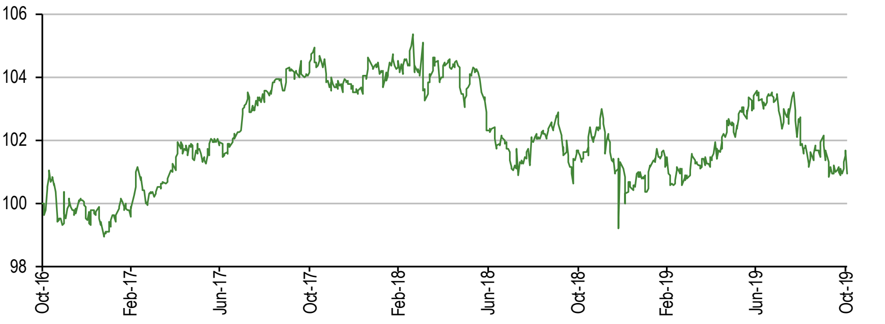
The Brunner Investment Trust

A portfolio 'for all seasons'

Investment trusts
Global equities

The Brunner Investment Trust (BUT) is managed by Lucy Macdonald at Allianz Global investors (AllianzGI). Important developments for the trust in recent years include a move to a single global rather than discrete UK and overseas portfolios; a more global benchmark; better investment performance; an improved capital structure; and a more diversified share register. The manager believes that versus its peers, BUT's relative headwinds (due to having less exposure to the most highly valued tech stocks and more to the UK) are dissipating. She says that having both an income and capital growth objective in a more volatile, lower-return environment 'is probably not a bad thing'. Macdonald argues that BUT offers a more balanced style at a time when growth looks very expensive versus value; she describes the trust as a portfolio 'for all seasons'.

NAV total return modestly above the benchmark over three years



Source: Refinitiv, Edison Investment Research

The market backdrop

The investment backdrop is uncertain, characterised by slowing global growth, the US-China trade dispute and above-average equity valuations. In an environment where stock market returns are expected to be lower than in recent years, a focus on high-quality, reasonably valued companies may prove beneficial.

Why consider investing in BUT?

- Diversified portfolio of high-quality global equities.
- The manager believes the trust's focus on both income and capital growth is appealing in an environment of expected lower equity returns.
- NAV and share price annualised total returns of 10.9% and 12.0% respectively over the past five years.
- Dividend growth for the last 47 consecutive years; yield of 2.3%.
- Much improved capital structure following the refinancing of high-cost debt.

Narrower discount over the last three years

Over the last three years, BUT's discount has narrowed meaningfully. Its 9.2% share price discount to cum-income NAV is narrower than the 9.7%, 11.1%, 12.2% and 12.4% average discounts over the last one, three, five and 10 years respectively. The trust's dividend has grown for the last 47 years at a rate higher than the level of UK inflation; BUT currently offers a 2.3% yield.

12 November 2019

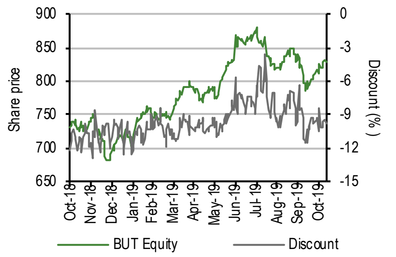
Price	**829.0p**
Market cap	**£354m**
AUM	**£416m**

NAV*	905.8p
Discount to NAV	8.5%
NAV**	912.6p
Discount to NAV	9.2%

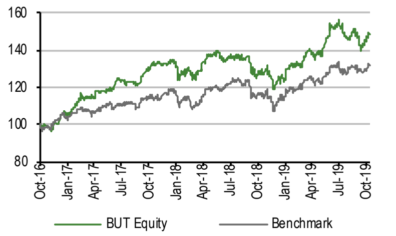
*Excluding income. **Including income. As at 11 November 2019.

Yield	2.3%
Ordinary shares in issue	42.7m
Code	BUT
Primary exchange	LSE
AIC sector	Global
Benchmark	Composite benchmark

Share price/discount performance



Three-year performance vs index



52-week high/low	880.0p	681.0p
NAV** high/low	956.4p	756.1p

**Including income.

Gearing

Net*	8.7%

*As at 30 September 2019.

