

CONNECTION



MINING FOR PROFITS FROM GLOBAL EQUITIES

By Jennifer Hill

As Alliance Trust sells off mineral rights that date back to early 20th century America, to focus exclusively on investing in global equities, we take a look back at the Trust's colourful history.

Three Dundee-based mortgage and land companies – the Dundee Investment Company, the Dundee Mortgage and Trust Investment Company and the Oregon and Washington Trust – merged in 1888 to form Alliance Trust.

The Oregon and Washington Trust had been established to provide loans to immigrant farmers on the west coast of America, and Alliance Trust continued to advance capital to these pioneering settlers, who used it to buy land.

“Dundee to Oregon seems a bit of a stretch, but they did it and did it very successfully,” said Charles Munn,

author of *Investing for Generations: A History of Alliance Trust*, which was published by Dundee University Press (now Edinburgh University Press) in 2013.

“It was a very vibrant time as far as the investment business is concerned. Quite a number of early trusts had similar origins to Alliance Trust. Some were formed to fund the building of railways in America, and what railways were interested in was land. A lot of Scottish investment companies did very well out of land.”

For Alliance Trust, the focus was agricultural land. America's agricultural

ALLIANCE TRUST: DIVERSIFIED, HIGH-CONVICTION

Research shows that active equity managers add most value through a small number of their highest-conviction positions¹. Yet, the performance of concentrated portfolios can also be highly volatile.

The Alliance Trust portfolio mitigates this risk by blending together the best ideas of eight best-in-class² stock pickers, each with different, complementary styles. We believe our diversified, high-conviction, global equity strategy should deliver more consistent outperformance and lower volatility than a strategy run by a single manager. Returns from single-manager strategies are often prone to sharp up and down moves; we aim to provide investors with a smoother ride.

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1. Sebastian & Attaluri, Conviction in Equity Investing, *The Journal of Portfolio Management*, Summer 2014.

2. As rated by Willis Towers Watson.

sector thrived during the First World War, due to the volume of food exported to Britain. The interwar years saw a change of fortunes, however.

“When the war came to an end, American agriculture went into a depression,” said Munn. “It was strange, because the rest of the American economy was booming – it was the Roaring Twenties and the era of the motorcar and flappers – but agriculture was in the doldrums.”

In 1925, the board of Alliance Trust decided to exit the mortgage business and “concentrate on building a proper investment trust”, according to Munn. It had to foreclose on a lot of the mortgages. Many farmers simply deserted their land, particularly those in the ‘Dust Bowl’ – the drought-stricken Southern Plains region, which suffered severe dust storms during a dry period in the 1930s. As high winds and choking dust swept from Texas to Nebraska, people and livestock were killed and crops failed.

“The Trust acquired a lot of land there,” said Munn. “They spent the years before the Second World War trying to do something sensible with it.”

MINERAL RIGHTS

Some of the land was leased to farmers. Other parts were sold, often to American insurance companies, but not without the mineral rights being retained.

A feature of North American land law – and Scots law until this day, for that matter – is that surface rights and mineral rights attached to a property can be separately owned and traded.

“This point was not missed in Dundee, and when Alliance Trust sold off large tracts of foreclosed real estate in the 1920s, the mineral rights were retained wherever possible for periods of up to 50 years, and sometimes in perpetuity,” said John Newlands, author of ‘Put Not Your Trust in Money’, an official history of the UK investment trust sector.

The standard royalty on mineral discoveries was one eighth of receipts. The first real windfall for shareholders of Alliance Trust came in 1932.

“The discovery of sizeable oil deposits on the 6,000-acre Cormier plantation, Louisiana, produced royalties for the Trust which would total more

than \$2 million over the next 25 years – all gained by careful attention to small print,” said Newlands.

“The discovery also gave its name, the Alliance Sands, to a geological formation in southern Louisiana.”

From oil and coal to uranium – a real money-spinner during the 1950s, when the American government was stockpiling uranium for bomb-making purposes – tens of millions of dollars in royalties have flowed back to

“It represents the end of an era, but the board believes it’s better for shareholders to invest in a proven strategy of high-conviction equity managers, than a hodgepodge of mixed assets.”

Dundee since. Last year, the mineral rights earned the Trust more than £2.1 million in income.

“That’s not to be sniffed at,” said Munn, who served as Chief Executive of the Chartered Institute of Bankers in Scotland for almost 20 years.

TIME MOVES ON

The Trust has diversified significantly since the 1930s, moving first into fixed income and then global equities.

“Alliance Trust had a very small but efficient research organisation going in Dundee, and before long had investments in more than 1,000 companies all over the world,” said Munn, who spent two days a week for five years researching and writing his book, mainly from the minutes of board meetings and annual reports, but also from ‘oral history’ – interviews with those who have worked for Alliance Trust over the years. (“It was a lot of fun to write,” he said.)

