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Spring 2025

THE TACTICS BEHIND THE TARIFFS

We take a look at the Real-World Impact of President Trump's 'Liberation Day'

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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 11 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

The Tactics Behind the Tariffs

On April 2nd (2025), US President Donald Trump delivered his biggest upset to global norms yet, announcing an unprecedented series of global tariffs in what was coined by his administration 'Liberation Day'.

Not surprisingly, markets didn't like it, with pressures from business leaders and violent movements in stock and bond markets eventually forcing him to press the pause button on implementation seven days later, although he ratchetted up tariffs on China and a base level of 10% remained in place for much of the rest of the world.

Markets breathed a sigh of relief, but tariffs haven't gone away. While the surprise pause will allow time for negotiations between the US and its trading partners, the episode has left a cloud of uncertainty over economies and companies. How will they react to the whiplash of on-off tariffs and lingering doubts about the future direction of US economic policies?

The problem as Trump sees it

It appears that Trumponomics 2.0 is seeking a grand restructuring of the global trading system and a sharp lurch towards protectionism and isolationism.

Much is predicated on the gripes of his MAGA base and a decades-long slide in US manufacturing. Though globalisation has driven prosperity in the US over the past 80 years, it has come at the expense of blue-collar jobs and national security in critical industries.

Driving this has been the strong dollar – underpinned by its status as the world's reserve currency – which has made US exports expensive and imports cheaper. This has prevented an equilibrium in the balance of payments – the net record of all transactions between the US and the rest of the world.

As a result, across a host of trading partners, persistent trade deficits have emerged, which the President sees as inherently bad in his zero-sum world of mercantilism – the prevailing global economic system of the 16th, 17th and 18th centuries that viewed increases in wealth and power being primarily driven by maximising exports and minimising imports – as opposed to promoting free markets as the key to collective prosperity.

While having the world's reserve currency has meant the US has enjoyed both power on the international stage and cheaper financing costs, it has also made it easy for foreign countries to outcompete US manufacturers, hollowing out US industry, and benefitted financialised sectors, driving a growing wealth divide in America between the rich and the poor. In the process, it has also weakened security in strategically important industries, for example steel, semiconductors and pharmaceuticals.

Topping all of this is what the administration sees as unsustainable levels of government debt, which currently stands at around $36 trillion, or 120% of annual economic output[2]. With the government spending more than it receives in tax receipts it's running a budget deficit of 6% of GDP[1], which Treasury Secretary Scott Bessent believes needs to be halved – explaining Elon Musk's presence and his department of government efficiency (DOGE)'s cuts in spending.

Trump's plan to address problems

Devaluing the dollar is one approach being pushed by Trump's US Chair of the Council of Economic advisers, Stephen Miran, who wrote a paper[2] setting out how a reordering of the global trading system might be implemented, and appears highly influential in Trumponomics 2.0.

The other approach is tariffs.

Trump's motivations for using these are multifaceted. First, for reducing trade deficits and encouraging reshoring of manufacturing and growth in American jobs. Second, for decoupling global supply chains and building up resilience, particularly in areas where there are national security concerns. Third, as a lever for achieving other policy outcomes discussed during the campaign, such as encouraging partners to help curb US immigration, restrict cross-border flow of illegal drugs or refinance held US debt at lower rates. Fourth, to encourage a flight to safe assets to reduce yields on government debt at a time when much of it is slated for refinancing. And finally fifth, to help generate revenues to pay for tax cuts elsewhere.

While having the world's reserve currency has meant the US has enjoyed both power on the international stage and cheaper financing costs, it has also made it easy for foreign countries to outcompete US manufacturers

1 https://www.reuters.com/markets/us/markets-wrestle-with-trumps-unconventional-debt-ideas-2025-03-05/ – accessed 22 April 2025

2 https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf – accessed 22 April 2025

The economic impact

Economists are having a hard time forecasting the impact of tariffs: since World War II, the direction of travel has been towards open markets and liberal trade policies, and models are starved for relevant data. Much will likely depend on where the emphasis is placed across the five areas mentioned above. If Miran's paper is to be believed, then tariffs could be here to stay and the impact dramatic; if Trump becomes spooked and reduces their use to a transitory negotiating lever, perhaps less so. Regardless, in the short term the consensus among economists is that tariffs will weaken growth and potentially shunt economies into recessions.

