Witan

Short-term challenges do nothing to dim the long-term prospects for Witan...

Update
30 December 2022

Overview

WTAN has an objective to grow capital and income from global equities. It does so using a differentiated multi-manager approach, combining a range of core managers with a number of specialist managers, which offer exposure to other interesting areas of the market. Uniquely, allocations are set by WTAN's directly-employed executive team, comprising Andrew Bell and James Hart, and the independent board.

WTAN aims to provide a one-stop shop, with selection and monitoring of underlying managers as well as a directly-invested portfolio of other investment trusts, providing a broadly-diversified portfolio and a high active share, when compared to the benchmark. The highly-diversified portfolio is designed to provide all the benefits of active management but with few of the disadvantages, such as key-man risk.

WTAN is very different to other global trusts or multi-manager products due to the in-house executive team which is aligned fully with WTAN's shareholders. Allocations are set by WTAN's directly-employed executive team, comprising Andrew Bell and James Hart, and the independent board. As we discuss in the **Portfolio section**, the benefits of the in-house executive team can be neatly illustrated by their activity during recent volatility in markets, which has presented plenty of interesting opportunities to take advantage of, for the long term.

WTAN is one of the leading trusts of the AIC's 'dividend heroes', having delivered 47 years of dividend increases. Over the past ten years, dividend growth has averaged 8.8% per annum. At the current share price, WTAN yields 2.6% on a historic basis and the board has indicated that with earnings having substantially improved relative to last year, it expects to see further growth in the dividend.

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Analyst's View

Whilst WTAN's long-term performance numbers are good, the trust has, unarguably, struggled in more recent times. This has been largely during very challenging and, we hope, unique periods for equity markets. As we discuss in the **Performance section**, Q1 2020 and Q1 2022 have had for very different reasons outsized impacts on WTAN's performance statistics, exacerbated by gearing (see **Gearing section**). On the other hand, the comparison with the AIC global peer group weighted average may be more indicative, which shows only a very slight degree of underperformance over five years.

In our view, the trust's underperformance in the recent past does not signify any fundamental issues with Witan's process or manager line-up. Indeed, the engine which drives long-term performance is a diversified stable of successful and well-established managers (see **Portfolio section**). As we discuss in the **ESG section**, the board and executive team are leading the charge towards investing only in what they view to be 'sustainable' companies by 2030 or before. Over time, WTAN's overall exposure will be dynamic and able to adapt to the investment environment as circumstances change.

WTAN's track record of dividend increases and the extent of its reserves should, in our view, give confidence for the long-term dividend trajectory. On the other hand, WTAN's discount continues to lag and, at 6.6%, has been supported partially by buybacks. As we discuss in the **Discount section**, it is possible that, should performance start to improve and confidence returns to markets, the shares could experience a rerating.

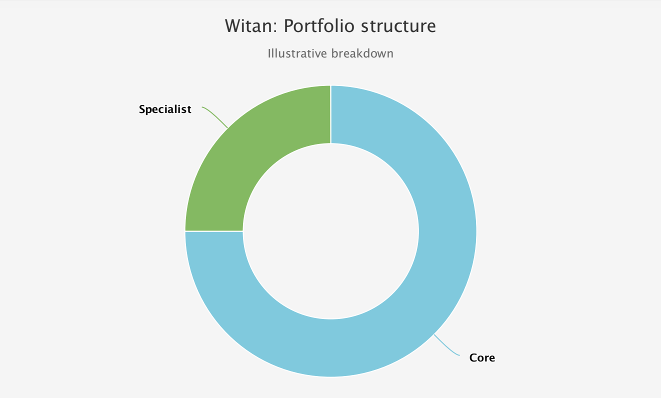
BULL
'Manager of managers'-approach offers diversified exposure within a clear portfolio structure
Majority of global managers complemented by specialists means portfolio is likely to be differentiated compared to other global trusts
A reliable dividend, progressively growing for the past 47 years

BEAR
Structurally higher exposure to UK than many global peers means this could influence relative performance
Poor performance in H1 2020 and H1 2022 means long-term track record has been affected
Gearing can exacerbate the downside

