

1. Why has Willis Towers Watson (WTW) decided to terminate First Pacific Advisors' appointment?

The First Pacific Advisors (FPA) portfolio management team that has been managing part of the Alliance Trust (Company) portfolio since April 2017 has left FPA to set up Phaeacian Partners, a joint venture with Polar Capital. Pierre Py, Greg Herr and their team's last day at FPA was 16 October. As the investment team was moving on from FPA, WTW decided to terminate FPA's mandate.

After extensive consideration and research into a number of potential new Stock Pickers, WTW decided to appoint Lomas Capital Management (Lomas). While WTW continue to think Pierre Py and Greg Herr are talented investors, WTW's continual research into the manager universe has found a Stock Picker it believes provides a better opportunity for the future, taking into account the current mix of the Company's other Stock Pickers.

Changes to the Stock Pickers managing the Company's portfolio are to be expected. Over time, the manager universe evolves, and new opportunities arise. In addition, changes occur in the industry and within managers themselves. This evolving landscape led to the changes being made for the Company. Indeed, while one manager change each year on average might be a reasonable expectation, WTW does not expect to be making changes that often while still in the early years of the current investment approach, which was implemented in 2017.

The WTW research team identified Lomas, as a highly skilled manager that will bring a differentiated source of alpha to the Company's portfolio, with a low correlation to the other Stock Pickers, ultimately leading to enhanced risk management and lower potential overlap between holdings.

2. Is the decision due to FPA's poor performance?

The decision to terminate FPA's mandate was not performance driven. FPA's performance over the period of appointment was roughly in line with the benchmark. While this was not as strong as WTW would expect in the long-term, it did not lead to WTW changing its view that Pierre and Greg are skilled stock pickers.

WTW's approach to manager selection is holistic and does not focus purely on performance. Instead, WTW invest significant time, research and effort into the due diligence process using both qualitative and quantitative analysis. WTW take into account the manager's investment process, resources and competitive advantage, the culture and alignment of the organisation, the operational infrastructure and many other factors, rather than purely relying on past performance as a decision driver.

The decision to terminate FPA's mandate and appoint Lomas is based on the evolving opportunity set of the manager universe WTW researches and new prospects being discovered over time. WTW believes Lomas provides a better fit for the Company's portfolio.

3. How have FPA performed since they were appointed?

Since their appointment in April 2017, FPA's performance has been broadly in line with benchmark, outperforming the Company's deep value managers but underperforming the growth managers. FPA follows a long-term, all-cap, value-based approach that seeks out companies which have high-quality business models, exhibit financial strength and strong management with a track record of shareholder alignment. The dominance of US, large-cap and growth factors has acted as a headwind to FPA's approach to stock selection.

4. What is Lomas' investment philosophy?

Lomas employs a thematically-driven investment process that attempts to identify observable and measurable economic and fundamental trends. Thereafter, the team seeks to purchase stocks that are most likely to benefit from these trends. The themes Lomas identifies come from a variety of inputs but tend to be focused on changes or trends at the company or industry level. There is a distinct effort to find trends in industry dynamics that are not being written about in sell-side research. The team believes this will lead them to investment opportunities with very attractive risk/reward characteristics. The team also has the ability to invest in stocks outside of this thematic framework if they happen to find a compelling stand-alone opportunity from time to time, but typically the portfolio is dominated by thematic investments.

5. What are the current themes that Lomas is investment in?

Some characteristics that Lomas seeks in its potential themes and positions are: underappreciated and/or emerging themes, secular growth trends, misunderstood companies, post-reorganization special situation opportunities trading at a discount to fundamental value and companies with attractive private market valuations. Some examples of recent themes they have been focusing on are property and casualty insurance, consumer e-commerce, streaming music and a gold / defensive exposure theme.

6. What will Lomas bring to the portfolio that's new and different?

Lomas has a unconstrained approach that is style agnostic, making them quite distinctive from many other managers. Lomas employs a thematically-driven investment process that attempts to identify observable and measurable economic and fundamental trends and purchase stocks that are most likely to benefit from these trends.

Given that Lomas' investment process and philosophy is significantly different to that utilised by the Company's other Stock Pickers, they will bring a differentiated source of alpha, with a low correlation to those other Stock Pickers.

7. How have Lomas performed historically?

Lomas has a strong long-term track record. The Lomas PeAk Fund, the closest comparator to the strategy being implemented for the Company, was launched in 2013 as a 130/30 strategy but reorganised on 1 February 2015 into a concentrated long-only approach. Since that time, to 30 September 2020, the fund outperformed by 2.6%¹ per annum vs the MSCI ACWI index. Performance has been challenged by the Coronavirus pandemic more recently, with Lomas underperforming the MSCI ACWI by 5.4% year to 30 September 2020. WTW believes this is an opportune time to start an investment with a manager that has a strong long-term pedigree.

Past performance is not a reliable indicator of future returns.

8. How do Lomas incorporate Environmental, Social and Governance (ESG) factors in their approach?

Lomas is a long term investor and as such integrates the potential impacts of ESG risks into its analysis of companies and portfolio construction, as well as addressing sustainability in its discussions with senior management of investee companies. Lomas' thematic approach focuses on key drivers of industries and companies and lends itself to the consideration of the effects that our changing world has on the outlook for businesses. In terms of shareholder rights Lomas aims to exercise all their votes where

¹ These figures are in USD and net of Lomas' standard fees for their pooled fund which are not representative of the fees that the Company will pay

feasible and to be good stewards of their capital. Lomas will occasionally engage with company management on certain topics that it believes are of significance. However, WTW recognise that Lomas is a small firm. This is in part why EOS at Federated Hermes has been appointed to lend extra weight and resource to the engagement and stewardship efforts of the Company.

