

# The Brunner Investment Trust PLC



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**This is a marketing communication.** Please refer to the Key Information Document (KID) before making any final investment decisions. A ranking, a rating or an award provides no indicator of future performance and is not constant over time

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# About the Trust

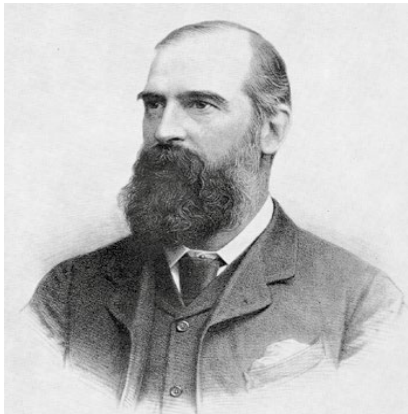


# Brunner in Brief

## 1927

### Brunner Trust formed

The Brunner Investment Trust was founded when Sir John Brunner sold his chemicals business.



**Sir John Brunner**

Founder, Brunner Investment Trust

## 5

### Years Outperformance

Reputation for consistency : Very strong long term performance record.

## 51

### Years of dividend increases

AIC 'Dividend Hero'. Substantial income reserves; sufficient to cover over a year's dividend.

## 577m

### £AUM

In a core, 'all-weather' balance of quality, value and growth investment philosophy.

## 100+

### Years of experience

An experienced team of four PMs calling upon significant internal resources.

## 6.5%

### Gearing

Modestly geared with fixed, low-cost debt.

## 70/30

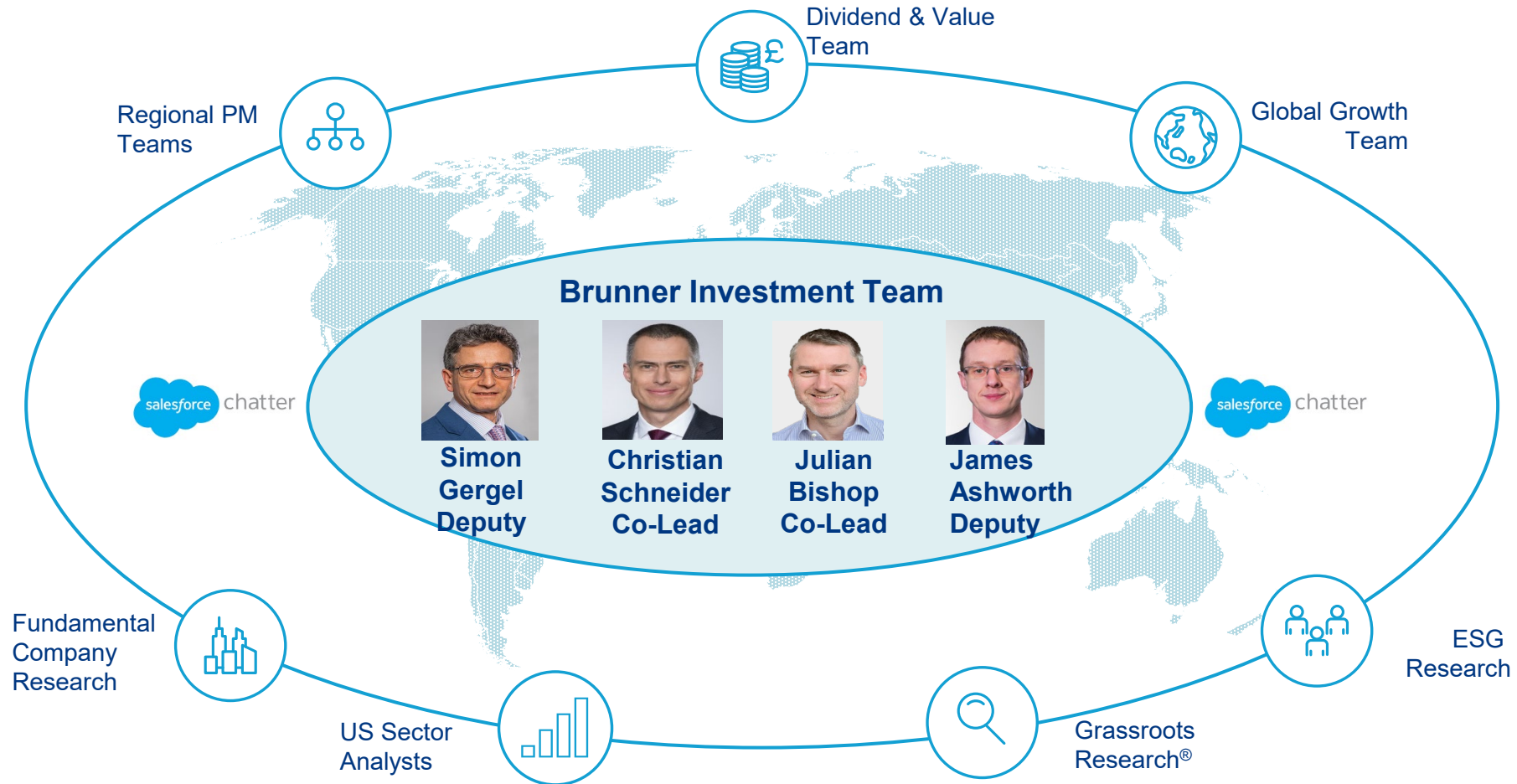
### Blended benchmark

The benchmark of 70% FTSE World ex UK and 30% FTSE All Share provides a higher weighting to the UK market than a standard global benchmark

## Trust Objective

Growth in capital values and dividends over the long term, by investing in a balanced portfolio of global and UK equities

