allianz Global Investors as at 31.07.19 unless otherwise stated.**

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