

# Witan Investment Trust

## Back on track

Witan Investment Trust (WTAN) has employed a multi-manager approach since 2004, including strategies that may be unavailable to the general investor. The trust is back on track following a period of weak performance in early 2020 due to its positioning during the extreme coronavirus-led market sell-off, and is ahead of its composite benchmark and the majority of its peers over the last 12 months (WTAN has also outperformed its benchmark over the last decade). The trust's portfolio was restructured in a measured way in 2020 as part of a long-term strategy to align the fund with available global investment opportunities, and its investment director James Hart believes that WTAN is well positioned to continue to deliver positive performance in the current environment of broader stock market leadership.

### Recent WTAN video with CEO Andrew Bell



Source: Witan Investment Trust

## The analyst's view

Stock market leadership has broadened in terms of both geography and style, which has been beneficial for the performance of WTAN's diversified portfolio. The trust offers a mix of both mainstream (c 75%) and specialist (c 25%) investments providing good exposure to both long-term growth strategies and cyclical opportunities as the global economy normalises. Recent niche additions to the fund include Lindenwood (unquoted high-growth technology companies) and the VH Global Sustainable Energy Opportunities Trust, while WTAN's largest position is the specialist GMO Climate Change Fund (3.7%). The UK has been out of favour in recent years since the June 2016 Brexit vote, which has weighed on the trust's performance; however, investors are acknowledging the value available here as evidenced by a recent pickup in bid activity, primarily from overseas private equity buyers.

## Scope for a higher valuation

WTAN's current 7.3% share price discount to cum-income NAV is wider than its longer-term averages of 4.0% to 5.1% over the last three, five and 10 years. There is scope for a higher valuation now that the trust's performance is back on track. WTAN has a 46-year record of consecutive annual dividend growth and currently offers a 2.2% yield, which is higher than its peer group average, as is its level of net gearing (currently 10.1%).

## Investment trusts Global equities

10 September 2021

**Price** 250.0p  
**Market cap** £1,904m  
**AUM** £2,238m

NAV\* 269.7p  
Discount to NAV 7.3%

\*Including income. As at 8 September 2021.

Yield 2.2%  
Ordinary shares in issue 761.5m  
Code/ISIN WTAN/GB00BJTRSD38  
Primary exchange LSE  
AIC sector Global  
52-week high/low 252.0p 182.2p  
NAV\* high/low 271.3p 199.4p

\*Including income

Net gearing\* 10.1%

\*As at 31 July 2021.

### Fund objective

Witan Investment Trust aims to deliver long-term growth in income and capital through active multi-manager investment in global equities. Funds are allocated to 10 external managers with c 25% invested in specialist managers and funds. WTAN seeks external managers with the conviction to take views that diverge from benchmark weightings. The trust's composite benchmark with effect from 1 January 2020 is 15% UK and 85% world (including UK).

### Bull points

- 'One-stop shop' for global equity investment.
- Improving investment performance.
- Potential benefits from a multi-manager approach.

### Bear points

- WTAN's performance has lagged that of its peers over the medium term.
- The FY20 dividend was uncovered.
- Global equity valuations are extended.

### Analysts

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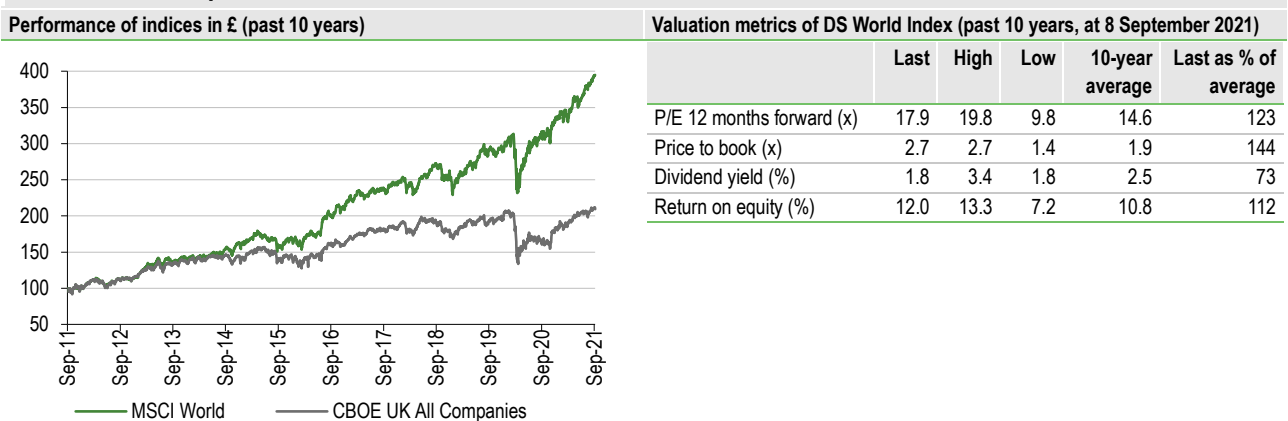
**Witan Investment Trust is a research client of Edison Investment Research Limited**

