

The Bankers Investment Trust

50 years of growing dividends

The Bankers Investment Trust (BNKR) aims to reward investors who take the additional risk of investing overseas with total returns in excess of those they could have achieved at home (as measured by the FTSE All-Share Index). The trust has a diversified approach, with lead manager Alex Crooke setting the geographical allocation, and regional sub-portfolios managed by specialists at Henderson Global Investors. Value and income are key tenets of the investment process, and the trust has recently achieved a record 50th year of annual dividend growth. BNKR has a long-term record of outperformance versus its benchmark. In the past year it has simplified its fee structure and acted as one of two rollover vehicles for investors in Henderson Global Trust, boosting assets under management by c £60m.

12 months ending	Share price (%)	NAV (%)	FTSE All-Share (%)	FTSE AW Dev Eur ex-UK (%)	FTSE World N America (%)	FTSE AW Asia Pac (ex-Jap) (%)
28/02/13	27.3	15.4	14.1	18.5	18.3	15.2
28/02/14	14.9	12.6	13.3	16.5	12.6	(10.5)
28/02/15	9.2	13.4	5.6	5.2	23.8	18.7
29/02/16	(5.3)	(4.4)	(7.3)	(5.0)	2.3	(11.8)
28/02/17	38.3	34.4	22.8	27.3	40.5	44.6

Source: Thomson Datastream. Note: All % on a total return basis in pounds sterling.

Investment strategy: Global portfolio with value bias

BNKR's lead manager, Alex Crooke, sets the geographical allocation and gearing level for the portfolio, as well as taking responsibility for the UK portfolio. Regional portfolios are managed by specialist colleagues at Henderson Global Investors. All the managers take a bottom-up approach to stock selection, and the overall style of the portfolio is biased towards investing in cash-generative, dividend-paying companies trading at attractive valuations. The aim is to achieve a blend of capital growth and above-inflation dividend increases for investors.

Market outlook: Balance of risks and rewards

With equity markets on both sides of the Atlantic having reached multiple all-time highs so far in 2017, investors could be forgiven for focusing more on potential risks than further rewards. Forward P/E valuations in most markets are well above 10-year averages and in some cases at or near 10-year highs. However, with scope for earnings improvements, continued support from a weaker sterling and many markets offering an attractive dividend yield, UK investors with a total return focus could still benefit from a more global approach to equity investing.

Valuation: Strong returns and a narrowing discount

At 13 March 2017, BNKR's shares traded at a 5.3% discount to cum-income net asset value. This is wider than the average over three years (3.8%) but narrower than the one-year average of 6.8%. The discount reached a three-year widest point of 11.7% immediately after the UK's EU referendum, before sharply narrowing in early 2017 to a 12-month low of 1.9% at the end of February. NAV per share recently passed the 800p mark for the first time, and the shares currently yield 2.2%.

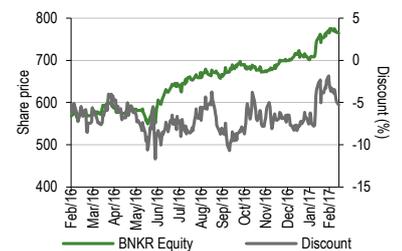
Investment trusts

14 March 2017

Price	764.5p
	NZ\$13.50
Market cap	£937m
AUM	£1,063.6m

NAV*	802.6p
Discount to NAV	4.7%
NAV**	807.2p
Discount to NAV	5.3%
Yield	2.2%
Ordinary shares in issue	122.6m
Code	BNKR
Primary exchange	LSE
AIC sector	Global

Share price/discount performance



Three-year performance vs index



52-week high/low	775.0p	550.0p
NAV* high/low	807.2p	606.4p

*Including income.

Gearing

Gross*	6.6%
Net*	4.0%

*As at 31 January 2017.

Analysts

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

Exhibit 1: Trust at a glance

Investment objective and fund background

The Bankers Investment Trust aims to maximise total returns by means of a broadly diversified portfolio of international equities. It aims to exceed the long-term growth of the FTSE All-Share Index and to grow its dividend ahead of the Retail Prices Index. BNKR has one of the longest records of uninterrupted annual dividend growth for an investment trust, at 50 years (based on year ended 31 October 2016). It is listed on the London Stock Exchange with a secondary listing in New Zealand.

Recent developments

- 22 February 2017: All resolutions passed at AGM. First interim dividend of 4.4p announced for the year ending 31 October 2017, an increase of 10% on Q116.
- 18 January 2017: Results for the year ended 31 October 2016. NAV TR of 19.9% compared with 12.2% for FTSE All-Share. Final dividend of 4.6p brings total dividend for the year to 17.0p, the 50th annual increase.
- 31 October 2016: Repayment of £10m 10.5% debenture stock 2016.

