Alliance Witan (ALW)

ALW offers plenty of latent value that the market has yet to recognise.

Update
04 June 2026

Overview

Alliance Witan (ALW) aims to provide investors with a one-stop shop for global equities through a multi-manager approach. The trust has been managed since 2017 by an investment committee at Willis Towers Watson, which seeks to identify best-in-class managers, ensuring that each follows a distinct investment philosophy, and tasking them with selecting up to 20 stocks that reflect their highest-conviction ideas. The allocation to the underlying managers is then weighted by the investment committee in a way that keeps the **Portfolio's** exposure as close as possible to the MSCI ACWI in terms of countries, sectors, and investment factors, with stock selection expected to be the primary driver of potential outperformance.

Since late 2024, several stock pickers have been trimming their exposure to AI-related stocks, which has affected the trust's relative **Performance**, as market returns have become increasingly concentrated in these names. Instead, these stock pickers have shifted towards companies in defensive sectors such as consumer staples, healthcare, and utilities, viewing them as attractively valued while offering reliable earnings growth and stable cash flows. As the portfolio's beta has reduced as a result, the investment committee has lowered its allocation to low beta managers such as GQG Partners, Veritas, and Metropolis, while increasing exposure to managers focused on high-growth companies, such as Jennison Associates and Sands. The committee has also increased **Gearing** to nearly 6% in order to raise the portfolio's sensitivity to market risk.

ALW is an AIC Dividend Hero and increased its **Dividend** for a 59th consecutive year in FY 2025. So far in the current financial year, the trust has paid the first of its four interim dividends, with ALW offering a historic yield of c. 2.2% at the time of writing. In addition, the board and Willis Towers Watson have agreed to reduce the trust's management fees. Effective 01/04/2026, the management fee is charged at 0.46% on ALW's entire market capitalisation, replacing the previous tiered fee structure. A further reduction to 0.41% will take effect from the beginning of 2027.

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Analyst's View

In our view, ALW offers an attractive way to gain exposure to global equities, with the trust providing diversification across geographies, sectors, and even investment philosophies. We believe this diversification could be particularly valuable at the current juncture. By maintaining exposure to both AI-related stocks and companies that have been overlooked or sold off during the AI rally, ALW should be well positioned to capture upside across different scenarios, whether that involves the continued dominance of AI-related stocks or a broadening out of market returns.

In addition, the investment committee believes that ALW's portfolio currently offers significant latent value. The trust is trading on more attractive valuations than the MSCI ACWI, while also scoring more highly on quality metrics such as return on equity and return on invested capital. As such, the investment committee thinks the market may eventually come to recognise and reward these attractive features. Moreover, ALW is currently trading at a c. 5% **Discount**, offering additional re-rating potential.

Finally, ALW boasts one of the longest track records of dividend increases among investment trusts, having done so for nearly six decades. The trust also has sizeable distributable reserves, meaning that the board is well positioned to continue growing the trust's dividend in the years ahead. Over the long term, the compounding effect of reinvesting a rising dividend can help generate attractive total returns, while dividends can also provide a cushion in weaker market environments when share prices struggle to appreciate.

BULL
Offers a diversified and well-balanced portfolio
Portfolio is trading at attractive valuations relative to global equity indices, while exhibiting stronger quality characteristics
Impressive track record of dividend increases backed by ample distributable reserves

BEAR
May lag global equity indices during periods when market returns are particularly concentrated
Highly correlated with global equity indices, reflecting its core strategy approach
Gearing can exacerbate both gains and losses

Portfolio

Alliance Witan (ALW) aims to provide investors with a well-balanced, core exposure to global equities, employing a multi-manager strategy. The trust has been managed by Willis Towers Watson (WTW) since 2017 through an investment committee consisting of Craig Baker, Stuart Gray, and Mark Davis. Leveraging WTW's significant research capabilities, they aim to identify best-in-class managers, ensuring that each follows distinct investment philosophies. We note that many of these managers are typically not accessible to retail investors, meaning that ALW offers a rare opportunity to benefit from their skills.

