As the wave of interest in investing in a sustainable way washes over financial markets, a whole new lexicon has emerged to explain what it all means.

Sustainable. Ethical. Green. Impact. Responsible. On the surface, each label could be taken to mean pretty much the same thing, but they all have their own nuances and meanings, and will result in quite different approaches to investing. For example, a fund describing itself as ‘green’ or an ‘impact’ fund may aim to invest in sectors that protect or improve the environment, while an ‘ethical’ fund may take a moral position against so-called ‘sin’ stocks, such as tobacco or gambling companies.

In our case, responsible investing is a broader term, which implies a more pragmatic and open-minded approach to what stock we will own in the portfolio. We believe it best matches the mindset of a long-term, patient investor seeking to improve returns over the long term.

**ACTIVE OWNERSHIP**

Central to being a responsible, long-term investor is a consideration of the environmental, social and governance (ESG) factors that can help or hinder a company’s financial returns, and hence its investment potential. We believe a key component of the approach is being an active owner, engaging with companies to develop and improve their approach to ESG issues, such as diversity, executive pay or carbon emissions, as opposed to simply excluding them from the portfolio.

A responsible investor believes that paying attention to improvements from an ESG standpoint, will mean a company is more resilient and less likely to suffer earning shocks and harsh market reactions.

Ultimately, adopting this approach does mean that a portfolio may include a small number of stocks that some investors may question.

However, we believe it is often better to engage with a company, to encourage it to make improvements, consider the impact of its work, and apply pressure to change.
its approach and improve outcomes, even if its current ESG profile leaves something to be desired.

“We believe steering companies with more questionable track records or in ‘dirtier industries’ towards sustainable practices, should help to manage risks over the long term, improve returns and benefit the planet,” says Craig Baker, Global Chief Investment Officer at Willis Towers Watson (WTW) and Head of Alliance Trust’s Investment Committee.

To help illustrate this, two of the largest contributors to our portfolio’s carbon footprint are HeidelbergCement and steelmaker ArcelorMittal.

**CARBON REDUCTIONS**

HeidelbergCement is a global leader in aggregates, cement and ready-mixed concrete production. The main component of cement is clinker, a by-product of sintering limestone, and its production is carbon-emission-intensive. Unsurprisingly, the carbon problem is one felt across the entire cement/concrete industry, with production accounting for 8% of the world’s carbon emissions.

However, cement is also the most widely used construction material globally, and its use will likely increase due to growing urbanisation and increased infrastructure spending globally. As a result, we believe engaging with companies such as HeidelbergCement is important for ensuring key industries are taking the right steps to transition to lower-carbon emissions.

Our Stock Picker, Bill Kanko of Black Creek, along with EOS – which bolsters the Stock Pickers’ efforts by engaging with companies collectively on behalf of asset owners such as Alliance Trust representing $1.5 trillion of investment capital – has actively worked with HeidelbergCement on many ESG-related topics. The outcome of these efforts exemplifies what we see as the benefits of engaging, rather than excluding, carbon-heavy industries.

To date, HeidelbergCement has made strong progress, and has been increasingly focused on growing its share of the market’s sustainable low-carbon products. It is designing factories that operate with alternative raw materials and fuels. Currently, HeidelbergCement allocates about 80% of its R&D spend on reducing energy consumption in its manufacturing process. In June 2021, it announced plans to build the world’s first carbon-neutral cement plant in Sweden; this is expected to start operations in 2030.

In 2019, HeidelbergCement became the first cement company to announce an emissions-reduction target that is in line with the Paris Climate Agreement, which aims to prevent a rise in the Earth’s temperature over 2°C by 2050. When compared to its peer group, this clear commitment to ESG is evident in its ranking. Under the index provider MSCI’s ESG ratings, HeidelbergCement has consistently been ranked AA and a leader across 27 peers in its industry. Additionally, the Carbon Disclosure Project has recognised HeidelbergCement with an A rating in the area of climate protection; one of only 179 companies worldwide to achieve this top grade.

