

The Bankers Investment Trust

Stock selection drives positive performance

The Bankers Investment Trust (BNKR) invests globally, with the aim of generating higher long-term total returns for its largely UK investor base than it could have achieved in its home market. Share price and NAV returns are ahead of the benchmark FTSE All-Share Index over both the short and longer term, with annualised NAV total returns of more than 15% pa over five years. BNKR also aims to grow its dividend ahead of inflation, and has the second-longest record of unbroken dividend growth of any investment company, on track for a 51st year in FY17. Lead manager Alex Crooke, at the helm since 2003, has slightly reduced the North America allocation as leading economic indicators begin to look less favourable, diverting resources to European portfolio manager Tim Stevenson, who is finding good value opportunities particularly among financial stocks.

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) (%)
31/08/13	36.3	22.4	18.9	27.1	21.1	9.9
31/08/14	6.5	9.9	10.3	10.6	16.6	13.3
31/08/15	6.7	5.6	(2.3)	1.8	6.5	(11.8)
31/08/16	13.8	19.3	11.7	15.5	31.2	34.3
31/08/17	30.2	23.5	14.3	25.6	18.2	23.7

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

Investment strategy: High-conviction stock selection

BNKR aims to achieve long-term capital appreciation and above-inflation dividend growth by investing across the world in attractively valued, cash-generative companies that themselves pay growing dividends. Lead manager Alex Crooke sets the geographical allocation and the level of gearing, and is also responsible for UK stock selection. Regional portfolios are managed by specialists from across the Janus Henderson stable. All the managers have a bottom-up approach to stock selection, and a broadly 'value' investment style, and while the overall fund is diversified, each regional portfolio is concentrated and high-conviction.

Market outlook: Tread carefully amid high valuations

Many stock market indices around the world have reached new all-time highs in recent months, and markets in aggregate look expensive (the DS World Index has a 12-month forward P/E 19% above its 10-year average, for instance). However, pockets of value still remain, and a flexible approach to geographical allocation could help offset specific geopolitical and policy worries in the near term.

Valuation: Growing dividend supports low discount

At 28 September 2017, BNKR's shares traded at a 2.4% discount to cum-income NAV, narrower than short-term averages and only modestly wider than the 12-month low of 1.9% reached in February. The valuation is supported by a 2.2% yield (based on the last four quarterly dividends), and the chairman has guided that the dividend for FY17 will be at least 18.0p, a rise of 5.9% on FY16. Guidance has tended to be cautious, and it would be reasonable to assume a total dividend no lower than 18.5p based on those paid year-to-date, equating to a prospective yield of 2.3%.

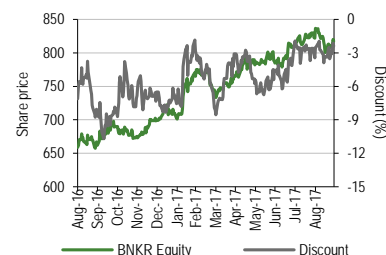
Investment trusts

2 October 2017

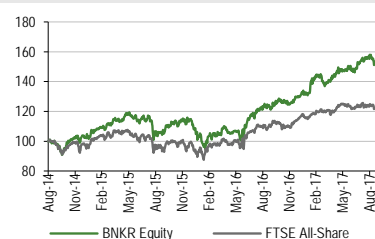
Price	817.5p
	NZ\$15.14
Market cap	£1,002.3m
AUM	£1,093.2m

NAV*	826.9p
Discount to NAV	1.1%
NAV**	837.4p
Discount to NAV	2.4%
*Excluding income. **Including income. As at 28 September 2017.	
Yield	2.2%
Ordinary shares in issue	122.6m
Code	BNKR
Primary exchange	LSE
AIC sector	Global
Benchmark	FTSE All-Share Index

Share price/discount performance



Three-year performance vs index



52-week high/low	837.0p	662.0p
NAV** high/low	858.5p	713.9p

**Including income.

Gearing

Gross*	6.2%
Net*	2.0%

*As at 31 August 2017.

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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.