## Market outlook: Encouraging economic improvement

The world stock market has staged a dramatic recovery from the coronavirus-led sell-off in early 2020 (Exhibit 1, left-hand side) due in part to unprecedented fiscal and monetary stimuli. There was increased confidence about a global economic improvement following positive COVID-19 vaccine news in Q420, although the pace of vaccination rollouts varies greatly between different countries and there are risks from the emergence of new variants.

Equity valuations have re-rated as shown in the table below: the Datastream World Index is trading on a forward P/E multiple of 17.9x, which is a 23% premium to its 10-year average. During 2020, stock market leadership was narrow with US and technology stocks faring particularly well; however, this year a larger number of sectors are outperforming due to improving fundamentals, which have exceeded consensus expectations and there is a renewed interest in the formerly underperforming UK market. While the economy is undoubtedly improving, the ongoing pandemic and shortages in certain supply chains mean that there could be growth hiccups along the way. Coupled with an environment of elevated valuations, investors are likely to benefit from a selective approach to stock and fund selection.

**Exhibit 1: Market performance and valuation**



Source: Refinitiv, Edison Investment Research

## Investment director: James Hart

### The investment director's view: Remaining optimistic

Hart comments that there has been a 'highly stimulative economic environment over the last 12 months or so' and equity market returns have been very strong. He remains optimistic about the prospects for further share price appreciation and suggests that we are at 'an interesting point in the economic cycle'. There is social pressure to reopen economies so people can return to some level of normality despite ongoing COVID-19 outbreaks and the varied pace of vaccine programmes; in general, western economies are ahead of their Asian counterparts in this process. The investment director says that reopening economies should accelerate growth, while 'fiscal stimulus remains strong particularly in terms of greenifying the global economy, which will lead to significant infrastructure spending for the foreseeable future'. He does not expect elevated levels of economic growth, suggesting that we are more likely to see robust levels over a sustained period.

While inflation is currently a hot topic, Hart suggests that so far 'there are no signs that central banks are overly keen to restrict economic growth and respond to, what is expected to be, transitory elevated inflation'. He says there are forces in place to keep long-term inflationary pressures in check including demographic trends and technological developments. However, the investment director does anticipate that the rate of inflation will pick up from the very low levels of

recent years. He believes that higher inflation is a risk to the bond market, given exceptionally low bond yields, and is likely to have a more mixed effect on equity markets. Hart says that 'while some company valuations are elevated, other parts of the market are more reasonably priced and cyclical stocks will be beneficiaries of an improving economy'.

Commenting on the important features within the stock market this year, the investment director says that 'leadership has been changeable'. He suggests that H121 was 'very interesting' and expects the second half of the year to be the same. Hart explains that cyclical/value stocks outperformed in Q121 as economies reopened in response to rising vaccination rates; however, there was a reversal in Q221 as growth stocks outperformed due to concerns about the pace of the COVID-19 vaccine rollout. Corporate earnings exceeded consensus expectations in the second quarter, 'in some regions by quite a significant margin'; however, estimate beats did not feed into higher share prices. The investment director suggests that those of highly valued companies had 'got ahead of themselves, so companies are growing into extended valuations', while for cyclical stocks there has been continued apprehension about the number of coronavirus cases and the rollout of vaccination programmes, so companies did not get credit for strong earnings results. He believes that there is potential for cyclical and value stocks to perform better as the global economy continues to improve. An important message that Hart wishes to impart is that he believes it is 'increasingly important to be selective' in terms of stock selection. He says that 'buying growth stocks irrespective of price is now more dangerous', suggesting that investors will benefit from focusing on businesses with 'unrecognised growth potential' whose current valuations do not reflect their positive future prospects.

