



Alliance Trust PLC  
Interim Report for the six months  
ended 30 June 2017

# Investing for Generations



# Chairman's Statement

The Trust has successfully implemented its new investment approach. We are confident that our alliance of best ideas will deliver attractive returns for shareholders over the long term.

Our new investment approach supports our aim of achieving consistent outperformance at a competitive cost, while maintaining our progressive dividend policy. With the approval of our shareholders at the General Meeting in February, the management of the investment portfolio transitioned to Willis Towers Watson (WTW). It is responsible for selecting eight underlying managers that it rates as 'best-in-class', each of whom manages concentrated portfolios of their top stock selections. We are targeting an Ongoing Charges Ratio of below 0.65%.

Alliance Trust Investments (ATI) was responsible for the Trust's performance to 17th March, at which point the transition commenced. The new strategy became effective on 1st April, with the official appointment of WTW and the transition completed on 12th April. ATI was sold, at what we believe was a fair price, to Liontrust Asset Management, and that this is a good home for the team. We are grateful to all the team at ATI for their work on our behalf.

This first half of 2017 has been characterised by the transition the business has gone through, and we strongly believe we now have the foundations in place to deliver strong and sustainable performance for our shareholders in the future.

## Financial performance

Over the period, the Trust performed well. Total Shareholder Return was 10.8%, Net Asset Value (NAV) Total Return was 12.4% and the share price rose 9.7% to 700.0p. We are encouraged that, despite undertaking the transition to the new portfolio, the Trust outperformed its benchmark on a NAV total return basis by 6.0%, primarily driven by the outperformance of the equity portfolio. Additionally, the costs of the transition were much lower than originally anticipated, which is a meaningful saving for the business and our administration expenses for the period are showing only a modest increase at £8.4m (2016: £7.7m).

Alliance Trust Savings (ATS) has seen growth in both assets under administration and customer accounts. Whilst we had hoped that ATS would report a profit for the period, additional costs were incurred in the second quarter contributing to a loss for the half year of £1.5m (2016: £0.4m profit). In the second half of the year ATS plans to continue to invest to improve its levels of customer service. We expect it to report a loss for the year.

## Dividend

We are very proud of our dividend track record and the Board is delighted that the Trust has achieved 50 years of consecutive dividend growth, and has been recognised by the AIC through its Dividend Hero Award. The Board continues its progressive dividend policy and has declared a dividend of 3.29p per ordinary share payable on 2nd October 2017 to shareholders on the register on 1st September 2017.

## Buybacks

Towards the end of last year, we introduced a more active approach to share buybacks, supporting our determination to narrow materially the Trust's discount to NAV which averaged 5.1% over the period. Consistent with this programme, the Trust also repurchased Elliott's shareholding following shareholder approval in February.

## In summary

The first half of 2017 has been transformational for the Trust. We have a new investment approach which, although still in its early days, is demonstrating that it can deliver outperformance at competitive cost. We believe we now have a compelling offering and look forward to continuing to invest for generations.



Lord Smith of Kelvin  
Chairman

26 July 2017

# Results for 6 months to 30 June 2017

## Company Performance

	30 June 2017	31 December 2016	30 June 2016
Share price	700.0p	638.0p	524.0p
Net Asset Value (NAV) per share*	742.2p	667.5p	591.4p
Discount to NAV	5.7%	4.4%	11.4%
Average Discount to NAV**	5.1%	10.1%	10.3%

Source: WTW and Morningstar.

\*Balance sheet value calculated with debt at fair value.

\*\*Six months to 30 June and 12 months to 31 December.

## Portfolio Performance

Contribution Analysis (%)	Average Weight	Total Return	Contribution to Total Return
Equity Portfolio	99.8	10.6	9.8
Foreign Exchange Contracts and Index Futures	N/A	N/A	0.0
Non-core Investments	8.0	7.3	0.6
Effect of Gearing*	-7.8	N/A	0.6
<b>Investment Portfolio Total</b>	<b>100.0</b>		<b>11.0</b>
Operating subsidiary			0.0
Cash and Accruals			0.4
Share Buybacks			1.3
Total Administration Costs			-0.3
NAV including Income Total Return			12.4
Effect of Discount			-1.6
Share Price Total Return			10.8
<i>MSCI ACWI Total Return</i>			6.4

Source: WTW, BNY Mellon Fund Services (Ireland) Ltd, Morningstar, MSCI Inc and FactSet.

\*Gearing effect is attributed assuming that all borrowing is invested in the equity portfolio and is net of the cost of borrowing to achieve the gearing.

## Shareholder Return

As at 30 June 2017	6 months	1 year	3 years	5 years
Total Shareholder Return (TSR)	10.8%	36.4%	68.8%	124.2%
NAV Total Return	12.4%	27.3%	55.0%	95.7%
MSCI ACWI	6.4%	22.9%	54.1%	104.7%

Source: WTW and FactSet.

## Administration Expenses

	6 months to 30 June 2017	Year to 31 December 2016	6 months to 30 June 2016
Total Administrative Expenses	£8.4m	£16.8m	£7.7m
Less Non-recurring Expenses*	£(1.1)m	£(3.4)m	£(1.4)m
Ongoing Administrative Expenses	£7.3m	£13.4m	£6.3m

Source: WTW.

\*Includes reorganisation, strategic review and extraordinary general meeting costs.

# Investment Approach

Alliance Trust is an investment trust with a unique global equity portfolio providing access to an alliance of 'best-in-class' equity managers and their best ideas, at a competitive cost. It has been a pioneer in investing since 1888 and its objective is to be a core holding for investors seeking increasing value over the long term. The equity portfolio's target is to outperform the MSCI All Country World Index by 2% per year after costs over rolling three year periods.

## Investment Portfolio

Our investment portfolio is made up of:

- Global equity investments
- Our subsidiary business – Alliance Trust Savings
- Non-core investments
  - Mineral Rights\*
  - Private Equity\*
  - Funds
  - Liontrust Asset Management PLC shares\*\*

\*These will be disposed of at the appropriate time.

\*\*Liontrust Asset Management PLC shares which formed part of the consideration received on the sale of Alliance Trust Investments (valued at £22.8m).

The equity investments are now managed by WTW who provide the Company with access to a range of specialist equity managers and oversee the management of the funds. They have appointed eight equity managers, the majority of whom are not otherwise accessible to individual investors in the UK.

Each of the equity managers runs a bespoke portfolio for Alliance Trust focused solely on their best ideas, each containing about 20 stocks. This distinctive approach means that every stock is one in which each equity manager has their highest conviction – investments which they believe are most likely to deliver positive absolute and relative returns. In addition, there is also an emerging markets portfolio which has around 50 stocks. Together these stocks comprise the Company's equity portfolio.

WTW's Investment Committee allocates funds across the eight equity managers to manage the investment and risk profile of the portfolio.

WTW is also responsible for oversight of the non-core assets.

## The Alternative Investment Fund Manager and Investment Manager

Towers Watson Investment Management (Ireland) Limited (TWIMI) has been appointed as the Company's Alternative Investment Fund Manager (AIFM). The AIFM has delegated the management of the Company's portfolio to Towers Watson Investment Management Limited (TWIM). Both TWIMI and TWIM are members of the Willis Towers Watson group of companies.

Willis Towers Watson (NASDAQ: WLTW) has roots dating back to 1828 and is a leading investment group with over 39,000 employees across all of its businesses.

A significant element of WTW's business is the provision of investment consultancy. However, WTW is engaged as the Company's Investment Manager.

## The Equity Managers

The eight equity managers selected by WTW have an unconstrained mandate allowing them to choose what they believe are the best stocks. The managers have been selected not just for their capability but to provide a range of different and complementary investment styles.

