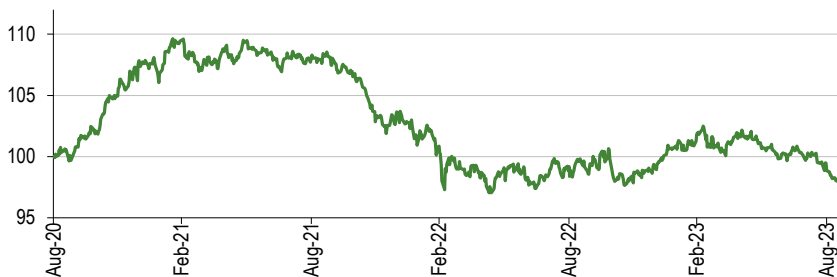


Witan Investment Trust

Set to benefit from growth and structural change

Witan Investment Trust (WTAN) employs a multi-manager approach to invest in global equities, including varied and interesting areas such as climate change mitigation, private equity and the life sciences. Some of WTAN's holdings are unlisted and are thus otherwise unavailable to individual investors. WTAN CEO Andrew Bell and Investment Director James Hart are optimistic about global growth from 2024 onwards and they expect this to drive equity markets over the medium term. Sectors with exposure to renewable energy will receive further support from structural changes arising from the transition to net zero carbon emissions. They have configured WTAN's portfolio in anticipation of the better times they foresee ahead, and there are early signs that the recent market upturn is already having a favourable impact on performance.

NAV total return performance versus benchmark over three years



Source: Refinitiv, Edison Investment Research

The analyst's view

- Investors may be attracted by WTAN's track record of outright gains over the long term. Over the 10-year period to end August 2023, the trust realised an average annual return of 8.8% in both NAV and share price terms, quite close to the benchmark's average return of 9.5%.
- Recent absolute and relative performance suggests the portfolio is well-positioned to benefit from improving macroeconomic and market conditions.
- WTAN's Responsible Investment Strategy aims to ensure its portfolio consists entirely of sustainable businesses by 2030. This may appeal to investors seeking equity returns complemented by improving ESG characteristics.
- The trust's discount is wide by historical standards. It has scope to narrow if recent good performance continues, or if there is an improvement in market sentiment towards the UK market in general, and investment companies in particular. Meanwhile, as well as providing investors with the chance to invest in WTAN at a wider-than-average discount, the trust's investment team believes the discount provides a 'tremendous opportunity' to add value for shareholders via share buybacks, which are accretive to the value of remaining shares.

Investment trusts
Global equities

29 September 2023

Price 225.5p
Market cap £1,439m
AUM £1,880m

NAV* 246.8p
Discount to NAV 8.6%

*Including income. As at 25 September 2023.

Yield 2.6%
Ordinary shares in issue 638.3m
Code/ISIN WTAN/GB00BJTRSD38
Primary exchange LSE
AIC sector Global
52-week high/low 236.0p 204.5p
NAV* high/low 258.2p 228.7p

*Including income

Net gearing* 15.7%

*As at 31 August 2023.

Fund objective

Witan Investment Trust aims to achieve an investment total return exceeding that of its benchmark over the long term together with growth in the dividend ahead of inflation. The trust's composite benchmark with effect from 1 January 2020 is 15% UK and 85% world (including the UK).

Bull points

- WTAN is committed to maintaining its long track record of annual dividend increases.
- The trust aims to ensure that its portfolio will consist entirely of sustainable businesses by 2030.
- The board is consistent in its efforts to limit the discount via regular share buybacks, which boost the value of remaining shares.

Bear points

- Performance may suffer if the upturn in growth the investment team expects from 2024 onwards does not materialise.
- Gearing will exacerbate losses in a falling market, as well as support returns in rising markets.
- The use of investment trusts within the specialist portfolio may add discount risk.

Analyst

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Witan Investment Trust is a research client of Edison Investment Research Limited

WTAN: A ‘one-stop shop’ multi-manager approach

A diversified, unique mix of funds

WTAN offers investors a ‘one-stop shop’ of global equity investments via a long-term, buy-and-hold, multi-manager approach that seeks out the best fund managers worldwide, with complementary strategies, including some that may not be available to individual investors. In addition to mainstream growth and value investments, WTAN’s portfolio includes funds focused on sustainable energy strategies, emerging markets, private equity and biotech. Investments are very well diversified across sectors and regions. (Exhibit 8 provides a breakdown of WTAN’s fund holdings.) The trust’s investment objective is to achieve an investment total return exceeding that of the company benchmark over the long term, together with above-inflation growth in the dividend.