However, unlike many other multi-manager strategies, ALW does not invest in funds. Instead, the investment committee tasks each manager with selecting up to 20 stocks based on company fundamentals, without consideration of short-term market trends or the need to balance a portfolio. This ensures that each manager selects only their highest-conviction ideas, without dilution from low-conviction positions typically held for diversification and/or risk management purposes in funds. The investment committee then weights the allocation to the underlying managers, aiming to keep the portfolio's exposure as neutral as possible in terms of geographies, sectors, and investment factors. The underlying idea is that stock selection should drive outperformance, rather than bets on specific countries or industries.

Changes in the stock picker line-up are relatively rare. However, the investment committee regularly stress-tests the portfolio and can make adjustments if deemed necessary. This can, for example, occur as a result of a stock picker leaving their firm or the committee's conviction in a stock picker diminishing, with a stronger alternative having been identified. For example, the committee replaced Sustainable Growth Advisers with Brown Advisory in September 2025, exchanging two managers focused on high-quality companies, as SGA had been going through personnel changes. At the same time, they also replaced ARGA Investment Management, which had faced operational issues, with Artisan Partners, another fund to focus on undervalued companies, as discussed in **our previous note**.

Stock Pickers

Manager	Style	Allocation (%)
GQG Partners	Quality growth at a reasonable price	16
Metropolis	Quality and value	10
Artisan Partners	Undervalued high-quality businesses	9
Brown Advisory	Companies with high and sustainable returns on invested capital	9
EdgePoint	All-cap quality and value	9
Jennison Associates	Seeking exceptional growth	9
Lyrical	US value with quality tilt	8
Veritas	Thematic and quality	8
Vulcan	Capital-preservation quality and value	8
Dalton Investments	Japan all-cap value and engagement	7
Sands	High-quality long-term structural growth	7

Source: WTW, as of 30/04/2026

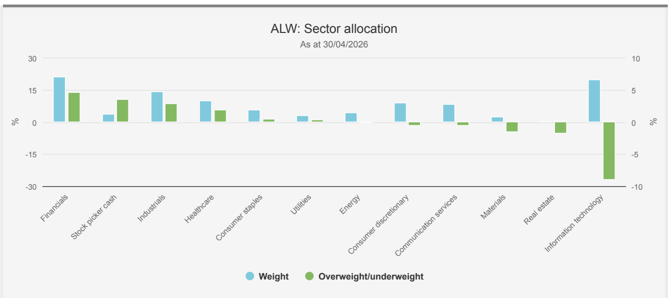
Currently, ALW employs 11 stock pickers, as the table below shows. It is worth noting that GQG Partners has a higher allocation than other stock pickers, as it also manages ALW's emerging markets mandate alongside a global one. As such, GQG can select an additional 60 stocks in emerging market regions.

Since the start of 2026, Craig, Stuart, and Mark have also made some adjustments to the allocations to the stock pickers. This is because several of them, especially GQG, have moved into companies in defensive sectors such as consumer staples, healthcare, and utilities, seeing them as undervalued despite offering reliable earnings growth and consistent cash flows. This has increased ALW's underweight to US tech mega-caps and overweight to low beta companies.

As a result, the investment committee has reduced allocations to lower beta managers such as GQG, Metropolis Capital, and Veritas Asset Management, and increased exposure to Jennison Associates and Sands Capital, both of which focus on companies with higher growth potential. There is, however, a nuance in how these two managers approach high-growth companies. For instance, Sands tends to look for businesses poised to benefit from structural growth and holds them for the long term, while Jennison looks for companies where growth is accelerating and tends to sell them when it anticipates a deceleration. ALW's investment committee also added to Vulcan Value Partners, a manager focusing on capital preservation and investing in high-quality businesses trading at attractive valuations.

Following these changes in allocations, financials is both the trust's largest sector weight in absolute terms and its largest overweight relative to the MSCI ACWI. Financials is a broad sector encompassing companies with different business models and operating in distinct industries. For example, ALW currently holds payment networks Mastercard and Visa, exchanges such as London Stock Exchange Group (LSEG) and Deutsche Börse, as well as insurers such as Everest Group and Progressive Corporation. However, the trust tends to be underweight in banks, as the stock pickers typically find these companies volatile and unpredictable over the long run.