**Black Creek Investment Management** (10.3% of the equity portfolio) looks for companies that are growing, are leaders in their markets and gaining market share. These companies tend to benefit from huge barriers to entry and sustainable competitive advantages.

**First Pacific Advisors** (12.6% of the equity portfolio) employs a long-term value investment approach, investing in companies that they believe have sustainable business models, exhibit financial strength, are run by operationally strong managers and whose stocks trade at a significant discount to FPA's estimate of intrinsic value.

**GQG Partners** (10.9% of the equity portfolio) looks for high-quality and sustainable businesses which have enduring underlying strength to provide capital protection in down markets and attractive returns to long-term investors over a full market cycle. In addition, GQG manages a second portfolio (4.4% of the equity portfolio) for the Company with particular focus on global emerging market companies.

**Jupiter Asset Management** (9.0% of the equity portfolio) is well known in the market as a long-standing practitioner of contrarian value investing. It seeks businesses that are out-of-favour and undervalued, but have prominent franchises and sound balance sheets.

**Lyrical Asset Management** (16.5% of the equity portfolio) maintains a strict discipline around investing in quality companies, seeking businesses that it believes will generate attractive returns on their invested capital, are resilient with reasonable debt levels, positive growth, attractive margins, competent management, and the flexibility to react to all phases of the business cycle.

**River and Mercantile Asset Management** (8.7% of the equity portfolio) invests in Recovery Equities, through an investment approach that it believes identifies value at different stages of a company's lifecycle.

**Sustainable Growth Advisors** (13.7% of the equity portfolio) focuses on building portfolios of unique, high quality global growth businesses that possess strong pricing power, offer recurring revenue generation and benefit from attractive, long runways of growth.

**Veritas Asset Management** (13.9% of the equity portfolio) focuses on utilising its proprietary Real Return Approach and a number of other methods including themes to identify industries and companies that are well positioned to benefit from medium term growth.

### Investment Objective

Alliance Trust is an investment company with investment trust status. The Company's objective is to be a core investment for investors seeking increasing value over the long term. The Company has no fixed asset allocation benchmark and it invests in a wide range of asset classes throughout the world to achieve its objective. The Company's focus is to generate a real return for shareholders over the medium to long term by a combination of capital growth and a rising dividend.

# Investment Management Report

## Summary

- In the period to 17 March the equity portfolio's performance exceeded our benchmark by 1.9%
- The transition of the portfolio between our managers was achieved at low cost and was completed on 12 April
- In the period since WTW's appointment the equity portfolio's performance exceeded our benchmark by 2.4%

Alliance Trust Investments was the investment manager to 31 March and had investment discretion until 17 March when BlackRock was appointed to manage the transition. WTW was appointed on 1 April and the eight equity managers then took responsibility for managing their portfolios at various dates until the transition was completed on 12 April.

### Alliance Trust Investments Report for 1 January to 17 March 2017

The equity portfolio performed strongly over this period returning 9.2% versus the 7.3% for the MSCI ACWI benchmark. The strong value style headwind that buffeted the equity portfolio during the final quarter of 2016 abated during the first quarter of 2017 to reverse much of the loss experienced last year, creating a market environment conducive to the large cap growth stocks in the portfolio.

This market environment favoured the Company's overweight exposure to Info Tech and Health Care stocks with much of the outperformance coming from these two sectors. The Company's Info Tech stalwarts such as Activision Blizzard, Cadence Design Systems and the core Health Care holdings in SS&C Technologies, CSL, Amgen and Roche were notable contributors.

### Report of the transition managed by BlackRock from 17 March to implementation of new portfolio

BlackRock Advisors (UK) Limited (BlackRock) was appointed as Transition Manager on 17 March 2017 to assist with the transition of the portfolio to the new structure and to align the portfolio with the Company's new investment approach. BlackRock was selected by the Board as Transition Manager following a recommendation from WTW and a detailed review and discussion of its proposed strategy for the transition.

Following appointment, the incumbent Alliance Trust Investments' portfolio was traded and reshaped to create nine separate portfolios including an emerging markets portfolio, based on the "wish-lists" provided by the new equity managers.

The total value of buys and sells completed during the transition was approximately £4.5bn. This was formed of 176 securities to be purchased and 56 securities to be sold, with 4.6% of the legacy equity portfolio being retained. All transition trading was completed as of 12 April 2017 by which time all of the portfolios had been transferred to the control of the newly appointed equity managers.

The market environment during the transition period was quiet with lower than average trading volumes globally. BlackRock traded the portfolio so as to manage the risk of moving prices.

Prior to the transition, WTW estimated the direct costs (commissions, taxes, fees and bid/offer spreads) would be in the region of 30bps. The final direct costs were much lower at 18bps, which is a meaningful cost saving for the Company. Indirect costs were also kept to a minimum.

The transition was completed well within the timeframe expected, and there were no errors in or deviations from the transition plan. The transition portfolio performance, even after costs, in the short period of the transition performed better than if the legacy portfolio had remained in place and not been traded.

# Investment Management Report

## continued

**Willis Towers Watson's Report for 1 April to 30 June 2017**

### Market Review

The first half of the year was dominated by political headlines such as a snap general election in the UK, triggering of Article 50, elections across various Euro countries and a stream of tweets coming from the US. Despite the political uncertainty, economic indicators and business surveys posted strong figures close to pre-crisis highs with equities gaining in both emerging and developed markets. European elections have also rejected anti-EU politicians in Austria, the Netherlands and France, potentially implying that the widely feared break-up of the Eurozone may not be as imminent as some would like to think.

The US economy continues to look healthy, prompting the Federal Reserve (Fed) to raise rates again in June. The Fed also signalled that it may start to reduce the size of its balance sheet "relatively soon". These actions may potentially have an impact on equity prices.

The economic and political outlook in the UK continues to be highly uncertain. The result of Theresa May's decision to call a snap general election leaves the UK in a weakened position at a crucial time for the country as it begins its Brexit negotiations. Whilst political uncertainty across Europe has fallen, the risk remains significant within the UK.

### Equity Portfolio Performance

The new investment approach adopted by Alliance Trust has been in place since the start of April 2017. Over this quarter the equity portfolio returned 3.0%, significantly outperforming the MSCI All Country World Index (ACWI) which returned 0.6%. Even though the results are short term, we are very pleased with the initial performance achieved under the new approach.

### Investment Outlook

We continue to expect higher levels of market volatility. Periods of strong equity market returns coupled with low expectations of volatility in the market, as observed in recent months, are typically followed by periods of higher volatility. We believe that future equity returns over the longer term are unlikely to keep up with the exceptionally strong returns of recent years. This may be exacerbated by the possible gradual reduction in monetary stimulus or raising of interest rates by the main central banks.

We also believe that the high-level market view masks significant dispersion between companies, providing an excellent environment for active stock selection. We continue to position the portfolio relatively neutrally against the market with respect to countries, sector and styles to allow returns for the portfolio to be driven by the stock selection of our managers.

### Non-core Investments

The ongoing divestment of non-core investments continues. In the first half of 2017 the Company sold its holding in Euroclear and the final distribution from Albany Venture Partners III LP, a legacy direct private equity holding, was received in June. The reduction in value of private equity and indirect property holdings to £97m from £113m as at 31 December 2016 reflects continuing divestments. This resulted in the release of cash for investment in the equity portfolio. We expect further reductions in non-core holdings as remaining assets are realised in an orderly manner.

### Alliance Trust Savings

Alliance Trust Savings has made a number of important changes designed to enhance its longer-term performance through improvements to the operating platform and customer service. In the second quarter additional costs associated with these changes have been incurred and, with a delay in the full launch of the new technology platform, a loss of £1.5m was made in the first half of the year (2016: £0.4m profit).

During the period, Alliance Trust Savings has delivered:

- Continued growth across all business channels with total assets under administration now over £15bn, an increase of 11% since 31 December 2016; and
- An increase in the number of customer accounts of 3% to almost 114,000 since the year end.

