

Witan Investment Trust

Active, multi-manager approach to global equities

Witan Investment Trust (WTAN) aims to generate long-term growth in income and capital using a multi-manager approach to investing in equities globally. The trust has outperformed its benchmark over one, three, five and 10 years, and has recorded consecutive dividend growth over 40 years. Whilst there can be no certainty over future performance, the manager selection and diversification provided by Witan may well appeal to investors seeking a one-stop solution for global equity investment.

12 months ending	Total share price return (%)	Total NAV return (%)	Composite benchmark (%)	MSCI World TR GBP (%)	FTSE All-Share TR GBP (%)	FTSE AW North America (%)
30/11/11	(3.8)	(3.4)	(1.0)	1.0	2.6	5.5
30/11/12	14.4	13.7	12.4	12.2	12.1	13.3
30/11/13	35.7	29.0	21.1	24.3	19.8	25.9
30/11/14	18.4	10.1	8.5	14.5	4.7	21.4
30/11/15	6.1	3.6	1.6	3.9	0.6	5.2

Note: Twelve-month rolling discrete £-adjusted total return performance.

Investment strategy: Active multi-manager selection

Witan takes a multi-manager approach to investment in global equities (UK c 40%), assigning mandates to between 10 and 15 managers with different styles and specialisations. Andrew Bell took over as CEO in 2010 and has made changes to shift the portfolio towards managers with a higher conviction, concentrated, non-benchmark approach. This avoids over-diversification while mitigating the volatility that may arise from investment in a single manager. The trust also invests up to 10% of assets directly in collective funds to gain exposure to undervalued assets and to provide a geographical allocation overlay when appropriate.

Market outlook: Economic progress continues

Witan's composite benchmark recorded a modest positive return of 1.6% over the 12 months to end-November 2015, but this figure masks considerable volatility reflecting fears of waning Chinese growth, fluctuating risk aversion and uncertainty over the policy of key central banks. These concerns seem set to remain key considerations for markets but Witan's managers point out that global economic growth remains on a positive path with the benefits of the lower oil price yet to feed through fully providing potential for positive earnings surprises. Meanwhile, although some markets appear fully valued on a historical basis, there are still opportunities for active managers to exploit.

Valuation: Trading around NAV

Over the past three years Witan's discount to NAV has narrowed substantially and for most of 2015 it has traded close to or above NAV, probably reflecting the strong relative performance record and the appeal of the multi-manager approach to many investors. As a result, the trust has been providing liquidity by issuing shares, thereby containing any premium.

Investment trusts

7 December 2015

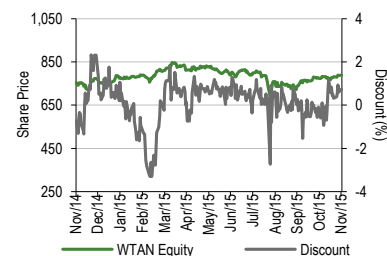
Price 773.5p
Market cap £1,542m
AUM £1,764m

NAV* 779.3p
 Premium/discount to NAV 0.0%
 NAV** 777.4p
 Premium to NAV 0.3%

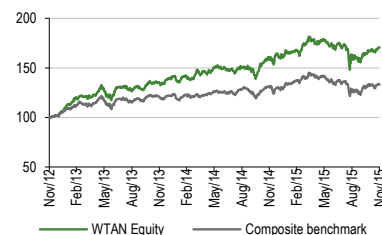
*Debt at par excluding income. **Debt at fair Including income. As at 3/12/15.

Yield 2.1%
 Ordinary shares in issue 199.4m
 Code WTAN
 Primary exchange LSE
 AIC sector Global Growth

Share price/discount performance



Three-year cumulative perf. Graph



52-week high/low 847.0p 688.5p
 NAV** high/low 840.3p 707.9p

**Including income.

Gearing

Net* 11%

*At 31 October 2015.

Analysts

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Exhibit 1: Trust at a glance

Investment objective and fund background

Witan Investment Trust (WTAN) aims to deliver long-term growth in income and capital through active multi-manager investment in global equities. Funds are currently allocated to 11 specialist managers and, to a limited extent, open-ended funds. Witan seeks managers with the conviction to take views that may diverge significantly from benchmark weightings.

