Alliance Witan
Find your comfort zone®

TheZONE

Winter 2024

EARNINGS AND THE MARKETS

As investors question whether markets can achieve a third straight year of strong returns, we explore how earnings growth could drive performance in the year ahead.

Contents

Alliance Witan: Diversified, High-Conviction

Research shows that active equity managers add most value through a small number of their highest-conviction positions.[1] Yet, the performance of concentrated portfolios can also be highly volatile.

The Alliance Witan portfolio mitigates this risk by blending together the best ideas of eleven best-in-class[2] stock pickers, each with different, complementary styles. We believe our diversified, high-conviction, global equity strategy should deliver more consistent outperformance and lower volatility than a strategy run by a single manager. Returns from single-manager strategies are often prone to sharp up and down moves; we aim to provide investors with a smoother ride.

1. Sebastian & Attaluri, Conviction in Equity Investing, The Journal of Portfolio Management, Summer 2014.
2. As rated by Willis Towers Watson.

Alliance Witan

HOW EARNINGS MAY POWER MARKETS THIS YEAR

It needs to be said: 2024 delivered exceptional market performance. Falling inflation and interest rates dovetailed with stronger-than-expected economic and profit growth to create a goldilocks economy that investment markets just love.

Global indices delivered around 20%[1] returns over the year, as did the US, boosted by AI and a Trump election win perceived as business friendly. Global multi-asset portfolios added 12.5%[2]. A stimulus-induced late rally in China and decent performance in India and Taiwan boosted emerging markets by 9.4%[3]. Europe managed 8.1%[4], even as it struggled with political turmoil and fiscal pressures. Gold was a stellar performer too, rising 27.1% as investors sought to diversify[5].

Following on from the decent global stock market performance of 2023, it has left some investors wondering if markets can realistically deliver a third consecutive year of good returns. Specifically, worries persist about high stock valuations, particularly in US mega-cap tech which delivered a sizeable chunk of global market returns in 2024.

To answer this, it's first worth reminding ourselves of the drivers of stock prices.

---

1. MSCI All Country World Index in GBP
2. https://www.jpmorgan.com/content/dam/jpmorgan/documents/wealth-management/outlook-2025-building-on-strength.pdf
3. MSCI EM Index in GBP
4. https://am.jpmorgan.com/gb/en/asset-management/liq/insights/market-insights/market-updates/monthly-market-review/
5. https://am.jpmorgan.com/gb/en/asset-management/liq/insights/market-insights/market-updates/monthly-market-review/

The ingredients for stock price growth

By far the most important long-run ingredient underpinning share price performance is strong fundamentals: the qualities of a business that enable it to deliver robust and growing future earnings. These include characteristics such as having market-leading products or services, solid profit margins, plentiful cashflow and strong management.

But company fundamentals are not the only ingredient. In fact, in the short run, market sentiment can have a much more outsized effect on share prices.

Broader valuations – metrics such as the share price multiple relative to underlying earnings, known as price/earnings (PE) – and where they sit relative to historical averages can be a rough indicator for ebullient sentiment or its dour sibling. Valuations over 2024 have risen, particularly in the US, which as of the end of January is valued at around 30x earnings, well above its 20-year average of 25[6]. But while this implies a broader correction might be around the corner, the earnings expectations for 2025 point to a more encouraging picture.

> ***“In the short run, market sentiment can have a much more outsized effect on share prices.”***

A solid earnings forecast

There’s no doubt that, unlike the relatively bullish forecasts made at the beginning of 2024, the outlook today involves many more headwinds, with elevated valuations, and rising geopolitical and macroeconomic risks. Yet, potential tailwinds seem to balance the risks: improving global growth, falling interest rates and – encouragingly for stock pickers – robust earnings forecasts.

Indeed, if we use earnings projections to create a forward PE, the US market valuation falls to 22.1[7] . This is because the S&P 500 is expected to grow its earnings by 11.7%[7] in 2025 – double the long-term growth rate of 6.2%[7], according to FactSet.

