QUARTERLY NEWSLETTER • WINTER 2018

Alliance Trust
INVESTING FOR GENERATIONS

CONNECTION

ECONOMIC AND MARKET OUTLOOK FOR 2019

By Craig Baker, Chief Investment Officer, Willis Towers Watson

Our outlook for 2019 is set against a backdrop of increasingly difficult global economic conditions and political uncertainty. This uncertainty has brought about significant, and broad-based, volatility and price weakness in the equity market. We expect active management, especially the concentrated, best ideas approach employed by the Alliance Trust portfolio, can take advantage of this volatility, by identifying companies that have been sold off without regard for their true intrinsic value. Combining the 20 best such companies from each of our eight high-conviction managers, we believe we have created a diversified portfolio that will be able to provide our investors with a smoother, less volatile, but hopefully more rewarding investment experience.

Coming into 2019, both economic policy and political uncertainty are elevated globally, making it increasingly difficult to predict economic outcomes, with an increasing range of potentially negative ones. We expect growth in the major economies to steadily slow. While there are many drivers for this, rising interest rates and the unwinding of quantitative easing by central banks will make developed equity markets overall more challenging, through reducing liquidity and increasing volatility. Although we believe that global growth will slow,

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ALLIANCE TRUST: DIVERSIFIED, HIGH CONVICTION

Research shows that active equity managers add most value through a small number of their highest-conviction positions[1]. Yet, the performance of concentrated portfolios can also be highly volatile.

The Alliance Trust portfolio mitigates this risk by blending together the best ideas of eight best-in-class[2] stock pickers, each with different, complementary styles. We believe our diversified, high-conviction, global equity strategy should deliver more consistent outperformance and lower volatility than a strategy run by a single manager. Returns from single-manager strategies are often prone to sharp up and down moves; we aim to provide investors with a smoother ride.

1. Sebastian & Attaluri, Conviction in Equity Investing, The Journal of Portfolio Management, Summer 2014.
2. As rated by Willis Towers Watson

current markets are still projecting expectations for relatively strong growth. As a result, the portfolio is currently managed at the lower end of its gearing range.

Market expectations for US earnings growth next year are optimistic – leaving scope for earnings disappointment in 2019. Therefore, under current valuations, we view more risks to the downside in US equities. On the other hand, emerging market equities have been declining over 2018 and are cheap on a relative basis, with greater potential for growth. The Alliance Trust portfolio is managed in such a way as to ensure that stock selection drives returns; however, currently the bottom-up portfolios built by the managers have a slight underweight position to the US and slight overweight position to emerging markets as a result.

Active management faced strong headwinds in 2018. This difficult environment can be attributed to late-cycle behaviour where investors, in a low-returning environment created by monetary and fiscal stimuli, were attracted to a narrow group of stocks promising future growth, but whose prices incorporated such lofty expectations. As a result, managers who did not have exposure to this group of stocks, in particular value managers, suffered significant underperformance for periods or the whole of 2018. In its typical capricious way, the market turned negative on the high-growth stocks in the final quarter. As we head into 2019, we believe active management will play a critical role in navigating a more volatile and uncertain equity market.

The Trust's concentrated, best ideas approach should be well positioned to take advantage of volatile markets, as investors often overreact when facing escalated volatility/market weakness, creating pockets of opportunities for active management. The Trust's managers are skilled at identifying companies with strong growth and/or high-quality characteristics selling at discount to intrinsic value, and we have already heard from several of our managers that markets are now starting to present opportunities.

Explore a world of investment expertise here

None of the information contained within this communication should be construed as giving investment advice within or outside the United Kingdom.

PROFESSIONAL INVESTOR VIEWS

We asked three professional investors how they use Alliance Trust's breadth of strategies to their advantage and how our proposition fits within a wider portfolio. Below you'll find a brief profile on each, and a collection of articles outlining their views.

NICK WOOD

Head of Investment Fund Research, Quilter Cheviot Investment Management

Nick heads up the Investment Fund Research team at Quilter Cheviot, which has dual responsibilities for both Quilter Cheviot and the Old Mutual Multi-Asset team. The role of the team is to find best-of-breed collective investments to populate their clients' portfolios, and carry out on-going assessment on those in which we are currently invested.

RODDY KOHN

Managing Director, Kohn Cougar

Roddy started Kohn Cougar in 1987 after stints at Irish Life, Abbey Life and Redcliffe Associates. Since then, Roddy has overseen the business every step of the way. His 31 years of industry experience have led him to be used as a personal finance expert and a consultant to firms from many industries.

JAMES SULLIVAN

Director, Senior Fund Manager, Coram Funds

James co-founded Coram Asset Management in 2014, which was subsequently acquired by MitonOptimal International in 2016. James is Managing Director of the UK business and is responsible for managing the multi-asset funds and sits on the International Investment Management Committee.