Recent developments

- 11 August 2015: Half-year report. NAV total return +5.5% and share price TR +5.8% versus benchmark +3.6%.
- 10 April 2015: WTAN issued £21m of 20 year and £54m of 30 year fixed-interest debt at coupons of 3.29% and 3.47%.
- April 2015: James Hart (previously Cayenne Asset Management) joins investment team as investment director.

Forthcoming

AGM	April 2015
Interim results	August 2015

Capital structure

Ongoing charges	0.74% (0.96% incl. perf. fees)
Net gearing	11%
Annual mgmt fee	Only multi-manager charges
Performance fee	Yes (see page 7)
Trust life	Indefinite
Bonds, debt & prefs	£185m at 30 June 2015

Fund details

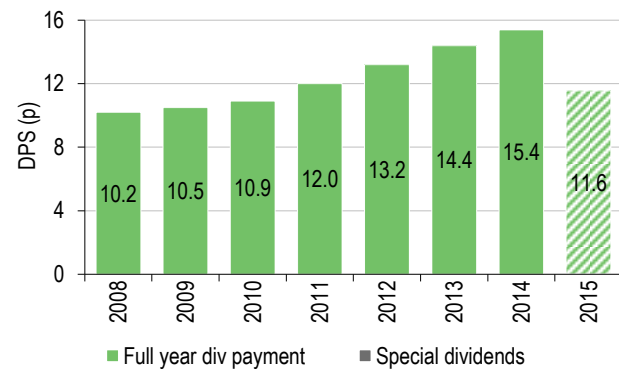
Group	Self-managed (Witan Inv. Services)
Managers	Andrew Bell (CEO), James Hart (Investment Director)
Address	14 Queen Anne's Gate, London, SW1H 9AA
Phone	0800 082 8180
Website	www.witan.com

Dividend policy and history

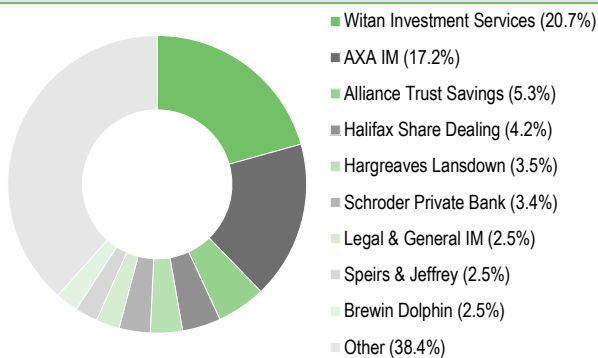
Quarterly dividends are paid, with the first three equivalent to a quarter of the previous year total and the final making up the full year payment. The board aims to increase the dividend in real terms. 2015 in chart is for first three payments of 3.85 per quarter – an increase of 6.9% on the 2014 level.

Share buyback policy and history

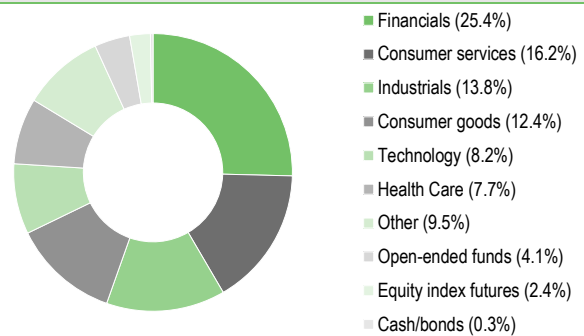
Renewed annually, the board has authority both to repurchase (14.99%) and allot (10%) ordinary shares. Shares may be held in treasury for re-sale.