What's more, tariffs could be inflationary. They represent a sales tax, which means US companies will face a choice: absorbing costs and squeezing profit margins, passing on costs and potentially denting sales, or pushing back on suppliers to absorb tariffs. What seems likely is that costs will be passed on to consumers in some form or another and prices will rise. Key to watch will be producer and consumer prices indices.

Whether a manufacturing boom will emerge isn't clear either. Supply chains are complex, and even supposed domestic ones can zig-zag across borders. The auto industry, upon which Trump recently announced 25% import tariffs, is a good example: its supply chains snake across Canadian and Mexican borders, often multiple times. As such, a big rejig may lead to severe disruption and create an uncertain business environment where investment is paused both internationally and domestically.

Yet, there are pegs to hang some hope on too. The US economy remains the jewel in capitalism's crown, with private consumption that drives 69% of its output[1], a strong jobs market, wages growth, robust earnings, low borrowing rates and energy independence. If the dollar continues to weaken as is now expected, this may help boost US earnings too.

The government may also step in. There may be a flurry of trade deals that favour the US. Businesses could be incentivised to reshore their supply chains, or offered subsidies to mitigate the impact of tariffs. What's more, though inflation may rise, economists think it could be just a one-off hit.

And of course, if the economy does materially weaken, the Federal Reserve has a host of monetary levers it can pull to get things moving again.

All told, while the US may suffer, it may suffer less than other economies, and reset trade in a way that the Tump administration believe will benefit Americans for many years to come.

1. https://www.ceicdata.com/en/indicator/united-states/private-consumption--of-nominal-gdp – accessed 22 April 2025

Alliance Witan's approach

There's no denying this is a difficult storm to navigate: we may be in the midst of a profound reordering of the global trade system. Equally, all the fuss could simply be what Trump calls "The Art of the Deal". Either way, confidence in the US as a reliable trading partner and ally has been shaken, and assessing the impact of tariffs is tricky in a policy environment that resembles quicksand.

It is also easy to overstate the impact on businesses, whose earnings forecasts continue to look strong despite concerns. For Alliance Witan, this is a stock pickers market. Tariffs will need considering on a case-by-case, fundamental basis. And if we're being optimistic, Trump's all-guns-blazing approach and the unknown economic reality it pushes us into may create some attractive investment opportunities for Alliance Witan's stock pickers if markets throw the baby out with the bath water. As Nathan Rothschild of banking dynasty fame once said...

"The time to buy is when there's blood in the streets".

What 125 years of returns tells us about bear markets

What a fascinating but anxious time to be observing and investing in stock markets right now. Amid US President's Trump's on-again off-again love affair with global tariffs, investor sentiment and economic forecasts have rapidly soured. It's why markets have fallen sharply and are hovering around bear market territory – defined as a broad fall of share prices by 20% or more from their peak.

As is usually the case, market crises come with a sense of 'unchartered territory' for investors. This can make it difficult to tell how much of a rough ride we're in for, and how best to navigate the storm. A good starting point may be in examining the nature of the bear market itself.

"For the moment, the bears appear to be winning the argument but the bulls could quickly take the reins"

How bad a drawdown is it?

Share prices reflect expectations over the future. When this view becomes opaque and mixed, as it is presently, pricing risk assets becomes tricky.

For the moment the bears appear to be winning the argument. They fret over tariffs and Trump's decision to abandon free trade after 80 years, and point to the fact that markets will become particularly grisly if tariffs are seen to be emerging as a longer-term feature of the global economy.

Yet, the bulls could quickly take the reins. They argue that tariffs are simply an 'Art of the Deal' negotiation tactic used for righting the long-standing trading wrongs with global partners, and could be easily removed. If planned tax cuts and de-regulation follow soon, they add, markets could fly.

Regardless, attempting to categorise shocks by examining what history tells us about them can offer some guidance as to the correction we're potentially facing. Peter Oppenheimer of Goldman Sachs defines bear markets as coming in three forms.[1]

Event driven bear markets – created by one-off shocks such as pandemics or wars. Oppenheimer remarks that they decline 30% on average, with recoveries that tend to be relatively quick given that economies usually start in a reasonable state of health.

