EDISON

The Brunner Investment Trust

New managers, same philosophy and process

Investment trusts
Global equities

28 July 2020

The Brunner Investment Trust (BUT) is now managed by Matthew Tillett at Allianz Global Investors (AllianzGI), who worked closely with his predecessor Lucy Macdonald as co-manager on the fund for four years, with a particular focus on income generation. He is able to draw on the well-resourced investment team at AllianzGI, including BUT's new deputy managers Jeremy Kent and Marcus Morris-Eyton. Tillett says BUT offers a balance between growth and income, having provided investors with consistent capital appreciation over the long term, pays an attractive yield and has a distinguished record of 48 years of consecutive annual dividend increases. He believes we are in an exciting part of the cycle, where there are extremely interesting investment opportunities for those with a disciplined approach.

Modest NAV outperformance versus the benchmark over three years

Source: Refinitiv, Edison Investment Research

The market opportunity

Global equities have provided superior returns to UK stocks over the long term. While market volatility is likely to continue due to the widespread uncertainty arising from the COVID-19 pandemic, there are opportunities for skilled stock pickers who are able to navigate choppy waters.

Why consider investing in BUT?

- High-quality global equity portfolio offering a balance of growth and income.
- Double-digit annual NAV and share price total returns over the last decade.
- Long-term record of outperformance – NAV is ahead of the benchmark over the last one, three, five and 10 years.
- Consecutive annual dividend increases for the last 48 years; 2.5% yield.
- More efficient capital structure due to refinancing of high-cost debt.

Back to trading more in line with historical averages

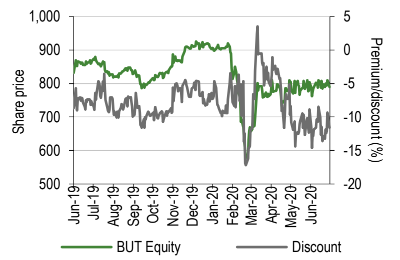
Market weakness earlier in 2020 due to the coronavirus outbreak led to significant volatility in BUT's valuation, which moved in a range of a 3.5% premium to a 17.2% discount. The trust's shares are currently trading at an 11.6% discount, which is more in line with the 8.0% to 12.0% range of average discounts over the last one, three, five and 10 years.

Price	**790.0p**
Market cap	**£337m**
AUM	**£409m**
NAV*	886.7p
Discount to NAV	10.9%
NAV**	893.4p
Discount to NAV	11.6%

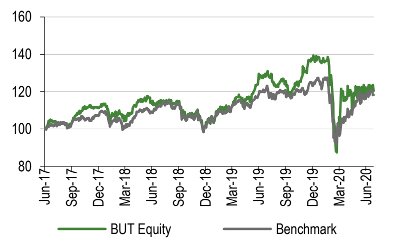
*Excluding income. **Including income. As at 24 July 2020.

Yield	2.5%
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	926.0p	576.0p
NAV** high/low	1,005.3p	688.2p

**Including income.

Gearing

Net*	7.5%

*As at 30 June 2020.

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Edison profile page

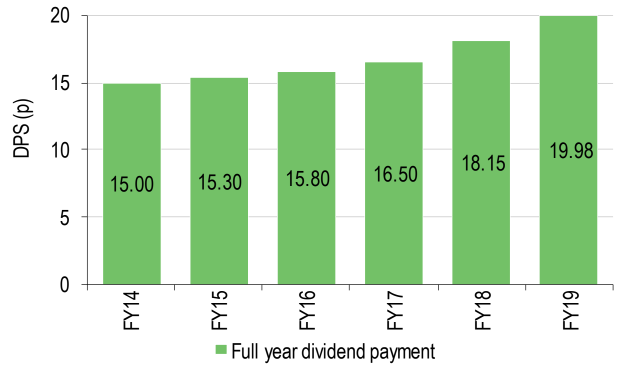
The Brunner Investment Trust is a research client of Edison Investment Research Limited