Analysts

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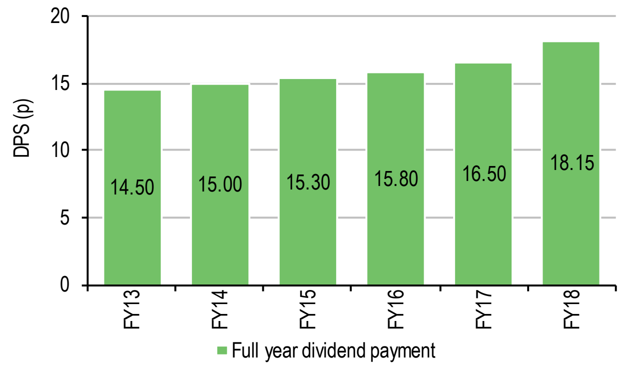
The Brunner Investment Trust is a research client of Edison Investment Research Limited

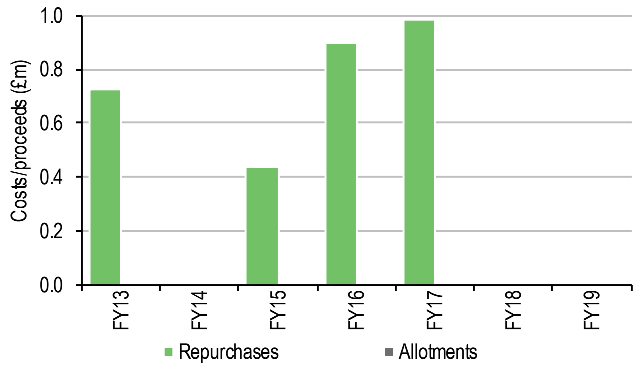
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
The Brunner Investment Trust aims to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities. From 25 March 2008 to 21 March 2017, the benchmark was a composite of 50% FTSE All-Share and 50% FTSE All-World ex-UK Index (£). It is now a composite of 70% FTSE All-World ex-UK (£) and 30% FTSE All-Share Index.	■ 3 October 2019: announcement of 4.66p third quarterly dividend (+15.1% year-on-year). ■ 18 July 2019: six-month report to 31 May 2019. NAV TR +2.9% versus +3.4% for composite benchmark. Announcement of 4.66p second quarterly dividend (+15.1% year-on-year). ■ 12 June 2019: announcement of 4.66p first quarterly dividend (+15.1% year-on-year).

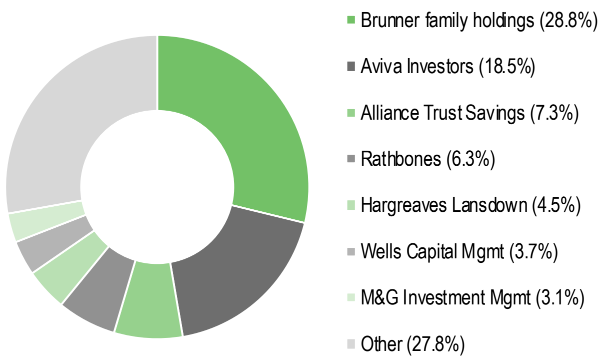
Forthcoming		Capital structure		Fund details	
AGM	March 2020	Ongoing charges	0.66%	Group	Allianz Global Investors
Final results	February 2020	Net gearing	8.7%	Manager	Lucy Macdonald
Year end	30 November	Annual mgmt fee	0.45%	Address	199 Bishopsgate
Dividend paid	Jun, Sep, Dec, Mar	Performance fee	None		London, EC2M 3TY
Launch date	January 1927	Trust life	Indefinite	Phone	+44 (0)800 389 4696
Continuation vote	None	Loan facilities	See pages 8 and 9	Website	www.brunner.co.uk

Dividend policy and history (financial years)	Share buyback policy and history (financial years)
From FY14, dividends have been paid quarterly in June, September, December and March. Dividends are expected to rise over the long term and have increased for 47 consecutive years.	Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.

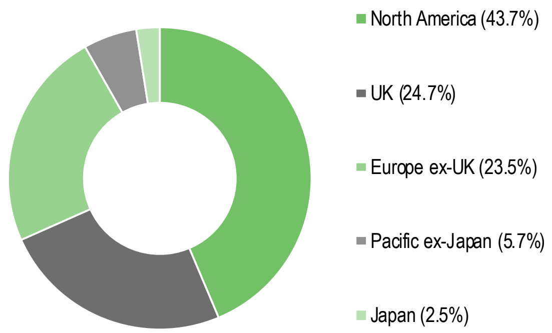




Shareholder base (at 30 September 2019)



Portfolio exposure by geography (at 30 September 2019)



Top 10 holdings (at 31 October 2019)