Shareholder base (at 31 October 2015)



Portfolio exposure by sector (at 31 October 2015)



Top 10 holdings on a look-through basis (at 31 October 2015)

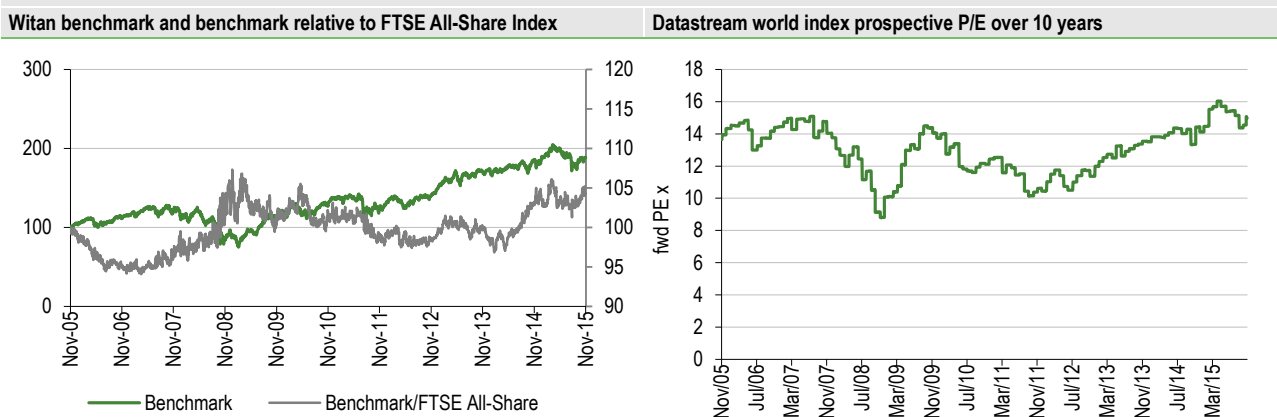
Company	Country of listing	Sector	Portfolio weight %	
			31 October 2015	31 October 2014*
Diageo	UK	Beverages	1.5	1.5
London Stock Exchange	UK	Financial services	1.4	1.7
Princess Private Equity	UK	Private equity	1.4	1.2
Unilever	UK	Food producers	1.3	1.3
Apax Global	US	Private equity	1.2	N/A
Relx	UK	Media	1.2	2
BlackRock World Mining Trust	UK	Investment Trust	1.2	N/A
BT	UK	Telecommunications	1.1	N/A
SVG	UK	Private equity	1.1	N/A
Sage	UK	Technology	1.1	N/A
Top 10			12.5	

Source: Witan Investment Trust, Edison Investment Research, Morningstar, Thomson. Note: *N/A where not in June 2014 top 10.

Market outlook: Global equities still offer opportunities

Witan's composite global benchmark (see note to Exhibit 2, below) has made strong progress since the beginning of 2013 to end November 2015 (+31%) and has outperformed the UK market (+23%) over this period. The current year has, however, seen considerable volatility reflecting renewed problems in Greece, the deflation of a bubble in the Chinese equity market, concerns over China's growth and continued risk aversion towards emerging markets generally. The IMF and others have also trimmed economic growth forecasts suggesting a more challenging background for corporate earnings prospectively. However, with world economic growth still expected to be just over 3% for the current year and improving to 3.6% in 2016 near term, negative revisions should probably not be overemphasised.

Exhibit 2: Witan benchmark performance and Datastream world index prospective P/E



Source: Thomson Datastream, Note: Witan benchmark is a composite of four indices – FTSE All-Share 40% and FTSE AW North America, FTSE AW Europe (ex UK) and FTSE AW Asia Pacific 20% each.

Turning to valuations, the global forward P/E ratio is below its peak but towards the upper end of its 10-year range (see right-hand chart, Exhibit 2) and, while price-to-book and yield measures are close to average values, this suggests that market progress may become more dependent on earnings growth. With global returns on equity running below average levels, there may be scope for these to normalise over time and there is considerable differentiation between and within markets providing stock and sector opportunities for actively managed funds to identify. Taking this backdrop and a consensus view that government bond valuations may be vulnerable, an equity fund with an active global multi-manager approach could appeal to many investors.