Forthcoming

AGM	February 2018
Interim results	June 2017
Year end	31 October
Dividend paid	May, Aug, Nov, Feb
Launch date	13 April 1888
Continuation vote	None

Capital structure

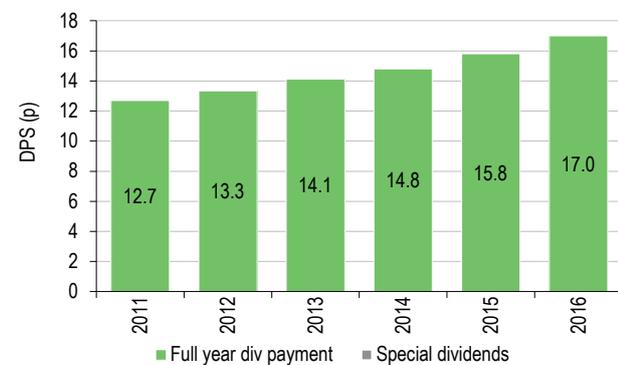
Ongoing charges	0.52%
Net gearing	4.0%
Annual mgmt fee	See page 8
Performance fee	None
Trust life	Indefinite
Loan facilities	See page 8

Fund details

Group	Henderson Global Investors
Manager	Alex Crooke
Address	201 Bishopsgate, London, EC2M 3AE
Phone	020 7818 6825
Website	bankersinvestmenttrust.com

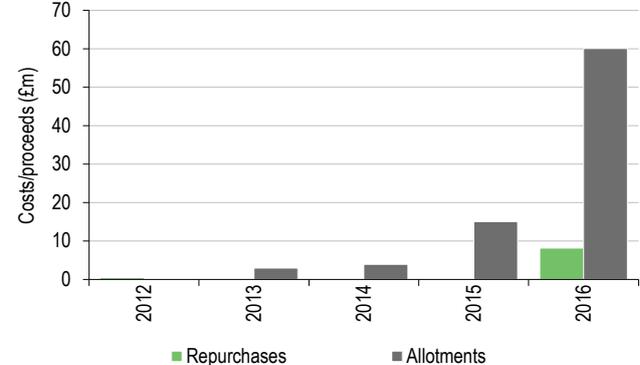
Dividend policy and history

Dividends paid quarterly in May, August, November and February. The trust has paid a dividend in all but two of its 128 years of existence, and has grown its annual dividend in each of the last 50 years.

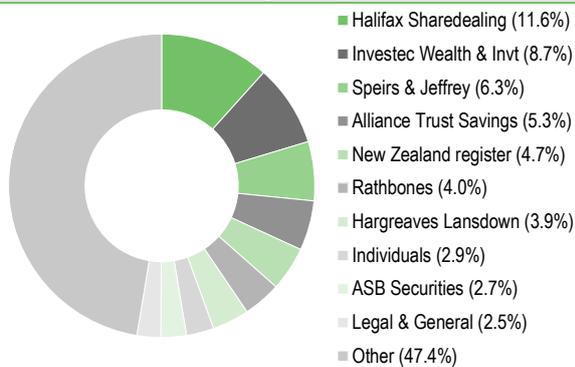


Share buyback policy and history (calendar years)

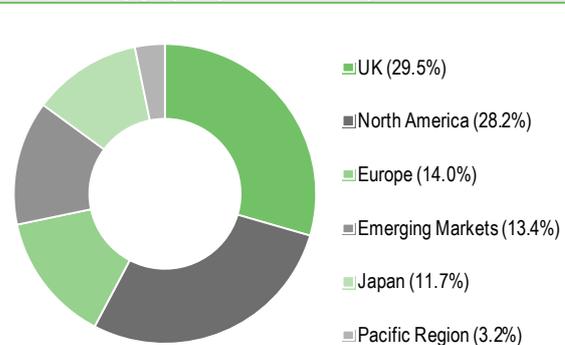
BNKR seeks authority annually to buy back its shares at a discount or issue at a premium to NAV in order to manage supply and demand. 2016 allotments include shares issued as a result of the rollover of Henderson Global Trust.



Shareholder base (as at 28 February 2017)



Portfolio exposure by geography (as at 31 January 2017)



Top 10 holdings (as at 31 January 2017)

Company	Country of listing	Sector	Portfolio weight %	
			31 January 2017	31 January 2016*
BP	UK	Oil & gas	2.4	1.8
British American Tobacco	UK	Personal & household goods	1.8	1.5
Comcast	US	Telecommunications	1.5	N/A
Apple	US	Technology	1.4	1.3
Royal Dutch Shell	UK	Oil & gas	1.3	N/A
American Tower	US	Telecommunications	1.2	1.3
Alphabet	US	Technology	1.2	N/A
American Express	US	Financial services	1.2	N/A
Cooper Cos	US	Healthcare	1.2	N/A
Amazon.com	US	Technology	1.1	N/A
Top 10 (% of portfolio)			14.3	13.8

