The Brunner Investment Trust

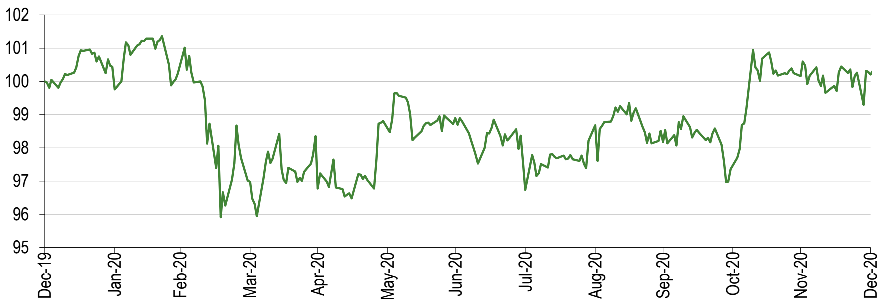
Quality global portfolio available at a discount

Investment trusts
Global equities

1 February 2021

The Brunner Investment Trust (BUT) is managed by Matthew Tillett at Allianz Global Investors (AllianzGI), working alongside deputy managers Jeremy Kent and Marcus Morris-Eyton. All three have positive track records in other funds that they manage, and bring complementary skillsets to the table. Tillett highlights the trust's quality bias and diverse income stream, which is less dependent on the UK than it used to be. This has been beneficial in 2020 as domestic dividend cuts have exceeded those in other markets, and has helped BUT extend its long-term record of outperformance, particularly versus the broad UK market.

NAV modestly ahead of the benchmark over a volatile 12 months to end-December 2020



Source: Refinitiv, Edison Investment Research

The market outlook

Much of the significant stock market rally following the Q120 coronavirus-led sell-off has been a function of multiple expansion (the forward-earnings multiple of the Datastream World Index is close to a 10-year high), as operating conditions for companies remain challenging. Hence, going forward, additional equity appreciation is likely to be more reliant on corporate earnings growth rather than a further revaluation.

Why consider investing in BUT?

- BUT has a balanced portfolio of high-quality global equities offering the prospect of both capital appreciation and income growth.
- BUT has a compelling performance record, with double-digit annual NAV and share price total returns over the past decade, while the trust's NAV is ahead of its composite benchmark over the past one, three, five and 10 years.
- BUT is on course for 49 years of consecutive annual dividend growth.

Scope for a narrower discount

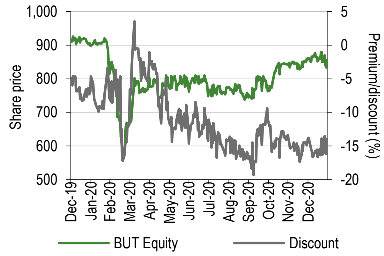
BUT is currently trading at a 14.0% discount to cum-income NAV, which is wider than the 10.2% to 12.1% range of averages over the past one, three, five and 10 years. Given the trust's long-term record of outperformance and the very smooth manager transition, arguably a narrower discount is warranted. BUT has increased its dividend for the past 48 consecutive years and currently offers a 2.3% yield.

Price	**856.0p**
Market cap	**£366m**
AUM	**£446m**
NAV*	991.2p
Discount to NAV	13.6%
NAV**	995.4p
Discount to NAV	14.0%

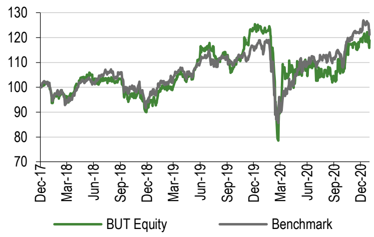
*Excluding income. **Including income. As at 28 January 2021.

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	920.0p	576.0p
NAV* high/low	1,040.4p	688.2p

*Including income.

Gearing

Net*	6.1%

*As at 31 December 2020.

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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

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% All-Share and 50% All-World ex-UK Index (£). It is now a composite of 70% All-World ex-UK (£) and 30% All-Share Index.