Portfolio set to gain from both growth and structural change

WTAN CEO Andrew Bell and Investment Director James Hart believe that investors may need to be patient as economies transition, allowing interest rates to peak over coming months. However, by year end, they expect markets, which, outside of US technology, are overly bearish, will be faced with the prospects of both cyclical recovery and the longer-term positive impact of structural changes related to infrastructure and defence spending, as well as the transition to net zero carbon emissions. They are also positive about the longer-term outlook for productivity, which they believe may surprise on the upside this decade for a number of reasons, including the rapid and widespread adoption of artificial intelligence (AI) and the higher cost of capital, which will create pressure to use it more efficiently and intensively. While many investors have been disappointed by China’s faltering post-COVID lockdown recovery, Bell argues that this is currently helping the global disinflation process, while the Chinese government’s policy stimulus and efforts to support the property sector should support growth in Q423 and into 2024. All this bodes well for a period of sustained global growth from 2024 onwards, and Bell and Hart have configured the portfolio in anticipation of the better times they foresee ahead.

Positive outlook already starting to pay off?

This positioning may already be starting to pay off. Aside from recent developments in China, global growth has generally surprised on the upside this year and equity markets have done well, drawing additional support from the excitement about AI’s potential to transform the global economy. Indeed, in Bell’s view, the market may already be ‘nearly a year into a new bull market’, even if most investors have not yet recognised this, due to pervading uncertainties related to inflation, interest rates and geopolitical tensions. WTAN’s benchmark, a composite of 85% MSCI All Country World Index and 15% MSCI UK IMI Index, rose 7.2% in the financial half year ended 30 June 2023, while WTAN outperformed, returning 8.7% in NAV terms, although its share price lagged somewhat, rising by only 3.6%, for reasons discussed below.

WTAN has also delivered strong outright gains over the long term. Over the 10-year period to end August 2023, the trust realised an average annual return of 8.8% in both NAV and share price terms, quite close to the benchmark’s average return of 9.5% over the period. (See performance section for more details.)

Performance also improving compared to its peers

WTAN's performance is also improving versus its peers within the Association of Investment Companies (AIC) Global group. This group comprises 13 companies encompassing a variety of investment approaches and objectives, which is reflected in the range of performance seen in Exhibit 1. WTAN is one of the bigger companies within this group in terms of assets and provides a core investment solution for investors. WTAN's performance is close to the average of its peers over one year, and more than double the average over three years. Its NAV return now ranks seventh highest over one year, and fifth highest over three years, several rankings better than when we last published this table in March 2022, although performance still lags over longer periods. WTAN still boasts a higher-than-average current yield of 2.6% and with 48, going on 49, years of consecutive dividend growth, investors can take additional comfort in the priority given to this element of overall returns by the board. Although WTAN's discount has widened over the last couple of years (see discussion below), it is narrower than the average of its peers.

Exhibit 1: Selected peer group at 25 September 2023*

	Latest market cap (£m)	1yr NAV TR (%)	3yr NAV TR (%)	5yr NAV TR (%)	10yr NAV TR (%)	Discount (%)	Ongoing charge (%)	Perf fee	Net gearing	Yield (%)
Witan	1,452.6	4.4	23.6	17.5	112.4	(8.1)	0.8	Yes**	116	2.6
Alliance Trust	2,968.6	11.6	33.1	44.2	164.5	(5.1)	0.6	No	105	2.3
AVI Global Trust	938.9	9.2	38.0	44.0	139.3	(10.8)	0.9	No	108	1.6
Bankers	1,221.6	5.9	17.8	34.0	144.4	(12.9)	0.5	No	110	2.4
Brunner	452.5	11.3	40.0	50.1	144.2	(13.5)	0.6	No	105	2.1
F&C Investment Trust	4,582.3	2.9	27.1	38.9	167.9	(8.2)	0.5	No	109	1.5
Keystone Positive Change	125.5	0.1	(17.4)	(31.7)	(8.7)	(13.4)	0.9	No	109	5.5
Lindsell Train	178.2	(1.0)	3.9	44.7	346.8	(9.6)	0.9	Yes	98	5.8
Manchester & London	170.4	23.9	(9.9)	17.2	111.6	(22.0)	0.7	Yes	74	3.3
Martin Currie Global Portfolio	231.4	5.9	(2.6)	27.8	131.1	(1.8)	0.7	No	112	1.3
Mid Wynd International	406.5	3.5	16.4	45.4	192.3	(1.9)	0.6	No	97	1.1
Monks	2,152.0	(1.9)	(3.1)	28.3	148.2	(12.7)	0.4	No	106	0.3
Scottish Mortgage	9,461.9	(11.4)	(19.4)	51.9	324.7	(17.2)	0.3	No	114	0.6
Simple average	1,872.5	4.9	11.4	31.7	163.0	(10.6)	0.7		105	2.3
Rank	5	7	5	11	11	3	6		1	4