# Global Investment Resources

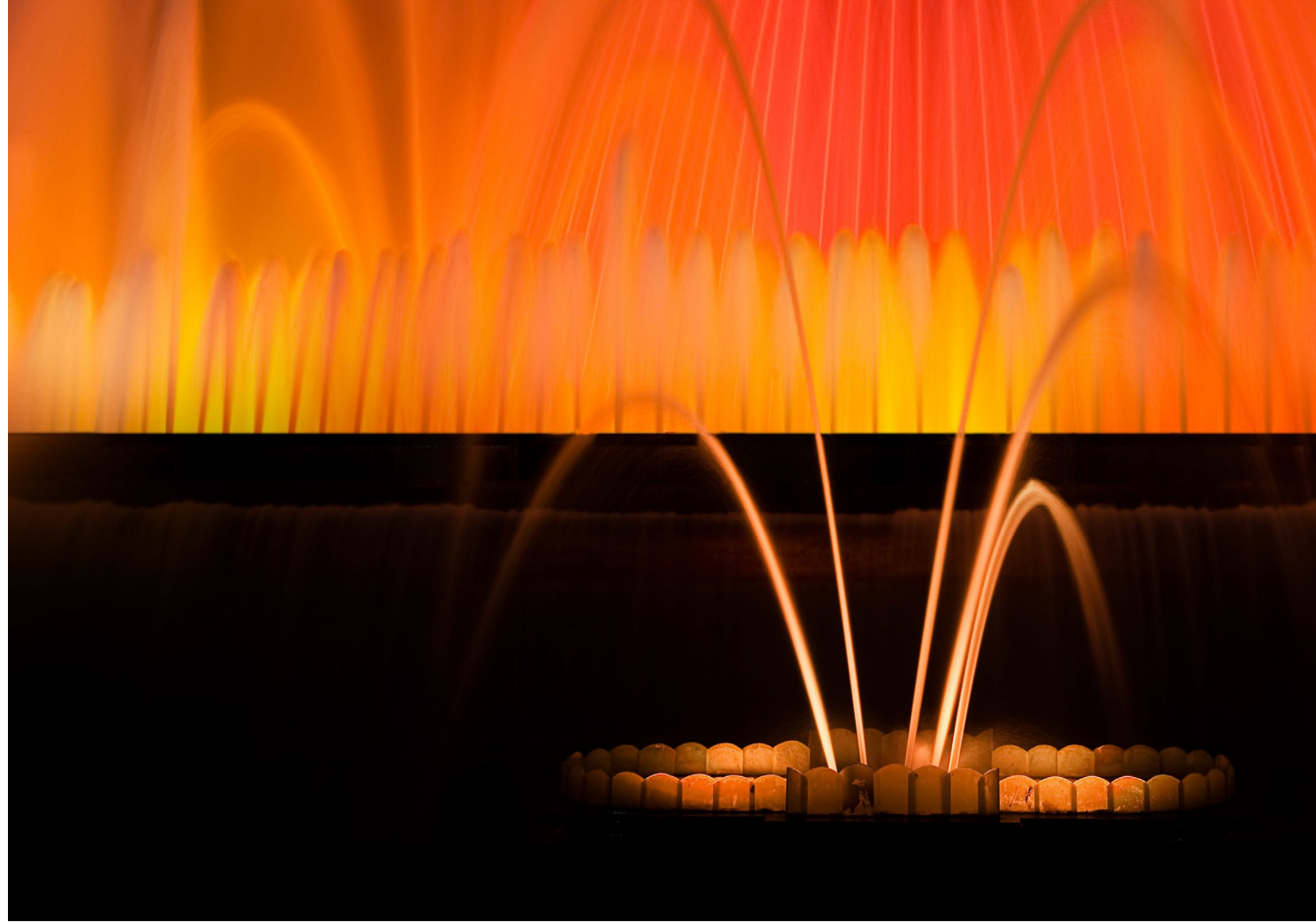


**Global investment discussions facilitated by Salesforce Chatter**



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## Performance



# 2023 Highlights

Financial Year to 30 November

NAV Total Return Debt  
at Fair Value

**+8.7%**

2022: +3.0%

Benchmark Total  
Return

**+5.5%**

2022: +1.4%

Dividend Per  
Share

**+5.6%**

2023: 22.7p  
2022: 21.5p

Earnings Per Ordinary  
Share

**+16.3%**

2023: 26.4p  
2022: 22.7p

- Another year of strong outperformance against peers and relative to the benchmark
- Fifth consecutive year of outperformance. In this time there has been a variety of markets conditions and sector/style drivers
- 52<sup>nd</sup> consecutive year of dividend growth. AIC Dividend Hero

# Performance Attribution: Financial Year 2023

BEST		Average Weight			Performance	
Active Contributors		(% of Equity)			Total	Active
Name	Port	Bmk	Diff	Return	Contribution	
Microsoft	5.8%	2.9%	2.9%	40.9%	103 bp	
Jumbo	1.4%	0.0%	1.4%	83.3%	90 bp	
Novo Nordisk	2.2%	0.3%	1.9%	58.5%	88 bp	
Munich Re	3.5%	0.1%	3.4%	33.9%	86 bp	
Partners Group	2.1%	0.0%	2.0%	34.2%	59 bp	
Adobe	1.2%	0.3%	0.9%	66.6%	49 bp	
Baltic Classifieds	1.1%	0.0%	1.1%	51.5%	42 bp	
Schneider Electric	2.5%	0.1%	2.4%	23.5%	39 bp	
Itochu	2.2%	0.1%	2.1%	22.7%	35 bp	
Athur J Gallagher	2.0%	0.1%	2.0%	29.1%	35 bp	

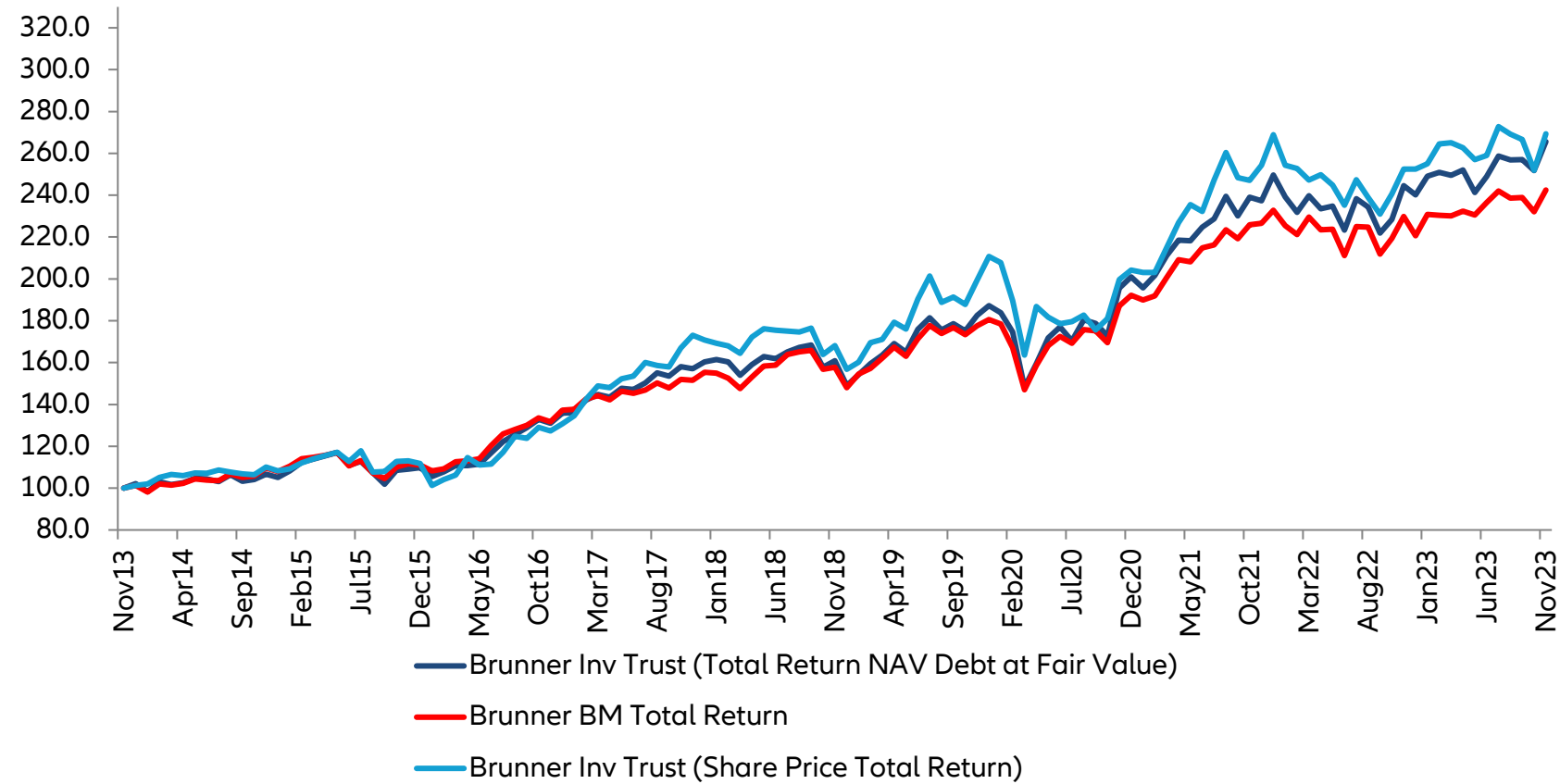
WORST		Average Weight			Performance	
Active Contributors		(% of Equity)			Total	Active
Name	Port	Bmk	Diff	Return	Contribution	
Nvidia	0.0%	1.0%	-1.0%	160.1%	-86 bp	
Charles Schwab	1.9%	0.1%	1.8%	-28.9%	-68 bp	
St James's Place	1.2%	0.1%	1.2%	-40.6%	-64 bp	
Estee Lauder	1.1%	0.1%	1.1%	-48.3%	-62 bp	
Agilent Technologies	1.3%	0.0%	1.2%	-27.1%	-62 bp	
Meta Platforms	0.0%	0.7%	-0.7%	160.6%	-56 bp	
Apple	0.0%	3.2%	-3.2%	21.4%	-50 bp	
Roche Holdings	2.1%	0.3%	1.8%	-18.1%	-48 bp	
Amazon	0.0%	1.3%	-1.3%	42.4%	-45 bp	
Aia Group	1.7%	0.2%	1.5%	-17.6%	-40 bp	