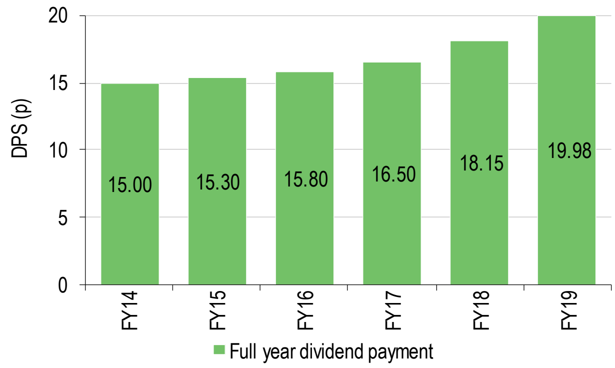
Recent developments

- 19 January 2021: amendment to disclosure policy regarding share repurchases. Announcement will be made every time a share buy-back authority is renewed.
- 8 December 2020: former director Ian Barlow retired from the board.
- 2 October 2020: announcement of 4.67p per share third interim dividend (+0.2% year-on-year).

Forthcoming		Capital structure		Fund details	
AGM	April 2021	Ongoing charges	0.66%	Group	Allianz Global Investors
Final results	February 2021	Net gearing	6.1%	Manager	Matthew Tillett
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 page 9	Website	www.brunner.co.uk

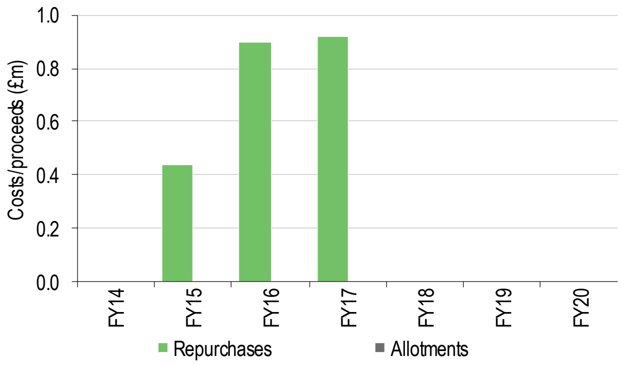
Dividend policy and history (financial years)

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 48 consecutive years.

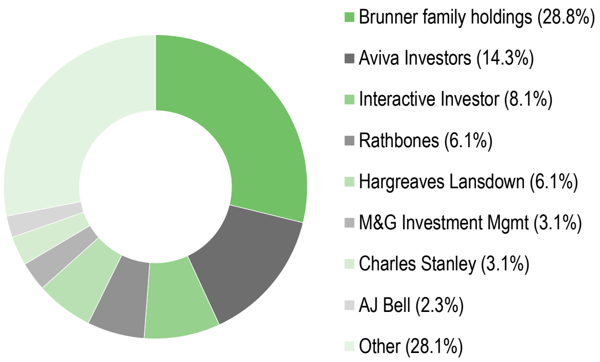


Share buyback policy and history (financial years)

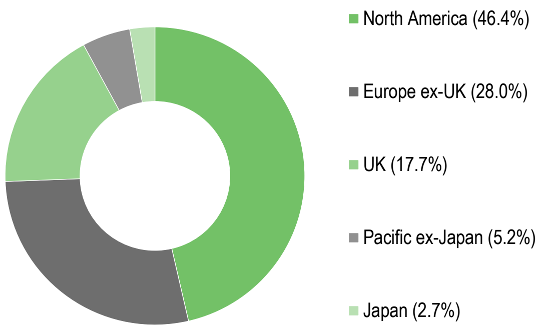
Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.



Shareholder base (as at 31 December 2020)



Portfolio exposure by geography (as at 31 December 2020)



Top 10 holdings (as at 31 December 2020)

Company	Country	Sector	Portfolio weight % 31 December 2020	Portfolio weight % 31 December 2019*
Microsoft	US	Software & computer services	4.3	4.9
UnitedHealth	US	Healthcare equipment & services	3.8	3.5
Taiwan Semiconductor	Taiwan	Technology hardware & equipment	3.3	2.9
Roche	Switzerland	Pharmaceuticals & biotechnology	3.0	3.0
Accenture	US	Support services	2.9	2.7
Munich Re	Germany	Non-life insurance	2.9	3.2
Agilent Technologies	US	Electronic & electrical equipment	2.8	N/A
CooperCompanies	US	Healthcare equipment & services	2.8	2.3
Visa	US	Financial services	2.8	2.6
AbbVie	US	Pharmaceuticals & biotechnology	2.5	N/A
Top 10 (% of portfolio)			**31.1**	**29.8**

Source: The Brunner Investment Trust, Edison Investment Research, Morningstar. Note: *N/A where not in end-December 2019 top 10.