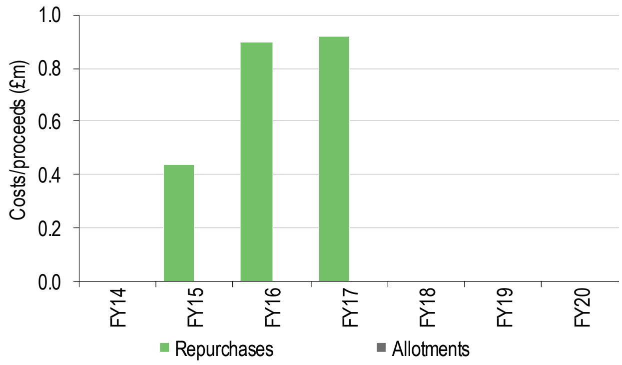
Exhibit 1: Trust at a glance

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% 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.	■ 11 June 2020: announcement of 4.67p per share first interim dividend (+0.2% year-on-year). ■ 13 May 2020: Matthew Tillett appointed as lead manager, replacing Lucy Macdonald. ■ 5 May 2020: AGM rescheduled for 27 May 2020. ■ 27 March 2020: AGM scheduled for 1 April 2020 postponed due to COVID-19 outbreak.

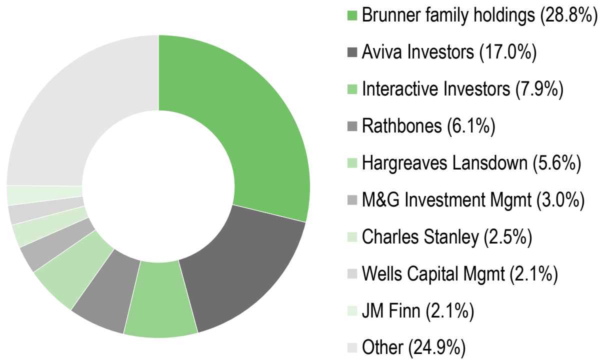
Forthcoming		Capital structure		Fund details	
AGM	April 2021	Ongoing charges	0.66%	Group	Allianz Global Investors
Interim results	July 2020	Net gearing	7.5%	Manager	Matthew Tillett
Year end	30 November	Annual mgmt fee	0.45%	Address	199 Bishopsgate
Dividend paid	Jun, Sep, Dec, Mar	Performance fee	None		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)	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 48 consecutive years.	Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 5% of issued share capital.

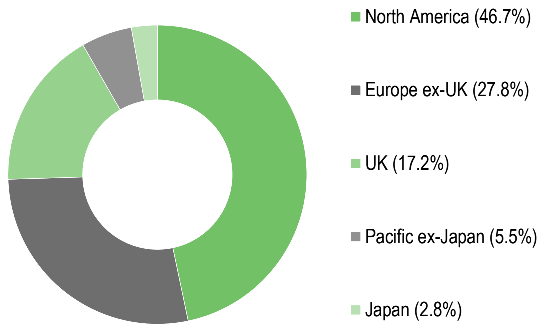




Shareholder base (at 30 June 2020)



Portfolio exposure by geography (at 30 June 2020)



Top 10 holdings (at 30 June 2020)

			Portfolio weight %	
Company	**Country**	**Sector**	**30 June 2020**	**30 June 2019***
Microsoft	US	Software & computer services	5.1	4.6
UnitedHealth	US	Healthcare equipment & services	3.9	3.1
Roche	Switzerland	Pharmaceuticals & biotechnology	3.7	2.3
Munich Re	Germany	Non-life insurance	3.2	2.3
Accenture	US	Support services	3.1	2.6
Visa	US	Financial services	3.0	2.6
AbbVie	US	Pharmaceuticals & biotechnology	2.8	N/A
Agilent Technologies	US	Electronic & electrical equipment	2.7	N/A
CooperCompanies	US	Healthcare equipment & services	2.7	2.7
Ecolab	US	Chemicals	2.6	2.4
Top 10 (% of portfolio)			**32.6**	**27.7**

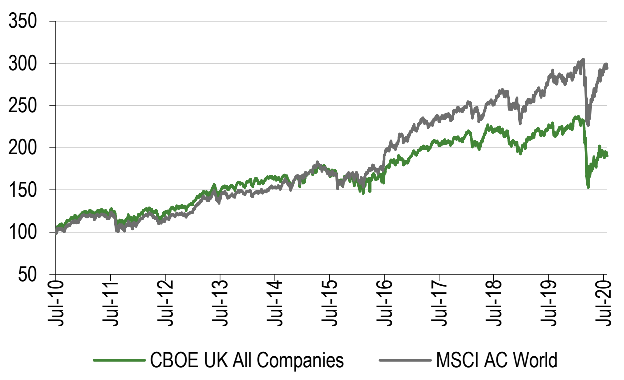
Source: BUT, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-June 2019 top 10.

