

Thank you David. Good morning ladies and gentlemen.

As Alan has already highlighted, 2007 was a difficult year for financial markets, with the year marked by extreme volatility in many assets.

The credit crunch that began in the United States, was not contained on the western side of the Atlantic and turned into a full-blown sub-prime-led financial crisis. As consumers reacted negatively, the housing market started to weaken and this effect spread to the UK. It became a time for the unwinding of borrowing and as problems became more acute, there were a number of high profile failures including particularly, Northern Rock. Such an event, the first in many years, generated huge uncertainty. Our focus on stock selection, a primary driver of our investment process, as well as avoiding companies with weak balance sheets, largely served to keep us out of trouble in the UK stock market last year. Northern Rock was not held in the portfolio, however fear served to dominate for the balance of the year.

Other notable events, saw the inexorable rise in many commodity prices, further fuelled by a weak dollar and concerns over supply. It is unbelievable to note that the oil price has risen from about

\$28/barrel to nearly \$130 within the last 5 years. Commodities of many types also performed strongly and we participated with our overweight position in mining and resource stocks across many regions. At the current time we have over 20% of the equity portfolio in this area of the market. Whilst stock prices have risen and may suffer volatility, we believe that this is a long-term theme. As global economies grow, sources of supply are being put under increasing pressure. Indeed, the International Energy Agency predicts that global energy use could rise by over 50% between 2004-2030. Certainly, energy companies are having to become more innovative and focused on how to increase efficiency and new sources of supply. Oil reserves are heavily concentrated, with over 75% of the world's oil reserves in Africa, Russia, the Caspian and the Persian Gulf. Other sources of energy will have to become more meaningful, hence the growing focus on the renewable sector.

We along with many others did not see the January sell-off coming and this impacted our overall equity portfolio, leaving us down 3.4% for the year as a whole. Indeed the first calendar quarter of this year, was the worst quarter for the UK market since the third quarter of 2002.

During any periods of extreme volatility there is always opportunity and we took advantage of weak share prices at various times last year to add to our holdings across the portfolio. We did this through both reducing our cash position as well as from time to time, taking on tactical or short-term gearing. Our corporate balance sheet strength enabled us to secure borrowing at very favourable rates. About a year ago we took a decision to reduce our exposure to Japan, preferring instead to increase our investments in the Asian markets as well as North America. Despite the fact that economic growth has slowed in the States, our portfolio performed particularly well, through both good sector allocation and stock selection. Our longstanding bias away from financials and consumer companies and towards resources and infrastructure businesses served us well.

In addition we have continued to enhance our investment process by more sophisticated information technology for both stock selection, using quantitative screening tools and risk management software as well as more detailed performance attribution than we have historically had access to. This will enable us to make better quicker decisions in order to maximise returns for our

shareholders. In respect of other enhancements to the process, we continue to be focused on the overall number of holdings within the equity portfolio. Broadly speaking, each geographic region has between 35-45 holdings, with slightly more in Asia where we aim to cover 13 markets, each of which behave in a very uncorrelated manner.

At an asset allocation level, we have improved our ability to assess and manage currency exposure as well as our overall attitude to risk and the use of derivatives where appropriate. The business of investment is not just about the technology. We are particularly pleased to have been able to attract a number of highly competent individuals to the team over the past year. In all geographic areas and asset classes we have welcomed people, a number of whom are here today. We are excited by the skills and perspective that each brings to our company.

The meshing together of existing and new expertise leaves us well-placed within the current market environment. We will compete where we have an advantage and be entirely comfortable that we will not and cannot be all things to all people

As to our geographical allocation, the next slide shows you how we have changed the weighting between the equity assets over the past few years.

Whilst not particularly dramatic we continue to invest rather more in the faster growing economies of Asia and the rest of the world and rather less in the West. The demographic and economic picture for the east continues apace; driven by urbanisation, industrialisation and the requirement for better infrastructure. China is expected to urbanise by over 60% and India by more than 40% by 2030. There will be over 260m new urban residents in the next decade in these two countries alone. We fundamentally believe that wherever population grows fastest, there will be a number of compelling investment opportunities. The United Nations forecasts that between 2005-2050, the world population will grow by more than 40%. 90% of this growth will come from the Asian and African regions. We cannot ignore this theme.