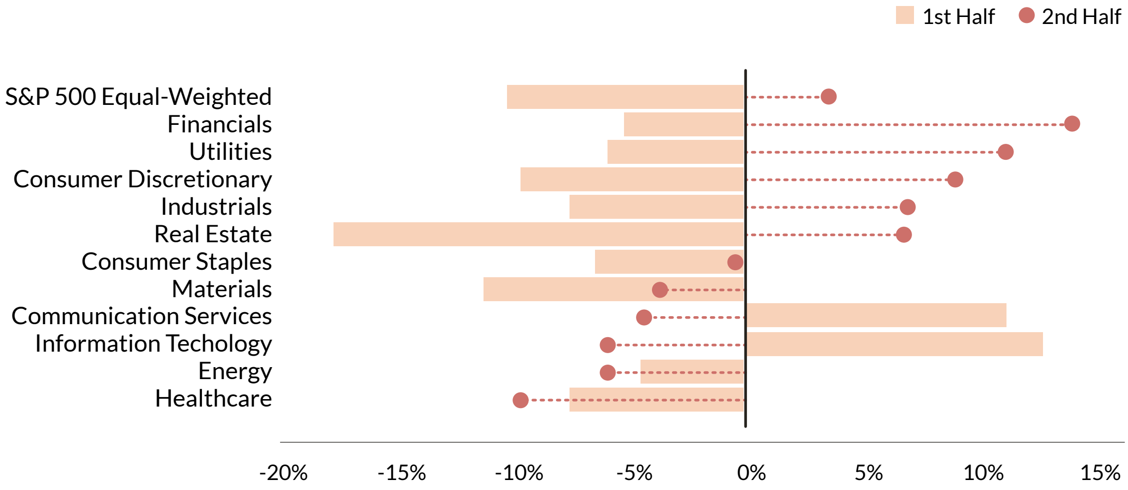
Moreover, the market actually did something fairly unusual in 2024. Since 1996, there have only been three years where both forward earnings projections and P/E multiple expansion have climbed in the double digits. These were 1997, 2003, and 2024. In 1998 and 2004, the market delivered double-digit performance: 28% and 11% respectively[8]. This implies a continuing 2025 rally underpinned by earnings growth.

---

6. https://www.gurufocus.com/economic_indicators/57/sp-500-pe-ratio
7. https://www.barrons.com/articles/stock-market-price-earnings-valuation-e77d7c1c
8. As at 30/01/24, https://www.gurufocus.com/economic_indicators/57/sp-500-pe-ratio

Broadening toward more balance

Sector performance versus broad market 2024



Source: BlackRock Fundamental Equities with data from FactSet as of November 30, 2024. Chart shows total return of the equal-weighted and sector indexes relative to the market capitalisation weighted S&P 500 Index. Data for the second half of 2024 is through November 30. **Past performance is not indicative of current or future results.** Indexes are unmanaged.
It is not possible to invest directly in an index.

Is it all about technology stocks such as the Magnificent 7?

History points to plenty of moments where domineering top-down trends or significant macroeconomic and geopolitical shifts can dictate the performance of shares for a while, shining a light on certain parts of the market while leaving others in the dark, feeling a bit unloved by investors. For fundamentally sound companies in the latter, patience often pays dividends: strengthening fundamentals tend to wrestle the reins back from market sentiment over time.

The recent US market is case in point. 2023 kicked off the AI investment theme, driving extraordinary performance in information technology and communication services sectors until midway through 2024. But in the second half of 2024, prior to Trump's win, we saw the rally broaden as, alongside other factors, positive corporate earnings boosted investor confidence across the market more widely.

Lots of potential in the Alliance Witan portfolio

Within the Alliance Witan portfolio, there a number of fundamentally strong stocks with robust operational performance that the market seems to have yet failed to recognise, priming potentially good performance this year.

Stock picker Lyrical Partners points to its investment in Cigna, a provider of managed healthcare in the US, a sector recently weighed down by concerns over changing regulation to the US healthcare system. Since 2007, it has managed to grow its earnings at 12.8% annually, yet it trades at 10.8x forward earnings.

ARGA discusses Macau casino operator Sands China, whose share price has been soft on account of the Covid shock as well as more recently on faltering Chinese demand and a slate of renovations. Though revenues are 16% down from 2019, operational performance has been strong since its recovery from Covid and yet the share price languishes at around half of 2019 levels.

Metropolis points to well-known insurer Admiral. The stock picker believes that the company is particularly disciplined when it comes to pricing their policies which has enabled it to navigate 2022's inflation storm, and though this meant it lost out to competitors initially, has enabled it to significantly increase its market share more recently. As such, the stock picker believes the market is significantly undervaluing its "long-term march to greater market share", with the firm valued at 14x forward earnings.

