



INTERIM MANAGEMENT STATEMENT For Quarter Ending 31 October 2008

Business Review

As indicated at the time of announcement of our interim results for the six months ended 31 July 2008, we have undertaken a review of all aspects of the Trust's activities to ensure that our focus is firmly on continuing to improve our investment performance in order to deliver enhanced shareholder value. The review took place against a backdrop of rapidly deteriorating economic and market conditions across the globe.

The principal conclusions arising from the review were:

- Key strategic priority to focus on quoted equities as our core investment
- Closure of Hong Kong office to create a centralised investment team
- Commitment to launch of UK asset management business
- Focus on cost management and service improvement in Alliance Trust Savings
- Overhead reduction to improve efficiency

Key strategic priority to focus on quoted equities as our core investment

Alliance Trust will seek to deliver strong long-term performance through investing primarily in equities, and will continue to operate on a self-managed basis with a low cost base and level of risk.

We will create a global equity portfolio which will complement our existing regional portfolios by deploying capital across equity markets. It will draw on the expertise of our regional managers by using their analysis and research to build a high conviction portfolio of recommended stocks.

We will retain a modest exposure to other asset classes where we identify opportunities to provide enhanced returns for shareholders relative to our core equity investments. We have sharpened our asset allocation process by establishing a small team who will focus on risks and returns from our portfolio and move capital between asset classes quickly and effectively.

We believe our existing private equity capability complements our quoted equity portfolio and our in-house team will continue selectively to seek additional opportunities to invest in quality private equity funds. We do not currently intend to add to our direct property exposure.

The performance target which we adopted for our long-term incentive plan in 2007, based on substantial out-performance against the Retail Prices Index, is not aligned well with the quoted equity focus of our investment strategy going forward. A revised plan will be brought to shareholders for approval at the forthcoming Annual General Meeting. Individual portfolio managers will continue to be incentivised based on performance against the benchmark most relevant to their own portfolio, as well as a new measure based on their contribution to the global portfolio.

Closure of Hong Kong office to create a centralised investment team

Our review concluded that the benefits of a local presence in the Asia-Pacific region were outweighed by the value of creating a centralised investment team based in Scotland. This will allow for better exchange of ideas between the various managers and facilitate the move towards a more cohesive global equity portfolio. Consequently the Hong Kong office will be closed during the first quarter of 2009.

Commitment to the launch of UK asset management business

We expect Alliance Trust Asset Management to deliver meaningful returns for shareholders over the medium to long term and it represents a natural extension of our core investment business.

We expect to launch the first products early in 2009. These will draw on the competitive track record of our experienced investment management team in delivering long-term value. We will manage the funds consistently with the Trust's own assets in each region.

Focus on cost management and service improvement in Alliance Trust Savings

The search to recruit an MD for Alliance Trust Savings is progressing.

In the light of current market conditions, which have adversely impacted on the financial performance of this business during the current year, our immediate priorities are service improvement initiatives as well as ongoing cost management.

Overhead reduction to improve efficiency

The review concluded that, in current economic and market conditions, the cost base was unacceptably high. We have undertaken a targeted cost reduction initiative to remove excessive administration and support costs, and to achieve staffing levels consistent with our more focused business plan.

This initiative has resulted in the redundancy of some 40 employees in Dundee, London and Hong Kong, representing 12% of our workforce. With the exception of Hong Kong, none of the affected employees are engaged in the day-to-day management of our investment portfolio. We expect that the restructuring costs will be more than offset by the savings made in the first year.

Katherine Garrett-Cox, Chief Executive, commented:

“At the time of my appointment as Chief Executive I recognised that Alliance Trust is, first and foremost, an investment company and that shareholders look to us to provide long term value by building on our track record of global equity investment. The actions we are taking underline our commitment to this objective. Current market conditions make it all the more important that we remove unnecessary cost and manage the Company to generate the best possible returns for shareholders.”

Contact

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Other material developments

- NAV including income fell 15.8% in Q3 reflecting the continued uncertainty in equity markets. Global stock markets declined sharply over the quarter with the FTSE All-World Index falling 15.7% and the FTSE All-Share falling 19.7%.

- Overseas regional portfolios benefited from weakening Sterling which fell 18% against the Dollar and 26% against the Yen, but remained relatively stable against the Euro. At a sector level we have reduced our exposure to Mining and remain underweight Technology, Banks and Automobiles. We have increased our overweight position in Tobacco, Utilities and remain overweight in Oil & Gas Producers and Support Services.