			Portfolio weight %	
Company	**Country**	**Sector**	**31 October 2019**	**31 October 2018***
Microsoft	US	Software and computer services	4.9	4.0
Munich Re	Germany	Non-life insurance	3.2	2.2
UnitedHealth	US	Healthcare equipment and services	3.2	3.7
Roche	Switzerland	Pharmaceuticals and biotechnology	3.1	2.2
Taiwan Semiconductor (ADR)	Taiwan	Technology hardware and equipment	2.8	N/A
Visa	US	Financial services	2.6	2.2
Accenture	US	Support services	2.6	N/A
Royal Dutch Shell 'B'	UK	Oil and gas producers	2.5	3.1
Ecolab	US	Chemicals	2.4	N/A
CooperCompanies	US	Healthcare equipment and services	2.3	2.2
Top 10 (% of holdings)			**29.5**	**26.5**

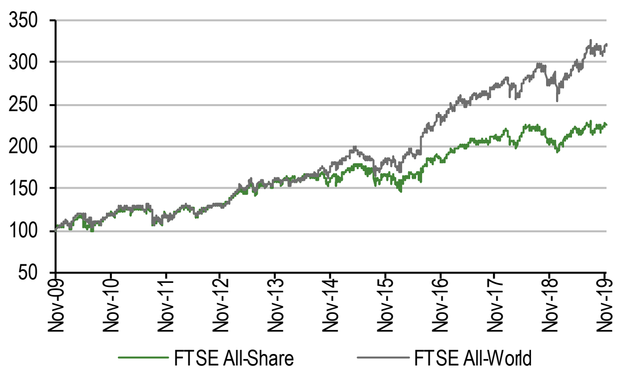
Source: The Brunner Investment Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-October 2018 top 10.

Market outlook: Time to be valuation aware

Although world markets have made good progress so far in 2019 following a very weak Q418, the investment backdrop remains somewhat uncertain. The global economy is slowing, in part due to the ongoing dispute between the US and its trading partners, whereas in the UK, continued Brexit uncertainty is having a negative effect on sentiment and investment decisions. Equity valuations look fairly unappealing – the Datastream World index is trading on a 15.7x forward P/E multiple, which is a 15% premium to its 10-year average (Exhibit 2, RHS). In an environment of lower economic activity and above-average valuations, investors may be rewarded by focusing on companies with secular growth businesses that are trading at a discount to their intrinsic value.

Exhibit 2: Market performance and valuation

Performance of indices (last 10 years in £ terms)



Datastream World Index valuation metrics (at 11 November 2019)

	Last	High	Low	10-year average	Last as % of average
P/E 12 months forward (x)	15.7	16.3	9.8	13.6	115
Price to book (x)	2.2	2.2	1.4	1.8	120
Dividend yield (%)	2.5	3.1	2.2	2.6	98
Return on equity (%)	11.2	13.3	5.0	11.1	101

Source: Refinitiv, Edison Investment Research

Fund profile: ‘One-stop shop’ for global equities

BUT was launched in January 1927 and is listed on the Main Market of the London Stock Exchange; the Brunner family remains the trust’s largest shareholder (c 29%). The lead manager (since 23 June 2016) is Lucy Macdonald, chief investment officer for global equities at AllianzGI, who works closely with UK equity specialist Matthew Tillett. Macdonald aims to generate long-term growth in capital and income from a diversified portfolio of global equities. BUT’s performance is measured against a composite benchmark, made up of 70% FTSE World ex-UK index and 30% FTSE All-Share index (50% FTSE World ex-UK and 50% FTSE All-Share until 21 March 2017). Up to 10% of gross assets (at the time of investment) may be invested in a single holding, while the portfolio must contain at least 50 stocks, diversified by geography and sector. The manager may gear up to 20% of NAV (at the time of borrowing); at end-September 2019, net gearing was 8.7%. BUT has grown its dividends for the last 47 consecutive years, compounding at a higher rate than the level of UK inflation. The current 2.3% dividend yield compares favourably with the majority of the peers in the Association of Investment Companies (AIC) Global sector (Exhibit 9).

The fund manager: Lucy Macdonald

The manager’s view: Increased market focus on quality

Commenting on the macro backdrop, Macdonald says that for the last year she has talked about her expectation for relatively modest equity returns and higher stock market volatility, due to above-average valuations, a deceleration in economic growth and having passed the point of peak liquidity. The manager notes that markets are indeed more volatile as there is greater uncertainty on monetary policy and growth, both arguably due to the escalating US-China trade war. So, while there have been large moves up and down over the last 12 months, in aggregate, the global market has only appreciated by a modest amount. Macdonald says that market volatility provides opportunities for an active investor and within an environment of lower equity returns, she expects income will become a more important feature. Global equities are yielding around 2.5%, which is relatively attractive versus other asset classes such as government bonds. However, the manager stresses the importance of remaining selective – in an economic downturn, there will be pressure on earnings, so she believes a quality bias is important. Macdonald says that 'we have begun to see the quality style perform better in anticipation of higher volatility and an economic and profits downturn', and this is an environment in which she feels comfortable investing. She comments that more downside risk means there will be a greater investor focus on the reliability of a company's returns, balance sheet strength, and environmental, social and governance (ESG) factors.

