

THE MONEY MAKING EXPERT

Trust hits its dividend target for 54 YEARS

FUND FOCUS

By **Jeff Prestridge**

DESPITE the severe disruption to dividends caused by coronavirus, investment trust Alliance is on course to deliver its 54th consecutive year of dividend uplift to shareholders.

Next month, the £2.8 billion global trust will reveal its final quarterly dividend for the financial year ending December 31 – and it would be a shock if it isn't the same payment (3.595p a share) that has been made in the previous three quarters. If all goes to plan, it would mean a three per cent year-on-year increase in income.

Although the payments are the equivalent of a modest annual income of 1.6 per cent, they will be enthusiastically welcomed by the trust's army of small investors who love its income friendliness, combined with the prospect of long-term capital gain.

The trust is certainly income rich. It has the equivalent of two years of income (just over £100 million) tucked away in reserves that can be drawn upon to supplement the dividends from its existing portfolio. There is also £600 million of income in a so-called 'merger reserve' that, subject to both court and shareholder approval next year, could be released to bolster the £100 million of income reserves. All rather heartening from an income perspective.

Since April 2017, the trust has been operating on a multi-manager basis with parcels of assets run by investment houses selected from around the world by financial consultants Willis Towers Watson.

Currently, there are nine managers running portfolios of no more than 20 stocks – with the exception of London-based GQG Partners that

oversees a global portfolio plus a 45-company exposure to emerging markets. The nine include the familiar (UK houses Jupiter and Veritas); the not so well known (Toronto-based Black Creek); and latest recruits Lomas Capital Management that are best known for thematic investing.

Over the last three and a half years, only one investment team has been removed (Los Angeles-based First Pacific Advisors) and one new team apart from Lomas brought in – US-based Vulcan Value Partners. But Willis constantly scours the world for new investment talent. Craig Baker, global chief investment officer at Willis and responsible for overseeing Alliance's managers, says: 'We're always looking for managers who are off others' radar, but who have impeccable performance records.'

The result is an overall portfolio comprising just short of 200 stocks with a geographic bent towards the United States and Canada (53 per cent). Although the trust's top ten holdings are predominantly tech focused – the likes of Alphabet, Alibaba and Amazon – Baker says the benefit of having nine managers is a portfolio that embraces a blend of investment styles. This includes some that are presently out of favour (value investing), but others very

much in vogue (growth investing). The performance numbers are encouraging. Since Willis was brought in, the trust has delivered overall returns of 38 per cent.

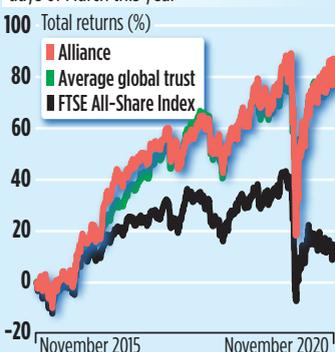
Although less than the figure recorded by the average global investment trust over the same period (48 per cent), Baker says the offloading of some legacy assets (private equity, real estate and a fund platform) has acted as a 'drag' on performance. The trust's total annual charges are competitive at 0.62 per cent – especially when compared to some rival multi-manager investment funds. The trust has 10 per cent exposure to the UK with its biggest holdings being Astra-Zeneca, BAE Systems and medical products specialist Convatec. Stock market identification code: B11V7W9.

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TOP 10 HOLDINGS (% of fund)	
Alphabet (US)	1.5
Alibaba (China)	3.2
Amazon (US)	3.0
Alphabet (US)	3.0
Mastercard (US)	2.0
Salesforce.com (US)	1.7
Tencent (China)	1.6
Visa (US)	1.5
Novo-Nordisk (Denmark)	1.5
Charter Communications (US)	1.4

ALLIANCE TRUST

A steady recovery since the difficult days of March this year



Where the trust is invested by geography (%)



And by sector (%)

