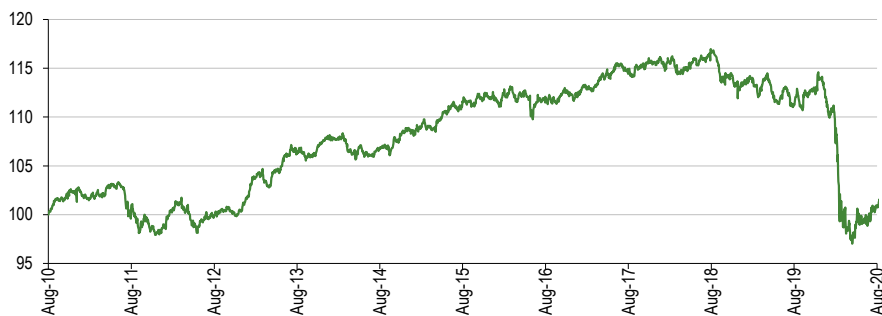


Witan Investment Trust

Evolution towards a more global portfolio

Witan Investment Trust (WTAN) has employed a multi-manager strategy since 2004. Investment director James Hart says the trust gives a balanced exposure to equities across regions and sectors. He suggests ‘the type of companies identified by the managers should provide good long-term prospects for shareholders, especially in the current environment, plus there is currently a wide discount to asset value’. WTAN offers a range of strategies not generally available to the retail investor, with c 25% of the portfolio in specialist areas including emerging markets, climate change and biotechnology. Hart argues the trust ‘brings something different’ and is a more rounded approach to global equity market opportunities.

Signs of recovery in long-term NAV performance versus the benchmark



Source: Refinitiv, Edison Investment Research

The opportunity

Starting in late 2019, WTAN began its move towards a more global portfolio. With the benefit of hindsight, this could have been undertaken at a more rapid pace, as the portfolio’s exposure to cyclical companies, especially in the UK, proved detrimental during the significant stock market sell-off in Q120. However, the trust only experienced a short-term period of relative underperformance and its results in recent months suggest that improving market sentiment and the changes in the multi-manager line up are bearing fruit.

Why consider investing in Witan Investment Trust?

- ‘One-stop shop’ for global investment, with a multi-manager approach and c 25% of the portfolio invested with specialist managers or directly in specialist funds.
- Scope for a narrower discount given ongoing share buybacks and an improvement in recent performance.
- Board commitment to adding to WTAN’s 45-year record of consecutive dividend increases.

Potential for higher valuation

WTAN’s current 7.9% share price discount to cum-income NAV is wider than the historical average discounts over the last one, three, five and 10 years (range of 3.1% to 5.5%), offering scope for a higher valuation. The board retains a long-term objective to create sustainable liquidity in the trust’s shares at or close to NAV. WTAN has a progressive dividend policy (current 3.0% yield).

Investment trusts Global equities

6 October 2020

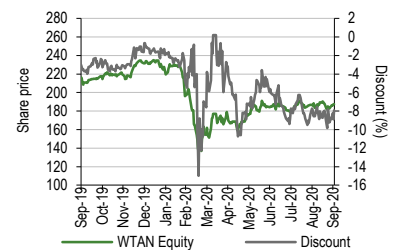
Price 187.6p
Market cap £1,533m
AUM £1,857m

NAV* 203.8p
Discount to NAV 7.9%
NAV** 203.8p
Discount to NAV 7.9%

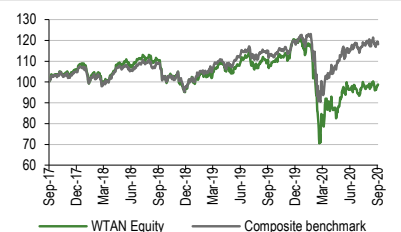
*Excluding income. **Including income. As at 2 October 2020.

Yield 3.0%
Ordinary shares in issue 817.0m
Code WTAN
Primary exchange LSE
AIC sector Global
Benchmark Composite (see page 3)

Share price/discount performance



Three-year performance vs index



52-week high/low 235.0p 136.0p
NAV** high/low 238.4p 155.9p

**Including income.

Gearing

Net* 9%

*As at 31 August 2020.

Analysts

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[Edison profile page](#)

Witan Investment Trust is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

WTAN aims to deliver long-term growth in income and capital through active multi-manager investment in global equities. Funds are allocated to eight external managers and 16% is directly invested in specialist funds and smaller, niche managers. WTAN seeks external managers with the conviction to take views that may diverge from benchmark weightings.

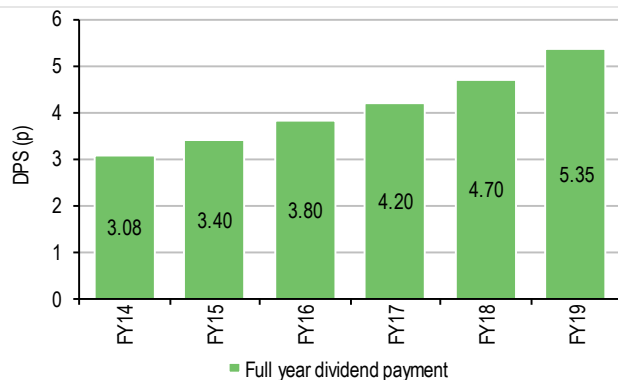
Recent developments

- 10 September 2020: update statement regarding the re-election of a director at the 2020 AGM (see details on page 11).
- 4 September 2020: announcement of the appointment of two global growth managers, WCM Investment Management and Jennison Associates.
- 11 August 2020: six-month report ended 30 June 2020. NAV TR -14.7% versus benchmark TR -2.1%. Share price TR -19.2%.
- 2 June 2020: update on WTAN's performance in 2020.