Discussing the important features in developed markets so far this year, the manager says that monetary policy and trade have been the big macro drivers. There was a 180-degree turnaround at the US Federal Reserve from late 2018 to early 2019, becoming more dovish as a reaction to growth concerns, which has given more support to asset prices. At the European Central Bank (ECB), Mario Draghi's parting speech signalled a return to quantitative easing and doing 'whatever it takes' to safeguard growth. Europe has suffered from the trade war between the US and China – the slowdown in China has had a negative impact on the auto industry in particular – so stimulus in Europe is required. There are unconventional monetary policy measures in place, but the ECB says some fiscal action will be required; Macdonald suggests this will prove interesting, as Germany is very resistant to cutting taxes. The emissions scandal has affected the German auto industry and there have also been lower exports to China but the domestic economy is pretty strong, with full employment and a strong budget.

Ahead of the Q319 earnings season, the manager said she was looking to see how much of an impact the trade war was having, as it had definitely been rising in terms of focus for company managements. She argues that so far there has not been a significant impact on earnings, but it will become more of an issue the longer the dispute continues – both the direct impact from tariffs and indirectly because of uncertainty, and therefore lower corporate spending. Macdonald says that corporate sentiment is such an important driver of business spending and it is deteriorating because of uncertainty over tariffs and how long the trade war will last. She notes that not only are there effects on companies' profit and loss accounts, but also on industry supply chains, in terms of whether businesses can pass on the impact of tariffs or where manufacturing will be based. The manager does not think there will be a manufacturing shift towards the US as President Trump would like, but instead it is more likely to move from China to elsewhere in Asia, or to see more use of automation instead of low-cost labour.

In terms of earnings estimate revisions, Macdonald reports that there is a negative skew, as there has been all year. The weaker areas are more cyclical, including semiconductors, while consumer-facing businesses (outside of structurally challenged areas such as retail) are experiencing steady demand. Bright spots are some other areas of technology, such as enterprise software, and healthcare spending is also holding up; 'although this is likely to moderate as we move through the US political cycle', the manager adds.

Discussing the pace of merger and acquisition (M&A) activity, Macdonald notes an increase in the level of M&A in the UK, which she attributes to attractive valuations as a result of Brexit uncertainty and concerns over a potential socialist government. Two of BUT's UK holdings, NEX Group (inter-broker dealer) and UBM (events organiser), received takeover bids at significant premiums to their pre-bid share prices. Looking globally, the manager says that M&A activity has been somewhat muted due to lower confidence levels and profits.

Asset allocation

Investment process: Quality, growth and valuation

Macdonald targets 2–3% annualised excess portfolio returns with a three- to five-year view. She follows AllianzGI's investment philosophy, which focuses on three elements, aiming to avoid overvalued, low-quality businesses that are at risk of missing earnings estimates:

- **Quality** – companies with stable, above-average returns.
- **Growth** – firms with long-term secular growth potential.
- **Valuation** – companies that are trading at a discount to their intrinsic value and are not just 'cheap for a reason'.

The manager is able to draw on the broad resources of AllianzGI's investment team, which along with regional and global fund managers and analysts includes other specialists in areas such as macroeconomic, systematic, ESG research and the proprietary Grassroots market research platform. Every company researched is considered in terms of its ESG practices. AllianzGI's investment team employs Salesforce Chatter, an online discussion platform. This tool has the benefits of broadening investment discussions, increasing fund manager and analyst engagement and improving communication of themes across industries and regions.

BUT typically holds c 70 stocks, diversified by geography and sector and selected from an investible universe of around 2,300 companies. The manager aims to hold positions for at least three to five years; portfolio turnover is currently running at around 15–20% pa. Macdonald explains that she has managed to continue to shift the portfolio to raise the concentration, quality and growth potential without diminishing the yield and to diversify the sources of income, without increasing turnover. She argues that 'the portfolio is in better shape than it has ever been'.

Current portfolio positioning

As at end-October 2019, BUT's top 10 positions made up 29.5% of the portfolio, which was a modestly higher concentration compared with 26.5% a year before; seven positions were common to both periods (Exhibit 1).