Still based in Dundee, Alliance Trust is today one of the UK’s largest investment trusts. Its pioneering attitude to investment has helped it stand the test of time.

In 1987, it introduced the first investment trust PEP (personal equity plan), and in 2008, following the merger with the Second Alliance Trust, became a constituent of the FTSE 100 index.

In 2017, the board appointed Willis Towers Watson as investment manager and introduced its new investment

approach. This provides access to eight best-in-class³ managers, each picking their highest-conviction stocks. The resulting diversified but high-conviction portfolio aims to provide shareholders with more consistent outperformance.

The Trust’s focus on business simplification and listed equities has led to a number of changes, including the sale of its in-house investment manager, Alliance Trust Investments,

acceptance of an offer to buy the Alliance Trust Savings platform, subject to regulatory approval, the sale of the Trust’s office building at West Marketgait, Dundee, and the sale of its private equity investments and the mineral rights.

The Trust had 1.3% of its assets in non-core investments valued at £33.6 million at the end of 2018, including 0.5% in mineral rights worth £12.9 million. Over the course of the year, the proportion of assets invested in global equities rose from 90.7% to 97.4% – a figure that should soon stand at 100%, according to Marketing and Communications Manager, Mark Atkinson.

“We’ve sold half [of the mineral rights] already, with the remainder due to be sold in the next few months,” he said. “It represents the end of an era, but the board believes it’s better for shareholders to invest in a proven strategy of high-conviction equity managers, than a hodgepodge of mixed assets. Besides, the mineral rights are now a very small proportion of assets, costly and time-consuming to manage, and we expect the equity portfolio to produce sufficient income to keep paying a progressive dividend, with ample reserves available in lean years. Maximising investment returns for shareholders trumps nostalgia. Time moves on, and so must the Trust.”

Jennifer Hill is a freelance journalist.

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THE PROFESSIONAL INVESTOR'S VIEW

DAVID LIDDELL, IPSOFACTO INVESTOR



Online investment service, Ipsofacto Investor, added Alliance Trust to its portfolio on the strength of its global equity exposure.

"We were looking to replace a multi-asset trust with a trust with greater global equity exposure that

was standing at a wider discount than some others," said Director, David Liddell.

"Alliance Trust has been through a number of iterations in its proud 130-year history. It's much more of a pure global equity play – just what we were looking for."

JAMES SULLIVAN, MITONOPTIMAL UK



James Sullivan, Managing Director of MitonOptimal UK, which added Alliance Trust to its multi-asset funds last autumn, says investors prefer investment trusts with a particular focus.

"Companies that pursue more than one strategy, often struggle to be classified into an asset allocation, which in some cases can lead to a poor rating," he said.

"Alliance Trust is right to see the overhaul of its strategy through to conclusion. Taking a patient approach to ensure that best value is achieved for the non-core 'tail' should help to underpin a further re-rating of the company."

NICK WOOD, QUILTER CHEVIOT



"Whilst we invest in certain trusts to gain access to more illiquid assets, our view with regards to Alliance Trust, is that we would rather this were a pure play global equity trust, and on that basis the sale of the mineral rights is a positive move, albeit marginal given the limited value versus the overall trust."

"Our positive view on Alliance Trust is based on their ability to invest in a number of concentrated equity managers globally, and not due to other exposures."

JAMES CARTHEW, QUOTEDDATA



For James Carthew, Founder and Head of Investment Company Research at QuotedData, the mineral rights were a suitable investment when Alliance Trust had a multi-asset mandate.

"As the Trust evolved, the mineral rights were useful, but it makes sense

for them to be sold now."

"The changes are designed to simplify the investment proposition. This is good news."

RODDY KOHN, KOHN COUGAR



Roddy Kohn, Managing Director of Bristol-based Kohn Cougar, has used the Trust for clients for 30 years, and rates the diversified, high-conviction approach it takes today.

"The multi-manager approach should provide the diversification necessary to limit risk in a way many other funds don't," he said.

"The Trust's low charges are a useful indicator that the board has negotiated hard on behalf of investors, to bring about their best-of-breed managers on terms that commercially few investors could achieve.

"The new, more focused approach sits well with our view that equities are the place to be, as long as managers continue to invest with conviction in good undervalued or oversold businesses."

READERS' BOOK OFFER

To purchase a copy of 'Put Not Your Trust in Money' by John Newlands for £35 (free postage), email jn1868@gmail.com quoting 'Alliance Trust book offer'.

IN THE NEWS

We're not the only ones talking about our Investment Trust – let's see what others are saying this month.

FT ADVISER

The first article featured in the FT Adviser. It centres around a list of the 'Best investment trusts for dividends' compiled by the AIC. We're pleased to announce we come in very high on the list, as we've increased dividends every year for more than 50 years. This year, we're maintaining that tradition and delivering our 52nd consecutive increase.