Forthcoming		Capital structure		Fund details	
AGM	April 2021	Ongoing charges	0.79% (0.87% incl. perf. fees)	Group	Self-managed (Witan Inv. Services)
Final results	March 2021	Net gearing	9%	Manager	Andrew Bell (CEO), James Hart (investment director)
Year end	31 December	Annual mgmt fee	See page 10	Address	14 Queen Anne's Gate, London, SW1H 9AA
Dividend paid	Mar, Jun, Sep, Dec	Performance fee	Yes (see page 10)	Phone	+44 (0)20 7227 9770
Launch date	February 1909	Trust life	Indefinite	Website	www.witan.com
Continuation vote	No	Loan facilities	See pages 9 and 10		

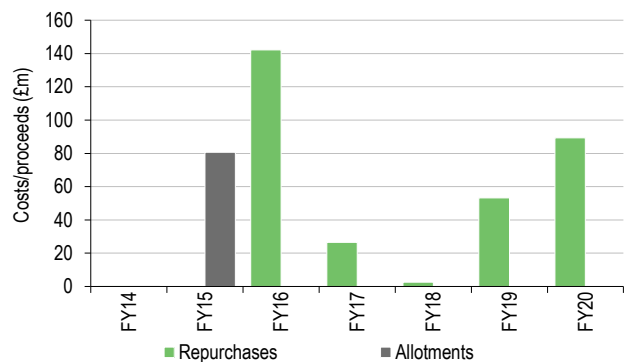
Dividend policy and history (financial years)

There have been 45 years of consecutive annual dividend increases. Chart adjusted for May 2019 5:1 share split.

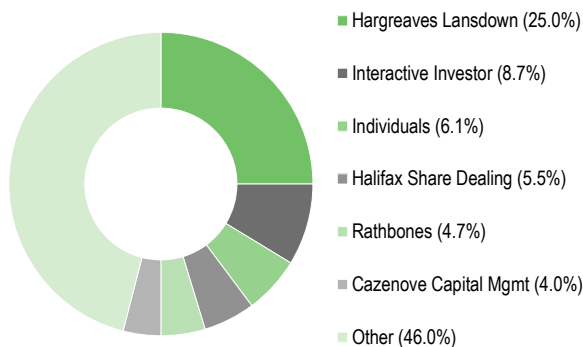


Share buyback policy and history (financial years)

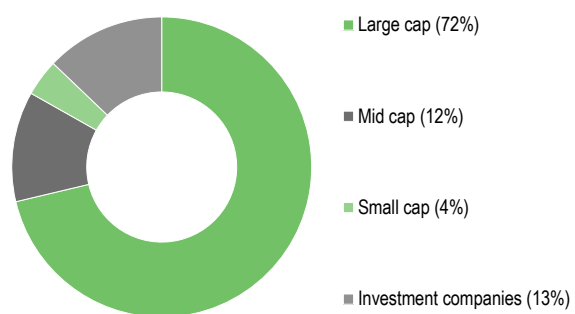
Renewed annually, the board has authority both to repurchase at a discount (14.99%) and allot at a premium (10%) ordinary shares. FY16 includes repurchase from Aviva.



Shareholder base (at 30 September 2020)



Portfolio exposure by market cap (at 30 June 2020, subject to rounding)



Top 10 holdings (at 31 August 2020)

Company	Country	Sector	Portfolio weight %	
			31 August 2020	31 August 2019*
GMO Climate Change Fund**	UK	Investment company	2.9	N/A
Apax Global Alpha**	UK	Investment company	2.8	2.3
Syncona**	UK	Investment company	2.5	2.1
Unilever	UK	Personal goods	2.1	1.8
BlackRock World Mining Trust**	UK	Investment company	1.9	1.3
Princess Private Equity**	UK	Investment company	1.7	N/A
Taiwan Semiconductor	Taiwan	Technology	1.7	1.2
Charter Communications	US	Communication services	1.6	1.0
Alphabet	US	Internet services	1.5	N/A
Tesco	UK	Consumer services	1.5	1.3
Top 10 (% of portfolio)			20.2	15.9

Source: WTAN, Edison Investment Research, Morningstar. Note: *N/A where not in end-August 2019 top 10. **Direct fund investments.

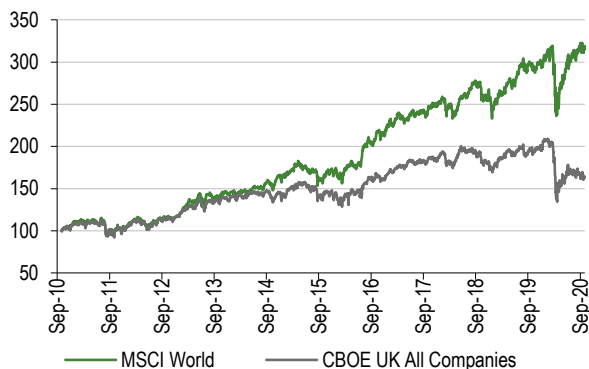
Market outlook: Remain vigilant

Global stocks in particular have bounced back very strongly following the coronavirus-led market sell-off earlier this year as investors have more confidence the authorities will do 'whatever it takes' in terms of monetary and fiscal policy to support the economy (Exhibit 2, LHS). As a result, in aggregate, equity valuations are not looking particularly attractive. The Datastream World index is trading at a forward P/E multiple of 19.0x, which is a 35% premium to its 10-year average.