Fund profile: Global equity investment solution

Witan was founded in 1909 and listed on the London Stock Exchange in 1924. Previously managed exclusively by Henderson, it became self-managed in 2004, adopting its current multi-manager approach. The trust invests across global equity markets with the objective of generating long-term capital growth together with real income growth. The blended benchmark includes 40% UK exposure, with 20% each for the US, Europe and Asia Pacific. Mandates are normally allocated to between 10 and 15 managers. Witan looks for managers with a distinctive fundamental approach and a willingness to run high-conviction portfolios to ensure that the fund as a whole, while diversified, is differentiated from its benchmark. Witan may also invest up to 10% directly in collective funds that give exposure to mispriced or specialist assets and recovery situations.

CEO and investment director: Andrew Bell, James Hart

The managers' view: Still looking for global economic progress

At the beginning of 2015, Andrew Bell took a cautiously positive stance on the market on the view that the global economy would continue to make progress assisted by the lagged benefits of the fall in the oil price. In the event, concerns over China's volatile equity market and slowing economic growth together with fluctuating expectations on central banks' monetary policy have contributed to a bumpy ride in equity markets that has left Witan's benchmark only modestly ahead.

While acknowledging risks, the managers still have broadly positive expectations for the global economic background with oil prices seen as a positive driver of consumption in many countries and central bank actions likely to be carefully calibrated. Looking ahead, the managers see the Asia Pacific region as more interesting than others, so the c 15% exposure here could creep up modestly. Similarly, emerging markets and commodities, after prolonged relative weakness, look more interesting and the managers have expressed their view here by purchasing emerging market index futures and adding to the BlackRock World Mining Trust holding.

Bell and Hart are attracted to private equity as they see the longer-term investment commitment and close manager involvement with investee companies as positives to set against the relatively high fees charged. One new top-10 holding in this area is Apax Global Alpha, where Witan sees the target 50/50 split between private equity and a range of debt and equity investment ideas derived from Apax private equity activity as an effective way to manage cash flows and commitments.

Asset allocation

Investment process: Multi-manager with active approach

Witan has followed a multi-manager approach for over 10 years. The approach evolved following the appointment of Andrew Bell as CEO in 2010, as he reassigned a number of the mandates to ensure that each manager in the portfolio was genuinely active and conviction-led in their approach.

Witan seeks managers whose approach should allow them to harvest the longer-term growth arising from equity investment by focusing on fundamental values rather than short-term momentum. Funds are allocated to 10 to 15 managers employing a range of styles, including value and growth, but Witan is also conscious of the need to avoid over diversification. There are dedicated country/regional mandates for the UK, Europe, Asia Pacific and emerging markets but geographical allocations within the global mandates (approximately one-third of the portfolio) are determined by the external managers.

Catalysts for a change in manager are likely to be style drift or persistent underperformance that cannot be explained in terms of the manager's approach and prevailing investment conditions, rather than short-term weakness in performance. When selecting a new manager, Witan draws on the knowledge and experience of the directors, advisers and consultants, with a shortlist of managers invited to present to the Witan board prior to a decision being made. In addition to allocating mandates, Witan's board and management are responsible for adjusting asset allocation as opportunities arise, the appropriate use of borrowings and managing direct investments.

Up to 10% of the portfolio (at the time of investment) may be invested directly in collective funds selected by the Witan investment team. These will be in 'special situation' areas that appear to be undervalued, or to offer superior long-term growth. Investments have been made in areas such as private equity, and to augment geographical allocations as in the case of Japan where Witan invested in an OEIC and futures instrument to gain greater exposure to the benefits of Abenomics.

Current portfolio positioning

Witan has allocated 11 mandates to external managers including three UK, five global and also pan-European, Asia Pacific (including Japan) and emerging market remits. The most recent changes in managers were made in 2013 but since then there has been some shifting of allocation between managers. This year, modest changes included a reduction in the Lindsell Train weighting after a particularly strong run with funds reallocated to the team at Artemis, which had gone through a softer patch but subsequently staged a recovery. Witan also allocated more money to Matthews International (Asia Pacific) and Marathon (Europe), including funds raised through share issuance.