We have concluded that the valuation of the Company's investment in Alliance Trust Savings should remain at £61.5m. In coming to this conclusion the Directors considered the underlying profitability of Alliance Trust Savings against the background of its financial performance, its continued focus on improving customer service and the potential to further develop the business. This valuation will be assessed in the second half of 2017 as the planned enhancements to customer service are introduced.

### Disposal of Alliance Trust Investments

As reported in our Annual Report for 2016, we sold Alliance Trust Investments to Liontrust Asset Management. This completed in early April and the value of the shares received as part of the consideration has increased by £3m from that reported at the year end.

# Company Portfolio Review

## Equity holdings as at 30 June 2017

Stock	Sector	Country of listing	% of quoted equities	Value £m
UnitedHealth Group	Health Care	United States	1.8	45.5
Charter Communications	Consumer Discretionary	United States	1.8	43.5
Microsoft	Information Technology	United States	1.6	38.9
Oracle	Information Technology	United States	1.6	38.9
Nielsen	Industrials	United Kingdom	1.4	35.8
CVS Health	Consumer Staples	United States	1.4	34.7
Nestle	Consumer Staples	Switzerland	1.3	32.3
Western Union	Information Technology	United States	1.3	31.5
Johnson Controls International	Industrials	Ireland	1.3	31.2
Ryanair	Industrials	Ireland	1.2	30.9
Anglo American	Materials	United Kingdom	1.2	30.7
Comcast	Consumer Discretionary	United States	1.2	30.0
Safran	Industrials	France	1.1	27.5
Airbus	Industrials	Netherlands	1.0	25.8
Alphabet	Information Technology	United States	1.0	25.4
AIA Group	Financials	Hong Kong	1.0	24.9
HDFC Bank	Financials	India	1.0	24.9
TP ICAP	Financials	United Kingdom	1.0	24.6
Allergan	Health Care	Ireland	1.0	24.4
PageGroup	Industrials	United Kingdom	1.0	23.6
Samsung Electronics	Information Technology	South Korea	0.9	23.6
Koninklijke Philips	Industrials	Netherlands	0.9	23.3
Britvic	Consumer Staples	United Kingdom	0.9	23.2
Baidu	Information Technology	Cayman Islands	0.9	22.9
Regeneron Pharmaceuticals	Health Care	United States	0.9	22.9
Aetna	Health Care	United States	0.9	22.8
Western Digital	Information Technology	United States	0.9	22.7
Liberty Interactive	Consumer Discretionary	United States	0.9	22.5
Novo Nordisk	Health Care	Denmark	0.9	22.1
Anthem	Health Care	United States	0.9	22.0
Tencent	Information Technology	Cayman Islands	0.9	21.9
Whirlpool	Consumer Discretionary	United States	0.9	21.8
Corning	Information Technology	United States	0.9	21.6
Amazon	Consumer Discretionary	United States	0.9	21.5
Kansas City Southern	Industrials	United States	0.8	21.1
Aflac	Financials	United States	0.8	21.1
Infosys	Information Technology	India	0.8	21.1
Eaton	Industrials	United States	0.8	20.8
Danone	Consumer Staples	France	0.8	20.8
Hugo Boss	Consumer Discretionary	Germany	0.8	20.7
Broadcom	Information Technology	Singapore	0.8	20.7
TE Connectivity	Information Technology	Switzerland	0.8	20.4
SAP Se	Information Technology	Germany	0.8	20.3
Celanese	Materials	United States	0.8	20.3
AerCap	Industrials	Netherlands	0.8	20.1
Visa	Information Technology	United States	0.8	20.0
Lincoln National	Financials	United States	0.8	19.8
Prosegur	Industrials	Spain	0.8	19.8
Priceline	Consumer Discretionary	United States	0.8	19.7
Ameriprise Financial	Financials	United States	0.8	19.1
Flex	Information Technology	Singapore	0.8	19.0
American Express	Financials	United States	0.8	18.8

# Company Portfolio Review

## continued

Equity holdings as at 30 June 2017 continued

Stock	Sector	Country of listing	% of quoted equities	Value £m
Goodyear Tire & Rubber	Consumer Discretionary	United States	0.8	18.8
Suncor Energy	Energy	Canada	0.7	18.6
Mondelez International	Consumer Staples	United States	0.7	18.5
EOG Resources	Energy	United States	0.7	18.4
Facebook	Information Technology	United States	0.7	18.2
Core Laboratories	Energy	Netherlands	0.7	18.0
Lowe's Companies	Consumer Discretionary	United States	0.7	17.9
H&R Block	Consumer Discretionary	United States	0.7	17.3
Pearson	Consumer Discretionary	United Kingdom	0.7	17.1
Dollar General	Consumer Discretionary	United States	0.7	16.8
Exxon Mobil	Energy	United States	0.7	16.4
HeidelbergCement	Materials	Germany	0.6	16.0
ICICI Bank	Financials	India	0.6	16.0
Daikin Industries	Industrials	Japan	0.6	15.9
OC Oerlikon	Industrials	Switzerland	0.6	15.5
BP	Energy	United Kingdom	0.6	15.5
Sumitomo Mitsui Financial	Financials	Japan	0.6	15.4
Capgemini	Information Technology	France	0.6	15.3
Moeller-Maersk	Industrials	Denmark	0.6	15.1
Centrica	Utilities	United Kingdom	0.6	15.0
Deutsche Börse	Financials	Germany	0.6	14.9
Eni	Energy	Italy	0.6	14.8
Sberbank Of Russia	Financials	Russia	0.6	14.7
Royal Bank Of Scotland	Financials	United Kingdom	0.6	14.6
Ericsson	Information Technology	Sweden	0.6	14.6
Check Point Software Technology	Information Technology	Israel	0.6	14.5
Standard Chartered	Financials	United Kingdom	0.6	14.1
Cisco Systems	Information Technology	United States	0.6	14.0
BNP Paribas	Financials	France	0.5	13.6
Rolls Royce	Industrials	United Kingdom	0.5	13.5
Solocal	Consumer Discretionary	France	0.5	13.5
Express Scripts Holding	Health Care	United States	0.5	13.4
Johnson & Johnson	Health Care	United States	0.5	13.4
Grupo Financiero Santander	Financials	Mexico	0.5	13.1
Schneider Electric	Industrials	France	0.5	13.0
Capita	Industrials	United Kingdom	0.5	13.0
Lam Research	Information Technology	United States	0.5	12.9
SoftBank	Telecommunication Services	Japan	0.5	12.9
Teradata	Information Technology	United States	0.5	12.9
Macquarie	Financials	Australia	0.5	12.6
London Stock Exchange	Financials	United Kingdom	0.5	12.6
Inovalon	Health Care	United States	0.5	12.5
Ambev	Consumer Staples	Brazil	0.5	12.1
Santen Pharmaceutical	Health Care	Japan	0.5	12.1
Lloyds Banking Group	Financials	United Kingdom	0.5	12.0
Anta Sports Products	Consumer Discretionary	Hong Kong	0.5	11.6
Citigroup	Financials	United States	0.5	11.6
InterContinental	Financials	United States	0.5	11.5
Sonic Healthcare	Health Care	Australia	0.5	11.5
BorgWarner	Consumer Discretionary	United States	0.5	11.5
Accor	Consumer Discretionary	France	0.5	11.5
Nintendo	Information Technology	Japan	0.5	11.5