Looking at the important features within the stock market this year, there has been a wide divergence in performance between those businesses that are beneficiaries of lockdowns, such as large-cap technology stocks and those industries that may be impaired, including retailers and areas catering to the travel and tourism sectors. Further periods of stock market volatility should not be ruled out given there is not yet an effective vaccine for COVID-19 and there are other important macro issues to consider, including ongoing tensions between the US and China, the upcoming US presidential election and Brexit negotiations. In addition, third-quarter earnings season has begun, which is likely to lead to some outsized individual share price moves. Given the uncertain macro backdrop and above-average equity valuations, remaining vigilant may be a sensible approach for investors.

Exhibit 2: Market performance and valuation

Performance of indices in £ (last 10 years)



Valuation metrics of DS World index (last 10 years, at 2 October 2020)

	Last	High	Low	10-year average	Last as % of average
P/E 12 months forward (x)	19.0	19.5	9.8	14.1	135
Price to book (x)	2.2	2.3	1.4	1.8	118
Dividend yield (%)	2.1	3.4	2.0	2.6	81
Return on equity (%)	7.4	13.2	7.4	11.0	67

Source: Refinitiv, Edison Investment Research

Fund profile: 'One-stop shop' for global investment

Launched in 1909, WTAN has been listed on the London Stock Exchange since 1924; it offers many thousands of investors a 'one-stop shop' for global investment. The trust is managed by the executive team of Witan Investment Services (WIS), which acts as its Alternative Investment Fund Manager. In 2004, WTAN became self-managed, appointed its first chief executive and adopted a multi-manager strategy, aiming to maximise returns while reducing the performance volatility risk arising from dependence on a single manager. The trust aims to generate a total return above that of its composite benchmark, while growing its dividend at a rate ahead of UK inflation. WTAN's composite benchmark with effect from 1 January 2020 is 15% UK and 85% World (including UK), meaning the effective UK percentage is 19%. It has evolved to reflect the board's growing belief that the best opportunities are available from a more global (combined with thematic) approach as opposed to a regional one.

WTAN's annual dividend has increased for the last 45 consecutive years and, despite the current challenging environment, the board is committed to adding to this record. To mitigate risk, its portfolio is diversified by geography, sector and at the individual company level. Gearing of up to

20% of net assets is permitted (typically in a range of 5–15%, while a small cash position may be held when deemed appropriate); at 31 August 2020, net gearing was 9%.

CEO and investment director: Andrew Bell, James Hart

The investment director's view: 'Optimistic'

We recently met with WTAN's investment director James Hart. His perspectives on the macro background were that towards the end of 2019, WIS became increasingly optimistic about a pickup in economic growth. However, what transpired in 2020, due to the coronavirus outbreak, was a widespread shutdown and a deep global recession. He says that during the spring and summer there were many discussions about what the shape of the economic recovery would be and before the resurgence in the number of COVID-19 cases, the data points were positive. The outlook for earnings growth was encouraging following better-than-expected results in Q220, and Q320 was shaping up well, while purchasing manager indices and other leading indicators were suggesting a sustained economic recovery from a very deep and rapid recession. The caveat was that governments did not respond in a draconian way to a second wave of COVID-19, but overall indicators were pointing to a sustained economic recovery.

Hart comments that looking at the performance of stock markets in Q3, having significantly outperformed through the pandemic, technology stocks lost some of their relative momentum. There was some pickup in the performance of cyclical stocks versus compound earners and internet platform stocks, although it is not yet clear if this trend will be sustained. If this does occur, the broader opportunity set would be beneficial for a globally diversified fund such as WTAN.

The investment director says that over the longer term, companies that can grow at a faster-than-average rate are likely to outperform. This belief is reflected in the evolution of WTAN's benchmark and external manager line up. Hart is fully expecting a recovery in cyclical assets but acknowledges the long-term prospects for deep-value companies look less positive. He comments that 'all eyes are on governments and their attempts to contain a second wave of infections, as despite a lower morbidity rate, there appears to be little political will to return to normality while the risk of a spike in cases remains'. The investment director suggests 'the development of a successful vaccine against COVID-19 would help to move the debate beyond how we control the virus to how we return to a near-normal environment'.

Hart remains 'optimistic' about the prospects for equity returns. He argues that while valuations in some markets and sectors are elevated, these are rational given the earnings growth potential, and modest returns available in other asset classes such as government bonds and cash. The investment director notes bifurcation in the market, as those companies not trading on high valuations are generally very inexpensive. Areas in the market where short-term valuations appear a little stretched include large-cap technology and high-growth stocks, and consumer staples. Hart suggests 'those companies trading on lower valuations will make attractive investments when the clouds lift'. However, he is mindful that stock markets are likely to experience further periods of volatility due to market bifurcation, political uncertainty, Brexit and a non-linear economic recovery following the coronavirus outbreak. He notes the US had been a very strong equity market, partly due to its sector make up; however, in recent months it has given up some degree of its outperformance. A weaker US dollar due to the Federal Reserve's easy monetary policy and political uncertainty in the country has ensured equities in emerging markets have performed better; however, given the US's structural advantages, the investment director does not expect this market to go into reverse, although he suggests its leadership could moderate in the short term.

