



Flash update: Witan

Thoughts on Witan’s proposed merger with Alliance Trust...

Update
05 July 2024

Following the announcement of the forthcoming retirement of Andrew Bell, **Witan (WTAN)** announced a review of their management arrangements. A merger has now been agreed with **Alliance Trust (ATST)** to form Alliance Witan, expected to complete (if approved by shareholders) by the end of September or early October 2024.

Alliance Witan will follow Alliance Trust’s existing strategy, which echoes Witan’s open-architecture multi-manager approach, but is managed on a discretionary basis by Willis Towers Watson (WTW). So whilst there will clearly be a change in the way WTAN’s shareholder’s capital will be managed – as well as the underlying investment managers - in our view this very much represents the ‘continuity option’ of all the different proposals that WTAN’s board will have received.

In our view, a ‘one stop shop’ approach to global equities as espoused by Alliance Trust has a huge amount of relevance in today’s market. Indeed, Alliance Trust’s performance has been impressive. According to the announcement, over the seven-year period since the appointment of WTW as manager of Alliance Trust at the beginning of April 2017 to 31/03/2024, Alliance Trust’s NAV total return was 104.2% against 95.7% for the MSCI All Country World Index (Alliance Trust’s benchmark). Over the past three years to the same date, its NAV total return was 39.7%, against 33.6% for the MSCI All Country World Index.

The new entity makes a lot of sense given the essential parts of WTAN’s strategy remain pretty much unchanged. However, synergies mean that the combination could result in more than the sum of the parts and as such, the merger ticks all of the boxes: better liquidity, lower charges, and a potential move up in the index rankings of the combined entity into the FTSE 100.

Once merged, Alliance Witan will increase its third and fourth interim dividends for the financial year ending 31/12/2024 so that they are commensurate with the interim dividend payments currently being paid to WTAN shareholders. This is currently estimated to represent an increase of 2.6% on the first Alliance Trust interim dividend of the current financial year and a 7.1% increase on the fourth Alliance Trust interim dividend for the year ended 31/12/2023. Furthermore, it is anticipated that Alliance Witan’s dividend for the financial year ending 31/12/2025 will be increased compared to the prior financial year such that a WTAN shareholder will continue to see a progression in their income. This progressive dividend increase will represent the fiftieth consecutive year of dividend increases for WTAN shareholders

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as the combination takes effect, and will extend Alliance Trust’s unsurpassed record of increasing dividends for 57 years in a row.

A new management fee structure has been agreed with WTW, which when combined with economies of scale, will allow Alliance Witan to target an ongoing charges basis points ratio in the high 50s in future financial years, an improvement to both WTAN’s and Alliance Trust’s current ongoing charge ratios, which are 76bps and 62bps, respectively. WTW has also agreed to make a significant contribution to the costs of the transaction, such that Alliance Trust shareholders will not see any dilution to NAV. As part of the merger, WTAN shareholders will be offered a cash exit of 17.5% of their holding at a 2.5% discount to NAV. Depending on the uptake of this cash option, WTAN shareholders will suffer minimal or no dilution from the transaction.

Going forward, the aim is to create a broadly balanced Board of Directors with strong representation from both sides. Initially the board will comprise ten directors, with four directors joining from the WTAN Board. Dean Buckley, current Chair of Alliance Trust, will be Chair and Andrew Ross, current Chair of WTAN, will be Deputy Chair.



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It is envisaged that the Board will reduce in size to a maximum of eight directors following the next AGM of Alliance Witan in April/May 2025. Andrew Ross, Chairman of WTAN, commented “The deal will result in one of the leading investment companies listed in London and will stand our shareholders in good stead for many years to come.”

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