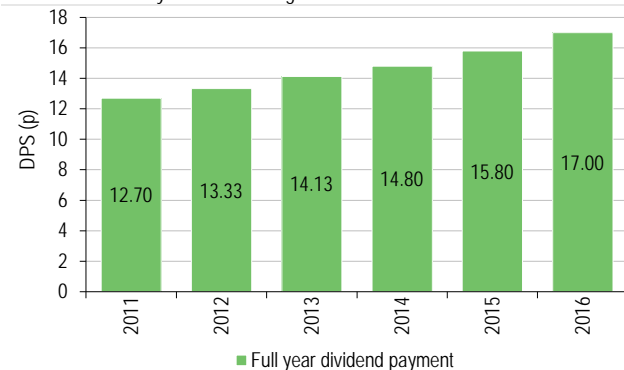
Recent developments

- 27 September 2017: Third quarterly dividend of 4.7p declared (Q316: 4.4p), payable on 30 November.
- 13 July 2017: Results for the six months ended 30 April. NAV TR +7.0% and share price TR +12.3% versus 7.1% for the FTSE All-Share Index. Second quarterly dividend of 4.7p declared (Q216: 4.0p).
- 22 February 2017: First quarterly dividend of 4.4p declared (Q116: 4.0p).
- 22 February 2017: All resolutions passed at AGM.

Forthcoming		Capital structure		Fund details	
AGM	February 2018	Ongoing charges	0.52%	Group	Janus Henderson Investors
Annual results	January 2018	Net gearing	2% (31 August 2017)	Manager	Alex Crooke
Year end	31 October	Annual mgmt fee	Tiered – see page 8	Address	201 Bishopsgate, London, EC2M 3AE
Dividend paid	May, Aug, Nov, Feb	Performance fee	None	Phone	020 7818 6825
Launch date	13 April 1888	Trust life	Indefinite	Website	janushenderson.com
Continuation vote	None	Loan facilities	See page 8		

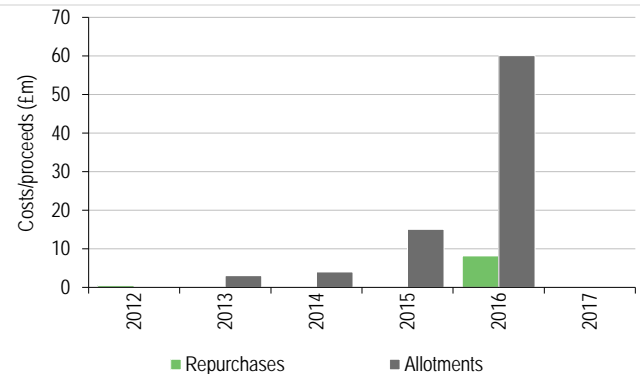
Dividend policy and history (financial years)

Dividends are paid quarterly in May, August, November and February. The trust has paid a dividend in all but two of its 129 years of existence, and is on track for a 51st consecutive year of dividend growth in FY17.

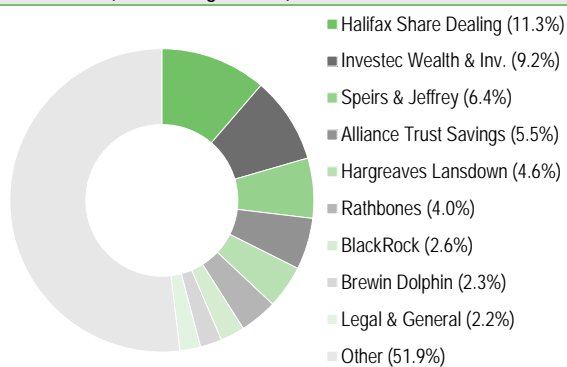


Share buyback policy and history (calendar years)

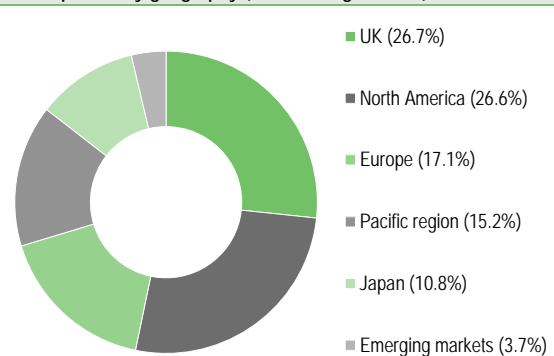
BNKR seeks authority annually to buy back shares at a discount or issue them at a premium to NAV in order to managed supply and demand. 2016 allotments include shares issued as a result of the rollover of Henderson Global Trust.