Stock	Sector	Country of listing	% of quoted equities	Value £m
Aristocrat Leisure	Consumer Discretionary	Australia	0.5	11.3
DSM	Materials	Netherlands	0.5	11.3
Galaxy Entertainment	Consumer Discretionary	Hong Kong	0.4	11.2
Galp Energia	Energy	Portugal	0.4	11.1
Bank of America	Financials	United States	0.4	11.0
Roche	Health Care	Switzerland	0.4	11.0
Charles Schwab	Financials	United States	0.4	10.9
Taiwan Semiconductor Manufacturing	Information Technology	Taiwan	0.4	10.9
Wells Fargo	Financials	United States	0.4	10.9
Mastercard	Information Technology	United States	0.4	10.8
CME Group	Financials	United States	0.4	10.7
International Business Machines	Information Technology	United States	0.4	10.6
DIA	Consumer Staples	Spain	0.4	10.6
FTI Consulting	Industrials	United States	0.4	9.8
Carsales.com	Information Technology	Australia	0.4	9.8
Applus Services	Industrials	Spain	0.4	9.8
Prada	Consumer Discretionary	Italy	0.4	9.7
Sanofi	Health Care	France	0.4	9.4
Marks & Spencer	Consumer Discretionary	United Kingdom	0.4	9.3
South32	Materials	Australia	0.4	9.3
MYOB	Information Technology	Australia	0.4	9.0
Philip Morris International	Consumer Staples	United States	0.4	8.9
DONG Energy	Utilities	Denmark	0.4	8.7
Naspers	Consumer Discretionary	South Africa	0.3	8.4
Ansell	Health Care	Australia	0.3	8.3
Malaysia Airports	Industrials	Malaysia	0.3	8.3
Tesco	Consumer Staples	United Kingdom	0.3	8.2
Celgene	Health Care	United States	0.3	8.2
Kimberly - Clark de Mexico	Consumer Staples	Mexico	0.3	8.2
Sands China	Consumer Discretionary	Hong Kong	0.3	7.9
TS Tech	Consumer Discretionary	Japan	0.3	7.4
QUALCOMM	Information Technology	United States	0.3	7.3
Hengan International Group	Consumer Staples	Cayman Islands	0.3	6.5
Daiichi Sankyo	Consumer Discretionary	Japan	0.3	6.3
Alibaba	Information Technology	Cayman Islands	0.2	5.3
ARYZTA	Consumer Staples	Switzerland	0.2	5.1
Gafisa	Consumer Discretionary	Brazil	0.2	4.8
Bank Central Asia	Financials	Indonesia	0.2	4.4
British American Tobacco	Consumer Staples	United Kingdom	0.2	4.2
B3	Financials	Brazil	0.2	4.0
JD.com	Consumer Discretionary	Cayman Islands	0.1	3.1
CP ALL	Consumer Staples	Thailand	0.1	3.1
Housing Development Finance	Financials	India	0.1	2.9
Itau Unibanco	Financials	Brazil	0.1	2.8
Telekomunikasi Indonesia	Telecommunication Services	Indonesia	0.1	2.5
Heineken	Consumer Staples	Netherlands	0.1	2.4
MercadoLibre	Information Technology	United States	0.1	2.3
CK Hutchison	Industrials	Cayman Islands	0.1	2.1
Moscow Exchange	Financials	Russia	0.1	2.1
Grupo Aeroportuario del Sureste	Industrials	Mexico	0.1	2.0
ALROSA	Materials	Russia	0.1	1.9
NVIDIA	Information Technology	United States	0.1	1.8

# Company Portfolio Review

## continued

Equity holdings as at 30 June 2017 continued

Stock	Sector	Country of listing	% of quoted equities	Value £m
Bank Rakyat	Financials	Indonesia	0.1	1.7
Raia Drogasil	Consumer Staples	Brazil	0.1	1.7
InterGlobe Aviation	Industrials	India	0.1	1.6
OTP Bank	Financials	Hungary	0.1	1.6
Grupo Aeroportuario del Pacifico	Industrials	Mexico	0.1	1.5
Credicorp	Financials	Bermuda	0.1	1.4
Yandex	Information Technology	Netherlands	0.1	1.4
Bancolombia	Financials	Colombia	0.1	1.4
Reliance Industries	Energy	India	0.1	1.3
Infraestructura Energetica Nova	Utilities	Mexico	0.1	1.3
Sarana Menara	Telecommunication Services	Indonesia	0.1	1.2
Guangdong Investment	Utilities	Hong Kong	0.1	1.2
Hyundai Mobis	Consumer Discretionary	South Korea	0.0	1.2
Grupo Financiero Galicia	Financials	Argentina	0.0	1.1
Gedeon Richter	Health Care	Hungary	0.0	1.1
Enel Americas	Utilities	Chile	0.0	1.1
Gudang Garam	Consumer Staples	Indonesia	0.0	1.1
Pampa Energia	Utilities	Argentina	0.0	1.0
Energisa	Utilities	Brazil	0.0	1.0
TAESA	Utilities	Brazil	0.0	1.0
Severstal	Financials	Russia	0.0	0.8
Shinhan Financial	Financials	South Korea	0.0	0.8
China Resources Land	Utilities	Bermuda	0.0	0.8
Qualicorp	Health Care	Brazil	0.0	0.8
LUKOIL	Energy	Russia	0.0	0.6
Rosneft Oil	Energy	Russia	0.0	0.6
Hong Kong and China Gas Co	Utilities	Hong Kong	0.0	0.5
TAV Havalimanlari	Industrials	Turkey	0.0	0.2
			100%	Total value 2,463.9

## Investment in operating subsidiary company as at 30 June 2017

Investment	Region	Value £m
Alliance Trust Savings	United Kingdom	61.5
		Total Value 61.5

## Non-core investments as at 30 June 2017

Investment	Region	Value £m
Private Equity	United Kingdom/Europe	97.0
Mineral Rights	North America	14.1
Luxcellence Liontrust Sustainable Future Pan-European Equity Fund	Luxembourg	79.1
Liontrust Sustainable Future Cautious Managed Fund	United Kingdom	12.7
Liontrust Sustainable Future Defensive Managed Fund	United Kingdom	12.4
Liontrust Asset Management PLC	United Kingdom	22.8
Other	United Kingdom	0.1
		Total Value 238.2

## Total investments as at 30 June 2017

Investment	Value £m
Equities	2,463.9
Investment in operating subsidiary company	61.5
Non-core investments	238.2
Total Value 2,763.6	

Source: WTW.

A full portfolio listing, similar to that displayed above, is available on a monthly basis on our website at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

# Other Information

## Risks and Uncertainties

In order to achieve its investment objectives the Company invests in quoted securities and in its subsidiary business. It also has non-core investments in other asset classes and financial instruments. Its principal risks and uncertainties are therefore:

- Market and Prudential – investment underperformance and liquidity
- Operational – change of investment manager and cyber attack
- Strategic – external factors and subsidiary underperformance
- Regulatory & Conduct – regulatory non-compliance

These risks, and the way in which they are managed, are described in more detail within the Risk section on pages 22 to 24 of the Annual Report for the year ended 31 December 2016, which is available on the Company's website at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk).

The sale of Alliance Trust Investments completed during the period and, since 1 April 2017, the management of the Company's Operational and Regulatory & Conduct risks is now supported by WTW. Having transitioned to our new investment structure the risks associated with the change of investment manager have diminished.

The Board has considered the impact of Brexit and of the recent general election and believes that while these may lead to an element of market volatility, the global nature of the investments of the Company are such that neither of these factors are specifically believed to increase the risk of investment underperformance over the long term.

## Related Party Transactions

In the period the Company repurchased 95,478,576 shares from Elliott International L.P., The Liverpool Limited Partnership and Elliott Associates L.P., at a discount of 4.75% to NAV at a total cost of £633m. There were no other transactions with related parties during the six months ended 30 June 2017 which have a material effect on the results or the financial position of the Company.

## Buybacks

The share buyback programme was continued throughout the period, and accommodated the purchase of Elliott's 20% stake during March. As supply and demand has moved towards a state of equilibrium, share buybacks have reduced in number and scale during the second quarter of 2017.