Market outlook: Selectivity could bring rewards

As shown in Exhibit 2 (LHS), global stocks have performed significantly better than the UK market over the last decade, illustrating the potential benefits of diversifying away from a purely domestic equity portfolio. The coronavirus outbreak caused a significant pullback in world markets, but overseas equities have subsequently rallied more strongly in sterling terms than those in the UK. There have been significant divergences in performance between those businesses that are benefiting from economic lockdowns – such as those with successful online operations – and those likely to suffer long-term negative impacts, including airlines and other travel operators. Further market volatility is likely in coming weeks as corporates release their quarterly earnings, which may be accompanied by forward estimate guidance. As well as this uncertainty, valuations do not look appealing; the Datastream World index is currently trading close to a 10-year high forward P/E multiple, although this may be a function of depressed earnings as a result of the pandemic. Given the prevailing investment backdrop, investors may benefit from focusing on high-quality companies with sustainable business models that are trading on reasonable valuations.

Exhibit 2: Market performance and valuation

Performance of indices (last 10 years in £ terms)



Datastream World Index valuation metrics (at 27 July 2020)

	Last	High	Low	10-year average	Last as % of average
P/E 12 months forward (x)	19.3	20.2	9.8	13.9	139
Price to book (x)	2.1	2.3	1.4	1.8	116
Dividend yield (%)	2.2	3.4	2.2	2.6	85
Return on equity (%)	9.1	13.2	9.1	11.1	82

Source: Refinitiv, Edison Investment Research

Fund profile: Diversified global equity exposure

Launched in January 1927, BUT is one of the oldest UK investment trusts and is listed on the Main Market of the London Stock Exchange. The Brunner family remains the largest shareholder (c 29%). Matthew Tillett succeeded Lucy Macdonald as lead manager on 13 May 2020; there is a high level of continuity as they had worked together on BUT for several years. Equity income specialist Tillett is supported by two of AllianzGI's longstanding managers, Jeremy Kent (global equity and environmental, social and governance (ESG) specialist) and Marcus Morris-Eyton (growth equity specialist). The changes are due to AllianzGI creating a new global growth team to manage its global equity products and bringing its capabilities into one place. This expanded team is responsible for c £21bn of assets under management.

The managers aim 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 (70% World ex-UK index and 30% All-Share index, versus a 50:50 split until 21 March 2017). To mitigate risk, 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. Gearing of up to 20% of NAV (at the time of borrowing) is permitted; at end-June 2020, net gearing was 7.5%.

BUT has a distinguished dividend history, having grown its annual distribution for the last 48 consecutive years, compounding at a rate higher than the level of UK inflation. Despite a tricky environment with many companies cutting their dividends, the board has announced its intention to pay a modestly higher distribution in FY20, securing a 49th consecutive year of growth.

The fund manager: Matthew Tillett

The manager's view: Focus on long-term structural trends

Tillett explains that in recent years, BUT has reduced its UK and increased its overseas exposure; between end-FY14 and end-FY19, the trust's UK weighting went down from 47.0% to 24.7% and now stands at 17.2%. He is confident the new manager line-up has the skills needed to run a balanced fund to achieve BUT's dual objective of capital and income growth. While Tillett has the ultimate call on portfolio transactions, he highlights AllianzGI's collegiate approach and is very keen to utilise the broad spread of expertise within the investment team. He does not envisage a significant shift in the shape of the fund, stressing that BUT's philosophy and process remains the same; 'changes will be made for stock-specific reasons' he adds.

Commenting on the difficult macro backdrop, Tillett says the markets are dealing with two opposing forces: COVID-19 containment policies and a huge contraction in economic activity (the largest outside of war time) and the biggest-ever fiscal and monetary stimuli. He explains the initial market sell-off in response to the spread of the coronavirus was due to the likelihood of a huge recession, stress in the credit markets and risk of bankruptcies. Stocks subsequently bounced back strongly as investors gained confidence in the support mechanisms in place and their ability to stave off credit stress; the manager notes that banks are well capitalised and lending markets have remained open. When asked about the possibility of a V-shaped economic recovery, Tillett believes any improvement is likely to be more nuanced. Some businesses have been significant beneficiaries of the pandemic, such as those geared into the acceleration of the digitisation trend and healthcare companies. Conversely, some cyclical business, such as those exposed to the travel and leisure sectors, are discounting a very tough outlook.