## Current portfolio positioning

**Exhibit 2: Witan portfolio analysis and performance by investment manager at 30 June 2021**

Investment manager	Equity mandate	Benchmark (total return)	Investment style	% of AUM at 31 July 2021*	Inception date	Performance (% pa, inception to end-Jun 21)		
						Witan	B'mark	Diff.
<b>Core</b>								
Jennison Associates	Global	MSCI ACWI	Market-leading companies with innovative business models, positively inflecting growth rates, and long-term competitive advantages	6	01-Sep-20	16.0	21.2	(5.2)
Lansdowne Partners	Global	MSCI ACWI	Concentrated, benchmark-independent investment in developed markets	20	14-Dec-12	16.1	14.1	2.0
Lindsell Train	Global	MSCI ACWI	Concentrated portfolio of exceptional companies demonstrating long-term durability in cash and profit generation	14	01-Jan-20	13.5	16.6	(3.1)
Veritas	Global	MSCI ACWI	Fundamental value, real return objective	18	11-Nov-10	14.0	12.2	1.8
WCM Investment Management	Global	MSCI ACWI	High-quality businesses with growing economic moats, strong corporate cultures, and supported by durable global tailwinds	11	01-Sep-20	21.6	21.2	0.4
Artemis	UK	MSCI UK	Recovery/special situations	6	06-May-08	9.5	5.5	4.0
<b>Specialist</b>								
GQG Partners	Emerging markets	MSCI Emerging Markets	High-quality companies with attractively priced growth prospects	6	16-Feb-17	13.2	9.4	3.8
Witan's Executive Team		Composite benchmark	Specialist collective funds	11	19-Mar-10	12.2	9.8	2.4
Latitude	Global	MSCI ACWI	High conviction, low volatility global fund	1	31-Mar-18	13.1	14.5	(1.4)
GMO	Global	MSCI ACWI	Climate change fund	4	05-Jun-19	30.4	16.7	13.7

Source: Witan Investment Trust, Edison Investment Research. Note: \*Excludes 1% in new manager Greenoaks Capital Partners (emerging technology) and 2% in S&P 500 ETF (US).

In April 2021, the Asia-Pacific portfolio managed by Matthews International was sold with some of the proceeds used to increase WTAN's US exposure, following a period of relative underperformance. Over time Matthews' allocation was reduced from 12% due to the trust's evolving structure. WTAN's Asian exposure is now obtained via its global and emerging markets

managers who select stocks across different regions and borders. Hart explains that having a dedicated Asian manager was essentially duplicating the trust's exposure to the region.

In July 2021, 1% of the portfolio was invested in Lindenwood, a global private technology fund managed by Greenoaks Capital Partners. Lindenwood invests in unquoted high-growth internet companies with a durable competitive advantage. The fund will be listed in the next one to two years once it is closer to being fully invested; while it is currently largely held in cash there is a long pipeline of potential investments. Greenoaks invests in mature unlisted companies, not early-stage venture capital businesses. Its managers focus on firms' cash flow potential and do not invest in 'blue-sky' technologies. WTAN undertook extended due diligence, on both Greenoaks and the Lindenwood fund structure prior to initiating a position.

### Exhibit 3: Top 10 holdings (as at 31 July 2021)

Company	Country	Sector	Portfolio weight %	
			31 July 2021	31 July 2020*
GMO Climate Change Fund**	UK	Fund	3.7	2.8
Apax Global Alpha**	UK	Investment company	2.9	2.6
Vanguard S&P 500 ETF	US	Exchange traded fund	2.1	9.3
Alphabet	US	Communication services	2.0	1.5
Princess Private Equity**	UK	Investment company	1.8	1.6
Electra Private Equity**	UK	Investment company	1.5	N/A
Unilever	UK	Consumer staples	1.4	2.2
Taiwan Semiconductor	Taiwan	Information technology	1.4	N/A
Syncona**	UK	Investment company	1.3	2.6
Charter Communications	US	Communication services	1.3	1.5
<b>Top 10 (% of portfolio)</b>			<b>19.4</b>	<b>27.7</b>

Source: WTAN, Edison Investment Research. Note \*N/A where not in end-July 2020 top 10. \*\*Direct fund investments.