## Consolidation

The Annual Report for the year ended 31 December 2016 presented both Company only financial statements of the Company as well as consolidated Group financial statements consisting of the Company and its wholly owned subsidiary Alliance Trust Services Limited (ATSL). This was because the activities of ATSL were previously material to the Company, which is no longer the case given a cessation of the services provided due to the new investment approach. The Board has therefore decided that, on the basis of materiality, it is now appropriate to no longer prepare consolidated financial statements, and to now present the results of the Company on a Company only basis. This interim report presents prior period Company only results to ensure consistency. The Company continues to recognise its subsidiaries as investments at fair value through the income statement.

## Going Concern Statement

The factors impacting on Going Concern are set out in detail on page 37 of the Annual Report for the year ended 31 December 2016.

As at 30 June 2017 there have been no significant changes to these factors. The Directors, who have reviewed budgets, forecasts and sensitivities, consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe it is appropriate to continue to adopt the going concern basis for preparing the financial statements.

## Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
- The interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board



Lord Smith of Kelvin  
Chairman  
26 July 2017

# Financial Statements

## Income statement (unaudited)\*

For the period ended 30 June 2017

£000	Note	6 months to 30 June 2017			6 months to 30 June 2016			Year to 31 Dec 2016 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Revenue</b>										
Income	3	37,473	-	37,473	50,775	-	50,775	84,783	-	84,783
Profit on fair value designated investments		-	298,595	298,595	-	188,713	188,713	-	591,755	591,755
Loss on fair value of debt		-	(2,000)	(2,000)	-	(12,670)	(12,670)	-	(9,800)	(9,800)
<b>Total Revenue</b>		<b>37,473</b>	<b>296,595</b>	<b>334,068</b>	<b>50,775</b>	<b>176,043</b>	<b>226,818</b>	<b>84,783</b>	<b>581,955</b>	<b>666,738</b>
Administrative expenses		(4,193)	(4,225)	(8,418)	(3,861)	(3,825)	(7,686)	(7,960)	(8,810)	(16,770)
Finance costs	4	(1,009)	(2,024)	(3,033)	(1,381)	(2,762)	(4,143)	(2,586)	(5,107)	(7,693)
Loss on revaluation of office premises		-	-	-	-	-	-	-	(40)	(40)
Foreign exchange gains/(loss)		-	6,807	6,807	-	4,691	4,691	-	(2,527)	(2,527)
<b>Profit before tax</b>		<b>32,271</b>	<b>297,153</b>	<b>329,424</b>	<b>45,533</b>	<b>174,147</b>	<b>219,680</b>	<b>74,237</b>	<b>565,471</b>	<b>639,708</b>
Tax	5	(2,850)	-	(2,850)	(3,211)	-	(3,211)	(8,367)	(2,248)	(10,615)
<b>Profit for the period/year</b>		<b>29,421</b>	<b>297,153</b>	<b>326,574</b>	<b>42,322</b>	<b>174,147</b>	<b>216,469</b>	<b>65,870</b>	<b>563,223</b>	<b>629,093</b>

All profit for the period/year is attributable to equity holders.

## Earnings per share attributable to equity holders

Basic (p per share)	7	7.78	78.54	86.32	8.20	33.73	41.93	12.77	109.23	122.00
Diluted (p per share)	7	7.77	78.43	86.20	8.18	33.68	41.86	12.76	109.06	121.82

## Statement of comprehensive income (unaudited)\*

£000	Note	6 months to 30 June 2017			6 months to 30 June 2016			Year to 31 Dec 2016 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Profit for the period/year</b>										
		<b>29,421</b>	<b>297,153</b>	<b>326,574</b>	<b>42,322</b>	<b>174,147</b>	<b>216,469</b>	<b>65,870</b>	<b>563,223</b>	<b>629,093</b>
Items that will not be reclassified subsequently to profit or loss:										
Defined benefit plan net actuarial loss and expenses	8	-	(46)	(46)	-	(26,112)	(26,112)	-	(26,637)	(26,637)
Retirement benefit obligations deferred tax		-	-	-	-	-	-	-	4,478	4,478
Other comprehensive loss		-	(46)	(46)	-	(26,112)	(26,112)	-	(22,159)	(22,159)
<b>Total comprehensive income for the period/year</b>		<b>29,421</b>	<b>297,107</b>	<b>326,528</b>	<b>42,322</b>	<b>148,035</b>	<b>190,357</b>	<b>65,870</b>	<b>541,064</b>	<b>606,934</b>

All total comprehensive income for the period/year is attributable to equity holders.

\* The accounts are presented as Company only, see Note 2.

**Statement of changes in equity (unaudited)\***

For the period ended 30 June 2017

£000	6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 Dec 2016 (audited)
<b>Called up share capital</b>			
At 1 January	12,319	13,160	13,160
Own shares purchased and cancelled in the period/year	(3,493)	(285)	(841)
At 30 June / 31 December	8,826	12,875	12,319
<b>Capital reserves</b>			
At 1 January	2,508,359	2,163,026	2,163,026
Profit for the period/year	297,153	174,147	563,223
Defined benefit plan actuarial loss	(46)	(26,112)	(22,159)
Own shares purchased and cancelled in the period/year	(969,102)	(56,171)	(195,841)
Share based payments	-	223	110
At 30 June / 31 December	1,836,364	2,255,113	2,508,359
<b>Merger reserve</b>			
At 1 January, 30 June and 31 December	645,335	645,335	645,335
<b>Capital redemption reserve</b>			
At 1 January	6,679	5,838	5,838
Own shares purchased and cancelled in the period/year	3,493	285	841
At 30 June / 31 December	10,172	6,123	6,679
<b>Revenue reserve</b>			
At 1 January	111,450	111,921	111,921
Profit for the period/year	29,421	42,322	65,870
Dividends	(25,176)	(32,001)	(66,329)
Unclaimed dividends (redistributed)/returned	66	(2)	(12)
At 30 June / 31 December	115,761	122,240	111,450
<b>Total equity</b>			
At 1 January	3,284,142	2,939,280	2,939,280
At 30 June / 31 December	2,616,458	3,041,686	3,284,142

\* The accounts are presented as Company only, see Note 2.

**Balance sheet (unaudited)\***

As at 30 June 2017

£000	Note	30 June 2017	30 June 2016	31 Dec 2016 (audited)
<b>Non-current assets</b>				
Investments held at fair value	10	2,763,573	3,343,951	3,474,197
Property, plant and equipment:				
Office premises		4,500	4,540	4,500
Other fixed assets		-	29	24
Pension scheme surplus	8	38	235	83
Deferred tax asset		72	1,238	72
		<b>2,768,183</b>	<b>3,349,993</b>	<b>3,478,876</b>
<b>Current assets</b>				
Outstanding settlements and other receivables		14,111	42,535	9,821
Recoverable overseas tax		3,080	2,754	2,997
Cash and cash equivalents		103,134	41,458	49,430
		<b>120,325</b>	<b>86,747</b>	<b>62,248</b>
<b>Total assets</b>		<b>2,888,508</b>	<b>3,436,740</b>	<b>3,541,124</b>
<b>Current liabilities</b>				
Outstanding settlements and other payables		(16,118)	(68,057)	(14,051)
Tax payable		(3,991)	(3,991)	(3,991)
Bank loans	13	(131,000)	(200,000)	(120,000)
		<b>(151,109)</b>	<b>(272,048)</b>	<b>(138,042)</b>
<b>Total assets less current liabilities</b>		<b>2,737,399</b>	<b>3,164,692</b>	<b>3,403,082</b>
<b>Non-current liabilities</b>				
Unsecured fixed rate loan notes	13	(120,800)	(121,670)	(118,800)
Deferred tax liability		(72)	(1,238)	(72)
Amounts payable under long term Investment Incentive Plan		(69)	(98)	(68)
		<b>(120,941)</b>	<b>(123,006)</b>	<b>(118,940)</b>
<b>Net assets</b>		<b>2,616,458</b>	<b>3,041,686</b>	<b>3,284,142</b>
<b>Equity</b>				
Share capital	14	8,826	12,875	12,319
Capital reserve		1,836,364	2,255,113	2,508,359
Merger reserve		645,335	645,335	645,335
Capital redemption reserve		10,172	6,123	6,679
Revenue reserve		115,761	122,240	111,450
<b>Total Equity</b>		<b>2,616,458</b>	<b>3,041,686</b>	<b>3,284,142</b>

All net assets are attributable to the equity holders.