Shareholder base (as at 31 August 2017)



Portfolio exposure by geography (as at 31 August 2017)



Top 10 holdings (as at 31 August 2017)

Company	Country	Sector	Portfolio weight %	
			31 August 2017	31 August 2016*
Apple	US	Technology	1.7	1.3
BP	UK	Oil & gas	1.6	2.0
British American Tobacco	UK	Consumer goods	1.6	1.8
American Tower	US	Financials	1.6	1.4
American Express	US	Financials	1.4	N/A
Comcast	US	Consumer services	1.4	1.2
ICON	US	Healthcare	1.4	N/A
Facebook	US	Technology	1.3	N/A
Alphabet	US	Technology	1.3	N/A
FedEx	US	Industrials	1.2	N/A
Top 10 (% of holdings)			14.5	14.0

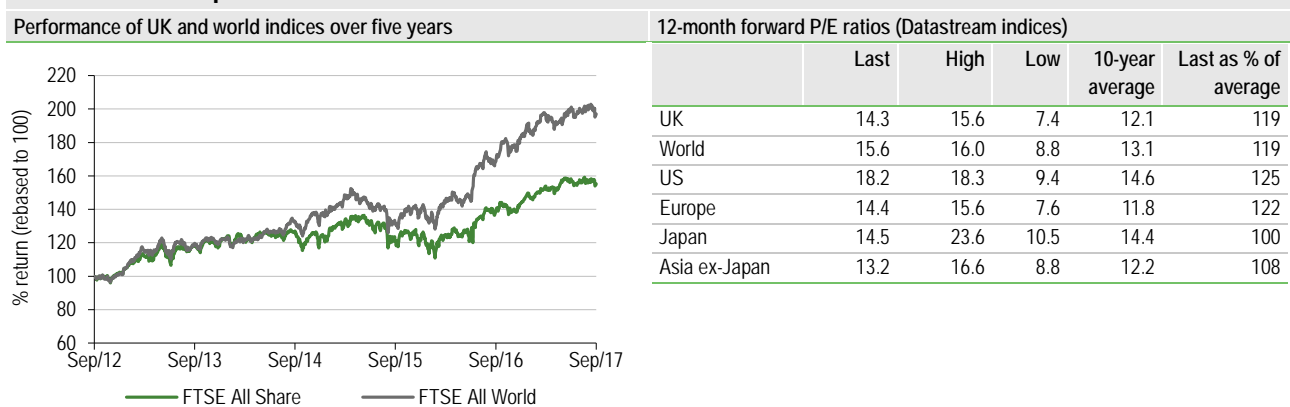
Source: The Bankers Investment Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in August 2016 top 10.

Market outlook: Valuations high amid strong returns

As shown in Exhibit 2 below (left-hand chart), UK investors have been well rewarded by investing outside their home market in recent years, partly driven by the weakness of sterling in the wake of June 2016's EU referendum, which boosted returns from overseas assets. However, forward P/E valuations in the largest market, the US (51.4% of the FTSE All-World Index at 31 August 2017) are 25% above their 10-year average and close to a 10-year high (right-hand table, using Datastream indices), presenting a challenging target for company earnings to live up to, particularly as signs emerge that the economy is beginning to slow. UK and European valuations are also c 20% above average. While valuations in Asia and Japan are also in line with or above the long-term average, they are below (and in the case of Japan, well below) 10-year highs, suggesting the potential for investors to be better rewarded in these areas than they might be by following the global index.

The outlook for global equity investors is not without risk, given the generally high level of market indices, geopolitical worries around North Korea, the Brexit negotiations, elections in Europe, and the potential for central banks to make errors in monetary policy. However, a strategy that takes a flexible approach to allocating between markets, and focuses on cash-generative companies trading at attractive valuations, could find favour with investors in such an environment.

Exhibit 2: Market performance and valuation



Source: Thomson Datastream, Edison Investment Research. Valuation data as at 19 September 2017.

Fund profile: Growth and income from global portfolio

BNKR was set up in 1888, making it one of the UK's oldest closed-end funds. It will celebrate its 130th anniversary in 2018. The trust is managed by Janus Henderson Investors, and invests globally with the aim of achieving long-term total returns in excess of those available from UK equities, as well as above-inflation dividend growth. It is benchmarked against the FTSE All-Share Index and is classified in the Association of Investment Companies' Global sector. The lead portfolio manager, Alex Crooke, has been in place since 2003, and looks after UK equity stock selection, as well as working with the board to set the geographical allocation and the level of gearing (permitted up to 20% of net assets). Regional portfolios, covering North America, Europe ex-UK, Asia Pacific, Japan, emerging markets and China 'A' shares, are managed by specialists from Janus Henderson's well-resourced equity teams.

The trust has the second-longest record of consistent annual dividend growth, having posted its 50th consecutive rise in FY16, and is on track to achieve dividend growth of at least 5.9% in FY17, well ahead of RPI inflation. Its manager notes that the dividend is now equal to the share price in 1980, the share price itself being nearly 50 times higher.

BNKR is fundamentally an equity portfolio, although it has the flexibility to invest in debt securities if the managers feel this will be performance-enhancing. The portfolios are built bottom-up and are relatively concentrated, although the spread across regions means the overall trust is diversified across c 200 companies, keeping the impact of individual stock risk low.