The Telegraph

The second article appeared in The Telegraph and sees our portfolio manager Mark Davis talk about how he chooses the world's best money managers. He also touches on how costs are kept low and how managers have weathered the recent storms. Of course it's still early days for our new approach, but it's important we continue learning and adapting to make sure we continue to deliver for our investors.

[View more news articles here](#)



AN ABNORMAL YEAR FOR VALUE STOCKS

Over the years we expect to see periods when certain styles or trends fall out of favour within the wider market. Since the financial crisis, for example, value investors – those that invest in quality companies trading at a price lower than their value – have generally experienced a particularly tough time.

It is not unusual for a particular investment style to occasionally fall out of kilter, and it is near impossible to predict when the cycle will turn either way, which is why the Alliance Trust portfolio is positioned to balance out any bias towards a particular style. By having a broadly neutral weighting to both the value and growth investment style, we are well positioned to capture outperformance when markets turn, as well as reduce the impact when one inevitably underperforms the other.

In 2018, the performance of value stood out for the abnormal and overblown way stocks were punished, when global equities stumbled.

Following an unnerving period of calm in 2017, the return of volatility to markets saw value stocks – defined here as those with a low price-to-earnings (P/E) ratio – experience their worst year of underperformance in two decades.

This negative bias against value stocks was not reflected across the broader market, and showed no regard for the fundamental performance of the companies themselves. It was also completely contrary to historical

norms over the past 20 years. This tough time for the value stock pickers in the Alliance Trust group of managers, was ultimately reflected in the underperformance of the wider portfolio over the 12-month period.

While markets have bounced back in the early months of 2019, the unusual reaction of value stocks in 2018 was one we felt worth exploring.

An analysis of last year's market showed that it was the worst year for the relative performance of low P/E stocks since the internet bubble burst in the late nineties. In the US, the cheapest quintile of stocks by P/E was down -15.2% for the year, 10.8 percentage points worse than the S&P 500, which fell -4.4% according to FactSet data.

This stands in stark contrast to what is considered the 'norm'. Between 1998 and 2017 the cheapest quintile by P/E had an annualised return of 11.9%, 4.7 percentage points better than the S&P 500, which returned 7.2%.

VALUE STOCKS HIT HARDEST

The extreme negative reaction to stocks in 2018, was a phenomenon that largely affected the broad range of low P/E shares, while leaving the rest of the market relatively unscathed. This was evident when we looked at the market reactions following a significant company earnings revision. The average relative reaction to a share revealing significant earnings revisions, was a positive uptick of about 6% across the general market. However, for

the lowest P/E stocks, the average reaction was a loss of some 17%.

It is clear that the stock market had a severe negative bias against value stocks in 2018, regardless of company fundamentals and contrary to historical norms. When a value manager experiences such a market it can be, and has been, too much of a headwind for the stock selection process to overcome in the short run.

There is, however, reason to be more optimistic as we settle into 2019.

Following the collapse of the internet bubble – an event that sparked two of the worst years for value stocks in 1998 and 1999 – low P/E stocks went on a glorious run for the next 14 years. The style outperformed the S&P 500 in every year except two, 2008 and 2011, and even in those years the underperformance was not severe.

What we see today is very encouraging based on the history we know. While we cannot predict when the market will turn, we believe we could perhaps be close to the end of a value downcycle, and at worst in the middle. Either way this should be a fantastic entry point.

So far, every period of dismal value stock performance has been followed by long periods of strong value stock performance, with the very best periods being the ones that followed the very worst. While history can be no guarantee of future movements, we do not expect that this unprecedented run of growth stocks over value is a dynamic that will continue in perpetuity.

Past performance is not a reliable indicator of future returns.

VALUE STOCK SPOTLIGHT



As **Lyrical Asset Management** adds **Microchip Technology** to the fundamental value mandate it runs for Alliance Trust, we take a closer look at the tech giant.

WHO ARE MICROCHIP?

Think of any electronic product, and chances are it will use a chip manufactured by Microchip. Its chips are the brains that drive thousands of products across the automotive, industrial, consumer, aerospace, defence and data centre markets. Automotive sensors, digital clocks, smart thermostats, touchscreen pads – you name it, its chips run them.

Lyrical Asset Management added shares in Microchip to the mandate it manages for Alliance Trust in November 2018 for an average price of \$73.14, considering fair value to be at least 50% higher.

The timing was opportune: the company's shares are up 25%, driven by Microchip Chief Executive Steve Sanghi unveiling a jump in quarterly sales and calling the bottom of the downturn for the chipmaker industry. Prospects of a China-US trade agreement also bode well for the stock.

ANDREW'S VIEW



Andrew Wellington

Co-Founder and Chief Investment Officer, Lyrical Asset Management.

For Lyrical, Microchip is a high-quality business that does more than simply manufacture semiconductors.