Fig.1: Sector Allocation



Source: WTW, as of 30/04/2026

Conversely, information technology is the largest sector underweight, notably as many of the stock pickers have taken profits on their technology holdings or even drastically cut exposure to them since late 2024. That said, ALW still has exposure to the sector and the AI theme, with several of its largest holdings directly involved in the AI supply chain, as the table below shows. This includes, for example, South Korean conglomerate Samsung Electronics, one of the leaders in the memory chip market, selected by Artisan Partners and one of the few non-Japanese names picked by Dalton Investments, ALW's

Top Ten Holdings

Name	Sector	Country	Weight (%)
Microsoft	Information technology	United States	3.8
Alphabet	Communication services	United States	3.3
Amazon	Consumer cyclical	United States	2.5
Mastercard	Financials	United States	2.4
Taiwan Semiconductor Manufacturing	Information technology	Taiwan	2.3
Visa	Financials	United States	1.5
Samsung Electronics	Information technology	South Korea	1.3
UnitedHealth Group	Healthcare	United States	1.2
NVIDIA	Information technology	United States	1.2
Diageo	Consumer staples	United Kingdom	1.1
Total			**20.6**

Source: WTW, as of 30/04/2026

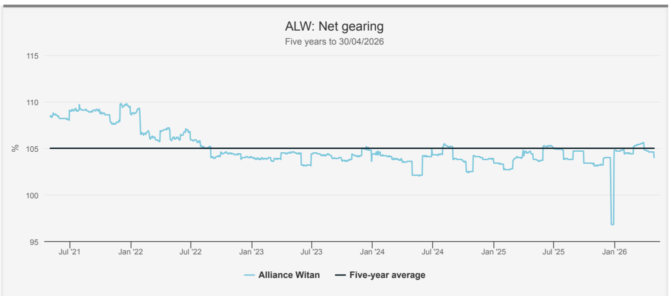
Japan specialist. The stock pickers have also maintained exposure to companies that have sold off due to the perceived threat from AI, such as Salesforce and LSEG. They believe the correction has been overdone, with the market underestimating these companies' fundamentals and competitive advantages.

Gearing

The investment committee has the flexibility to adjust gearing in its day-to-day management, with a limit of 30% of the trust's net assets at any given time. In practice, gearing has been maintained well below this level, averaging c. 5% over the past five years.

At the end of April 2026, ALW's net gearing stood at 5.7%, an increase of 220 basis points since **our previous update** (published on 23/10/2025). This decision to increase gearing is not a reflection of top-down views on equity markets, but rather a response to the fact that the portfolio has shifted to a lower beta, after some stock pickers such as GQG Partners have rotated into stocks in defensive sectors. As a result, the investment committee has sought to adjust overall market risk exposure through gearing.

Fig.2: Gearing



Source: Morningstar

As of 31/12/2025, ALW had c. £308m in fixed-rate loan notes, maturing between 2029 and 2054, with interest rates ranging from 2.39% to 4.28%. Some of these loan notes were brought over from WTAN following the combination in October 2024. They were novated with a blended interest rate of 3% and maturities between 2035 and 2054, allowing ALW to secure long-term funding at rates lower than those available in the market, with the Bank of England base rate standing at 3.75% at the time of writing.

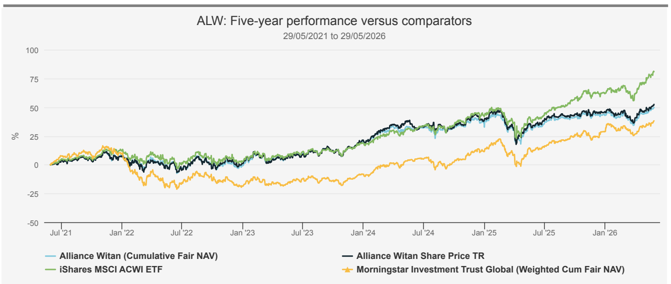
The board also renewed the trust's borrowing facilities with The Bank of Nova Scotia, although these were reduced from £140m to £100m (including a £25m accordion option). They will expire on 15/12/2026. ALW also has £40m (including a £10m accordion option) in borrowing facilities with the Royal Bank of Scotland, expiring on 16/12/2026. Of these £140m available in borrowing facilities, £61.9m had been drawn as of 31/12/2025.