The fund manager: Alex Crooke

The manager's view: Optimism tempered with degree of caution

Lead manager Crooke comments that a number of concerns he had at the start of the year have turned out more positively than expected. Elections in Europe have generally returned broadly centrist rather than extreme right- or left-wing governments, China has continued to produce good economic growth figures in spite of concerns over indebtedness, US dollar strength has abated, corporate profits growth has beaten expectations, and central banks have so far avoided any policy missteps. This has translated into strong equity market returns, with good stock selection in many of BNKR's regional portfolios feeding through into outperformance of local indices in Europe, North America, Japan, emerging markets and China so far in FY17 (to 31 July).

Looking ahead, Crooke sees the beginning of concerns over the US economy, which is much further into its post-financial crisis recovery than most other developed markets. Signs of stress are emerging in areas such as car loans, which are beginning to decline, and a rising rate of credit card delinquencies. Meanwhile, the failure of the Trump administration so far to execute on many of its flagship policies has meant the tailwinds to growth that had been widely expected have not yet materialised. In addition, US interest rate expectations have not adjusted to the less positive outlook, increasing the risk that overzealous action by the Federal Reserve could tip the economy into recession. Because of these factors, Crooke has slightly decreased BNKR's US exposure in recent months, and portfolio manager Ian Warmerdam has scaled back positions in highly valued US growth stocks, particularly in technology, meaning the whole BNKR portfolio has moved from an overweight to a slightly underweight position in the sector.

Crooke is keen to stress that he still has a more favourable outlook on other areas, particularly Europe, as well as Asia, where he sees little real risk of a serious escalation in the Korean peninsula, given a lack of appetite for conflict between the US, China and Russia. In the UK, he welcomes emerging signs of higher wage growth amid rising inflation, noting that equities tend to perform well in an inflationary environment until the rate gets to 5-6%, a level not seen in the UK for some years.

Gearing has been gently reduced over recent months, reflecting Crooke's desire to bank some profits following a strong run in equity markets. He comments that with more than half of portfolio dividends being received in the first half of the year, he tends to run a slightly higher gearing level in the first half versus the second, to maximise income. At 31 August, net gearing stood at 2.0%.

Asset allocation

Investment process: Multi-specialist approach

All of the regional portfolios that make up BNKR are managed on a bottom-up basis, with a general tilt towards value and income, although individual managers may have more of a growth focus. There is a preference across the board for cash-generative companies with growing dividends. Alex Crooke has overall charge of the trust and, in agreement with the board, sets the geographical allocation and the level of gearing, as well as directly managing the UK equity portfolio. Each regional portfolio is managed by one of Janus Henderson's specialist managers, including

Henderson Eurotrust manager Tim Stevenson and Henderson Far East Income manager Mike Kerley. Key details of each regional portfolio at 31 July 2017 are shown below.

Following the merger between Henderson Global Investors and Janus Capital in May 2017, there is potential for Crooke to make more use of resources from the Janus side of the business.

Henderson's company analysts are based within the regional fund management teams, whereas Janus's are organised as a single global analyst team; Crooke reports that their research provides an interesting extra perspective. In terms of overall investment style, Janus has historically had more of a growth approach, while Henderson has been more value/balanced in outlook.

Key details of each of BNKR's regional portfolios at 31 July 2017 are shown below.