Primary steelmaking is another source of heavy pollution, but it will continue to be needed to meet likely global demand. In fact, steel intensity in the energy sector is actually increasing in the short term, with the transition to low-carbon sources of energy generation. The availability of scrap is limited due to its finite nature, so decarbonisation efforts must focus on primary steelmaking.

ArcelorMittal, which has been selected for the portfolio by Rajiv Jain of QGQ, is committed to achieving net-zero carbon emissions by 2050, and has a broad and flexible transition strategy in place.

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3. MSCI ACWI Index.

Past performance is not a reliable indicator of future returns.
The Company has identified three distinct pathways that have the potential to deliver a significant reduction in carbon emissions. These are:

• Clean-power steelmaking, using hydrogen and electrolysis.
• Circular-carbon steelmaking, which uses circular-carbon energy sources, such as waste biomass, to displace fossil fuels.
• Fossil fuel carbon capture and storage, where the current method of steel production is maintained but the carbon is then captured and stored or re-used, rather than emitted into the atmosphere.

Jain says, “ArcelorMittal is making new steel products that help their customers’ transition to a low-carbon future, such as materials for wind turbine construction. As the second largest steelmaker in the world, we believe it is well positioned to develop the required technology and capture the potential competitive advantage.

“While ArcelorMittal does represent one of our highest contributors to carbon emissions, the company’s climate-change related disclosures in our view are improving year over year, which is one of the metrics we track to gauge climate risk.”

CONSTRUCTIVE DIALOGUE

HeidelbergCement and ArcelorMittal are the exception rather than the rule. We don’t just invest in high-carbon emitters. Indeed, we tend to invest in fewer than most, which is why the portfolio’s carbon footprint, as measured by the weighted average carbon intensity (WACI), is lower than the benchmark by 32.8%, as at the end of June. Nevertheless, the inclusion of companies such as HeidelbergCement and ArcelorMittal in the portfolio, demonstrates that we don’t adopt a black-and-white approach to green issues. “Despite their high current levels of greenhouse gas emissions, we can’t eradicate carbon-intensive industries, such as steel and cement, overnight,” said Baker. “They are part of the foundations of the global economy, and we believe a lot can be achieved through constructive dialogue to help them move to more climate-resilient business models.

“The transition of these companies will be critical to achieving the goals of the Paris accord, and those that are aligned with or ahead of the required pathways for their respective sectors, will be best placed to manage transition risks and/or take advantage of opportunities.”

NEW PORTFOLIO EXCLUSIONS INTRODUCED

In keeping with its commitment to the portfolio being managed to achieve net-zero carbon emissions by 2050, the Board of Alliance Trust has decided to exclude stocks with significant exposure to thermal coal or producing oil from tar sands. Thermal coal is by far the most carbon-emitting source of energy in the global fuel mix, and tar sands are among the most carbon-intensive means of crude oil production.

Our investment manager, Willis Towers Watson, thinks that, in general, actively engaging with the companies we invest in, is one of the best ways of effecting change and managing risk. But it believes that engagement with these companies is often less viable. “Exclusions aren’t always an effective strategy. But, in some cases, it is the best option left on the table,” says WTW’s Craig Baker.

Find out more
WHY RISK MANAGEMENT IS SO IMPORTANT

By Faith Glasgow

As an investor, it’s all too easy to focus primarily on the short-term gains delivered by a portfolio, and pay little attention to the various risks attached to the whole investment process.

But good risk management on the part of the investment manager can actually enhance sustainable long-term returns, while poor decisions could put your capital in serious danger, as those who invested in Neil Woodford’s ill-fated funds at Woodford Capital found to their cost.

So what do you need to be aware of when investing?

First, it’s important to understand that risk in this context is multifaceted. It extends far beyond the ‘investment risk’ that many private investors often worry about, which is actually volatility – the inevitable market fluctuations shaping the value of their portfolio in the short term. (It’s worth noting that volatility can actually be a source of opportunity, providing attractive entry points for quality businesses that can be unfairly punished in a general market sell-off). However, here we’re looking primarily at the various types of risk that could potentially affect your investment’s performance in the long term – and at how expert management of those factors can make a crucial difference.