Macdonald's unconstrained investment approach is illustrated in Exhibits 3 and 4. At end-September 2019, BUT had a large overweight exposure in continental Europe compared with the benchmark (+12.8pp), it has moved to a modest overweight in North America and retains underweight exposures to the other regions.

Exhibit 3: Portfolio geographic exposure vs benchmark (% unless stated)

	Portfolio end-Sept 2019	Portfolio end-Sept 2018	Change (pp)	Benchmark weight	Active weight vs index (pp)	Trust weight/ index weight (x)
North America	43.7	43.3	0.4	42.4	1.3	1.0
UK	24.7	27.0	(2.4)	30.0	(5.4)	0.8
Europe ex-UK	23.5	22.1	1.3	10.7	12.8	2.2
Pacific ex-Japan	5.7	5.3	0.4	9.2	(3.6)	0.6
Japan	2.5	2.3	0.2	5.8	(3.2)	0.4
Latin America	0.0	0.0	0.0	0.9	(0.9)	0.0
Middle East & Africa	0.0	0.0	0.0	1.0	(1.0)	0.0
	100.0	**100.0**		**100.0**		

Source: The Brunner Investment Trust, Edison Investment Research, FTSE Russell. Note: Excludes cash. Benchmark is 70% FTSE All-World ex-UK Index and 30% FTSE All-Share Index.

There have been modest changes in sector exposure over the last 12 months to end-September, with a higher weighting in industrials (+3.3pp) and lower exposure to oil & gas (-3.6pp). The manager continues to favour the industrials (+9.3pp above benchmark) and healthcare (+4.3pp) sectors, with underweight exposures to consumer services (-4.7pp), oil & gas (-3.9pp) and consumer goods (-3.1pp).

Exhibit 4: Portfolio sector exposure vs benchmark (% unless stated)

	Portfolio end-Sept 2019	Portfolio end-Sept 2018	Change (pp)	Benchmark weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	23.3	22.5	0.8	22.7	0.6	1.0
Industrials	22.0	18.7	3.3	12.7	9.3	1.7
Healthcare	14.6	13.8	0.8	10.3	4.3	1.4
Technology	11.7	13.0	(1.3)	12.3	(0.6)	1.0
Consumer goods	8.9	7.5	1.4	12.0	(3.1)	0.7
Consumer services	7.0	7.9	(0.9)	11.7	(4.7)	0.6
Oil & gas	3.5	7.1	(3.6)	7.4	(3.9)	0.5
Basic materials	5.3	6.0	(0.7)	4.9	0.4	1.1
Utilities	2.9	2.5	0.4	3.2	(0.3)	0.9
Telecommunications	0.8	1.0	(0.2)	2.8	(2.0)	0.3
	100.0	**100.0**		**100.0**		

Source: The Brunner Investment Trust, Edison Investment Research, FTSE Russell. Note: Excludes cash. Benchmark is 70% FTSE All-World ex-UK Index and 30% FTSE All-Share Index.

Macdonald highlights changes in BUT's portfolio since our last note was published in early May, including the purchases of Bright Horizons, Helical, International Flavors & Fragrances and Intuitive Surgical.

- **Bright Horizons** is a provider of nursery and employee services, primarily through long-term contracts with organisations. It benefits from rising female participation in the workforce and increased demand for good-quality childcare. The manager says the company is high quality with top-line growth of 8–10% pa, low capex, strong cash flow and good ESG credentials. She notes the quality and high retention (twice the industry average) of Bright Horizon's staff, which she deems very important. As part of the research process, AllianzGI undertook a Grassroots survey to check levels of employee satisfaction. The manager says the company is not particularly attractively valued and has become less so since the stock was purchased, but it is a good medium-term growth company that she is happy to own.
- **Helical** is a property company. Macdonald was seeking a decent-quality, growing but low-rated UK investment. She says that Helical has good property assets that are in demand from growing industries such as the creative and technology sectors, but its shares have de-rated along with other property companies. The firm received a takeover bid, which it batted off, indicating there is interest in the company. Macdonald believes that with any increased clarity in the UK, Helical's shares could rerate meaningfully.
- **International Flavors & Fragrances** (IFF) is a US company providing flavours and fragrances to a range of industries including beauty and food. The manager explains the stock has been held elsewhere in AllianzGI's global portfolios, but did not have much yield and was quite expensive. However, it had a wobble, de-rated and now has a c 2.5% yield. There had been a slight deceleration in growth and there were big questions on an acquisition it made where there had been some historical fraud, which raised questions over IFF's due diligence. Macdonald thought that on balance, the company's shares were oversold and she likes the long-term growth profile of the firm, which should benefit from a shift towards using more natural ingredients.
- **Intuitive Surgical** is listed in the US and is a leading manufacturer of robotic surgery equipment. The manager notes the use of robots in surgery is increasing and there are a growing number of procedures that the firm's da Vinci product can undertake. Macdonald says Intuitive Surgical has first-mover advantage; it is a high capex business, making it difficult for other companies to compete. However, a valuation opportunity occurred following news that a well-known medical equipment producer, Medtronic, had begun manufacturing a competing product. The manager believed that Medtronic's product offering would be quite low end and is early in the approval process; hence, the market was overstating the short-term competitive threat. She says that so far, her thesis has played out – Medtronic came out with its product, which is like an entry-level da Vinci system that so far lacks the full approvals it needs to get to market; in the meantime, Intuitive Surgical's business is advancing.