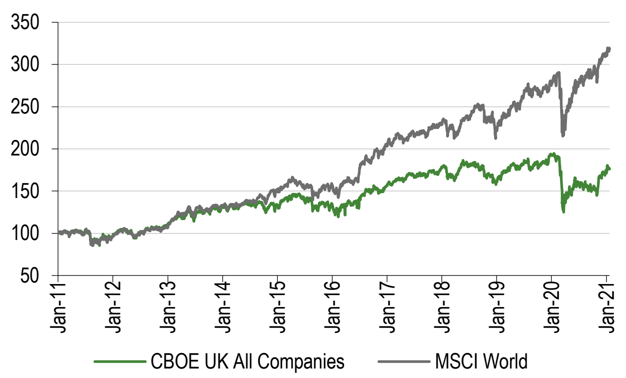
Market outlook: Earnings required to fuel further gains

While UK stocks have lagged partly due to the Brexit overhang, looking at the performance of global stocks (in sterling terms) in Exhibit 2, one may think ‘pandemic, what pandemic?’. The MSCI World Index has more than recovered its Q120 losses in the wake of the coronavirus outbreak, reaching new highs. Investors have been encouraged by governments’ swift and dramatic policy responses to protect their economies and more recently by positive trial data from a number of companies working to develop effective COVID-19 vaccines. There is a wide swathe of the market where corporate earnings are depressed due to the negative effects of coronavirus, meaning that a large part of the recovery in the global stock market has been due to revaluation rather than fundamental improvement.

As shown in the table below, the Datastream World Index is currently trading on a forward earnings multiple of 19.1x, which is close to a 10-year high and a 35% premium to the average over the past decade. Given this valuation backdrop, it would seem reasonable to suggest that another upward move in equity prices should be led by earnings growth rather than further multiple expansion.

Exhibit 2: Market performance and valuation

Performance of indices (past 10 years in £ terms)



Datastream World Index valuation metrics (at 29 January 2021)

	Last	High	Low	10-year average	Last as % of average
P/E 12 months forward (x)	19.1	19.8	10.0	14.2	135
Price to book (x)	2.5	2.6	1.4	1.9	132
Dividend yield (%)	1.9	3.4	1.8	2.5	75
Return on equity (%)	7.3	13.4	7.3	11.0	66

Source: Refinitiv, Edison Investment Research

Fund profile: Balanced focus on growth and income

BUT is one of the oldest UK investment trusts, having 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%). Matthew Tillett has been lead manager since 13 May 2020, having been deputy manager since 2016. BUT also has two deputy managers, Jeremy Kent (global equity and environmental, social and governance (ESG) specialist) and Marcus Morris-Eyton (growth equity specialist). Kent will be leaving AllianzGI at the end of March 2021 to pursue other opportunities. His role as one of BUT’s deputy managers will be assumed by Christian Schneider, who is deputy CIO of the firm’s global growth team and will provide additional input on overseas stock selection. The trust aims to generate long-term growth in capital and income from a diversified portfolio of global equities, and measures its performance against a composite benchmark (70% World ex-UK index and 30% broad UK index, versus a 50:50 split until 21 March 2017). To mitigate risk, a maximum 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. Gearing of up to 20% of NAV (at the time of borrowing) is permitted; at end-December 2020, net gearing was 6.1%.

The trust has a long-term record of dividend growth: its annual distribution has increased in each of the past 48 consecutive years, compounding at a rate higher than the level of UK inflation. Despite many companies cutting their dividends this year in response to the pandemic, BUT’s board has announced its intention to pay a modestly higher distribution in FY20, thereby securing a 49th consecutive year of growth.

The fund manager: Matthew Tillett and team

The manager’s view: Anticipating an income recovery

Tillett says that since the onset of COVID-19 and the subsequent worldwide containment policies, investors have been grappling with when and how the virus will be subdued. Until the recent good news about positive vaccine trials there had been a period of hope over the summer in 2020 as the number of cases came down, leading to optimism in Europe about opening up the economy. However, as the number of cases has ticked up, lockdowns have been reimposed.