GQG mentions its investment in UK pharma giant AstraZeneca, whose share price has been weak due to a disappointing lung cancer drug trial and an investigation of some of its executives in China. Yet, the stock picker believes its operations look strong, with one of the most diverse drug pipelines across the industry and more than 40 in phase 3, and revenues and earnings that have recently beaten market expectations.

Finally, EdgePoint discusses Nippon Paint Holdings, the largest paint manufacturer in Asia. The stock picker believes the company has a top tier management team and resides in an industry with great growth prospects, and yet, due to it being saddled with China demand concerns, its share price has flatlined over five years even though its earnings have grown by 18.77% annually over the same timeframe.

The securities referred to in this article represent the views of the underlying managers and are not stock recommendations.

What’s in store for Europe in 2025

On the world equity stage in 2024, it seemed most of the juiciest roles were given to the US stock market, leaving other bourses such as Europe with forgettable bit-parts. Amid endless curtain calls and rapturous applause: the nascent AI theme was the muse to thank, and will likely continue inspiring US equities and tech stocks beyond in 2025.

> *“Pessimism over European stocks may be overstretched, creating some attractive investment opportunities”*

For European economies, it was a challenging year on multiple fronts, with political turmoil in Germany and France, competition from China, and a raft of emerging fiscal pressures to name but a few.

Though these challenges will likely continue this year, it seems the pessimism over European stocks may be overstretched, creating some attractive investment opportunities, especially in comparison to the robustly valued US market.

Here, we look at what European equities might have in store in 2025.

A challenging year

2024 was a year when we were vividly reminded of US exceptionalism as the AI investment theme caught traction and boosted its outsized technology sector and the S&P 500 by 25%[1]. Though performance was broadly good across lots of risk assets, most other bourses were left in the dust on account of having few stocks perceived as beneficiaries of the theme.

Europe’s MSCI Europe ex UK Index was one, having delivered 8.1%[1] in local currency terms. Though not to be sniffed at, its performance suffered from an index stuffed with industrials, financials and commodity companies facing headwinds from muted global demand, growing anxiety over underperforming loans and a slowing China. Elevated energy cost also added to the malaise, with prices remaining above pre-2022 levels.

Bloc politics over the year also rattled the economic cage, with fiscal pressures and the rise of far-right populists fracturing the political consensus.

---

1. https://am.jpmorgan.com/gb/en/asset-management/per/insights/market-insights/market-updates/monthly-market-review/

In France, President Emanuel Macron's decision to call a snap election on June 9 following European election loses for his centre-ground coalition to the far right proved to be a poor one, leaving parliament hung and in chaos. Technocrat Michel Barnier, former Brexit negotiator, was brought in as Prime Minister to steady the ship, but his attempts to sort France's public finances and reduce the fiscal deficit through a €60bn budget of cuts and tax hikes[2] resulted in a no confidence vote and his removal from office.

Elsewhere in Germany, Europe's largest economy, the story was scant better following the disintegration of Olaf Scholz's three party coalition. With elections likely to be held on February 23, it makes for unusually tense time in German politics, particularly as the increasingly outspoken Elon Musk stirs the pot: recently referring to far-right party AfD as Germany's "last spark of hope".

Reasons for optimism

Though there are plenty of headwinds facing European economies, as famous British investor Sir John Templeton once said: "Bull markets are born on pessimism". Here are three reasons why 2025 may be a good year for European equities.