Cyclical bear markets – a function of economic cycles and deteriorating economic health, tending to be triggered by rising rates or falling profits. They average around 30% declines, with recoveries of up to five years.

Structural bear markets – the nastiest of bear markets, occurring when economies become structurally imbalanced or financial bubbles emerge. These average 60% declines, and can take up to a decade to fully recover.

Identifying in real time which bear market we're in can be difficult. One type can morph into another. This one appears to be in an event-driven bear market, but Oppenheimer adds that it could morph into a cyclical bear market if recession forecasts come to fruition.

The good news is that the economy was in pretty good shape prior to the tariffs. Corporate sector balance sheets and banks looked well capitalised. Valuations were high but not in bubble territory. And looking forward, though we haven't seen much indication that interest rates may be cut just yet – usually an important component of recoveries - if a recession comes true, it is likely they will be.

Next, let's examine what history tell us about navigating bear markets.

What 125 years tells us about investing

In UBS's fascinating Global Investment Returns Yearbook,[2] updated for 2025, London School of Economics (LSE) professors Elroy Dimson, Paul Marsh and Mike Staunton have examined the returns of stocks, bonds, treasuries, currencies and various other assets since 1900.

Importantly, the Yearbook reminds us of the real impact of crises: namely, they tend to feel world ending, but are reduced to a blip in history when viewed through the lens of the long term investor.

Here are some of the Yearbook's key findings:

1. Shares are great for building long term wealth – the annualised nominal returns of US shares since 1900 are 9.7% vs 4.6% for company bonds, 3.4% for treasuries, and inflation at 2.9%. It's a similar picture for UK shares: 9.1% vs 5% for bonds, 4.6% for Gilts, and inflation at 3.5%. Yes, there are bad times, but as the data shows - and the chart from First Trust[3] vividly depicts on the next page - the bulls have a much longer and more fruitful life in the stock markets than the bears. This is what generates long term wealth.

2. It's best to remain invested – shares are certainly volatile and not for the feint-hearted, but the dispersion of returns shows that when the market recovers from its usually overblown panic, years of fantastic returns often follow or come close. As such, remaining invested is crucial: the key recovery days that follow have an outsized impact on investor returns. Research from wealth

1 https://www.goldmansachs.com/insights/articles/are-bear-markets-in-stocks-an-investment-opportunity?chl=em&plt=briefings&cid=0411&plc=body - accessed on 22 April 2025
2 https://www.ubs.com/global/en/investment-bank/insights-and-data/2025/global-investment-returns-yearbook-2025.html - accessed on 22 April 2025
3 https://www.ftportfolios.com/Common/ContentFileLoader.aspx?ContentGUID=4ecfa978-d0bb-4924-92c8-628ff9bfe12d - accessed on 22 April 2025

manager Quilter looked at 30 years of investing in the MSCI World Index.[4] Missing just 25 of the best days in the market would've yielded around a quarter of the returns of an investor that had remained fully invested.

3. Diversification across markets works – as told by examining the Sharpe ratios in 32 markets over the past 50 years, diversification across markets has led to better risk-adjusted returns when compared to investing in individual markets. The US is one of the few exceptions, where staying invested in just US equities would've served the US investor well. Yet, it's worth remembering that this timeframe represented a long period of globalisation and expanding free trade, out of which the US has arguably benefitted from the most. Will domestic US investing remain the best approach in the unchartered territory of protectionism and tariffs?