Portfolio

WTAN has an objective to grow capital and income from global equities. It does so through a differentiated multi-manager approach, combining a range of core managers with a number of specialist managers which offer exposure to other interesting areas of the market. Uniquely, allocations are set by WTAN's directly-employed executive team, comprising Andrew Bell, James Hart and the independent board. As we show in the pie chart below, allocations between core managers and specialist managers are expected to constitute 75% and 25% of the portfolio, respectively. Allocations to managers are expected to be long term, but the executive team will trim and add exposures depending on circumstances and performance. Within the Specialist manager allocation, the executive team aim to provide exposure to attractive investment opportunities which fall outside the remit of most mainstream fund managers. In particular, the Specialist portfolio aims to add to risk-adjusted returns through superior and often uncorrelated returns.

Fig.1: Portfolio Structure



Source: Witan

The core portfolio is populated by a diversified group of managers investing in high-quality, predominantly large and mid-sized global companies. Managers are selected for the long term, to provide a range of different approaches and styles, ensuring that the portfolio as a whole is never overly exposed to one sector, style or theme. During 2020, the Witan executive team introduced two new growth managers, Jennison and WCM. Recognising that valuations were relatively extended in their areas of the market, the executive team did not at the time allocate a 'full' weighting to each, leaving room to allocate more capital to each manager over time. Jennison, in particular, has had a challenging time (see **Performance section**) and the team have continued to build up exposure on weakness. We understand that Jennison's portfolio is constituted of high-quality companies with proper businesses, which are expected to exhibit sustainably high growth rates into the future. According to the Witan executive team, Jennison believe that much of the froth has come out of valuations and so they are optimistic that their portfolio is well set up for the coming year.

WTAN's benchmark is a composite of 85% of the MSCI ACWI Index and 15% of the MSCI UK Investable Market Index. This reflects the predominantly UK retail investor base of WTAN and differs from the investment trust multi-manager peers, such as Alliance Trust and F&C Investment Trust, which have purely global equity benchmarks. This is part of the reason why Artemis, as UK managers, feature in the core portfolio. However, more broadly, regional allocations tend to be driven by stock selection by the underlying managers. WTAN has exposure to the UK of 19%, as at 30/11/2022, which is an overweight exposure relative to its benchmark. Unfortunately, this has not helped performance on a relative basis, given Artemis favouring mid-cap companies and having underweight exposure to the oil and gas sector, which has driven much of the UK's outperformance of global equities. That said, the 38% exposure to the US is an underweight relative to the benchmark, which means that WTAN has recently been a beneficiary in relative terms of the weakening of the US dollar, following its previous extraordinary run of strength.

Core Managers

MANAGER	GEOGRAPHIC AREA	STYLE	% AS AT 30/11/2022
Veritas Investment Management	Core - Global	Fundamental value, real return objective	18
Lansdowne Partners	Core - Global	Global developed markets	17
Lindsell Train	Core - Global	Long-term growth	17
WCM	Core - Global	Quality growth	11
Jennison	Core - Global	High growth businesses	6
Artemis	Core - UK	Recovery / Special solutions	6

Source: Witan

The Specialist manager allocation can be seen in the table below, which includes the opportunity for the executive team to invest up to 15% of NAV in funds and other investment trusts. These are principally chosen because of their underlying exposure, but discounts can also be part of the investment thesis. Currently, WTAN's specialist allocation includes exposure to emerging markets, a climate change strategy, private equity, commercial property and life sciences. Within this part of the portfolio, the executive team can be more active with allocations, both in terms of new investments and also trimming into strength and investing into weakness. The team tend to be relatively contrarian. During the first half of the year, for example, the executive team initiated a position in a specialist biotechnology ETF, prompted by the opportunities the team saw in this space and the fact that the sector has seen significant weakness over the past year. This complements their existing and long-standing exposure to Syncona.