\* The accounts are presented as Company only, see Note 2.

**Net asset value per ordinary share attributable to equity holders**

Basic (£)	9	£7.42	£5.91	£6.67
Diluted (£)	9	£7.41	£5.91	£6.67

## Cash flow statement (unaudited)

For the period ended 30 June 2017

£000	6 months to 30 June 2017	6 months to 30 June 2016*	Year to 31 Dec 2016 (audited)
<b>Cash flows from operating activities</b>			
Profit before tax	329,424	219,680	639,708
Adjustments for:			
Gains on investments	(298,595)	(188,713)	(591,755)
Loss on fair value of debt	2,000	12,670	9,800
Foreign exchange (gain)/loss	(6,807)	(4,691)	2,527
Depreciation	-	(122)	57
Disposals and transfers of fixed assets	(20)	-	(174)
Loss on revaluation of offices premises	-	-	40
Share based payment expense	-	223	110
Finance costs	3,033	4,143	7,693
Movement in pension scheme surplus	(1)	(19,465)	(15,360)
Operating cash flows before movements in working capital	29,034	23,725	52,646
Decrease/(Increase) in receivables	278	(7,528)	(392)
(Decrease)/Increase in payables	(4,650)	1,863	5,962
Net cash (outflow)/inflow from operating activities before income tax	24,662	18,060	58,216
Taxes paid	(2,933)	(4,482)	(12,129)
Net cash inflow from operating activities	21,729	13,578	46,087
<b>Cash flows from investing activities</b>			
Proceeds on disposal at fair value of investments through profit and loss	5,948,159	586,168	1,481,435
Purchase of investments at fair value through profit and loss	(4,936,674)	(398,933)	(1,054,086)
Disposal/(Purchase) of plant and equipment	44	389	(6)
Disposal of other intangible assets	-	920	917
Proceeds on transfer of property, plant and equipment to Group companies	-	-	395
Net cash inflow from investing activities	1,011,529	188,544	428,655
<b>Cash flows from financing activities</b>			
Dividends paid - Equity	(25,176)	(32,001)	(66,329)
Unclaimed dividends (redistributed)/returned	66	(2)	(12)
Purchase of own shares	(969,102)	(56,171)	(195,841)
Bank loan drawdowns	11,000	-	-
Repayment of borrowing	-	(90,000)	(170,000)
Interest payable	(3,149)	(4,148)	(7,570)
Net cash outflow from financing activities	(986,361)	(182,322)	(439,752)
Net increase in cash and cash equivalents	46,897	19,800	34,990
Cash and cash equivalents at beginning of period/year	49,430	16,967	16,967
Effect of foreign exchange rate changes	6,807	4,691	(2,527)
Cash and cash equivalents at the end of period/year	103,134	41,458	49,430

\* The accounts are presented as Company only, see Note 2.

## Notes to the financial statements

### 1 General Information

The information contained in this report for the period ended 30 June 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2016 has been delivered to the Registrar of Companies. The auditor's report on those financial statements was prepared under s495 and s496 of the Companies Act 2006. The report was not qualified, did not contain an emphasis of matter paragraph and did not contain statements under section 498(2) or (3) of the Companies Act.

The interim results are unaudited. They should not be taken as a guide to the full year.

### 2 Accounting Policies

#### Basis of preparation

The annual financial statements were prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU. The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU.

The Annual Report for the year ended 31 December 2016 presented both Company only financial statements of the Company as well as consolidated Group financial statements consisting of the Company and its wholly owned subsidiary Alliance Trust Services Limited (ATSL). This was because the activities of ATSL were previously material to the Company, which is no longer the case given a cessation of the services provided due to the new investment approach. The Board has therefore decided that, on the basis of materiality, it is now appropriate to no longer prepare consolidated financial statements, and to now present the results of the Company on a Company only basis. This interim report presents prior period Company only results to ensure consistency. The Company continues to recognise its subsidiaries as investments at fair value through the income statement.

#### Going concern

The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

#### Segmental reporting

The Company has identified a single operating segment, the investment trust, which aims to maximise shareholders returns. As such no segmental information has been included in these financial statements.

#### Application of accounting policies

The same accounting policies, presentations and methods of computation are followed in these financial statements as were applied in the Group's last annual audited financial statements with the exception of the changes that have been made to the basis of preparation.

#### Group Consolidation

The Company qualifies as an investment entity under IFRS 10 meeting all the key characteristics and as a result recognises its subsidiaries as investments at fair value through the income statement.

All subsidiaries within the Group are valued at fair value through the income statement as they do not provide services that relate directly to the investment activities of the Company or they are themselves regarded as an investment entity.

## Notes to the financial statements

### 3 Income

£000	6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 Dec 2016
Deposit interest	23	(1)	4
Dividend income	35,661	49,950	82,903
Mineral rights income	1,453	826	1,685
Property rental income	335	-	-
Recharged costs	1	-	191
<b>Total income</b>	<b>37,473</b>	<b>50,775</b>	<b>84,783</b>

### 4 Finance Costs

£000	6 months to 30 June 2017			6 months to 30 June 2016			Year to 31 Dec 2016		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Bank loans and unsecured fixed rate loan notes	1,009	2,024	3,033	1,381	2,762	4,143	2,586	5,107	7,693
<b>Total finance costs</b>	<b>1,009</b>	<b>2,024</b>	<b>3,033</b>	<b>1,381</b>	<b>2,762</b>	<b>4,143</b>	<b>2,586</b>	<b>5,107</b>	<b>7,693</b>

Finance costs include interest of £2.2m (£2.2m at 30 June 2016 and £4.3m at 31 December 2016) on the £100m 4.28% unsecured fixed rate loan notes which were drawn down in July 2014 for 15 years.

### 5 Taxation

UK corporation tax for the period to 30 June 2017 is calculated at the average rate of 19.3% (20.0% for the period to 30 June 2016) of the estimated assessable profit for the period. A reduction in the main rate of UK corporation tax to 19.3% was substantively enacted in April 2017. Taxation for overseas jurisdictions is calculated at the rates prevailing in the respective jurisdictions, such taxation mainly comprises withholding taxes levied on the investment returns generated on foreign investments such as overseas dividend income.

### 6 Dividends paid

£000	6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 Dec 2016
Fourth interim dividend for the year ended 31 December 2015 of 3.3725p per share	-	17,473	17,473
First interim dividend for the year ended 31 December 2016 of 2.8250p per share	-	14,528	14,528
Second interim dividend for the year ended 31 December 2016 of 2.8250p per share	-	-	14,528
Third interim dividend for the year ended 31 December 2016 of 3.8500p per share	-	-	19,800
Fourth interim dividend for the year ended 31 December 2016 of 3.2740p per share	13,507	-	-
First interim dividend for the year ended 31 December 2017 of 3.290p per share	11,669	-	-
	<b>25,176</b>	<b>32,001</b>	<b>66,329</b>

## Notes to the financial statements

### 7 Earnings Per Share

#### From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

£000	6 months to 30 June 2017			6 months to 30 June 2016			Year to 31 Dec 2016		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Ordinary shares</b>									
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	29,421	297,153	326,574	42,322	174,147	216,469	65,870	563,223	629,093
<b>Number of shares</b>									
Weighted average number of ordinary shares for the purposes of basic earnings per share		378,350,366			516,332,453			515,646,212	
Weighted average number of ordinary shares for the purposes of diluted earnings per share		378,870,625			517,100,606			516,414,688	

The diluted figure is the weighted average of the entire number of shares in issue.