As Henry Cobbe, Head of Research at Elston Consulting, points out, there are broad risks inherent in the structure and management of an investment fund or trust, “for example, around internal governance and conflicts of interest, or whether the spirit as well as the letter of various rules and guidelines is being observed. You can’t put a number on that, but it matters just as much.”

BOARD LEVEL

As an investment trust investor, you already have a head start on investors in open-ended funds, because investment trusts are structured as companies, and therefore have an independent board of directors working in the interests of shareholders, overseeing the manager’s strategy and performance.

While much of the board’s work is routine, it is also responsible for challenging and supporting the manager, and ensuring performance continues to meet expectations. Where that’s persistently not happening, the board has the power to take drastic action by changing the trust’s structure, instigating a new investment approach, or even firing the manager and appointing a new one.

Indeed, Alliance Trust’s Board led a radical overhaul of the venerable 133-year-old trust in 2017, appointing Willis Towers Watson (WTW) as multi-manager in the process. Its work was recognised with the accolade of ‘best board’ in the 2019 Citywire Investment Trust Awards.

PORTFOLIO LEVEL

While the board plays a crucial top-level role, the nuts and bolts of risk mitigation sit with the portfolio manager. Here, the inherent advantages of a multi-manager structure come into sharp focus.

For conventional single-manager funds, one of the biggest risks is that the manager could quit. It’s particularly worrisome if the manager in question has been a successful lone operator, rather than a team player alongside other experienced managers.

“You can’t put a number on internal governance and conflicts of interest... but it matters just as much.”

Additionally, in concentrated portfolios with large holdings in a relatively small number of securities, there’s the danger that any specific stock or sector that ‘blows up’ will do serious damage to the portfolio.

“With a multi-manager portfolio you don’t have those dangers,” explains Mark Atkinson, Head of Marketing at Alliance Trust. “The influence of every manager is limited, so if one left, that would be a nuisance, but not a systemic threat to the whole portfolio. Similarly, while individual managers may run concentrated sub-portfolios, the significance of any single stock is not enough to cause
serious upset to the whole portfolio if it implodes.”

A multi-manager arrangement therefore provides a built-in element of risk mitigation through diversification. In Alliance Trust’s case, ten sub-managers are each running their ‘best ideas’ portfolio comprising 15-20 holdings, so the portfolio as a whole is invested across upwards of 150 stocks.

“The influence of every manager is limited, so if one left, that would be a nuisance, but not a systemic threat to the whole portfolio.”

However, when the risk management system works well – and for WTW as a global investment management and advisory firm working for some of the world largest institutional investors, it’s the foundation of the whole business – that process extends much further.

“One of the principles of WTW’s approach is that all investment managers invariably underperform at some point,” comments Simon Elliott, Head of Research at broker Winterflood.4

"However, by spreading the portfolio across a range of carefully selected managers offering a variety of approaches and styles, the risk of overall underperformance is reduced."

Moreover, he adds, if WTW gets the right combination of managers to look after different chunks, the portfolio as a whole becomes less volatile, because the different approaches and styles negate each other to a greater or lesser extent. That involves the portfolio manager identifying the optimal combination of complementary investment sectors, approaches and styles, and then the best, most sustainably managed investment firms within each group (in many cases managers not accessible to private investors in the UK).

A quick look at Alliance Trust’s sub-manager line-up reveals the diversity of focuses it captures, even within broad-style ‘boxes’. The managers range from Black Creek, which focuses on business winners in out-of-favour industries, to recovery investor River and Mercantile, to Veritas, with a bias to thematic quality stocks.

"By spreading the portfolio across a range of carefully selected managers offering a variety of approaches and styles, the risk of overall underperformance is reduced."

"Probably half the managers could be described as value, but they are very different from each other," says Atkinson. "For instance, Vulcan buys high-quality companies, but waits for unexpected drops in the stock price, whereas Lyrical focuses on the cheapest stocks, looking for those with turnaround potential. And there are many different shades of growth manager, too."