"The company has a business model that it calls the 'total systems approach', and it has been validated by steadily growing market share over the past 15 years," says Chief Investment Officer and Managing Partner, Andrew Wellington.

"Microchip works with its customers to design chips for their specific applications, which generally means those chips are used exclusively for the life of the product. In addition, the company provides significant technical training, software, tools and support to its clients and distributors. These services contribute to an ecosystem that leads to sticky customers and drives incremental growth and high margins.

"This profitability, combined with an efficient manufacturing operation, has driven average returns on tangible invested capital of more than 30% over the last ten years."

Microchip's end markets are growing at a rate of 3-5% per year, driven by the ever-increasing penetration of electronics in everyday products, the so-called 'Internet of Things'. The company aims to outstrip this growth and targets mid to high single-digit organic revenue growth.

There has been some concern among investors over leverage Microchip took on to acquire Microsemi Corporation in May 2018, but Lyrical is comfortable with this for several reasons.

"With its strong cash flows, it should be able to pay down about one turn of leverage per year. Finally, the company has a long history of paying down debt after M&A [mergers and acquisitions], having successfully acquired 17 companies since 2008."

MICROCHIP TECHNOLOGY FAST FACTS



Produces **5bn+** units per year



63 sales offices worldwide

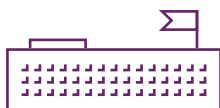
Yield
1.59%

113 consecutive quarters or
27 years+ of profitability as of February 2019



19,000 employees

Has over
6,000 patents



Headquartered in Chandler, Arizona, United States



Market capitalisation
\$21.5bn



Listed on Standard & Poor's 500 and Nasdaq



Global manufacturing facilities

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VERITAS ASSET MANAGEMENT

Veritas
— Asset
Management

AN INTRODUCTION FROM OUR INVESTMENT MANAGER, WILLIS TOWERS WATSON

Veritas Asset Management (Veritas) was founded in London in 2003 and has always had a distinctive investment approach based on 'Real Returns'. The lead portfolio manager for the Alliance Trust portfolio is Andy Headley. Andy is one of the founders of the business, and leads its Global Strategies with Co-Founder and Chairman, Charles Richardson. Andy and Charles worked together at Newton Investment Management, and Andy was also a portfolio manager at WP Stewart, prior to establishing Veritas.

The 'Real Return' approach adopted by Veritas, aims to generate excellent investment returns through the cycle, while minimising the risk of permanent capital loss. Veritas is seeking only to purchase high-quality companies, and

there is also a strong valuation focus underpinning the analysis. Valuation models are conservative and focus on the cash flow businesses are capable of generating, compared to the cost of purchasing these businesses. Where Veritas cannot find high-quality businesses at the right valuations, it is prepared to build up its cash reserves and wait for better valuations to deploy capital.

Within Alliance Trust, we regard Veritas as one of the more defensive managers capable of combining high-conviction, high-quality companies and conservative valuations.

ANDY'S MARKET VIEW



Andy Headley,
Head of Global Strategies,
Veritas Asset Management

"Many of our recent investments have been in companies where there is some controversy that has led to their share price declining."

In recent years, very low or zero interest rates, together with other policy measures such as quantitative easing, have led to the valuation of high-quality and growing companies to become high in an absolute sense.

Partly this is a result of lower discount rates being employed by many investors, with the result that cash flows in the distant future become more highly valued than they would otherwise be, making companies with strong growth and/or long duration of growth more attractive.

This has made it more difficult to find the high-quality companies we aim to invest in, at valuations we would consider to be commensurate with an attractive return. As a result, many of our recent investments have been in companies where there is some controversy that has led to their share prices declining. In

these circumstances, our analysis has focused on whether the issue in question is a small hurdle, which we believe the company will be able to clear in the medium term, or whether the issue is a more substantial one.

On the (relatively) few occasions that we consider the hurdle to be small (and typically nearer term), then we may have an opportunity to make a long-term investment in a high-quality company at an attractive valuation, despite high valuations generally.

Watch Andy's interview on his investment style and meet other managers [here](#)

STOCK SPOTLIGHT: MICROSOFT

We take a closer look at the reasons behind Microsoft's impressive transformation, which made it Veritas Asset Management's best-performing stock of 2018.



Everybody recognises the distinctive four-colour block logo of the Windows program from Microsoft. You can't travel far without seeing the familiar desktop backgrounds flash across computers and laptops in offices, public services and schools around the world which rely on the program, but times for the 44-year-old tech stalwart are slowly changing.

As with all technology over the decades, Microsoft itself has undergone something of a transformation. As younger

companies rose quickly through the market cap ranks, Microsoft was in the past dubbed something of a dinosaur, with the relatively lacklustre reaction to its Windows phones failing to stand up to the attractions of the iPhone. However, with a transformation plan well under way, the firm did in fact manage to surpass Apple in November 2018 as the largest US public company by market capitalisation. Not only that, but it is widely expected to grow further in 2019.