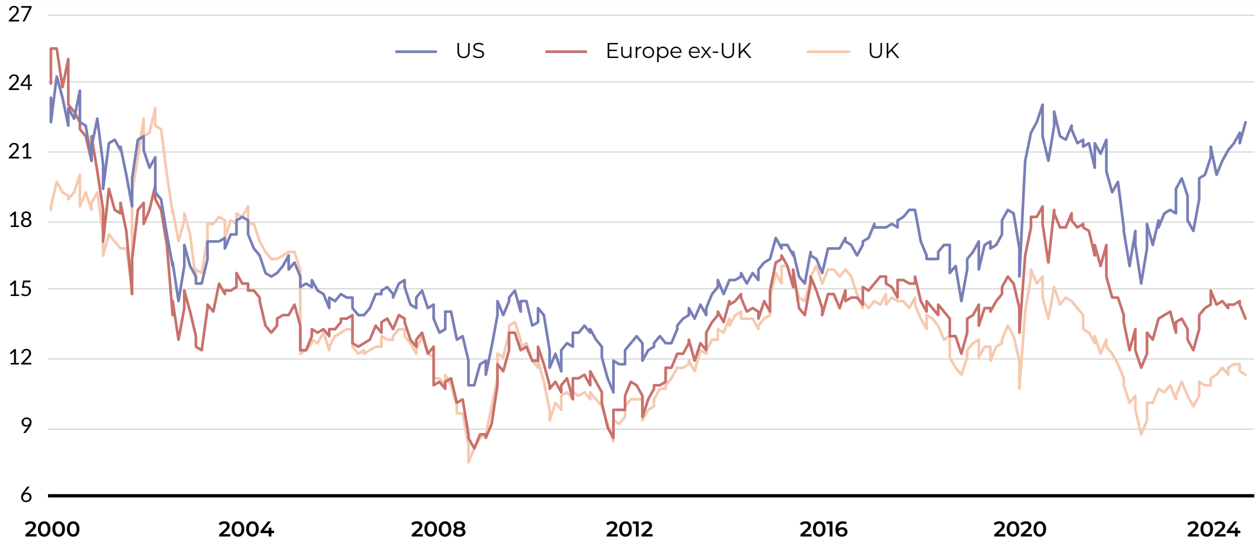
1. Europe's earnings could pleasantly surprise investors

Earnings are an important driver of stock prices, which often react positively when companies beat earnings expectations, or negatively when they undershoot. Unfortunately for Europe, the latter has broadly been the case for the past two years. But fortunes may be about change, with the potential for upside revisions given the lashings of pessimism that have been built into the price.

According to data from JP Morgan[3], the US' S&P500 is trading at around 22x 12-month forward earnings, whereas Europe is trading at around 14x is forward earnings. It means for investors, the valuation opportunity in European equities – particularly versus the US – is looking quite attractive.

Global Equity Valuations

Forward P/E ratios, x multiple



Source: FTSE, IBES, LSEG Datastream, MSCI, S&P Global, J.P. Morgan Asset Management. US: S&P 500; Europe ex-UK: MSCI Europe ex-UK; UK: FTSE All-Share. Earnings data is based on 12-month forward estimates. Past performance is not a reliable indicator of current and future results. Data as of 12 November 2024

---

2. https://www.politico.eu/article/michel-barnier-vote-france-lawmakers-debate-budget-spending-cuts-2025-prime-minister-tax-hikes/
3. https://am.jpmorgan.com/gb/en/asset-management/institutional/insights/market-insights/investment-outlook/equity-outlook/

2. Recovering demand from China

A recent drag for export-heavy Europe has been faltering demand from China, particularly in the luxury consumer goods sector where European companies excel. Since September, China has been embarking on a series of fiscal and monetary stimulus measures in an attempt to boost domestic demand and get its economy back on track.

What's more, towards the end of 2024, China's powerful chief policymaking group, the Politburo, announced it would adopt "appropriately loose" monetary policy as it looked to expand domestic demand in 2025. This could boost demand for European goods, as long as the Yuan doesn't slide too much and lose purchasing power amid a trade war with the US.

3. European policy stimulus could ignite consumption

On the surface, Trump's language over tariffs seems like cause for concern. But once in office, the incoming administration may focus more of its tariff ire towards China and be more selective when it comes to Europe, for example by focusing on certain sectors such as autos. Regardless, the introduction of tariffs has the potential to be disinflationary for Europe.

In addition, EU economies and their bank balances are still reeling from the effects of the pandemic, the Ukraine war and higher energy prices, and governments may be forced to reduce their fiscal deficits and consolidate their finances. Even if they turn to the European Recovery Fund for support, which remains more than 50% undrawn, analysts think it may be insufficient to counter contractionary national fiscal policies and a negative for growth.

Combined, it may encourage the ECB to ease monetary policy more aggressively than forecast. This may boost consumption, especially given that real wages have been rising and savings rates are particularly high relative to history (see previous chart). This could offer yet another boost for European equities.

