

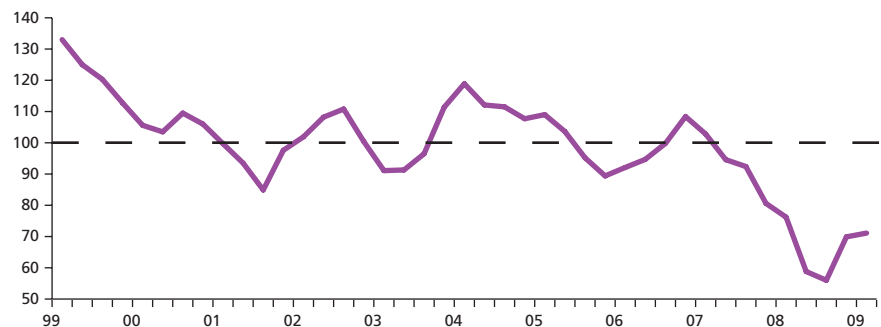
US Financial Reality Index – Q1 2009

May 2009



The latest research from the Alliance Trust Research Centre shows that the overall financial situation facing US households during Q1 recorded a second slight improvement, but remains generally weak. Economic activity has weakened further, unemployment has increased sharply, and delinquencies on consumer loans have continued to rise, all adding to the pressure facing households who are trying to navigate their way through this recession. However, on the positive side, the drop in inflation means that real disposable income levels have increased, lower mortgage rates are helping to ease monthly payments and the cost of basic goods and services has fallen sharply from the record levels recorded last year. As a result, our Financial Reality Index has improved from 69.9 to 71.1 but remains well below the critical level of 100, suggesting that consumers will remain cautious in their spending over the rest of this year.

US Financial Reality Index



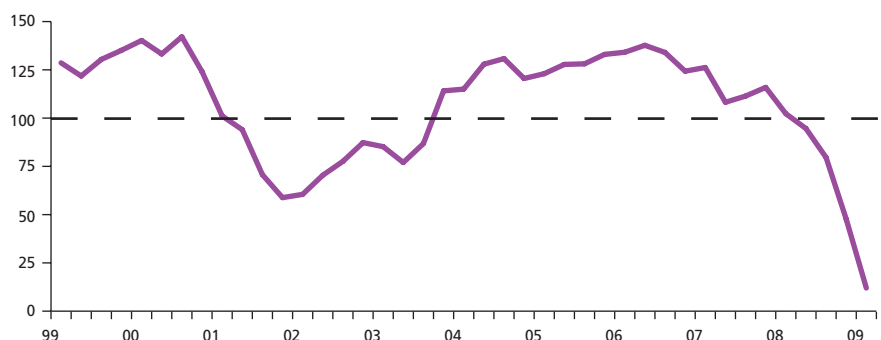
US Financial Reality Index

The Alliance Trust US Financial Reality Index improved from 69.9 in Q4 (08) to 71.1 in Q1 (09). Despite this improvement the index remains well below the critical level of 100.

Economic Background – Slipped from 47.7 to 12.0

The economic background component of the Alliance Trust US Financial Reality Index has slipped from 47.7 to a record low of 12.0. GDP growth has declined sharply for three successive quarters and, as a consequence, unemployment has continued to rise. The US rate of unemployment reached 8.5% during

Economic Background



Contact

Shona Dobbie

Head of Research Centre

Alliance Trust PLC, Meadow House,
64 Reform Street, Dundee DD1 1TJ

Tel +44 (0)1382 201700

Fax +44 (0)1382 225133

Email contact@alliancetrust.co.uk

Web www.alliancetrust.co.uk

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US Financial Reality Index

Q1 and has since moved even higher. In addition, delinquencies on consumer loans continued to increase during the first few months of this year, reflecting stress among consumers who have either been made unemployed or who are trying to cope with low levels of income.

Household Budget – Improved from 125.1 to 147.1

The household budget index registered its third successive gain during Q1 to reach its highest level on record. Although this might seem odd given the economic stress facing the consumer at the moment, there are a number of budget factors which are improving sharply. The sharp drop in inflation towards zero means that real disposable income levels are rising, and the sharp drop in mortgage rates is reflected in a better reading for the average monthly mortgage payment. In addition, the drop in gasoline prices provides a significant benefit to household budgets and inflation in other basic goods and services has also fallen significantly from the elevated levels seen last year.