The manager explains that before the vaccine news, stock market leadership was dominated by IT companies and other COVID-19 beneficiaries at the expense of more cyclical or structurally challenged businesses. However, there was a shift following the first positive vaccine trial results in the belief that the virus can be brought under control within a visible space of time. Tillett comments that ‘the rotation within the stock market was very sharp and rapid. Sectors that had been depressed rallied hard, such as travel and leisure, banks and cyclicals.’ However, the manager suggests that the vaccine announcements do not justify the scale of the market move. He stresses that BUT has a long-term focus, and while he had been anticipating an event that would alleviate the pandemic issue, the question from an investor’s perspective is ‘where to from here?’ Tillett says that the vaccine news is ‘a light at the end of the tunnel from an economic perspective’. He comments that the stock market is looking towards an economic recovery, which he expects to happen, although ‘how the market will behave is a different issue,’ he adds. The manager says that following the rotation, the market leadership positioning is no longer as extreme; ‘it had gone too far towards the consistent high growth firms and COVID-19 beneficiaries and is now more balanced’.

Tillett explains that while the economic environment has been tough due to the global pandemic, there has not been a dramatic change in the shape of BUT’s balanced portfolio. He tries not to take extreme views on the macro outlook or on value versus growth strategies, but has maintained the trust’s quality bias. Rather than trying to determine the shape of the economic recovery, the manager has been focusing on the behavioural changes that have happened due to the lockdowns. ‘Some businesses will bounce back, but others may not. Determining the long-term winning companies is more important than trying to forecast the level of GDP growth,’ he opines.

Commenting on messages from recent company meetings, Tillett says that comparing the impacts of the first lockdown in March/April and now, ‘firms are better at adapting to new ways of working’. There were initially many restrictions within the economy and businesses that were negatively affected first time round are operating better now. ‘Companies have had experiments forced upon them, such as employees working from home, but while firms are still learning new ways of working, they could ultimately turn out to be more efficient, with higher profitability than pre-COVID,’ he suggests. The manager reports that digitalisation is evident, not just at pure-play internet and e-commerce companies, citing Adidas as an example; ‘companies that have invested heavily in digitalisation are now reaping the benefits and results are coming in ahead of expectations’. Tillett believes that these advantages will endure, as customers that have converted to online purchasing are likely to be ‘sticky’.

In regard to income, the manager says the picture has improved meaningfully in recent months both for BUT and the wider market. ‘We are now seeing the reintroduction of dividends by cyclical companies affected by the first lockdown, but which are now seeing business conditions improve, such as those related to the housing market.’ Tillett suggests that firms are more confident now about their trading environments and are able to give sales and earnings guidance. He expects an income recovery in 2021 and 2022 as economies most negatively affected by the virus reopen.

Asset allocation

Investment process: Fundamental stock selection

Manager Tillett and deputy managers Kent and Morris-Eyton aim to generate long-term capital growth and a growing level of income from a portfolio of global equities that is diversified by geography and sector. They have a range of complementary skills: Tillett has an income and value mindset, Morris-Eyton has a background of investing in growth stocks, while Kent has global equity and ESG experience. BUT's portfolio of 60–80 stocks, where c 85% is invested in companies with market caps greater than $10bn, is selected from an investible universe of c 6,000 securities. Positions may be sold if there is a change in the investment case, on valuation grounds or if a better opportunity is identified. Portfolio turnover is c 20% pa, implying around a five-year holding period.

The managers employ AllianzGI's stock selection process, which is based on three pillars:

- **Quality** – seeking companies with stable or improving, above-average returns (key features are long-term competitive advantages, operating in a business with high barriers to entry, strong balance sheets, well-respected management teams and sound ESG credentials).
- **Growth** – looking for firms experiencing long-term secular growth, while avoiding those in structural decline.
- **Valuation** – a range of methods is employed, focusing on companies that are trading at a discount to their intrinsic value, not just assessing how 'cheap' a company is.

AllianzGI's investment team is very well resourced, and along with portfolio managers and analysts focusing on fundamental research includes ESG specialists, the proprietary Grassroots market research platform and online discussion platform Salesforce Chatter.

ESG is an increasingly important factor in the research process and every stock researched is considered in terms of its credentials. If the managers are considering initiating a position in a company with a low ESG rating, they need to understand the issues and be able to justify the purchase (some low ratings relate to a lack of disclosure rather than bad behaviour). Tillett highlights a couple of recent engagements with companies. A discussion was had with oil major Royal Dutch Shell after it cut its dividend by two-thirds, as the manager was concerned about the lack of explanation and articulation of the company's capital allocation framework. Another meeting was with the chairman of specialist staffing firm SThree to discuss its strategy under a relatively new CEO along with a range of ESG issues.