Source: AllianzGI, as of November 30, 2023, GBP. 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. Note: Attribution based on position-based performance attribution (daily buy-and-hold, closing price valuation, no transaction costs). Performance figures shown on this report are approximates. The official performance for funds subject to substantial cash flows or which trade in volatile daily market conditions will vary from these figures. bp = Basis Points – 100 basis points = 1%.

# Track Record of Performance

## NAV Returns

Cumulative Returns over 10 years	As of November 30, 2023
NAV at Fair Value	165.6
Share Price	169.4
Benchmark	142.5

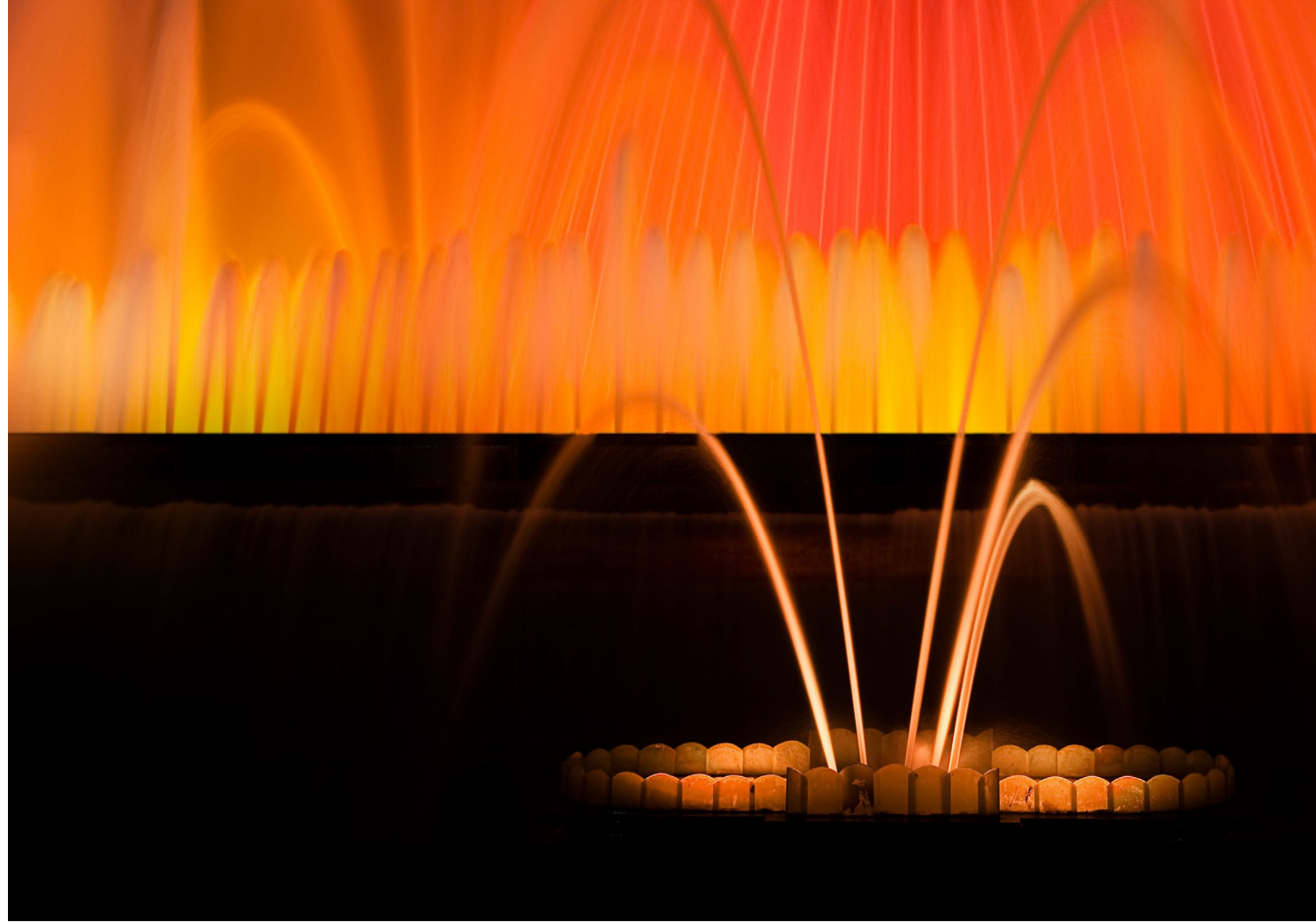


Source: AllianzGI UK/ DataStream, as of November 30, 2023, GBP. Total Return. Cumulative returns. Benchmark is 30% FTSE All-Share and 70% FTSE World (ex UK) Index (£), (was 50/50 up to 21/03/17). Past performance does not predict future returns.