Source: Morningstar, Edison Investment Research. Notes: *Performance as at 21 September 2023 based on ex-par NAV. **Only one of WTAN's managers, which accounts for c 6% of AUM, has a performance fee. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

WTAN leading the way with its Responsible Investment Strategy

In addition to its unique mix of managers and strategies, WTAN is also differentiated by its approach to sustainable investment, which may appeal to investors seeking equity returns that are complemented by improving ESG characteristics. While many investors integrate environmental, social and governance principles into their investment process in some way, WTAN has gone further, placing these issues at the forefront of its investment approach, to ensure that over the long term, the pursuit of investment returns is not achieved at the expense of the environment or the well-being of society. The trust updated its Responsible Investment Strategy in early 2022, with the aim of ensuring its portfolio consists entirely of sustainable businesses by 2030.

WTAN defines the characteristics of a sustainable company as:

- **Prosperity:** possessing sustainable cash flows, exhibiting good corporate behaviour, strong stakeholder engagement and respect for its shareholders.
- **People:** having a strong and experienced management team (and board) with an inclusive and diverse culture that respects the well-being of its customers and others in the organisation, its value chain and its community.
- **Planet:** following a clear strategy to minimise its environmental impact and, wherever possible, transition towards net zero by 2050. Additionally, it should be positioned to help accelerate the energy transition and carbon reduction.
- **Partnership:** collaborating and engaging with all stakeholders and participating in industry initiatives to promote good practices.

The trust's efforts to realise its sustainable investment target were detailed in our [March update note](#). By the end of the financial year ended 31 December 2022, the team had assessed nearly 300 companies across WTAN's core and specialist portfolios, with the weighted average sustainability assessment being 80 out of a possible 100. This means that, on average, the companies held by WTAN's investment team were already 80% aligned with sustainable practices. An updated estimate of this figure will be published in WTAN's next Annual Report, due in March 2024, and while Hart notes that this reading may fluctuate from year to year, he expects it to improve steadily over time as the trust's underlying investments intensify their efforts towards carbon neutrality and sustainability.

Discount provides an opportunity for investors and the trust

The discount at which WTAN's share price trades relative to its NAV has widened, suggesting now may be a good time for investors to acquire exposure to the trust, or top up existing holdings, at a potentially attractive price. WTAN's shares have traded at a modest discount over the long term, averaging less than 4% over the past 10 years. However, like many other investment companies, across a range of investment strategies, WTAN's discount has widened over the past six months, to peak at c 10%, although it has narrowed somewhat recently.

WTAN's investment team believes this general widening in investment company discounts has several causes. Primarily, there is a general lack of appetite for UK equities and, by extension, UK investment companies, among domestic and foreign investors. In Bell's view, the market is 'under-owned and undervalued'. He notes that domestic pension funds have cut UK equity weightings from over 50% 25 years ago to under 10%, and overseas investors have been wary due to uncertainties related to Brexit and several years of 'eccentric politics'. More recently, the higher interest rate environment means that for the first time in many years, the returns offered by equities, and investment companies, are being compared with the higher returns offered by cash and bonds. The cost-of-living squeeze has also had an adverse impact on demand for investment companies by limiting the investment capacity of individual investors.