The manager stresses the importance of focusing on calling long-term trends correctly – which businesses will be permanently negatively affected due to the events of recent months, and which will experience temporary changes? He believes this economic recovery is unlikely to resemble those in the past, in both cyclical and structural terms. Tillett comments that it is an interesting period to be an investor, as the lockdown has accelerated the pre-existing disruption trends and the dispersion between the 'winners and losers'. He highlights Worldline (a French payment processor) as an example, which during the lockdown has experienced what would normally be a three- to four-year increase in customer penetration. Those people signing up are not the company's typical clientele, but rather those who have historically been more difficult to attract.

Tillett explains the outperformance of growth versus value stocks that has been prevalent for much of the last decade accelerated during the coronavirus-led market sell-off, as many growth companies are beneficiaries of structural trends. Regarding valuations, the manager says it is a mixed picture. He says the overall market valuation was high heading into the pandemic, it declined rapidly, but has since recovered. Given very low interest rates, and the belief that 'central bank policy will remain lower for longer', Tillett considers that investors can rationalise higher equity valuations. The manager says that below the surface, there is a broader valuation spread between sectors. Companies with positive business trends have held their valuation, 'which is understandable as they are continuing to deliver'. Some value sectors have de-rated further – such as banks, which are discounting a bad economic outcome – while some businesses have structural as well as cyclical problems. Tillett highlights regional differences, with the US having performed significantly better in the stock market recovery than the UK and Europe, for example. He says the US market is dominated by successful growth businesses, whereas Europe and the UK have more large companies in cyclical sectors. The manager suggests that with valuations generally high, it is important to remain disciplined; he is continuing to find 'attractive pockets of growth with decent valuations'.

Discussing the broad range of dividend cuts in recent months, Tillett says that winding the clock back four to five years, BUT's income was quite heavily dependent on its UK holdings. However, in recent years he and former manager Macdonald have worked hard to diversify the trust's sources of income. Tillett says this is an important consideration because a large part of the UK market's income comes from a small number of large companies, some of which have structural problems. The manager says the UK is suffering worse than other markets in terms of dividend cuts given its exposure to areas such as oil & gas, resources and banks, all of which have been badly hit by COVID-19. While BUT's income has been negatively affected by dividend cuts, Tillett is confident the trust 'will do quite well versus the wider market'. In recent years the board has added to BUT's revenue reserves, which amount to c 1.3x the last annual dividend. The manager considers the modest increase proposed for the FY20 total dividend is a prudent way of maintaining the trust's long-term record of dividend growth. However, Tillett believes that when reduced/suspended UK dividend payments are resumed, they are unlikely to be at the same level as before the pandemic. Some companies have used the coronavirus as an excuse to rebase their dividends and the resumption of payments will be dependent on the economy reopening properly and the shape of the recovery; the manager believes the situation should become clearer in H220.

Asset allocation

Investment process: Quality, growth and valuation

AllianzGI's investment philosophy is based on three elements:

- **Quality** – seeking companies with stable or improving, above-average returns (key features are long-term competitive advantage, 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 assessing how 'cheap' a company is.

Tillett and his deputy managers are able to draw on the deep resources of AllianzGI's investment team, which includes ESG research and the proprietary Grassroots market research platform. The team employs Salesforce Chatter, an online discussion platform, which has the benefits of broadening investment discussions, increasing fund manager and analyst engagement and improving communication of themes across industries and regions. BUT's portfolio of 60–80 stocks is diversified by geography and sector and 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. 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). Kent highlights portfolio company Bright Horizons (a childcare provider) as having a high ESG score. It is investing in human capital and enhancing its ability to attract and retain quality staff. The company is well capitalised, providing both organic and merger and acquisition growth opportunities.

The managers say the Grassroots platform is 'a huge positive differentiator' for AllianzGI and a good neutral source of information about what is happening 'on the ground', referring to it as a 'hugely valuable resource'. Current projects include investigating which of the changes arising from the pandemic are temporary, and which are likely to be permanent. As an example, in China, the spike in video game usage may prove temporary, while the trend towards online grocery shopping could be more long lasting. Similarly, portfolio company Adidas's online sales have increased, which may indicate a structural increase in demand. The firm is better positioned than some of its smaller competitors, affording it opportunities to increase market share.