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## Investment Philosophy and Approach



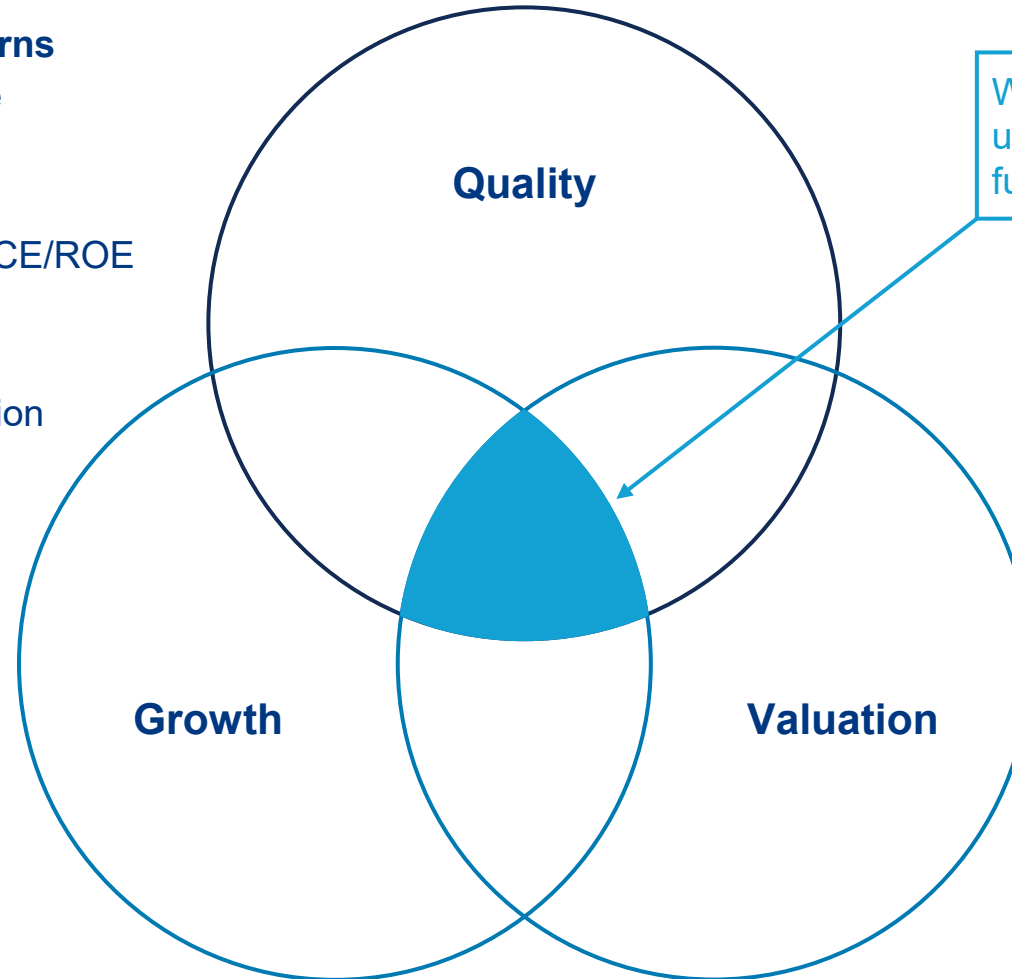
# A Clear Investment Philosophy

## Quality: Stable above average returns

- Sustainable competitive advantage
- Strong balance sheets
- High barriers to entry
- Value creation: high/improving ROCE/ROE
- Management quality
- Free cash flow generation
- Shareholder friendly capital allocation
- Sound ESG with no tail risks

## Secular growth

- Addressable market growth
- Inflation Linkages
- Demographic tailwinds
- Long term, through-cycle approach
- Perennial relevance
- Avoid structural decline

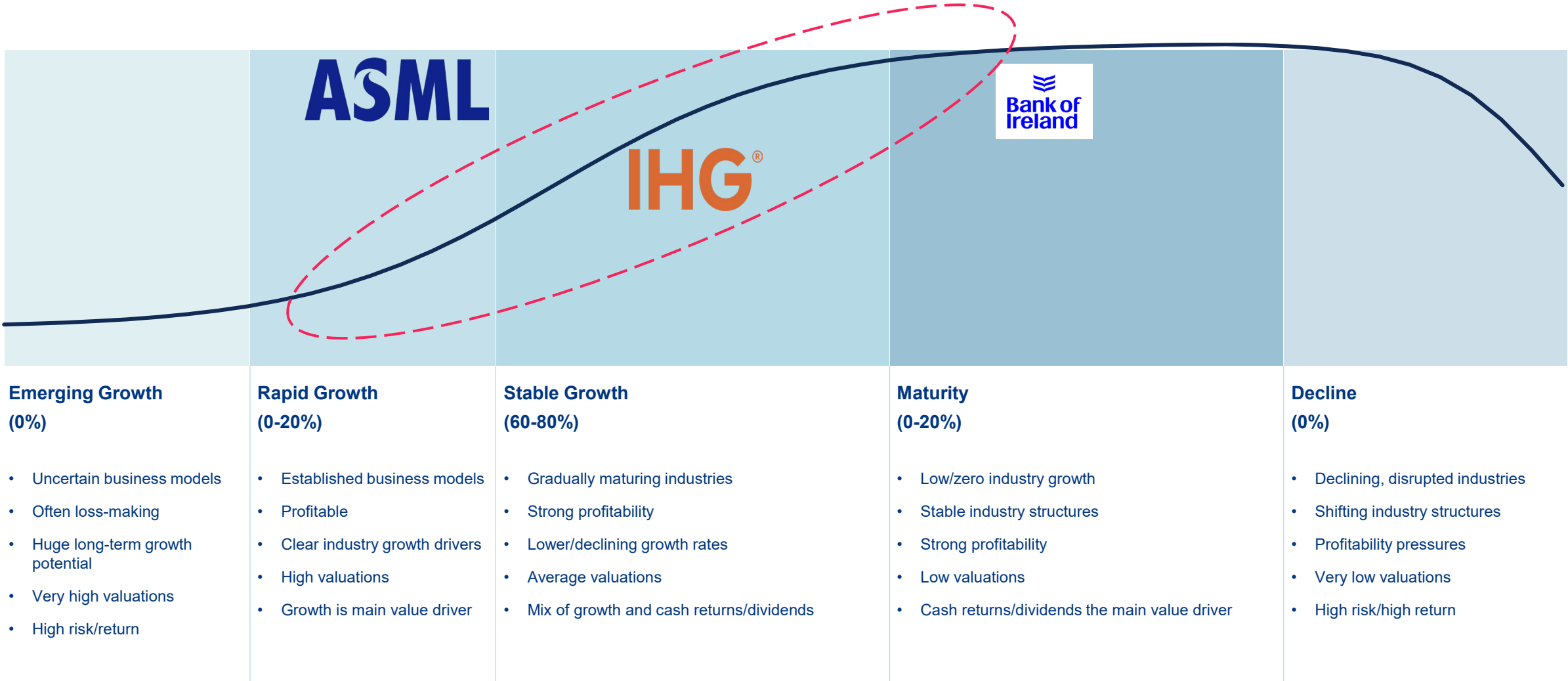


We seek to identify this universe through fundamental research

## Value, not just “cheap”

- Deep understanding of financial statements
- Focus on long term free cash flow generation
- Reverse DCFs
- IRR calculations
- Dividends – an output not input

# Brunner portfolio investments in the industry lifecycle



Source: Allianz Global Investors as of May 31, 2023. This is no recommendation or solicitation to buy or sell any particular security. A stock mentioned as example above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date. Past performance is not a reliable indicator of future results.