Europe (ex UK) in the Alliance Witan portfolio

Alliance Witan invests in Europe as part of a well-diversified global strategy. Currently, it is overweight its benchmark allocations to European firms, with 13.1% of the portfolio as of end of December invested in the bloc versus 10.5% for the MSCI All Country World Index[4].

---

[4] https://media.umbraco.io/alliance-trust/nnfhjvia/aw-plc-factsheet-december-2024.pdf

Saba and the importance of shareholder engagement

On December 18, a relatively obscure hedge fund based out of New York, run by a Boaz Weinstein, suddenly made clear its plans for a big shake-up and potential super-merger of seven investment trusts here in the UK: three managed by Baillie Gifford, two by Janus Henderson and two others run by Herald Investment Management and Manulife.

What Saba Capital has perhaps managed to identify is an exploitable weakness: retail investor voting apathy. With investment trust shareholder registers often dominated by private investors, the consequences of this can be far reaching. If retail investors don't vote, large shareholders such as Saba can gain control of the company.

Some argue that we're in this state of play because engagement with retail investors who own listed equities has been historically poor, including in the investment trust sector. Numerous obstacles that make communication between trusts and smaller retail shareholders tricky are often blamed, with poor AGM turnouts seen as evidence that engagement efforts are futile.

There are many well-documented benefits to engagement practises. They serve to improve transparency, build trust, sharpen decision-making, drive better understanding of, and deliver more value for, shareholders, but also relevant in this context, provide effective challenge to investor activism.

So, why are some investment trusts struggling or unwilling to engage with its shareholders?

The tech that gets us there

In a UK market where broader governance is ordinarily quite strong, there are two key reasons for why the investment trust sector has perhaps been found wanting. First, because shares, including investment trusts, tend not to be directly held, but rather through a nominee investment platform or broker. This makes shareholders 'beneficial' owners rather than 'legal' ones, which means they're not legally entitled to the same level of information. And second, because some boards, for one reason or another, are simply not communicating effectively with their retail shareholder base.

It's led to a situation where, even when engagement processes have been made available, information flow has tended to be poor and voting mechanisms convoluted and clunky, resulting in unsurprisingly few investors participating. In turn, this has fuelled an attitude that retail investors simply aren't interested in stewardship and are mainly there for the economic rewards, and so, investing and facilitating voting and engagement processes would be wasteful. The result is shareholder disenfranchisement and inertia.

The government has recognised the issue. In 2022, the UK Secondary Capital Raising Review published proposals for retail investors to be included in ongoing fundraisings and receive better digital communication. Out of this, the UK Digitisation Taskforce was formed, whose job it has been to look at digitisation across the industry to improve retail investor participation.

The Taskforce's final report is imminent, but interim findings point to some much-needed changes: doing away with paper share certificates, improving transparency and communication between issuers and what it deems as ultimate beneficial owners (UBOs), improving services that enable shareholders to vote, and updating the law to enshrine the flow of information to shareholders.

The green shoots emerge

Some of the investment platforms have been making strides in this area, offering digital attendance to AGMs, automatic opt-ins for notifications, and much simpler online voting.

Interactive investor is one such trailblazer, having launched online voting and AGM attendance back in 2021. Recently, it was recognised as 'Shareholder Engagement Champion' for the fourth year in a row by the investment trust trade body – the Association of Investment Companies (AIC). ii's chief executive, Richard Wilson, commented that "the closer we can bring investment trusts together with their investors, the better for all stakeholders".

In addition, in November just gone, AJ Bell launched its own online service for shareholders wishing to vote in AGMs and EGMs. AJ Bell managing director, Charlie Musson, added: "Retail investors play a crucial role in healthy global stock markets and this new service gives customers on our investment platform even greater control over their investment portfolio, influencing the decisions made by the companies they invest in."

Further upstream, there are plenty of investment trusts that have been making improvements too. Alliance Witan, for example, offers online or in-person options for attending AGMs, strongly believing that shareholders should be given the opportunity to scrutinise the board tasked with serving them. In between, it spends a lot of time and effort keeping investors updated with what's going on in markets and the portfolio, through its quarterly newsletter emails, monthly factsheet emails and invitation to events. It also believes in engaging with the press, an important channel of indirect channel of communication for investors.

Yet, there remains much to be learnt and done. Last year, interactive investor polled its customers and found that 80% rarely, if ever, participate in the AGMs of companies they own in their portfolios[1]. Even on a platform that has reduced technology frictions, customers said the main issue was that the resolutions are just too complex.