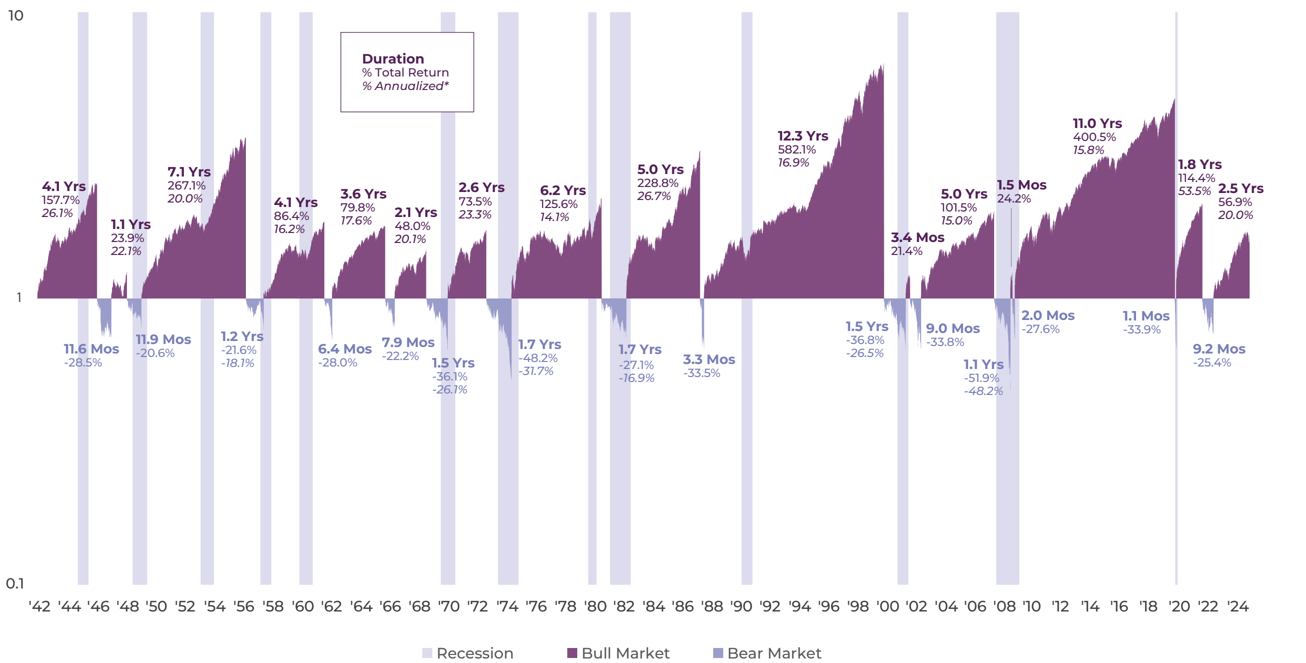
4. Diversification across styles also works – The Yearbook's research finds that investing styles are an important part of portfolio's returns, but that some can go out of favour, and potentially for years. What's more, assessing which ones will do well in the future is particularly tricky. It indicates that a blend of styles is best for our returns.

Alliance Witan

Through its multi-manager, best ideas approach, Alliance Witan offers investors a one-stop shop, globally diversified portfolio of shares, balanced across geographies, sectors and investing styles.

4 https://www.quilter.com/siteassets/documents/quilter-investors/corporate/investing-in-uncertain-times.pdf - accessed on 22 April 2025

S&P 500 Index Total Return (Logarithmic Scale)



Source: First Trust, Bloomberg as of 31 March 2025. Daily returns from 4/29/1942 - 3/31/2025. *No annualised return shown if duration is less than one year. **Past performance is no guarantee of future results**. These results are based on daily returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

WHY DIVIDENDS ARE BACK IN THE LIMELIGHT

The Association of Investment Companies (AIC) published its 2025 Dividend Heroes line-up in March, highlighting the investment trusts – now up to 20 in number – that have maintained or increased dividend payouts every year for more than 20 consecutive years.

Led by City of London, Bankers and Alliance Witan[1], all with an unbroken 58-year run of payout growth, this list of venerable trusts has been monitored since 2009. Inclusion has become a key indicator of a board's commitment to dividend reliability for shareholders, and payout records are understandably fiercely protected by those investment trusts that have made the grade.

But it's important to recognise that while dividend hero status is an acknowledgement of a trust's longstanding focus on consistent shareholder participation come rain or shine, it does not necessarily indicate that the trust is a particularly high yielder.

However, a relatively modest yield can be a plus point for long-term investors, as Russ Mould, investment director at AJ Bell explains.

That's because investors tend to view a high dividend yield as compensation for that company's relatively risky business model, while at the same time those businesses may find high dividend payments quite onerous to maintain from year to year.

In contrast, trusts investing in companies that aim to grow their dividend over time could benefit from an attractively robust combination of capital gains and income.

"If a company pays 1p a share on a share price of 100p, then not too many people are likely to pay attention. But if the firm's competitive position and business model are sufficiently strong, its finances robust, its management behaves with integrity and operational performance is good, then it can grow that dividend without taking undue risk and depriving the core business of the capital it needs," he says.

