

# Inspired to deliver the best of MOST WORLDS

As Portfolio Manager of The Brunner Investment Trust, the essence of my investment strategy is to select the best stocks in a 'bottom up' approach that comes before sector and country selection. I focus on identifying good quality companies at the right time and at the right price, wherever in the world they invest.

I joined AllianzGI in 2001, after 16 years managing high conviction portfolios at Baring Asset Management. I began managing Brunner's overseas portfolio in 2005. At that time, and for most of its history, the Trust was managed as separate UK and global portfolios and this continued until 2016 when they were combined into one and I became sole manager. This move delivered clarity and greater consistency to Brunner investors. The UK remains important but now constitutes less than 30% of the portfolio, with the vast majority of these investments being UK-listed international businesses. Significantly, the changes have created a seamless portfolio that focuses on our team's best global equity ideas – what we call 'the best of most worlds'.

When asked for examples of individuals who have inspired and influenced me in my professional career, one name that comes to mind is Anthony Bolton, the Fidelity manager and active investor whose enviable performance record running Fidelity Special Situations for 28 years rightly granted him legendary status. His focus on creating an investment thesis for each stock and monitoring it, his intelligent contrarianism and his emphasis on the quality of management and management meetings are all aspects of my own investment process. Although Bolton stepped back from running his fund in 2007, he later launched a specialist China fund where his experience was more challenging. This was, in my view, due to the fact that he was unable to have the same direct engagement with management there as he had had in Europe and thus proved his point rather than undermining it.

For Brunner, portfolio composition is based on detailed analysis so that every investment held is there for a good reason. As our objective is to deliver growth in both capital value and dividends, the companies we choose need to meet certain criteria.



We prefer companies in growing industries that can grow through their own innovation. We believe these are the sorts of companies that will allocate surplus capital well and invest wisely in both business and management. But, we also need our companies to provide a decent yield, to keep a core part of the dividend coming through. This balance is something we have achieved over time – Brunner has increased its dividend for 47 consecutive years and the source of income has become less dependent on the UK over time, with more recent exposure given to interesting sources of yield overseas.

**“For Brunner, portfolio composition is based on detailed analysis so that every investment held is there for a good reason.”**

As long-term stewards of our clients’ capital, we are high conviction owners, aiming to hold companies for at least three to five years. Owning companies for longer periods of time not only means that we are better placed to hold management to account on a range of issues, but also, when things go right, that we continue to benefit from their steadily compounding growth.

In 2018, we witnessed heightened levels of stock market volatility, and we expect that company earnings in the rest of 2019 could continue to be challenged by generally weaker global economic momentum as well as the great unknown of trade politics. President Trump’s willingness to pursue trade wars with China and Europe has clearly weakened the Industrial and Automotive sectors. If the US is now willing to make a deal, this could provide some much needed support. Closer to home, the UK’s eventual departure from the European Union

**Important information:** *This is no recommendation or solicitation to buy or sell any particular security. Any security mentioned above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date. Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer and/ or its affiliated companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been or will be made or concluded shall prevail.*

appears to present similarly binary outcomes. In the event of a deal which prioritises the status quo for business, London listed companies with largely international end markets may appear oversold.

This backdrop can provide opportunities for successful stock pickers with a bias towards quality growth and a longer term view. Brunner typically invests in around 65 to 70 companies, in a portfolio that has become relatively more concentrated over recent years. The companies we have added latterly span a range of sectors, including media, renewable energy and finance. However, they all share a common feature in that their business models are not overly cyclical i.e. they are capable of increasing revenues independently of global economic conditions. Moreover, we have been especially careful not to overpay for quality and growth, as this can seriously impact performance in times of heightened volatility.

Although global markets have been generally buoyant so far this year, the International Monetary Fund (IMF) has flagged its concerns on tightening liquidity which would be damaging for the valuations of highly indebted companies. There is already evidence of this happening but the positive is that it is opening up the available investment universe again. For, even when markets appear overly challenging, wholesale rotations out of certain sectors or geographies can produce excellent entry points into quality businesses for more discerning investors. China, in particular, may present stock opportunities.

Continuing to implement our investment process and taking a truly active approach will be key to navigating the months ahead. Our focus on stocks with the potential for structural growth, with good cash returns, strong management and balance sheets has served the company well over the long term and we are confident will continue to do so in the future. ■

**To discover more about Lucy’s investment approach, visit [www.brunner.co.uk](http://www.brunner.co.uk) where you can register for regular updates.**



**Lucy Macdonald**

**Portfolio Manager**  
The Brunner Investment Trust  
and CIO, Global Equities  
Allianz Global Equities

Brunner aims to provide its investors with growing dividends and capital growth by investing in a portfolio of global equities. Although past performance is no guide to the future, Brunner has paid a rising dividend to shareholders for 47 consecutive years.

**This is a marketing communication issued by Allianz Global Investors GmbH, an investment company with limited liability, incorporated in Germany, with its registered office at Bockenheimer Landstrasse 42-44, D 60323 Frankfurt/M, registered with the local court Frankfurt/M under HRB 9340, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht ([www.bafin.de](http://www.bafin.de)). Allianz Global Investors GmbH has established a branch in the United Kingdom, Allianz Global Investors GmbH, UK branch, which is subject to limited regulation by the Financial Conduct Authority ([www.fca.org.uk](http://www.fca.org.uk)). The Brunner Investment Trust PLC is incorporated in England and Wales (Company registration no. 226323). Registered Office: 199 Bishopsgate, London, EC3M 3TY.**

**This is a financial promotion from Allianz Global Investors.**