

## **A TRANSFORMATIONAL FIRST YEAR OF OUR PIONEERING NEW STRATEGY**

**Craig Baker, Global Chief Investment Officer, Willis Towers Watson:** I'm Craig Baker. I'm the Global Chief Investment Officer at Willis Towers Watson, so ultimately responsible for our research and portfolio management operations. For Alliance Trust specifically, I chair the investment committee that run the portfolio on a day-to-day basis.

**David Shapiro, Portfolio Manager, Willis Towers Watson:** We sit as a group, an Investment Committee. Craig Baker is our chair. I'm Portfolio Manager and Mark Davis is my co-portfolio manager and Stuart Gray is our lead researcher.

**Stuart Gray, Senior Investment Researcher, Willis Towers Watson:** My name is Stuart Gray. I'm a senior investment researcher at Willis Towers Watson. My role on the investment team is to bring the investment research insights from the research team we have at Willis Towers Watson around the world to the Investment Committee and also to help the team balance the portfolio. So get the right managers and the right mix within that portfolio.

### **What is the investment strategy?**

**CB:** So, what we try and do is avoid the issues of having a single investment manager approach by following a multi-manager approach but actually very differently from most multi-manager approaches, we've done this with a very high conviction.

### **Why eight equity managers?**

**DS:** We set out with an objective of finding a group of managers with different skills, so that we can blend them together and create a well-diversified portfolio. Each manager is just concentrated on their way of managing money, be they a growth manager, a value manager or a quality manager. Within that, they're looking at their best ideas, so typically ten to 20 stocks. We don't expect them to overlap very much with each other and that gives us the diversification.

### **How has the investment approach performed?**

**CB:** The target we've been set by the board was for the equity portfolio, this new approach, to outperform the MSCI All Country World Index by two per cent per annum after all costs. So far, it's gone very well. It's been

running for 12 months now till the end of March 2018 and we've outperformed by more than that two per cent that was set to us at the outset.

### **How is portfolio risk managed?**

**DS:** In those meetings of that investment committee, we're looking at all the risks within the portfolio. If there are any factors that could throw us out of balance and mean that the stock selection was not driving the returns, that would be a problem. We have various quantitative and qualitative factors that we're looking at to make sure that those risks are adequately balanced.

### **How do costs remain competitive?**

**CB:** One of the criticisms generally of multi-manager approaches is often that they tend to end up being very expensive. Actually, this is quite different. We've been able to not only come up with something that's more high conviction but we've also been able to do it at lower cost than other multi-manager approaches. That really is a result of Willis Towers Watson's buying power with those managers, the relationships we've built over the years on the institutional side that's allowed us to get very good fees from those managers. And, as a result, get an OCR for the Trust as a whole total cost, everything included, of less than 65 basis points, 0.65 per cent.

### **A concentrated emerging markets portfolio**

**CB:** Whilst there are eight portfolio managers in the Alliance Trust structure, one of those portfolios runs both a global equity portfolio with 20 stocks but they also run an emerging markets equity portfolio. It is actually run in a concentrated approach versus most emerging market portfolios but, given the nature of that universe, that tends to run at 50 stocks rather than 20 stocks.

### **Powerful research capability**

**SG:** Research is at the heart of what we do at Willis Towers Watson. What Alliance Trust does is bring the research insights that we have on a global basis to enable UK investors to have access to the best managers wherever they are in the world. So it doesn't restrict you to just who's available in the UK. The other benefit the Alliance Trust brings is the concentrated focused portfolios on the best ideas of those managers. Those portfolios are not available to other retail investors.

### **A decade of experience**

**CB:** The other thing to note is that whilst we've only been doing this for a year for Alliance Trust, at Willis Towers Watson, we've been doing this in the institutional space for a number of years. Indeed, we started



doing this over ten years ago for a large charitable foundation and then we've been running an institutional fund that does something very similar for the last two-and-a-half years. Both of those have got an extremely strong long-term track record in excess of the two per cent per annum outperformance that we're targeting for Alliance Trust.

**Looking to the future with confidence**

**CB:** Alliance Trust has actually got an enviable track record of paying a progressive dividend policy. In other words, increasing dividends every year actually for each of the last 51 years. Not many trusts can say that and that has some big advantages to investors. It allows them flexibility. They can either choose to take that income and spend it as they wish or they can have that as a way of reinvesting into the stock as markets potentially are at a low point and getting increased total returns over the long term.

**DS:** Keeping with the history of dividends growing for more than 50 years, it allows us to put a robust portfolio together that can continue that successful track record that Alliance Trust has had through history.

**[END OF TRANSCRIPT]**