"If a company pays 1p a share on a share price of 100p, then not too many people are likely to pay attention"

1 https://www.theaic.co.uk/aic/news/press-releases/dividend-heroes-1#:~:text=The%20Association%20of%2 Investment%20Companies%20%28AIC%29%20has%20published,for%20at%20least%2020%20years%20in%20a%20 row. 17 March 2025

"In this hypothetical example, if this company grows its dividend by a penny a share each year and takes it to 10p a share, there is a fair chance the shares will not stay still at 100p, given the yield that an increased dividend implies."

A look at the yields of the 10 longest-standing dividend heroes in this year's list highlights a diverse spread of yields: only four of the top 10-yield 3% or more, with the other six paying out less than 2.5%. Across the full stable of heroes, yields range from 0.45% to 7.3%.

Alliance Witan (ALW) currently yields around 2.3% – by no means a high yield, but a very useful contribution to total returns for a trust with a portfolio focused primarily on long-term capital growth rather than dividend income.

And ALW has an additional feather in its cap, as the dividend hero that has been able to increase the value of payouts at the fastest rate over the past five years. So while its yield is not massive, ALW shareholders are seeing significant absolute increases in the amount they receive each year.

Dean Buckley, Chair of Alliance Witan's board, flags up the fact that this achievement is very much in line with the trust's objective – which is to be a core investment that delivers a real return over the long term through a combination of capital growth and a rising dividend.

"The 2024 increase in particular delivers on a promise the Board made at the time of the combination of Alliance Trust and Witan, to increase dividends for the legacy shareholders of both companies," he comments.

"This consistent approach to the dividend policy helps build trust and confidence among shareholders and demonstrates the ability to navigate various market conditions due to the trust's strong financial position."

In practical terms, strong dividend rises are a significant financial benefit for income-seekers in these days of elevated inflation, while for those reinvesting their returns, they're a handy compounding boost - especially given the critical role that reinvested dividends play in total returns over the long term.

To put that into perspective: AJBell did some research[2] at the start of 2024 which found, among other things, that the annualised price return for the FTSE 100 index from the start of 2000 to the end of 2023 amounted to just 0.4%. However, when reinvested dividends are counted in as well, the situation looks distinctly less dire, with an annualised total return figure of 4.1% for the blue chip index over the 24-year period (ibid.).

Moreover, as Gavin Haynes, investment director at Fairview Investing, observes, robust dividend growth sets a precedent for future growth.

"While there is no guarantee that payouts will grow in the future, dividends growing faster than inflation are desirable over the long term. Trusts that have shown a dedication to strong dividend increases provide investors with confidence in the strategy being pursued," he explains.

The benefit of investment trusts in this context is that they can hold back some of the income generated each year in a reserve account, which they can then draw on in more difficult times. During the pandemic, for example, when many companies slashed their dividends, that reserve enabled trusts to continue to grow their dividend distributions.

The attraction of strategies with a dividend focus has arguably been given an additional boost by the recent rotation out of US growth stocks.

"For some time, the dominance of US large cap technology has been the only game in town, and holding US or global index trackers (which are dominated by US stocks) has almost been the only stock market strategy needed," argues Haynes.

"However, there has been a sharp change of sentiment this year, and there is once again a strong argument for active management and diversification into other equity strategies. I would certainly expect dividend-focused strategies to see greater demand going forward."

Specifically, says Mick Gilligan, head of research at broker Killik: "The rotation from growth stocks to value stocks has helped the recent performance of the latter, many of which are dividend-paying stocks."

The fact that central bank interest rates are on a broad downward trend also strengthens the case for reliable dividend income.

Against such a backdrop, Alliance Witan's multi-manager approach, combining both growth and value specialist managers, stands it in good stead as a stabilising core component for balanced portfolios. Its position as one of the *grandes dames* on the dividend hero stage adds a further element of total-return steadiness in today's particularly uncertain world.

