

30 June 2010

## Aim

The Trust's objective is to increase its total return above the benchmark index of 50% FTSE All-Share and 50% FTSE All-World Index (ex UK sterling adjusted) over the long term, by investing in UK and international securities. The strategy of the Trust is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio.

## Risks & Features

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

The Trust seeks to enhance returns for its shareholders through gearing, in the form of long-term, fixed rate debentures. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments lose value. You should be aware that this Trust may be subject to sudden and large falls in value and you could suffer substantial capital loss.

## History

The Trust was formed from the Brunner family's interest in the sale of Brunner, Mond & Co, the largest of the four companies which came to form ICI in 1926. The Trust has been managed by RCM (a subsidiary of Allianz Global Investors formerly Kleinwort Benson) since inception.

## Fund Managers' Review



Lucy MacDonald    Jeremy Thomas

World equity markets struggled in June amid continuing concern over debt in the Eurozone and disappointing economic data raising fears that the economic recovery may be weaker than many had hoped. The US was one of the worst performing markets as May payroll figures were weaker than expected. Europe

continues to be a source of concern with Greece experiencing more downgrades from the debt agencies, this time from Moody's, while Spain announced that banking stress tests would be carried out and a recapitalisation plan will follow. Germany has taken on even greater importance in the Eurozone as the weak Euro has made German exports more competitive. In the UK, the emergency budget measures were broadly as the market expected and the tough stance was well received by financial markets and ratings agencies alike.

The portfolio performance for June (-6.33 NAV, capital only) was slightly behind the benchmark (-5.56%) as gains made by the overweight in Healthcare was offset by stock selection elsewhere. The best performing names within the portfolio were large defensive names. Centrica, the UK's largest energy provider, announced that they had added household customers through their British Gas unit at the fastest pace since 2001. The company believes the outlook for the financial year is positive. The portfolio's financials and consumer stocks had a difficult month with Sony, International Game Technology and Amazon all struggling in the risk averse environment. US oil services provider Anadarko had a major impact on performance during the month as the leaking Macondo oil well remained in the headlines. Despite the fundamental investment case for Anadarko remaining strong, the uncertainty and risk is too great so the position was sold at the end of the month.

## Key Information

<b>Total Assets:</b>	£248.2m
<b>Gearing (net):</b>	7.1%
<b>No. of Shares (Ordinary 1p):</b>	46,047,805
<b>Share Price<sup>1</sup>:</b>	369.0p
<b>Net Asset Value<sup>2</sup>:</b>	418.4p (392.7p – debt at market value)
<b>Premium/-Discount to NAV<sup>2</sup>:</b>	-11.8% (-6.0% – debt at market value)
<b>Dividend Yield<sup>2</sup>:</b>	3.40%
<b>No. of Holdings:</b>	114

All data source RCM (UK) Limited as at 30.06.10 unless otherwise stated.

<b>Launch Date:</b>	January 1927
<b>AIC Sector:</b>	Global Growth
<b>Benchmark:</b>	50% FTSE All-Share Index 50% FTSE All-World ex UK Index
<b>Year end:</b>	30 November
<b>Annual Financial Report:</b>	Final posted in February, Half-yearly posted in July
<b>AGM:</b>	March
<b>Dividends:</b>	March, August
<b>Price Information:</b>	Financial Times, The Daily Telegraph, www.rcm.com/investmenttrusts
<b>Board of Directors:</b>	Keith Percy (Chairman), Ian Barlow (Chairman of the Audit Committee), William Worsley (Senior Independent Director), Vivian Bazalgette
<b>Investment Manager:</b>	Lucy MacDonald, CIO, Global Equity Jeremy Thomas, CIO, UK Equity RCM A company of Allianz Global Investors
<b>Investor Services:</b>	020 7065 1407

<sup>1</sup>Source: Lipper as at 30.06.10, market close mid price.

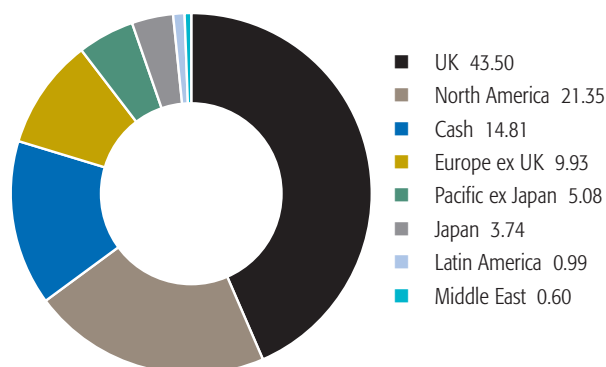
<sup>2</sup>Source: Datastream as at 30.06.10. Calculated using the latest full year dividend divided by the current share price.

<sup>3</sup>A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. In line with current industry best practice NAVs are now shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount. It is the capital NAV that is shown, which excludes any income.

## Top Ten Holdings (%)

Name	%
UK Government 4.25% Stock 2012	4.1
2.5% UK Government Index-Linked 2020	3.2
HSBC	3.2
4% UK Government 2022	3.1
GlaxoSmithKline	3.0
Vodafone Group	2.4
Royal Dutch Shell 'B'	2.4
BG Group	2.1
BP	2.0
Unilever	1.6
<b>Total</b>	<b>27.1</b>

## Geographic Breakdown (%)



Changes in rates of exchange may cause the value of investments and the income from them to go down or up.

## How to Invest?

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker.

**RIC:** BUT      **SEDOL:** 0149000      **ISIN:** GB0001490001

Shares in the Trust can be held within an ISA and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website [www.rcm.com/investmenttrusts](http://www.rcm.com/investmenttrusts) or from the AIC at [www.theaic.co.uk](http://www.theaic.co.uk)

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or [contact@alliancetrust.co.uk](mailto:contact@alliancetrust.co.uk)

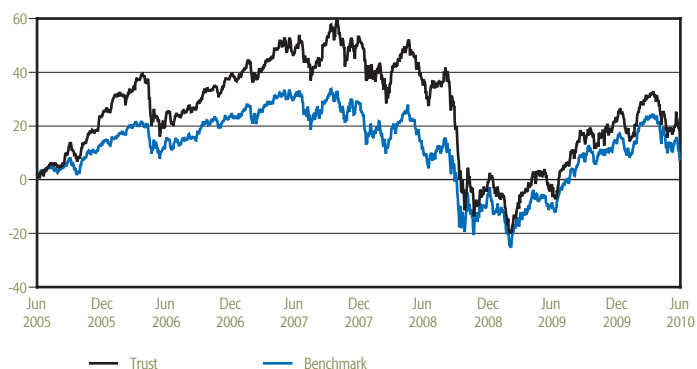
## RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

## Performance

### Five Year Trust Performance (%)



### Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-13.16	-6.55	16.50	-22.67	13.87
Benchmark	-12.23	-5.61	18.72	-17.85	7.21

### Standardised Past Performance (%)

From	30.06.05	30.06.06	29.06.07	30.06.08	30.06.09
To	30.06.06	29.06.07	30.06.08	30.06.09	30.06.10
Share Price	23.55	19.19	-8.00	-27.86	16.50

Source: Lipper, percentage growth, mid to mid, capital return, to 30.06.10  
Benchmark: 50% FTSE All-Share Index/50% FTSE All-World ex UK Index. Note the benchmark was 60% FTSE All-Share and 40% FT/S&P World Index (ex UK sterling adjusted) up to 26th March 2008.

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested.

This investment trust charges 70% of its annual management fee to the capital account and 30% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

All data source RCM (UK) Limited as at 30.06.10 unless otherwise stated.

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