One very successful example of value-add from the executive team during recent months has been the purchase of long-dated gilts when yields spiked, following Kwasi Kwarteng's ill-fated mini-budget. With yields on offer in excess of 5%, compared to WTAN's fixed borrowing cost of c. 3% (see **Gearing section**), the team saw an opportunity to potentially lock in a very attractive risk-free return, whilst offering considerable upside if yields reverted. The team bought long-dated UK government bonds, which subsequently increased in value when the Bank of England intervened in the bond market. The team booked profits but were then offered another opportunity when yields rose once again. They repeated the investment and, once again, booked significant profits when yields fell thereafter. This is clearly outside of the normal investment activity of the executive team, but we use it to illustrate the benefits of having an in-house team who are focussed solely on WTAN as a client and who are able to act quickly to benefit from opportunities when they arise.

Elsewhere, the volatility in markets has presented other opportunities, with the team having trimmed exposure to the GMO Climate Change fund strength, but then adding back in Q2 2022 on weakness. The fund has, subsequently, been a clear beneficiary of Biden's landmark Inflation Reduction Act, which aims to speed the transition to a low carbon economy. Victory Hill Sustainable Energy Opportunities, a listed fund exposed to the energy transition theme, saw its shares sell off and so the team were able to add to their existing position at below the £1 share price at which they had originally participated in the IPO. In view of the volatility in markets and the fact that discounts across the sector have widened, we understand that the Witan team are looking at further potential investments which will complement the existing exposure within the portfolio.

When combined, WTAN's portfolio is highly diversified and with each manager paying little heed to benchmarks, the active share is high, standing at 79%, as at 30/11/2022 and according to Witan. Aside from WTAN's direct holdings in other investment trusts, WTAN invests through segregated accounts, which gives the executive team a high level of transparency on holdings and activity. As we discuss in the **ESG section**, Witan has an ambition to be 100%-invested in sustainable businesses by 2030 or earlier and, as such, each manager needs to demonstrate that ESG is fully-integrated into their investment process. The executive team monitors all investment activity and is able to have continuous dialogue with managers regarding their investment choices.

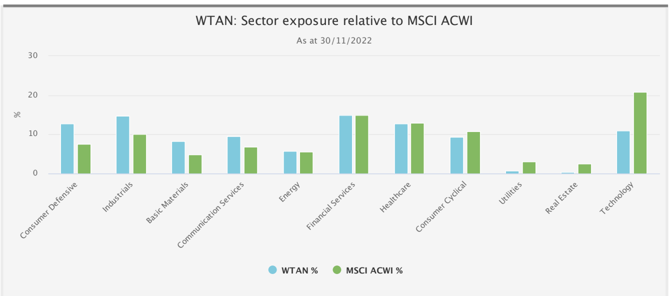
A high active share means that the portfolio can behave very differently to the benchmark and peers, which is, in part, an explanation for the short-term relative underperformance seen over recent years. For example, WTAN's portfolio has, historically, been underweight US equities and overweight UK equities compared to the MSCI ACWI Index and most global investment trust peers. However, over the past couple of years, stock market leadership has tended to be driven by a narrow range of sectors and stocks. Of the S&P 500 Index, in both 2020 and 2021, a disproportionate share of the US market's return (over 50% in 2020 and over 30% in 2021) was generated by five technology-related stocks. Similarly, in the UK this year, market performance has been very narrow and driven largely by heavyweight energy and mining stocks. As a result, relative performance has suffered due to WTAN being not very heavily weighted to technology, energy, financials or real estate. We show below an illustrative comparison of WTAN's sectoral exposures, excluding the investment trust portfolio, relative to the MSCI ACWI Index. It should be noted that this index is not the benchmark.

Specialist Managers

MANAGER	GEOGRAPHIC AREA	STYLE	% AS AT 30/11/2022
Witan Direct Holdings	Direct	Specialist funds	11
GQG Partners	Emerging Markets	Quality at a reasonable price	6
GMO	Climate change	Companies addressing climate change	6
Unquoted Funds	Specialist funds	Lansdowne, Lindenwood	2

Source: Witan

Fig.2: Sector Exposure (Excl Inv Trusts Held)



Source: Morningstar

In summary, WTAN offers investors a highly-efficient way of gaining exposure to global equities in a manner that offers the benefits of active management but with few of the disadvantages. The portfolio structure results in a highly-diversified portfolio and no key-man risk through the multi-manager approach. The executive team is 100%-focussed on WTAN, providing full alignment between them and WTAN's shareholders. The portfolio is designed relatively simply but almost all of the trust's assets are invested through segregated accounts, meaning that the executive team has full transparency and detailed information on voting and engagement activities (see **ESG section**). As has been demonstrated in recent months, volatility within markets can provide interesting opportunities for the executive team to take advantage of, for the long term. As such, it represents a unique one-stop shop for long-term global equity investors.