ANDY'S VIEW

Despite being a household name around the world, Microsoft has in the past struggled to match the style and marketing power of the likes of Apple, but the technology giant's steady transformation has now filtered through to its market performance and it has been a long-term holding for Veritas Asset Management.

It was Veritas' best-performing stock of 2018, rising nearly 30% over the course of the year, according to Andy Headley.

"We think really what the performance is showing, is the fruits of the CEO Satya Nadella's strategy, which has been to be very much more open as a company, to invest more in the cloud and to move to a subscription model," Headley says.

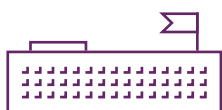
"That is really beginning to bear fruit now for the company, and they are seeing substantial cash flow coming from that strategy, which really only began being implemented four or five years ago."

"It has taken time, but the performance is now coming through."

Microsoft continues to deliver steady growth and, with its exposure to cloud-based technology, is better placed to compete with other technology big hitters in the future.

In the final three months of 2018, Microsoft's revenue was up 12% compared to the same period a year previously, coming in at \$32.5bn, something attributed to strong commercial cloud results and partnerships with other leading companies by Nadella. With the market widely expecting to see further appreciation in Microsoft's share price, it could remain one of the portfolio's best performers.

MICROSOFT FAST FACTS



Headquartered in Redmond, Washington, United States



Founded by Bill Gates and Paul Allen in April 1975 in Albuquerque, New Mexico

4

operating centres

Ticker symbol:
MSFT



Listed on the stock market in 1986 at **\$21.00 per share**



Services offered include the search engine Bing, LinkedIn, Office 365, OneDrive, Outlook.com, Xbox, Azure



Market capitalisation **\$857.4bn**



Listed on the Nasdaq



135,000 employees worldwide



The current chairman is John W Thompson, Brad Smith is president and CLO, Satya Nadella the CEO

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AN INTRODUCTION FROM OUR INVESTMENT MANAGER, WILLIS TOWERS WATSON

Black Creek's portfolio with Alliance Trust is managed by the President and Portfolio Manager, Bill Kanko. With over 35 years' experience, Bill has previously held similar roles at AIM Trimark in Canada, Mackenzie Financial and Confederation Life, before founding Black Creek in Toronto in 2005.

Bill is a valuation-orientated buyer of leading businesses around the world. These businesses frequently exhibit superior economics, but Bill has the patience to wait for them to be available at bargain valuations. Sometimes this is because he is willing to buy them at a point in their business cycle where they are deeply out of favour and

the timing of recovery is uncertain, or after accidents or mishaps cloud the market's perception.

We like the fact that Bill invests after extensive research on each individual company, and that the time horizon over which Black Creek is prepared to hold stocks is five to ten years.

This allows it to have low portfolio turnover and to use this patient approach to its advantage. All the portfolios that Black Creek manages are concentrated, with typically about 30 stocks, but for Alliance Trust it has created a portfolio of up to 20 of their best ideas.

BILL'S MARKET VIEW



Bill Kanko,
Founder and President of
Black Creek Investment Management

There are signs of a slowing global economy as 2019 unfolds. For now, economic activity in the US remains intact, however, outside the US, it has been soft. Time will tell whether this slowdown turns into a global recession.

Recently, stocks have been buoyed by expectations of more constructive trade talks between the US and China, a more patient tone on rate hikes from the US Federal Reserve, and further stimulus from China. While some concerns have eased, others remain, as evidenced by increased market volatility. Investors are facing a host of worries, including stretched equity valuations in certain markets, uncertainty within central banks, directionally higher interest rates and geopolitical concerns, including rising political discord in Europe.

The equity bull market, which began a decade ago, is showing its age. The role that central banks played in aiding the market's recovery has been significant, and how markets and economies will fare as this stimulus is further removed, remains to be seen. One thing is certain: expect higher volatility ahead.

"We seek to build concentrated, but diversified portfolios of global businesses, and purchase them at an attractive entry point."

At Black Creek, we are aware of the global macro dynamics, but remain focused on bottom-up fundamental analysis to identify winning businesses. We have a differentiated view of the market, which requires independent thinking, can be contrarian, and is not dependent on current sentiment. We seek to build concentrated, but diversified portfolios of global businesses, and purchase them at an attractive entry point.

Our investment time horizon is long term, which allows us to take advantage of opportunities by analysing a given situation to determine if it's short-term noise, or something longer term in nature. Given our time horizon, we measure our willingness to hold a company in years versus quarters, which is a timeframe in which many investors are not willing to participate.

We welcome volatility as an opportunity to increase (or decrease) a position, based on our evaluation of the underlying operating fundamentals of each company we own. In fact, during the recent market sell-off, we purchased additional shares of many existing holdings at better prices. As long-term investors, we are quite enthusiastic about the prospects for your current holdings.