# Business Quality First, Structural Growth Second

## Artificial Intelligence



### Microsoft



### TSMC



### ASML

#### Business Quality

- Dominant competitive position within personal and enterprise computing
- Very sticky customers, with few competitors for many key products (Office, Windows)
- Exclusive relationship with OpenAI, now integrating technology into Office ('Copilot')
- Leadership in cloud computing/AI hosting via 'Azure'
- Profit margins >40%

#### Structural Growth

- Growing number of knowledge workers
- Price increases
- Large opportunity for upsell, including AI functionality, 'Teams' etc

- Oligopoly in leading edge chip manufacture
- Monopoly in cutting edge 3nm semiconductor chips (used in iPhone 15, NVIDIA's GPUs etc)
- Highly complex manufacturing IP
- Excellent balance sheet
- Margins over 40%

- Growth in semiconductor volumes (smartphones, AI, electric vehicles/driverless cars, electrification etc)

- Monopoly position in Extreme Ultraviolet (EUV) lithography machines, essential for manufacturing latest chips
- Incredibly complex technology
- Significant recurring service business, growing with installed base
- Tight integration with customers' product roadmaps, providing high visibility on growth
- Profit margin over 30%
- Growing demand for ever faster chips, including for AI
- Geopolitical desire for more semiconductor fab capacity in West
- Pricing power

# Business Quality First, Structural Growth Second Travel



**General Electric (GE)**



**AENA**



**InterContinental Hotels (IHG)**

## Business Quality

- Soon to be exclusively focused on aircraft jet engines
- Extraordinary technology
- Duopolistic industry structure
- Strong market position: c75% of all flights globally powered by a GE engine
- All profit comes from predictable, recurring service revenues at ~30% margins
- Life of engine 25 years+
- Exceptional pricing power
- Low capital requirements

- Freehold ownership of all Spain's airports
- De facto monopoly on air travel to Spain
- Unregulated rents from shops, parking, etc
- Captive foot traffic = very strong pricing power.
- Margins over 50%
- Low debt vs infrastructure/property peers
- Generous dividend pay-out policy

- Asset light business
- Hotel owners pay IHG franchise fees for use of brands (InterContinental, Holiday Inn, Crowne Plaza etc), systems and loyalty programme
- Fees linked to hotels sales (more stable than profit).
- Fee stream is assured under 20+ year contracts
- Underlying profit margin on fees over 50%

## Structural Growth

- 3-5% pa growth in the aircraft fleet
- Regular price increases

- Growth in passenger traffic
- Rent increases
- Rising spend per passenger (inflation, more compelling retail and food offer etc)

- Growth in travel/hotel room nights
- Hotel pricing follows inflation over time
- Independent hotels converted to brands
- Strong pipeline of new hotels under construction

# Bank of Ireland

An "unfashionable" stock in an unloved sector, in our opinion

## Ireland | Financials

Bank of Ireland is the largest Irish bank by loan book, with €155bn of assets. The exit of Ulster Bank and KBC from the Irish market consolidates the competitive landscape to just two main players (Bank of Ireland and AIB). These banks now have a once in a generation chance to capture the 1m customers from the exiting banks.



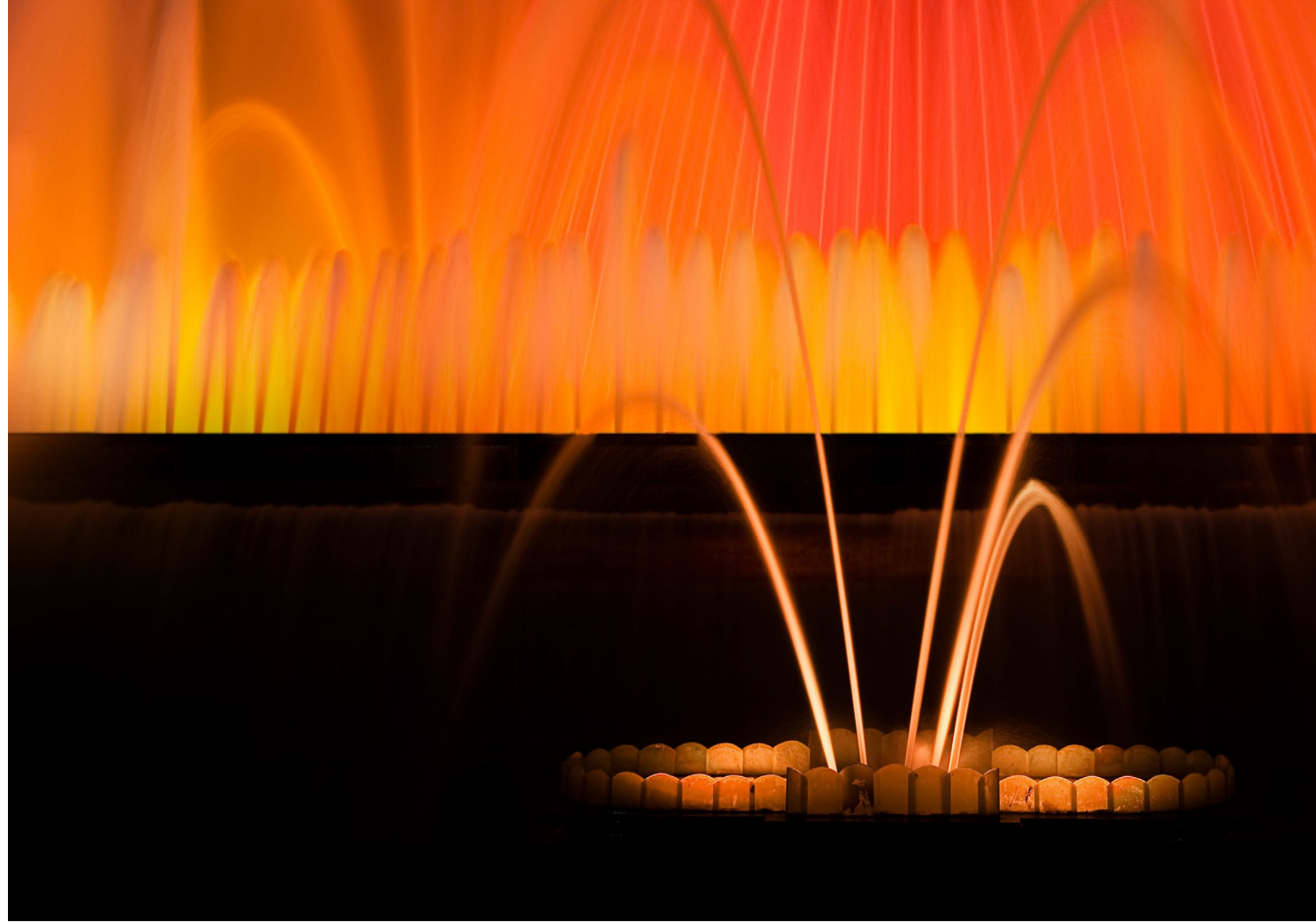
Before and after: the past decade			Valuation and returns	
	Dec 2013	Jan 2024		
Macro: Household debt/ Gross Domestic Product (GDP)	93%	26%	<ul style="list-style-type: none"> <li>Sum of dividends and buybacks: <ul style="list-style-type: none"> <li>Next 3 years: &gt;40% of current market*</li> <li>Last 10 years (total): 6% of current market cap</li> </ul> </li> </ul>	
No of major banks:	4	2		
Loan to deposit ratio	114%	79%		
Non performing loans (%)	21.0%	3.6%		
Capital Ratio	9.0%	14.8%		
ROTE (Return on Tangible Equity – the efficiency by which a company can generate profits using just its tangible assets)	Loss-making	15%	<ul style="list-style-type: none"> <li>c.5x Forward Price-to-Earnings ratio (P/E). &lt;0.7x book value*</li> <li>Forecast 12m dividend yield of 7.7%*</li> <li>Valuation compelling given: <ul style="list-style-type: none"> <li>Improvement in market structure</li> <li>Improvement in capital position</li> <li>Improvement in loan quality (eg far lower average mortgage loan to value)</li> <li>Economy wide deleveraging</li> </ul> </li> </ul>	

