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The information communicated in this announcement is deemed to constitute inside information for the purposes of Article 7 of the UK version of Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended (the Market Abuse Regulation). The person responsible for arranging the release of this announcement on behalf of Alliance Trust PLC is Paul Connolly of Juniper Partners, Company Secretary and on behalf of Witan Investment Trust plc is Andrew Ross, Chairman. Upon the publication of this announcement, this information is considered to be in the public domain.

26 June 2024

## **Alliance Trust PLC**

### **Witan Investment Trust plc**

#### **Combination to form Alliance Witan PLC**

- *Witan's assets to be rolled into Alliance Trust in exchange for issue of new ordinary shares in the newly-named Alliance Witan PLC under s.110 scheme of reconstruction.*
- *Alliance Trust's investment strategy, providing exclusive access to the best ideas of leading active managers globally, remains unchanged.*
- *Introduction of a new, more competitive management fee structure, coupled with the greater economies of scale on an enlarged portfolio of approximately £5billion, is expected to result in a lower Ongoing Charges Ratio, particularly for Witan shareholders.*
- *Enhanced third and fourth interim dividend payments for shareholders in the enlarged Alliance Witan will extend the dividend hero status of both companies.*
- *Witan shareholders expected to benefit from an immediate uplift in market value on completion of the transaction, and will have the option of a partial cash exit.*
- *Combined vehicle to offer improved secondary market liquidity, expected eligibility for promotion to FTSE 100 Index in due course.*
- *Assets to be rolled over to Alliance Trust to include Witan's listed investment company holdings and Witan's Secured Loan Notes will be novated to Alliance Trust.*
- *Alliance Trust's investment manager, Willis Towers Watson, to make a significant contribution to help absorb Transaction costs. Alliance Trust shareholders are not*

*expected to suffer any Net Asset Value dilution from the direct costs of the Transaction; Witan shareholders expected to suffer no or minimal Net Asset Value dilution, depending upon the level of take-up of the cash exit option.*

- *Deal, expected to be completed in late Q3/early Q4 2024, preserves distinguished heritages of both companies and represents the largest ever conventional equity investment trust combination.*

## **Introduction**

The boards of Alliance Trust PLC (“**Alliance Trust**”) and Witan Investment Trust plc (“**Witan**”) are pleased to announce that the companies have entered into heads of terms for a combination of the two companies to create Alliance Witan PLC (“**Alliance Witan**”). This follows a comprehensive strategic review by the board of Witan of its investment management arrangements.

The combination will build upon the distinctive multi-manager investment model already employed by Alliance Trust - utilising the proven management skills and deep resources of Willis Towers Watson (“**WTW**”) to create an actively managed global equity portfolio chosen by best-in-class stock pickers - and will apply that methodology within an even more liquid, high-profile and cost-efficient “one stop shop” investment vehicle. With net assets of around £5 billion, significant economies of scale, eligibility for FTSE 100 inclusion, powerful and well-established brand recognition on both sides, and proven marketing expertise backed by dedicated resources and budget, Alliance Witan will aim to be the UK’s leading global equity investment proposition, at the core of retail investors’ portfolios.

The combination will be undertaken through a scheme of reconstruction by Witan under s110 of the Insolvency Act 1986, which will see Witan’s assets roll into Alliance Trust in exchange for the issue of new Alliance Witan shares to the continuing Witan shareholders (the “**Transaction**”). Alliance Trust’s manager, WTW, will have overall responsibility for managing the assets of the combined Alliance Witan, employing the same proven approach as has been successfully utilised by Alliance Trust since WTW’s appointment in 2017 – selecting a diverse team of expert stock pickers, each of whom invests in a customised selection of 10-20 of their ‘best ideas’.