The holdings in Ameriprise and United Internet were sold. Ameriprise was a lower-conviction position where Macdonald was waiting for an exit opportunity. United Internet decided to stop paying a dividend and the manager also had corporate governance concerns, including a lack of balance on the company's board. The long-standing position in BP has also been sold. It had been held for its attractive dividend yield, but the manager is not excited by the fundamentals in the energy sector; she says industry returns have not been good and there are too many impacts from exogenous factors. The proceeds of the BP sale were redeployed into other holdings with similar yields and better medium-term growth potential. Macdonald says that over time, she would like less exposure to energy, but the shift will have to be gradual as BUT needs to generate sufficient income to pay its dividend. She explains that she has diversified the trust's sources of income; five years ago, 80–90% came from a small number of UK shares and BP was one that remained in the portfolio as it was offering a particularly high yield. The manager says that in future there will be less portfolio exposure to high yield/low dividend cover stocks.

Macdonald has reduced the positions in utility companies Enel and Iberdrola. When the portfolio shifted towards more overseas income diversification, Centrica was sold and these two companies (one Italian and one Spanish) were purchased. The manager says that subsequently, Centrica's share price has halved but Enel and Iberdrola have been good in both income and capital terms and have benefited from growth in their renewables businesses, so there is an ESG element too. The two positions were trimmed following a period of share price momentum, but remain significant holdings in BUT's portfolio.

Performance: Solid absolute and relative returns

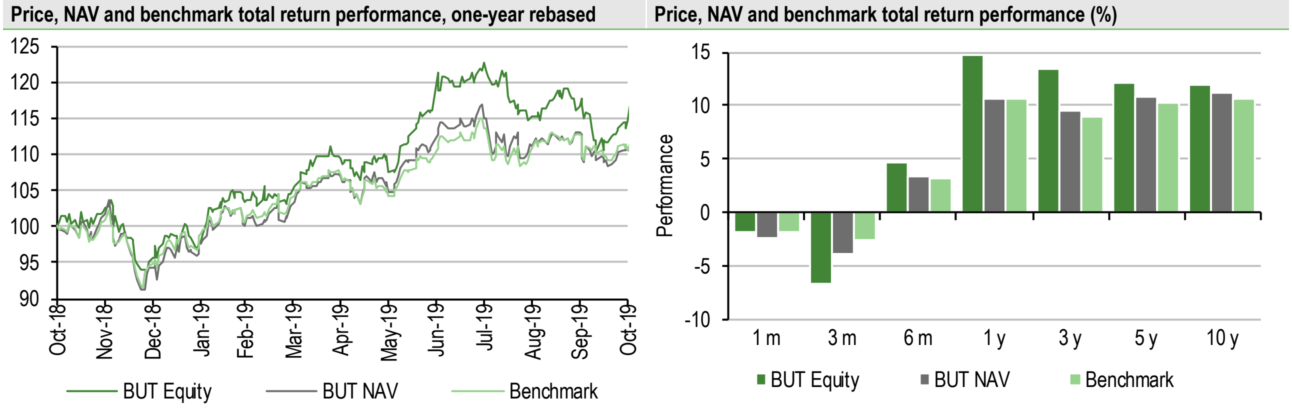
Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV* (%)	Benchmark** (%)	FTSE All-Share (%)	FTSE All-World ex-UK (%)
31/10/15	6.0	4.0	3.9	3.0	4.5
31/10/16	14.4	22.6	21.8	12.2	31.2
31/10/17	29.4	19.0	13.9	13.4	14.0
31/10/18	(1.9)	(0.2)	2.5	(1.5)	4.1
31/10/19	14.6	10.6	10.6	6.8	12.0

Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *NAV with debt at market value. **Until 21 March 2017, benchmark was 50% FTSE All-Share and 50% FTSE All-World ex-UK index. From 22 March 2017, benchmark is 70% FTSE All-World ex-UK and 30% FTSE All-Share index.

