

15 December 2016

Dear Shareholder,

I am writing to you to draw your attention to an announcement released to the London Stock Exchange on 15 December, a copy of which is attached. This announcement gives details of the outcome of a Strategic Review of Alliance Trust which was initiated by the Board earlier this year to assess the potential courses of actions open to the Board to enhance shareholder value.

Over the past 18 months, we have listened carefully to our shareholders' views and outline in the announcement proposals to change the investment management of the Trust's equity portfolio. While these changes would not normally require a shareholder vote, the Board believes that it is appropriate to give all shareholders the opportunity to support this change. As such, a General Meeting is expected to be convened early in the New Year.

The Board plans to host informal Shareholder Forums to provide shareholders with an opportunity to ask any questions they may have of the Board ahead of the General Meeting. We will post details of the dates and times of the Forums on the Alliance Trust Plc website (<http://www.alliancetrust.co.uk/>).

The Board considers the proposed change in the investment management arrangements to be in the best interests of all Alliance Trust's Shareholders.

Yours sincerely,



Lord Smith of Kelvin
Chairman

Alliance Trust PLC

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Outcome of Strategic Review

Highlights

- Alliance Trust to remain a global equity investment trust offering real returns over the medium to long term
- Target to outperform MSCI All Country World Index to be doubled from 1% to 2% p.a., net of costs, over rolling three-year periods
- Aiming to build on Alliance Trust's 49-year track record of year-on-year dividend growth
- A new approach to investment management to be adopted to increase the likelihood of delivering consistently the performance target:
 - Move from a single manager to multiple equity managers, each rated best-in-class¹
 - Each equity manager to create a focused portfolio of their top investment selections
- Agreement reached to sell Alliance Trust Investments to Liontrust Asset Management Plc for up to £30 million; representing a premium of at least £5 million to book value
- Alliance Trust Savings continues to make good progress and will remain as part of the Group; now profitable and well placed to develop further
- A proactive programme of share buy-backs to be introduced with the aim of achieving a significantly narrower discount
- Shareholders to be provided with the opportunity to vote on the new approach to investment management

Commenting on the announcement, Lord Smith of Kelvin, Chairman of Alliance Trust PLC, said:

"Since May, the Board has evaluated carefully a broad range of options, with an open mind and a clear line of sight on how best we could improve the Trust's performance.

We believe there is good appetite for a global equity investment trust and that will remain our overall positioning. However, we are proposing a new approach to the investment management of the equity portfolio. Our proposal is that we will move from a single manager to multiple equity managers. All managers will be rated best-in-class and each will create a focused portfolio of their best investment selections.

We are confident that this exciting and differentiated investment approach will help to improve Alliance Trust's performance on a consistent basis. Accordingly, we have doubled the level targeted for outperformance, reaffirmed our ambition to continue our track record of year-on-year dividend growth, yet at a competitive cost. We firmly believe that this will put Alliance Trust on a strong footing for many years to come."

Background

Following the 2015 AGM, the Board undertook a consultation process to further understand what shareholders were looking for from their investment in Alliance Trust. It was clear that the appetite for a global equity investment trust remained strong, but that change was required to better differentiate Alliance Trust's investment proposition and to improve performance.

In October 2015 the Board introduced a number of initial changes with the aim of enhancing shareholder value. These included focusing on equities, reducing costs, and simplifying the Trust's corporate structure. As set out at the time of the half-year results in July 2016, good progress has been made.

With the aim of building on this progress, the Board initiated a Strategic Review of the Trust, as announced in May 2016, to assess the potential courses of further action open to it. Working alongside advisors, and with no pre-conceptions, the Board has carefully evaluated a wide range of options.

Outcome of Strategic Review

The Strategic Review has now been completed and the Board has concluded that the best way to deliver further improvement in shareholder value is to implement a new approach to the management of the Trust's equity portfolio, which represented 98.9% of net shareholder assets as at the end of November 2016.

Alliance Trust will remain a global equity investment trust offering real returns over the medium to long term. Responsibility for investing the Trust's equity portfolio will move from a single manager, currently Alliance Trust Investments (ATI), to a multi-manager model. Approximately eight of the world's top-rated¹ equity managers will be appointed, each of whom will create a portfolio for the Trust of typically around 20 stocks, representing their best investment ideas. In order to implement this new approach, and following a competitive process, the Board has decided to appoint Willis Towers Watson (WTW), a leading investment group, as the Trust's overall investment manager². WTW has over 900 investment associates worldwide, assets under advisory of around US\$2.3 trillion and over US\$87 billion of assets under management.