## **Benefits of the combination**

The combination is expected to result in substantial benefits for both Alliance Trust and Witan shareholders, as well as for future investors in Alliance Witan:

- **Best-in-class investment management:** The enlarged portfolio will be invested in WTW’s successful multi-manager strategy, providing access to best-in-class managers globally, many of whom are not otherwise readily accessible by UK retail investors. The investment proposition seeks to reduce relative risk and volatility, meaning investors are not left vulnerable to the underperformance risk concomitant with a single manager at the top of its performance cycle. As at 31 May 2024, the Alliance Trust portfolio consisted of selections by 10 stock pickers.

- **Strong investment performance track record:** Over the seven-year period since the appointment of WTW as manager of Alliance Trust at the beginning of April 2017 to 31 March 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.<sup>1</sup>
- **Attractive dividend yield and progressive dividend policy:** Alliance Witan will increase its third and fourth interim dividends for the financial year ending 31 December 2024 so that they are commensurate with the interim dividend payments currently being paid to Witan 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 December 2023. Furthermore, it is anticipated that Alliance Witan's dividend for the financial year ending 31 December 2025 will be increased compared to the prior financial year such that a Witan shareholder will continue to see a progression in their income. This progressive dividend increase will represent a fiftieth consecutive year of dividend increases for Witan shareholders as the combination takes effect, and will extend Alliance Trust's unsurpassed record of increasing dividends for 57 years in a row.
- **Large scale and FTSE 100 inclusion:** Alliance Witan is expected to have net assets of more than £5 billion on completion of the Transaction (based on the last published net asset values of the two companies as at the date of this announcement). It is also expected that Alliance Witan will be eligible for inclusion in the FTSE 100 Index and will benefit from improved secondary market liquidity.
- **Lower management fees:** WTW has agreed a new management fee structure for Alliance Witan (see further below) which will result in an even more competitive blended fee rate for the combined entity and its shareholders than is currently enjoyed by Alliance Trust's and Witan's respective shareholders.
- **Lower ongoing charges:** The new management fee structure and the economies of scale which the combination will bring will allow Alliance Witan to target an ongoing charges basis points ratio in the high 50s in future financial years<sup>2</sup>, an improvement to both Witan's and Alliance Trust's current ongoing charge ratios, which are 76bps and 62bps, respectively.
- **Significant contribution to costs from WTW:** WTW has agreed to make a significant contribution to the costs of the Transaction. The value of the contribution will be applied initially to meet Alliance Trust's direct transactional costs, meaning that the Transaction is expected to be undertaken at zero cost to existing Alliance Trust shareholders, with any excess applied firstly to offset any remaining direct transactional costs incurred by Witan, and then accruing for the benefit of shareholders in the combined Alliance Witan.

- **Tangible economic upside for Witan's shareholders:** In addition to the benefits detailed above, legacy Witan shareholders who roll over into Alliance Witan will benefit from an immediate uplift in the value of their shareholding to the extent that Alliance Trust shares are trading at a tighter discount to net asset value. Witan shareholders will also be given the opportunity to elect for a cash exit at a price close to NAV, for some or all of their holding, as part of Witan's scheme of reconstruction. The benefit of the discount on the cash exit will be applied first to Witan's direct transactional costs; and any amount remaining thereafter will be for the benefit of all ongoing shareholders in Alliance Witan. Continuing Witan shareholders are therefore expected to suffer minimal or no dilution, depending upon the level of take-up of the cash exit and any residual benefit flowing from the WTW cost contribution.

## The Transaction

The combination will be implemented through a scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of Witan and the rollover of its assets (consisting of investments which are in accordance with Alliance Trust's investment policy, investment company holdings as well as futures, cash, cash equivalents and other appropriate securities) and certain of its liabilities into Alliance Witan in exchange for the issue of new shares in Alliance Witan to the Witan shareholders who elect (or are deemed to have elected) to roll over into Alliance Witan (the "**Rollover Option**", which is the default option for the Transaction).