Asset allocation

Investment process: Primarily external managers

WTAN's investment approach primarily uses external managers. Global portfolios make up 65% of the fund (+/-5%), 10% (+/-5%) is in UK mandates, 10-15% of the fund is invested in managers focused on long-term growth themes, as well as newly established managers with the potential to contribute positively to WTAN's future returns. Up to 10% is directly invested in special situations in investment companies. Benefits of a multi-manager strategy include access to a broad range of opportunities, many of which are not available to the retail investor; the potential to smooth volatility in returns; and WIS's executive team can adjust manager allocations and portfolio exposure.

Individual managers run high-conviction portfolios, helping to ensure WTAN's combined portfolio is not overdiversified. The external managers have between 20 and 60 holdings in their portfolios and in aggregate the trust has just over 300 positions. WTAN has a 77% active share, which is a measure of how a fund differs from its benchmark, with 0% representing full index replication and 100% no commonality. Exchange-traded index futures are used to make inexpensive tactical adjustments to regional exposure without interfering with the strategies of the third-party managers, who are not permitted to use derivatives or employ gearing, but who may hold cash when deemed appropriate.

When selecting external managers, the board seeks firms with talented people and accountable investment leadership; those that have high-conviction portfolios built using clear processes; holdings in companies that have long-term growth in sustainable cash flows; and portfolios with the potential for material outperformance over the long term, after fees.

Hart says an assessment of companies' environmental, social and governance (ESG) credentials is an increasingly important part of the investment process. All of WTAN's managers have signed up to the United Nations-supported Principles for Responsible Investment, which is seen as a code of best practice on ESG issues. WIS needs to ensure its managers adhere to this and to understand their investment approaches. The investment director says there have been various criticisms that a focus on ESG is just a box-ticking exercise, but he believes that if taken seriously, it can improve shareholder returns while reducing risk.

Current portfolio positioning

Exhibit 3 shows WTAN's multi-manager line up at the end of June 2020. Hart says changes made in recent months should be put into context. At the end of 2019, the board announced a change in the benchmark with a higher global weighting and less exposure to the UK and Europe, reflecting its view that better opportunities were available to managers who had the flexibility to invest across borders, often outside of these markets. At the same time, manager Lindsell Train was changed from a UK to a global mandate.

In May 2020, the two European portfolios run by CRUX and SW Mitchell were sold – the old benchmark had a 20% weighting to Europe, which required specialist managers. Global manager Pzena's deep-value global portfolio was also sold in late May reflecting a change in the investment environment. Hart suggests that 'life will become increasingly difficult for strategies which limit themselves to deep value, given technological disruption and other areas affected by changing consumer behaviour or regulatory pressure, which can loosely be defined as ESG issues'. The investment director says there are always opportunities to invest in inexpensive companies that have prospects of rerating and these could be available via an adaptable global manager such as Lansdowne or UK manager Artemis when deemed appropriate. Proceeds from portfolio disposals were invested in an S&P 500 exchange traded fund (ETF) to maintain exposure to the US.

In August 2020, UK manager's Heronbridge portfolio was sold along with the S&P 500 ETF, with the proceeds reinvested in two new global managers, Jennison Associates and WCM. The two new

managers focus on faster-growth companies, continuing WTAN's move to an increased focus on quality growth and less on deep-value companies.

Exhibit 3: Witan portfolio analysis and performance by investment manager at 30 June 2020

Equity mandate	Investment manager	Benchmark (total return)	Investment style	% of AUM at 30 June 2020*	Inception date	Performance (% pa, inception to end-Jun 20)		
						Witan	B'mark	Diff.
Global	Lansdowne Partners	All-World	Concentrated, benchmark-independent investment in developed markets	18.0	14-Dec-12	12.4	12.7	(0.3)
Global	Lindsell Train	All-World	Concentrated portfolio of exceptional companies demonstrating long-term durability in cash and profit generation	14.7	01-Sep-10	4.5	0.7	3.8
Global	Veritas	All-World	Fundamental value, real return objective	20.1	11-Nov-10	13.4	10.9	2.5
UK	Artemis	All-Share	Recovery/special situations	6.5	06-May-08	7.1	4.4	2.7
UK	Heronbridge	All-Share	Intrinsic value growth	2.9	17-Jun-13	5.9	4.0	1.9
Asia Pacific (incl. Japan)	Matthews Int'l	MSCI Asia Pacific Free	Quality companies with dividend growth	6.3	20-Feb-13	8.8	8.1	0.7
Emerging Markets	GQG Partners	MSCI Emerging Markets	High-quality companies with attractively priced growth prospects	5.9	16-Feb-17	8.9	4.8	4.1
Directly held investments	Witan's Executive Team	Witan's composite benchmark	Undervalued specialist collective funds and smaller manager mandates	9.9	19-Mar-10	9.4	8.5	0.9
Directly held investments	Latitude	All-World	High conviction, low volatility global fund	3.1	31-Mar-18	8.9	10.2	(1.3)
Directly held investments	GMO	All-World	Climate change fund	2.7	05-Jun-19	8.1	9.5	(1.4)

Source: Witan Investment Trust. Note: *Percentage of Witan's assets managed, numbers subject to rounding (excludes c 10% invested in a US exchange traded fund).