Other than investors finally recognising the exceptional value on offer, Hart identifies various potential triggers for a positive re-rating of the UK market – these include a change to domestic fund allocations, the return of overseas buyers or a resurgence in M&A activity. However, for him, the current unpopularity of the UK market in general, and in investment companies in particular, and the resultant historically wide investment company discounts 'look like an opportunity', and in more than one way.

As well as providing investors with the chance to invest in WTAN at a lower-than-average price, the trust has the capacity to buy back its own shares at a discount, which is accretive to the value of remaining shares. This is a 'tremendous opportunity' to add value for shareholders, according to Hart. In the six months to end June 2023, the trust repurchased 28.6m shares (4.2% of the total in issue) at an average discount of 8.5%. This added £6.0m to WTAN's NAV, which more than offset the trust's investment management costs over the period. For Hart, the trust's persistent efforts to support the share price via buybacks should also provide comfort to shareholders until the current 'buyers' strike' ends.

Exhibit 2: Discount over three years (%)



Source: Bloomberg, Edison Investment Research

Performance

Exhibit 3: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Composite benchmark* (%)	MSCI World (%)	CBOE UK All Companies (%)
31/08/19	(3.5)	(0.8)	3.9	7.6	0.3
31/08/20	(9.0)	(5.3)	4.5	6.8	(13.5)
31/08/21	37.4	36.2	26.1	26.8	27.1
31/08/22	(10.3)	(7.8)	0.4	0.9	1.8
31/08/23	5.0	5.1	5.4	6.7	5.5

Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *From 1 January 2017 to 31 December 2019, 30% UK, 25% North America, 20% Asia-Pacific, 20% Europe (ex-UK) and 5% Emerging Markets; and from 1 January 2020, 15% UK and 85% world (including UK).

Returns close to benchmark over the long term

WTAN's performance suffered in H120 as it was positioned for economic growth at a time when the onset of the COVID-19 pandemic saw activity contract very sharply. A similar bias in favour of growth also hurt returns in H122 when markets received another unanticipated and unwelcome shock, this time in the form of Russia's invasion of Ukraine. These two setbacks adversely affected WTAN's medium-term track record. In the five years to end August 2023, the trust made an average annualised return of 4.4% on an NAV basis and 2.6% in share price terms, compared to a benchmark return of 7.7%. However, over the 10-year period, WTAN's average annual return of 8.8% in both NAV and share price terms is quite close to the benchmark return of 9.5%.

Outperformance over H123

More recently, in the financial half year ended 30 June 2023, the fund saw relatively strong performance in outright terms and relative to benchmark on an NAV basis. It delivered a return of 8.7% in NAV terms, compared to a benchmark return of 7.2%, although performance has lagged the benchmark in July and August.

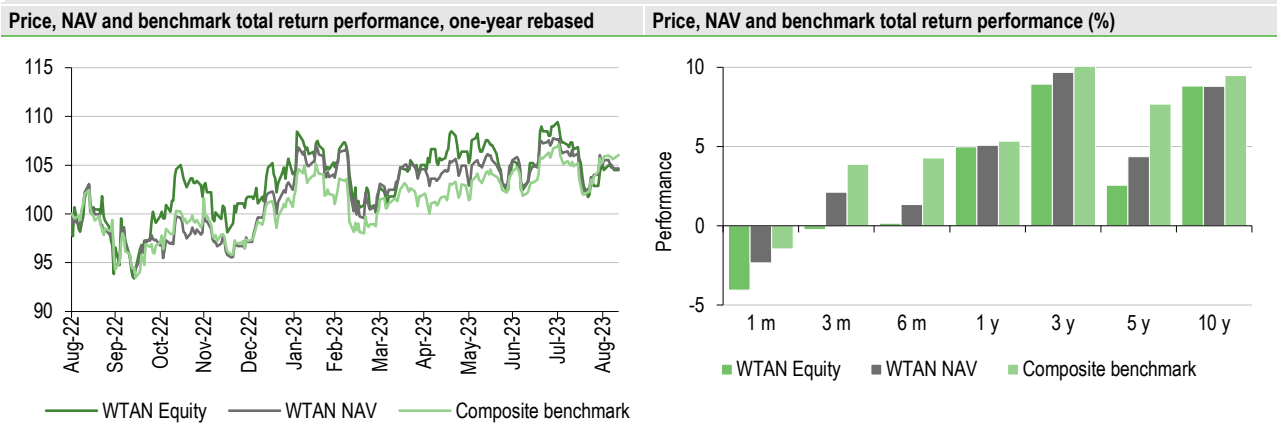
The main drivers of global equity markets varied during the first half of 2023. In Q123, Europe performed well and all WTAN's core managers were ahead of the benchmark, thanks in part to the trust's general US underweight. However, things changed entirely in Q223 as the launch of ChatGPT generated worldwide excitement about the potential for AI to disrupt many established businesses and drive productivity growth. This boosted the returns of a select group of mainly US tech-focused growth stocks, while China lagged due to disappointing growth.

