Brunner offers outstanding value at current prices

Ideal time to buy into this quality-focused dividend grower at a big discount

We have long been fans of **Brunner Investment Trust's (BUT)** stock-picking approach and a 48-year track record of sustained dividend growth, so to find the trust trading at a discount to net asset value (NAV) of close to 15% is too good an opportunity to pass up.

It means you can buy a portfolio including Microsoft, Roche and Visa on the cheap.

The trust, which traces its roots back almost a century, is managed by Allianz Global Investor's Matthew Tillett with support from fellow managers Jeremy Kant and Marcus Morris-Eyton and offers a balance between growth and income.

The portfolio is invested globally with 47% of assets in the US, 28% in Continental Europe, 17% in the UK and the balance in Asia. By sector, the trust's biggest exposures are industrial stocks, financials, healthcare and technology.

As well as tapping into Allianz's in-house analysts for their expertise, Brunner is plugged into the firm's research pool which brings in market data on suppliers, competitors and industry trends.

Brunner invests in high-quality companies and it has an enviable record of increasing its NAV ahead of its benchmark over one, three, five and 10 years.

However, the share price has yet to reflect this year's improvement in NAV, so the trust is currently trading at a discount of 14.6% compared with a range of between 8% and 12% over the last 10 years.

BRUNNER INVESTMENT TRUST
BUY
(BUT) 758p

Net asset value: 888p

That is likely to be linked with the surprise departure of former manager Lucy Macdonald in May, with many investors following her lead and exiting. Tillett is following the same investment process used by Macdonald, so we think the market has overreacted.

Given the significant bounce-back in global equities – US indices are now trading at all-time highs – and the relatively poor returns on UK stocks this year, the current price of Brunner represents an opportunity to buy a slice of some of the world's best-quality businesses at a significant discount.

Notably, the trust doesn't chase 'momentum' stocks or invest in themes. As the manager explains, markets have been driven by two factors – central bank support and a belief that technology has changed the landscape, handing winners increasing returns at the expense of the losers.

'Much about these narratives is true,' says Tillett, 'however we should be careful in assuming that everything that has changed in recent months will stay this way.'

The portfolio's bias towards 'resilient, financially sound' companies means it should continue to perform well even if markets lose faith in central banks or the current narrow leadership of technology stocks falters.