Gearing

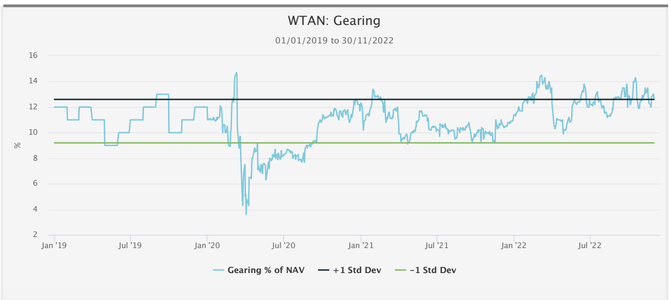
WTAN has employed gearing for many years within parameters set by the board, although the precise level is determined by the executive team. Over the past ten financial years, gearing has added to returns in eight of them and detracted in two. However, as we discuss in the **Performance section**, WTAN has struggled in periods when macro-shocks negatively impacted equity markets, such as Q1 2020 and Q1 2022. In both cases, aside from portfolio-specifics, gearing exacerbated losses. In our view, this illustrates the short-term risks of gearing. However, for long-term investors, in our view, borrowing capital to invest is a feature that investment trusts can use to potentially enhance returns. This can be seen as an advantage to long-term investors over open-ended funds, which cannot borrow and tend to hold a proportion of cash at all times.

In WTAN's case, over the long run, the executive team views 10% as a 'neutral' level of gearing. The graph below shows the pattern since the start of 2019, which illustrates that gearing has, generally, remained within a relatively narrow band. We understand that the executive team will not invest to take gearing over 15%. It is the board's long-standing policy not to allow gearing to rise to more than 20%, other than temporarily and in exceptional circumstances.

Over time, WTAN's cost of gearing has fallen, as it repaid historic and relatively high-cost borrowing when loans matured. Fixed borrowings, totalling £155m and representing c. 10% of net assets, currently, now have a blended average cost of only 3% and are fixed for an average of 25 years. In the context of the recent rise in borrowing costs, shareholders may see this financing package as being highly attractive. As at 30/11/2022, WTAN was 12.8% geared, implying that it had also drawn down some of its flexible short-term borrowing facilities.

WTAN has a maximum total facility of £150m available. The executive team is able to reduce gearing by either raising cash from portfolios or, in exceptional circumstances, selling index futures. Both of these approaches reduce the effective equity exposure of the trust.

Fig.3: Gearing



Source: Morningstar

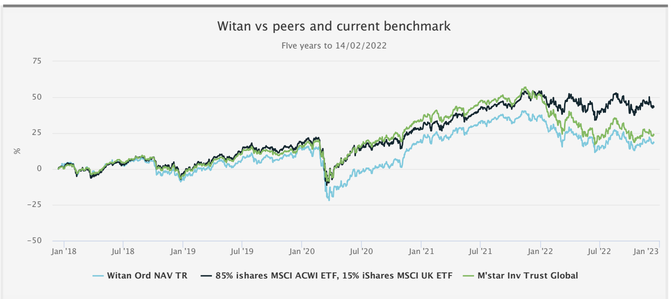
Performance

WTAN aims to provide a one-stop shop for global equity investors, offering growth in capital and income over the long term. As we note in the Portfolio section, each delegated manager in this multi-manager portfolio is relatively unconstrained, which gives rise to a high overall active share relative to the benchmark, being 78% as at 30/06/2022 and according to Witan. Since January 2020, the composite benchmark has comprised 85% of the MSCI ACWI Index and 15% of the MSCI UK Investable Market Index. The board's aim is that WTAN should outperform its benchmark by 2% per annum over the long term. Over the ten years to 30/06/2022, WTAN's NAV total return was 187.5%, compared to the blended benchmark total return of 169.9%, which is marginally behind the 2% per annum outperformance objective. The blended benchmark reflected benchmark changes during this time.