Current portfolio positioning

At end-June 2020, BUT's top 10 holdings made up 32.6% of the portfolio, which was a higher concentration compared with 27.7% a year earlier; eight positions were common to both periods. Over the 12 months to the end of June 2020, the largest changes in the trust's geographic exposure are North America (+4.8pp) and UK (-9.1pp). In terms of active weight, BUT's largest deviations versus the benchmark are Europe ex-UK (+17.6pp) and UK (-12.8pp).

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

	Portfolio end-June 2020	Portfolio end-June 2019	Change (pp)	Benchmark weight	Active weight vs index (pp)	Trust weight/ index weight (x)
North America	46.7	41.9	4.8	42.9	3.8	1.1
Europe ex-UK	27.8	23.4	4.4	10.2	17.6	2.7
UK	17.2	26.3	(9.1)	30.0	(12.8)	0.6
Pacific ex-Japan	5.5	6.1	(0.6)	9.7	(4.2)	0.6
Japan	2.8	2.4	0.4	5.5	(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.

Looking at BUT's sector breakdown, over the 12 months to the end of June 2020, the largest changes are a higher healthcare weighting (+4.3pp) and a lower exposure to the financial (-4.0pp) sector. The managers particularly favour the industrials and healthcare sectors, with active weights of +8.5pp and +6.8pp respectively.

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

	Portfolio end-June 2020	Portfolio end-June 2019	Change (pp)	Benchmark weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Industrials	20.6	21.0	(0.4)	12.1	8.5	1.7
Healthcare	18.7	14.4	4.3	11.9	6.8	1.6
Financials	17.9	21.9	(4.0)	20.2	(2.3)	0.9
Technology	11.6	12.0	(0.4)	15.7	(4.1)	0.7
Consumer goods	10.2	8.8	1.4	12.1	(1.9)	0.8
Consumer services	6.8	6.8	0.0	12.2	(5.4)	0.6
Basic materials	5.6	5.3	0.3	5.1	0.5	1.1
Utilities	5.5	2.7	2.8	3.2	2.3	1.7
Oil & gas	2.4	6.2	(3.8)	4.9	(2.5)	0.5
Telecommunications	0.7	0.9	(0.2)	2.6	(1.9)	0.3
	100.0	**100.0**		**100.0**		

Source: The Brunner Investment Trust, Edison Investment Research. Note: Excludes cash.

Despite Tillett locking in profits over the last two years, **Microsoft** remains the largest position in the portfolio. The manager says the company is 'definitely one of the winners', with high demand for a number of its products and services and the acceleration in its business could continue despite possible delays to larger implementations due to the COVID-19 outbreak. Tillett says Microsoft's valuation is fair given its earnings growth rate and the firm has high ESG credentials.

Yum China is a relatively new holding. A recent Grassroots report showed the business recovering well following the coronavirus-led shutdown in China – even when nearly 60% of its operations were closed, Yum China's management team reacted very quickly to ramp up the company's online operations. The firm has been investing in its online platform over the last couple of years, which has been beneficial in the current environment. Tillett says it is interesting to compare which companies have smart, flexible management teams. 'Yum China ticks this box', he adds.

The manager explains that while utilities are 'not a classic go-to sector for growth investors', there are 'quite a few interesting investment cases'; BUT holds positions in three utilities, **Enel**, **Iberdrola** and **National Grid**. Tillett says these companies benefit from increased power usage worldwide and offer growth at a reasonable price. Their regulated businesses provide predictable earnings streams that are easy to value, while the manager also highlights their attractive renewable energy assets. National Grid's share price was under pressure due the potential for renationalisation under a Labour government, but this threat has now gone away. Tillett says that more than 50% of the company's value is in its US business and this is not fully reflected in its share price. He added to BUT's Enel and National Grid holdings in the 2020 stock market sell-off.

Other positions that have been topped up, taking advantage of share price weakness, include **AIA** (Hong Kong life insurer), **AbbVie** (US biopharma company), **Redrow** (UK housebuilder) and **Unilever** (UK-Dutch multinational consumer goods company).

Morris-Eyton highlights that within the luxury goods sector, the team switched BUT's position in **Richemont** into **LVMH** (both companies were trading on broadly similar valuations). He explains that Richemont has experienced operational problems, including inventory issues in watches. LVMH has a broader portfolio of more than 80 brands, led by Louis Vuitton (c 40% of sales). Morris-Eyton says the company has a very consistent organic growth profile and has been taking market share; it is benefiting from its scale in areas including manufacturing, marketing and digitisation.