PROFESSIONAL INVESTORS AND ALLIANCE TRUST

By Jennifer Hill

Given their long histories, it is unsurprising that Quilter Cheviot has had exposure to Alliance Trust to one degree or another for decades.

"Our views on the Trust have changed over time, but improved significantly following the change in management in 2016," said Nick Wood, Quilter Cheviot's Head of Investment Fund Research.

He recognises that for many wealth managers, Alliance Trust poses a 'slightly awkward' question: why would one want to invest in a vehicle that selects a number of best-in-breed portfolio managers – a key part of a wealth manager's own job?

For Wood, the answer lies in Alliance Trust representing "something of a one-stop shop for global equity exposure".

"With the Trust having a mix of styles within the underlying managers, I'd expect it never to be so in or out of favour purely due to the ebb and flow of different investment styles," he said.

"Whilst our research team trawls the globe for new ideas, the differentiator with Alliance Trust, is that its managers in all but one instance hold concentrated 20-stock portfolios that would not be viable in a regular fund, given the rules on concentration. In other words, we can't specifically replicate the portfolio ourselves."

For example, River and Mercantile's Hugh Sergeant manages a very well-diversified global equity, Undertaking Collective Investment in Transferable Security (UCITS) fund, but limits himself to 20 best ideas for Alliance Trust, while Toronto-based Black Creek Investment Management, another global equity manager held within the Trust, is not currently available to UK investors via a UCITS fund.

So how does Quilter Cheviot use Alliance Trust? It might sit alongside one or two other managers in smaller portfolios to provide non-UK equity exposure, representing up to 5% of total holdings. It might also be used in junior Individual Savings Accounts, again often alongside a couple of other investments, as a way of obtaining broad exposure to equity markets without having to invest in multiple funds.

Established in 1987, Kohn Cougar was at the forefront of using investment trusts, including Alliance Trust within three years of its inception.

"In those days investment trusts were not widely recommended, despite the clear attractions of their features," said Roddy Kohn, Managing Director of the Bristol-based firm. "We like that the structure brings a number of benefits to investors – low charges, skilful fund managers and access to people and places outside the mainstream."

Since then, Alliance Trust has undergone significant structural change. "The opportunity for investors to have one fund with eight fund management groups managing the underlying investments, bodes well for investors who want a broad church of managers and styles," said Kohn.

"For example, the selection of one set of managers focused on a growth portfolio whilst another focuses on value, allows investors to benefit from a barbell approach.

"The latest line-up of most attractive managers in their class means investors can feel confident that competition amongst them is keen."

Kohn regards the Trust as well suited to investors looking for both long-term growth and a modest level of income from a broadly diversified portfolio of equities.

"Investors who can accommodate such trusts tend to be higher-rate taxpayers and relatively sophisticated investors, but we wouldn't hesitate to use this fund for children as a way of funding university or first-home costs, provided the investment horizon on offer is a sensible one."

The wealth manager likes to buy investment trusts when they are cheap, and points to Alliance Trust trading on a meaningful discount to the value of its underlying assets (6.7% at the time of going to press).

Clients have received an extra performance kicker from other investment trusts moving to a premium in the past. "Today looks like an attractive time to invest in Alliance Trust, given the potential for its discount to narrow," added Kohn.

Coram Funds is a relative newcomer to the share register of Alliance Trust. James Sullivan, manager of the multi-asset range, bought a position in the Trust in the autumn of 2018, as a means of owning global equities while betting against the US stock market.

At the end of October, Alliance Trust had 47.2% of its assets in North American equities, almost 11% less than the MSCI All Country World index. To achieve his aim of owning the world, minus the US, he hedged the US exposure by shorting the S&P 500 index.

"Our process identified that the US market had become stretched and overshot what we interpreted to be fair value, whereas many indices on a global basis remained in line with their longer-term averages," said Sullivan, Managing Director of the UK business of MitonOptimal, which bought Coram Asset Management in 2016.

"As a result, our net equity position was unmoved, but the average multiple of our portfolio was reduced, therefore improving the fundamentals of our portfolio range.

"We accept that Alliance Trust has US exposure as part of its mandate, but also recognise there is 'active' stock selection within, so not blindly paying exacerbated index multiples.

"Taking that on board, and being focused with our hedging policy, we can eliminate much of the 'beta' of the US market, thus leaving our fund exposed to the rest of the world."

It is rare for Sullivan to buy a global fund, tending to prefer to access geographical regions with more precision, but he considers Alliance Trust to be the 'right vehicle' for this particular trade.