The portfolio manager also has to work out the right allocation of capital to each manager. “WTW aims to give managers equal amounts of risk, rather than equal amounts of capital, so it will give less to a small-cap value manager than to a large-cap quality growth manager, because one is inherently more risky than the other,” observes Atkinson. Regular rebalancing between managers is necessary, in order to maintain the optimal distribution.

3. GQG can also own up to 60 stocks in its emerging markets sleeve of the portfolio.
Of course, even with the most diversified portfolio there are numerous macroeconomic influences – from interest rate movements to regional strength or geopolitical strife – that can potentially wrongfoot a portfolio and jeopardise performance relative to its benchmark.

“It’s very hard to get those macro calls consistently right, so WTW’s approach is basically to avoid placing big bets on any aspect of the market (by weighting the portfolio towards different regions or styles for instance), and instead to leave it all to individual stock selection, which is where it’s been shown good active managers can add value over the very long term,” Atkinson says.

Certainly, there’s evidence that in the long run, the effect of style differences is negligible on performance. WTW points to the fact that over the 45 years to April 2021, the S&P 500 growth index has returned 11.7% a year on average, whereas the S&P 500 value index has returned 11.4%.

“WTW aims to give managers equal amounts of risk, rather than equal amounts of capital.”

“With such a marginal difference between the two passive approaches to investing by style, a better way of outperforming the market consistently over time is through skilled stock selection, even if it is possible to benefit in the short run from having a style bias,” says WTW Global Chief Investment Officer, Craig Baker.

Elliott points out that such an approach “should appeal to investors who have a preference for a return profile more in line with global equities overall, rather than being prepared to endure the highs and lows that can be characteristic of other strategies.”

He adds, “WTW’s knowledge of the investment management industry leaves them well placed to select a roster of complementary investment managers that, when blended, offers the chance for long-term outperformance, but with a lower volatility than can be found with a single-manager approach.”

**STOCK-SELECTION LEVEL**

For the individual sub-managers within the portfolio, the focus is on getting the stock selection right. “In a portfolio like this, the managers are not asked to worry about relative performance; they are very much assessed according to absolute returns,” says Atkinson.

He makes the point that WTW quite deliberately doesn’t publish the individual managers’ returns, as it helps to avoid the pressure of unhelpful comparisons, and the risk that managers will change their investment style to try to boost short-term performance.

“The key for them is really to stick to their knitting, because that style is why they were selected in the first place,” he adds.

One example is Lyrical, a US deep-value boutique fund manager, which has had a very difficult time for most of the four years it’s been on the roster – dramatically underperforming other managers, despite doing well relative to the style benchmark. When WTW scrutinised the Lyrical portfolio very closely, however, it became clear that the stocks in it were profitable, strong choices; they just weren’t liked by the market.

That all changed with the vaccine rally last November, which shunted value stocks back into the market limelight. “Lyrical has outperformed by 40% since then,” says Atkinson. “WTW stuck with it throughout that long period of underperformance, because it was doing what it was supposed to do.”

One rapidly evolving element of any fund risk profile concerns environmental, social and governance (ESG) issues. As Cobbe observes, “Increasingly, ESG considerations are being articulated as a risk factor, as well as a values statement.”

Climate change in particular represents a huge financial risk for any business caught on the wrong side of it. For instance, a company might find its reputation had been tarnished because it was seen to be dragging its feet relative
to competitors in improving its carbon footprint. Or it might lag in terms of implementing new climate regulations, again indicating a reluctance to embrace the move toward a net-zero environment.

“In a portfolio like this, the managers are not asked to worry about relative performance; they are very much assessed according to absolute returns.”

Certainly for WTW, the long-term financial risks inherent in a business’s potential exposure to climate change risks, all have to be weighed up by the sub-manager in assessing that company. But the focus is on identifying businesses that are taking the issues seriously and embedding good practice, rather than on finding squeaky-clean stocks.