Performance: Long-term relative outperformance

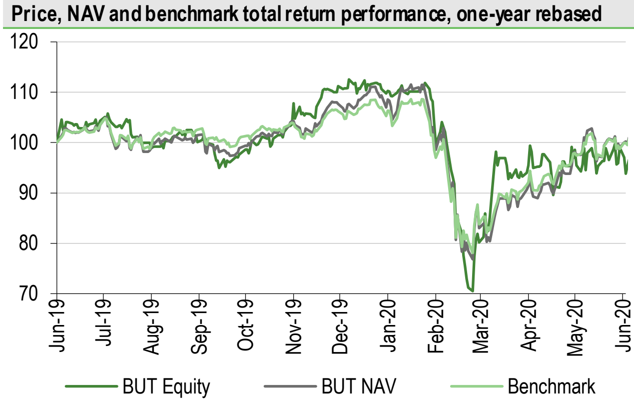
Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV* (%)	Benchmark** (%)	CBOE UK All Companies (%)	MSCI All World ex-UK (%)
30/06/16	(1.2)	5.4	8.7	1.7	14.9
30/06/17	37.8	25.7	19.9	18.3	21.5
30/06/18	14.3	9.8	9.4	9.5	9.2
30/06/19	8.4	8.8	7.4	0.3	10.4
30/06/20	(6.2)	0.2	(0.1)	(13.6)	5.8

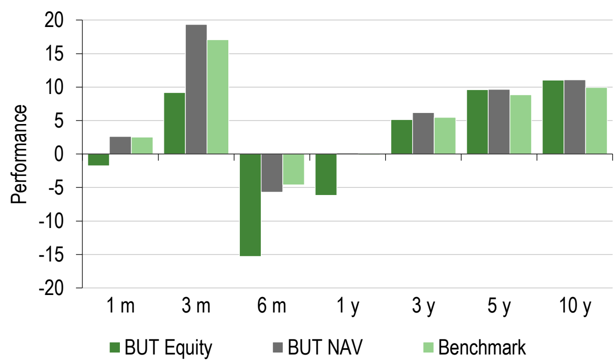
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *NAV with debt at market value. **Until 21 March 2017, benchmark was 50% All-Share and 50% All-World ex-UK index. From 22 March 2017, benchmark is 70% All-World ex-UK and 30% All-Share index.

Exhibit 6: Investment trust performance to 30 June 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.

In absolute terms, BUT has delivered double-digit total returns over the last decade: +11.1% pa in NAV terms and +11.0% in share price terms compared to the benchmark's total return of +10.0% pa (Exhibit 6, RHS). With markets rebounding significantly following the considerable weakness earlier this year, over the last three months the trust's NAV has appreciated by a robust 19.4%, although its shares have not kept pace, leading to a widening in the discount.

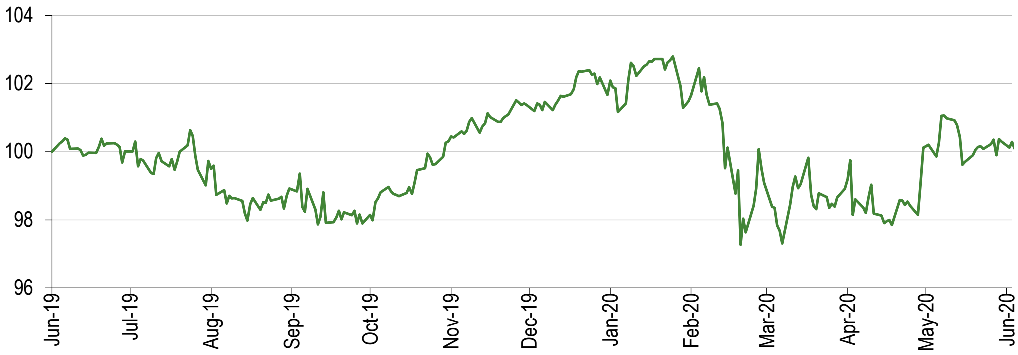
Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	(4.2)	(6.7)	(11.2)	(6.1)	(0.9)	3.5	10.3
NAV relative to benchmark	0.1	2.0	(1.1)	0.3	2.0	3.7	10.8
Price relative to CBOE UK All Companies	(3.6)	(1.0)	3.3	8.6	22.5	38.6	48.4
NAV relative to CBOE UK All Companies	0.7	8.3	15.1	15.9	26.1	38.8	49.1
Price relative to MSCI All World ex-UK	(4.4)	(8.9)	(16.4)	(11.3)	(8.8)	(11.0)	(4.5)
NAV relative to MSCI All World ex-UK	(0.1)	(0.5)	(6.9)	(5.3)	(6.1)	(10.9)	(4.1)