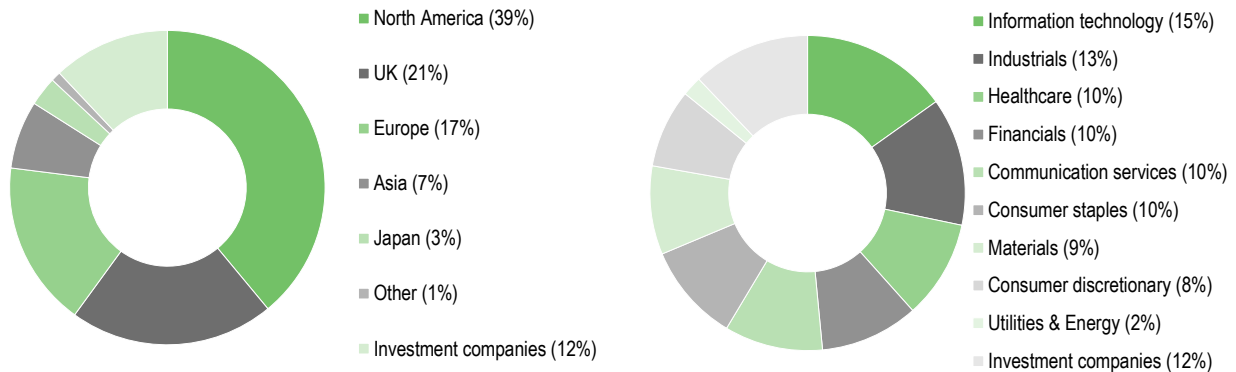
WTAN's top 10 holdings at end-July 2021, are shown in Exhibit 3; they made up 19.4% of the portfolio, which was a lower concentration compared with 27.7% a year earlier (eight positions were common to both periods). This was primarily due to a much-reduced position in the Vanguard S&P 500 exchange traded fund, and there is a higher exposure to the GMO Climate Change Fund (now WTAN's largest holding). Hart says there is clearly a very keen focus in both the investment community and the wider world about the threats of climate change, and which companies can capitalise on helping to tackle this crisis.

The investment director explains that looking at WTAN's top 20 positions, excluding its direct investments, shows the eclectic nature of the portfolio, and the bottom-up stock selection approach. Its managers invest in a broad range of themes and the investment director believes that the trust can deliver good results in a diverse range of stock market environments, including one that favours stocks benefiting from economies reopening. Hart shares interesting portfolio data that breaks down WTAN's exposure between growth, value and what he terms 'neutral' stocks. WTAN has a broadly in-line weighting to growth stocks, a c 15% underweight to value stocks and a c 15% overweight to neutral stocks. These are in the mid-third of the valuation spectrum and made up of 'growth at a reasonable price' and high-quality cyclical stocks.

Discussing some of WTAN's direct holdings, the investment director highlights that its private equity exposure has performed well. He says that Apax Global Alpha is beginning to prove itself having first launched in 2015. Hart explains that the fund had a slow start and a couple of poor investments but is now doing very well with its portfolio of high-growth companies. Electra Private Equity has performed very strongly this year (its share price has more than doubled). The trust is in realisation mode and currently has two remaining businesses, TGI Fridays (which will be spun out as Hostmore) and Hotter Shoes. The investment director comments that restaurants have been a tough business over the last two years, but TGI Fridays has a strong balance sheet, unlike many of its competitors, and has emerged from the pandemic in a stronger position. Hart says that he is 'very optimistic going into Electra's last chapter' as he thinks there is further value to be realised.

Early-stage healthcare investor Syncona has had a tough start to the year, and its share price has declined by c 25% so far in 2021. With the intense industry focus on COVID-19 some of Syncona's portfolio companies have experienced delays to their development programmes. Autolus Therapeutics is listed on the Nasdaq exchange and its shares, along with those of many other biotechnology companies, have sold-off strongly this year. WTAN's position in Syncona was reduced prior its share price weakness; while Hart believes that the company has good long-term prospects and a strong management team, these positive attributes are taking longer to come through than originally envisaged.

**Exhibit 4: Portfolio distribution by geography (left) and sector (right) as at 31 July 2021**



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

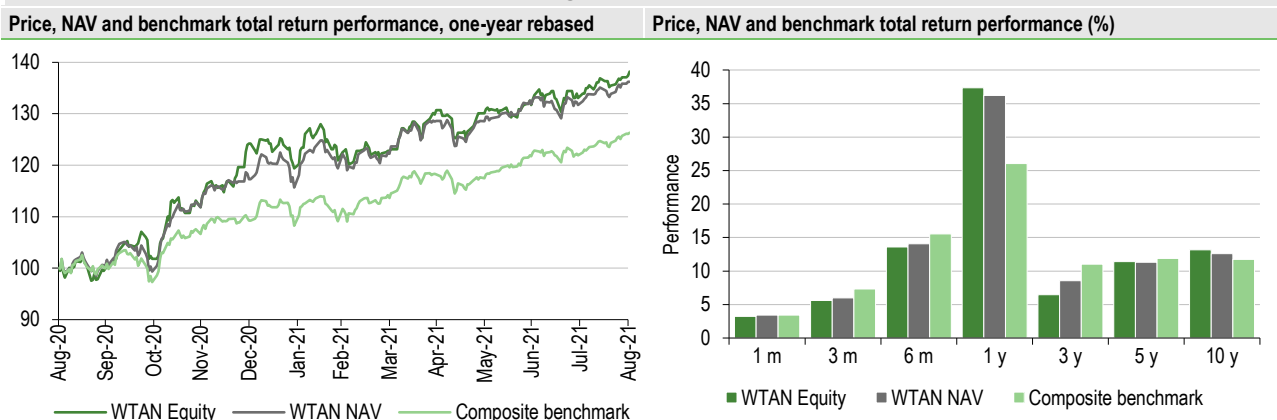
## Performance: Strong outperformance over the last 12m