- **UK (59 stocks and 27.3% of the portfolio)** – managed by Alex Crooke, the UK portfolio underperformed the FTSE All-Share Index by 1.2pp from 31 October 2016 to 31 July 2017, with a total return of 9.1% versus 10.3% for the index. While good returns came from recovering mid-caps such as Sports Direct and housebuilders, the UK portfolio suffered in relative terms from a lack of exposure to areas such as mining, oil exploration, biotech and airlines, which do not suit BNKR's value and income tilt, being both low-yielding and relatively expensive.
- **North America (29 stocks and 27.9% of the portfolio)** – manager Ian Warmerdam strongly outperformed the FTSE World North America Index by 9.5pp from 31 October 2016 to 31 July 2017, with a total return of 18.7% versus 9.2% for the index. Returns benefited from strong stock selection in the technology and consumer sectors.
- **Europe (40 stocks and 15.7% of the portfolio)** – Tim Stevenson's portfolio performed broadly in line with the FTSE All-World Developed Europe Index (+0.2pp) from 31 October 2016 to 31 July 2017. Europe was the best-performing market over the period, with the index up 16.0%. The manager has rotated more into industrial and cyclical stocks during the year as the economic recovery has continued.
- **Japan (27 stocks and 10.9% of the portfolio)** – under manager Junichi Inoue, the BNKR Japan portfolio has outperformed the FTSE World Japan Index by 1.3pp (total return of 4.2% versus 2.9% for the index) from 31 October 2016 to 31 July 2017. Inoue has changed roughly one-third of the Japanese stocks since taking over on 31 March 2017, and is focused on companies that are generating positive returns on capital, enabling them to invest for the future and reward shareholders with dividends. Yen strength has dampened returns for sterling-based investors.
- **Pacific ex-Japan (18 stocks and 11.3% of the portfolio)** – Mike Kerley's portfolio slightly underperformed (-1.9pp) the FTSE All-World Asia Pacific Index total return of 11.8% from 31 October 2016 to 31 July 2017. Strong outperformance from high-growth/low-yielding sectors, as well as weakness in transport and automobile holdings, detracted for returns during the period. Exposure to the region rose from 8.1% to 11.3% over the period, in response to better-value opportunities compared with the US and the UK.
- **China 'A' shares (19 stocks and 4.5% of the portfolio)** – the 'A' share portfolio managed by Charlie Awdry considerably outperformed the benchmark China CSI 300 Index, with a total return of 27.5%, 21.3pp ahead of the index return of 6.2% from 31 October 2016 to 31 July 2017. Crooke comments that this is despite not owning the big financial companies that will benefit from index fund buying after their inclusion in the MSCI World Index from May 2018; the 'A' shares BNKR owns are more exposed to the domestic Chinese consumer.
- **Emerging markets (10 stocks and 2.5% of the portfolio)** – managed by Nicholas Cowley, the small non-Asian emerging markets allocation outperformed the FTSE All-World Emerging ex-Asia Index, producing a total return of 4.0% versus 2.1% for the index from 31 October 2016 to 31 July 2017. The allocation is split between Latin America, Africa and emerging Europe, with Brazil being the largest exposure.

Current portfolio positioning

At 31 August 2017, there were 201 holdings in the BKNR portfolio (31 August 2016: 200). While this may seem like quite a long stock list, the manager points out that it is organised into seven separate portfolios, each of which is run on a bottom-up, high conviction basis targeting outperformance of the local index, while the combination within a single investment trust should dampen volatility in individual markets and give investors a smoother ride.

The UK has been gradually falling as a proportion of the BKNR portfolio in recent years, and stood at 26.7% at 31 August 2017 (31 August 2016: 30.7%). This is well above the UK's weight in global indices, although the manager has said exposure is unlikely to fall below 20% given the higher yields and good governance on offer, in addition to the absence of currency risk for UK-based investors. The North America weighting has also reduced as Crooke has become more concerned about valuations and the economic outlook for the US. Positions in technology-related stocks such as Amazon and Cisco have been trimmed or exited, with the majority of proceeds from both the UK and US reductions reinvested in Europe and Asia-Pacific (up by 2.6pp and 2.8pp respectively over 12 months). However, portfolio manager Ian Warmerdam has taken some new US positions in better-value growth stocks such as NASDAQ-listed Irish drug testing firm ICON, Estée Lauder, and water filtration and desalination expert Xylem.

Exhibit 3: Portfolio geographic exposure vs FTSE All-World Index* (% unless stated)

	Portfolio end-August 2017	Portfolio end-August 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
UK	26.7	30.7	(4.0)	6.1	20.6	4.4
North America	26.6	29.0	(2.4)	54.3	(27.7)	0.5
Europe	17.1	14.5	2.6	15.4	1.7	1.1
Pacific region	15.2	12.4	2.8	12.3	2.9	1.2
Japan	10.8	10.9	(0.1)	8.4	2.5	1.3
Emerging markets	3.7	2.5	1.2	3.6	0.1	1.0
	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.

The Japanese exposure has remained steady at c 11%, although around one-third of the underlying holdings have changed under new portfolio manager Junichi Inoue, to focus on companies with a more Western-style approach to generating returns on capital. Crooke is travelling to Japan in the autumn to observe first-hand how President Abe's economic policy reforms are coming through.

Exhibit 4: Portfolio sector exposure vs FTSE All-World Index* (% unless stated)