Despite the challenges posed by this dramatic rotation of market leadership, four of WTAN's six core managers (see Exhibit 8) outperformed the benchmark in the six months ended 30 June 2023. Unsurprisingly, growth managers with exposure to the US led the way. Most notably, Jennison Associates, which invests in market-leading companies with innovative business models, returned 25% during H123 due to its exposure to AI. WCM Investment Management, which has a quality growth focus, and Veritas, a quality value manager, made more modest contributions to relative returns. And while the UK and emerging markets were relatively weak over this period, Artemis, WTAN's sole UK-focused core fund, which invests in special situations, outperformed, as did GQG Partners, the trust's specialist emerging markets holding, which benefited thanks to its focus on cyclical value opportunities. WTAN's listed private equity investments also contributed, despite the recent general unpopularity of the sector. Portfolio gearing, which averaged around 10%, has also enhanced returns in the year to date given the rise in equity markets.

The main detractors from relative performance over H123 were WTAN's direct holdings in investment companies. As discussed above, investment companies generally have been out of favour with investors for various reasons and discounts have widened accordingly. This has been especially true of those investment companies focused on specialist assets such as the life sciences, healthcare and sustainable energy. While the operational performance of these companies' underlying portfolio holdings has generally been good, WTAN's positions in Biotech Growth, Syncona, another biotech and healthcare company, and VH Global Sustainable Energy all sustained losses, primarily due to widening discounts.

GMO, the trust's specialist climate change fund, which invests in businesses likely to benefit from climate change mitigation and adaptation efforts, made little progress during H123. Its exposure to the alternative energy and commodities sectors proved a drag on performance given the decline in energy prices and concerns about China's growth slowdown. However, as discussed further below, WTAN's team is very upbeat about the long-term prospects of this fund and the trust's other investments focused on carbon neutrality and renewable energy.

Exhibit 4: Investment trust performance to 31 August 2023



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 5: Share price and NAV total return performance, relative to indices (%)

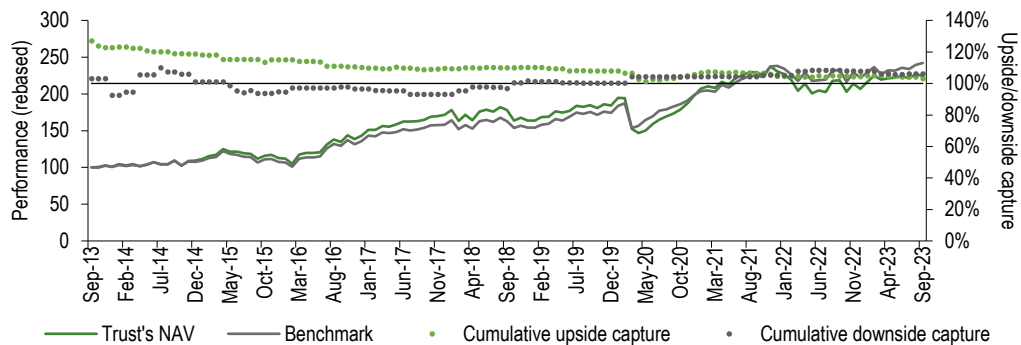
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to composite benchmark	(2.6)	(4.0)	(4.0)	(0.4)	(3.0)	(21.6)	(6.0)
NAV relative to composite benchmark	(0.9)	(1.7)	(2.9)	(0.3)	(1.1)	(14.5)	(6.2)
Price relative to MSCI World	(3.2)	(4.8)	(5.9)	(1.6)	(5.3)	(27.7)	(25.5)
NAV relative to MSCI World	(1.5)	(2.5)	(4.9)	(1.5)	(3.4)	(21.1)	(25.6)
Price relative to CBOE UK All Companies	(1.5)	(1.2)	3.9	(0.5)	(5.2)	(4.1)	36.4
NAV relative to CBOE UK All Companies	0.2	1.1	5.1	(0.4)	(3.3)	4.6	36.1

Source: Refinitiv, Edison Investment Research. Note: Data to end-August 2023. Geometric calculation.