Cutting through the red tape and enhancing efforts to improve stewardship for better stakeholder outcomes seems like a no brainer. It may just take time for hearts and minds to shift.

> *"Even when engagement processes have been made available, informaton flow has tended to be poor"*

---

1. https://www.ii.co.uk/analysis-commentary/interactive-investor-agm-poll-results-ii531822

Equity Manager Spotlight

Lyrical Asset Management

Investment Philosophy

Lyrical looks for companies that demonstrate resilience despite uncertain macroeconomic conditions. Resiliency is the ability of a company to produce the expected result, even when the unexpected happens. And while companies may face a temporary earnings disruption, they can adjust and adapt and return to earning profits well before the world returns to normal.

Resilience takes many forms. Its simplest form is stability. Lyrical's investments in healthcare services companies are good examples. Healthcare demand is fundamentally stable, not rising in a boom, nor shrinking in a bust. In an uncertain world, stable companies are resilient because they do not fluctuate, even as everything else does.

Andrew Wellington
Co-founder and CIO

Stock Spotlight – AerCap

Stock picker Andrew Wellington believes that AerCap is a hidden gem among its competitors with its attractive leasing model and good fundamentals.

To watch the latest Stock Picker interview
CLICK HERE

AerCap is the world's largest leasing company for aircraft, engines and helicopters, offering contracts of up to 12 years to approximately 300 customers around the world.

Buying aircraft from Boeing and Airbus is expensive business, and many airlines lack the scale or financial resources to pay for them. With a fleet of around 1,700 aircraft, AerCap is able to purchase aircraft at discounts and lease them on attractive financial terms. What's more, air travel is growing faster than the global economy, and increasing numbers of airlines are opting to lease planes.

In particular, the stock picker believes the company is undervalued versus its competitors, with earnings that have been growing at around 10% per annum for the past decade and price-earnings valuations of around 8x earnings.

AerCap – Fast Facts

1995
Founded **1995**

€7.82bn
Revenue
(Sep 2023 – Sep 2024)

circa. 679

CEO
Aengus Kelly

Headquarters
Dublin, Ireland

Equity Manager Spotlight

GQG Partners

Investment Philosophy

GQG's investment philosophy is rooted in the belief that earnings drive stock prices. Markets are often disproportionately focused on shorter-term projections and stocks are often mispriced as a result.

GQG seeks to exploit this mispricing by focusing on finding high-quality, durable businesses with the highest probability of compounding capital over the next five years. This "Forward-Looking Quality" investment style, gives them the flexibility to focus on what they believe to be the highest-quality companies in every industry, allowing for a broader set of industries for potential consideration.

Brian Kersmanc
Portfolio Manager,
GQG Partners

Stock Spotlight – Meta Platforms

Meta's ability to increasingly harness AI to optimise monetisation and generate good returns makes it a particularly attractive stock for the GQG portfolio.

To watch the latest Stock Picker interview
CLICK HERE

Few people will not have heard of Meta – a social media company that connects around 3 billion people across some of the world's most used social media apps, including Facebook, Instagram and WhatsApp.

Its business is essentially providing media entertainment to users, and advertising solutions to brands looking to access those users.

In recent years, not only has Meta demonstrated that it can serve ads effectively to relevant audiences, but also increasingly harness AI to optimise monetisation too and generate good returns on the investments they're making in this area, especially in comparison to its competitors.

Meta Platforms – Fast Facts

Founded **2004**	**€156.22bn** Revenue (Sep 2023 – Sep 2024)	circa. 67,317	**CEO** Mark Zuckerberg	**Headquarters** Menlo Park, CA – USA

Companies mentioned are for informational purposes only and should not be considered investment advice.

US market led gains in Q4

US shares powered ahead in the fourth quarter, rounding off a year in which they dominated returns from global equity markets. Other regional markets mostly fell amid worries about Donald Trump's threats of trade tariffs, although Japan also finished the year on a high note.

The weaker pound led to a 10% gain for US shares in Q4, giving an annual increase of 26%, more than double the UK and emerging markets, the next two best performing regions, with Europe ex-UK bringing up the rear with a tepid advance of 2%.