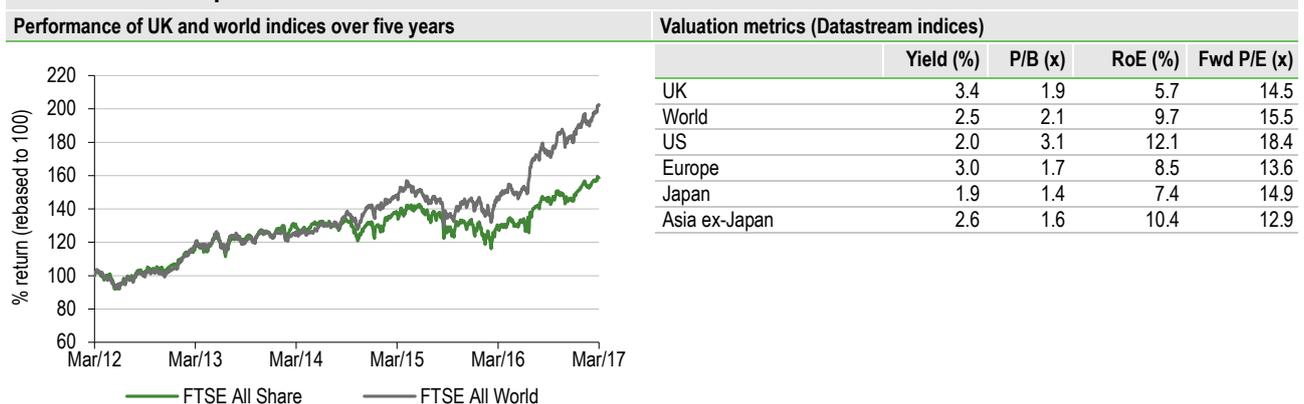
Source: Bankers Investment Trust, Edison Investment Research, Morningstar, Bloomberg. Note: *N/A where not in January 2016 top 10.

Market outlook: Thinking globally reaps rewards

Global stock markets have begun 2017 in a buoyant mood, with all-time highs seen on both sides of the Atlantic. However, as shown in Exhibit 2 (left-hand chart), after performing closely in line from 2012 to 2015, the rest of the world has outperformed the UK market – by a significant margin in the past 12 months – driven by strong US performance and the translation effects of a weaker sterling. While past performance is not a guide to the future, UK investors have clearly benefited by taking a more global approach with their investments, and with negotiations to leave the EU likely to be protracted and potentially fractious, there is potential for sterling to remain lower for longer.

The corollary of strong equity market performance is that valuations (right-hand chart) have become more extended. For all the Datastream indices shown, 12-month forward P/E valuations are above their 10-year averages, particularly the US (+27.5%), UK (+20.9%), World (+19.2%) and Europe (+17.2%). With return on equity in most cases (with the exception of Japan) being below the 10-year averages, however, there is scope for increased profitability to support current valuations. The UK still has the highest dividend yield, while Europe and Asia also yield more than the world market. While caution may be warranted with regard to the US (where the forward P/E and price/book valuations are at or near 10-year highs, return on equity is 94% of the 10-year average and the dividend yield is the lowest of all the regions shown), investors with a focus on growth and income may continue to be rewarded by thinking more globally.

Exhibit 2: Market performance and valuation



Source: Thomson Datastream, Edison Investment Research

Fund profile: Diversified global growth and income

The Bankers Investment Trust (BNKR) is one of the UK's longest-established investment trusts, set up in 1888. It invests globally with the aim of providing long-term total returns above those that UK investors could achieve from their domestic market (as measured by the FTSE All-Share index) and dividend growth in excess of RPI inflation. Lead manager Alex Crooke at Henderson Global Investors runs the portfolio with a value bias and a focus on cash-generative companies with growing dividends. BNKR itself has increased its annual dividend for 50 consecutive years, the joint-longest record of dividend growth for an investment trust. Crooke, who has been at the helm since 2003, looks after UK stock selection, with regional specialists at Henderson managing portfolios covering Europe ex-UK, North America, Japan, Pacific ex-Japan, China 'A' shares and non-Asian emerging markets.

While fundamentally an equity portfolio, BNKR may invest in debt securities if the managers feel this will enhance performance. Risk management is principally through diversification, with each

regional portfolio spread across a variety of companies and sectors. Gearing of up to 20% of net assets (4.0% net at end-January) may be employed.

In 2016, BNKR was chosen as the global growth rollover option for investors in Henderson Global Trust. This led to the issue of 9.4m new shares, boosting BNKR's assets by c £60m.