As shown in Exhibit 6 (RHS), BUT has generated solid absolute returns over the last one, three, five and 10 years (NAV and share price annualised total returns between 9.5% and 11.1%, and 12.0% and 14.6% respectively).

Exhibit 6: Investment trust performance to 31 October 2019



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

Macdonald explains that BUT's performance this year has primarily been due to stock selection rather than asset allocation. Relative performance has been volatile due to market gyrations and sector rotation. Positive contributors include Estée Lauder (beauty products) and Adidas (sportswear), while detractors include healthcare companies UnitedHealth (services) and AbbVie (biopharmaceuticals). The manager believes the healthcare sector is being overly influenced in the market by US rhetoric, ahead of the 2020 presidential election. She cites UnitedHealth as being part of the long-term solution to rising healthcare costs, rather than a problem.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	0.0	(4.2)	1.6	3.7	12.7	8.0	12.0
NAV relative to benchmark	(0.4)	(1.2)	0.2	0.0	1.7	2.5	3.7
Price relative to FTSE All-Share	(0.4)	(4.7)	4.4	7.4	22.0	28.0	39.9
NAV relative to FTSE All-Share	(0.9)	(1.7)	3.0	3.6	10.1	21.5	29.5
Price relative to FTSE AW ex-UK	0.3	(4.0)	0.5	2.3	9.5	(3.2)	(3.3)
NAV relative to FTSE AW ex-UK	(0.2)	(1.0)	(0.9)	(1.3)	(1.2)	(8.1)	(10.4)

Source: Refinitiv, Edison Investment Research. Note: Data to end-October 2019. Geometric calculation.

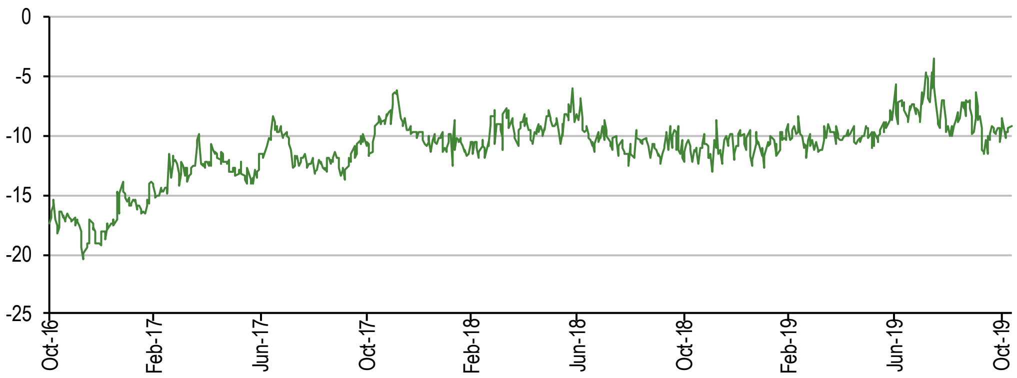
Exhibit 7 shows BUT's relative performance. Its NAV is ahead of the benchmark over three, five and 10 years and is in line over the last 12 months. Its share price has outperformed over all these periods. The trust has meaningfully outpaced the performance of the bellwether UK index over one, three, five and 10 years in both NAV and share price terms. This highlights the potential for UK investors considering equities outside of the domestic stock market.

Discount: In a narrowing trend

As shown in Exhibit 8, over the last three years BUT's discount has narrowed considerably. This may be due to the company's improved capital structure (see following section) or because of an increased marketing effort towards private retail investors.

BUT's 9.2% share price discount to cum-income NAV compares with the range of 3.5% to 13.0% over the last 12 months and is narrower than the 9.7% to 12.4% range of average discounts over the last one, three, five and 10 years.

Exhibit 8: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

BUT is a conventional investment trust with 42.7m ordinary shares in issue. In recent quarters, the board has significantly improved the fund's capital structure. An £18.2m debenture with an interest rate of 11.125% was repaid in January 2018, while another £28m high-cost (9.25%) debenture was repaid in June 2018. The total cost of repaying the 9.25% debenture was £39.4m (including accrued interest); it was funded by the issue of a £25m fixed-rate, 30-year 2.84% loan note, plus existing cash and bank debt. BUT also has a £10m short-term revolving credit facility and £0.5m of 5% cumulative preference shares. The trust's much-reduced weighted average interest cost on its structural borrowings of c 3.0% increases the potential for dividend growth. At end-September 2019, BUT's net gearing was 8.7%. Macdonald envisages that the trust's gearing will be in a range of c 5–10%, reducing when she sees opportunities to take profits and increasing when stock market volatility provides more investment opportunities.