- Our concerns of a recession in the UK, Europe, the US, Japan and some emerging economies resulted in further reductions in our total equity exposure to 65.6% of net assets compared to 75.9% at the beginning of the period. The resultant cash was invested primarily in UK Government Treasury Bills.

- Interest rates were reduced significantly by Central Banks in a coordinated effort to stabilise the global financial system. The collapse in commodity prices is another indication of the markets growing concern of a global recession.

- Looking forward, we anticipate that market conditions will remain very challenging while the coordinated global economic rescue package takes time to have the desired effect. However, before stock markets can begin to recover we need to see a realism in future earnings estimates, further deleveraging of the financial system and a return to normalised bank lending conditions. The portfolio continues with its defensive bias and until we see improvements in these areas we will maintain a high level of cash.

KEY FACTS

Total Net Assets: £2,160.2m+

Total Return from 31/07/08
to 31/10/08: (26.0%)

NAV: 322.4p+

The NAV is published daily on our website www.alliancetrust.co.uk

Share price*: 245.0p+

Discount: 24.0%+

Total Expense Ratio
(year to 31/01/08): 0.56%

* Source: Factset + At 31 October 2008

ASSET ALLOCATION %

Equities	65.6
Private Equity	3.2
Preference Shares	0.7
Subsidiaries	1.9
Property	3.0
Other investments	5.0
Cash	22.4
Other Net Assets	0.5
Gross Assets	102.3
Gearing	(2.3)
Net Assets	100.0

EQUITY PORTFOLIO DISTRIBUTION

GEOGRAPHIC EQUITY ONLY

	%
UK (Large & Mid)	40.8
N America	27.1
Europe (Large & Mid)	14.7
Asia Pacific Ex Japan	8.0
UK (Small)	7.2
Japan	2.1

INDUSTRY EQUITY ONLY

	%
Oil & Gas	16.3
Financials	15.0
Industrials	12.1
Consumer Goods	11.7
Health Care	9.6
Consumer Services	7.8
Utilities	6.7
Basic Materials	6.5
Telecommunications	5.8
Technology	4.8
Collective Investments	3.7

Top 20 investments

Rank	Movement	Rank last qtr	Name	Value £m
1	-	(1)	Royal Dutch Shell 'B'	63.6
2	▲	(3)	BP	59.3
3	▼	(2)	HSBC	41.2
4	-	(4)	Vodafone	41.0
5	▲	(10)	GlaxoSmithKline	39.4
6	▲	(18)	British American Tobacco	32.1
7	▲	(13)	Tesco	25.3
8	▲	(12)	Ashmore Global Opportunities	25.2
9	▲	(15)	Imperial Tobacco	25.1
10	▲	(14)	Premier Alliance Trust Japan Fund	23.6
11	▲	(16)	Reckitt Benckiser	23.4
12	▲	(20)	Philip Morris International	23.3
13	▲	(19)	Abbott Laboratories	22.6
14	▼	(9)	Premier Alliance Trust Asia Pacific Fund	21.6
15	▼	(8)	BG Group	20.7
16	▲	(17)	Unilever	19.4
17	(new)		Severn Trent	18.8
18	(new)		Centrica	18.7
19	▼	(11)	BHP Billiton	18.4
20	(new)		Canadian Pacific Railway	18.3

Xstrata, Rio Tinto, Plum Creek Timber have dropped out of the Top 20.

Total Investments (ex Cash): £1,725.9m

Top 10 as % of Total: 21.8% **Top 20 as % of Total:** 33.7%

SECTOR WEIGHTINGS

Top 5 overweight/underweight sector holdings**

	Overweight/(underweight)%
Tobacco	4.58

Oil & Gas Producers	4.28
Collective Investments	3.70
Support Services	2.76
Gas, Water & Multiutilities	2.27
Technology Hardware & Equipment	(1.82)
General Financial	(2.18)
Automobiles & Parts	(2.23)
Software & Computer Services	(2.68)
Banks	(2.80)

Top 5 active overweight/underweight holdings**

	Overweight/(underweight)%
Royal Dutch Shell	3.64
BP	3.41
Vodafone	2.39
GlaxoSmithKline	2.27
HSBC	2.25
Wal-Mart Stores	(0.88)
Procter & Gamble	(0.90)
Microsoft	(1.02)
General Electric	(1.03)
Exxon Mobil	(1.22)

Portfolio weight is calculated as a % of Net Asset Value less Cash and Other Net Assets

**FTSE All-World Index used