Current portfolio positioning

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

	Portfolio end-Dec 2020	Portfolio end-Dec 2019	Change (pp)	Benchmark weight	Active weight vs b'mark (pp)	Trust weight/ b'mark weight (x)
North America	46.4	44.0	2.4	42.5	3.9	1.1
Europe ex-UK	28.0	23.6	4.4	9.9	18.1	2.8
UK	17.7	24.4	(6.7)	30.0	(12.3)	0.6
Pacific ex-Japan	5.2	5.4	(0.2)	10.5	(5.3)	0.5
Japan	2.7	2.7	0.0	5.4	(2.7)	0.5
Latin America	0.0	0.0	0.0	0.7	(0.7)	0.0
Middle East & Africa	0.0	0.0	0.0	0.9	(0.9)	0.0
	100.0	**100.0**		**100.0**		

Source: The Brunner Investment Trust, Edison Investment Research. Note: Excludes cash. Numbers subject to rounding.

At end-December 2020, BUT's top 10 holdings made up 31.1% of the portfolio, which was broadly in line with 29.8% a year earlier; eight positions were common to both periods. In geographic terms, the trust's UK exposure continues to decline (-6.7pp year-on-year and -12.3pp versus the composite benchmark), while the weightings in continental Europe and North America have increased by 4.4pp and 2.4pp respectively. Europe remains the largest overweight position versus the benchmark (+18.1pp).

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

	Portfolio end-Dec 2020	Portfolio end-Dec 2019	Change (pp)	Benchmark weight	Active weight vs b'mark (pp)	Trust weight/ b'mark weight (x)
Healthcare	20.9	15.5	5.4	10.6	10.3	2.0
Industrials	19.7	22.4	(2.7)	12.8	6.9	1.5
Financials	17.4	22.7	(5.3)	20.3	(2.9)	0.9
Technology	13.4	12.2	1.2	16.2	(2.8)	0.8
Consumer goods	10.8	9.2	1.6	12.9	(2.1)	0.8
Consumer services	5.4	7.2	(1.8)	12.5	(7.1)	0.4
Utilities	4.8	2.7	2.1	2.9	1.9	1.7
Basic materials	4.3	5.0	(0.7)	5.4	(1.1)	0.8
Oil & gas	2.8	2.4	0.4	4.3	(1.5)	0.7
Telecommunications	0.5	0.7	(0.2)	2.2	(1.7)	0.2
	100.0	**100.0**		**100.0**		

Source: The Brunner Investment Trust, Edison Investment Research. Note: Excludes cash. Numbers subject to rounding.

BUT's sector weightings at end-December 2020 are shown in Exhibit 4. Over the past 12 months the largest changes are a higher exposure to healthcare (+5.4pp) and a lower exposure to financials (-5.3pp). The manager favours the healthcare and industrials sectors with overweight positions of 10.3pp and 6.9pp respectively versus the composite benchmark, while the largest underweight position is consumer services (-7.1pp).

The trust has a new holding in Danish healthcare company **Novo Nordisk**, a leader in diabetes care. This position was championed by Kent and Morris-Eyton as they hold this name in other funds that they manage. Tillet says Novo fits well in BUT's portfolio given its defensive growth profile, market leadership and strong balance sheet. He explains that while the US diabetes market is maturing, there are plenty of growth opportunities elsewhere. Compared with some other therapeutic categories there are multiple products to manage diabetes, and patent clocks can be reset by adapting the products, thereby avoiding a patent cliff. Novo's share price was a relative laggard during the Q420 stock market rotation, which provided an entry point for this new position.

In recent months other names added to the portfolio include CME, DCC and IG Group. US-listed **CME** is a global markets company and owns the world's largest financial derivatives exchange. It is a highly rated company, whose shares pulled back as c 30% of its business is tied to the US treasury market. As interest rates declined, volatility was suppressed across the yield curve, meaning there was less demand for hedging of interest rate positions. The manager explains that the higher treasury issuance required to fund the US's increased deficits (incurred because of COVID-19) should be beneficial to CME. Tillett says the company is a high-quality franchise and its business has monopolistic characteristics. A higher level of transactions on its platform means more liquidity, lower spreads and reduced costs, which benefits its customers, while access to their data allows CME to offer additional services such as post-trade analysis.

Irish company **DCC** is an international sales, marketing and support services group with a clear focus on performance and growth. It operates through four divisions: LPG (liquefied petroleum gas), retail & oil, technology and healthcare. The manager says that DCC is an example of a company with a management team that has a successful approach to capital allocation. The firm has a decentralised business model and resources are allocated astutely, with a sharp focus on return on capital. While companies with energy exposure have de-rated (partly due to ESG considerations), the manager views DCC's energy operations as an opportunity rather than a risk.