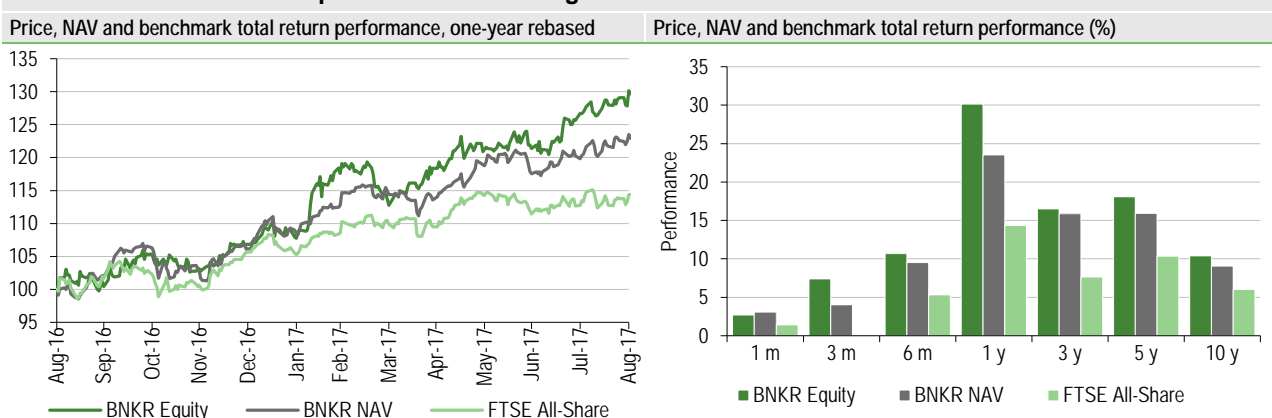
	Portfolio end-August 2017	Portfolio end-August 2016	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Financials	23.4	21.0	2.5	26.5	(3.1)	0.9
Consumer goods	20.8	17.8	3.0	16.2	4.6	1.3
Industrials	15.9	17.7	(1.8)	11.2	4.7	1.4
Consumer services	12.2	15.0	(2.8)	10.9	1.3	1.1
Technology	9.8	9.2	0.6	0.9	8.9	11.2
Healthcare	6.1	6.4	(0.3)	8.5	(2.4)	0.7
Oil & gas	3.8	4.2	(0.4)	11.4	(7.6)	0.3
Telecommunications	3.5	4.1	(0.6)	3.7	(0.2)	1.0
Basic materials	3.3	1.8	1.5	7.6	(4.3)	0.4
Utilities	1.2	3.0	(1.8)	3.1	(1.9)	0.4
	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.

From a sector perspective (Exhibit 4), one of the biggest changes has been an increase in financials exposure, primarily in Europe, where portfolio manager Tim Stevenson has bought into selected banks and asset managers including Credit Suisse, Amundi and Van Lanschot. Overall in Europe, there has been a shift from more defensive growth stocks (such as Christian Dior, exited on the back of a reorganisation that saw it fully absorbed into LVMH) into more cyclical/industrial names, as Crooke has become more positive on the economic backdrop.

Performance: Strong relative and absolute returns

Exhibit 5: Investment trust performance to 31 August 2017



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

BNKR has a strong long-term record of outperforming its benchmark, the FTSE All-Share Index, in both share price and NAV terms, indicating that it has achieved its objective of compensating investors for the extra risk of investing outside the UK by achieving superior returns to the domestic market. Over 10 years it has produced annualised share price total returns of 10.4% pa and NAV total returns of 9.1% pa, compared with 6.0% pa for the FTSE All-Share Index. The MSCI AC World Index (heavily skewed towards the US, which has performed strongly for most of the period), has produced annualised total returns of 9.6% over 10 years. As shown in Exhibit 5 (left-hand chart), relative performance versus the FTSE All-Share has been particularly notable since January 2017, while Exhibit 7, showing longer-term relative performance, illustrates the strong and broadly steady record the trust has built versus the index over the past three years. Performance versus regional markets (Exhibit 6) has been more mixed, with the portfolio outperforming Europe and Asia-Pacific indices over longer periods but less so in recent months, while the reverse is true for North America.

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	1.3	7.3	5.1	13.8	26.7	40.2	50.1
NAV relative to FTSE All-Share	1.7	4.0	4.0	8.0	24.8	28.0	32.9
Price relative to FTSE AW Dev Europe ex-UK	(0.0)	4.2	(3.6)	3.7	7.1	10.6	36.1
NAV relative to FTSE AW Dev Europe ex-UK	0.4	0.9	(4.6)	(1.6)	5.5	0.9	20.5
Price relative to FTSE World North America	0.0	3.8	8.4	10.1	(4.3)	(1.6)	(15.1)
NAV relative to FTSE World North America	0.4	0.5	7.2	4.5	(5.7)	(10.2)	(24.8)
Price relative to FTSE AW Asia Pacific (ex-Japan)	(0.5)	(0.2)	0.1	5.2	7.8	25.6	9.1
NAV relative to FTSE AW Asia Pacific (ex-Japan)	(0.1)	(3.3)	(1.0)	(0.2)	6.1	14.7	(3.4)

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

Exhibit 7: NAV total return performance relative to FTSE All-Share Index over 10 years



