

## Trading Update for the 3 months to 31 March 2015

### Alliance Trust PLC

14 April 2015

### New investment team and refreshed strategy driving strong Q1 performance

#### Key Highlights

- Alliance Trust reiterates its focus on generating a real return for shareholders over the medium to long term through capital growth and rising dividend
- TSR was 6.9% and NAV TR 7.9% for the quarter which are now both ranked in the top or second quartile of the Global Sector peer group over 1 year
- The equity portfolio has outperformed the MSCI All Country World Index over 1, 3 and 6 months, reflecting the time since Peter Michaelis assumed the role of Head of Equities and Simon Clements was appointed to manage the equity portfolio of the Trust
- Share price continues to reach new all-time highs, exceeding 500p for the first time in March 2015 and reaching an all-time high of 523p
- This year will be an exciting period for both our subsidiaries and we remain confident that they will deliver long-term value for our shareholders:
  - Alliance Trust Investments (ATI) ended the quarter with over £2bn of third party assets under management (AUM). ATI has a pipeline of prospective institutional clients and the Monthly Income Bond Fund generated £26.2m of net inflows during the period
  - ATS increased account numbers and Assets under Administration (AUA) reached £7bn in March, before the pension changes come into effect in April and before the upgrade to the intermediary platform in the summer. Today AUA stands at £7.3bn
- The investment process and portfolio are well-positioned to deliver an increasing value of our shareholders' investments

Katherine Garrett-Cox, Chief Executive of Alliance Trust PLC, said:

*"We are pleased with the strong performance of Alliance Trust over the first three months of the year which we believe shows that our strategy is working. The Trust has outperformed the Global Sector over the first three months of the year, a continuation of the work Peter Michaelis and Simon Clements have done since they were appointed in September of last year. Both of our subsidiaries have also shown very encouraging progress and continue to grow, with Alliance Trust Investments seeing the strongest ever quarterly net inflows in its bond funds and Alliance Trust Savings exceeding £7 billion in assets under administration for the first time."*

## Trading Update for the 3 months to 31 March 2015

|                            | 31 March 2015 | Change (%) | Total Return (%) |
|----------------------------|---------------|------------|------------------|
| Share Price                | 509.5p        | 6.4        | 6.9              |
| NAV per share (inc income) | 587.6p        | 7.5        | 7.9              |
| Discount (inc income)      | 13.3%         |            |                  |

### Key Information

|                        |         |                        |               |
|------------------------|---------|------------------------|---------------|
| Total Assets (£m):     | 3,618.7 | EPIC Code:             | ATST          |
| Net Assets (£m):       | 3,238.7 | Year End:              | 31 December   |
| Total Borrowings (£m): | 380.0   | Date of Incorporation: | 21 April 1888 |
| Gross gearing:         | 11.7%   | Issued Share Capital:  | 552,334,146   |

Dividends paid: April, June, September, December  
 Ongoing Charges Ratio (to 31 Dec 14): 0.60%

Source: Alliance Trust

### Performance Summary

We present below the performance of the Trust on a Total Shareholder Return (TSR) and a Net Asset Value Total Return (NAV TR) basis, over a range of timeframes from 3 months to 7 years. Over most of these timeframes, the Trust is outperforming the Morningstar Global Sector Index and also is ranked above median relative to its peers in the sector. This shows the consistency of performance that we are targeting.

| NAV TR                      | 3 Month | 6 Month | 1 Year  | 3 Years | 5 Years | 7 Years |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| Alliance Trust              | 7.9%    | 14.6%   | 18.0%   | 43.3%   | 53.0%   | 71.3%   |
| Global Sector               | 7.4%    | 12.1%   | 16.1%   | 45.6%   | 57.6%   | 70.6%   |
| Peer group ranking          | 14 / 36 | 9 / 36  | 7 / 35  | 16 / 34 | 17 / 32 | 13 / 30 |
| Peer group Quartile Ranking | Q2      | Q1      | Q1      | Q2      | Q3      | Q2      |
| TSR                         |         |         |         |         |         |         |
| Alliance Trust              | 6.9%    | 13.8%   | 14.8%   | 48.5%   | 68.2%   | 84.9%   |
| Global Sector               | 6.6%    | 12.1%   | 17.0%   | 51.6%   | 69.1%   | 74.6%   |
| Peer group ranking          | 15 / 36 | 14 / 36 | 15 / 35 | 18 / 34 | 13 / 32 | 16 / 30 |
| Peer group Quartile Ranking | Q2      | Q2      | Q2      | Q3      | Q2      | Q3      |

Source : Alliance Trust and Morningstar  
 Data as at 31 March 2015

We believe this shows we have delivered strong shareholder returns over both short and long term horizons. Our 5 year annualised TSR to 31 March 2015 was 11.0%, ahead of the 9.9% median for our peers, while our annualised volatility for the same period was just 11.9%, below the 13.2% peer median. This demonstrates not only that we have consistently outperformed most of our peer group in terms of returns, but also that we have achieved this with less volatility and risk for our shareholders.