UK-listed **IG Group** is a trading platform used by retail investors. Tillett highlights the heavy investment in its digital business and suggests the company has the best technology in the industry. He notes the firm's high single-digit/low double-digit growth in metrics such as the number of customers, revenues, profits and dividends, and suggests that its quality characteristics are underappreciated. IG Group has successfully diversified part of its business away from the UK, which has accelerated following the appointment of an external CEO a few years ago

Positions sold from BUT's portfolio in recent months include contract foodservice provider **Compass Group** (its business has been negatively affected by the pandemic and Tillett has concerns about the company's longer-term growth and profit margin profile); publisher and events manager **Informa** (the manager is uncertain about the firm's future business model due to structural pressures on business travel); and US industrial company **Wabtec Corporation** (a lower-conviction position whose acquisition strategy has proved to be problematic).

Performance: Long-term record of outperformance

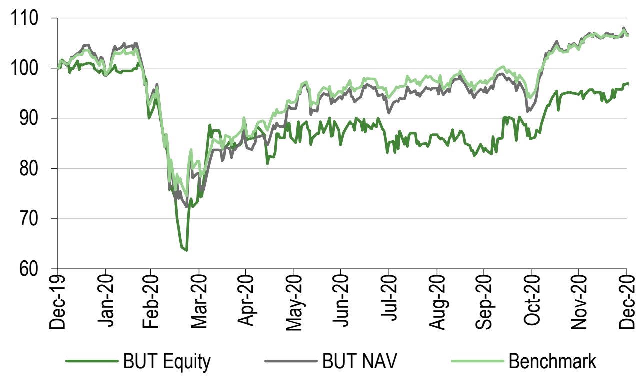
Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV* (%)	Benchmark** (%)	CBOE UK All Companies (%)	MSCI All World ex-UK (%)
31/12/16	17.1	23.9	23.4	16.5	29.4
31/12/17	30.6	18.1	13.5	14.0	13.3
31/12/18	(8.2)	(7.1)	(5.3)	(9.8)	(3.6)
31/12/19	34.4	25.5	21.3	19.3	22.0
31/12/20	(3.1)	6.7	6.5	(10.9)	14.3

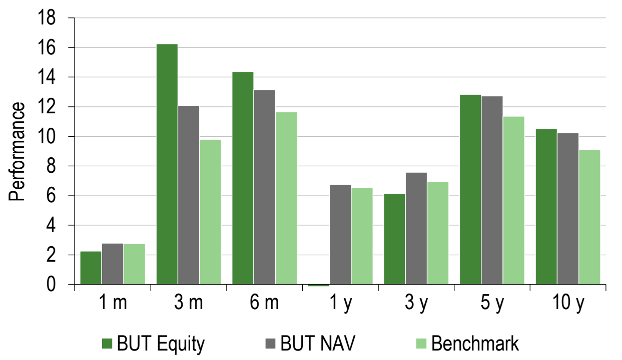
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *NAV with debt at market value. **Until 21 March 2017, benchmark was 50% All-Share and 50% All-World ex-UK index. From 22 March 2017, benchmark is 70% All-World ex-UK and 30% All-Share index.

Exhibit 6: Investment trust performance to 31 December 2020

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



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

BUT has delivered double-digit annual total returns over the past decade (10.3% pa in NAV terms and 10.5% pa in share price terms; Exhibit 6, RHS). The trust's relative returns are shown in Exhibit 7; its NAV is ahead of the benchmark over all periods shown. It is notable how well BUT has performed versus the broad UK market, illustrating the potential benefits of investing overseas.