Source: Thomson Datastream, Edison Investment Research

Discount: On a narrowing trend

At 28 September 2017, BNKR's shares traded at a 2.4% discount to cum-income NAV. This is narrower than both short and long-term averages (5.5%, 4.2%, 3.4% and 6.9% respectively over one, three, five and 10 years) and is only modestly wider than the 12-month low of 1.9% reached in February 2017. The discount widened in a period of generalised risk aversion in early 2016 but is now broadly back in its longer-term range of 0-6%. The board has authority to buy back or allot shares to manage a discount or a premium, although there is no specified level of discount at which it will act. The only notable repurchases in the past five years occurred in 2016, when c 1.3m shares were bought back at a cost of c £8m; however, this is relatively insignificant compared with the 9.4m new BNKR shares issued as a result of the rollover of Henderson Global Trust in April 2016. The board and manager of BNKR take the view that it is more desirable as a means of controlling the discount to promote demand for the trust through marketing, rather than to shrink it through buybacks.

Exhibit 8: Share price premium/discount to NAV (including income) over three years (%)



Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

A conventional investment trust, BNKR has a single class of share, with 122.6m ordinary shares in issue at 28 September 2017. Structural gearing is in place through a £15m debenture with an interest rate of 8%, maturing in 2023, and a £50m issue of loan notes with an interest rate of 3.68%, maturing in 2035. Together, these equate to gross gearing of 6.2% based on 31 August net assets. The manager is able to reduce the level of gearing (which is permitted up to 20% of net assets) by holding more cash within the portfolio, and at 31 August 2017, net gearing stood at 2.0%.

Janus Henderson Investors is paid an annual management fee on a sliding scale according to the size of the trust. The fee is 0.45% of net assets up to £750m and 0.40% of net assets above £750m. There is no performance fee. The calculation basis of the management fee was simplified with effect from 1 July 2016 (see [our last note](#)), and for FY17 the fee is capped at £3.375m, which equates to 0.32% of net assets at 31 August 2017.

Dividend policy and record

BNKR pays dividends quarterly, in May, August, November and February. Having raised its annual dividend for the 50th consecutive year in FY16, it has the second-longest record of consistent dividend growth in the investment company sector. For FY17, the chairman has guided that dividends should be at least 18.0p, which would be a 5.9% increase on the 17.0p paid for FY16. So

far in FY17, quarterly dividends totalling 9.1p (4.4p and 4.7p) have been paid, an increase of 13.8% on H116. A third interim dividend of 4.7p has been declared and, given that payments have historically tended to be maintained or increased quarter-on-quarter, it would be reasonable to assume that the fourth dividend for FY17 will be no lower, leading to a potential full-year dividend of at least 18.5p (an 8.8% increase on FY16).

Compound annual dividend growth over the last five years has been 6.0%, well in excess of the rate of UK inflation. Dividends have been covered by net earnings in nine out of the last 10 years, assisted by the payment of special dividends by some portfolio companies. BNKR has a large revenue reserve, which stood at 30.9p per share at end-H117, or 26.2p once the second quarterly dividend has been paid. This is sufficient to fund the entire dividend at the level for FY16 for one-and-a-half years. Dividends may also be partly funded out of capital returns, although this has not happened in practice. Based on the 28 September share price, BNKR has a dividend yield of 2.2%.

Peer group comparison

BNKR is a member of the AIC Global sector, a peer group of 24 funds with varying investment remits, which includes some of the largest and longest-established investment trusts. Constituents are broadly unconstrained but may not invest more than 80% of their assets in any one geographical area. Exhibit 9 below shows the 11 largest funds (market cap above £500m), as well as averages for the whole sector. BNKR's NAV total returns are close to the simple average return over one, three, five and 10 years (weighted averages are skewed by the outperformance of the giant Scottish Mortgage investment trust). Ongoing charges, the discount and gearing are all below average, while BNKR's dividend yield is among the highest, ranked fifth overall and second in the group shown. In common with the majority of large peers, the trust does not charge a performance fee.