The directly held investments (8.0% of the total portfolio at the half-year end) included three private equity trusts – Apax Global Alpha, SVG and Princess Private Equity (3.7% in total end-October) and a holding in the BlackRock World Mining investment trust (1.2%). The holding is a response to Witan's view that the fall in commodities has been overdone and there now exist some mispricing opportunities. The trust exited its holding in the Polar Capital Japan Growth OEIC and its positions in Nikkei futures in the first quarter, as Witan believed that the benefits of Abenomics had been more fully factored into market valuations. Also a number of the underlying managers, notably Matthews, had started to increase their holdings in Japan. There are also holdings in the Edinburgh Dragon convertible loan stock and a Neuberger Berman distressed debt fund.

Exhibit 3: Witan portfolio analysis and performance by investment manager

Equity mandate	Investment manager	Benchmark (total return)	Investment style	% of FUM at 30/06/15*	Inception date	2015 half-year performance	
						Witan	Benchmark
UK	Artemis	FTSE All-Share	Recovery/special situations	10.3	6 May 2008	4.1	3.0
UK	Heronbridge	FTSE All-Share	Intrinsic value growth	6.7	17 Jun 2013	9.0	3.0
UK	Lindsell Train	FTSE All-Share	Long-term growth from undervalued brands	10.6	1 Sep 2010	6.9	3.0
Global	Lansdowne	DJ Global Titans	Concentrated, benchmark-independent investment in developed markets	10.1	14 Dec 2012	5.1	(0.5)
Global	MFS Intl.	FTSE All-World	Growth at an attractive price	8.2	30 Sep 2004	2.3	2.2
Global	Pzena	FTSE All-World	Systematic value	9.2	2 Dec-2013	2.1	2.2
Global	Tweedy, Browne	FTSE All-World	Fundamental value	3.0	2 Dec 2013	1.5	2.2
Global	Veritas	FTSE All-World	Fundamental value, real return objective	12.1	11 Nov 2010	4.2	2.1
Pan-European	Marathon	FTSE All-World Developed Europe	Capital cycles	7.7	23 Jul 2010	6.4	3.4
Asia Pacific (incl. Japan)	Matthews Intl.	MSCI Asia Pacific Free	Quality companies with dividend growth	11.1	20 Feb 2013	10.4	6.6
Emerging Markets	Trilogy Global Advisors	MSCI Emerging Markets	Fundamental, growth orientated	3.0	9 Dec 2010	(3.9)	2.2
Directly held investments	Witan Executive team	Witan's composite benchmark	Collective funds invested in mispriced assets, recovery situations or specialist assets	8.0	19 Mar 2010	4.4	3.6

Source: Witan Investment Trust. Note: *Excludes central cash balances.

Exhibit 4: Look-through geographical breakdown (%)

	End October 2015	End October 2014	Change from 2014	FTSE All-World end Oct 2015	Difference vs FTSE All-World
UK	43.0	42.2	0.8	7.1	35.9
North America	25.0	23.2	1.8	54.6	-29.6
Europe	17.0	14.6	2.4	16.1	0.9
Far East	10.0	10.5	-0.5	11.1	-1.1
Japan	4.0	7.1	-3.1	8.6	-4.6
Other	1.0	2.4	-1.4	2.4	-1.4
	100.0	100.0	0.0	100.0	0.0

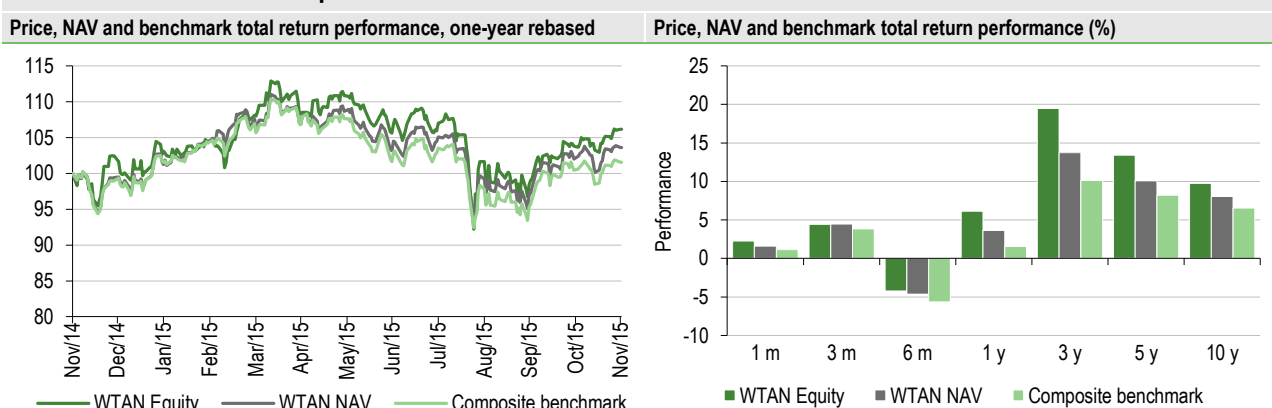
Source: Witan Investment Trust, Edison Investment Research