Whilst WTAN's long-term performance numbers are good, the trust has, unarguably, struggled in more recent times. Recent disappointing performance has been largely during very challenging and, we hope, unique periods for equity markets. 2020 is a good example, when the NAV underperformed in the initial stages of the pandemic sell-off. At the outset of 2020, WTAN was positioned for continued economic expansion, so the impact of COVID-19 on markets hit the NAV hard. On a relative basis, too, the effect was worsened by a change in the benchmark made at the beginning of the year not having been matched by an equivalent change in the portfolio make-up. This meant that WTAN was significantly underweight the US and, more specifically, US tech mega caps which performed very strongly.

More recently, Q1 2022 was also a challenging period, when equity markets sold off aggressively after Russia invaded Ukraine. Worries about inflation hurt all of WTAN's managers, but most especially those exposed to high-growth prospects. Jennison and WCM were particularly badly hit. Overall, the NAV saw a 6.3% fall during Q1 2022, compared to a fall of only 1.9% for the benchmark. Since then, the NAV has performed broadly in line with the benchmark despite ongoing market volatility. As one might expect, gearing also exacerbated the fall in the portfolio. In the graph below, we show the five-year NAV performance when compared to our estimate of the current benchmark. WTAN's underperformance relative to this benchmark is 24.9% over five years but, as we discuss above, much of this underperformance is a result of one-offs. In our view, the comparison with the AIC Global peer group weighted average is more indicative. On this basis, WTAN's NAV returns of 18.4% compares to the peer group average of 23.8%, representing only a very slight degree of underperformance.

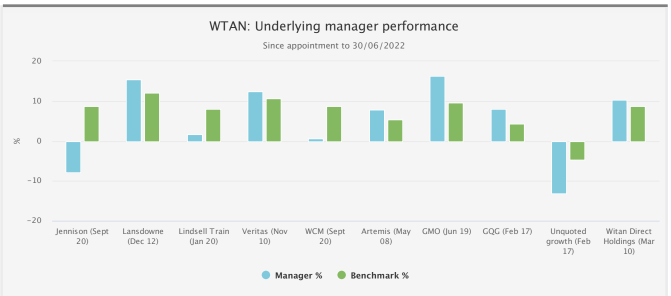
Fig.4: NAV Performance



Source: Morningstar, Kepler Partners
Past performance is not a reliable indicator of future results.

In our view, the trust's recent performance does not signify any fundamental issues with Witan's process or manager line-up. Indeed, the engine which drives long-term performance is a diversified stable of successful and well-established managers (see **Portfolio section**), the allocations to which are agreed by the executive team and WTAN's board. We show below how the current line-up has fared against their respective benchmarks since each respective appointment. We think it encouraging that, fundamentally, WTAN has exposure to managers who are ahead of their benchmarks since appointment to the end of June 2022, with the notable exceptions of the two most growthy portfolios which one might argue are suffering from poor short-term market sentiment.

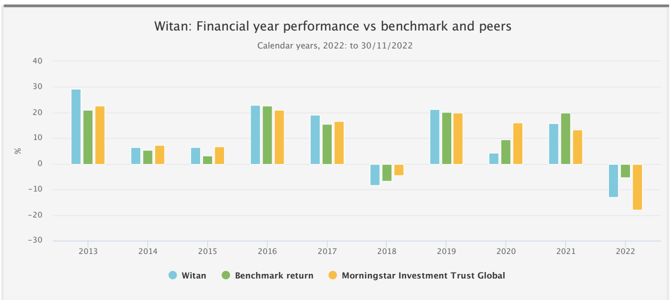
Fig.5: Underlying Manager Performance



Source: Witan
Past performance is not a reliable indicator of future results.