The fund manager: Alex Crooke

The manager's view: Set up for modest global growth

Lead manager Alex Crooke has positioned the BNKR portfolio for modest global economic growth. With US interest rates set to rise further, he expects bond proxy sectors such as consumer staples to underperform, while his expectation of some cyclical growth has led to an overweight position in industrials. Crooke notes that 2016 was characterised by mean reversion in many markets, with strong performance in the Pacific region, Latin America and other emerging markets after a very weak 2015. Investor expectations for Europe remain very low, leading to the potential for positive earnings surprises. However, for equity markets to move meaningfully higher from what are in many cases already historically high levels, Crooke says 'good' inflation, in the form of higher wages, is key, along with an end to austerity and an increase in bank lending, both of which are beginning to be seen in Europe.

The manager says one of the biggest unknowns at the moment remains the direction of US economic policy. While President Trump could electrify the economy through material cuts in corporation tax, or adopt more protectionist measures in the form of border taxes, Crooke believes that change will not occur as swiftly as market participants seem to assume, which could lead to a measure of investor fatigue. Meanwhile, if the Federal Reserve is too aggressive in hiking interest rates, US equity markets could correct materially, with likely knock-on effects around the world.

BNKR's UK weighting has continued to fall as part of a longer-term move towards a more evenly spread portfolio, and Crooke says the exposure is expected to settle in the 20-30% range. In the medium term the manager remains concerned over the domestic effects of the UK's decision to leave the European Union, although he argues that in the short term sterling has overreacted.

The trust retains its preference for stocks that trade at a P/E discount to their local market. Crooke says that in an environment of stronger-than-expected economic growth, he would increase this bias towards value, as higher-growth stocks tend to do better in a low-growth environment. Conversely, in a recession, the manager would favour more defensive sectors, although at present he finds these areas expensive.

Asset allocation

Investment process: Value-tilted, fundamental approach

BNKR is managed on a bottom-up basis with a tilt towards value and income. Lead manager Alex Crooke sets the geographical allocation and the level of gearing, in agreement with the board, as well as running the UK equity portfolio. The regional portfolios are managed by specialists from across the Henderson team. There is potential for the future roster to include managers from Janus Capital following the proposed merger with Henderson, which is expected to conclude in the second quarter of 2017. Key details of each regional portfolio at end-FY16 (31 October) are shown below. Historically, most of the portfolios have contained 25-30 stocks, with the exception of the UK (60+) and non-Asian emerging markets (c 10). However, partly as a result of the ongoing process of reducing the UK exposure, some other regions now have longer stock lists than previously.

- **UK (57 stocks and 29.0% of the portfolio)** – managed by Alex Crooke, the UK portfolio underperformed the FTSE All-Share index by 7.1pp in FY16, returning 5.1%. The portfolio had limited exposure to oil, mining and technology, which performed strongly, and suffered from a sell-off in domestically focused areas such as housebuilders following the Brexit vote. UK exposure continues to fall (down from 38% at end-FY15) as the manager moves to a more global approach, and performance since the year-end has been strong.
- **North America (31 stocks and 27.7% of the portfolio)** – manager Ian Warmerdam slightly lagged the FTSE World North America index by 1pp in sterling terms in FY16, returning 31.3%. Exposure to the region increased from 25.4% to 27.7% during the year. The manager took advantage of a sell-off in US stocks early in 2016, which brought the valuations of some high-quality, structurally growing companies of the type that Warmerdam prefers to more palatable levels. However, healthcare stocks suffered in the run-up to the US presidential election.
- **Europe (39 stocks and 14.3% of the portfolio)** – the portfolio managed by Tim Stevenson returned 24.3% in FY16 in sterling terms, outperforming the FTSE All-World Developed Europe ex-UK index by 4.6pp, with exposure rising from 12.5% during the year. The manager notes that outperformance was principally a result of a preference for reliable, consistent growth companies that have tended to do better in a low-growth world. The portfolio has a large-cap bias and is heavily weighted to Germany, France and Switzerland.
- **Japan (25 stocks and 11.5% of the portfolio)** – during the year, responsibility for the Japanese portfolio passed from Michael Wood-Martin to Junichi Inoue. Exposure remained largely unchanged in FY16 and the portfolio outperformed the FTSE World Japan index by 3.4pp in sterling terms, rising by 34.8%. The manager notes that Japanese corporate balance sheets are among the strongest globally, while an increased focus on shareholder value is leading to dividend growth.
- **Pacific ex-Japan (17 stocks and 10.7% of the portfolio)** – manager Mike Kerley also runs the Henderson Far East Income fund (HFEL). The portfolio strongly outperformed the FTSE All World Asia Pacific index during FY16, up 46.8% in sterling terms versus 37.5% for the index, largely as a result of stock selection. The manager sees the outlook for dividends as the region's most compelling feature. Exposure rose from 8.1% at the start of the year.
- **China 'A' shares (15 stocks and 4.3% of the portfolio)** – the strongest performer in relative terms in FY16, manager Charlie Awdry posted a sterling return of 44.2%, 30.2pp ahead of the benchmark China CSI 300 index. The portfolio focuses on quality large-caps and the manager has tended to avoid the large financial companies that dominate the index, preferring to focus on the consumer and service sectors. Exposure rose from 3.2% at the start of the year.
- **Emerging markets (10 stocks and 2.5% of the portfolio)** – manager Nicholas Cowley reaped the benefit of the recovery in Brazil (27% of the emerging markets allocation), which helped the portfolio outperform the FTSE All-World Emerging ex-Asia index by 9.7pp with a return of 58.8% in FY16, the strongest absolute performance. The emerging markets portfolio includes stocks from Latin America, emerging Europe and Africa.