Source: AllianzGI, \*Bloomberg consensus estimates, Bloomberg, company data, proprietary research, January 2024. This is no recommendation or solicitation to buy or sell any particular security. The stock mentioned as example above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date. Past performance does not predict future returns. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement.



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# Transactions and Positioning



# Significant Transactions:

Purchases Financial Year 2023
Admiral
AENA
ASML
Diageo
DNB Bank
AJ Gallagher
Intercontinental Hotels
Rentokil
Thermo Fisher Scientific

Statistics Financial Year	Fund
Number of holdings	60
New holdings	9
Complete Sales	11
12 months turnover	22.95%

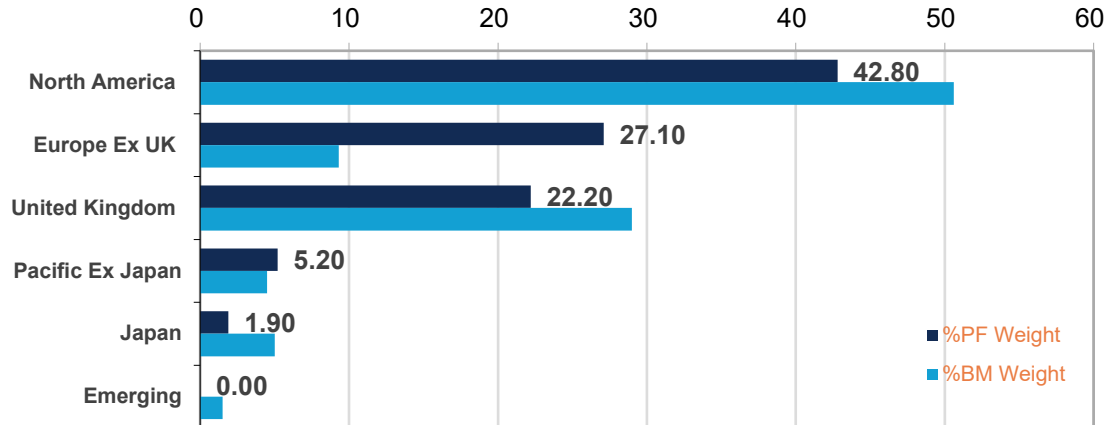
Sales Financial Year 2023
Adidas
Agilent Technologies
Ashmore
Astellas Pharma
Ecolab
International Flavours and Fragrances
Intuitive Surgical
Paragon Banking
SSP
UBS
Yum China

Financial Year 2024: Year to end-February 2024	
Purchases	Sales
Bank of Ireland	Close Brothers
General Electric	Helical
	St James’s Place

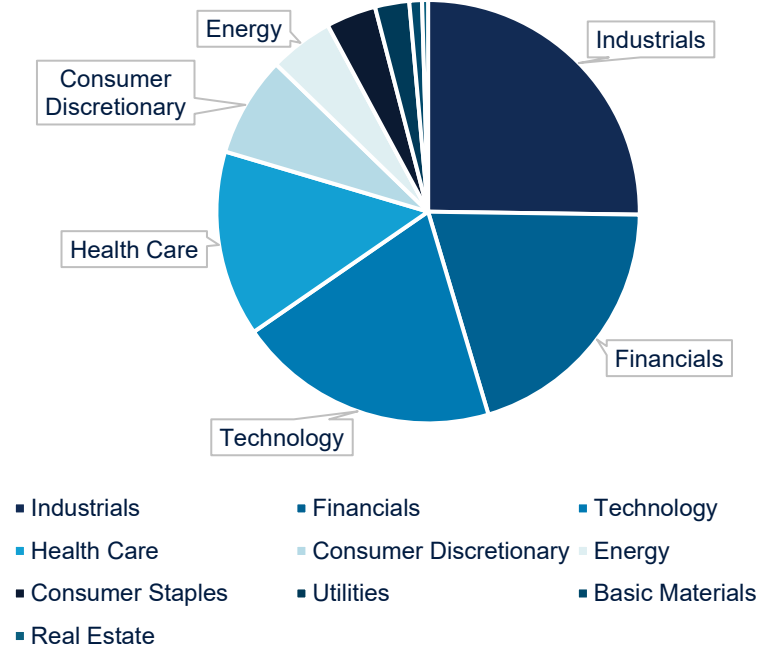
# Positioning: Brunner Investment Trust

Top 10 Holdings	%Portfolio Weight
MICROSOFT	6.7
VISA	4.0
UNITEDHEALTH	3.6
TAIWAN SEMICONDUCTOR	2.9
INTERCONTINENTAL HOTELS	2.7
SCHNEIDER ELECTRIC	2.7
THERMO FISHER SCIENTIFIC	2.7
MICROCHIP	2.7
ASML	2.6
PARTNERS GROUP	2.6

## Regional Allocation



## Sector Allocation



Market Capitalisation Split	%Portfolio Weight	%Benchmark Weight
10bn € <= MarketCap	90.00	88.67
5bn € <= MarketCap < 10bn €	3.62	5.14
MarketCap < 5bn €	6.37	6.19