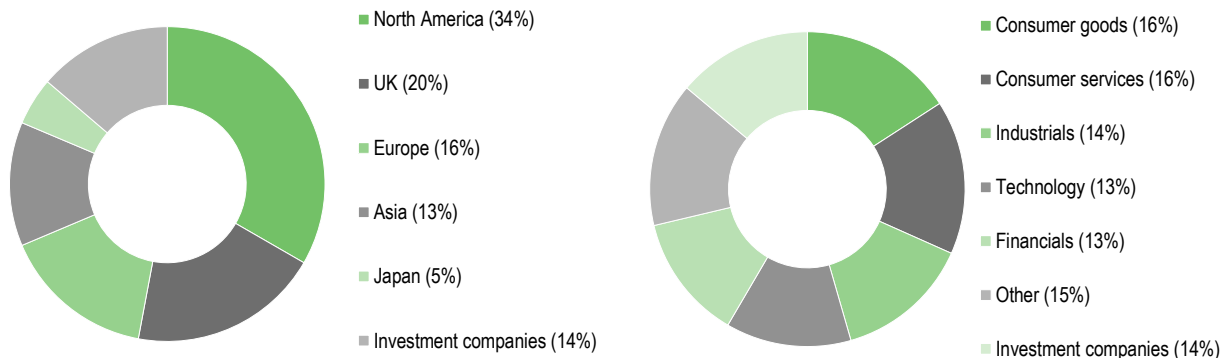
Hart said the board and WIS considered a long list of growth managers and were impressed by those selected. Jennison Associates focuses on innovative businesses that have a positive inflection in their growth rate, such as Amazon.com, payment processor Adyen, online marketplace Mercado Libre and e-commerce software company Shopify. Manager Mark Baribeau has a very strict investment approach; only companies with sustainable growth rates are deserving of a place in the portfolio and he does not get carried away when investing in high-growth segments of the market. According to Hart, Baribeau has a deep research knowledge and is supported by a strong analyst team. Jennison is based in New York and Boston, and is owned by large asset manager Prudential Financial, but operates with a boutique mentality.

WCM is an employee-owned partnership based outside Los Angeles. It focuses on investee companies' corporate cultures and has been able to quantify how having a strong corporate culture translates into higher-than-average shareholder returns. As an example, in the US, the two largest warehouse clubs are Costco and Sam's Club (a division of Walmart). Costco pays its employees more than the minimum wages and benefits; hence, staff turnover is considerably lower than at Sam's and the firm offers a more enjoyable customer experience. This has translated into better company performance. WCM also focuses on a company's economic moat (competitive advantage). Hart explains that while this is not a new concept, the manager is interested in those companies with a growing moat. He cites the example of the demise of Nokia, which previously dominated the mobile phone handset market, but stopped innovating and allowed rivals to challenge its position.

As at 31 August 2020, WTAN's portfolio was split as follows (numbers subject to rounding): Veritas (global – 20%); Lansdowne Partners (global – 18%); Lindsell Train (global – 15%), WCM (global – 8%); Jennison Associates (global – 4%); Artemis (UK – 6%); Matthews (Asia Pacific – 6%); GQG Partners (emerging markets – 6%); direct holdings (including the GMO Climate Change Fund – 13%); and newly established manager Latitude (global – 3%). Hart says that WIS can gradually increase exposure to the two new growth managers, or could do so more aggressively if there is a setback in the performance of growth stocks; he stresses that 'WTAN has made these appointments as part of an ongoing process to a more global portfolio, but the allocations reflect the fact that many of these stocks have recently performed strongly'. The investment director explains

that WTAN also aims to offer investors exposure to structural growth themes including climate change, biotechnology, early-stage higher-growth tech names and small-cap stocks that the board and WIS consider to be attractive opportunities and may not be covered by traditional growth managers.

Exhibit 4: Portfolio distribution by geography (left) and sector (right) as at 31 August 2020



Source: Witan Investment Trust, Edison Investment Research. Note: Numbers subject to rounding.

Commenting on WTAN's portfolio of direct holdings, Hart notes that activity has been relatively modest in recent months, although there has been some 'trading around the edges, taking advantage of market volatility in names already owned'. He says performance in 2020 has been somewhat difficult as fund discounts have widened, although he expects them to narrow again in time. Generally, the investment director is very comfortable with the quality of the underlying assets, which have performed well so far this year. He notes that Schroder UK Real Estate, despite having a high-quality property portfolio and a solid capital structure 'has had a particularly torrid time this year' and is trading at a significant discount to NAV. Hart says Apax Global Alpha 'has had some really good results in higher-growth sectors and some good realisations' and he considers Apax Partners to be a high-quality private equity house. BlackRock World Mining Trust was originally purchased in 2014, and the investment director says the position was increased in size on share price weakness at various points over subsequent years. He says that despite strong share price performance since 2016, the fund's prospects are better now than they have been for a long time, with demand picking up and supply constrained as mining companies are now being run more conservatively and efficiently in terms of their capital allocation.