“That means Alliance Trust will end up owning some ‘dirty’ stocks,” says Atkinson. “For instance we have BP in the portfolio, and Anglo-American, but the managers argue that they are doing the right thing in relation to ESG. They have business strategies that will make them better ESG stocks in the long run. Against that, there are other dirty stocks out there that we wouldn’t touch, because they don’t have a plan to get on the right side of the coming changes.”

“Increasingly, ESG considerations are being articulated as a risk factor, as well as a values statement.”

Indeed, he adds, future manager changes within the WTW portfolio could well be for ESG reasons, if it becomes clear that an existing sub-manager in this rapidly evolving area is doing less well than competitors in its assessment of the ESG risks attached to stocks. With more than 70 climate change specialists providing guidance and analytical tools, WTW is well placed both in its ability to challenge existing managers on stock choices, and in terms of manager selection on ESG grounds.

“There are other dirty stocks out there that we wouldn’t touch, because they don’t have a plan to get on the right side of the coming changes.”

Clearly, when it comes to risk control, there is a huge amount to think about. But if the manager gets it right, investors should be able to enjoy better returns than less effectively managed competitors over the long term. The bottom line as far as Alliance Trust investors are concerned, is that risk management is the life blood of Willis Towers Watson.

Faith Glasgow is a freelance writer and former editor of Money Observer.
At Lyrical Asset Management, we specialise in fundamental value investing. The stock market can be pretty efficient, but it does have a tendency to overreact at times. When a stock falls out of favour, its price can drop well below the intrinsic worth of the business. Buying businesses at large discounts to their intrinsic worth is what fundamental value investing is all about. Discounts are important because they enhance the return of the investment. It is nice to buy a great business, but if you overpay, you will earn a bad return. If you underpay and get the business at a discount, then you can earn a great return, and the bigger the discount, the greater the return.

We believe fundamental value investing has a great history over numerous decades of generating returns significantly greater than the overall market. However, value stock performance has also experienced periods of underperformance. In the recent past this happened during the global financial crisis of 2008 and the market bubble of 1999. Value stocks began a new cycle of underperformance in 2018, which lasted about two years until ending in March 2020. Since then, value stocks in general, and Lyrical’s stocks in particular, have strongly outperformed the overall market.

Lyrical has a very selective approach to value investing. Our firm carefully sifts through the mass of cheap companies with low valuations. We believe most of these companies are not good business and we see them as junk. But amid the junk there are a few dozen gems: good businesses that have been ignored or misunderstood by the market. Few stocks meet our investment criteria of being both significantly undervalued and also a good, simple business, so our portfolio is concentrated on a smaller number of companies by nature. While our selectivity makes it more difficult to find stocks for our portfolio, the payoff has been worth it. Our portfolio has an uncommon combination of both deep value and attractive growth. In theory, getting higher earnings at a cheaper price should deliver investing success.

**ANDREW’S VIEW**

Andrew Wellington
Co-founder and CIO

Broadcom is a leading global supplier of specialised semiconductor chips that power smartphones, Wi-Fi routers, data centre switches, GPS devices, and many other products. It is also a leader in infrastructure software for large organisations. Over the last 15 years, Broadcom has executed a successful strategy of acquiring complementary businesses. The acquisitions have held top positions in their markets, with high technological barriers to entry, and pricing power that enables high gross margins. After acquiring these businesses, Broadcom has focused on its core franchises, reinvesting in additional research and development to strengthen market leadership, and at the same time has cut operational expenses and pruned non-core businesses to expand margins. Impressively, the company has exceeded its targets on every acquisition to date. Broadcom’s margins have expanded from the low teens to almost 60% today, and historically, earnings per share have compounded at a rate of over 30% per year. We expect its sales to organically grow 5-10% per year from here. Earnings growth should be even faster, with margin expansion continuing from recent acquisitions, plus the potential for additional future acquisitions. Despite Broadcom’s historical success, the company is valued at a substantial discount to the market, making it an attractive holding in our portfolio.

**STOCK SPOTLIGHT: BROADCOM**

- Founded: 1961
- Separated from Hewlett-Packard in 1999
- 21,000 employees (at 2020)
- Headquartered in San José, California
- Stock ticker: AVGO
- President and CEO: Tan Hock Eng

Companies mentioned are for informational purposes only and should not be considered investment advice. Past performance is not a reliable indicator of future returns.