WTAN outperforms on the upside and lags on the downside

Exhibit 6 shows how WTAN has performed in months when the benchmark has risen and fallen. Over the last decade, the trust's cumulative upside and downside capture were 110% and 118%, respectively. As these readings are both above 100%, they suggest that WTAN outperforms on the upside, but loses more than the benchmark on the downside. While the upside capture has been stable for several years, the downside capture has increased over the past few years, consistent with WTAN's underperformance in H120 and H122, discussed above. The trust's use of gearing has served to amplify both gains in times of market strength, and losses when the market is weak.

Exhibit 6: WTAN's upside/downside capture over the last decade

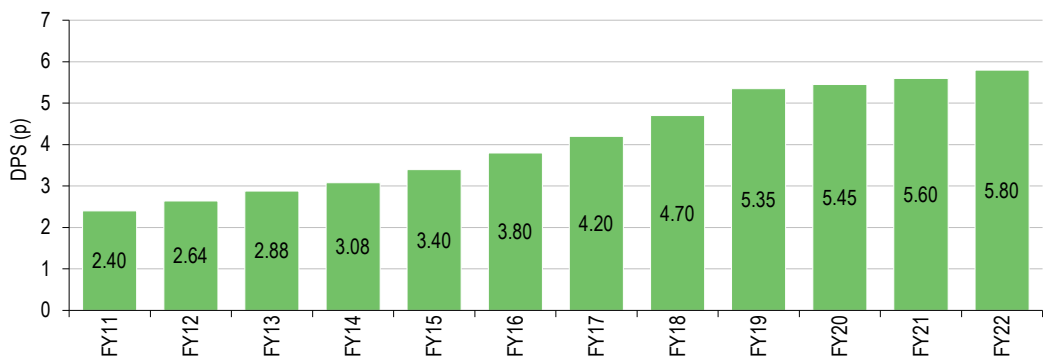


Source: Refinitiv, Edison Investment Research. Note: Cumulative upside (downside) capture calculated as the geometric average NAV total return (TR) of the fund during months with positive (negative) benchmark total returns, divided by the geometric average benchmark total return during these months. A 100% upside (downside) indicates that the fund's TR was in line with the benchmark's during months with positive (negative) returns.

Dividends

WTAN aims to grow its dividend each year, at a rate above inflation over the longer term. It has increased its dividend every year since 1974 and appears to be on course to maintain this track record with a 49th year of dividend increases during the current financial year ending 31 December 2023. This may be especially attractive to investors at present, given the rising pressures on household budgets from higher food and mortgage costs.

The trust paid a total dividend of 5.80p in 2022, comprising three interim payments of 1.40p, and a fourth dividend of 1.6p. Dividend payments so far in 2023 have comprised two interim dividends, each of 1.45p. If the previous pattern of dividend payments is maintained for the whole of 2023, a third interim payment of 1.45p, which has already been signalled by the board, and is due to be paid in December 2023, will be followed by a higher, but as yet undeclared, fourth dividend to be paid in March 2024 – sufficient to lift the total dividend for 2023 above the 5.8p paid in 2022 and maintain the trust's long record of consistent annual dividend increases.

Exhibit 7: Dividend history since FY11


Source: Bloomberg, Edison Investment Research

WTAN's board appears determined to maintain this record over the longer term, with the use of reserves if required. The dividend for FY22 was 84% covered by 2022 revenues, up from coverage of 65% in 2021, and the first two dividend payments paid in respect of 2023 were fully covered by revenue earnings of 2.90p per share (2022: 2.51p). This reflects an ongoing improvement in portfolio revenues since the drop precipitated by the pandemic. Revenue earnings per share rose 16% in H123, compared to the same period in 2022, and the trust's investment team expects dividends to be fully covered by revenue earnings within the next couple of years. Meanwhile, the board has reiterated its willingness to continue to smooth and supplement dividend payments using retained earnings reserves, which stood at £31.3m at the start of 2023 (after payment of the fourth dividend in respect of 2022). This represents 80% of the full year's dividend payments in respect of 2022. Capital reserves may also be deployed to this end if necessary.

