

**SHINING A LIGHT ON THE.....
Alliance Trust**

AT A GLANCE

Investment Objective
To deliver a real return over the long term through a combination of capital growth and a rising dividend. The Trust invests primarily in global equities across a wide range of different sectors and industries to achieve its objective.

Inception Date	21 April 1888
Fund Factsheet Link	https://tools.morningstar.co.uk/uk/cefreport/default.aspx?tab=0&vw=sum&SecurityToken=E0GBR00QKW%5D2%5D0%5DFCGBR%24%24ALL&Id=E0GBR00QKW&ClientFund=0&CurrencyId=GBP

Management	
Manager Name	Start Date
Craig Baker	1 April 2017
Mark Davis	31 December 2017
Stuart Gray	31 December 2017

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	47.01%
Large	23.80%
Medium	23.03%
Small	6.11%
Micro	0.05%

Top 10 Holdings		
Total number of holdings	174	
Assets in Top 10 Holdings	22.36%	
Name	Sector	% of Assets
Alphabet Inc Class C	Communication Services	3.68%
Microsoft Corp	Technology	3.60%
Amazon.com Inc	Consumer Cyclical	3.08%
Alibaba Group Holding Ltd ADR	Consumer Cyclical	2.21%
Mastercard Inc A	Financial Services	2.10%
Visa Inc Class A	Financial Services	1.70%
NVIDIA Corp	Technology	1.64%
Qorvo Inc	Technology	1.57%
Alphabet Inc A	Communication Services	1.43%
Charter Communications Inc A	Communication Services	1.35%

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Volatility Measurements	
3-Yr Std Dev (volatility)	3-Yr Mean Return
16.62%	4.54%

FUND PERFORMANCE

Performance 1 January 2014 to 31 May 2020:

	2014	2015	2016	2017	2018	2019	2020
Alliance Trust	9.01%	11.02%	19.19%	25.33%	-6.14%	24.29%	-9.54%
MSCI World	11.46%	4.87%	28.24%	11.80%	-3.04%	22.74%	-1.63%

Performance over 1 year, 3 years, 5 years and since fund manager inception (1 April 2017):

	1 year	3 years	5 years	Since fund manager inception
Liontrust Global Alpha Fund	2.12%	14.26%	65.07%	16.59%
MSCI World	8.88%	24.06%	63.95%	24.52%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

This update has been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This was our first introduction to the trust and one of the managers who manages a proportion of the trust. It invests with nine “best-in-class” global equity managers. These are currently – Black Creek, River and Mercantile, Jupiter, SGA, Veritas Asset Management, Lyrical Asset Management, GQG Partners, FPA and Vulcan Value Partners.

Each manager is responsible for creating a portfolio of ‘high-conviction’ equities that they believe are most likely to deliver outperformance over time. They only invest in their very best ideas and cover a range of stocking picking styles (value, growth or quality).

The management team balances risk at stock, sector and geographical level. The argument for selecting this strategy is that there is no star manager and that styles can move in and out of favour, and therefore investors can benefit from outperformance due to the different blends. The managers can select up to 20 stocks and the portfolio itself holds up to around 200 listed stocks.

We spoke to Vulcan who are one of the investment managers, they invest in companies which have a margin of safety which is sustainable over a five-year time horizon. They do not tend to invest in financial institutions because their values are not stable, there are many pressures on balance sheets. The focus for them is on strong balance sheets, net cash or well-structured debt.

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For them value is greatly discounted stock prices. As an example, Amazon in the market correction in March was trading at a good discount and would be viewed as a value stock. In the trough the types of companies they were buying were Microsoft and Skyworks. Skyworks is a critical component in telecommunication infrastructure. They are one of three companies which dominate this part of the market and have net cash of \$1 billion.

They tend to be US focused and see areas like ecommerce, digital advertising, digital payments, 'internet of things' and cloud computing as the main beneficiaries of recent change.

The update was purely to give a flavour to a part of the overall structure of the trust. Where this is difficult is understanding the benefit to investors. The yield is around 2% so this is not an income trust. It is therefore about growing capital. Therefore, against other global strategies and the index this has not really performed. But perhaps the main difference is that this adopts a style neutral approach. What we mean by this is that, if say growth stocks are in favour and you hold a value manager, then you will likely lose out. What this does is blend the styles so whatever is in favour will ensure the investment performs, whatever the market is doing. Also, Vulcan adopt a different approach to value investing which is buying quality companies at discounted prices.

In summary, this is very difficult to call. If investors are looking for a blended strategy managed by different investment managers, then this might be strategy to consider.

The source of information in this note has been provided by Alliance/Vulcan and is correct as at June 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.