**Exhibit 5: Five-year discrete performance data**

12 months ending	Share price (%)	NAV (%)	Composite benchmark* (%)	MSCI World (%)	CBOE UK All Companies (%)
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)
31/08/21	37.4	36.2	26.1	26.8	27.1

Source: Refinitiv. Note: All % on a total return basis in pounds sterling. \*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).

**Exhibit 6: Investment trust performance to 31 August 2021**



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

In H121 (ending 30 June), WTAN's NAV total return of +12.4% was ahead of the benchmark's +11.4% total return; however, its share price lagged with a +6.0% total return. During the period, the

following external managers outperformed their respective benchmarks: Lansdowne Partners (+4.3%), Artemis (+3.7%), Latitude (+2.2%) and GMO (+0.5%), along with WTAN's direct holdings (+2.4%). Those that lagged their benchmarks were: Jennison Associates (-8.2%), Lindsell Train (-4.7%), WCM Investment Management (-4.1%), GQG Partners (-3.0%) and Veritas (-1.4%). Hart explains that in aggregate, WTAN's managers performed broadly in line and the trust's NAV outperformance was due to a mixture of gearing, a change in value of its debt and share repurchases. Those that struggled in the depths of the COVID-19 crisis in 2020 have performed better in 2021. The investment director notes that the managers have performed in line with expectations given their stated strategies and portfolios.

**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	(0.2)	(1.6)	(1.7)	9.0	(11.9)	(2.2)	13.4
NAV relative to composite benchmark	(0.0)	(1.3)	(1.3)	8.0	(6.6)	(2.5)	8.0
Price relative to MSCI World	(0.3)	(3.5)	(3.9)	8.3	(17.2)	(12.0)	(12.4)
NAV relative to MSCI World	(0.2)	(3.2)	(3.5)	7.4	(12.3)	(12.4)	(16.6)
Price relative to CBOE UK All Companies	0.7	2.5	0.1	8.1	9.4	30.6	64.3
NAV relative to CBOE UK All Companies	0.9	2.9	0.6	7.2	16.0	30.1	56.4

Source: Refinitiv, Edison Investment Research. Note: Data to end-August 2021. Geometric calculation.

Looking at WTAN's relative performance in Exhibit 7, it is ahead of its benchmark over the last one and 10 years in both NAV and share price terms. It has significantly outpaced the performance of the broad UK market over the last one, three, five and 10 years, which illustrates the potential benefits of investing overseas.

**Exhibit 8: NAV total return performance versus benchmark over three years**



Source: Refinitiv, Edison Investment Research

## Peer group comparison

There are 17 funds in the AIC global sector, of which WTAN is one of the largest. Given the improvement in the trust's performance in recent quarters its NAV total return ranks fourth over the last 12 months (9.6pp above the mean) but remains below-average over the other periods shown. WTAN's discount is currently wider than the sector average but is not dissimilar to those of Alliance Trust and F&C Investment Trust (two other funds that are also popular with retail investors). Looking at the whole sector, the investment director believes that while some funds provide exposure to a particular style, he considers WTAN to be 'style-agnostic'. The trust has an ongoing charge that is modestly above average and one of its external managers (representing 6% of the portfolio) is eligible for a performance fee. WTAN currently has the second-highest level of gearing in the sector, and it has an above-average dividend yield (0.4pp above the mean), ranking fifth.