Our portfolio lagged the market in Q4, with net asset value returns of 3.8% versus a return of 6% for the MSCI ACWI, with the gap largely accounted for by our relative lack of exposure to three of the so-called Magnificent Seven – Amazon, Alphabet, Apple, Microsoft, Nvidia, Tesla, and Meta – which delivered the bulk of the US markets' gains in 2024.

Tesla advanced 65% in Q4, Nvidia rose another 18% and Apple 15%, on the back of stock specific factors and the general euphoria in the US market surrounding Donald Trump's re-election. Although much of the rest of the world fears the potentially damaging impact of higher US trade barriers, Trump's America First policies were perceived as benefitting many domestic stocks. The Magnificent Seven were also buoyed by hopes that the President-elect's emphasis on deregulation will lead to a weakening of regulatory scrutiny.

> ***Although much of the rest of the world fears the potentially damaging impact of higher US trade barriers, Trump's America First policies were perceived as benefitting many domestic stocks.***

We do not own any Tesla shares, so this was a significant negative for our relative performance, and Nvidia and Apple are meaningful underweight positions.

We also suffered from our underweight to Broadcom, the US chipmaker, which advanced 44% in Q4, after the CEO increased expectations for AI-related revenue from its existing customers. Our overweight position in United Health Group was another drag on performance.

United Health was hit by the fallout from the fatal shooting of CEO Brian Thompson which led to a 15% decline in the company's share price in December. The targeted attack was apparently based in part on grievances with the US health insurance system and led to a spotlight on health insurance companies' policies and a small anti-health insurance company movement online. Veritas took advantage of the share price fall to add to its position, pointing out that no company designed the US health system.

"Healthcare has grown increasingly unaffordable among U.S. adults over the past few years and U.S. healthcare has been a controversial topic

To learn more about the portfolio price and performance click here

It could be another standout year for US equities, especially if it can break its dependency on a narrow subset of companies and gains spread beyond mega cap technology stocks.

over that time. Therefore, investors must respectfully look beyond the recent events and political controversy surrounding healthcare and focus on the facts and fundamentals of the business." Veritas says United Healthcare is virtually everywhere throughout the industry and, despite its size, keeps growing.

The three largest contributors to our performance were also US companies, Visa, Amazon and the airline Alaska Air. Visa, owned by several of our managers, is one of our largest overweight positions. Its 23% gain in Q4 was, therefore, a big help. It reported robust financial performance, raised its dividend and executed substantial share buybacks, further boosting investor confidence.

Amazon, in which we have a modest overweight, continued to benefit from bullish views on artificial intelligence and the growth of its AI business. Owned by ARGA, Alaska Air's shares rose strongly due to the airline reporting higher revenue and improved earnings prospects. The recent acquisition of Hawaiian Airlines also contributed to optimism.

Uncertain outlook for 2025

Despite fizzling out towards the end of December, it could be another standout year for US equities, especially if it can break its dependency on a narrow subset of companies and gains spread beyond mega cap technology stocks. We saw signs of this happening in 2024, but increased market breadth is not yet a firmly established trend.

Together with the potential productivity benefits of AI if it penetrates a broad swath of industries, Trump's promises of deregulation and tax cuts could boost growth. However, at this stage of a mature economic cycle, stronger growth might reignite inflation, preventing a meaningful further reduction in interest rates, making it harder for governments, companies and consumers to reduce debt levels. The US central bank has already signalled that it intends to scale back the pace of expected interest rate cuts.

It will also be important to keep a close eye on world trade. Tariffs is Trump's favourite word, and they are central to his economic plan. Before taking office in January, he announced extra levies on imports from China, Mexico and Canada. Although his bark may turn out to be worse than his bite, it's possible more countries will be targeted in the coming year, potentially raising prices for American consumers, hurting international manufacturers, and inviting retaliation.

All told, as these situations play out, global stock markets are likely to be volatile in 2025, with large swings providing opportunities for both buyers and sellers. In this environment, we believe bottom-up stock picking, based on company fundamentals, is likely to be a more reliable way to add value for shareholders in the long term than making bold, top-down market calls. So, we will continue to position the portfolio to maintain balanced regional, sector and style exposures, that are like the index by periodically adjusting manager allocations. This should provide stability and reduce risk, while we rely on our managers to seek out the best companies in each market segment.