As we note above, the composite benchmark has changed over the years, making cumulative performance comparisons on a relative basis hard. We show financial year performance against the applicable benchmark in the graph below, which serves to illustrate how challenging a year 2022 has been so far, our data being to 30 November, not just for WTAN, but also for the peer group.

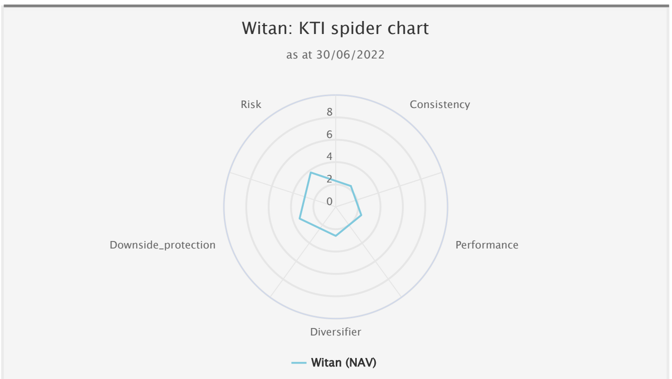
Fig.4: NAV Performance



Source: Morningstar, Kepler Partners
Past performance is not a reliable indicator of future results.

Below, we show our proprietary KTI Spider Chart. This shows how WTAN has performed versus an expanded peer group of all global strategies, namely AIC Global, AIC Global Equity Income and AIC Global Smaller Companies sectors, over the past five years in some key categories. Each category is scored out of ten based on returns over the last five years and scores are normalised to the peer group, with a higher score indicating a superior characteristic. As can be seen below, WTAN has a relatively consistent score all around the chart. However, relative performance has meant that it has lagged more growth-focussed peers. We imagine the sheer diversification of the portfolio and the relatively consistent gearing will have held back the diversifier and downside-protection scores, given that most other peers do not set out specifically to provide a core or one-stop shop offering.

Fig.5: KTI Spider Chart



Source: Kepler Partners, Morningstar
Past performance is not a reliable indicator of future results.

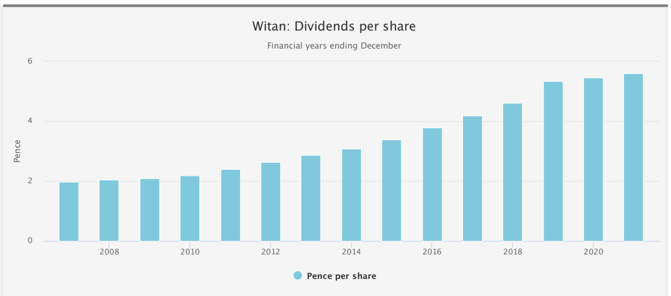
Dividend

WTAN is one of the leading trusts of the AIC's 'dividend heroes', having delivered 47 years of dividend increases. Over the past ten years, dividend growth has averaged 8.8% per annum compared with a 1.9% per annum rise in UK CPI. As the graph below shows, whilst the rate of increase has moderated in the past two years, it has remained positive despite the impact of Covid on company dividend payments. The board's policy is to grow the dividend each year ahead of inflation, which in some years sees revenue reserves used to support the dividend. Currently, the dividend is not fully covered but the board has committed to use revenue reserves and small amounts of capital, if necessary, to support dividend growth in the foreseeable future. At the start of 2022, these reserves were 1.2x the full-year dividend. Part of the reason for the dividend being uncovered were the Covid-related dividend cuts in 2020/21, as well as changes to the portfolio made as a result of the shift in the benchmark adopted in 2020. Together, these reduced the portfolio's income yield by around 1%.

Over the last financial year, earnings measurably improved, up 17% versus the previous year, outpacing the dividend increase of 2.75% and resulting in an improved level of dividend cover. Over the first half of the current financial year, earnings have seen a 39% rise from the equivalent period last year. The board has stated not only that the earnings per share figure for the full 2022 financial year is expected to show a significant further recovery, but also that it expects to see further growth in the dividend. Interim dividends are paid quarterly in June, September and December, with a final balancing payment for the financial year, ending December, paid in March. Therefore, we would expect to hear confirmation of the final dividend paid in March 2023.