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

BUT's relative returns are shown Exhibit 7. It has outperformed the benchmark over the last five and 10 years in both NAV and share price terms, while its NAV has also outperformed over the last one and three years. The manager says the trust's portfolio has held up pretty well during the market volatility this year; performance has been boosted by its healthcare exposure, including CooperCompanies and Roche and an underweighting to the oil & gas sector. Holding companies that are embracing the digitisation trend, such as Microsoft, have also added to performance. An underweight exposure to the UK has been beneficial; the manager says that 'most of the large UK-listed companies do not appear particularly attractive in a global context'. Areas that have detracted from BUT's relative returns include banks and resources; Tillett notes there is an element of cyclicality in the portfolio, but these companies tend to be higher-quality names with robust balance sheets. The potential benefits of investing overseas are illustrated by BUT's performance versus the broad UK market: it is significantly ahead over the last one, three, five and 10 years.

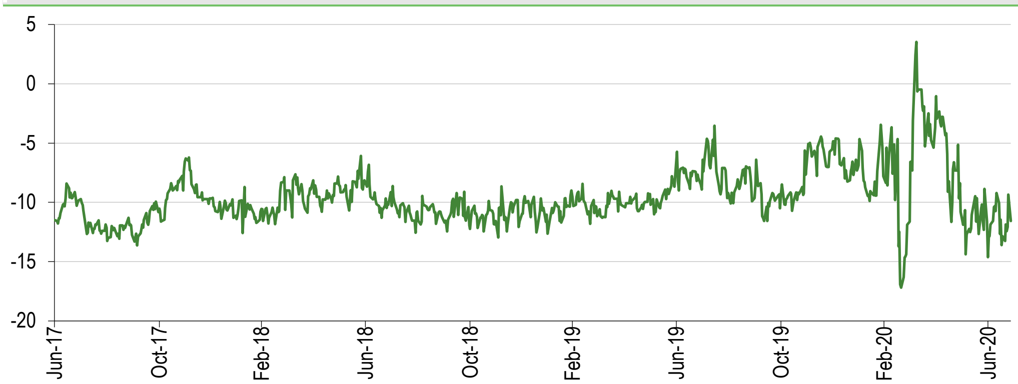
Exhibit 8: NAV total return performance relative to benchmark over one year



Source: Refinitiv, Edison Investment Research

Valuation: Coronavirus-induced volatility

Exhibit 9: Share price premium/discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Like many other investment trusts, BUT's valuation was very volatile during the coronavirus-led stock market sell-off, ranging from a decade-high 3.5% premium to a three-year widest 17.2% discount. The current 11.6% share price discount to cum-income NAV compares with average discounts of 8.0%, 9.5%, 11.4% and 12.0% over the last one, three, five and 10 years respectively.

Capital structure and fees

BUT is a conventional investment trust with 42.7m ordinary shares in issue. The trust's capital structure has improved significantly following the repayment of two high-cost (11.125% and 9.25%) debentures in 2018. 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-June 2020, BUT's net gearing was 7.5%. The RCF was fully drawn down during the March 2020 market weakness and invested across a range of holdings with higher yields, where the manager is particularly confident about the quality of their underlying businesses. 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%, which was in line with the prior financial year.

Dividend policy and record

BUT has a progressive dividend policy; annual distributions have increased for the last 48 consecutive years, at an average rate in excess of UK inflation. The FY19 total dividend of 19.98p per share was 10.1% higher year-on-year and was c 1.1x covered by income. After allowing for the third and fourth quarterly dividend payments, BUT has 25.4p per share in revenue reserves, which is equivalent to c 1.3x the last annual dividend. So far in FY20, the board has declared a first interim dividend of 4.67p per share (+0.21% year-on-year). It anticipates that the second and third interim payments will be maintained at this level, with an unchanged final dividend of 6.00p per share. This would equate to a total FY20 dividend of 20.01p per share (+0.15% year-on-year). Based on its current share price, BUT offers a 2.5% dividend yield.