Exhibit 9: Global investment trusts above £500m market capitalisation at 20 September 2017*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf. fee	Discount (ex-par)	Net gearing	Dividend yield (%)
The Bankers Investment Trust	997.4	20.0	51.5	97.8	126.9	0.5	No	(2.0)	101	2.2
Alliance Trust	2,474.3	21.3	52.2	89.2	113.0	0.5	No	(5.2)	102	1.9
British Empire	802.6	21.5	39.8	73.3	84.4	0.9	No	(9.6)	105	1.7
Caledonia Investments	1,489.9	11.7	31.0	79.6	79.1	1.1	No	(15.3)	100	2.0
F&C Global Smaller Companies	765.3	16.9	52.5	118.7	200.0	0.6	No	1.3	103	0.9
Foreign & Colonial Investment Trust	3,270.2	18.3	51.2	96.1	123.8	0.5	No	(4.2)	106	1.7
Law Debenture Corporation	701.8	16.8	30.9	80.0	132.5	0.4	No	(9.6)	115	2.9
Monks	1,486.0	26.6	62.8	100.0	107.4	0.6	No	(1.6)	102	0.2
Scottish Investment Trust	667.9	17.6	44.3	80.7	99.6	0.6	No	(10.5)	104	1.7
Scottish Mortgage	5,914.6	35.2	82.4	184.9	242.5	0.4	No	(0.5)	103	0.7
Witan	1,822.1	18.2	48.3	104.8	140.5	0.8	Yes	(1.4)	108	1.9
Sector weighted average (24 funds)		23.4	57.5	117.3	151.2	0.6		(4.1)	104	1.4
Simple average (24 funds)	961.9	20.1	50.4	98.4	126.4	0.8		(5.1)	104	1.6
BNKR rank out of 24 funds	7	9	10	9	9	21		11	14	5

Source: Morningstar, Edison Investment Research. Note: *Performance data to 19 September 2017. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

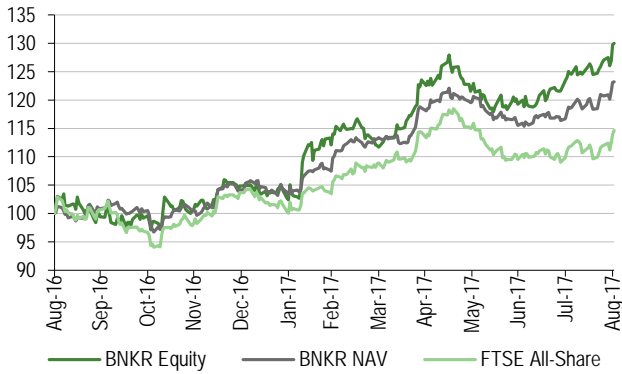
The board

There are five directors on the board of BNKR, all non-executive and independent of the manager. The chairman (since 2013), Richard Killingbeck, has served on the board since 2003. Matthew Thorne was appointed in 2008 and is chairman of the audit committee. Senior independent director (since 2015) Susan Inglis joined the board in 2012. Richard Wild and Julian Chillingworth were appointed in 2014 and 2015 respectively. The directors have backgrounds in fund management, law, accountancy and industry.

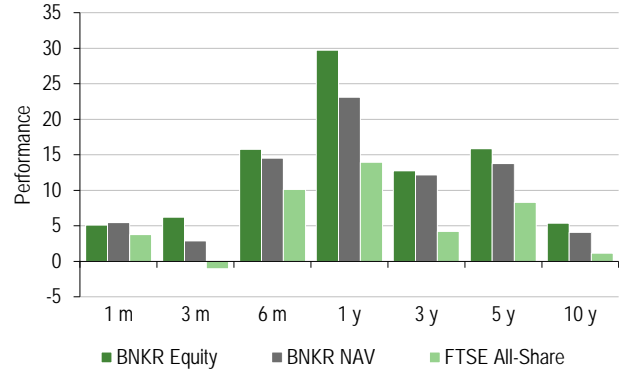
Performance tables in New Zealand dollar terms

Exhibit 10: Investment trust performance – in New Zealand dollar terms to 31 August 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

With sterling having been relatively stable versus the New Zealand dollar over the past 12 months, New Zealand-based investors in BNKR's shares have had a broadly similar experience to sterling-based investors (Exhibit 10, left-hand chart), with share price and NAV total returns of 29.7% and 23.1% in NZD terms compared with 30.2% and 23.5% for sterling investors over the year to 31 August 2017. The previous year (to 31 August 2016; see Exhibit 11), returns to NZD investors were hit hard by the weakness of sterling following the UK's EU referendum. Over longer periods, returns to NZD investors have been slightly lower, with annualised share price returns of c 5-15% over three, five and 10 years, compared with c 10-17% for sterling investors.

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 North America (%)	FTSE AW Asia Pac (ex-Jap) (%)
31/08/13	37.8	23.8	20.3	28.6	22.5	11.2
31/08/14	5.7	9.1	9.5	9.7	15.7	12.4
31/08/15	30.6	29.3	19.6	24.6	30.4	8.0
31/08/16	(15.4)	(11.3)	(17.0)	(14.2)	(2.5)	(0.2)
31/08/17	29.7	23.1	13.9	25.1	17.8	23.3

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

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