2 https://www.ajbell.co.uk/group/news/ftse-100-celebrates-40th-birthday-it-over-hill 2 January 2024

Equity Manager Spotlight

Veritas Asset Management

Investment Philosophy

At Veritas, in order to generate real returns that translate into returns that exceed the MSCI in a predictable manner, we seek to invest in sustainable companies over the long term (5-10+ years). There is much use of the word sustainable, but we use it in a broad context: we seek to populate a Universe List of companies which demonstrate a high sustainable return on capital, generate high sustainable free cash flows, possess high sustainable barriers to protect those future cash flows, benefit from enduring growth drivers and run by management that are forward thinking and aligned with shareholders.

Our focus is on long-term, more robust investment opportunities. This is partly why we don't own any banks in our portfolio. Banks are particularly recession-sensitive, with all of them paying the price when there's an economic mishap.

Andy Headley
Head of Global Strategies

Stock Spotlight - Richemont

In a $360–400 billion luxury goods market, Veritas stock picker Andy Headley explains why Richemont's understated brands make the company a particularly appealing stock pick.

To watch the latest Stock Picker interview CLICK HERE

Richemont is a hard luxury goods company, focusing on fashion, high-end watches and jewellery, including brands such as Vacheron Constantin, Cartier and Van Cleef & Arpels.

These items are attractive to those who wish to display their power and wealth, particularly in an understated way.

Stock picker Veritas estimates the total luxury market is worth between $360-400 billion, and is particularly interested in Richemont's watches and jewellery segment, worth around $90-100 billion, which is forecast to grow at 6% per year as consumer wealth increases and the branded jewellery sector steals market share from the unbranded sector.

Richemont - Fast Facts

1988	€20.6bn		CEO	Headquarters
Founded **1988**	Revenue (2024)	circa. 40,000	Nicolas Bos	Bellevue, Switzerland

Companies mentioned are for informational purposes only and should not be considered investment advice.
Source Richemont as of 31 March 2025.

Equity Manager Spotlight

Metropolis Capital Limited

Investment Philosophy

Metropolis Capital is a UK-based firm with a value-based investment style and focuses on long-term market recognition of the fundamental value of its investments and income generated from those investments.

There are two distinct types of risk that Metropolis seeks to avoid: business performance risk, which arises when a company's operational performance falls short of expectations, reducing earnings and cash flow; and valuation risk, which occurs when an investor pays too high a price for an investment, resulting in poor returns or permanent capital loss, even if a company performs well operationally.

Jonathan Mills

Head of Strategy,
Metropolis Capital Limited

Stock Spotlight - Booking.com

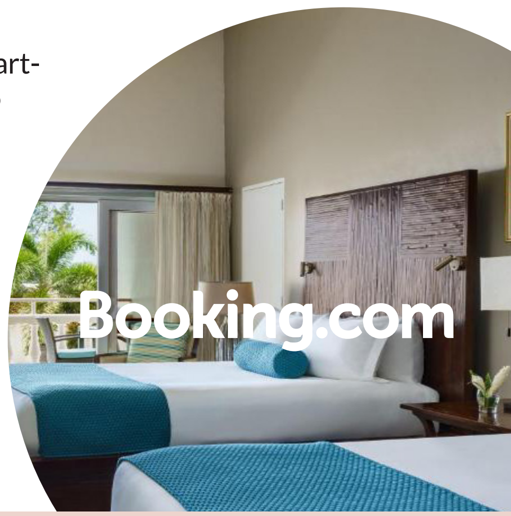
Booking has grown from Dutch start-up to global travel giant with it's customer friendly booking platform—Metropolis sees strong potential as it captures more share in this fast-growing market.

To watch the latest Stock Picker interview CLICK HERE

Founded in Amsterdam in 1996, Booking has grown from a small Dutch start-up to a leading online travel agency (OTA), making it easier for travellers to book hotels, homes, cars, restaurants and flights around the world.

Through its easy to use interface, customers are able to access a wide selection of potential bookings, and view prices, photos and reviews to help them make the best choices for their breaks away. For the businesses themselves, they are able to attract a wide range of customers from as many countries as possible.

Stock picker Metropolis thinks the travel market is growing fast, having eclipsed GDP for decades, and that the company has strong prospects for taking share from the OTA market and direct booking market.



Booking.com - Fast Facts

1996	€23.7bn		CEO	Headquarters
Founded **1996**	Revenue (2024)	circa. 17,500	Glenn D. Fogel	Amsterdam, Netherlands

Companies mentioned are for informational purposes only and should not be considered investment advice.
Source: Booking Holdings as of 31 March 2025.