At the current share price, WTAN yields 2.6% on an historic basis, which compares positively with the simple average yield of its peers of 2.0%, according to JPMorgan Cazenove. In addition, the track record of dividend increases and the extent of WTAN's reserves should, in our view, give confidence to investors about the long-term dividend trajectory into the future.

Fig.6: Dividends



Source: Witan
Comparative figures prior to 28 May 2019 have been restated due to the five-for-1 share split on 28 May 2019

Management

The managers of WTAN employ a multi-manager approach, using a range of third-party managers who invest through highly-active, concentrated portfolios. In total, WTAN currently has eight underlying managers, as well as other smaller exposures, including a number of investment trusts – see the **Portfolio section** for more details. The selection of managers and overall asset allocation is overseen by WTAN's executive team led by Andrew Bell, who became CEO in 2010 and sits on the board of directors, and supported by James Hart.

When selecting managers, the executive team aims to narrow down the field of potential new managers if the decision has been made to change any. Then they propose to the board those that they would be happy to have in the portfolio. Subsequently, the board participates in an interview process and, in consultation with the executive team, decides on appointments.

WTW is retained as a consultant to provide supplementary support but the process is driven very much by Andrew and his team, with input from the board. Members of the board have extensive investment management experience and are, in our opinion, in a strong position to make informed choices. This is a key difference to Global sector peer Alliance Trust, which employs WTW to manage the selection process on a fully-discretionary basis.

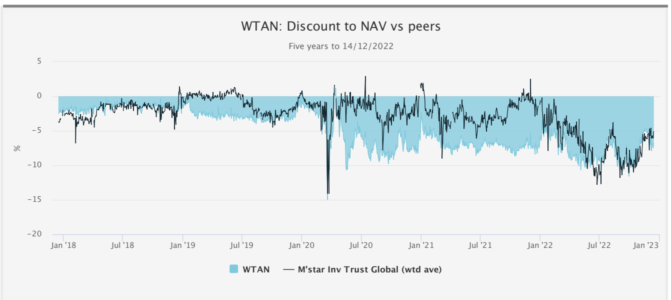
Discount

The graph below shows that WTAN's shares have suffered a significant derating since the challenging market conditions of Q1 2020, when Covid-induced lockdowns started to impact economic activity. In the interims to 30/06/2022, the board notes that it has, in the short term, been hard to maintain the share price in line with their target of a 'sustainable low discount or a premium' but this has not altered their ambition to see the shares trade at a narrower discount over time.

In stemming the discount, the board has been very active in buying shares back. For example, in the first six months of the financial year, the board bought back 30.7m shares, or 4.2% of the total, at an average discount of 7.6%. Activity has continued over the second half, with a further 26m shares repurchased, or 3.7% of the shares in issue, since the interim report on 30/06/2022.

At the time of writing, the discount to NAV stands at 6.6%, which is narrower than the widest points seen in recent months. However, we think that the board remains committed to reducing the discount over time, as is evidenced by buyback activity continuing, and providing liquidity at a narrow discount. In our view, whilst it is hard to isolate a specific catalyst that will see WTAN return to the pre-Brexit referendum premium rating, nothing in the investment proposition has diminished. As such, longer-term investors may continue to see the current level of the discount as an opportunity. In particular, WTAN's most directly-comparable peers trade on discounts, as at the time of writing, of c. 2%. That said, the wider AIC Global peer group currently trades on a simple average discount to NAV of 7%, in line with that of WTAN's discount. We believe that if confidence returns to markets over the medium term, we could see discounts across the sector narrow once again.

Fig.6: Discount



Source: Morningstar

Charges

WTAN had an OCF of 0.71% for the last financial year, ending 30/12/2021, with management fees payable to the roster of underlying managers constituting the majority of this, i.e. 0.47%, with the balance made up of other expenses of running the trust, including the executive team. Witan does not charge an additional management fee. Witan's team's aim is to use its large size of assets under management as a negotiating factor with managers, enabling it to pay less than the publicly-available funds that these managers run. The base fee rates for managers in place at the end of 2021 ranged from 0.3% to 0.6% per annum. Most of the fee structures incorporate a 'taper', whereby the average fee rate reduces as the portfolio grows. The board aims to reduce costs over time and, in 2021, reduced successfully the OCF by 9%. Only one of the managers is paid a performance fee, which constituted 0.02% of NAV over 2021, meaning that the OCF, including performance fees, last year was 0.73%.