Although last year's dividend growth does not match the UK's current unusually high inflation rate, which peaked at 11.1% in October 2022, and stood at 6.8% in July 2023, dividend growth has outpaced inflation significantly over the longer term. Over the 10 years to end June 2023, dividend growth has averaged 8.2% pa, compared to average CPI increases of 2.7%.

Based on the four most recently paid interim dividends and the current share price, WTAN's current yield is 2.6%.

Current portfolio positioning

WTAN's managers believe that the portfolio is positioned to perform well as and when economic conditions and market sentiment improve. Consistent with their long-term buy-and-hold approach, they have made no major changes to the portfolio since our last note. The trust's six core managers, which together comprise 75% of the portfolio, remain unchanged (Exhibit 8), with only small shifts in allocations to core and specialist portfolios. Similarly, the trust's largest positions were mostly unchanged over the past year (Exhibit 9), and it has maintained its underweight to the US and overweights to Europe and the UK at the regional level. WTAN's managers are finding numerous investment opportunities, often in sectors being overlooked by their peers. This helps explain the trust's overweights to cyclical sectors, most notably industrials, financials, consumer discretionary and materials (Exhibit 10).

Optimism about the potential long-term benefits of AI is reflected in the portfolio's exposure to several companies at the forefront of this new technology. In August, two of WTAN's managers purchased Amazon shares, making this company the largest holding in the trust's core equity portfolio – it now comprises 1.8% of the portfolio, up from 1.4% at end July (Exhibit 9). Microsoft and Alphabet also feature among WTAN's top 10 holdings, while Nvidia numbers in the top 20,

although a couple of WTAN's managers made small, partial sales of Nvidia in August, to lock in profits following the stock's very strong performance over the past year. Overall, these changes did not significantly alter the portfolio's exposure to IT stocks.

Elsewhere, the team is focused on identifying quality growth companies and value plays, especially in the UK market, where it sees particularly attractive opportunities following years of 'erratic politics', culminating in the market turmoil triggered by former prime minister Liz Truss's poorly received economic programme.

Exhibit 8: Witan portfolio analysis and performance by investment manager at 30 June 2023

Investment manager	Equity mandate	Benchmark (total return)	Investment style	% of AUM at 30 June 2023*	Inception date	Performance (% pa, inception to end-Jun 23)		
						Manager	B'mark	Diff
Core								
Jennison Associates	Global	MSCI ACWI	Market-leading companies with innovative business models, positively inflecting growth rates and long-term competitive advantages	7.3	01-Sep-20	2.2	9.9	(7.7)
Lansdowne Partners	Global	MSCI ACW	Concentrated, benchmark-independent investment in developed markets	17.5	14-Dec-12	13.0	12.0	1.0
Lindsell Train	Global	MSCI ACWI	Concentrated portfolio of exceptional companies demonstrating long-term durability in cash and profit generation	16.5	01-Jan-20	5.0	9.1	(4.1)
Veritas	Global	MSCI ACWI	Fundamental value, real return objective	17.4	11-Nov-10	12.0	10.8	1.2
WCM Investment Management	Global	MSCI ACWI	High-quality businesses with growing economic moats, strong corporate cultures, and supported by durable global tailwinds	11.4	01-Sep-20	5.3	9.9	(4.6)
Artemis	UK	MSCI UK	Recovery/special situations	4.6	06-May-08	8.1	5.5	2.6
Specialist								
GMO	Climate change	MSCI ACWI	Companies positioned to benefit from climate change mitigation/adaptation efforts	6.2	05-Jun-19	15.1	10.2	4.9
GQG Partners	Emerging markets	MSCI Emerging Markets	High-quality companies with attractively priced growth prospects	5.0	16-Feb-17	7.9	3.3	4.6
Witan's direct holdings	Specialist funds	Composite benchmark	Specialist collective funds	12.5	19-Mar-10	9.2	8.9	0.3
Unquoted growth	Specialist funds	Composite benchmark	Specialist collective funds	1.6	02-Jul-21	(11.6)	3.3	(14.9)

