



Flash update: Alliance Trust

Thoughts on Witan’s proposed merger with Alliance Trust...

Update
05 July 2024

Following the announcement of the forthcoming retirement of Andrew Bell, **Witan (WTAN)** announced a review of their management arrangements. A merger has now been announced with **Alliance Trust (ATST)** to form Alliance Witan, expected to complete (if approved by shareholders) by the end of September or early October 2024.

Alliance Witan will follow ATST’s existing strategy, managed on a discretionary basis by Willis Towers Watson (WTW). For WTAN’s shareholders, whilst there will clearly be a change in the way their capital will be managed – as well as the underlying investment managers - in our view this very much represents the ‘continuity option’ of all the different proposals that WTAN’s board will have received.

In our view, a ‘one stop shop’ approach to global equities as espoused by ATST has a huge amount of relevance in today’s market. Indeed, ATST’s performance has been impressive. According to the merger announcement, over the seven-year period since the appointment of WTW as manager of ATST at the beginning of April 2017 to 31/03/2024, ATST’s NAV total return was 104.2% against 95.7% for the MSCI All Country World Index (ATST’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.

The new entity makes a lot of sense, and the synergies of the merger mean that the combination results in more than the sum of the parts. As such, the merger ticks all of the boxes: better liquidity, lower charges, and a potential move up in the index rankings of the combined entity into the FTSE 100.

Once merged, Alliance Witan will increase its third and fourth interim dividends for the financial year ending 31/12/2024 so that they are commensurate with the interim dividend payments currently being paid to WTAN shareholders. This is currently estimated to represent an increase of 2.6% on the first ATST interim dividend of the current financial year and a 7.1% increase on the fourth ATST interim dividend for the year ended 31/12/2023. Furthermore, it is anticipated that Alliance Witan’s dividend for the financial year ending 31/12/2025 will be increased compared to the prior financial year such that a WTAN shareholder will continue to see a progression in their income. This progressive dividend increase will represent a fiftieth consecutive year of dividend increases for WTAN shareholders as the combination takes effect, extending ATST’s unsurpassed record of increasing dividends for 57 years in a row.

Analysts:

William Heathcoat Amory
+44 (0)203 384 8795



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A new management fee structure has been agreed with WTW, which when combined with economies of scale, will allow Alliance Witan to target an ongoing charges basis points ratio in the high 50s in future financial years, an improvement to both WTAN’s and ATST’s current ongoing charge ratios, which are 76bps and 62bps, respectively. WTW has also agreed to make a significant contribution to the costs of the transaction, such that ATST shareholders will not see any dilution to NAV. As part of the merger, WTAN shareholders will be offered a cash exit of 17.5% of their holding at a 2.5% discount to NAV. Depending on the uptake of this cash option, WTAN shareholders will suffer minimal or no dilution from the transaction.

Going forward, the aim is to create a broadly balanced Board of Directors with strong representation from both sides. Initially the board will comprise ten directors, with four directors joining from the WTAN Board. Dean Buckley, current Chair of ATST, will be Chair and Andrew Ross, current Chair of WTAN, will be Deputy Chair. It is envisaged that the Board will reduce in size to a maximum of eight directors following the next AGM of Alliance Witan in April/May 2025. Dean Buckley, Chairman of



ATST, commented “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.”

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