As Exhibit 4 shows, the UK forms the largest portion of the portfolio at 43% with only modest changes over a year including a reduction in Japanese exposure and increase in Europe. In sector terms, shown in Exhibit 1, financials has the largest weighting at 25.4%; the main change over a year was a reduction in open-ended funds reflecting the sale of the Japan OEIC.

Performance: Ahead of benchmark over most periods

Both Witan's share price and NAV total returns have outperformed the composite benchmark over all periods shown in Exhibit 5, with share price strength additionally reflecting the narrowing of the discount. Looking at alternative measures, the NAV return lagged the MSCI World return modestly over periods up to five years, but was significantly ahead of the FTSE All-Share. The UK market has lagged the global index so the trust's relatively high weighting in the UK has acted as a drag. Nine of the 11 external managers have exceeded their benchmarks since appointment or over the half year to end June (see Exhibit 3 for half-year performance). Witan's direct holdings also outperformed.

Exhibit 5: Investment trust performance to 30 November 2015



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 benchmark

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to Composite benchmark	1.1	0.5	1.5	4.5	27.8	26.4	34.5
NAV relative to Composite benchmark	0.5	0.6	1.1	2.0	10.3	8.9	15.1
Price relative to MSCI World	0.1	(1.3)	(1.9)	2.2	15.3	11.9	23.4
NAV relative to MSCI World	(0.5)	(1.3)	(2.3)	(0.2)	(0.5)	(3.6)	5.6
Price relative to FTSE All-Share	1.7	1.9	2.3	5.5	35.1	29.2	40.2
NAV relative to FTSE All-Share	1.0	2.0	1.9	3.0	16.6	11.3	19.9

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-November 2015. Geometric calculation. All indices total return and £ adjusted.

Discount: Trading close to NAV

The discount has contracted substantially over the last three years probably in reflection of the trust's performance and the appeal of its global multi-manager proposition. After some volatility at the beginning of 2015 the shares have generally traded close to NAV. Witan has the authority to buy back up to 14.99% of the issued share capital with the objective of achieving a sustainable discount of 10% or less, but this has not been necessary this year. Instead, the trust has provided liquidity by issuing approaching 10m shares to end of November at a premium to NAV, raising nearly £79m (compared with £112m devoted to share buybacks between 2009 and 2014).

Exhibit 7: Discount over three years (NAV with debt at fair value incl. income)



Source: Thomson Datastream, Edison Investment Research. Note: Negative values indicate a discount.

Capital structure and fees

Witan has 199.4m ordinary shares and a total of 2.6m preference shares in issue. In April this year the company took the opportunity to put in place an additional £75m of long-dated debt through a private placement (£21m at 3.29% for 20 years, £54m at 3.47% for 30 years). This took total fixed-rate borrowings to £185m but this figure is set to reduce to £140m when a £44.6m 8.5% debenture is repaid in October 2016. The weighted cost of structural debt will then fall to 4.6% from 7.0% prior to the new debt issuance. The size of Witan's short-term multi-currency debt facility has reduced from £70m to £25m and none was drawn at the June half-year end.

Board policy is to use gearing to manage risk actively and take advantage of investment opportunities. The external managers are not allowed to employ gearing but may hold cash. The board's policy is not to allow gearing to rise above 20% and it cannot be more than 15% when first committed; in the last five years it has generally been between 5% and 15% and where appropriate Witan may hold a small net cash position. Net gearing remains stable at around 11%.