Performance: Recovering from a tough period

Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Composite benchmark* (%)	MSCI World (%)	CBOE UK All Companies (%)
31/08/16	10.9	19.8	19.6	26.0	12.7
31/08/17	29.6	22.4	19.4	18.8	14.3
31/08/18	9.8	9.2	7.3	12.7	4.3
31/08/19	(3.5)	(0.8)	3.9	7.6	0.3
31/08/20	(9.0)	(5.3)	4.5	6.8	(13.5)

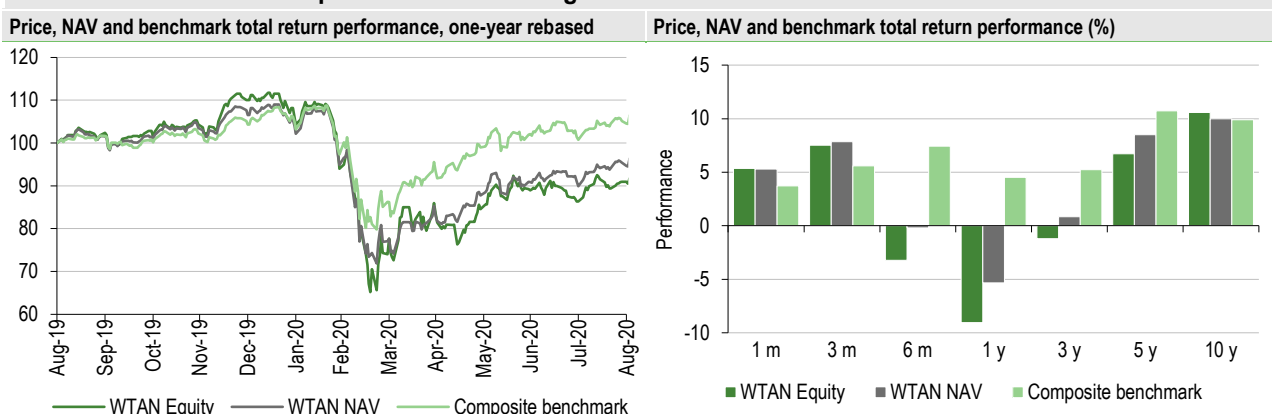
Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *See fund profile section on page 3. From 1 January 2017 to 31 December 2019, 30% UK, 25% North America, 20% Asia Pacific, 20% Europe (ex-UK) and 5% Emerging Markets and from 1 January 2020, 15% UK and 85% world (including UK).

During H120 (ending 30 June), WTAN's NAV and share price total returns of -14.7% and -19.2% respectively trailed that of the benchmark's -2.1% total return. The two individual European managers and global manager Pzena, who are no longer in the trust's line up, underperformed their respective markets, as did global manager Lansdowne and WTAN's directly held investments. The three best-performing managers were GQG (emerging markets), Lindsell Train (global) and

Matthews (Asia Pacific including Japan). Overall, gearing detracted from returns (negative contribution in Q120 and positive in Q220).

Hart says that WTAN had a 'horrible six- to seven-week period of relative performance' earlier in 2020 as a result of the portfolio being positioned for an economic recovery when the COVID-19 pandemic hit. The shift to a more global portfolio was undertaken in a gradual way, which meant that when stocks fell sharply the trust had heavy weightings in the UK and Europe, which performed relatively poorly, and less exposure to the US, a market that fared significantly better. The investment director is encouraged to see that since May 2020, WTAN has outperformed its benchmark, helped by broader stock market performance and the external manager changes. He says that the performance of the Lansdowne portfolio has stabilised as there is greater optimism in the market towards more cyclical names, while the global, Asian and emerging markets managers have performed well. 'Now is more like how WTAN should be performing,' Hart adds. He also cites recent commentary from the trust's CEO Bell stating that 'fund managers should always caution that periods of good performance must not be extrapolated, but nor should the anomalously weak performance during the financial and economic ructions at the beginning of the COVID-19 lockdown be given undue weight in making decisions about investments for the future'.

Exhibit 6: Investment trust performance to 31 August 2020



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

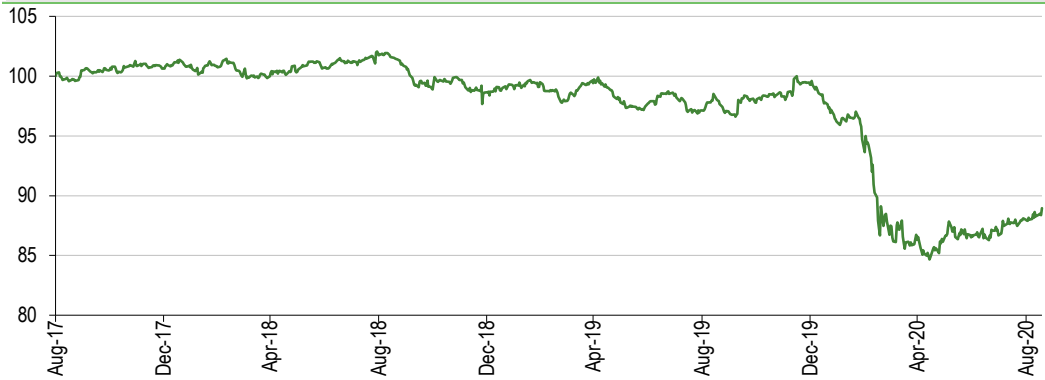
WTAN's relative returns are shown below in Exhibit 7. The poor period of performance earlier in 2020 has had a negative impact on the trust's longer-term track record. While WTAN has outperformed its composite benchmark over the last decade in both NAV and share price terms, it is behind over one, three and five years, although as discussed above much of this underperformance was confined to Q120, and the improved relative performance shown in the three-month numbers is encouraging. The potential benefits of investing overseas rather than just focusing on the UK are very apparent, with WTAN outperforming the broad UK market over all periods shown.