Current portfolio positioning

At 31 January 2017, BNKR had 195 holdings spread across its seven portfolios. This was higher than the average 109 stocks for peers in the AIC Global sector, although it should be noted that the peer group contains both very concentrated funds with fewer than 40 holdings, and highly diversified portfolios with more than 500. The top 10 holdings made up 14.3% of the BNKR portfolio, compared with a peer group average of 40.5%.

Over 12 months to 31 January, the make-up of the portfolio by sector (Exhibit 3) was little changed, with the most significant moves being a 2.0pp reduction in financials and a 1.7pp increase in oil & gas. More significant were changes to the geographical breakdown (Exhibit 4), with a continued

reduction in UK exposure (-5.7pp) and rises of 2.5pp each in North America and the Pacific region. Japan has been slightly reduced after a period of strong performance.

Changes to the portfolio in recent months include an increased focus on UK names with overseas earnings, such as BP, Royal Dutch Shell and Diageo, which Crooke bought during the sell-off immediately after the UK's EU referendum. However, he has retained holdings in some more domestically-focused areas such as media and housebuilding. The aggregate UK weighting continues to fall, although Crooke says that in the medium term it is unlikely to drop below 20%, given the availability of well-governed, dividend-paying companies with exposure to growth trends around the world.

Elsewhere, the manager has been putting cash to work in Asia Pacific, China and Europe, which he says are all slightly unloved, with the potential for positive earnings surprises. Asian exposure is tilted towards domestic defensives, which are less likely to be affected by a more protectionist trade environment in the US. Crooke sees less value in the US and Latin America, and notes that increases in BNKR's North America exposure have been the result of share price performance rather than asset allocation.

Exhibit 3: Portfolio sector exposure vs FTSE All World index (% unless stated)

	Portfolio end January 2017	Portfolio end January 2016	Change (pp)	FTSE All World index weight*	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	22.4	24.4	-2.0	22.7	-0.3	1.0
Consumer goods	17.6	17.9	-0.3	13.2	4.4	1.3
Industrials	15.9	15.5	0.4	12.7	3.2	1.3
Consumer services	14.7	14.9	-0.2	10.6	4.1	1.4
Technology	9.4	8.9	0.5	12.0	-2.6	0.8
Healthcare	7.1	6.5	0.6	10.3	-3.2	0.7
Oil & gas	5.3	3.6	1.7	6.9	-1.6	0.8
Telecommunications	4.1	4.8	-0.7	3.4	0.7	1.2
Basic materials	1.8	2.4	-0.6	5.1	-3.3	0.4
Utilities	1.8	1.2	0.6	3.2	-1.4	0.6
	100.0	100.0		100.0		

Source: The Bankers Investment Trust, Edison Investment Research. Note: *FTSE All World index is not the benchmark but has been included for comparison. Trust weightings are approximate.

Overall, the manager says the portfolio is positioned for a modestly growing economy, with expected underperformance from highly valued bond proxies, and potential for more cyclical areas to do better. Two areas where exposure has been increased recently are banks and auto makers, with banks beginning to rerate after years in the doldrums, and car manufacturers being seen as oversold given a likely replacement cycle in favour of more electric vehicles.

Exhibit 4: Portfolio geographic exposure vs FTSE All World index (% unless stated)

	Portfolio end- January 2017	Portfolio end- January 2016	Change (pp)	FTSE All World index weight*	Active weight vs index (pp)	Trust weight/ index weight (x)
UK	29.5	35.2	-5.7	6.1	23.4	4.8
North America	28.2	25.7	2.5	55.8	-27.6	0.5
Europe	14.0	13.1	0.9	14.5	-0.5	1.0
Pacific Region	13.4	10.9	2.5	11.6	1.8	1.2
Japan	11.7	13.0	-1.3	8.5	3.2	1.4
Emerging Markets	3.2	2.1	1.1	3.5	-0.3	0.9
	100.0	100.0		100.0		

Source: Trust name, Edison Investment Research. Note: *FTSE All World index is not the benchmark but has been included for comparison.

