PRESENTER: To talk about Witan's 2016 results we're joined by Chief Executive Officer Andrew Bell. Andrew, with a net asset value total return of 22.9% Witan performed in line with the benchmarks return of 23% in 2016. From your point of view what were the key drivers of performance for equity markets last year then? ANDREW BELL: I think the first driver was an improvement in growth expectations. 2016 started with quite a lot of agonising about the outlook for growth. China was feared to be slipping into recession. There had been a big setback in the oil industry during the previous year which had weakened growth elsewhere. But once that pig in the python if you like worked through the world economy, the natural growth rate of most major economies was better than expected. And of course for sterling investors we reaped the benefit of the devaluation of the pound after the Brexit vote. PRESENTER: After several years of significant outperformance, only three of Witan's 10 third party managers outperformed their benchmarks, along with the direct holdings portfolio. So what were the principal challenges faced by your managers and how did Witan make up the overall performance of the trust for the financial year? ANDREW BELL: We're never complacent when things go very well and all guns are blazing as it were. Last year was a very difficult year for active managers and the reason was that a lot of the influences on markets were macroeconomic, such as the Brexit vote, such as changes in growth expectations and of course the Trump presidential win. And most stock pickers tend to concentrate on stock specific factors, and then a year like 2016, those were rather overwhelmed by bigger picture things. There was also the fact that a lot of active managers tend to be a bit sceptical of the resources sector which had an enormous bounce during the year from a very depressed starting point. So our managers collectively performed more or less in line with their benchmark but happily we were able to make quite active use of gearing which boosted our returns and the impact of share buybacks also boosted returns. So putting everything together we were as you noted earlier on a smidgeon behind the benchmark after all costs, but we felt that a creditable result in a very tricky year for our managers. PRESENTER: Witan has been operating a multimanager approach, indeed you were responsible for it for over 12 years now beating the returns on its benchmark over this period. How do you plan to maintain this record? ANDREW BELL: I think the key thing is you have to choose good managers and you have to keep an eye on the managers you have to check whether your original decisions were right and you have to be on the outlook for even better managers. So choosing good managers is the major factor. Making opportunistic effective use of gearing to try and boost returns without dragging returns too much backwards when the markets are falling and being alive to opportunities that come along in areas which our managers might look at. And I think the fourth factor was you have to adaptable, you have to keep an open mind in the investment world because the world doesn't stop. So if your mindset has stopped 10 years ago you're going to find you're right off the pace. PRESENTER: So can we expect any more changes? New managers on the scene recently, is it a one in, one out policy? ANDREW BELL: That's not really the way we – we don't have a budget for manager turnover. We have 11 managers now. Our aim in choosing our managers is to be able to stick with them through multiple economic cycles because we're trying to get the benefits of their stock picking over a long period. We're not trying to trade changes of sentiment or changes of form. Now clearly you can get a period, we've had a couple of years in the last six or seven where we've changed three or four managers in a year; we've had a number of years where we've changed none at all. Recently we've appointed an emerging markets manager because we sold an emerging markets investment a year ago and so we wanted to replace that, but there's no fixed quota for people for the chop or looking for change. PRESENTER: Let's turn to the dividend now. With the total dividend pay-out of 19p per share in 2016, witan shareholders are enjoying an 11.8% increase on that for 2015 and I believe this marks the 42nd consecutive year for rising dividends for Witan. So what factors contribute to Witan maintaining this writing dividend, and is the dividend fully covered? ANDREW BELL: The dividend was fully covered. We paid out a substantial increase in the dividend, nearly 12% against inflation of under 2%, and we were able to add nearly £7m to our revenue reserves which now amount to approximately a year-and-a-half's worth of pay-out, and those moneys are available. If you hit a period when the economy is in dire straits and our portfolio income from the portfolio is weak, then we're able to bridge the gap by using revenue reserves. The long-term ability to pay a growing dividend, which we've been increasing for every year since I was at university, as you alluded to, is that you have to invest in companies which have good business models which are able to grow their business, grow their dividends over time, and you have to keep your costs under control, and we'll continue to pay attention to both of those. PRESENTER: Witan's share price total return for 2016 was 18.4%, as the shares edged to a wider discount from the 0.2% discount at the end of 2015 to 4% at the end of 2016. So what is Witan's policy on discount control and to what extent has the company been buying back its own shares? ANDREW BELL: Yes, we were affected by two factors last year really. One was that a large shareholding had changed hands and the new holder wished to sell, and that meant that there was pressure on our share price, and the second was the very nervous market reaction in the wake of the Brexit vote where investment trust discounts widened out. Now, our response to those events was that we offered to buy the entire stake from the selling investor. We were actually only able to buy approximately half of it because part was placed in the market. And then during the second half of the year when discounts were typically trading almost as wide as 8 or 9% in our case for a while, we bought back shares pretty heavily. We bought back nearly 10% of the shares during the year which boosted our net assets by approximately £9m. While the market is really the arbiter of share prices we are willing to take advantage of opportunities to buy our shares when they're available on a discount. And our longer term ambition is to be able to offer sustainable liquidity in our shares, buying and selling at or near to NAV. And clearly that's not going to be sustainable every day through every part of the economic cycle but that's our ambition. PRESENTER: Andrew, you must have been slightly disappointed that you were only in line with your benchmark after such a long period of outperformance as it were. And I believe in December 2016 you announced a revision of that equity