1. From 3/31/20 to 6/30/21, Lyrical’s account for Alliance Trust has returned 133.8% net compared to the 69.7% of the S&P 500.
SGA's investment process is focused on identifying differentiated high-quality global businesses that offer predictable and sustainable growth due to superior pricing power, recurring revenue streams, long-term potential growth, strong cash flow generation and management teams that have proven to be good stewards of shareholder capital. We assign two analysts to each stock under consideration, to ensure objectivity and the broadest perspective. We supplement our own proprietary research, which integrates ESG analyses by our analysts with that of third-party ESG scoring provider MSCI, to again enhance our perspective. We seek companies that possess the sustainable business quality and growth characteristics we require from SGA’s Qualified Company List.

We strongly believe that not overpaying for a company’s earnings and revenue growth is a critical element in growth investing, and evaluate a stock’s valuation to establish an appropriate purchase price and when expectations and valuations are becoming too rich. A concentrated portfolio of the stocks we have the highest confidence in, is created based on an analysis of the cash flow and the long-term investment opportunity they offer. This approach has been successfully implemented over the years by the same team in place today, and has generated attractive risk-adjusted returns, protecting client capital in more difficult markets while participating attractively in more robust markets.

Autodesk is a leading provider of computer-assisted design and makes software, catering to the architecture and construction sectors, as well as the manufacturing and media sectors. The company meets our business quality and sustainable growth criteria, while still offering an attractive cash flow based valuation. The company sources 40% of its revenue from the Americas and EMEA each, and the remainder from the Asia-Pacific region. While slightly more exposed to macroeconomic events than most other companies in the portfolio, it offers attractive pricing power, due to the specialist nature of the product and the time customers spend learning to use it, which make users less sensitive to small price changes.

Autodesk generates a high level of recurring revenues, given the critical nature of its products, which we believe reduces the likelihood of clients switching providers, and the company’s transition to a cloud-based model, which has increased the predictability of its revenues. Autodesk sells to a growing global market, where the adoption of its tools is increasing as companies seek to reduce waste and implement designs more efficiently. We also see the use of its software spreading across more industries over time, enhancing its long-term growth opportunities. The inclusion of Autodesk on our Qualified Company List and in our portfolios is an example of the breadth of companies that meet our key criteria and offer unique attractive growth runways.

Autodesk FAST FACTS

- Founded: 1982
- CEO: Andrew Anagnost
- Revenue of more than $3.2bn in 2020
- 1985 Float
- Headquartered in San Rafael, California
- 10,300 employees (at 2020)
Over the second quarter of 2021, the Company’s total shareholder return and NAV total return were 7.3% and 8.4% respectively, with the MSCI All Country World Index (ACWI) returning 7.3%.

Global equity markets continued to rally over Q2 following the easing of lockdowns, ongoing loose monetary policy and early signs of economic recovery. Historic levels of fiscal and monetary stimulus have provided a consistent tailwind since the spring of 2020, and there is little evidence these measures will be removed in the near term. The strongest-performing regions over the second quarter were the US and China (onshore). Emerging Markets in general lagged global returns, as did the UK, while Japan was significantly behind the global average, posting a small negative return for the quarter. In terms of styles, while leadership seemed to change twice during the quarter, over the full quarter Growth and Quality led, with the MSCI ACWI Growth and Quality indices both outperforming the MSCI ACWI index by over 2%, and Value and small cap lagged by a similar margin. This marked a reversal from the first quarter, when projections of increased inflation in developed markets supported Value and small cap factors.

The biggest reversal occurred in June, when market sentiment changed, in part due to more hawkish comments from the US Fed that suggested it might act sooner to control inflation. This turned investors towards longer-duration Growth stocks that they perceived to be better positioned to benefit from such an environment, and away from the pro-cyclical themes that drove market returns in the first quarter.