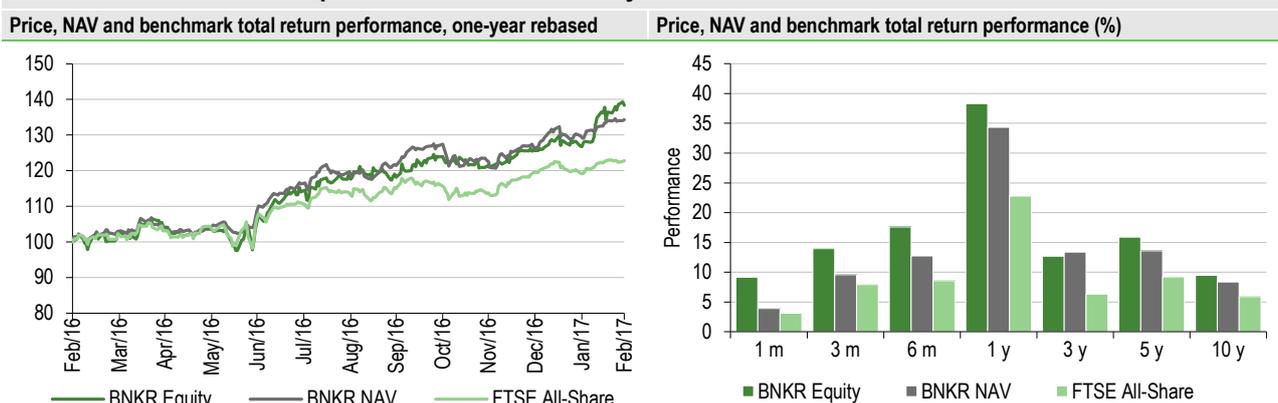
Performance: Ahead of benchmark over all periods

BNKR has a strong record of outperformance versus the benchmark FTSE All-Share index, boosted by falling UK exposure and the weakness of sterling, which has increased returns from overseas holdings. As shown in Exhibit 5 (right-hand chart), the trust has outperformed the index in

both share price and NAV total return terms over all periods shown. (Returns from individual regions in FY16 are detailed in the Investment process section above).

Manager Alex Crooke notes that asset allocation has been key to recent performance, with stock selection in Europe, Pacific ex-Japan, Japan and emerging markets adding to returns, and particularly strong performance from the China 'A' share portfolio. While the North America portfolio slightly lagged the benchmark in FY16, Crooke points out that this was against a backdrop of very strong market returns – an environment that makes it hard for active managers to outperform.

Exhibit 5: Investment trust performance to 28 February 2017



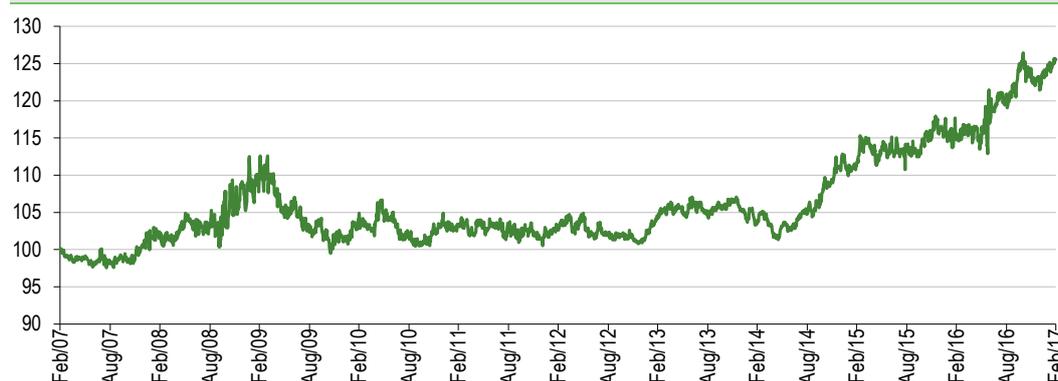
Source: Thomson Datastream, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

Exhibit 6: 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 FTSE All-Share	5.8	5.6	8.3	12.6	19.0	34.7	39.6
NAV relative to FTSE All-Share	0.8	1.5	3.8	9.4	21.3	21.9	25.5
Price relative to FTSE AW Dev Europe ex-UK	7.0	3.8	7.5	8.6	12.4	19.0	34.5
NAV relative to FTSE AW Dev Europe ex-UK	1.9	(0.2)	3.0	5.5	14.5	7.8	21.0
Price relative to FTSE World North America	4.1	5.2	1.6	(1.6)	(19.6)	(11.9)	(22.8)
NAV relative to FTSE World North America	(0.8)	1.1	(2.6)	(4.4)	(18.1)	(20.2)	(30.6)
Price relative to FTSE AW Asia Pacific (ex-Japan)	4.2	4.7	5.1	(4.3)	(5.6)	34.0	(6.7)
NAV relative to FTSE AW Asia Pacific (ex-Japan)	(0.8)	0.6	0.8	(7.1)	(3.8)	21.3	(16.0)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-February 2017. Geometric calculation.