We have created and protected investor wealth for generations and have delivered an unbroken and almost unequalled track record of increasing dividends for the past 48 years. During the last quarter, the share price reached an all-time high of 523p closing the period at 509p.

## **Board governance**

We recently reported our intention to initiate a search for a new, truly independent non-executive director in the summer as part of our ordinary Board forward planning. We confirm that we have accelerated this process and have appointed Russell Reynolds to undertake a broad, transparent and rigorous search. This search will be based on an assessment of the needs and challenges of the business and the skills and experience required to complement those of existing Board members. As part of this process any candidates put forward by our shareholders will be considered.

## **Portfolio update**

The equity portfolio, which is measured against the performance of the MSCI All Country World Index, has outperformed that index over 1, 3 and 6 months, which reflects the time since Peter Michaelis assumed the role of Head of Equities and Simon Clements was appointed to manage the equity portfolio of the Trust. This builds on their long-term track record of managing portfolios using their established investment process. In the last six months, Simon has concentrated the portfolio further, reducing the number of holdings from 84 to 69. In the last quarter, the changes have been to create positions in Equinix, Ambev, SS&C Technologies and Norsk Hydro. These have been funded by sales in stocks where the investment thesis had been reviewed and was less compelling than previously believed. These moves leave the portfolio unchanged in terms of its overall investment themes. The portfolio turnover over the previous 12 months has been 27%, although the majority of the trading took place as the portfolio was updated following Simon Clements' appointment. If we exclude this portfolio realignment, the average monthly turnover was 1.4%, or an annualised rate of 18%. The table below shows our top 20 holdings which now represent 45.3% of the portfolio.

Gross gearing fell slightly over the quarter from 12.6% to 11.7% and the total global equity exposure remains at 97% of NAV. The asset allocation mix is broadly unchanged over the quarter and remains consistent with our view that there are significant opportunities for equity investors over the medium and longer term balanced with our requirement for yield. At a sector level our investments in Financials, Information Technology and Health Care represent 61% of the overall portfolio.

## Alliance Trust Investments

|                           | 31 Dec 2014 | Net Fund Flows | Performance uplift | 31 March 2015 |
|---------------------------|-------------|----------------|--------------------|---------------|
| 3 <sup>rd</sup> Party AUM | £1,905m     | £23.4m         | £109.6m (5.7%)     | £2,038m       |

Alliance Trust Investments (ATI) leverages the Company's in-house investment capabilities by offering funds to third party investors to generate additional income. ATI now manages over £2bn on behalf of third parties. We have had our best net quarterly inflows into the bond fund since we launched the Monthly Income Bond Fund in 2010. The Alliance Trust Monthly Income Bond Fund is currently one of the highest yielding funds in the corporate bond sector with a net distribution yield of over 5.5% and we are seeing continuous recognition of the importance of a high income within the intermediary market.

Our Sustainable Future fund range and our Fixed Income funds continue to increase in popularity as intermediaries, charities, endowments and universities seek managers who can provide both a sustainable approach to investment and good returns. We are now one of the UK's leading Sustainable and Responsible Investment (SRI) managers and have a well-established track record of generating strong investment performance which compares favourably, not only with other SRI funds but also against traditional equity funds and broad industry benchmarks. 10 out of 13 funds are in the top two quartiles year to date. 6 out of 8 of the Alliance Trust Sustainable Future funds which have a three year track record are ranked above median relative to their sector. We have a pipeline of prospective institutional clients.

## Alliance Trust Savings

|          | As at<br>31 March 2015 | % increase /<br>(decrease) in Q1 |
|----------|------------------------|----------------------------------|
| AUA (£m) | £7,027m                | 9.2%                             |

Alliance Trust Savings (ATS) has had a good start to the year. Assets under Administration reached £7bn in March, much of which has come through intermediaries. This is before the pension changes come into effect in April and before the upgrade to the platform is rolled out to intermediaries in the summer. We believe that Alliance Trust Savings is well positioned to take full advantage of the changes happening in the savings and pensions market, having removed all set up fees on drawdown from 6 April.

## Outlook

The Trust's global equity team continues to look for opportunities to invest in well-managed companies with strong sustainable fundamentals. This can only be achieved by a thorough understanding of how the businesses operate and through close links to management. This emphasises how important it is to remain focused on the factors that drive stock specific returns over a three to five year time horizon. We remain convinced that the investment process and the portfolio are well positioned to deliver what our shareholders expect - increasing the value of their investments through capital growth and a rising dividend.

Alliance Trust Investments will continue to focus on the opportunities that our unique market position and strong investment performance have developed. Alliance Trust Savings is entering a new phase of growth and our new customer interface combined with the radical changes to the pensions market give us the opportunity to capitalise on the investments we have made in technology and human capital.