**Exhibit 9: AIC Global sector at 8 September 2021\***

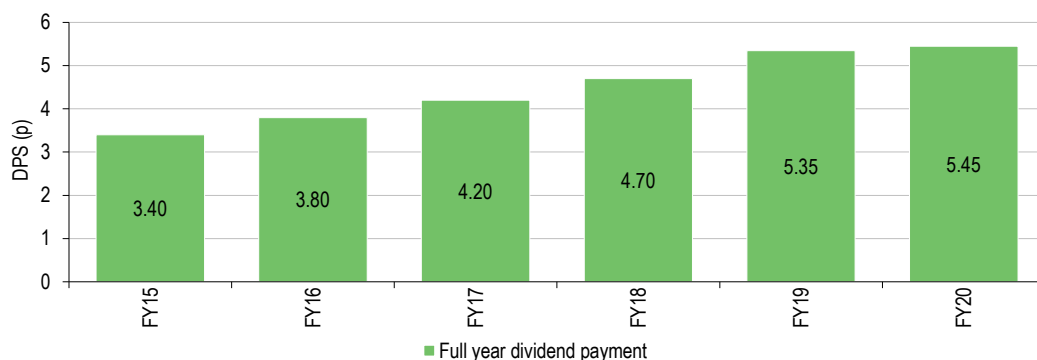
% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee**	Net gearing	Dividend yield
Witan	1,903.7	35.9	31.7	70.4	234.5	(7.2)	0.8	Yes	110	2.2
Alliance Trust	3,230.4	29.4	43.6	91.1	241.9	(5.7)	0.7	No	108	1.4
AVI Global Trust	1,028.2	37.2	42.9	91.2	173.8	(7.9)	0.9	No	102	1.7
Bankers	1,541.3	22.0	42.3	87.2	254.8	(2.1)	0.5	No	106	1.8
Blue Planet Investment Trust	13.9	5.7	(15.4)	(13.1)		(10.5)	4.3	No	125	1.9
Brunner	458.9	32.2	46.4	84.0	227.4	(8.2)	0.6	No	106	1.9
EP Global Opportunities	103.2	13.9	3.4	29.0	138.4	(11.4)	1.0	No	100	2.1
F&C Investment Trust	4,730.5	29.6	44.5	94.3	266.6	(8.3)	0.5	No	110	1.4
JPMorgan Elect Managed Growth	302.2	36.8	37.1	84.2	241.3	(2.3)	0.5	No	100	1.5
Keystone Positive Change Inv	221.3	27.5	10.0	15.3	119.8	(4.1)	0.5	No	100	3.1
Lindsell Train	300.0	18.9	66.2	175.1	631.8	20.5	0.8	Yes	100	3.3
Manchester & London	237.3	7.8	35.8	125.9	163.1	(17.1)	0.8	Yes	100	2.4
Martin Currie Global Portfolio	360.9	27.6	68.8	119.7	302.7	0.3	0.6	No	106	1.0
Mid Wynd International Inv Trust	505.3	31.9	64.0	120.1	288.4	1.9	0.7	No	101	0.8
Monks	3,447.5	34.3	77.0	159.9	303.0	1.1	0.4	No	102	0.1
Scottish Investment Trust	504.2	3.0	(4.0)	19.3	107.1	(8.5)	0.5	No	108	3.0
Scottish Mortgage	19,553.1	53.5	184.5	381.2	964.1	(3.5)	0.3	No	106	0.2
<b>Simple average</b>	<b>2,261.3</b>	<b>26.3</b>	<b>45.8</b>	<b>102.1</b>	<b>291.2</b>	<b>(4.3)</b>	<b>0.8</b>		<b>105</b>	<b>1.8</b>
<b>WTAN rank in group (17 trusts)</b>	<b>5</b>	<b>4</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>10</b>	<b>13</b>		<b>2</b>	<b>5</b>

Source: Morningstar, Edison Investment Research. Note: TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets. \*Performance data to 7 September 2021 based on ex-par NAV. \*\*WTAN does not charge performance fees but one of its external managers is eligible for one.

## Dividends

WTAN pays quarterly dividends in March, June, September and December. In the absence of unforeseen events, the first three interim payments are equivalent to one quarter of the prior year's annual dividend, while the fourth payment is a balancing amount. Over the past decade the trust's dividends have compounded at an annual rate of 9.6%.

WTAN's revenue earnings per share of 1.80p in H121 was 9.1% higher than 1.65p per share in H120. Two quarterly dividends of 1.36p per share were declared in respect of the period and were two-thirds covered by income. At the end of FY20, WTAN had revenue reserves of £52.1m, which is equivalent to c 1.2x the last annual dividend. The board is committed to building on the trust's 46-year record of consecutive annual dividend growth, using revenue reserves when required. Distributions can also be made from capital reserves, but so far have not been necessary.

**Exhibit 10: Dividend history since FY15**


Source: Bloomberg, Edison Investment Research

Hart explains that in early 2021, companies were paying dividends based on a difficult 2020 operating environment. However, WTAN's receipts are starting to pick up due to the ongoing economic recovery and the investment director expects the trust's revenue to recover further in due course. WTAN currently offers a 2.2% dividend yield.