Exhibit 7: NAV performance relative to FTSE All-Share index over 10 years



Source: Thomson Datastream, Edison Investment Research

Discount: Back to historical average after widening

At 13 March 2017, BNKR traded at a 3.9% discount to cum-income net asset value. This is narrower than the one-year average discount of 6.8% but wider than the three- and five-year averages of 3.8% and 4.0% respectively. In the past 12 months the discount has been more volatile than in the preceding two years (see Exhibit 8, below), falling from a small premium to a c 8%

discount in market volatility at the start of 2016, and reaching a three-year widest point of 11.7% in the immediate aftermath of the UK's EU referendum in June.

BNKR's board will buy back or issue shares to manage a discount or a premium. While there is no set target discount at which shares are bought back, repurchases have historically occurred when the discount has exceeded 7%. The most recent buybacks were in October 2016, when a total of 267,372 shares were repurchased for a total of £1.84m.

Exhibit 8: Discount/premium over three years (to cum-income NAV, debt at fair value) (%)



Source: Thomson Datastream, Edison Investment Research.

Capital structure and fees

BNKR is a conventional investment trust with a single class of share. At 13 March 2017 there were 122.6m ordinary shares in issue, an increase of 7.1% over 12 months. This increase includes 9.4m shares issued as a result of investors in Henderson Global Trust (HGL) choosing to roll over their investment into BNKR.

The trust is structurally geared through a £15m debenture with an interest rate of 8%, maturing in 2023, and a £50m issue of unsecured loan notes, with an interest rate of 3.68%, maturing in 2023. A £10m debenture with an interest rate of 10.5% matured in October 2016 and was repaid at par. Gross gearing is 6.6% based on 13 March net assets although the net figure (as at 31 January) is lower at 4.0% because of cash within the trust. Gearing is permitted up to 20% of net assets, and in future the board may reinstate a short-term borrowing facility to allow additional flexibility (the previous facility was repaid prior to the issue of the loan notes in 2015).

Henderson Global Investors acts as the investment manager on behalf of Henderson Investment Funds Ltd, which is BNKR's alternative investment fund manager (AIFM) under the AIFM Directive. Henderson receives a management fee of 0.45% of BNKR's net assets up to £750m, and 0.40% above £750m. Following the HGL rollover, the calculation basis of the fee has been simplified to be the aggregate of the two amounts based on net assets on the last day of the preceding quarter (previously it was based on the average net assets at the two preceding year-ends). The new calculation basis was adopted on 1 July 2016, and until the end of FY17 the management fee is capped at £843,685 per quarter. The maximum management fee of £3.375m therefore payable in respect of FY17 represents 0.34% of net assets at 13 March 2017. For FY16, BNKR's ongoing charges were 0.52%, among the lowest in the investment trust universe.

Dividend policy and record

BNKR pays quarterly dividends and recently recorded its 50th year of annual dividend increases. (This is the joint-longest record of year-on-year increases for an investment trust, shared with

Henderson stablemate City of London.) Dividends are paid in May, August, November and February. The full-year dividend for FY16 was 17.0p, ahead of the previous guidance of at least 16.5p, and fully covered by earnings. This was a 7.6% year-on-year increase and over the past five years the dividend has grown at a compound annual rate of 6.0%, well ahead of the 2.2% compound annual increase in RPI inflation over the same period. A first interim dividend of 4.4p for FY17 was declared on 22 February, and the board of BNKR has forecast that the full-year dividend for FY17 will be at least 6.0% higher than the previous year (a minimum of 18.0p), supported by the translation effect of a weaker sterling on overseas dividends. At 31 October 2016, BNKR had revenue reserves amounting to 31.7p per share, based on the average number of shares in issue during the year. This reduces to 25.9p per share following payment of the final dividend, and is sufficient to cover the dividend at the FY16 level for 1.5 years.

Based on the 13 March share price and the FY16 dividend, BNKR currently yields 2.2%.

Peer group comparison

As a member of the Association of Investment Companies' Global sector, BNKR sits in a peer group of 24 funds with widely varying investment remits and geographical exposures. In Exhibit 9 below we show the 11 largest funds in the group. BNKR's NAV total return performance is above the simple average for the whole sector over one, three and five years, but below the weighted average, which is skewed by strong performance from the largest trust in the group, over three and five years. Risk-adjusted performance as measured by the Sharpe ratio is broadly in line with averages over both one and three years. Ongoing charges are among the lowest and, in common with most peers BNKR does not charge a performance fee. BNKR's gearing is broadly average, the discount to NAV is narrower than average, and the 2.2% dividend yield is the fifth-highest for the whole sector, and the second-highest of the group of larger trusts shown in the table.