The weighted average number of ordinary shares is arrived at by excluding 456,886 (698,062 at 30 June 2016 and 698,062 at 31 December 2016) ordinary shares held by the Trustee of the Employee Benefit Trust.

IAS 33.41 requires that shares should only be treated as dilutive if they decrease earnings per share or increase the loss per share. The earnings per share figures on the income statement reflect this.

### 8 Pension Schemes

The Company sponsors two pension arrangements.

The Alliance Trust Companies' Pension Fund (the 'Scheme') is a funded defined benefit pension scheme which was closed to future accrual on 2 April 2011. On 31 May 2016 the Trustees of the Scheme purchased an annuity with Legal & General. The purpose of this transaction was to align the assets of the Scheme with long-term liabilities and to reduce risk on long-term liabilities.

Employees are entitled to receive contributions into their own Self Invested Personal Pension ('SIPP') provided by ATS.

#### Defined Benefit Scheme

The 2016 Annual Report contains disclosure of the funding and purchase of an annuity policy by the Trustees of the Scheme with Legal & General in May 2016 to match the Scheme's liabilities to its members. The Statement of Comprehensive Income for the period to June 2017 reports a defined benefit plan actuarial loss and expenses of £46,000 (30 June 2016 net actuarial loss of £26.1 million and 31 December 2016 net actuarial loss of £26.6 million). Given the purchase of the annuity policy the assets of the Scheme are matched to the long-term liability obligations and the actuarial loss represents the movement in the period on the Scheme bank account.

	30 June 2017	30 June 2016	31 Dec 2016
	% per annum	% per annum	% per annum
Retail Price Index Inflation	3.60	3.30	3.65
Consumer Price Index Inflation	2.70	2.40	2.75
Rate of discount	2.55	3.25	2.70
Allowance for pension in payment increases of RPI (subject to a maximum increase of 5% p.a)	3.45	3.20	3.50
Allowance for revaluation of deferred pensions of CPI (subject to a maximum increase of 5% p.a)	2.70	2.40	2.75

## Notes to the financial statements

### 9 Net Asset Value Per Ordinary Share

The calculation of the net asset value per ordinary share is based on the following:

	30 June 2017	30 June 2016	31 Dec 2016
Equity shareholder funds (£000)	2,616,458	3,041,686	3,284,142
Number of shares at period end - Basic	352,542,360	514,277,739	492,005,870
Number of shares at period end - Diluted	352,999,246	514,975,801	492,703,932

The number of ordinary shares has been reduced by 456,886 (698,062 at 30 June 2016 and 698,062 at 31 December 2016) ordinary shares held by the Trustee of the Employee Benefit Trust in order to arrive at the Basic figures above.

### 10 Hierarchical valuation of financial instruments

The Company refines and modifies its valuation techniques as markets develop. While the Company believes its valuation techniques to be appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of fair value at the balance sheet date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table analyses the fair value measurements for the Company's assets and liabilities measured by the level in the fair value hierarchy in which the fair value measurement is categorised at 30 June 2017. All fair value measurements disclosed are recurring fair value measurements.

Company valuation hierarchy fair value through income statement

£000	As at 30 June 2017			Total
	Level 1	Level 2	Level 3	
Listed investments	2,590,883	-	-	2,590,883
Foreign exchange contracts	-	(1)	-	(1)
<b>Unlisted investments</b>				
Private Equity	-	-	96,959	96,959
Alliance Trust Savings	-	-	61,500	61,500
Mineral rights	-	-	14,109	14,109
Other	-	-	123	123
	2,590,883	(1)	172,691	2,763,573

£000	As at 30 June 2016			Total
	Level 1	Level 2	Level 3	
Listed investments	3,124,036	-	-	3,124,036
Foreign exchange contracts	-	4,690	-	4,690
<b>Unlisted investments</b>				
Private Equity	-	-	124,500	124,500
Alliance Trust Savings	-	-	54,000	54,000
Alliance Trust Investments	-	-	19,800	19,800
Alliance Trust Finance	-	-	720	720
Mineral rights	-	-	14,778	14,778
Other	-	-	1,427	1,427
	3,124,036	4,690	215,225	3,343,951

## Notes to the financial statements

### 10 Hierarchical valuation of financial instruments

£000	As at 31 Dec 2016			Total
	Level 1	Level 2	Level 3	
Listed investments	3,250,069	-	-	3,250,069
Foreign exchange contracts	-	6,853	-	6,853
<b>Unlisted investments</b>				
Private Equity	-	-	113,007	113,007
Alliance Trust Savings	-	-	61,500	61,500
Alliance Trust Investments	-	-	28,276	28,276
Mineral rights	-	-	13,187	13,187
Other	-	-	1,305	1,305
	3,250,069	6,853	217,275	3,474,197

There have been no transfers during the year between Levels 1, 2 and 3.

#### Fair Value Assets in Level 1

The quoted market price used for financial investments held by the Company is the current bid price. These investments are included within Level 1 and comprise of equities and derivatives.

#### Fair Value Assets in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates.

#### Fair Value Assets in Level 3

From 1 April 2017 Level 3 assets, excluding the valuation of Alliance Trust Savings (ATS), are reviewed at least annually by the Valuation Committee of Willis Towers Watson (WTW) who are assigned responsibility for valuation by the Board of the Company. Prior to this date, valuation responsibility was assigned to the Valuation Committee of Alliance Trust Investments. The valuation of Alliance Trust Savings is reviewed at least annually by the Audit and Risk Committee with valuations recommended to the Board of the Company. The WTW Valuation Committee considers the appropriateness of the valuation models and inputs, using the various valuation methods in accordance with the Company's valuation policy. The WTW Valuation Committee will determine and advise the Board of the Company on the appropriateness of any valuation of the underlying assets.

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy.

£000	June 17	June 16	Dec 16
Balance at 1 January	217,275	220,790	220,790
Net gain/(loss) from financial instruments at fair value through profit or loss	9,390	(17,304)	1,551
Purchases at cost	1,823	17,817	18,629
Sales proceeds	(49,948)	(9,187)	(37,308)
Realised (gain)/loss on sale	(5,849)	3,109	13,613
Balance at 30 June / 31 December	172,691	215,225	217,275

Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £124.9m (£168.0m at 30 June 2016 and £169.8m at 31 December 2016) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association issued in December 2015 and where applicable external valuations. This includes a valuation of ATS at £61.5m (£54.0m at 30 June 2016 and £61.5m at 31 December 2016). This represents the Directors' view of the amount for which the subsidiary could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the Company currently has any intention to sell the subsidiary in the future. The Directors have used several valuation methodologies as described in the guidelines to arrive at their best estimate of fair value, including discounted cash flow calculations, revenue and earnings multiples and recent market transactions where available. Alliance Trust Investments Limited (ATI), reported with a fair value of £28.3m as at 31 December 2016, was sold to Liontrust Asset Management PLC in April 2017 for consideration consisting of Liontrust ordinary shares, cash and contingent deferred consideration.

The Directors assessed the fair value of ATS. No change has been made to the fair valuation of ATS as at 30 June 2017. As part of the ongoing review of fair value, the Directors will assess the fair value of ATS prior to the year end.