On the other hand, parts of the world face declining populations. As we discussed last year, Japan's population is not only ageing, but declining, by more than 2% over the next 18 months alone. We continue to have a low exposure to Japan, believing that the domestic economy is still struggling and that the export sector will

be hurt by a higher Yen. Within Europe, we have reduced our exposure somewhat as we remain concerned that the central bank is not reacting quickly enough to lower economic growth. Within the UK, we have modestly reduced our exposure and whilst it remains our single largest geographic position, a couple of points are worthy of note.

Firstly, when we reduced exposure, we did it largely through selling small and mid cap stocks. In a tougher economic environment, smaller companies tend to under-perform, predominantly because they are more exposed to the domestic economy, but also because volatile markets typically herald a “flight to safety” with investors preferring to own larger, more liquid companies that are often better placed to weather any storm. Secondly, although we have approximately 40% invested in UK blue chips, only about 28% of them are UK biased businesses, with the bulk of our companies more multi-national in nature, deriving substantial earnings from faster growing overseas regions.

Moving now onto the results we have delivered, I'd now like to talk about our equity performance over the last year and also over the past 3.

As you can see from this slide, a number of our equity portfolios outperformed their relevant benchmarks with 2 regions, the US and Asia contributing strong positive returns. In all, approximately 70% by portfolio weight exceeded the benchmark returns. Given the treacherous markets, this was no mean feat and we are also particularly proud of our short and long term track record managing UK equities, where we have been consistent and steady outperformers.

Our fund managers have benefitted from our in-house research centre, headed by Shona Dobbie and the excellent work they have produced, particularly in correctly forecasting the vicious downturn in the US housing market. This critical and timely input, combined with numerous, 'on the ground' company meetings led us to conclude that we needed to overweight resource stocks at the expense of financials and consumer companies. In Asia, although we achieved a positive return from our equity portfolio, we failed to keep pace with the broader market indices. This was very disappointing as this time last year, our numbers were good. We have moved to address this underperformance by changing the fund manager, exiting a number of smaller holdings and reshaping

the portfolio from a value to growth bias. We are confident in the ability of our new team members under Anthony Muh's guidance, to deliver good performance going forward.

Turning to our three year numbers, unfortunately the poor Asian performance last year has served to drag down our longer term record. We also marginally underperformed in Europe and we have taken action to recruit new team members to address this issue.

For the rest of the equity portfolio the three year performance figures are quite respectable, although we remain focused and are constantly striving to do better.

Turning from the long-term to the more recent performance to bring us up to date, I would like to touch briefly on performance since the start of this financial year. During the first quarter, the overall equity portfolio has outperformed its benchmark and this has helped the NAV performance at +4.4% to outperform the FTSE All share by over 1% and the FTSE All World by 0.4%.

It is a genuine team effort, one that has been largely due to the strong contribution of our fund managers, many of whom have been with us for some time. We have been fortunate to benefit from the leadership and contribution of our managers, Neil Tong, UK Large, John Ewart UK Small, Matthew Strachan, North America, Athole Skinner Europe, Anthony Muh, Asia, Raymond Abbott, Private Equity and Andy Killean, Property. They and their teams have done a good job. Those of you here today I would invite you to stand up to identify yourself as a member of the investment team. Of course any of us will be happy to field any questions over lunch.

Turning to the other parts of the portfolio, firstly to our private equity assets, which is still a relatively modest weighting in overall terms.

Eighteen months ago we acquired a small team led by Raymond Abbott, based in Edinburgh. Since then we have not only added to the team, but also slowly taken advantage of opportunities in the market, to increase our exposure to this asset class. This is for two main reasons; the first is to diversify our overall portfolio, by finding other assets that perform in an uncorrelated way to equities and

the second is to generate higher returns over the medium to long term. Last year however, this part of the portfolio was down over 5%, largely driven by weakness in some of our listed private equity vehicles. We have adopted a partnership approach, choosing to invest in rigorously selected funds managed by proven management teams, who have genuine “skin in the game”. In addition we will take advantage of unique co-investment opportunities and ownership in the management companies where appropriate.

We have also expanded our universe for investment into Europe. This strategy provides us with increased investment opportunities. At the current time we have just over 6% of the company in this asset class, having increased this modestly in recent weeks, through our new holding in Climate Change Capital, a private company uniquely positioned to address a more sustainable world. We will look to maximise our experience in the private equity arena, with a view to adding value to the Trust as well as the chance to offer funds to external investors in time.