The Board believes that this differentiated investment approach builds on the best of Alliance Trust's long heritage of innovation and will increase the likelihood of delivering consistently improved performance.

In light of the Board's confidence in the new approach, the target for the equity portfolio to outperform the MSCI All Country World Index will be doubled from 1% to 2% p.a., net of costs, over rolling three-year periods. Alongside this, the Board reaffirms its commitment to the existing progressive dividend policy. This aims to generate a growing revenue stream from the portfolio which will allow the Trust to continue to increase dividends year-on-year.

Advantages of the New Investment Approach

The Board has identified a number of key advantages of the new approach and believes that the combination of these will create a unique investment proposition in the UK investment trust market.

The key advantages, as identified by the Board, are:

- **Access to the world's best-in-class¹ equity managers:** Through WTW, Alliance Trust will be able to access the world's leading equity managers, many of which have not been available before to UK retail investors. Each has been deemed to be a best-in-class¹ equity manager by WTW's 100-strong research team.
- **High conviction:** Each equity manager will manage a portfolio focused solely on their best investment ideas, typically in the order of 20 stocks, such that Alliance Trust is only paying for true active management. By working with different managers, each of which will manage a focused, but complementary, portfolio, the Board believes the Trust should achieve the level of performance required.
- **Lower risk:** While the consolidated portfolio's risk profile is anticipated to be similar to the existing portfolio, stock-specific risk will be lower than it is currently with a larger number of holdings; up to 200 compared with around 60 at present.
- **More consistent outperformance:** The Board believes that by working with multiple equity managers, as opposed to one, the likelihood of achieving consistent outperformance will be increased. Most UK investment trusts run the risk of being solely reliant on the skill of a single investment manager. The multi-manager approach spreads this risk across a number of managers and makes it easier and less costly to change when required.
- **Differentiation:** No other UK investment trust offers the same approach.
- **Income and growth:** By selecting the right balance of complementary investment managers, Alliance Trust can continue to focus on both income and growth with the aim of building on its 49-year track record of dividend growth.
- **Better value:** By leveraging the scale of Alliance Trust and WTW, total annual costs will be targeted to be below 60bps. This is highly competitive for an investment trust targeting such outperformance.

Next Steps

Over the past 18 months, the Board has listened closely to its shareholders and, while the proposal to change the management of the Trust's equity portfolio does not require a shareholder vote, the Board believes that it is appropriate to give all shareholders the opportunity to support this change. As such, a General Meeting is expected to be convened early in the New Year.

Ahead of the General Meeting, the Board will host shareholder forums to provide shareholders with an opportunity to ask questions on the matter. Details of the forums will be posted on the Alliance Trust PLC website (<http://www.alliancetrust.co.uk/>).

Subject to the outcome of the General Meeting, as part of the process to establish the new portfolio, WTW will finalise the selection of the equity managers, complete contract negotiations and work with ATI, the Company's existing investment manager, and a specialist transition manager to manage the changeover.

Once the arrangements have been finalised, and regulatory approvals received, a WTW company will be appointed Alliance Trust PLC's AIFM², and will become responsible for the overall management and oversight of the Trust's investment portfolio and the underlying equity managers, on a discretionary basis. Each equity manager will create and run their individual portfolio. Alliance Trust will retain a small central team, which will be responsible for functions such as company secretariat, in Dundee, at the Trust's registered office.

Share Buybacks

With the release of today's announcement, Alliance Trust is free to reinstate buybacks. The Board believes that the Company's shares should be trading materially closer to net asset value than they have in recent times, particularly in light of the new approach to investment management, and that buybacks can constitute an effective discount management tool to help achieve this. Share buybacks also provide an uplift in net asset value for continuing shareholders.

It is therefore the Board's intention to introduce a programme of share buybacks, and to undertake them in a more proactive manner than in the past, reflecting the Board's determination to narrow materially the discount in short order.

As at today's date the Company has authority from shareholders to repurchase a further 75,973,151 Ordinary Shares, such authority to expire at the next Annual General Meeting to be held in April 2017 if it has not been fully utilised by that time.

Alliance Trust Investments

Since announcing the separation of ATI in October 2015, good progress has been made in establishing an independent Board, growing third-party funds under management, reducing costs and making the business profitable on a monthly basis on continuing operations.