Watch Bill's interview on his investment style and meet our other managers [here](#)

STOCK SPOTLIGHT: GLANBIA PLC

With the trend for protein shakes and fitness showing no sign of slowing, Bill Kanko of Black Creek Investment Management explains how Glanbia PLC is staying ahead of the curve.

At Black Creek we invest with a long-term time horizon in mind. It allows us to take advantage of a situation by analysing whether market implications are short-term or something that could have a lasting impact, a timeframe which many investors are not willing to consider.

A longer-term trend that we believe has far further to run, is in the fitness industry and in the wider push towards

pursuing greater 'wellness'. Glanbia PLC is an Irish-based, innovative global nutrition company, that is at the forefront of developments in this area, with two main segments focused on the sector: Glanbia Performance Nutrition (GPN) and Glanbia Nutritionals (GN). Historically the firm has roots in the Irish dairy farming industry of the 20th century, and the modern company was founded in 1997, meaning it is far from a newcomer to the scene.

BILL'S VIEW









We initially purchased Glanbia for our Alliance Trust portfolio in the second quarter of 2018, after short-term concerns about exposure to GNC Holdings, an American competitor in the nutrition space, as well as threats from the internet giant Amazon, depressed the share price. Additional capital investment the company was making as part of a joint venture also shook some investors, however we saw these issues as short-term, that would do little to dent the long-term investment case.

The company has a leading-market position in performance nutrition products with strong brands. It also has attractive positions in cheese, dairy ingredients, speciality non-dairy nutritional ingredients, and vitamin and mineral blends. The company's exposure to the growing consumer trend for increased health and wellbeing, stands it in good stead. More and more people are seeking healthier, smarter and more convenient nutritional solutions to fit in with their active lifestyles and fitness training.

In its GPN division, Glanbia has many opportunities to drive continued growth, including a greater focus on fitness and lifestyle across India and China, further adoption of plant-based protein such as its Amazing Grass brand, and increased e-commerce capabilities through its direct-to-consumer channel in Europe, North America and China. Through its recent acquisition of SlimFast, it now has a greater exposure to the growing global weight management category.

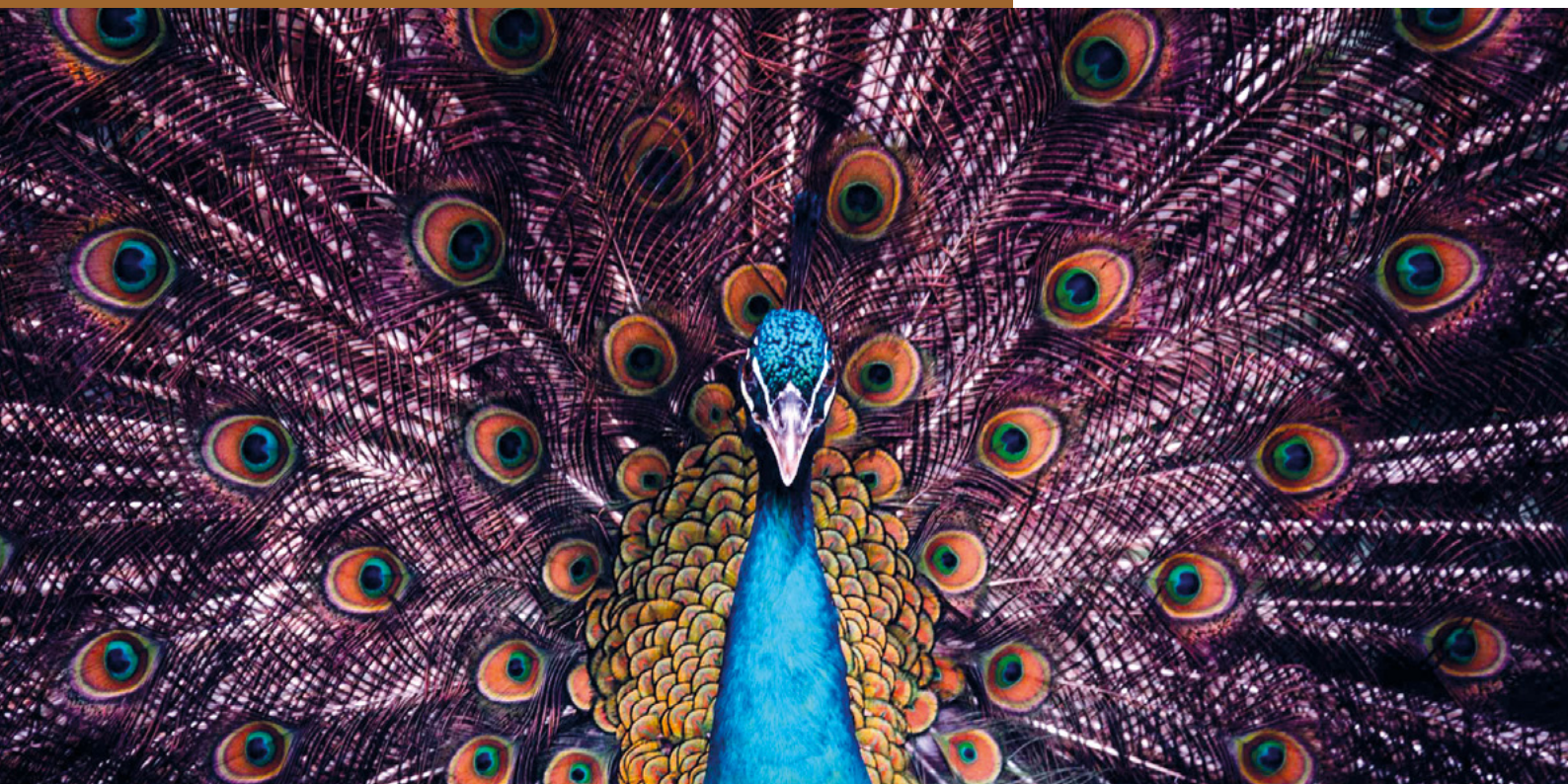
Within its nutritionals segment, it is the number one global supplier of whey protein isolate and the second largest provider of nutrient premixes. This division is exposed to a mid-single-digit growth rate in its end markets, which include sports and lifestyle nutrition, supplements, mainstream food and beverage, clinical nutrition and infant nutrition, and has room to grow further.