Exhibit 7: 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 composite benchmark	1.6	1.8	(9.9)	(13.0)	(17.3)	(16.8)	6.1
NAV relative to composite benchmark	1.5	2.1	(7.1)	(9.4)	(12.0)	(9.7)	0.8
Price relative to MSCI World	0.7	1.4	(12.6)	(14.8)	(25.6)	(28.6)	(18.8)
NAV relative to MSCI World	0.7	1.7	(9.9)	(11.3)	(20.9)	(22.5)	(22.9)
Price relative to CBOE UK All Companies	3.4	7.5	5.5	5.1	6.6	18.8	54.7
NAV relative to CBOE UK All Companies	3.4	7.9	8.8	9.4	13.4	29.0	46.9

Source: Refinitiv, Edison Investment Research. Note: Data to end-August 2020. Geometric calculation.

Exhibit 8: NAV total return performance relative to benchmark over three years



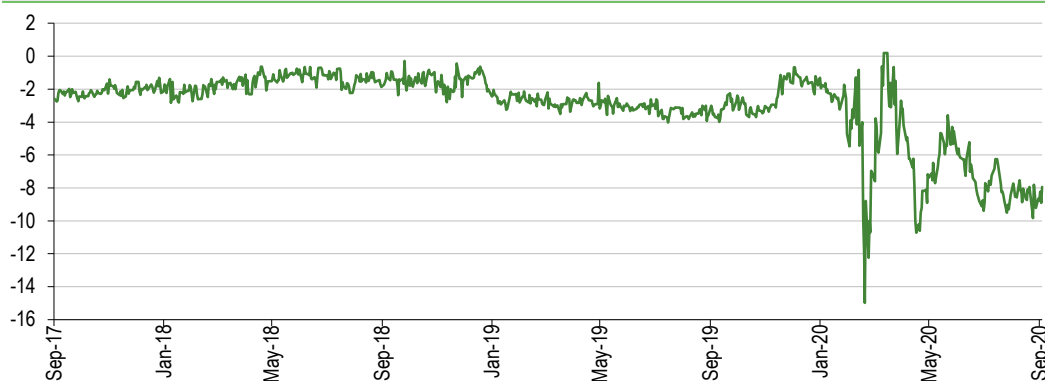
Source: Refinitiv, Edison Investment Research

Discount: Wider than average, active buy backs

WTAN's current 7.9% share price discount to cum-income NAV is wider than usual and, according to Hart, 'wider than the board is comfortable with'. He suggests this is partly due to larger investment trust discounts following the market volatility earlier in 2020 and as a result of WTAN's short-term hit to relative performance this year. The investment director believes 'if relative performance improves, the discount will look after itself. In a perfect world the discount should be closer to asset value or trading at a small premium.' WTAN's board is continuing to repurchase shares. In H120, 20.5m shares were bought back (2.4% of the share base) at an average discount of 5.8%, and so far this year (to 2 October) more than 5% of the share base has been repurchased.

Over the last 12 months the trust has traded within a range of a 0.2% premium to a decade-wide 15.0% discount. Average discounts over the last one, three, five and 10 years are 4.9%, 3.1%, 3.4% and 5.5% respectively.

Exhibit 9: Share price premium/discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

WTAN is a conventional investment trust with one class of share; there are currently 817.0m ordinary shares in issue. At end-FY19 WTAN had c £220m of fixed-rate borrowings at an average rate of 3.8%, compared with 7.0% in 2015, made up as follows: £64m 6.125% secured bonds maturing in 2025; £21m 3.29% secured notes 2035; £54m 3.47% secured notes 2045; £50m 2.39% secured notes 2051; and £30m 2.74% secured notes 2054. The trust also has a £100m short-term

multi-currency loan facility (reduced from £125m in July 2020 to save on loan commitment fees). During H120, WTAN repaid the 6.125% 2025 secured bonds for an early prepayment fee of £22m; given the current low level of interest rates available, this was viewed as a prudent measure. At the end of August 2020, net gearing was 9%, which is broadly in the middle of the historical range, reflecting a positive view on the outlook for global equities, while acknowledging that macro uncertainties exist.

WTAN pays its external managers base fees in a range from 0.30–0.65% pa; this is unchanged following the changes in the multi-manager line up, due to advantageous terms negotiated with the new providers. Only one manager, accounting for just 6% of WTAN's assets, is eligible for a performance fee (which they are currently not earning) and they receive the lowest base fee, while the majority of the managers' fee structures taper, with lower rates paid on a higher level of assets under management. In H120, WTAN's ongoing charges (excluding performance fees) were 0.43% versus 0.39% in H119; including performance fees they were 0.43% versus 0.46% (note that these figures are not annualised). For context, WTAN's ongoing charges in FY19 were 0.79% excluding performance fees and 0.87% including performance fees.

Dividend policy and record

WTAN pays quarterly dividends in March, June, September and December. In the absence of unforeseen events, the first three interim payments equal one quarter of the prior year's annual dividend, while the fourth payment is a balancing amount.

Dividends paid in respect of H120 were 2.68p per share, +14.0% year-on-year. Revenue earnings were 1.65p per share versus 3.42p per share in H119 (-51.8%) due to global dividend cuts and the transition towards a lower-yielding portfolio with faster dividend growth. WTAN has significant revenue reserves, equivalent to more than 1.5x the last annual dividend at the end of 2019, having added to revenue reserves in each of the last nine years. The board is proud of the trust's 45-year track record of consecutive dividend increases and has announced its commitment to continuing this trend. Distributions can be made from capital reserves if necessary but has not happened so far. Revenue reserves, which were last drawn upon in 2010, will be required to support the FY20 dividend.