Performance

ALW has delivered NAV and share price total returns (TRs) of 49.9% and 52.5% over the past five years (to 29/05/2026), outperforming the c. 37.3% simple average return of the AIC Global sector. Interestingly, the trust has outperformed the sector's simple average over four of the past five calendar years, which we think highlights the merits of its multi-manager approach, with each stock picker following a distinct investment philosophy. This has enabled the portfolio to adapt more effectively to varying market environments over the period under review. In comparison, many sector constituents have a strong factor bias and have struggled when it has not been in favour.

However, ALW has not managed to outperform the MSCI ACWI, which has returned 81.0% over the same period. ALW delivered stronger returns than its benchmark in 2022, when it benefitted from its holdings in oil-related companies amid an environment marked by an energy crisis as well as surging inflation and interest rates. It also outperformed in 2023 during the early phases of the AI boom, which we think highlights the versatility of ALW's strategy. However, the trust struggled in calendar years 2024 and 2025 as a result of the increasing concentration of market returns in AI-related stocks. While the trust has maintained exposure to many of these companies, its exposure has not been as concentrated as that of global equity indices. Moreover, since late 2024, several stock pickers have been reducing or even drastically cutting exposure to AI-related stocks in general, including companies like NVIDIA that have continued to rally. Their decision to reduce exposure to these names was driven both by profit-taking and concerns around the fundamentals of some AI-related businesses. In fact, several stock pickers highlight that the free cash flow generation of many of these companies, notably the hyperscalers, has been waning as a result of significant spending on AI infrastructure, while their valuation multiples have increased. As such, they see them as very different investment propositions compared to the early stages of the AI rally.

Fig.3: Five-Year Performance



Source: Morningstar

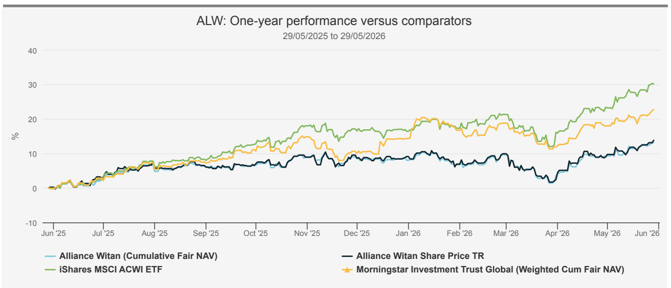
Past performance is not a reliable indicator of future results.

Over the past 12 months, ALW has generated NAV and share price TRs of 13.3% and 13.8% respectively, compared with a 30.2% return for the MSCI ACWI and a simple average return of c. 14.4% for the AIC Global sector. The trust was impacted by its underweight to AI-related companies, which rebounded strongly in the second half of 2025 after initial trade tariffs were relaxed. However, the investment committee assesses that many of the companies that rallied were speculative in nature, with unproven business models. As such, they believe the absence of strong fundamentals in these businesses means they are likely to be particularly volatile, with long-term outcomes highly uncertain. ALW also suffered from its lack of exposure to cyclical stocks, notably European and large US banks such as JPMorgan and Goldman Sachs over the period. That said, ALW remains underweight banks, with many stock pickers viewing them as volatile and unpredictable over the long term.

At the stock picker level, GQG Partners was the largest detractor, having drastically reduced its allocation to AI-related names. This reflected concerns around saturation, oversupply, and unsustainable earnings dynamics. As such, the team at GQG Partners feared a repeat of the dot-com crash of the 1990s and shifted towards opportunities they viewed as more attractively valued, including companies in defensive sectors such as consumer staples, healthcare, and utilities, as well as businesses in the energy sector. While this shift in stock selection impacted ALW's returns as AI-related stocks continued to rally, we believe GQG's current stock selection could provide some resilience to ALW's portfolio in more challenging environments. In fact, it has offered some robustness following the outbreak of the war in Iran and the ensuing energy shock in late Q1 and early Q2 2026. Stock pickers focused on quality companies, such as Veritas and Vulcan, also faced stylistic headwinds, as the quality factor was out of favour over the period, while some, like Sands, were affected by the sell-off in software companies, which have been seen as vulnerable to disruption from AI.