**STOCK PERFORMANCE**

Within the portfolio, Nvidia, the multinational technology company, contributed the most to the overall performance of the Company, delivering an absolute return of 50%. Nvidia’s proposed $40 billion acquisition of Arm Holdings received support from key stakeholders over the quarter, which puts the deal one step closer to being finalised. If successful, the acquisition will accelerate Nvidia’s expansion in Artificial Intelligence computing and open up new markets for the firm. This news came on top of an excellent earnings report in May, with revenue reaching a record $5.7 billion, up 84% year over year. Alphabet also stood out as a key contributor over Q2, returning 21%, the majority of which was delivered in April after a better-than-expected first-quarter earnings report.

In contrast, New Oriental Education & Technology Group, a provider of private educational services in China, was the most significant detractor from performance over the quarter. The share price of the stock fell, as markets became increasingly nervous about the anticipated Chinese government crackdown on the private tutoring industry. However despite recent falls, the Company’s Stock Picker believes that given its strong brand, scale and high-quality offerings, New Oriental is well positioned to benefit from industry consolidation driven by new regulations imposed on the sector.

The Company’s Stock Pickers continued to search for favourable investments for the portfolio throughout the quarter. A position was established in The Restaurant Group, a British chain of restaurants and public houses, which following significant business restructuring is, in the Stock Picker’s view, well placed to outperform analyst consensus expectations as the UK eases restrictions on the hospitality sector. Elsewhere in the portfolio, the position in Alibaba was reduced, making room for more attractively valued growth opportunities such as Disney. Disney is expected to see continued growth opportunities following the success of its Disney+ streaming service. Disney’s parks and movie businesses are also expected to rebound over the course of 2021 and 2022, following Covid-19 disruptions in 2020.

Over the quarter, we maintained the level of gross gearing at the central target level of 10%. Furthermore, we introduced two new managers to the portfolio, Sands Capital (a global growth manager) and Metropolis Capital (a global value manager). The portfolio continues to be structured in a balanced way across ten stock pickers with different investment approaches, resulting in a diversified but high-conviction portfolio of stocks.

Companies mentioned are for informational purposes only and should not be considered investment advice. Past performance is not a reliable indicator of future returns.
UPDATE ON BUYBACKS

At the Annual General Meeting (AGM) in April 2021, shareholders approved for the Company to purchase and cancel up to 14.99% of the issued share capital. In the period since the AGM to 30 June 2021, the Company purchased 2.4 million shares at a cost of £23.6 million. The shares were purchased across a discount range of 5.0% to 7.2%, with an average discount of 6.0%.

In the period from 1 January to 30 June the discount has ranged between 2.7% and 9.3%, with an average of 5.9%, and in this period the Company purchased 7.3 million shares at a cost of £68.0 million.

The Trust continues to watch the discount closely, and will carry out further buybacks if the discount shows signs of widening significantly over a sustained period.

DISCRETE PERFORMANCE (%)

From To 30 Jun 20 30 Jun 21 31 Jun 19 31 Jun 20 30 Jun 18 30 Jun 19 30 Jun 17 30 Jun 18 30 Jun 16 30 Jun 17
Total shareholder return 28.9 0.3 8.4 8.8 36.4
NAV total return 29.1 1.7 7.3 8.7 27.9
MSCI ACWI total return1 24.6 5.2 9.7 8.9 22.2

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 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, 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.


Past performance is not a reliable indicator of future returns.

Notes: All data is provided as at 30 June 2021 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 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.

1. MSCI All Country World Index Net Dividends Reinvested.
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 that 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.

REGISTRARS

Our registrars are:
Computershare Investor Services PLC
Edinburgh House, 4 North St Andrew Street
Edinburgh EH2 1HJ
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

HOW TO INVEST

There is a growing number of savings and investment platforms where you can purchase shares in Alliance Trust direct. They are primarily for investors who understand their personal attitude to risk and those related to equity-based products.

CONTACT

Alliance Trust PLC, River Court,
5 West Victoria Dock Road, Dundee DD1 3JT
Tel +44 (0)1382 938320
investor@alliancetrust.co.uk
alliancetrust.co.uk

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