# The Brunner Investment Trust

## Key Messages



**Philosophy:** Quality oriented, balanced portfolio delivering consistent returns



**Capital growth:** High conviction, active, global equity portfolio with a strong track record



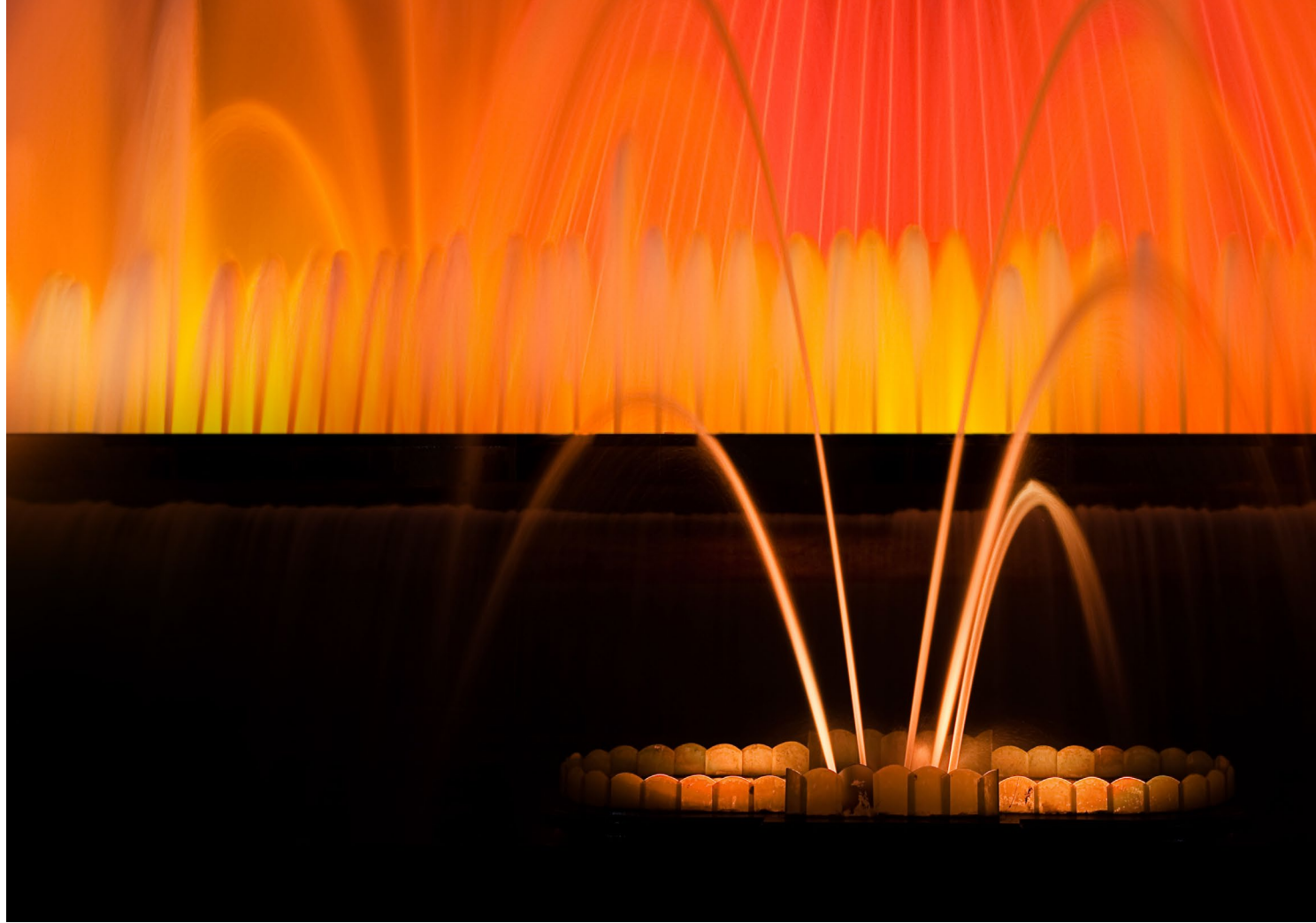
**Income:** One of the highest yields in the sector with 51 years of dividend growth



**Resources:** Experienced PM team supported by AllianzGI's global investment platform

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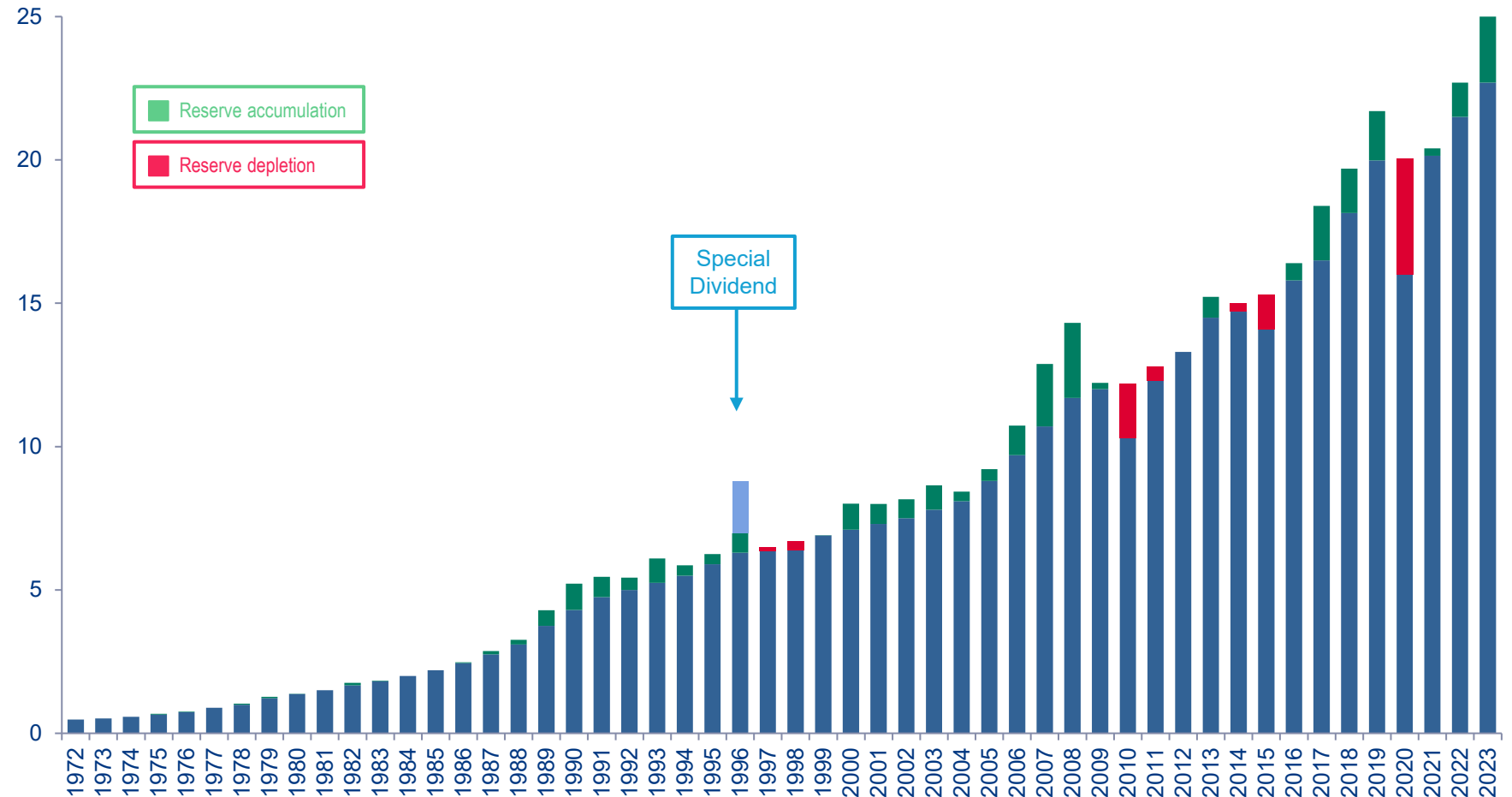
# Appendix