Shareholders in Witan will have the option of receiving cash in respect of some or all of their shares in Witan at a price equal to 97.5% of the net asset value per Witan share, less related asset realisation costs (the "**Cash Option**"). The Cash Option will be limited to, in aggregate, 17.5% of the Witan shares in issue (excluding treasury shares) (the "**Overall Limit**"). Each Witan shareholder may elect for the Cash Option in respect of more than 17.5% of their respective holding of Witan shares. However, if aggregate elections for the Cash Option exceed the Overall Limit, elections by Witan shareholders who have elected for the Cash Option in excess of 17.5% of their respective shareholding will be scaled back on a *pro rata* basis among Witan shareholders who have made excess applications. Such shareholders will be deemed to have elected for the Rollover Option in respect of the portion of their application which is scaled back.

Conditional upon completion of the Transaction, Alliance Witan will increase its third and fourth interim dividends for the financial year ending 31 December 2024 so that they are commensurate with the first interim dividend of 1.51p per share paid to Witan shareholders earlier this month. In addition to this first interim dividend, Witan shareholders will, in lieu of a normal second interim dividend, receive an interim pre-liquidation dividend, expected to be not less than 1.75 pence per share. This is expected to be paid ahead of the scheme effective date and those opting to roll over will then be entitled to all Alliance Witan dividends declared post the scheme effective date. With the scheme anticipated to become effective in late September/early October, it is therefore envisaged that Alliance Witan's third interim dividend for the year ending 31 December 2024, to be paid in December 2024 to shareholders on the register in November 2024, will be the first dividend to which former Witan shareholders will be entitled.

For illustrative purposes, on the basis of the last published net asset values of Alliance Trust and Witan as at the date of this announcement, each of Alliance Witan's third and fourth interim dividends would be approximately 6.79 pence per share. For Witan shareholders, each of those dividends would be equivalent to an estimated 1.51 pence per share prior to the combination of the two companies; and would mean that the estimated full year dividend (pre and post combination) for 2024 for current Witan / future Alliance Witan shareholders would be equivalent to approximately 6.28 pence per share (assuming a pre-liquidation dividend by Witan of 1.75p per share), an increase of 4% over the 6.04 pence per share paid by Witan in respect of 2023. The illustrative increase in Alliance Witan's third and fourth dividends per share would result in an aggregate dividend paid to a current Alliance Trust / future Alliance Witan shareholder in respect of the financial year ending 31 December 2024 amounting to 26.82 pence per share (a 6.4% increase over Alliance Trust's financial year ending 31 December 2023). This progressive dividend increase will represent a fiftieth consecutive year of dividend increases for Witan shareholders as the combination takes effect; and will extend Alliance Trust's unsurpassed record of increasing dividends for 57 years in a row. It is anticipated that Alliance Witan's dividend for the financial year ending 31 December 2025 will be increased compared to 2024 such that Alliance Witan shareholders from both backgrounds see a further rise in income.

WTW, the investment manager of Alliance Trust, has agreed to make a contribution (the "**Manager Contribution**") to the costs of the Transaction of an amount equal to 52.375bps on the assets that roll into Alliance Witan, amounting to approximately £7.4m (based on Witan's last published net asset value as at today's date, and assuming the Cash Option is fully exercised).

Each side will bear its own costs in relation to the Transaction. The benefit of the Manager Contribution will be first applied to Alliance Trust's direct transactional costs, with any excess applied to offset any remaining direct transactional costs incurred by Witan. Any amount remaining thereafter will be for the benefit of all shareholders in Alliance Witan, through an offset against management fees incurred following the Transaction. The benefit of the discount on the Cash Option will be first applied to Witan's direct transactional costs, with any excess remaining thereafter again being for the benefit of all shareholders in Alliance Witan.

New shares in Alliance Witan will be issued to Witan shareholders on a Formula Asset Value ("**FAV**")-to-FAV basis. FAVs will be calculated using the respective net asset values of each company as at the relevant calculation date, adjusted for the costs of the Transaction, the allocation of the benefit of both the Manager Contribution and the discount on the Cash Option, any dividends and distributions declared by either company but unpaid as at the date of the FAV calculation, and taking account of the liquidator's retention (for Witan).