GLANBIA PLC FAST FACTS

 Headquartered in Kilkenny, Ireland	 6,900 employees across 34 countries	 Shares listed on the Irish and London Stock Exchanges	Revenue in 2018 of €2.3bn	 The Chief Executive Officer is Siobhan Talbot, who took up the position in 2013	 Market capitalisation of €5.13bn
 Major production centres in Ireland, the US, the UK, Germany and China	Ticker symbol: GLB	 Glanbia means 'pure food' in Irish	Founded in 1997 following a merger of Avonmore Foods and Watermore Foods	 The 'Glanbia' brand was revealed in 1999	

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PORTFOLIO UPDATE



WillisTowersWatson

A look at what has occurred in the Trust's portfolio over the last quarter.

In stark contrast to the troubled last quarter of 2018, global markets regained strength and made material advances in the early months of 2019. This shift in fortune was driven by a number of favourable factors coming together, that helped ease some of the fears that had stalled market returns. Trade tensions between the US and China cooled on the back of optimism that a positive agreement could finally be reached, and the Federal Reserve softened its tone on further interest rate hikes. Across the UK and Europe, equity markets also posted positive returns, despite continuing uncertainty around the outcome of Brexit.

Over the quarter, the Trust's total shareholder return, Net Asset Value (NAV) total return and equity portfolio return were 9.1%, 9.8% and 9.5% respectively against the MSCI All Country World Index (ACWI) return of 9.8%.

The Trust's underlying stock pickers continue to find interesting opportunities to purchase,

particularly during times of higher volatility such as that seen at the start of the year. The largest additions to the portfolio over the quarter were positions in two US businesses: Crown Holdings, the second largest global producer of beverage and food cans, and Alliance Data Systems, a data-led consumer loyalty business. These positions were established from selling down positions in Western Union, a payment services provider, and Anthem, a managed care organisation, both US-listed companies.

It has now been two years since the Trust adopted its new multi-manager approach (on 1 April 2017). In that time the equity portfolio has outperformed its benchmark, returning 15.1% compared to 14.3% on the MSCI ACWI. While two years is a short period of time to be evaluating the performance of the new approach, the Trust's equity portfolio has achieved strong results and controlled risk in what has been a difficult market environment.

Over the past two years, the stock pickers that have struggled relative to their benchmark, have been more exposed to the value style of investing, an area that has been hit with an abnormal amount of negative sentiment in recent years. Nonetheless, their portfolios continue to look increasingly attractive on a relative-value basis. Overall, the Trust continues to be positioned so that it is neutral across styles, sectors and geographies, in order to ensure any outperformance is largely driven by the collective expert skill of its underlying managers. We continue to be very positive on the longer-term outlook for the Trust's investors and hold high-conviction in all of its stock pickers.

Learn more about the latest portfolio price and performance [here](#)

Please refer to the next page for important past performance information and risk warnings.