# Consistent Dividend Growth

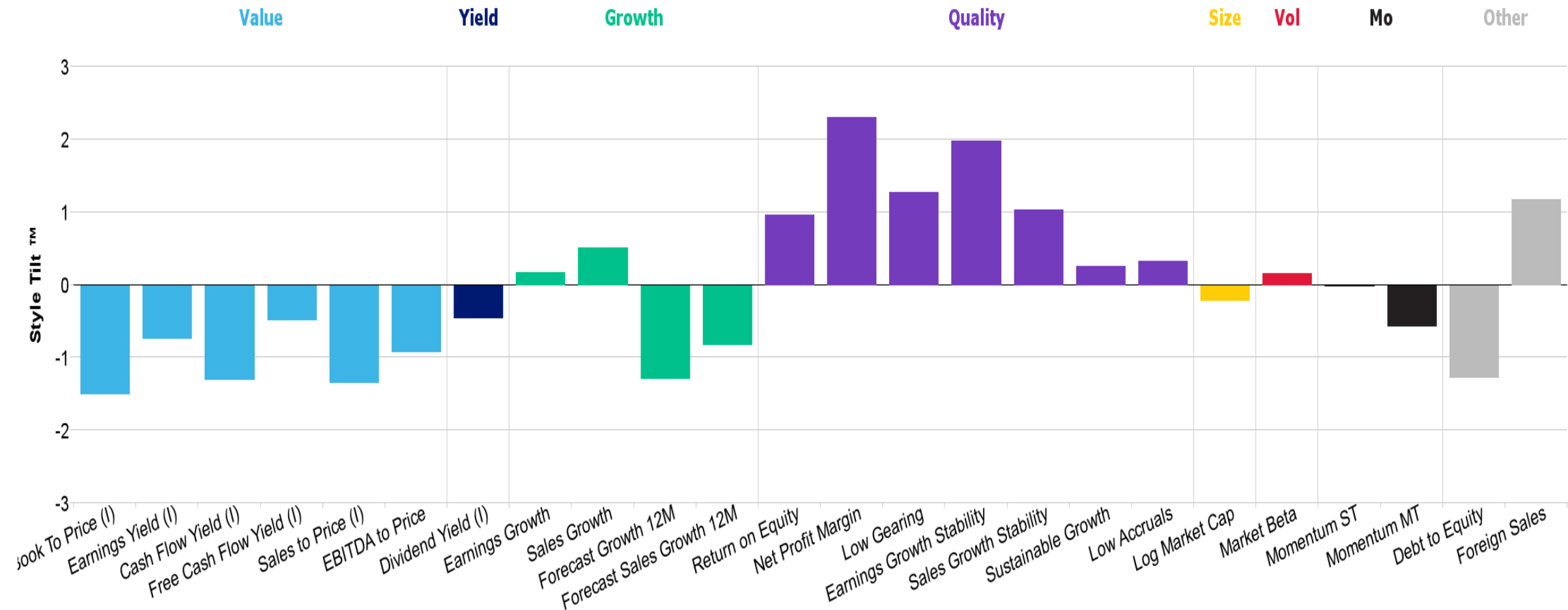
## 51 Years of Rising Dividends

- One of the sector's **highest yielding** trusts at **2.2%<sup>1</sup>**
- Pays out **quarterly** dividends
- Prudent capital allocation to ensure **consistent** dividend growth
- Strong revenue reserves of 29.6p per share
- Dividend growth **ahead of inflation** over the long-term





# Style Skyline: The Brunner Investment Trust



Source: AllianzGI as of February 29, 2024, Style Skylines™ show benchmark-relative Style Tilts™. Sample Size Adjusted Tilts, calculated from both the size and breadth of portfolio positions, assess the deliberateness of the Tilts and enable comparisons across portfolios of differing structures. Additional analysis factors, sector (and country) adjustments and Tilt Contribution reports may also be informative.

# Biographies



## Julian Bishop

Julian Bishop joined Allianz Global Investors in November 2022 as a Senior Portfolio Manager and Co-Manager of the Brunner Investment Trust. Julian has more than 25 years asset management experience. He joined Allianz GI from Tesco Pension Investment Ltd where he was an Equity Fund Manager managing a multi-billion pound global equities portfolio. Prior to Tesco he was an Analyst and Portfolio Manager at Sarasin and Partners LLP where he co-managed their Global Dividend Fund and had analytical responsibility for the global consumer sector across all mandates. Before Sarasin he was Global Consumer Analyst at Insight Investment. Julian graduated from Queens' College, Cambridge University in 1995 and has an MA (Hons) Cantab in Geography. He is an Associate of the Society of Investment Professionals.



## Christian Schneider, CFA

Christian is the CIO for AllianzGI's Global Growth Equity team. He joined the Global Equity Fund Management Team as a Portfolio Manager in April 2000 and managed a US Equity strategy until 2002. In 2013 Christian founded the Global Equity Unconstrained strategy and remains the Co-Lead portfolio Manager. Christian began his investment career in June 1996 with DG-Bank as a trainee portfolio manager for one year; and then moved to DG Capital in February 1997 to March 2000 as a Global Equity Portfolio Manager, where he was also responsible for portfolio construction for equity and balanced funds. Christian graduated with a Master's degree in Economics from the University of Giessen and is a CFA charterholder. He also participated in the 2010 / 2011 Allianz Management Program.



## Simon Gergel

Simon is Chief Investment Officer, UK Equities and head of the European Value & Income Investment Style Team. He manages The Merchants Trust plc, co-manages the Allianz UK Listed Equity Income Fund, and is deputy portfolio manager on The Brunner Investment Trust and the Allianz UK Listed Opportunities Fund. He joined AllianzGI in April 2006 from HSBC Halbis Partners, where he was Head of Institutional UK Equities, portfolio manager of the HSBC Income Funds and manager of several segregated institutional accounts. Prior to HSBC, Simon was an Executive Director at Phillips & Drew Fund Management Ltd (a subsidiary of UBS), where he spent 14 years as a portfolio manager of UK equity portfolios. Simon is an Executive Director of Allianz Global Investors UK Ltd. Simon graduated from Cambridge University in 1987 with an MA (Hons) Cantab in Mathematics. He is an Associate of the CFA Society of the UK.



## James Ashworth, CFA

James joined AllianzGI in November 2022, and became Senior Portfolio Manager in October 2023. James has more than 15 years experience in financial services and joined AllianzGI from Tesco Pension Investment Ltd, where he was an Equity Fund Manager managing a global equities portfolio. Prior to Tesco, he was a Global Equities Analyst at the Universities Superannuation Scheme, one of the largest pension schemes in the UK, where he worked on the North American public equity's portfolio. He has also held investment analyst roles at private investment firms. James started his career at Deutsche Bank, where he was lastly Vice President in the Investment Banking division. James graduated from Cambridge University in 2005 and has an MA (Hons) Cantab in Economics. He is a CFA Charter holder and Co-Chair of the Value Investing Special Interest Group at the CFA Society of the UK.

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All data source Allianz Global Investors as at 29.02.24 unless otherwise stated.

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