The agreed objective of the two companies is to create a broadly balanced ongoing Board of Directors with strong representation from both sides. Acknowledging the significant work to be done in bringing the two companies together, the Alliance Witan Board will initially comprise ten directors, with four directors joining from the Witan Board. Dean Buckley, current Chair of Alliance Trust, will be Chair and Andrew Ross, current Chair of Witan, will be Deputy Chair. It is envisaged that the Board will then reduce in size to a maximum of eight directors following the next Annual General Meeting of Alliance Witan in April/May 2025.

## **New Management Fee Structure**

As part of the Transaction, and conditional upon the Transaction being implemented, WTW has agreed a new management fee structure pursuant to which WTW will be paid an annual fee for its management services to Alliance Witan, calculated on a monthly basis, as follows:

- 0.52% on the first £2.5 billion of Alliance Witan's market capitalisation;
- 0.49% on market capitalisation between £2.5 billion and £5.0 billion; and
- 0.46% on market capitalisation in excess of £5.0 billion.

The new management fee structure will apply on completion of the Transaction. As part of the reformulation of the structure, some allowances for external distribution services including marketing and promotional activities not directly undertaken by WTW, which were previously included within the investment management fee paid to WTW, will no longer be incorporated; and Alliance Witan will instead pay such costs directly, giving the Board more flexibility in this area. This will not result in any changes to the services offered to the Company by WTW.

## **Expected Timetable**

It is anticipated that documentation in connection with the proposals will be posted to shareholders by the end of August 2024, with a view to convening general meetings in September 2024 and the Transaction being completed by late September/early October. Completion of the Transaction will be conditional upon, *inter alia*, approval from the shareholders of both companies, Financial Conduct Authority approval in relation to the publication by Alliance Trust of a prospectus, the novation of the relevant Note Purchase Agreements from Witan to Alliance Witan.

Dean Buckley, Chair of Alliance Trust, commented:

*"The formation of Alliance Witan brings together the two leading open-architecture multi-manager investment company propositions in the UK to form a FTSE 100 equity investment vehicle with the quality, cost efficiency and profile to play a leading role in the UK investment market. Shareholders will benefit from access to the proven investment process implemented by our investment manager, Willis Towers Watson, and access to the world's leading stock pickers. This is also a significant moment for our industry in broader terms – Alliance Witan represents a key milestone in the history of the investment trust structure which has demonstrated its capabilities very effectively over many decades.*

*Witan was an early adopter of the multi-manager solution and, on behalf of my Board, we congratulate Andrew Bell and his team on all that they have achieved during their tenures. Combining our two historic companies, established in 1888 and 1909 respectively, recognises the attractive opportunity to deploy the investment strategy, which has proved to be robust through the investment cycle, at significantly greater scale."*

Andrew Ross, Chairman of Witan, commented:

*"Since Andrew Bell announced his intention to retire, we have been through an extensive process to identify the best candidate to take on the management of our shareholders' assets. The Board assessed a number of very strong proposals, including single-manager candidates with impressive track records. However, the Board was unanimous in recommending the combination with Alliance Trust, which allows the continuation of our multi manager approach at lower fees and in a larger, more liquid vehicle. The companies share similar cultures and a mutual desire to provide a "one stop shop" for retail investors in global equities. I am delighted to announce this transaction, the largest ever investment trust combination, in Witan's 100th year as a quoted company on the London Stock Exchange. 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."*

## Enquiries

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1 Source: Willis Towers Watson. NAV total returns calculated with debt valued at fair value. Total return calculations assume dividend reinvestment as at the ex-dividend date. Past performance is not a reliable indicator of future results.

2 Based upon the last published net asset values of Alliance Trust and Witan as at the date of this announcement. The ongoing charges ratio for the financial year ending 31 December 2025 is expected to be materially below 60bps, reflecting the management fee waiver to be provided by WTW to represent costs contribution to the Transaction; without any management fee waiver, the ongoing charges ratio for the next financial year is still anticipated to be less than 60 bps.

### **Important Information**

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