Source: Witan Investment Trust, Edison Investment Research

Although WTAN's portfolio structure is broadly unchanged, the investment team's active and flexible approach means it is willing to grasp opportunities that arise in response to market developments. One such opportunity emerged with the recent general widening in investment company discounts, which has been particularly notable in funds focused on private equity and sustainable energy. This prompted WTAN's investment team to open one new investment company position during H123: it purchased HarbourVest, a private equity fund acquired at a near 50% discount, which the managers judged was well below intrinsic value and thus provided a significant margin of safety. HarbourVest's discount has since narrowed to c 40%. This acquisition added to WTAN's private equity exposure, as the trust also has positions in Apax Global Alpha and Princess Private Equity. The managers also topped up a position in another investment company, VH Global Sustainable Energy Fund, in July, as it was also trading at what they viewed as an excess discount.

The additional investment in VH Global Sustainable Energy plays into one of the portfolio's key themes – the multi-decade opportunities generated by the global push to realise net zero carbon emissions by 2050. Achieving this target will require very significant investment in carbon saving technology and infrastructure. VH Global, along with WITAN's investment in GMO, the specialist climate change fund, which the team also increased in July, are expected to benefit from this spending. In total, these sustainable energy investments currently comprise c 10% of the portfolio.

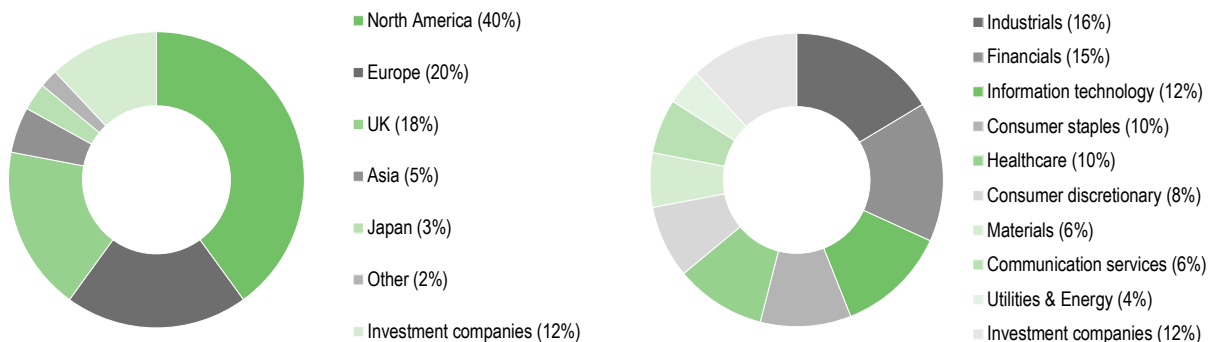
Exhibit 9: Top 10 holdings (as at 31 August 2023)

Company	Country	Sector	Portfolio weight, %	
			31 August 2023	31 August 2022
GMO Climate Change Fund*	UK	Various	5.8	6.2
Apax Global Alpha*	UK	Investment company	2.6	2.6
VH Global Sustainable Energy	UK	Investment company	2.4	1.5
Princess Private Equity*	UK	Investment company	1.9	1.7
Amazon	US	Information technology	1.8	N/A
Microsoft	US	Information technology	1.6	1.5
Unilever	UK	Consumer staples	1.6	1.9
Diageo	UK	Consumer discretionary	1.6	N/A
BP	UK	Energy	1.6	1.5
Alphabet	US	Information technology	1.4	N/A
(% of portfolio)			22.3	20.9

Source: WTAN, Edison Investment Research. *Direct fund investments.

These purchases, and the share buybacks made during the year to date, were funded by trims to most of WTAN's other positions, although the team does not necessarily sell on a pro-rata basis across the portfolio, as it takes account of the prospects for future performance of individual investments. For example, it opted to retain a full weighting in Lansdowne Partners, one of the trust's core holdings, which currently provides WTAN with most of its exposure to investments that are cyclical in nature. Lansdowne was well ahead of benchmark during most of H123, but it was lagging the benchmark at the end of June and the managers were reluctant to crystallise this underperformance at a time when the prospects for this strategy appear to be improving.

Exhibit 10: Portfolio distribution by geography (left) and sector (right) as at 31 August 2023



Source: Witan Investment Trust, Edison Investment Research. Note: Numbers subject to rounding.

For further detail on WTAN's fund profile and investment process, please see Edison's [September 2022 update note](#).

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