All else being equal, WTAN's income will initially be lower going forward following the changes to the manager line-up as the new portfolios have a lower starting yield than those that were retired. Hart explains that income is expected to recover to previous levels in due course and that the flexibility provided by the investment trust structure allows WTAN's managers to focus on total return rather than income, and that the dividend decision was not affected by this.

Based on its current share price, WTAN offers a 3.0% dividend yield.

Peer group comparison

WTAN is a member of the 16-strong AIC Global sector; with a market cap of c £1.5bn, it is one of the largest. The trust's NAV total returns are below average over the periods shown, ranking 13th over the last one and three years, 12th over five years and 11th over 10 years. WTAN's discount is currently wider than the sector average and versus its closest peer, Alliance Trust (another fund employing a multi-manager strategy). The trust's ongoing charge is modestly above average and one of its external managers is eligible for a performance fee. WTAN's level of gearing is above the mean and it has an above-average dividend yield, ranking fourth.

Exhibit 10: AIC Global sector at 2 October 2020*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee**	Net gearing	Dividend yield
Witan	1,532.8	(3.9)	7.3	59.2	144.5	(8.1)	0.8	Yes	109	3.0
Alliance Trust	2,626.7	5.4	22.7	85.8	164.0	(5.4)	0.6	No	102	1.8
AVI Global Trust	775.8	2.0	15.8	80.8	100.6	(9.5)	0.9	No	107	2.2
Bankers	1,302.5	8.1	29.5	91.6	196.2	0.2	0.5	No	100	2.1
Brunner	318.9	1.8	16.4	71.4	148.0	(16.5)	0.7	No	106	2.7
EP Global Opportunities	101.4	(9.5)	(6.9)	41.3	93.3	(9.3)	1.0	No	100	2.3
F&C Investment Trust	3,686.1	6.6	27.9	89.2	189.3	(10.5)	0.5	No	108	1.7
JPMorgan Elect Managed Growth	235.1	(0.6)	15.9	56.0	152.6	(5.3)	0.6	No	100	1.9
Lindsell Train	230.0	5.0	74.9	211.7	583.1	3.4	0.8	Yes	101	3.6
Majedie Investments	93.3	(15.9)	(18.2)	4.8	59.9	(27.6)	1.0	Yes	110	6.5
Manchester & London	235.2	22.3	63.1	168.4	113.6	(1.7)	0.8	No	100	2.4
Martin Currie Global Portfolio	275.5	19.9	51.9	125.3	237.7	(0.1)	0.6	Yes	101	1.2
Mid Wynd International	344.2	16.6	48.4	120.2	220.3	1.8	0.7	No	100	0.9
Monks	2,545.1	30.5	59.5	165.4	222.1	1.1	0.5	No	105	0.2
Scottish Investment Trust	512.5	(7.9)	(1.6)	46.5	103.5	(10.9)	0.6	No	100	3.3
Scottish Mortgage	14,481.1	97.1	147.6	349.4	688.9	0.2	0.4	No	102	0.3
Average	1,831.0	11.1	34.6	110.4	213.6	(6.2)	0.7		103	2.3
WTAN rank in group (16 trusts)	5	13	13	12	11	10	4		2	4

Source: Morningstar, Edison Investment Research. Note: *Performance data to 1 October 2020 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets. **One of WTAN's managers is eligible for a performance fee.

The board

WTAN's board has nine directors, eight of whom are independent of the manager. Its four primary responsibilities are governance, risk management, selecting the third-party managers and assessing the trust's performance. Chairman Andrew Ross joined the board in May 2019 and assumed his role following the retirement of Harry Henderson at the April 2020 AGM. The other seven independent directors and their dates of appointment are: Tony Watson (February 2006 and senior independent director since February 2008); Suzy Neubert (April 2012), Ben Rogoff (October 2016), Jack Perry (January 2017), Paul Yates (May 2018); Gabrielle Boyle (August 2019); and Rachel Beagles (July 2020). WTAN's non-independent director is its CEO, Andrew Bell; he joined the board in February 2010.

The trust's newest director Beagles is chairman of the Association of Investment Companies and a non-executive director of Aberdeen New India Investment Trust and Gresham House. During the past five years she has also been chairman of Securities Trust of Scotland and a non-executive director of Blackrock Emerging Europe, Schroder UK Mid Cap Fund and Crown Place VCT. Beagles's background is in financial markets, primarily in equity research and sales from 1990 until 2003. She was a managing director and co-head of the pan-European banks equity research and sales team at Deutsche Bank's corporate and investment banking division, following a period as a director of Bankers Trust International. Since 2003, she has worked as a non-executive director in the investment company, asset management, charity, and social housing sectors.

On 10 September 2020, WTAN issued a statement regarding the re-election of Watson at the 29 April 2020 AGM. Although the board had advised that Watson was due to retire in 2021, 21% of votes were cast against this resolution on the basis that he was deemed to be non-independent due to his length of service. The board explained that it considered it inappropriate that both Watson and chairman Henderson stepped down at the same time, along with Richard Oldfield who also retired at the 2020 AGM and was chairman of the remuneration and nomination committee.

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