BUT pays AllianzGI an annual management fee of 0.45% of net assets minus short-term liabilities, excluding any funds managed by AllianzGI. Ongoing charges of 0.66% in FY18 were 6bp lower year-on-year.

Dividend policy and record

BUT pays quarterly dividends in June, September, December and March. It has increased its annual dividend for the last 47 consecutive years, growing at a significantly higher rate than UK inflation over the period. In H119 (ending 31 May), earnings of 12.6p per share were c 19% higher year-on-year. The board has moved to distribute income more evenly throughout the year; so far in FY19, it has declared three interim dividends of 4.66p per share (+15.1% higher year-on-year). Barring unforeseen circumstances, the final dividend will be 6.00p per share, which is in line with the prior financial year. A total dividend of 19.98p per share in FY19 would represent a 10.1% increase compared with FY18, once again much higher than the rate of UK inflation. The trust has revenue reserves of 25.4p per share, which is c 1.3x the anticipated FY19 dividend. Based on its current share price BUT offers a 2.3% dividend yield.

Peer group comparison

Exhibit 9: AIC Global sector as at 11 November 2019*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Brunner	353.9	14.2	32.7	65.7	174.7	(9.2)	0.7	No	109	2.3
Alliance Trust	2,677.7	14.0	42.2	84.0	191.8	(5.8)	0.6	No	105	1.7
AVI Global Trust	824.5	7.7	27.3	61.1	127.5	(9.4)	0.9	No	102	1.7
Bankers	1,152.5	14.4	39.9	82.7	209.3	(1.6)	0.5	No	100	2.2
EP Global Opportunities	124.7	1.6	18.8	47.9	128.0	(6.8)	0.9	No	100	1.8
F&C Investment Trust	3,926.8	13.0	38.4	83.5	217.0	(3.1)	0.6	No	107	1.6
JPMorgan Elect Managed Growth	260.5	9.5	36.5	64.1	197.0	(1.9)	0.5	No	100	1.8
Lindsell Train	292.5	29.3	107.9	245.6	627.4	39.6	0.9	Yes	101	2.0
Majedie Investments	140.0	(0.9)	6.9	50.2	107.0	(13.2)	1.0	No	111	4.3
Manchester & London	151.2	15.5	65.0	117.3	111.4	(4.5)	0.8	No	100	2.7
Martin Currie Global Portfolio	243.4	20.5	46.2	85.4	219.5	(0.2)	0.6	Yes	100	1.4
Mid Wynd International Inv Trust	252.6	16.5	43.4	104.3	241.4	2.3	0.5	No	100	1.0
Monks	2,002.3	17.9	53.8	104.2	197.1	3.4	0.5	No	106	0.2
Scottish Investment Trust	602.2	1.2	17.5	53.2	142.9	(8.2)	0.4	No	101	3.1
Scottish Mortgage	7,575.2	11.7	68.6	131.0	417.6	(1.7)	0.4	No	107	0.6
Witan	1,894.6	11.4	32.8	72.3	202.9	(3.9)	0.8	Yes	110	2.3
Average (16 funds)	**1,404.7**	**12.3**	**42.4**	**90.8**	**219.5**	**(1.5)**	**0.7**		**104**	**1.9**
BUT rank in sector	**9**	**7**	**12**	**11**	**11**	**14**	**7**		**3**	**4**

Source: Morningstar, Edison Investment Research. Note: *Performance to 10 November 2019 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

BUT is a member of the 16-strong AIC Global sector, whose constituents have a variety of investment mandates. The trust has both an income and capital growth requirement and is one of the smaller funds, ranking ninth. Its NAV total return is above average over the last 12 months, ranking seventh, and below average over the other periods shown. BUT's focus on both capital and income growth rather than just capital growth means that it tends to perform relatively better during periods of equity market weakness. The trust's discount is wider than the mean, it has an ongoing charge in line with the average and no performance fee is payable. BUT has an above-average level of gearing, ranking third, and it has the fourth-highest dividend yield, 40bp above the mean.

The board

BUT's board has five directors, all of whom are non-executive and independent of the manager. Chairman Carolan Dobson joined the board in December 2013 and assumed her current role in March 2016. Vivian Bazalgette (senior independent director) was appointed in January 2004, Ian Barlow in November 2009, Peter Maynard in October 2010 and Jim Sharp (who is connected to the Brunner family by marriage) in January 2014.

The board is committed to refreshing its composition over the next few years; Bazalgette intends to retire later in 2019 and Barlow has agreed to remain on the board until late 2020.

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