

# Generous income and portfolio protection from Alliance Trust

This global equity trust is an inflation-buster and has lifted its dividend

Investors face great uncertainty given growing inflationary pressures and with many central banks accelerating interest rate tightening plans.

One way to settle the nerves is to put money to work with a highly-diversified fund offering a real return (adjusted for inflation) through a combination of capital growth and a rising dividend.

We think global equity fund **Alliance Trust (ATST)** is an excellent candidate. Helpfully the trust has just reset its dividend to a materially higher level to help you stave off the impact of the 'cruellest tax'.

Alliance Trust's board is drawing confidence from an expected recovery in the income from the underlying portfolio as the global economy reopens and



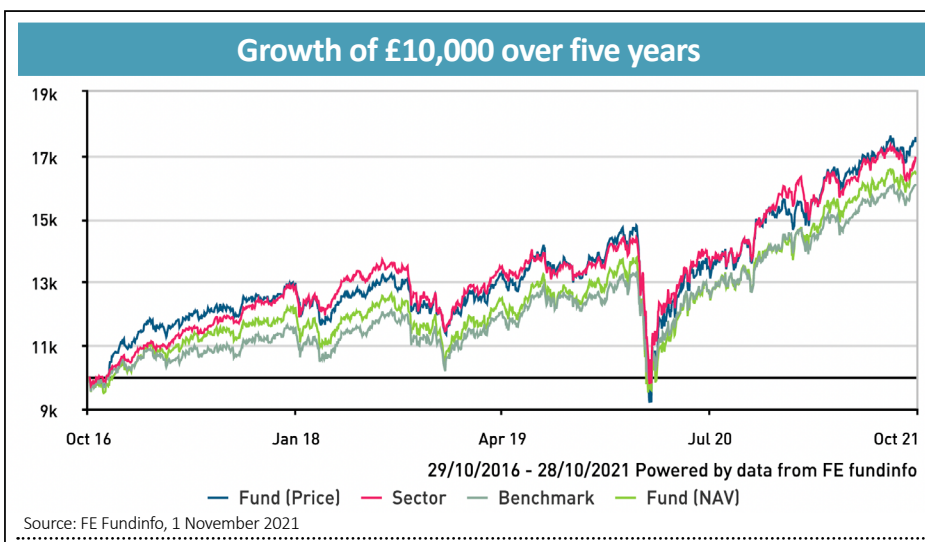
companies resume dividends, as well as the flexibility afforded by its recently enhanced distributable reserves.

*Shares* sees Alliance Trust as well-placed to extend an

incredible record of annual dividend increases stretching back 54 years, while an ongoing charges ratio of 0.64% (as of December 2020) looks competitive for an actively managed, multi-manager investment trust.

## ALL ABOUT ALLIANCE

FTSE 250 constituent Alliance Trust invests in global equities across a range of industries and sectors via a 'manager of managers' approach. Within a single fund, the trust gives investors low-cost exposure to 10 leading equity managers selected by Willis Towers Watson, the manager of the trust, which puts great store in diversification.



These managers run concentrated portfolios of best ideas, and as Investec points out, ‘the underlying managers have markedly different, but complementary styles, and the resultant diversification mitigates risk’.

Alliance Trust taps into the stock-picking acumen of managers based in the UK and North America; they range from Jupiter Asset Management, GQG Partners, Sustainable Growth Advisers and Vulcan Value Partners to more recent addition Metropolis Capital.

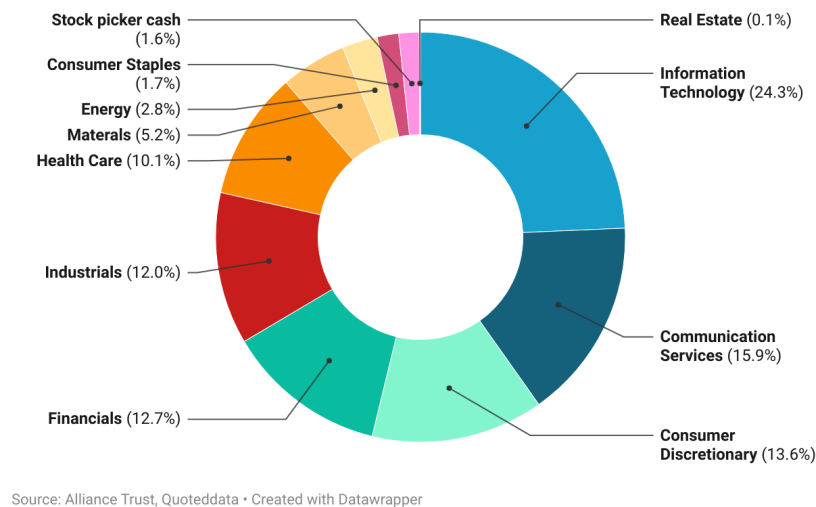
London-based Metropolis has a value-focused investment style, drawing inspiration from the methodologies of Warren Buffett. It searches for businesses with strong franchises in their particular markets but which have fallen out of favour because of perceived short-term problems or market risk.

Another relatively new manager is Sands Capital, an Arlington, Virginia-based stockpicker which follows a pure growth-orientated philosophy.

Having benefited from an overhaul in 2017, FE Fundinfo data reveal that Alliance Trust has returned a cumulative 89% over the last five years, ahead of the 76.14% returned by the MSCI All Country World Index benchmark.

The trust has turned a £10,000 investment into the best part of £19,000 over that period and the strategy has outperformed during the pandemic too. For the six months to June 2021, Alliance Trust delivered a net asset value total return of 14.8%, comfortably ahead of the 11.1% generated by

**ASSET ALLOCATION BY SECTOR AT 30 JUNE 2021**



the benchmark.

In a positive development for income-hungry investors, Alliance Trust has announced (1 Nov) that it now expects to pay a 19.054p total dividend for 2021. The trust’s third interim dividend for 2021 has been reset at an increased level of 5.825p, a 62% increase over last year’s corresponding payout, with 2021’s fourth interim dividend expected to be declared at the same level.

That means Alliance Trust is on track to increase the total dividend for 2021 by a bumper 32.5% versus 2020. Having concluded a review of the level and funding of its payout, the trust’s board believes that an increased, yet still sustainable, level of dividend will benefit existing shareholders and enhance the attractiveness of the trust’s shares to new investors alike.

From this new level, the trust expects to extend its enviable dividend growth track record for 2022 and beyond. Reassuringly, this materially higher dividend is supported by ‘significant’

distributable reserves, which amounted to more than £3.3 billion as at 30 June 2021.

Earlier this year, the company was granted court approval to convert its £645 million ‘merger reserve’ into distributable reserves, so a higher dividend strategy was expected by the market. Alliance Trust will continue to take advantage of the investment trust structure to use both its investment income and distributable reserves to fund dividend payments going forwards.

Despite rallying strongly off the March 2020 Covid lows, Alliance Trust’s shares trade at a discount to net asset value, which should pique the interest of value and income investors. The trust is also keen to push its sustainability credentials, having committed to managing the portfolio to achieve net zero greenhouse gas emissions by 2050.

**SHARES**  
04 November 2021