That said, there were also some green shoots, with Artisan Partners, a stock picker appointed in September 2025, already contributing positively to relative returns thanks to its selection in AI beneficiaries, including South Korean conglomerate Samsung Electronics, which saw strong demand for its memory chips. However, the largest contributor to relative returns was Dalton Investments, the trust's Japan specialist, amid a strong period for Japanese equities, which have outperformed global peers. One of Dalton's best-performing stocks was Fuji Media Holdings, a major broadcaster, whose share price doubled as a result of interventions from activist investors, leading to expectations that the company will unlock value and become more shareholder-friendly going forward.

Fig.4: One-Year Performance



Source: Morningstar
Past performance is not a reliable indicator of future results.

Although ALW has suffered from the concentration of market returns in AI-related companies since 2024, the investment committee believes that the trust could be particularly well positioned if investors refocus on companies' fundamentals, with the portfolio offering more attractive valuations and higher-quality characteristics than the MSCI ACWI.

For instance, on a valuation basis, the trust's investee companies are trading, in aggregate, on more attractive valuations than the MSCI ACWI, both on a price-to-earnings and price-to-book basis. This means that investors are paying less for the earnings and assets of ALW's portfolio companies. In addition, ALW's investee companies demonstrate more efficient use of capital and stronger profitability, while being less leveraged than companies in the trust's benchmark, as indicated by higher return-on-equity and return-on-invested-capital figures, and a lower net debt/EBITDA ratio.

Portfolio Characteristics

	ALW	MSCI ACWI
Price-to-earnings (one-yr forward) (×)	18.5	21.3
Price-to-book (trailing 12 months) (×)	2.9	3.5
Return on equity (%)	16.4	12.2
Return on invested capital (trailing five years) (%)	9.8	8.5
Dividend yield	2.2	1.5
Net debt/EBIDTA (trailing 12 months)	0.4	0.6

Source: Willis Towers Watson, as at 31/12/2025

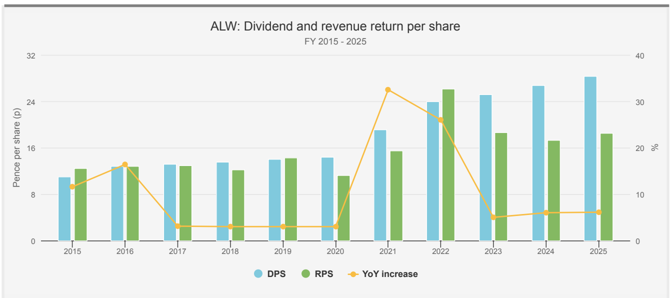
Dividend

ALW boasts an impressive track record of annual dividend increases, having done so for 59 consecutive years. As such, the trust is part of the AIC's Dividend Heroes, a group of investment trusts that have raised their dividends for at least 20 years in a row.

The trust distributes its dividend in quarterly instalments. These amounted to 7.08p each in FY 2025, resulting in a total dividend of 28.32p for the year and representing a 6.1% increase on the prior financial year. So far in its current financial year, ALW has paid a first interim dividend of 7.33p, resulting in a 12-month yield of c. 2.16%, which compares with a simple average of 1.96% for the AIC Global sector.

As the chart below shows, the dividend was uncovered over the past three financial years. However, ALW has substantial distributable reserves, which at the end of the trust's FY 2025 (31/12/2025) were enough to cover c. 46× the dividends paid to shareholders over that 12-month period. We, therefore, believe that the board is in an exceptionally strong position to continue growing the dividend in the years ahead.

Fig.5: Dividend And Revenue Return Per Share



Source: Willis Towers Watson
Past performance is not a reliable indicator of future results.

Management

WTW has managed ALW since 2017 through an investment committee consisting of Craig Baker, Stuart Gray, and Mark Davis, who all have decades of industry experience.