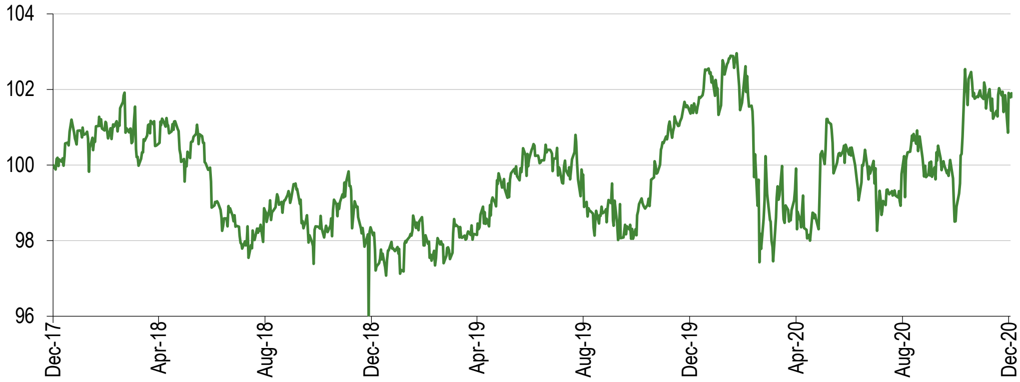
Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	(0.5)	5.9	2.4	(9.0)	(2.2)	6.8	13.6
NAV relative to benchmark	0.0	2.1	1.3	0.2	1.8	6.4	10.9
Price relative to CBOE UK All Companies	(1.3)	3.0	5.2	8.7	24.7	43.6	58.7
NAV relative to CBOE UK All Companies	(0.8)	(0.7)	4.1	19.8	29.8	43.0	55.0
Price relative to MSCI All World ex-UK	(0.1)	7.3	1.5	(15.2)	(11.0)	(7.2)	(3.8)
NAV relative to MSCI All World ex-UK	0.5	3.4	0.4	(6.6)	(7.4)	(7.5)	(6.1)

Source: Refinitiv, Edison Investment Research. Note: Data to end-December 2020. Geometric calculation.

Tillett says that BUT's performance in 2020 shows what the trust's balanced approach is all about: 'there were huge market swings in absolute and relative terms on the back of positive and negative news flow, yet BUT's performance was steady'. The trust outperformed during the onset of COVID-19 and the first lockdown as the market was led by growth and healthcare names, such as Agilent, Microsoft and Visa. The manager explains that more recently, BUT also performed well following the positive vaccine news, illustrating the importance of running a balanced portfolio with stock picking driving returns. Positive contributors to performance include attractively valued UK housebuilder Redrow, which has an entrepreneurial culture and is confident that its business is recovering in the current tough economic environment. The company recently reported results that were ahead of expectations and Tillett expects the firm to reinstate its dividend. The shares in US travel- and leisure-related business Booking Holdings (owner of Booking.com) have rallied following the vaccine news and are now above pre-COVID-19 levels. The company has a structural advantage through its online operations and has a dominant market share.

Exhibit 8: NAV total return performance relative to benchmark over three years

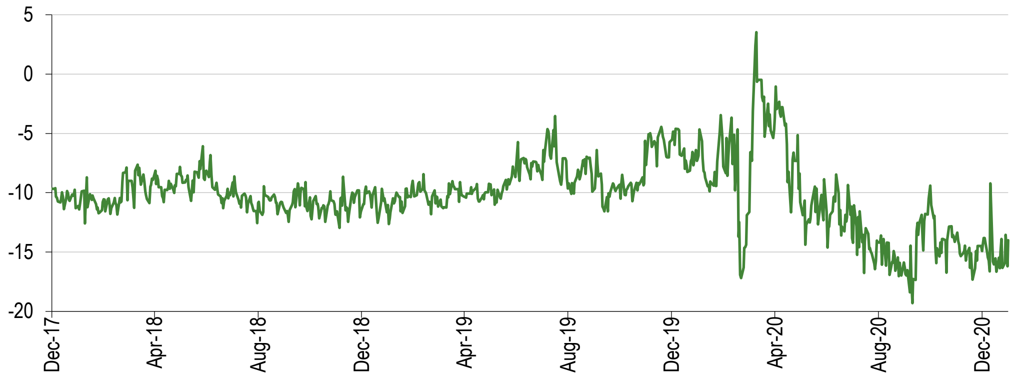


Source: Refinitiv, Edison Investment Research

Discount: Scope for a higher valuation

BUT's current 14.0% share price discount to cum-income NAV compares with a 12-month range of a decade-high 3.5% premium on 17 April 2020 to a three-year wide 19.3% discount on 8 October 2020. It is wider than the average discounts of 11.2%, 10.2%, 11.8% and 12.1% over the past one, three, five and 10 years respectively. One could argue that BUT deserves a higher valuation given its positive long-term performance record and AllianzGI's well-resourced investment team. The manager transition has been very smooth as Tillett had worked with former manager Macdonald for a number of years.

Exhibit 9: Share price premium/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. Following the repayment of two high-cost (11.125% and 9.25%) debentures in 2018, the trust's capital structure has improved significantly. It now has £25m of fixed-rate 30-year 2.84% loan notes, a £10m short-term revolving credit facility (RCF) and £0.5m of 5% cumulative preference shares. At end-December 2020, BUT's net gearing was 6.1%.