## Discount: Wider than longer-term historical averages

WTAN's current 7.3% discount to cum-income NAV compares with a range of 2.4% to 9.8% over the last 12 months and average discounts of 6.9%, 4.6%, 4.0% and 5.1% over the past one, three, five and 10 years respectively. Commenting on the fact that the trust's discount is wider than its longer-term historical averages, Hart suggests that this partly reflects WTAN's tough period of performance in Q120 but notes that larger discounts are also an industry-wide issue as share prices are elevated, so some investors are sitting on the side lines.

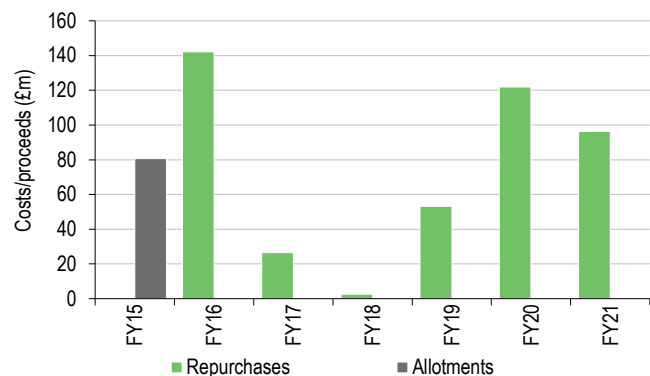
The trust's board actively repurchases shares to provide an uplift in NAV for shareholders and to reduce the discount; in H121, 32.6m shares were bought back (4.1% of the share base) at an average discount of 6.8%, which added £5.1m to NAV.

**Exhibit 11: Discount over three years (%)**



Source: Refinitiv, Edison Investment Research

**Exhibit 12: Buybacks and issuance**



Source: Morningstar, 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 past 46 consecutive years and 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 July 2021, net gearing was 10.1%.

## Investment process: Multi-manager approach

WTAN's investment approach primarily uses external managers. As shown in Exhibit 2, around 75% of its assets are in its core manager line up (five global and one UK). In terms of geographic



split global is 65% of the portfolio ( $\pm 5\%$ ) and the UK is 10% ( $\pm 5\%$ ). The balance of the portfolio is made up of specialist managers and funds: emerging markets, the GMO Climate Change Fund, Lindenwood (private internet companies), relatively newly established global manager Latitude, and another c 10% in investment companies. WTAN's specialist managers tend to invest in companies (or regions) with superior long-term growth prospects, which may otherwise be underrepresented in global portfolios due to the specialist knowledge required to research and monitor these investments.

The 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. The individual managers make their own decisions in terms of stock selection and regional asset allocation within their portfolios, and run high-conviction funds, helping to ensure WTAN's combined portfolio is not overdiversified.

External managers have between 20 and 60 holdings in their portfolios and in aggregate the trust has c 275 positions. WTAN's active share is currently 76%. This is a measure of how a fund differs from its benchmark, with 0% representing full index replication and 100% no commonality. Exchange-traded index funds and futures are used to make inexpensive tactical adjustments to the trust's regional exposure or to vary the level of gearing 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.

WTAN has four 'Ps' when considering the selection of its global managers:

- People – talented and accountable investment leadership, committed to serving their clients' interests.
- Process – high-conviction portfolio construction, using clear and simple processes, with analysis taking account of secular change.
- Portfolio – investments characterised by long-term growth in sustainable cash flows and the integration of environmental, social and governance (ESG) principles.
- Performance – potential for material outperformance over the long term, after fees.

## WTAN's approach to ESG

WIS believes that investing in well-managed companies with sustainable long-term cash flows is the foundation for achieving good returns for investors. Hart says an assessment of a company's ESG credentials is an increasingly important part of the investment process. WTAN and all of its 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, and WTAN is also a member of the Institutional Investors Group on Climate Change. They aim to spot opportunities and minimise exposure to companies that are at risk of disruption, litigation, regulation or loss of business due to poor ESG practices. Where negative issues arise, the managers are expected to engage with the company concerned, encourage positive change and vote their shares accordingly. WIS monitors WTAN's portfolio to identify any ESG risks that may arise and scrutinises the policies of its external managers. It focuses on understanding how ESG is integrated into their investment processes and ensures that its managers adhere to what they say they do via regular ESG meetings; this process is a high priority for WTAN's board.