"Offering copious liquidity in the shares paired with a discount of circa 7%, it was the most effective way to hedge against our short S&P above and beyond a cheap passive alternative," he said.

"Our portfolio is materially overweight in the UK and Asia, and once our hedging strategy is factored in, Alliance Trust complemented that stance rather than neutralised it.

DON'T BE DAZZLED BY HIGH DIVIDENDS

By Craig Baker, Chief Investment Officer, Willis Towers Watson

It's one of the maxims of investing, that dividend yields determine future returns. Indeed, it's undeniable that income, if reinvested in more shares of a good company, can grow your capital exponentially over time, due to the power of compounding.

You may have heard the story of the ancient Indian king who offers a clever servant anything he desires. The servant chooses a single grain of rice which he places on the first square of a chessboard, and asks the king to double it every day until the board is full; placing two grains on the second square, four on the third, eight on the fourth and so on until all 64 squares are full.

Judging this a modest request, the king agrees. Unbeknown to him, the servant ends up with 18,446,744,073,709,551,615 grains of rice weighing 461 billion tonnes, enough to feed him and his family to the end of time.

The principle of dividend reinvestment can in theory, produce much the same results. But a myopic focus on dividends can also lead to investors falling into value traps, or missing out on capital growth. That's especially true in the current low interest rate environment, where many incomehungry investors are treating their investment accounts as bank accounts.

A £3 annual dividend on a company's shares priced at £30 looks attractive. Who wouldn't want a dividend yield of 10%? If the company's shares are priced at £100, then the same dividend shrinks to 3%. However, while 10% is more attractive at first glance, the fact that the stock price is lagging, could indicate that investors are taking on more risk for this higher level of income.

So should you opt for the higher yield and lower capital returns, or higher capital return and the lower yield? There is no hard and fast answer. It will depend on the circumstances. However, if you're investing for the long term, it is really important to look at the sustainability of an investment's income, rather than simply how high the yield is now, and also keep in mind the opportunity for share price appreciation.

As long-term investors, the managers we've chosen for the Alliance Trust portfolio look beyond headline yields. None has been given explicit dividend objectives. We've mandated them to focus on total returns. But good-quality companies with strong cash flows and robust business models, do generally pay healthy dividends or return cash to shareholders in other ways, through buybacks for example, especially in the US, as well as benefiting from appreciating share prices.

We are therefore confident that, over time, our stock pickers, each hunting out attractive companies in different parts of the market, will sustain the Trust's progressive dividend policy.

The net yield on the portfolio stood at 1.8% at the end of November, slightly below the yield necessary to fund the Trust's progressive dividend policy, which has seen us increase the dividend every year for 51 consecutive years. However, as our managers are focusing on long-term total returns, including the sustainable level of dividends that companies pay, we expect the required yield will be achieved in time. Given the elevated share prices of many high-yielding stocks, we and the managers we employ believe that investing in them now would be counterproductive. Although it might boost the Trust's dividend potential in the short term, in the long term it would run the risk of reducing total returns.

It is a combination of total payouts and valuations that ultimately drives returns. If the dividend component of returns is scarce or expensive for a period of time, Alliance Trust can take advantage of its structure as a closed-ended investment vehicle, to draw down retained earnings, or reserves, to top up the dividend, if the natural yield from the equity portfolio is insufficient to pay the required increase.

The Trust currently has healthy revenue reserves of almost £112 million. To put that figure into perspective, it is enough to fund the Trust's current dividend shortfall for 24 years, falsely assuming the dividend payment and level of income generated by the portfolio don't change.

In reality, we anticipate income from the portfolio growing in sufficient quantity to pay most, if not all, of the costs of maintaining a progressive dividend policy in the short term. Over time, we expect dividend income to grow to the point where it funds a progressive dividend in full. If there is a shortfall at any point in the cycle, the Trust has ample revenue reserves to make up the difference. In addition, we have the option of adding another specialist income manager to the current manager line-up, if that style of investing becomes attractive again. In any event, the Trust remains fully committed to maintaining its dividend track record. Like the clever Indian servant, shareholders can count on their income accumulating steadily over time.

Past performance is not a reliable guide to future returns. Please note the value of investments and any income from them can go down as well as up.

EQUITY MANAGER SPOTLIGHT

FIRST PACIFIC ADVISORS (FPA)

FPA investors first

AN INTRODUCTION FROM OUR INVESTMENT MANAGER, WILLIS TOWERS WATSON

First Pacific Advisors (FPA) is a company not well known outside the United States. However, located on the outskirts of Los Angeles on the West Coast, it is a well-established business with a strong reputation. The team that manages the Alliance Trust account is led by Pierre Py and Greg Herr.

