

31 January 2011

## 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

On a global basis the year began with a reassessment of the markets long held preference for Emerging Markets over Developed Markets. This was prompted by stronger US economic data and hopes of a resolution to the Euro sovereign debt crisis. Meanwhile, whilst worries continue to build on the pace of Chinese economic policy tightening and a reminder that

political risk in emerging markets has not gone away as civil unrest erupted in Tunisia and Egypt. We have been of the view for some time that sentiment and position towards emerging markets is extreme and that directly comparable companies can be bought more safely and crucially at lower valuations in European stock markets. It is highly likely that emerging market middle class consumers will grow in number and we expect Diageo, Tesco, Unilever, Reckitt Benckiser or even GlaxoSmithKline to benefit in the coming decade. More importantly, at least in the short term, they are also well capitalised, cash generative, high returns businesses well placed to weather the challenges that still face the global economy in the aftermath of the financial and economic crisis.

The Trust's NAV was down 0.23% but slightly outperformed the benchmark which was down 0.53%. The relative outperformance was driven by a strong performance from Marathon Oil, Resolution and BG Group. Additionally the weak performance from the tobacco sector and the mining sector was beneficial to relative performance because the Trust did not hold British American Tobacco and was underweight Basic Materials. A weak showing from GlaxoSmithKline and Unilever, two of our largest positions was disappointing, but in our view only serves to make these two undervalued companies even more attractive. Nestle also detracted from performance during the month. We have been reducing the active position in the stock after the stock had had a strong run and in January investors' concerns over input costs for the company brought down the company's share price. The stock, however, remains one of the higher quality names in its sector and we continue to have conviction in its investment case.

## Key Information

<b>Total Assets:</b>	£281.4m
<b>Gearing (net):</b>	7.4%
<b>No. of Shares (Ordinary 1p):</b>	45,475,805
<b>Share Price<sup>1</sup>:</b>	414.0p
<b>Net Asset Value<sup>2</sup>:</b>	501.7p (477.0p – debt at market value)
<b>Premium/-Discount to NAV<sup>3</sup>:</b>	-17.5% (-13.2% – debt at market value)
<b>Dividend Yield<sup>2</sup>:</b>	2.32%
<b>No. of Holdings:</b>	121

All data source RCM (UK) Limited as at 31.01.11 unless otherwise stated.

<b>Launch Date:</b>	January 1927
<b>AIC Sector:</b>	Global Growth
<b>Benchmark:</b>	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
<b>Year end:</b>	30 November
<b>Annual Financial Report:</b>	Final posted in February, Half-yearly posted in July
<b>AGM:</b>	March
<b>Dividends:</b>	March, August
<b>Price Information:</b>	Financial Times, The Daily Telegraph, <a href="http://www.rcm.com/investmenttrusts">www.rcm.com/investmenttrusts</a>
<b>Board of Directors:</b>	Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), William Worsley (Senior Independent Director), Vivian Bazalgette, Peter Maynard
<b>Investment Manager:</b>	Lucy MacDonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity RCM A company of Allianz Global Investors
<b>Investor Services:</b>	020 7065 1407

<sup>1</sup>Source: Lipper as at 31.01.11, market close mid price.

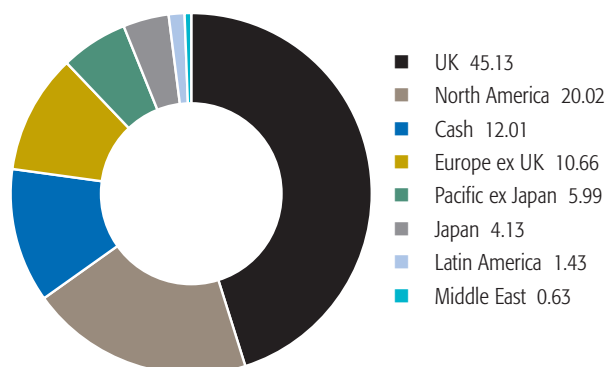
<sup>2</sup>Source: Datastream as at 31.01.11. Calculated using the latest full year dividend divided by the current share price.

<sup>3</sup>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.

## Top Ten Holdings (%)

Name	%
UK Government 4.25% 2011	3.6
2.5% UK Government Index-Linked 2020	2.9
Royal Dutch Shell 'B'	2.8
GlaxoSmithKline	2.7
BP	2.7
4% UK Government 2022	2.7
HSBC	2.5
Vodafone Group	2.5
BG Group	2.3
Rio Tinto	1.9
<b>Total</b>	<b>26.6</b>

## 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](http://www.rcm.com/investmenttrusts) or from the AIC at [www.theaic.co.uk](http://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](mailto:contact@alliancetrust.co.uk)

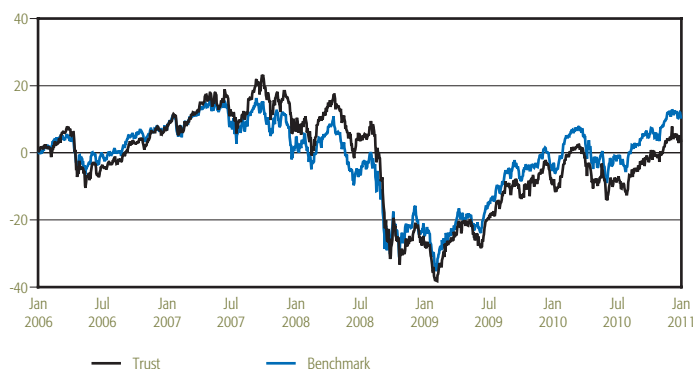
## RCM Advantage

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	6.15	13.19	13.74	-3.21	3.18
Benchmark	5.29	12.99	16.08	7.82	10.16

### Standardised Past Performance (%)

From	30.12.05	29.12.06	31.12.07	31.12.08	31.12.09
To	29.12.06	31.12.07	31.12.08	31.12.09	31.12.10
Share Price	11.99	10.59	-35.37	23.05	10.66

Source: Lipper, percentage growth, mid to mid, capital return, to 31.01.11  
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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