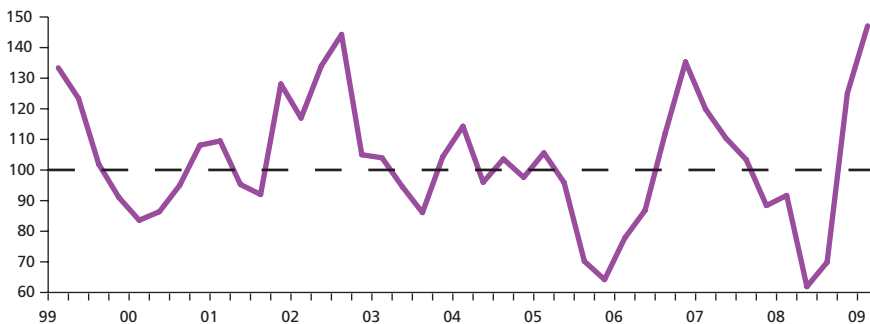
Net Wealth – Showed only minimal improvement, rising from 0.0 to 3.7

The net wealth index improved only slightly during Q1, rising from a record low of 0.0 to just 3.7, the weakest of our three sub-indices. Although there has been some improvement in the stock market in recent weeks, at the end of Q1 equity prices were still almost 40% lower than at the same time last year. Debt levels also remain high and are a major burden on net wealth. The slight improvement witnessed during Q1 was due to house prices, which remain generally weak but which are beginning to show some signs of falling at a slower pace.

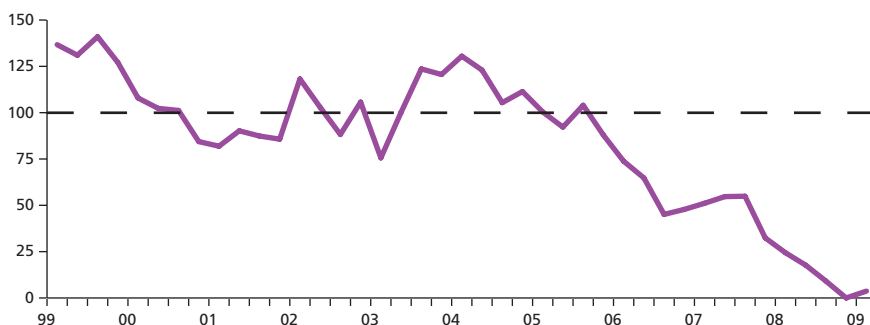
Summary and conclusions

Our US Financial Reality Index has improved for the second successive quarter, gaining 1.2 points to reach a level of 71.1. This indicates that the financial conditions facing households are less negative, but remain below the critical long run average level of 100. The economic background continues to deteriorate, and there has been little improvement in net wealth, but the easing of inflationary pressures, and

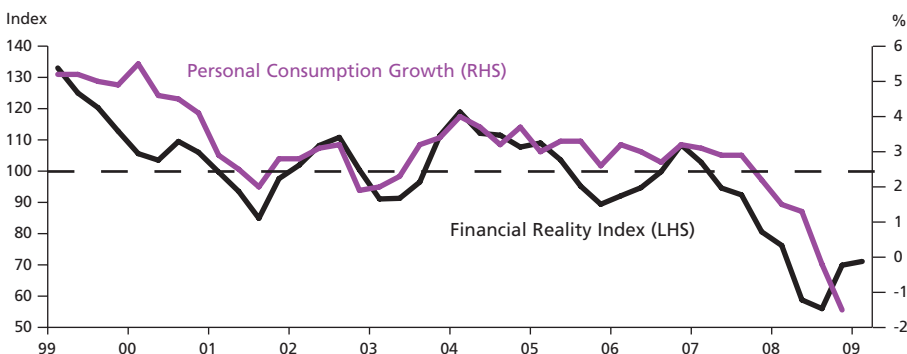
Household Budget



Net Wealth



Financial Reality Index v Household Expenditure



lower interest rates, have both helped to push household budget conditions further into positive territory.

Over the course of our 10 year study there has been a very close relationship between our US Financial Reality Index and actual consumer spending growth, as can be seen in the chart above. The latest reading for consumer spending suggests a very small improvement during Q1, matching the recent improvement in the US Financial Reality Index. However, our

index remains in negative territory and we therefore expect consumer spending to remain relatively muted over the rest of this year.

Sources: EcoWin, In-house Analysis