The ex-performance fee OCF of 0.71% compares with the simple average of the AIC Global peer group of 0.65%. WTAN has a KID RIY of 1.65%, as at 12/05/2022, including interest and transaction costs, which accounted for 0.28%. Historic performance fees of 0.05% are included in this figure. It is worth noting that calculation methodologies can vary and that this figure also includes the look-through KID RIY figure, i.e. 0.35%, of the specialist trusts held in the direct holdings' portfolio, although NAV and share price performance of these trusts is clearly net of these costs. The cost of WTAN's gearing, i.e. 0.26%, has been a net contributor to returns in eight out of the past ten financial years, with the average annual benefit being 0.8%, net of costs. This figure is discussed further in the **Gearing section**.

In our view, whilst higher than many single manager trusts, WTAN's OCF is not out of line with what one might expect for a multi-manager trust, which clearly has significantly lower key-man risks and enhanced portfolio diversification. Also, it is worth noting that the contribution from buyback activity continues to be additive to WTAN's NAV. For example, during the first six months of the financial year, buybacks added 0.8p to NAV, whilst costs detracted 1.1p. Whilst the contribution from buybacks is unlikely to be sustained year on year, shareholders have, effectively, had a meaningful dent taken out of WTAN's overall costs over the first half of the year as a result of the board's buyback activities.

ESG

WTAN's board and executive team believe that unless investors invest in responsibly-managed companies with enduring cash flows, over the long term, they will underperform. As a result, Witan is taking active steps to embrace ESG. Witan itself became a signatory to the Net Zero Asset Managers (NZAM) initiative in early 2022 and has reported that four out of eight delegated managers have committed to the NZAM also, in the past 12 months. All of WTAN's delegated managers are signatories to the UNPRI.

Furthermore, the board stated in the most recent annual report that it believes shareholder returns will be enhanced if those returns are not achieved at the expense of the planet or its people. As a result, Witan has set itself a target that the portfolio will consist entirely of 'sustainable' businesses by 2030. This is in addition to the portfolio carbon reduction targets to which it will commit as a signatory to the NZAM. The team do not impose blanket exclusions on the managers, other than a prohibition on 'controversial weapons', believing that engagement with companies has a greater positive impact than divestment, as well as the potential for better returns for shareholders.

The UNPRI and NZAM initiatives provide a structured framework for engagement and reporting on ESG issues. The executive team hope to continue working with delegated managers to ensure ESG issues are accounted for, to hold them to account where necessary and, if warranted, make changes to the manager line up.

In addition to the delegated managers, WTAN is invested in GMO's Climate Change strategy, as well as the listed VH Global Sustainable Energy. As noted above, the team do not operate an exclusionary investment policy or invest only in companies that score well on backward-looking ESG metrics. The team take the view that the companies such as those within the BlackRock World Mining Investment Trust portfolio, as well as others invested in through the delegated managers, are likely to be an integral part of the solution for the transition to net zero, but may score poorly on current ESG metrics. Rather, the executive team look for evidence of long-term positive impact and that ongoing engagement is leading to improvements in operational efficiency and social awareness.

According to Morningstar, WTAN's portfolio scores 'average' on their Sustainability Rating when compared to the 'Global Equity Large Cap' peer group. This score excludes the investment trust portfolio, most of which is not rated by Morningstar. In our view, this score does no justice to the clear efforts that the team are making to ensure that the portfolio is invested in companies which are behaving responsibly and their encouragement of managers to engage with companies that fall short on Environmental, Social or Governance issues. As such, we continue to believe that WTAN qualifies as a potential investment for investors who want a responsible, ESG-aware manager, although it is unlikely to qualify for sustainability purists.

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