Turning to property, where we have made a conscious decision not to increase our weighting over the past six months, preferring

instead to sit on the sidelines. Our strategy has been to concentrate on prime commercial properties, with financially strong tenants. Despite the fact that capital values have fallen in many parts of the market, and we were not immune to this, these assets have provided the Trust with an additional and much needed income stream.

We continue to search for good opportunities and believe we will see a more compelling entry point. Whilst there is no rush, the fact that we have cash to invest, makes us relatively unique.

With about 10% of the company in these alternative areas, we believe we are well positioned to offer good returns over the medium to long term. Whilst it is possible that we will look to increase this, the reality is that we remain very closely correlated to the performance of global equity markets and this is likely to be the case for the foreseeable future.

Moving on, we rarely speak much about our US mineral rights assets, but given the current excitement around oil and gas, I thought it worthy of mention. Whilst a relatively small part of the portfolio, in the books at roughly £12m, these assets extend to

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26,000 net mineral acres in Oklahoma and Texas in over 700 holdings, approximately half of which are producing. These are legacy assets that continue to provide a virtually risk free, high yielding return for the Trust

Angus Mcphail, our resources investment manager is due to visit the United States next week to meet with our managing agents to ensure that we are maximising our potential returns from these historical and valuable assets.

Alan has already spoken of our intention to utilise our existing skill-set to create long-term value for the Trust through our newest financial service subsidiary, Alliance Trust Asset Management. We have moved quickly, deploying minimum resources and are making good progress. We aim to launch a number of unique and differentiated products for both existing and new clients within the next year.

Alan has already made a number of comments in respect of how we see the overall outlook. In essence though, we believe that many parts of the world will be in a trading range for the balance of the year, limited on the downside by valuations that are not particularly stretching for many equity markets, although capped

on the upside by an ongoing fear about the depth and length of any global economic downturn and the impact upon corporate profits.

It does appear likely that returns from most markets are going to be fairly modest between now and year end. One of reasons is the continued downward forecasts for GDP growth, with the Federal Reserve and the Bank of England scaling back their expectations this week, as well as uncertainty surrounding the ongoing credit crisis. Attending the Goldman Sachs Annual CIO Conference last week, I learnt that the financial system has written off about \$1.1trillion so far. Whilst numbers of that scale are hard to comprehend, equally no-one yet has been able to correctly assess what has not yet been written down. The opaqueness of the system makes it difficult to know who owns what paper and what the true value is. The banks exposure to the sub-prime losses account for only 40% of the total, leaving an open question as to where the rest is. Tim Gibbens, our global financial analyst returned from a trip to the US last week, where he met with a large number of financial companies. His report notes how bearish they continue to be, both in terms of the credit quality deterioration as well as their reluctance to call an end to the housing market woes.

It is however important to keep things in perspective. Speaking to the Chief Economist at Goldman Sachs last week who had just returned from a visit to India, his view was that if you think the world is coming to an economic end, “you should get out more”. Or in a more definitive sense, there are 1.1bn people in India, who are just not that bothered about a credit crunch. Certainly we believe that the BRIC countries, Brazil, Russia, India and China which now contribute 16% to global GDP have a long way to go. This is one of the reasons that we are adding to our capability in emerging markets.

The near term concern is a growing fear of spiralling inflation. There is no doubt that the headline numbers are marching higher, in part fuelled by higher energy prices. However, surprisingly, 5 yr inflation expectations in the US have barely moved and as always, the market needs something to be worried about.

For the time being, we remain sceptical on financial companies and those exposed to the consumer in the UK and US. We are intrigued by the sustainable themes, timberland, water,

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infrastructure and agriculture and are analysing how to best participate. Our overall equity strategy is quite defensive in terms of sector allocation and indeed we have been raising cash in recent weeks. The broad market level masks significant falls in most sectors within the UK market. By way of example, retailers, banks and insurance are all down between 10-20% since the start of the year with only oils and miners up.

At an asset and stock level we will continue to hunt out investment opportunities wherever we see the most compelling returns. We will continue to add new skill and capabilities if they are in the interest of the company. We will actively invest our time, energy and resource to building a more differentiated portfolio. In conclusion, we remain ever focused on our number one priority which is to improve and drive the performance of the Trust at each and every level.

Thank you