Q1 2025: A Bumpy Ride for Investors

Global stock markets had a torrid first quarter, experiencing sharp reversals of fortunes across regions and sectors. Having begun the year on a post-election high, excited by the idea that President Trump's promises of deregulation and tax cuts would power further gains for US stocks, the mood among investors turned sour as the volatile nature of US trade policy and geopolitical tensions over efforts to end the war in Ukraine undermined business and consumer confidence. The dampening of expectations for US growth in the year ahead led to a 7% decline for US stocks when measured in Sterling, their worst quarter for three years.

The falls in US share prices were led by previously dominant technology stocks. Once hailed as the "Magnificent Seven", Goldman Sachs has rechristened NVIDIA, Tesla, Apple, Microsoft, Alphabet, Meta, and Amazon the "Maleficent Seven", having collectively lost trillions of dollars in value since the start of the year as investors question the extent of the payback from the companies' multi-billion-dollar investments in artificial intelligence (AI). We retain selective exposure to some of these seven stocks but are collectively significantly underweight.

In contrast to the US, European stocks rose by 7.4%, buoyed by the prospect of increased defence and infrastructure spending, as governments, particularly in Germany, announced the loosening of fiscal purse strings to compensate for a reduction in US military support. UK stocks were not far behind, rising 6.4%, despite a downbeat Spring Statement by Chancellor Rachel Reeves who announced spending cuts of £8.4bn to comply with the government's fiscal rules. Emerging market stocks also outperformed the US.

Portfolio Performance in Line with Benchmark

Our portfolio's net asset value in the first quarter fell by -5%, slightly more than MSCI ACWI's decline of -4.3%, although share price returns were quite a bit lower at -6.3% due to a widening of the discount. Dalton, our specialist Japan manager, had the biggest positive impact on relative returns for the quarter, followed by Veritas and EdgePoint. SGA had the most negative impact, followed by Jennison and Vulcan.

Technology Underweight Helped Relative Returns...

We benefitted from being underweight the technology sector compared to the index. In particular, we made relative gains from having no exposure to Tesla, which plunged by almost 38% amid poor sales and a political

To learn more about the portfolio price and performance click here backlash against founder Elon Musk's involvement in the Trump administration, and Apple, which fell 14%. We also benefitted from being underweight NVIDIA, whose share price declined by 22%, and Broadcom, NVIDIA's AI rival, which fell 30%. Overweight positions that added value included Visa, whose share price rose by almost 8%, US tobacco manufacturer Philip Morris, which rose 29%, CVS Health Corporation, also in the US, which rose 48%, and Safran, the French aerospace and defence manufacturer, which gained 15%.

... Stock Selection in other Sectors Was Mixed

The detractors from relative returns were led by Diageo, the UK based drinks business, Skyworks, the US mobile communications company, and Novo Nordisk, the Danish pharmaceutical business known for its weight-loss and diabetes drugs.

Diageo, owned by Veritas and Metropolis, continued to suffer from a post-Covid cyclical downturn in its business, with its share price falling a further 19%, although both managers believe the company will eventually recover when favourable structural trends reassert themselves. There are, however, new risks to the company's profits outlook from tariffs, although the initial reaction of the share price to "Liberation Day" was positive because the outcome for the sector was less bad than feared. For example, there were no additional duties levied in imports from Canada and Mexico. "Diageo isn't paying tariffs on tequila or Canadian whisky," Veritas pointed out.

Skyworks share price fell sharply after announcing that its CEO was stepping down and that it was losing its sole-supplier contract with Apple for an iPhone component, prompting Vulcan to exit its position in the stock.

Novo Nordisk, the Danish pharmaceutical business known for its weight-loss drugs, which is owned by SGA, saw its share price fall 23% as it continued to suffer from the fallout of disappointing clinical trial results for its next generation medicine and growing competition. Nevertheless, SGA says Novo Nordick serves large growing global markets with leading market share and that the market is large enough to be divided between multiple competitors. It also says that while the first trial of the drug CagriSema was disappointing as weight loss of 20.87% missed expectations of 25%, it is still more effective than previous weight loss drugs, and it is safe. "The increasing prevalence of diabetes and obesity around the world due to changes in

diet and urbanization, and the higher efficacy of drugs that are proven to reduce cardiovascular mortality, are resulting in earlier and longer treatment for many people around the world, providing a long-term growth opportunity" says SGA.