The trust is self-managed in terms of allocating assets to external managers and the ongoing charge for 2014 of 0.96% with performance fees and 0.74% without, captures Witan's costs and the underlying charges associated with the manager mandates.

Dividend policy

While Witan is managed to deliver total returns, where possible its policy is to provide real dividend growth, measured against the UK consumer price index. The board does not set external managers yield targets as it considers this may constrain investment choices. The range of managers and diversity of underlying holdings should reduce the chances of large fluctuations in investment income. Witan has increased its dividend every year since 1974 and over the 10 years to end 2014 the trust delivered 6.0% compound annual growth in dividends, comfortably ahead of 2.6% consumer price inflation.

The trust pays quarterly dividends with the first three payments expected to be made at the rate of one quarter of the full-year dividend for the previous year (for 2015: 3.85p). The final payment is then set to give the full-year dividend. At the half-year end Witan had a revenue reserve equivalent to c 30p per share in issue, nearly twice the level of the 2014 dividend (15.4p) providing a cushion if there is a near-term revenue shortfall.

Peer group comparison

Witan is one of the 37 investment companies in the AIC Global sector, and in Exhibit 8 we include the 11 with market caps above £600m. These peers have a diversity of approaches and exposures, but most invest directly in equities: Witan is unique in having a full multi-manager approach. Witan's 43% UK allocation is above the 33% sector average and compares with the 8-49% range for the companies shown. Witan's NAV total return is above the weighted averages for the sector and the selected peers over three and five years. It is a little behind over one year, as might be expected given its higher UK weighting. Looking at risk-adjusted returns as measured by the Sharpe ratio, Witan is in line with peer and sector averages over one and three years. Witan's ongoing charge and dividend yield are also in line with peer group averages.

Exhibit 8: Selected peer group at 30 November 2015

% unless stated	Market Cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	Sharpe 1y (NAV)	Sharpe 3y (NAV)	Discount (ex-par)	Ongoing Charge	Perf. fee	Net gearing	Dividend yield (%)
Witan	1,546	4.0	47.7	62.2	0.6	1.2	1.0	0.8	Yes	113.0	2.1
Alliance Trust	2,821	5.4	35.9	49.2	0.6	1.0	(10.1)	0.7	No	112.0	2.0
Bankers	707	5.7	43.0	61.5	0.6	1.1	0.1	0.5	No	103.0	2.4
British Empire	624	(6.5)	11.5	17.7	(0.2)	0.4	(13.7)	0.9	No	100.0	2.6
Caledonia Investments	1,292	4.3	48.9	44.1	0.9	1.7	(17.1)	1.2	No	97.0	2.2
F&C Investment Trust	2,488	5.4	44.2	62.8	0.6	1.2	(7.8)	0.5	No	110.0	2.2
Monks	894	4.7	35.0	28.5	0.3	0.9	(11.5)	0.6	No	103.0	1.0
Personal Assets	605	1.9	6.0	25.9	0.7	0.3	(0.4)	0.9	No	83.0	1.6
RIT Capital Partners	2,475	8.5	41.4	44.2	1.1	1.5	1.5	1.2	Yes	128.0	1.9
Scottish Investment Trust	647	(0.0)	28.2	41.4	0.3	0.8	(10.8)	0.7	No	105.0	2.0
Scottish Mortgage	3,550	8.0	76.4	98.3	0.5	1.3	1.5	0.5	No	112.0	1.1
Weighted average		5.4	46.0	58.3	0.6	1.2	(4.8)	0.8		110.5	1.8
Sector weighted average		5.4	44.7	58.3	0.6	1.1	(4.3)	0.8		108.7	1.8

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

The board is unchanged from the last review. There are eight board members of whom seven are independent and non-executive. The directors, with year of appointment as director in brackets, are as follows: Harry Henderson (appointed 1988 and chairman from March 2003), Andrew Bell (CEO from February 2010), Robert Boyle (2007), James Bevan (2007), Catherine Claydon (2009), Suzy Neubert (2012), Richard Oldfield (2011) and Tony Watson (2006, senior independent director from February 2008)

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