Biggest positions sold and acquired over the quarter

Top 10 largest net purchases Q4 2024	Net value of stock purchased (£m)	% of equity portfolio purchased	Top 10 largest net sales Q4 2024	Net value of stock sold (£m)	% of equity portfolio sold
Microsoft	69.6	1.9	PayPal	32.9	0.6
Netflix	38.1	1.0	Coca Cola	30.0	0.6
NVIDIA	34.9	0.9	NEC	28.8	0.5
Techtronic Industries	34.8	0.9	Convatec Group	27.0	0.5
Samsung	33.2	0.9	Kerry Group	25.4	0.5
Koninklijke Philips	32.9	0.9	Nintendo	23.8	0.4
Nippon Paint	32.5	0.9	Ebara Corporation	23.5	0.4
Everest	30.9	0.8	Aena SME	23.3	0.4
Applied Materials	26.3	0.7	DBS Group	22.7	0.4
Meta Platforms	24.9	0.7	Tapestry	21.9	0.4

Update on Buybacks

At the AGM in April 2024, shareholders approved for the Company to purchase and cancel up to 14.99% of the issued share capital. In the period since the AGM to 31 December 2024, the Company purchased 4.7 million shares at a cost of £56.7 million. In this period the discount ranged from 1.8% to 6.7%, with an average discount of 4.5%. On days shares were purchased, the discount range was 4.9% to 6.6%.

In the period from 1 January to 31 December the discount has ranged from 1.8% to 6.8%, with an average discount of 4.7%. In this period the Company purchased 4.7 million shares at a cost of £56.7 million, and on days shares were purchased, the discount ranged between 4.9% and 6.6%.

IMPORTANT INFORMATION AND RISK WARNINGS

This section contains important regulatory disclosures and risk warnings that are relevant to the material in this document. You should read this section carefully, as it is intended to inform and protect you.

Towers Watson Investment Management Limited (TWIM) has approved this communication for issue to Retail Clients. Past performance is not a reliable indicator of future returns.

The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV), meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV. This means that potential investors could get back less than the amount originally invested.

Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

No investment decisions should be based in any manner on the information and opinions set forth above. You should verify all claims, do your own due diligence, and/or seek advice from your own professional adviser(s) before investing in any securities mentioned.

The Alliance Trust Board has appointed Towers Watson Investment Management Limited (TWIM) as its Alternative Investment Fund Manager (AIFM). TWIM is part of Willis Towers Watson. Issued by Towers Watson Investment Management Limited. Towers Watson Investment Management Limited, registered office Watson House, London Road, Reigate, Surrey RH2 9PQ is authorised and regulated by the Financial Conduct Authority, firm reference number 446740.

Past performance is not a reliable indicator of future returns. Notes: All data is provided as of end December 2024 unless otherwise stated. All figures may be subject to rounding errors. Sources: Investment performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc; key trades data is provided by BNYM Fund Services (Ireland) Limited. Equity portfolio return is the return achieved by the equity managers, and so includes the effect of any of their cash holdings (gross of their fees). Returns are quoted net of withholding taxes (some of which are potentially recovered at a later date) and therefore potentially underestimate the managers' relative performance.

Registrars

Our registrars are:

Computershare Investor Services PLC,
Edinburgh House, 4 North St Andrew Street,
Edinburgh EH2 1HJ
Telephone: 0370 889 3187

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company's registrars at the above address. You should also contact the registrars if you would like the dividends on shares registered in your own name to be sent to your bank or building society account. You may check your holdings and view other information about Alliance Witan shares registered in your own name at computershare.com

How to Invest

There are a growing number of savings and investment platforms where you can purchase shares in Alliance Witan direct. They are primarily for investors who understand their personal attitude to risk and those related to equity-based products.

Share Investment

Alliance Witan PLC invests primarily in equities and aims to generate capital growth and a progressively rising dividend from its portfolio of investments. Alliance Witan currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream investment products, and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products, because they are shares in an investment trust. The shares in Alliance Witan may also be suitable for institutional investors who seek a combination of capital and income return. Private investors should consult an IFA who specialises in advising on the acquisition of shares before acquiring shares.

Contact

Alliance Witan PLC
River Court,
5 West Victoria Dock Road,
Dundee DD1 3JT
Tel +44 (0)1382 938320
investor@alliancewitan.com
alliancewitan.com