9. Who are the key members of the investment team and where is the firm based?

Lomas was founded in 2012 by Dan Lascano, Charlie LoCastro and Ron McIntosh, former senior members of the Caxton Equity Group. The team has worked together for almost 20 years, at Lomas and at Caxton for around 10 years prior to that. Dan Lascano is the lead portfolio manager and largest shareholder of the business. Lomas is a small, majority employee owned business based in New York. As of 30 September 2020, Lomas had \$820m assets under management.

10. Why have you hired another US-based manager? Given how important it's becoming globally, why can't you find a good manager in Asia to improve diversification?

WTW has widespread resources which allow it to find skilled stock pickers in all corners of the world. The US has a large pool of investment managers and, as such, WTW is able to find several highly skilled managers in the US. Many managers in Asia prefer to run more local focused portfolios, given their specialisation and local knowledge. As a result, the pool of investment managers running globally unconstrained mandates there tends to be smaller. WTW's focus on global equity managers has tended to lead them to appointing UK and US based managers.

Despite a number of the Company's Stock Pickers being US-based, they are all global stock pickers and examine equity opportunities across the world. Their physical location has no impact on the portfolio's diversification. WTW believes that good stock diversification can be achieved within the portfolio with the current Stock Pickers.

11. Will Lomas charge a performance fee and be expensive?

Lomas will not be charging performance fees and the overall fees negotiated by WTW are in line with those charged by the Company's other Stock Pickers. The same level of transparency will be given by Lomas that is currently provided by the other Stock Pickers and total portfolio information, including holdings will remain accessible to investors on the Company's website, as is currently the practice.

12. Will Lomas be allowed to short sell stocks?

The Lomas team manages both long-short and long-only equity products. For Alliance Trust, Lomas will only manage a long-only, high conviction portfolio of 10-20 stocks and will not be permitted to short sell stocks.

13. What impact will hiring Lomas have on the OCR?

WTW's goal is to identify managers which will deliver long-term value for clients net of fees. WTW's scale and buying power ensures the fees are kept competitive to meet the specific needs of the Company. This applies to the appointment of Lomas where WTW has negotiated an attractive fee, which will help the Company to maintain its costs at a competitive level.

14. What is Lomas's attitude to risk?

The emphasis is first and foremost on knowing the businesses in sufficient depth and what the idiosyncratic risks are and considering the exposures to broad potential outcomes. The approach is less quantitative in nature, and as such does not rely on point estimates in terms of risks but rather on creating models for each individual position using base, bear and upside case assumptions. This upside/downside determines the position size which is then adjusted for other stock risk

characteristics. The team also model the entire industry that each stock is in and create theme based peer groups for risk monitoring of the individual positions. Underperforming stocks are monitored more closely, with various thresholds triggering additional due diligence. The resilience of various themes are also subjected to stress testing based on varying market condition assumptions.

15. Has this appointment been ratified by the Board?

The Company appointed WTW as its investment manager and gave it full discretion to appoint managers to invest in stocks for the Company's portfolio. WTW manages the overall portfolio and is responsible for balancing risk at the stock, sector and geographical level. The Board has ratified WTW's decision to appoint Lomas.

16. What is Lomas' notice period?

WTW takes a long-term view of the individual Stock Pickers and monitors their day-to-day management, evaluating and re-balancing the Company's portfolio, where necessary, but any of the Stock Pickers' mandates can be terminated without notice if something unforeseen occurs.

17. Could this appointment exacerbate portfolio turnover, which was high at the end of last year?

Portfolio turnover was higher in the first quarter of 2020 due to the COVID 19 related market stress and associated uptick in volatility that led to the Company's Stock Pickers re-underwriting the stocks in their portfolios and created a strong buying opportunity for the Company's Stock Pickers to buy businesses at a discount to their true value. Lomas' appointment (other than the initial transition itself), is not expected to be a cause for a significant increase in portfolio turnover.

18. Where is Lomas' allocation coming from? Is it new money or a reallocation from the other Stock Pickers?

The allocation to Lomas is being predominantly sourced from the Company's capital allocation to FPA. A small amount of additional capital will be added, sourced from some of the other Stock Pickers and from borrowings. This is a result of WTW managing the overall risk/reward balance in the portfolio.

19. Why should I invest given current market conditions?

It is very difficult to determine how economic conditions will develop over the next few years and how this will impact investor returns, in particular in the current uncertain market conditions. In such market conditions, WTW believes it is difficult to determine which stocks will rise and which will fall in the short-term, and so they would always advocate investing for the long-term, in a portfolio of best ideas diversified by geography, sector, style and manager. This is why the investment approach of WTW is to appoint a collection of Stock Pickers to invest in their best ideas.

20. Why has WTW appointed a transition manager and what are the costs associated with this?

WTW has appointed BlackRock as a transition manager to help with the sale of the FPA portfolio and facilitate an efficient transition between the two managers. A transition manager is not always required. However, in certain situations the expertise of a specialist transition manager is beneficial. In this case, given the portfolios in question and the departure of the team from FPA, WTW decided it would be operationally advantageous to enlist the services of BlackRock as a transition manager. The costs associated with the appointment of BlackRock should be minimal.

21. How will Lomas' appointment change the shape of the portfolio? Will it lead to different country, sector or style exposures?

The appointment of Lomas will not have any significant change on the shape of the portfolio. WTW is responsible for portfolio construction and risk management. They maintain the portfolio to be balanced and diversified in terms of country, sector and style exposures, ensuring performance is driven by stock selection as opposed to top down macro risks. In the process of appointing Lomas, WTW did not simply move the FPA assets to Lomas. The additional allocations sourced from other Stock Pickers and from borrowing was the process of holistically managing the portfolio to ensure it maintained the right balance.

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