BIGGEST POSITIONS SOLD AND ACQUIRED OVER THE QUARTER

10 largest purchases	% of Equity Portfolio	Value of position (£m)	10 largest sales	% of Equity Portfolio	Value of position (£m)
Crown Holdings Inc	1.0	24.6	Anthem	1.2	32.4
Alliance Data Systems	0.9	22.0	Western Union	0.7	18.5
Abbott Laboratories	0.8	21.1	Tencent	0.6	17.0
MuRata Manufacturing	0.6	14.2	Carnival Corporation	0.6	16.0
ServiceNow	0.5	11.8	Qualcomm	0.5	13.0
Interpublic Group	0.3	9.0	Centrica	0.3	9.4
Kato Sangyo	0.3	7.6	Allergan	0.3	9.2
Alphabet	0.3	7.0	Ping An Insurance	0.3	7.7
DKSH	0.2	5.3	Alphabet	0.3	7.1
Unilever	0.2	5.0	HDFC Bank	0.2	6.4

UPDATE ON BUYBACKS

In the three months to 31 March, the Trust has purchased 1.1 million shares at a cost of £8.0 million. The availability of the flexible share buyback programme has continued, but has been managed at a reduced level in the quarter. In the period since the 2018 AGM, the Trust has bought back almost 7.7 million shares at a cost of £56.9 million. These shares have been purchased across a discount range of 3.2% to 8.3% since the AGM, with an average discount of 5.9% through the period, suggesting that supply and demand are finding a current equilibrium level. The discount as at 31 March is 5.6%. The continued stability of the discount, despite a notable reduction in demand for share buybacks and volatile market conditions at the end of 2018, is encouraging, however the Trust continues to watch the discount closely, to take advantage of the NAV accretion for shareholders, by buying back more shares if the discount shows signs of widening significantly.

DISCRETE PERFORMANCE (%)

From To	31-Mar-18 31-Mar-19	31-Mar-17 31-Mar-18	31-Mar-16 31-Mar-17	31-Mar-15 31-Mar-16	31-Mar-14 31-Mar-15
Total shareholder return	8.8	3.9	39.3	1.6	14.8
NAV total return	8.2	4.8	30.2	-1.2	18.0
Equity portfolio return	8.9	5.7	29.9	0.1	17.3
MSCI ACWI total return	11.1	2.8	33.0	-0.6	19.0

IMPORTANT INFORMATION AND RISK WARNINGS

This section contains important regulatory disclosures and risk warnings that are relevant to the material in this document. You should read this section carefully, as it is intended to inform and protect you.

Towers Watson Investment Management Limited ("TWIM") has approved this communication for issue to Retail Clients. Past performance is not a reliable indicator of future returns.

The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV), meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV. This means that potential investors could get back less than the amount originally invested.

Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

No investment decisions should be based in any manner on the information and opinions set forth above. You should verify all claims, do your own due diligence, and/or seek advice from your own professional adviser(s) before investing in any securities mentioned.

The Alliance Trust Board has appointed Towers Watson Investment Management (Ireland) Limited (TWIMI) as its Alternative Investment Fund Manager (AIFM). TWIMI has delegated the investment management of the Alliance Trust portfolio to its specialist division, Towers Watson Investment Management Limited (TWIM). TWIMI and TWIM are both part of Willis Towers Watson. Issued by Towers Watson Investment Management Limited. Towers Watson Investment Management Limited, registered office Watson House, London Road, Reigate, Surrey RH2 9PQ is authorised and regulated by the Financial Conduct Authority, firm reference number 446740.

Notes: All data is provided as at 31 March 2019 unless otherwise stated. All figures may be subject to rounding errors. Sources: Investment performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc; key trades data is provided by BNYM Fund Services (Ireland) Limited. Equity portfolio return is the return achieved by the eight equity managers and so includes the effect of any of their cash holdings (gross of their fees). Returns are quoted net of withholding taxes (some of which are potentially recovered at a later date) and therefore potentially underestimate the managers' relative performance.

USEFUL INFORMATION

SHARE INVESTMENT

Alliance Trust PLC invests primarily in equities and aims to generate capital growth and a progressively rising dividend from its portfolio of investments.

Alliance Trust currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream investment products, and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products, because they are shares in an investment trust.

The shares in Alliance Trust may also be suitable for institutional investors who seek a combination of capital and income return. Private investors should consider consulting an IFA who specialises in advising on the acquisition of shares and other securities before acquiring shares.

HOW TO INVEST

One of the most convenient ways to invest in Alliance Trust is through one of the savings plans run by Alliance Trust Savings Limited who can be contacted online at: alliancetrustsavings.co.uk or by calling Alliance Trust Savings on 01382 573737. Annual account charges and certain transaction costs will apply according to the type of plan.

REGISTRARS

Our registrars are:

Computershare Investor Services PLC, PO Box 82,
The Pavilions, Bridgwater Road, Bristol BS99 7NH.

Telephone: 0370 889 3187

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company's registrars at the above address. You should also contact the registrars if you would like the dividends on shares registered in your own name to be sent to your bank or building society account. You may check your holdings and view other information about Alliance Trust shares registered in your own name at computershare.com

Our shares can also be purchased through most online share dealing platforms that offer investment trusts, or through your bank or stockbroker.

Start your investment journey here

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