Peer group comparison

Exhibit 9: AIC Global sector at 27 July 2020*

% 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	337.3	(0.9)	16.4	53.6	156.1	(11.8)	0.7	No	108	2.5
Alliance Trust	2,600.2	0.1	19.0	69.5	167.8	(6.3)	0.6	No	103	1.8
AVI Global Trust	742.1	(3.6)	10.0	56.1	109.4	(11.3)	0.9	No	110	2.4
Bankers	1,287.1	5.4	27.2	72.7	202.3	1.2	0.5	No	100	2.1
EP Global Opportunities	106.0	(6.5)	(1.6)	30.6	107.3	(9.6)	0.9	No	100	2.2
F&C Investment Trust	3,677.5	1.4	22.9	71.2	196.1	(8.7)	0.5	No	108	1.7
JPMorgan Elect Managed Growth	236.0	(4.3)	13.4	41.8	162.9	(4.5)	0.6	No	100	2.0
Lindsell Train	237.5	8.9	78.0	185.3	546.3	5.2	0.8	Yes	100	3.5
Majedie Investments	98.9	(17.1)	(16.5)	4.5	55.2	(22.1)	1.0	Yes	109	6.1
Manchester & London	238.1	15.9	61.6	141.6	147.6	1.9	0.8	No	100	2.3
Martin Currie Global Portfolio	267.5	11.5	46.9	102.0	239.5	(1.9)	0.6	Yes	100	1.3
Mid Wynd International Inv Trust	334.8	11.0	41.4	99.5	239.4	4.7	0.5	No	100	0.9
Monks	2,487.7	17.1	49.7	129.5	226.8	3.6	0.5	No	104	0.2
Scottish Investment Trust	556.2	(4.4)	4.7	41.5	127.7	(9.7)	0.6	No	100	3.1
Scottish Mortgage	12,936.1	57.5	115.9	230.2	611.8	0.9	0.4	No	106	0.4
Witan	1,515.2	(9.2)	3.1	42.2	149.8	(9.2)	0.8	Yes	108	3.0
Average (16 funds)	**1,728.6**	**5.2**	**30.8**	**85.7**	**215.4**	**(4.8)**	**0.7**		**103**	**2.2**
BUT rank in sector	**9**	**10**	**10**	**11**	**10**	**15**	**7**		**5**	**5**

Source: Morningstar, Edison Investment Research. Note: *Performance to 24 July 2020 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 one of the smaller funds in the 16-strong AIC Global sector. The peers follow a range of different investment mandates and the trust is differentiated from some of its fellows given its focus on growth, quality and valuation; the balanced style of its portfolio means there can be a more muted impact on performance when there are big style rotations in the market. BUT's NAV total returns are below average, ranking 10th to 11th over the periods shown. The trust's discount is wider than average, its ongoing charge is in line with the mean, while its gearing is higher than average. BUT offers an above-average dividend yield, currently 30bp higher than the mean.

The board

There are six directors on BUT's board, all of whom are non-executive and independent of the manager. Chairman Carolan Dobson was appointed as a director in December 2013 and assumed her current role in March 2016. The other five directors and their dates of appointment are Ian Barlow (November 2009), Peter Maynard (senior independent director, October 2010), Jim Sharp (January 2014 – he is connected to the Brunner family by marriage), Amanda Aldridge (December 2019) and Andrew Hutton (April 2020).

Aldridge worked at KPMG for 33 years until 2017. She is a non-executive director of Headlam Group, Impact Healthcare REIT, and the Regulated Board of Places for People Group and is a fellow of the Institute of Chartered Accountants in England and Wales.

Hutton is owner and director of investment advisory practice A J Hutton. He is a member of the governing body of the Lister Institute of Preventive Medicine. Hutton was a non-executive director of Baillie Gifford UK Growth Fund (until 1 August 2019), chairman of JP Morgan Global Emerging Markets Income Trust (until 27 November 2018) and a non-executive director of Asia Altitude Fund and Asia Altitude Master Fund (until 30 September 2016). He previously held senior positions with JP Morgan, Coutts Group and RBS Asset Management.

Barlow will retire from BUT's board in late 2020.

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