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1 October 2015

Dear Shareholder

Changes to enhance shareholder value

At our Interim Results in July, I acknowledged that the first half of 2015 had been a particularly challenging period for Alliance Trust. In the run up to our AGM, many of our shareholders indicated that they sought change. We have carefully considered the feedback we received and this is reflected in the changes we have announced today, which are explained in this letter.

The Board of Alliance Trust PLC believes these significant changes to the business will enhance shareholder value. They follow last year's appointment of a new equity investment team to manage a high quality global equity portfolio designed to generate growth in both capital and income, with a strong focus upon sustainability.

The changes, which follow a period of extensive consultation with a wide range of shareholders, better position Alliance Trust (the "Trust") to deliver consistent outperformance in a cost-effective manner.

Clear investment mandate to improve performance

- Focus on global equities and disposal of non-core investments
- Investment mandate to be awarded to Alliance Trust Investments (ATI) at a rate of 35bps on average NAV – one of the lowest in the industry
- Introduction of the MSCI All Country World Index (MSCI ACWI) as a formal benchmark, setting a clear measure against which to assess the Trust's performance

Reducing costs

- Targeting an Ongoing Charges Ratio of 45bps or less by the end of 2016 (60bps in 2014)
- Significant cost reduction programme delivering savings of £6m for 2016

Commitment to narrow the discount

- The measures announced today are expected to improve investment performance and narrow the discount
- Commitment to use share buybacks, as required, to narrow the discount into single figures

Continued overleaf >>

Alliance Trust PLC

8 West Marketgait, Dundee DD1 1QN T +44 (0)1382 321000 F +44 (0)1382 321185

E investor@alliancetrust.co.uk www.alliancetrust.co.uk

Dividend policy

- Continuing focus on delivery of progressive dividends
- All net income earned to be paid out as ordinary dividends

Simplifying the structure

- Board to become fully independent, consisting solely of non-executive directors
- Creation of independent boards for ATI and Alliance Trust Savings (ATS) to increase focus and accountability

Investment management mandate

The Board has carefully reviewed the most appropriate arrangements for the investment management of the Trust. The Board is open to the option of moving to an external manager or managers as an alternative to self-management in the future. However, having considered this option, it has concluded that it is in the best interests of all shareholders to continue with the recently appointed investment team. The Trust's equity portfolio has outperformed the MSCI ACWI by 2.3% (gross) since the team took over management of this portfolio in September 2014, with stock selection being a major contributor.¹

The Board has confidence in the ability of the investment team to deliver the returns expected by shareholders. It also believes that it is appropriate to introduce a significantly greater level of accountability. To this end the investment management team at ATI will be awarded a mandate to manage the Trust's portfolio on standard industry terms. The Board will establish a Management Engagement Committee, chaired by Karl Sternberg, to review investment performance regularly. In the event that performance does not consistently deliver against the new benchmark, a full review will be undertaken and external managers considered.

Under the terms of the new Investment Management Agreement, the Trust will be charged 35bps on average net assets (excluding the investments in ATI and ATS). The Board believes that this approach will create the necessary stability and partnership to deliver strong investment performance in a cost-effective way.

Alliance Trust will adopt the MSCI ACWI as the benchmark against which the Trust's performance will be assessed and will set a minimum target of 1 percent per annum outperformance (net of fees). The mandate will be terminable on six months' notice by either the Trust or ATI.

Asset allocation

Alliance Trust will increasingly focus on global equities and will dispose of its fixed income, legacy mineral rights and property assets as soon as practicable. The Trust also has a relatively small exposure to private equity. As these investments mature over the next few years, the proceeds will be reinvested into the equity portfolio. This simplification of the Trust will give greater clarity to its investment proposition.

Significant cost reduction

The Board recognises the importance to all shareholders of reducing costs. To this end, the Trust will target an Ongoing Charges Ratio of 45bps or less (including ATI's investment management charge of 35bps), effective for the year ending 31 December 2016. This is a reduction from 60bps in 2014 and would make the Trust one of the lowest cost investment trusts in the sector.

In addition, the anticipated timetable for ATI to achieve profitability will be accelerated through a combination of a cost reduction programme as well as a focus on continued growth of third party assets. Anticipated cost efficiencies, of around £6m per annum, are equivalent to more than 20% of the combined recurring asset management costs borne by Alliance Trust and ATI in 2015. ATI is expected to achieve monthly profitability by the end of 2016.

Discount policy

The Board believes that investment performance is the key driver of the Company's share price rating and that the measures we have announced will lead to a narrowing of the discount into single figures. The Board is committed to the active use of share buybacks, as required, in pursuit of this aim.

Dividend policy

The Board of Alliance Trust confirms that it intends to maintain its progressive dividend policy and pay out all net income as ordinary dividends, rather than through the current practice of ordinary and special dividends. In order

¹ Performance from 30 September 2014 to 29 September 2015. Source Morningstar/FactSet.

better to reflect the returns from the Trust's predominantly equity portfolio, in future two thirds of administrative expenses will be allocated to the capital account, rather than the revenue account. This change more than offsets the loss of income from the planned disposal of non-core assets.

The pro forma net impact on the 2014 dividend would have been a one-off 11% increase in the 2014 total dividend per share, giving a net yield of 2.54% compared to the MSCI ACWI gross yield of 2.5% (2014 actual: 2.3% excluding a non-recurring special dividend from Alliance Trust Finance).

Changes to Board structure

The Board of Alliance Trust PLC will be reorganised to become fully independent, comprising solely non-executive directors. A separate Board, including independent non-executive directors, will be established for ATI in order to ensure the necessary separation of shareholder and investment manager interests. Susan Noble will become Chair of ATI and, as a consequence, will retire from the Board of Alliance Trust PLC when the new arrangements take effect.

Katherine Garrett-Cox will continue as Chief Executive Officer and a director of ATI and will step down from the Board of Alliance Trust PLC.

Having completed the work associated with the changes announced today, Alan Trotter, Chief Financial Officer, has decided to leave Alliance Trust to seek to continue his career in a publicly listed company elsewhere.

The acquisition of Stocktrade will further strengthen ATS' position as one of the leading platform providers in the UK and the Board expects ATS to make a meaningful profit in 2016. The Board considers that this is an appropriate time to establish an independent Board for ATS to support the future development of the business and the recruitment process for its chair is under way.

This revised governance structure provides the Board with greater clarity and flexibility in managing these two investments.

Timing

The Board will continue to engage actively with shareholders and to review all aspects of the Trust's activities for the benefit of all shareholders.

These changes are intended to take effect as soon as practicable and, in any event, no later than 1 March 2016, subject to ATI obtaining relevant regulatory permissions under the AIFM Directive.

The actions we have announced, taken together, represent some of the biggest changes in our history and are designed to further improve shareholder value. They will provide our shareholders with an investment trust which aims to outperform a clear benchmark from a cost base which is among the lowest in the sector. In addition we plan to continue to pay a progressive dividend and create shareholder value from our investment in two profitable subsidiary businesses, beginning in 2016. All of this is underpinned by the Board's commitment to a single figure discount.

These changes have the full support of the Board. Implementation will require considerable further work by the team but we believe that as a result Alliance Trust will be significantly better positioned for the future.

Yours sincerely



Karin Forseke
Chair

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