The fair value of ATI as at 31 December 2016 was based on the value of the sale transaction to Liontrust Asset Management PLC. This valuation was based on the fair value of Liontrust shares used as consideration and the net asset value of ATI excluding any deferred contingent amounts. This transaction was concluded on 1 April 2017.

## Notes to the financial statements

### 10 Hierarchical valuation of financial instruments

Mineral rights are carried at fair value and are valued in the Company's accounts at £14.1m (£14.8m at 30 June 2016, £13.2m at 31 December 2016) being the Directors' estimate of their fair value, using the guidelines and methodologies on valuation published by the Oklahoma Tax Commission and for non-producing properties, the Lierle US Price Report.

The table below details how an increase or decrease in the input variables would impact the valuation disclosed for the relevant Level 3 assets.

£000 Investment	Fair Value		Unobservable inputs	Input	Input sensitivity +/-	Change in valuation +/-
	at June 17	Valuation Method				
Alliance Trust Savings	61,500	Average of discounted cash flow	DCF Discount rate	12.5%	0.5	3,800/(3,500)
Mineral rights	14,109	Oklahoma Tax Commission multiples and Lierle US Price report (for non producing properties)	Revenue multiple - gas	7	1	1,300/(1,300)
			Revenue multiple - oil	4	1	700/(700)
			Revenue multiple - products/condensate	4	1	600/(600)
			Average bonus multiple non producing	1	0.5	1,600/(1,600)

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For ATS the Board has taken advice from an external valuer to apply a degree of independence and external challenge into the valuation. For mineral rights, an increase in the revenue multiple and average bonus multiple would lead to an increase in the estimated value.

Private equity investments, both fund-of-fund and direct, included under Level 3, are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in December 2015. Unlisted investments in private equity are stated at the valuation as determined by the WTW Valuation Committee based on information provided by the General Partner. The General Partner's policy in valuing unlisted investments is to carry them at fair value. The General Partner will generally rely on the fund's investment manager's fair value at the last reported period, rolled forward for any cashflows. However, if the General Partner does not feel the manager is reflecting a fair value they will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value. In those circumstances the General Partner believes the most appropriate methodologies to use to value the underlying investments in the portfolio are: price of a recent investment, multiples, net assets, and industry valuation benchmarks. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). WTW receives information from the General Partner on the underlying investments which is subsequently reviewed by the WTW Valuation Committee. Where the WTW Valuation Committee does not feel that the valuation is appropriate, a recommendation of the appropriate fair value will be made to the Board of the Company.

No interrelationships between unobservable inputs used in the above valuations of Level 3 investments have been identified.

### 11 Financial Commitments

As at 30 June 2017 the Company had financial commitments, which have not been accrued, totaling £26.0m (£26.0m at 30 June 2016 and £28.5m at 31 December 2016). These amounts were in respect of uncalled subscriptions in investments in our private equity portfolio structured as limited partnerships ('LP'). This is the maximum amount that the Company may be required to invest. These LP commitments, which can include callable distributions received, may be called at any time up to an agreed contractual date. The Company may choose not to fulfil individual commitments but may suffer a penalty should it do so, the terms of which vary between investments.

The Company has provided letters of comfort in connection with banking facilities made available to certain of its subsidiaries. The Company provided letters to AT2006 and ATREP GP confirming ongoing support for at least 12 months from the date the annual financial statements were signed, to make sufficient funds available if needed to enable them to continue trading, meet commitments and not to seek repayment of any amounts outstanding.

The Company provides ongoing regulatory support for ATS in the context of its role as a consolidated bank holding company when required.

### 12 Share Based Payments

The Company operates three share based payment schemes. Full details of these schemes (Long Term Incentive Plan (LTIP), Deferred Bonus and All Employee Share Ownership Plan (AESOP)) are disclosed in the December 2016 Annual Report and financial statements and the basis of measuring fair value is consistent with that disclosed therein.

## Notes to the financial statements

### 12 Share Based Payments Long Term Incentive Plan ('LTIP')

Details of the LTIP awards are disclosed in the 2016 Annual Report.

The Company continues to operate the 2015 LTIP.

In the period ended 30 June 2017 no new awards were made and no Company shares were purchased (nil at 30 June 2016 and 31 December 2016). There was no charge to the Company income statement during the period in respect of LTIP awards (£213,000 at 30 June 2016 and £1,000 at 31 December 2016).

### 13 Bank loans and unsecured fixed rate loan notes

£000	As at 30 June 2017	As at 30 June 2016	As at 31 Dec 2016
Bank loans repayable within one year	131,000	200,000	120,000
<b>Analysis of borrowings by currency:</b>			
Bank loans - Sterling	131,000	200,000	120,000
<b>The weighted average % interest rates payable:</b>			
Bank loans	0.97%	1.24%	0.96%
<b>The Directors' estimate of the fair value of the borrowings:</b>			
Bank loans	131,000	200,000	120,000
Unsecured fixed rate loan notes	120,800	121,670	118,800
<b>The effective interest rates payable:</b>			
Unsecured fixed rate loan notes	2.29%	2.33%	2.52%

£100m of unsecured fixed rate loan notes were drawn down in July 2014, over 15 years at 4.28%. The basis of the fair value estimate is disclosed in the Annual Report.

<b>The total weighted average % interest rates payable:</b>	2.40%	2.25%	2.47%
---	-------	-------	-------

### 14 Share Capital

£000	As at 30 June 2017	As at 30 June 2016	As at 31 Dec 2016
Allotted, called up and fully paid:			
352,999,246 (514,975,801 at 30 June 2016 and 492,703,932 at 31 December 2016) ordinary shares of 2.5p each	8,826	12,875	12,319

#### Share Buybacks

£000	As at 30 June 2017	As at 30 June 2016	As at 31 Dec 2016
Ordinary shares of 2.5p each			
Opening share capital	12,319	13,160	13,160
Share buybacks	(3,493)	(285)	(841)
Closing share capital	8,826	12,875	12,319

# Useful Information

## Share investment

Alliance Trust PLC invests primarily in equities and aims to generate capital growth and a progressively rising dividend from its portfolio of investments.

Alliance Trust currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The shares in Alliance Trust may also be suitable for institutional investors who seek a combination of capital and income return. Private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested.

Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

## How to invest

One of the most convenient ways to invest in Alliance Trust is through one of the savings plans run by Alliance Trust Savings Limited who can be contacted online at: [www.alliancetrustsavings.co.uk/apply/](http://www.alliancetrustsavings.co.uk/apply/) or by calling Alliance Trust Savings on 01382 573737. Annual account charges and certain transaction costs will apply according to the type of plan.

Our shares can also be purchased through most online share dealing platforms that offer investment trusts or through your bank or stockbroker.

## Shareholder forums

We plan to hold more shareholder forums in the future, providing our shareholders with the opportunity to meet Alliance Trust's equity managers. You can hear from them directly about their investment approach and how they create their portfolios of best ideas. We will publish details of future forums on our website as soon as dates are confirmed. Previous investor presentations can also be found on our website ([www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)).

## Registrars

Our Registrars are:

Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH.

Telephone: 0370 889 3187

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company's registrars at the above address. You should also contact the registrars if you would like the dividends on shares registered in your own name to be sent to your bank or building society account. You may check your holdings and view other information about Alliance Trust shares registered in your own name at [www.computershare.com](http://www.computershare.com).

## Contact Us

If you have any questions about the Company, please contact us:

**By phone:** 01382 321010

**By email:** [investor@alliancetrust.co.uk](mailto:investor@alliancetrust.co.uk)

**By post:** 8 West Marketgait, Dundee DD1 1QN

# Contact

Alliance Trust PLC  
8 West Marketgait  
Dundee  
DD1 1QN  
Tel +44 (0)1382 321010  
**Email** [investor@alliancetrust.co.uk](mailto:investor@alliancetrust.co.uk)  
**www.alliancetrust.co.uk**