WTAN's current engagement with its managers is focused on their portfolio companies' approach to climate change and their targets with regards to net-zero carbon emissions. The trust owns shares in selected resources companies, which one may not think score highly on an ESG screen, including Freeport-McMoRan, ArcelorMittal, Breedon and CRH. These are owned given the global push to upgrade the world's building stock and energy infrastructure in order to achieve 2050 net-zero carbon targets and the moves to cleaner steel production. The investment director says that it

is important to focus on what a company's contribution to global carbon reductions is, rather than what its headline emissions are now, provided there is a clear path to reduce these emissions over time.

## Gearing

At end-FY20 WTAN had £155m of fixed-rate secured note borrowings at an average interest rate of 3.0% (£21m 3.29% maturing in 2035, £54m 3.47% 2045, £50m 2.39% 2051 and £30m 2.74% 2054). The trust also has a £125m one-year borrowing facility, which, if fully drawn, reduces the average interest rate on WTAN's borrowings to c 2.0%. Gearing is used tactically; at end-July 2021 net gearing was 10.1% reflecting a positive outlook for global equities.

## Fees & charges

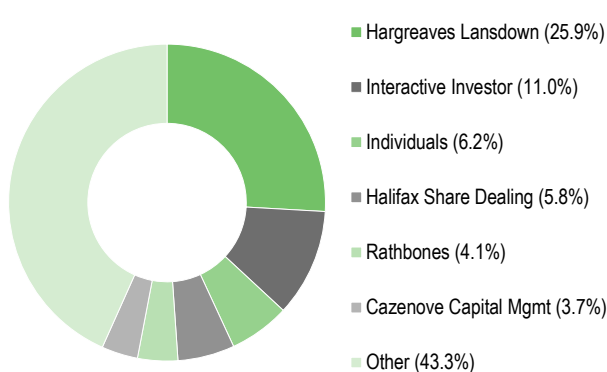
WTAN's external managers are paid base fees in a range from 0.30–0.65% pa of their assets under management. In FY20, the weighted average fee was 0.51% (FY19: 0.53%). One manager, accounting for 6% of WTAN's assets, is eligible for a performance fee and it receives the lowest base fee, while the majority of the managers' fee structures taper, with lower rates paid on a higher level of assets under management.

In FY20, WTAN's ongoing charges were 0.78% (0.82% including performance fees) versus 0.79% and 0.87% respectively in FY19. In H121, ongoing charges were 0.36% (0.40% including performance fees) versus 0.43% in H120 (no performance fee was payable).

## Capital structure

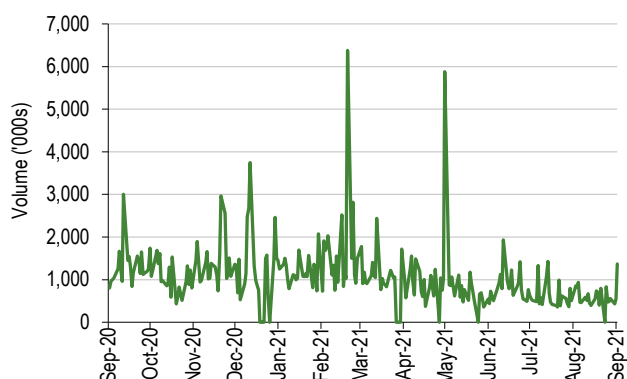
WTAN is a conventional investment trust with one class of share; there are currently 761.5m ordinary shares in issue. Its average daily trading volume over the last 12 months is c 1.1m shares.

**Exhibit 13: Major shareholders**



Source: WTAN, as at 31 July 2021

**Exhibit 14: Average daily volume**



Source: Refinitiv. Note: 12 months to 8 September 2021

## The board

**Exhibit 15: WTAN's board of directors**

Board member	Date of appointment	Remuneration in FY20	Shareholdings at end-FY20
Andrew Ross (chairman since 2020)	May 2019	£56,600	250,000
Tony Watson	February 2006	£40,600	125,105
Andrew Bell	February 2010	N/A	850,000
Suzy Neubert	April 2012	£34,900	52,793
Ben Rogoff	October 2016	£34,900	42,740
Jack Perry	January 2017	£43,500	79,760
Paul Yates	May 2018	£38,900	25,245
Gabrielle Boyle	August 2019	£34,900	28,683
Rachel Beagles	July 2020	£18,000	42,077

Source: WTAN

WTAN's board sets the company's strategic aims and is responsible for governance, risk management, selecting the third-party managers and assessing the trust's performance. As Andrew Bell is WTAN's CEO, he is considered to be a non-independent director. Suzy Neubert became WTAN's new senior independent director when Tony Watson stood down at the April 2021 AGM.

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