Exhibit 9: Global investment trusts above £500m market capitalisation at 6 March 2017

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	Ongoing charge	Perf. fee	Discount (ex-par)	Net gearing	Dividend yield (%)	Sharpe 1y (NAV)	Sharpe 3y (NAV)
Bankers	947.8	34.0	47.6	95.1	0.5	No	(3.5)	104	2.2	1.1	0.2
Alliance Trust	2,872.6	33.8	52.1	89.0	0.8	No	(4.4)	106	1.8	1.3	0.3
British Empire	830.7	50.0	43.6	81.7	0.9	No	(10.8)	105	1.7	2.3	0.1
Caledonia Investments	1,550.7	16.8	42.3	90.3	1.1	No	(14.8)	100	1.9	0.0	0.2
F&C Global Smaller Companies	729.0	31.1	51.4	124.9	0.5	No	2.3	103	0.9	1.0	0.3
Foreign & Colonial Investment Trust	3,181.9	33.7	56.5	102.2	0.7	No	(6.3)	105	1.7	1.4	0.5
Law Debenture Corporation	670.5	24.8	26.6	84.2	0.5	No	(10.7)	115	2.9	0.7	(0.2)
Monks	1,350.1	40.4	46.0	77.7	0.6	No	(3.2)	106	0.2	1.5	0.2
Scottish Investment Trust	677.6	34.5	43.0	83.2	0.6	No	(12.4)	100	1.7	1.0	0.1
Scottish Mortgage	4,794.4	37.4	62.5	148.5	0.5	No	0.9	105	0.8	1.4	0.5
Witan	1,724.3	31.4	47.7	105.7	0.8	Yes	(5.0)	111	2.0	0.8	0.2
Sector weighted avg. (24 funds)		33.2	50.8	105.0	0.7		(5.1)	105	1.5	1.1	0.3
Simple average (24 funds)	907.9	30.7	44.8	91.5	0.8		(6.5)	104	1.5	0.9	0.2
BNKR rank out of 24 funds	7	7	12	8	20		9	11	5	10	11

Source: Morningstar, Edison Investment Research. Note: TR=total return. Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

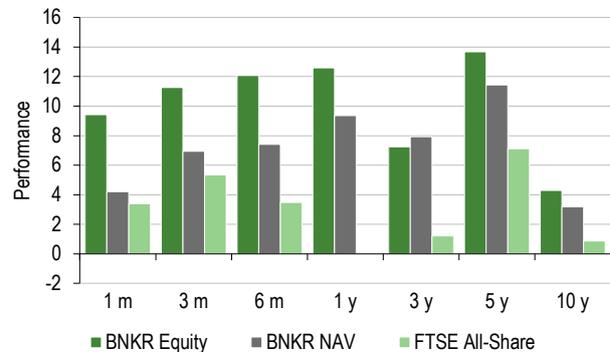
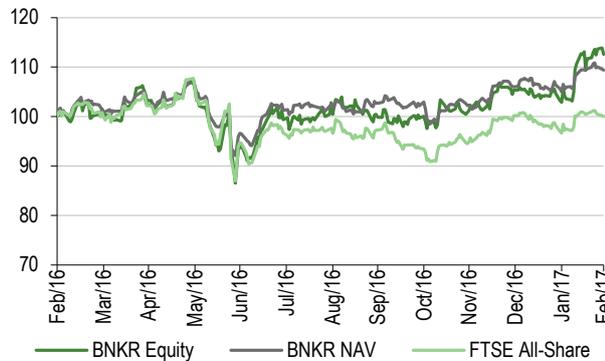
BNKR has five non-executive directors. Richard Killingbeck joined the board in December 2003 and has served as chairman since September 2013. Matthew Thorne was appointed in November 2008 and has been chairman of the audit committee since February 2010. Susan Inglis has been the senior independent director since February 2015, having joined the board in November 2012. David Wild became a director in February 2014, and Julian Chillingworth was appointed in February 2015. The directors have backgrounds in fund management, law, accountancy and business.

Performance tables in New Zealand dollar terms

Exhibit 10: Investment trust performance – in New Zealand dollar terms to 28 February 2017

Price, NAV and FTSE All-Share total return performance, one-year rebased

Price, NAV and FTSE All-Share total return (%)*



Source: Thomson Datastream, Edison Investment Research

The weakness of sterling since the UK's Brexit vote has held back returns for New Zealand-based investors in BNKR versus their UK-based counterparts. However, performance is positive over all periods and has been well ahead of returns from the benchmark FTSE All-Share index.

Exhibit 11: Investment trust discrete years performance – in New Zealand dollar terms

12 months ending	Share price (%)	NAV (%)	FTSE All-Share (%)	FTSE AW Dev Eur ex-UK (%)	FTSE World N America index (%)	FTSE AW Asia Pacific ex-Jap
28/02/13	23.0	11.5	10.2	14.5	14.4	11.3
28/02/14	25.1	22.6	23.4	26.9	22.7	(2.6)
28/02/15	11.8	16.1	8.1	7.7	26.7	21.5
29/02/16	(2.0)	(1.0)	(4.1)	(1.7)	5.9	(8.7)
28/02/17	12.6	9.4	(0.0)	3.6	14.4	17.7

Source: Thomson Datastream. Note: Total return basis, in NZ dollar terms.

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