As part of the Strategic Review, the Board has reached agreement to sell ATI to Liontrust Asset Management Plc (Liontrust), a specialist fund management company that has been listed on the London Stock Exchange since 1999. The consideration is up to £30 million; comprised of up to £10 million in cash, being the anticipated value of net assets at the time of completion, £17 million in Liontrust shares, £13.6 million of which will be issued on completion and the balance 12 months later, and £3 million in cash as a contingent consideration, dependent on the future level of assets under management payable two years after completion. After taking account of costs associated with the transaction, it is expected that net proceeds will be not less than £25 million, before any future contingent consideration. This compares to the ATI book value of £19.8 million as at the end of June 2016.

The sale of ATI will simplify Alliance Trust's structure and provides ATI with an exciting opportunity to continue to develop its growing third party fund management business. Under Liontrust's ownership, ATI will be provided with a strong platform to further its development. As part of the agreement, Alliance Trust has agreed to hold the share-based element of the consideration for at least 12 months, reflecting its confidence in the prospects for the combined group.

Subject to conditions and approvals, completion is expected to take place in early April 2017.

Alliance Trust Savings (ATS)

ATS is an award-winning platform business offering a range of investment and pension products. As previously announced, the focus of ATS has been to integrate the acquisition of Stocktrade, introduce the stand alone independent governance and management of the business and to continue to develop the operating platform. Good progress has continued to be made against these priorities and ATS is now profitable.

Given the progress achieved to date and the opportunities ahead for ATS, the Board believes that it is in the best interests of shareholders for the business to remain part of the Group. ATS will continue to be headquartered in Dundee, with a presence also in Edinburgh.

Notes

¹ As rated by Willis Towers Watson; ² Towers Watson Investment Management (Ireland) Limited to be appointed as Alternative Investment Fund Manager

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Notes to Editors

About Alliance Trust PLC

Alliance Trust PLC is one of the largest generalist investment trusts by market value listed on the London Stock Exchange, having been founded in Dundee in 1888. As at 30 November 2016, Alliance Trust PLC had total assets of approximately £3.6 billion.

Alliance Trust's focus is on investing in global equities for the long term to deliver enhanced returns for shareholders.

Alongside growth opportunities, income generation is a vital part of the investment process. As one of only four companies in the FTSE All-Share to have grown its dividend for 49 years, Alliance Trust's ambition is to continue to outperform in this area.

www.alliancetrust.co.uk

About Willis Towers Watson Investment

Willis Towers Watson Investment is a leading investment business that is focused on creating financial value for investors through its expertise in risk assessment, strategic asset allocation, manager evaluation and investment management. It has over 900 investment associates worldwide, assets under advisory of around US\$2.3 trillion and over US\$87 billion of assets under management. It is part of Willis Towers Watson (NASDAQ: WLTW) which has over 39,000 employees in more than 120 territories and has roots dating to 1828.

The business has worked, for many years, with equity managers to create tailored high-conviction portfolios for large institutional clients, with notable success over more than ten years for a large US endowment. More recently it launched an open-ended, high-conviction multi-manager vehicle for institutional investors, the Global Equity Focus Fund, which has outperformed its benchmark by 3.9% (before WTW's fee but after the underlying equity managers' fees and fund expenses) between inception on 17 August 2015 and 30 November 2016.

www.willistowerswatson.com

About Alliance Trust Investments

Alliance Trust Investments is a specialist fund management business offering a broad selection of open-ended funds and investment solutions borne out of tried and tested investment processes. It is one of the leading providers of Sustainable Investment funds in the UK.

In addition to the assets of Alliance Trust PLC, Alliance Trust Investments manages £2.3 billion of third-party assets (as at 30 November 2016). Over the last 5 years, all Sustainable Investment funds have performed ahead of the peer group, with the largest fund, SF Managed, ranked in the top decile for performance.

www.alliancetrustinvestments.co.uk

About Alliance Trust Savings

With over 120,000 customer accounts and £12 billion of assets under administration (as at 30 June 2016), Alliance Trust Savings is one of the UK's leading financial services providers for private investors offering customers the information and services they need to manage their investments in a way that works for them.

www.alliancetrustsavings.co.uk

Important information

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and businesses and plans of the Company and its subsidiaries (the "Group"). These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that have not yet occurred. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. As a result, the Group's actual future financial condition, results of operations and business and plans may differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements. The Company undertakes no obligation publicly to update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules of the Financial Conduct Authority). Nothing in this announcement should be construed as a profit forecast or be relied upon as a guide to future performance.

The release, publication, transmission or distribution of this announcement in, into or from jurisdictions other than the United Kingdom may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published, transmitted or distributed should inform themselves about and observe such restrictions. In particular (but without limitation), this announcement is not for release, publication or distribution, directly or indirectly, to US persons, or into the United States, or into or from Canada or any other jurisdiction in which the same would be unlawful. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.