performance benchmark taking effect from 2017, I believe. So what prompted this decision and how will it affect your manager's stock selection? ANDREW BELL: What prompted the decision is that we aim for our benchmark to be a realistic measure of our performance which means that it has to reflect the markets from which the bulk of our portfolio is going to be chosen over time. And during the last 15 or 20 years the importance of emerging markets for example has dramatically increased as a proportion of the world economy and as a driver of world economic growth. And although we've had investments in emerging markets for much of the last five or six years we felt that it was more correct to reflect that as part of our performance benchmark, and hence we've put 5% as a weighting there. We also increased our allocation to North America, which is way below what it is in most global indices, but North America of all the developed markets has an enduring leadership in some of the what we view as the long-term growth areas of the world economy, such as technology and pharmaceuticals, biotechnology and so forth. And it also has a relatively dynamic corporate culture. So we felt that when we were looking to reduce the proportion in the UK, which is now 30% down from 40%, that was where we wanted to allocate the money. But it's important to note that we don't manage our portfolio to a particular benchmark. Having 70% in overseas markets means that the majority of our mandates are going to be to managers who are able to invest across the world but we don't want them to follow any benchmarks slavishly. If they have a global benchmark, whether they allocate that to North America, China or Europe, is really down to them: it's opportunity-led. PRESENTER: So, Andrew, what would you say would be a good general benchmark for perhaps potential new investors to look at where Witan's performance is concerned? ANDREW BELL: Well we do publish our benchmark numbers, both in our annual and interim reports, and also we publish the performance in our monthly factsheet. So that's quite accessible. But it broadly is not very far different from taking 70% of the world index and 30% of the FT All Share index. PRESENTER: After refinancing your debt in 2015, Witan repaid its debenture in October 2016. What's the current debt structure of the company and how do you believe it benefits shareholders? ANDREW BELL: Yes it always feels good in this environment to be paying back something that you have to pay 8½% interest on, because it's such a long time since we've seen 8% interest rates, it's rather painful. We now have approximately £140m of long-term debt, which ranges between eight years and 28 years and has an average interest rate of 4.6%. And if you go back two years ago the average interest rate on our debt was over 7%. So we've materially reduced the interest burden, taken advantage of it if you look the fall in borrowing costs in the last couple of years. And we also have a short-term facility, but that's usable and repayable at will. PRESENTER: And just remind me how does it benefit shareholders? ANDREW BELL: Well the benefit over time is that you can invest your money in the stock markets for a better return than your borrowing costs, then you should be able to enhance returns. Now obviously the thing to avoid is having gearing when the markets are falling because then you're enhancing the falls. But that's really just one of the things that we have to, that's what we're paid to do. PRESENTER: OK, let's turn to the wider economy and global market. After several years of low interest rates, government bond yields fell even further in 2016 with many reaching negative territory. How is this explained and what do you believe is the impact on equity markets? ANDREW BELL: Well, it's probably not entirely explicable in terms of rationality, but the bottom line is that too much money in recent years has been deployed with the objective of reducing risk and blind to the reducing potential returns on offer, and too little money and there's been too little optimism about economic growth. And that came to a crux in the middle of last year where the disappointment in growth that we talked about earlier on and nerves in the wake of the Brexit vote meant that people felt that interest rates were going to be low for ever and probably fall further. And so we had a period when I think 10-year government bond yields in the UK yielded less than 1%. Well heavens the next 10 years aren't going to be much fun if the average interest rate's going to be under 1%. So we took a different view and actually increased our exposure to equity markets in the summer because we felt that there was too much pessimism about economic growth. PRESENTER: You mentioned Brexit. 2016 delivered some really unexpected political events for investors; Donald Trump's victory in the United States for example. How have equity markets responded and do you foresee any specific ramifications for 2017? ANDREW BELL: There were a lot of political surprises in 2016. Everything from China reflating its economy to the Brexit Vote, to the US presidential vote, and I think that the fact that economic growth numbers improved during the year and stock markets finished quite significantly ahead demonstrates that generally speaking economics wins out over politics in determining the ratings of financial markets. One of the benefits if you like of the fall in government bond yields that we referred to earlier was that it helped to carry the equity markets through the valley of a trough of earnings, because the earnings were falling for much of 2015 and 2016, but equity markets were generally sideways to improving. And has left the equity markets at the end of 2016 on the crest of what's expected to be a significant earnings improvement. So that was one side effect that was beneficial to equity markets though in the long term economic growth is what will determine where equities go. PRESENTER: So what other key factors will shape global equity markets in 2017? ANDREW BELL: There is quite a lot of hope built in that the events of 2016 will usher in a change in economic policy mix. Instead of depending solely upon reducing interest rates to try and encourage companies and individuals to spend more, we're looking for governments to take a bigger role in trying to stimulate demand in the economy. And as the Bard put it there is a tide in the affairs of men which taken at the flood leads on to fortune. And although it may be difficult to imagine Donald Trump as a mermaid floating in on that tide, there is considerable amount of hope vested in a more stimulative policy coming through for the US economy. And I think whether the markets are serene or turbulent during 2017 depends upon how much we're surfing on the back of falling taxes, renewal of infrastructure and how much we suffer from the barracuda bites of tariff increases and protectionism.

PRESENTER: And your message to investors and potential investors? ANDREW BELL: We're guardedly positive. PRESENTER: Andrew Bell, thank you very much indeed. ANDREW BELL: Thank you.