More Volatility to Come

After a turbulent first quarter, future quarters are likely to be no less volatile and divergent, with markets alarmed in early April by the announcement on "liberation day" of a 10% minimum US tariff rate on all countries and higher ones for specific trading partners. JP Morgan calculated that tariffs are set to reach the highest level in 100 years once the implementation is completed. WTW's economists say that the effect of putting up a protectionist barrier around the world's largest economy is to weaken growth globally and increase inflation. They have increased the likelihood of a recession in the US over the next 12 months to 35% from 25%.

On the upside, although the market outlook remains highly uncertain, the prices of equities have fallen materially since the start of the year, which increases the opportunity for active managers to add value to portfolios over the next 12 months. Indeed, Sands, for example, argues that the poor recent sentiment towards NVIDIA is misplaced, given the likely durability of demand for its products and the company's competitive position. And Veritas has been adding to its position in Alphabet, owner of Google, on share price weakness, in the belief that it is well positioned to expand its overall business while maintaining a rock-solid balance sheet. Looking ahead, says Veritas, Google's intangible assets and network effects will likely safeguard its dominance in the search space. Further, the firm's continued investments in AI, which it can leverage across nearly every business it operates, should be value accretive.

Volatility from President Trump's tariffs will present opportunities as well as risks, The impact on corporate profits will vary by country, sector and industry, depending on how governments and companies react. This calls

JP Morgan calculated that tariffs are set to reach the highest level in 100 years once the implementation is completed

for detailed stock-specific analysis. At this stage, it is unclear if President Trump's trade moves are a short-term negotiating tactic or the start of a potential new era of global trade competition. However, we believe our diversified but highly selective, bottom-up approach to portfolio construction is well suited to for the current environment.

Company level fundamental analysis and a long-term perspective will be key to investment success. It is worth noting that we have been underweight the strategic gearing position for some time now. As markets fall, gearing naturally moves closer to the strategic position (10% gross gearing) if we do not adjust it. Given the 20%+ fall experienced in early April, we are happy with this level of gearing (around 9.5% gross, 6.5% net gearing).

Source: WTW as of end March 2025. Returns quoted on stocks are in GBP.

Biggest positions sold and acquired over the quarter

Top 10 largest net purchases Q1 2025	Net value of stock purchased (£m)	% of equity portfolio purchased	Top 10 largest net sales Q1 2025	Net value of stock sold (£m)	% of equity portfolio sold
ServiceNow	41.3	0.8	Yum! Brands	42.9	0.8
Verizon	40.6	0.8	Visa	42.5	0.8
General Electric	36.8	0.7	Aon	38.7	0.8
Taiwan Semiconductor	36.3	0.7	Autodesk	37.6	0.7
ICICI Bank	33.5	0.6	Workday	37.2	0.7
Chevron	33.4	0.6	UnitedHealth Group	36.5	0.7
CME Group	30.3	0.6	Danaher	36.4	0.7
NextEra Energy	23.0	0.4	Eli Lilly	35.9	0.7
Chubb	22.7	0.4	Southern Company	35.4	0.7
Xiaomi	20.8	0.4	Novo Nordisk	29.2	0.6

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 March 2025, the Company purchased 6.4 million shares at a cost of £76.4 million. In this period the discount ranged from 1.8% to 6.7% and on days shares were purchased the discount range was 4.4% to 6.6%, with an average discount of 4.5%.

In the period from 1 January to 31 March the discount has ranged between 2.8% and 5.9%. In this period the Company purchased 1.7 million shares at a cost of £19.8 million, and on days shares were purchased , the discount ranged between 4.4% and 5.9% , with an average discount of 4.5%.

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 Witan 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.

Alliance Witan PLC is listed on the London Stock Exchange and is registered in Scotland No SC1731. Registered office, River Court, 5 West Victoria Dock Road, Dundee DD1 3JT. Alliance Witan PLC gives no financial or investment advice. Tel: 01382 928 320.

Past performance is not a reliable indicator of future returns. Notes: All data is provided as of end March 2025 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.

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