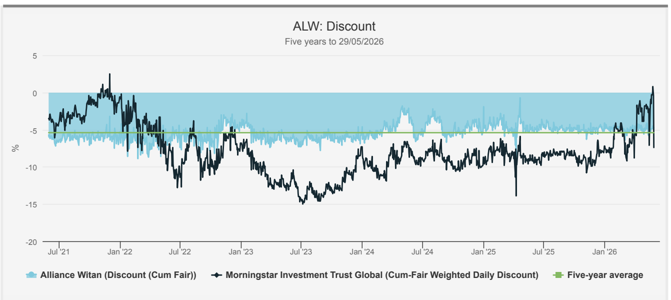
They are supported by WTW's significant resources, including 17 equity manager researchers, 12 operational due diligence analysts, four assistant portfolio managers, and six portfolio management analysts. In our view, these capacities are difficult to match, especially for an individual investor, and give WTW an advantage in researching funds, analysing data, gaining direct access to managers, and uncovering talented yet lesser-known managers.

WTW is a global investment group, providing investment management advice and services that are tailored to the specific needs of their clients. This is typically reserved for professional clients such as pension funds, insurance companies, sovereign wealth funds, or wealth management companies. As of the end of 2024, WTW managed over $168bn of delegated assets.

Discount

ALW has consistently traded at single-digit discounts over the past five years, with the trust's discount having averaged c. 5.4%. We note that ALW's discount has often narrowed after periods of strong relative performance. This was, for example, the case in late 2022, after the trust proved more resilient than its benchmark and many of its sector peers in an environment marked by surging interest rates, inflation, and an energy shock. This was also the case in early 2024, after the trust managed to outperform the MSCI ACWI, despite the dominance of the Magnificent Seven. As such, we believe that an improvement in the trust's relative performance could lead the current discount of 4.7% to narrow further or even close.

Fig.6: Discount



Source: Morningstar

The board aims to maintain a stable discount to NAV, ideally as close to NAV as possible, and actively uses share buybacks to support this goal. For example, over the past 12 months (to 20/05/2026), the board repurchased c. 5.5% of shares in issue.

Charges

ALW's latest annual report (to 31/12/2025) states an ongoing charges ratio (OCR), equivalent to the ongoing figure (OCF), of 0.47%. This represents a reduction of nine basis points from the trust's previous financial year, although this was largely due to a management fee waiver negotiated by Willis Towers Watson to cover costs linked to the combination with WTAN. Without this waiver, the OCR would have been 0.59%. For comparison purposes, the simple average OCF in the AIC Global sector is 0.56%. It is worth noting that the impact of the OCR is already reflected in NAV and is not a cost deducted from the price paid for shares.

In addition, the board and Willis Towers Watson have agreed to reduce the trust's management fees. Previously, the trust applied a tiered fee structure, with management fees charged at 0.52% on the first £2.5bn of market capitalisation, 0.49% on market capitalisation between £2.5bn and £5bn, and 0.46% on market capitalisation above £5bn. However, effective 01/04/2026, the management fee will be charged at 0.46% on the trust's entire market capitalisation. This will be further reduced to 0.41% from 01/01/2027.

ESG

ALW is not an ESG-labelled investment trust. However, the underlying stock pickers are prohibited from investing in certain types of businesses, such as those involved in controversial weapons or those with significant revenue exposure to thermal coal and tar sands.

WTW believes that inadequate consideration of ESG and climate risk factors can negatively impact investment performance and reputation. As a result, WTW integrates these risk factors into its investment processes, including the monitoring of underlying stock pickers' ESG reporting.

Both the board and WTW aim to transition ALW's assets to achieve net zero by 2050, with an interim target of reducing portfolio emissions by approximately 50% by 2030, relative to 2019. The board favours stewardship and engagement over exclusion.

ALW employs EOS at Federated Hermes as its stewardship provider. In 2025, EOS engaged with 93 companies on 489 issues and objectives. The stock pickers also cast votes on 3,803 resolutions in 2025, voting against company management on 369 occasions and abstaining from voting 66 times.

Morningstar has rated ALW as three out of five globes on its sustainability rating, with c. 99.1% of the portfolio covered as of 31/03/2026.

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