This year will be an exciting period for both our subsidiaries and we remain confident that they will deliver long-term value for our shareholders.

#### Asset Allocation (%)\*

|                                | 31-Mar-15    | 31-Dec-14    |
|--------------------------------|--------------|--------------|
| Equities                       | 97.0         | 97.0         |
| Fixed Income                   | 5.5          | 5.8          |
| Private Equity                 | 4.3          | 4.6          |
| Operating Subsidiaries         | 1.8          | 1.9          |
| Property                       | 0.1          | 0.2          |
| Cash & Other Net Assets        | 3.0          | 3.1          |
| <b>Gross Assets</b>            | <b>111.7</b> | <b>112.6</b> |
| Gearing                        | (11.7)       | (12.6)       |
| <b>Net Assets (inc income)</b> | <b>100.0</b> | <b>100.0</b> |

Source: Alliance Trust

#### Equity portfolio sector allocation (%)\*

|                            | 31-Mar-15 | 31-Dec-14 |
|----------------------------|-----------|-----------|
| Financials                 | 24.7      | 25.1      |
| Information Technology     | 19.0      | 17.9      |
| Health Care                | 17.3      | 17.9      |
| Consumer Discretionary     | 8.2       | 6.6       |
| Consumer Staples           | 8.0       | 8.4       |
| Industrials                | 7.9       | 7.8       |
| Energy                     | 5.3       | 5.4       |
| Materials                  | 5.1       | 4.3       |
| Utilities                  | 3.2       | 4.5       |
| Telecommunication Services | 1.3       | 2.1       |

Source: Alliance Trust

#### Equity portfolio geographic breakdown (%)\*

|                         | 31-Mar-15 | 31-Dec-14 |
|-------------------------|-----------|-----------|
| North America           | 48.7      | 49.3      |
| United Kingdom          | 20.9      | 21.9      |
| Europe Ex UK            | 20.7      | 19.2      |
| Asia & Emerging Markets | 9.7       | 9.6       |

Source: Alliance Trust

### Equity portfolio top 20 holdings\*

| 31 Dec 2014 | Change | 31 Mar 2015 | Holding         | % of Equity Portfolio (£m) |
|-------------|--------|-------------|-----------------|----------------------------|
| 4           | Up     | 1           | Pfizer          | 3.4                        |
| 2           | -      | 2           | CVS Caremark    | 3.3                        |
| 1           | Down   | 3           | Visa            | 3.2                        |
| 5           | Up     | 4           | Prudential      | 3.0                        |
| 3           | Down   | 5           | Walt Disney     | 3.0                        |
| 7           | Up     | 6           | Accenture       | 2.6                        |
| 8           | Up     | 7           | Express Scripts | 2.2                        |
| 14          | Up     | 8           | Blackstone      | 2.2                        |
| 10          | Up     | 9           | Amgen           | 2.1                        |
| 12          | Up     | 10          | Legal & General | 2.0                        |
| 16          | Up     | 11          | WPP             | 2.0                        |
| 9           | Down   | 12          | Qualcomm        | 2.0                        |
| 11          | Down   | 13          | Wells Fargo     | 2.0                        |
| 19          | Up     | 14          | Intesa Sanpaolo | 1.9                        |
| 6           | Down   | 15          | Google          | 1.9                        |
| 20          | Up     | 16          | Sanofi          | 1.8                        |
| 17          | -      | 17          | Swedbank        | 1.7                        |
| 13          | Down   | 18          | HSBC            | 1.7                        |
| 15          | Down   | 19          | National Grid   | 1.7                        |
| -           | New    | 20          | Danaher         | 1.6                        |

Source: Alliance Trust

\*Weightings are calculated on a look-through basis whereby the Trust's exposure is combined with that of its holdings in Alliance Trust Investments' funds in order to calculate total exposure.

## Alliance Trust PLC

### Objective

Alliance Trust is a self-managed investment company with investment trust status. Our objective is to be a core investment for investors seeking increasing value over the long term. We have no fixed asset allocation benchmark and we invest in a wide range of asset classes globally to achieve our objective.

Our focus is to generate a real return for shareholders over the medium to long term through a combination of capital growth and a consistently rising dividend. This is achieved by an ongoing dynamic process of investing in companies across the world and by investing in our subsidiaries, which we firmly believe add value for all our shareholders. Our aim is to grow our reputation as a widely recognised and trusted investment and savings business.

As a major investor and custodian for shareholders' savings, we take our governance and stewardship responsibilities very seriously. We adhere to the absolute highest standards of corporate governance. We are transparent about all aspects of our business including dividends, cost, charges, remuneration and our corporate governance which is not only a regulatory requirement but critical to the ability to deliver long-term dependable returns to our shareholders.

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