AllianzGI is paid an annual management fee of 0.45% of net assets minus short-term liabilities, excluding any funds managed by AllianzGI. In FY19, ongoing charges were 0.66% (FY18: 0.66%).

Dividend policy and record

BUT has a distinguished dividend history; its annual distributions have increased for the past 48 consecutive years, at an average rate above the level of UK inflation. At the end of H120, after allowing for the payment of the first and second interim dividends, the trust had revenue reserves of 27.6p per share, which is c 1.4x the FY19 total distribution. So far in FY20, BUT's board has declared three interim dividends of 4.67p per share (+0.21% year-on-year) and anticipates an unchanged final dividend of 6.00p per share. This equates to a total FY20 dividend of 20.01p per share (+0.15% year-on-year). Based on its current share price, BUT offers a 2.3% dividend yield.

Peer group comparison

BUT is a member of the 15-strong AIC Global sector. Tillett thinks that the peer group is 'crowded', with a selection of very large and much smaller funds running different strategies, so a direct comparison is not easy. He suggests BUT's portfolio, which is balanced between growth and income, is a distinctive feature, as is its composite benchmark; the manager believes that the trust 'works well for smaller wealth managers and the retail platforms'. BUT's NAV total returns are below average over the periods shown, ranking 13th over one year, 12th over three years, and 11th over five and 10 years. At 29 January, the trust had the second-widest discount, its ongoing charge was in line with the mean, while its gearing was higher than average. BUT offers an above-average dividend yield, ranking fifth and 50bp higher than the mean.

Exhibit 10: AIC Global sector at 29 January 2021*

% 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	365.4	5.4	20.7	90.6	152.8	(11.9)	0.7	No	106	2.3
Alliance Trust	2,786.3	7.2	22.8	97.6	164.7	(5.1)	0.6	No	107	1.7
AVI Global Trust	899.0	13.5	22.7	113.6	121.2	(9.6)	0.9	No	104	1.9
Bankers	1,400.2	9.9	27.4	105.8	190.5	1.8	0.5	No	101	2.0
EP Global Opportunities	107.8	(0.8)	(3.8)	50.2	92.4	(8.7)	1.0	No	100	2.1
F&C Investment Trust	4,087.0	11.1	27.6	102.1	191.3	(6.8)	0.5	No	108	1.5
JPMorgan Elect Managed Growth	267.9	7.3	21.9	80.5	159.3	(3.6)	0.5	No	100	1.8
Lindsell Train	263.0	14.3	74.0	222.3	587.6	11.0	0.8	Yes	100	3.1
Manchester & London	235.1	13.2	45.9	161.1	101.0	(12.3)	0.8	No	100	2.4
Martin Currie Global Portfolio	313.6	18.0	54.2	134.4	239.2	3.6	0.6	No	109	1.1
Mid Wynd International Inv Trust	404.9	19.3	46.8	132.1	220.7	2.1	0.7	No	100	0.9
Monks	3,124.6	40.6	67.6	210.0	252.7	2.9	0.5	No	102	0.2
Scottish Investment Trust	492.7	(8.5)	(8.3)	43.4	83.0	(8.5)	0.5	No	104	3.3
Scottish Mortgage	18,074.9	115.2	178.9	438.4	801.4	0.5	0.4	No	104	0.3
Witan	1,761.5	6.3	15.2	82.7	160.3	(5.0)	0.8	Yes	113	2.4
Average (15 funds)	**2,305.6**	**18.1**	**40.9**	**137.7**	**234.5**	**(3.3)**	**0.7**		**104**	**1.8**
BUT rank in sector	**10**	**13**	**12**	**11**	**11**	**14**	**7**		**5**	**5**

Source: Morningstar, Edison Investment Research. Note: *Performance to 28 January 2021 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

Following the retirement of Ian Barlow on 8 December 2020, BUT's board currently has five independent, non-executive directors. It aims to have two investment professionals, an accountant, a lawyer and a director with commercial expertise, with a connection to the Brunner family, in order to provide a balanced line-up. Carolan Dobson joined the board in December 2013 and assumed the role of chairman in March 2016. Peter Maynard was appointed in October 2010, Jim Sharp in January 2014 (he is connected to the Brunner family by marriage), Amanda Aldridge in December 2019 and Andrew Hutton in April 2020.

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