Pierre and Greg are looking to invest in high-quality companies that have some form of competitive advantage that gives them long-term staying power. Said another way, companies that have the financial and competitive strength to weather short-term disruptions and be the long-term winners. While many investors will say they look for these things, we believe Pierre and Greg stand out, due to their intensive and detailed focus on the operating characteristics of the companies. Typically they will carry out extensive site visits to the company, their suppliers, competitors, clients and other industry participants, to understand the competitive dynamics in which they operate and why the company has an advantage. Added to this, they apply a disciplined valuation framework and a desire to only buy these high-quality businesses when they trade at a material discount to their intrinsic value.

GREG AND PIERRE'S MARKET VIEW


We believe the most impactful issue for markets, continues to be the pace at which major central banks shift away from ultra-accommodative monetary policy. In the rebound following the 2008-09 crisis, governments, companies and individuals around the world have borrowed aggressively. In spite of regulatory attempts to limit risk, shadow banking has proliferated, typically involving leveraged structures dependent on a positively sloping yield curve. Past market expansions have often ended when rising rates caused these types of position to be unwound. As a result, we are being particularly vigilant about analysing potential investments for business quality or valuation issues that could impair a business during a downturn.

"We are being particularly vigilant about analysing potential investments for business quality."

Watch Greg's interview on their investment style and meet other managers here

STOCK SPOTLIGHT: PAGEGROUP

PageGroup, based in the UK, is one of the leading global employment staffing companies. Its business model has produced industry-leading profitability, has limited tangible assets or working capital needs and, as a result, has generated strong returns on capital employed.

Over the last several years, the company implemented an investment programme to upgrade IT systems and open offices in new countries. This has significantly diversified the group across geographies and sectors. While the spending on immature locations weighed on profitability in the short term, now that scale has been reached in these markets, we believe margins should benefit. Over the longer term, the entry into France, China and the US appears to put the company on a long runway for organic growth.

When it comes to financial strength, the balance sheet has no debt and carries an ample level of cash. The limited capital requirements mean the business converts profitability into cash at a high level.

The group is led by an experienced management team, that fostered a strong culture of performance. We believe they have executed well over time, including the recent expansion programme. They also return excess cash flow to shareholders through dividends and share buybacks.

Finally, we believe PageGroup's valuation continues to offer an attractive discount to our estimate of the company's intrinsic value.

EQUITY MANAGER SPOTLIGHT

RIVER AND MERCANTILE ASSET MANAGEMENT LLP

RIVER AND MERCANTILE
ASSET MANAGEMENT

AN INTRODUCTION FROM OUR INVESTMENT MANAGER, WILLIS TOWERS WATSON

River and Mercantile's portfolio for Alliance Trust is managed by Hugh Sergeant, a 30-year veteran of the industry. Hugh can most simplistically be described as a long-term value investor but, having known him for a long time, what stands out to us is the way Hugh has evolved his approach over his long career. He has developed a framework that is more than a simple 'value process'. He wants to understand where a company is in its life-cycle, and has a clear idea of the business characteristics he is looking for in different types of situation, be those growing companies, quality compounding businesses or recovering businesses. For Alliance Trust, Hugh focuses on Recovery situations, where his unconstrained approach and contrarian style lead him to find lots of interesting companies that are typically very different from those found in mainstream managers' portfolios.

By the nature of the way Hugh invests, his portfolios tend to be more volatile than most. However, historically, this has been rewarded with strong returns. The differentiated nature of his approach makes Hugh an ideal member of Alliance Trust's alliance of best ideas.

HUGH'S MARKET VIEW

After another period of relative outperformance, our contention that the US equity market has seen the best of its cycle has further strengthened, with profits fully recovered and valuations high. But the rest of the world is very different, earlier in the cycle, still with profit growth potential and, after recent underperformance and absolute falls, far more modest valuations. Making the opportunity set even greater for Value managers like us to exploit.

The Value cycle is now even more cyclically depressed, and presents a significant opportunity. Most notably the huge relative value gap of equities in, or exposed to, emerging markets; the valuation gap between the 'certain' digital economy stocks such as Amazon, and the 'uncertain' digital economy stocks, such as Baidu (uncertain, because it operates in that 'risky' market of China). Then there are the Brexit discount stocks, where there is a large value gap between these and the steady international growth stocks listed in the UK.

"The Value cycle is now even more cyclically depressed, and presents a significant opportunity."

By focusing on the cheap nominal and relative to history end of the spectrum, really attractive absolute returns should be generated by these companies over the medium term. By avoiding the momentum, capital flow driven 'any price for growth' or quality compounding stocks, our relative returns should also be robust. This portfolio won't be exposed to the downdrafts of hot capital flowing out of the Amazons or Apples or Netflixes of this world when their delivery fails, relative to very high expectations.

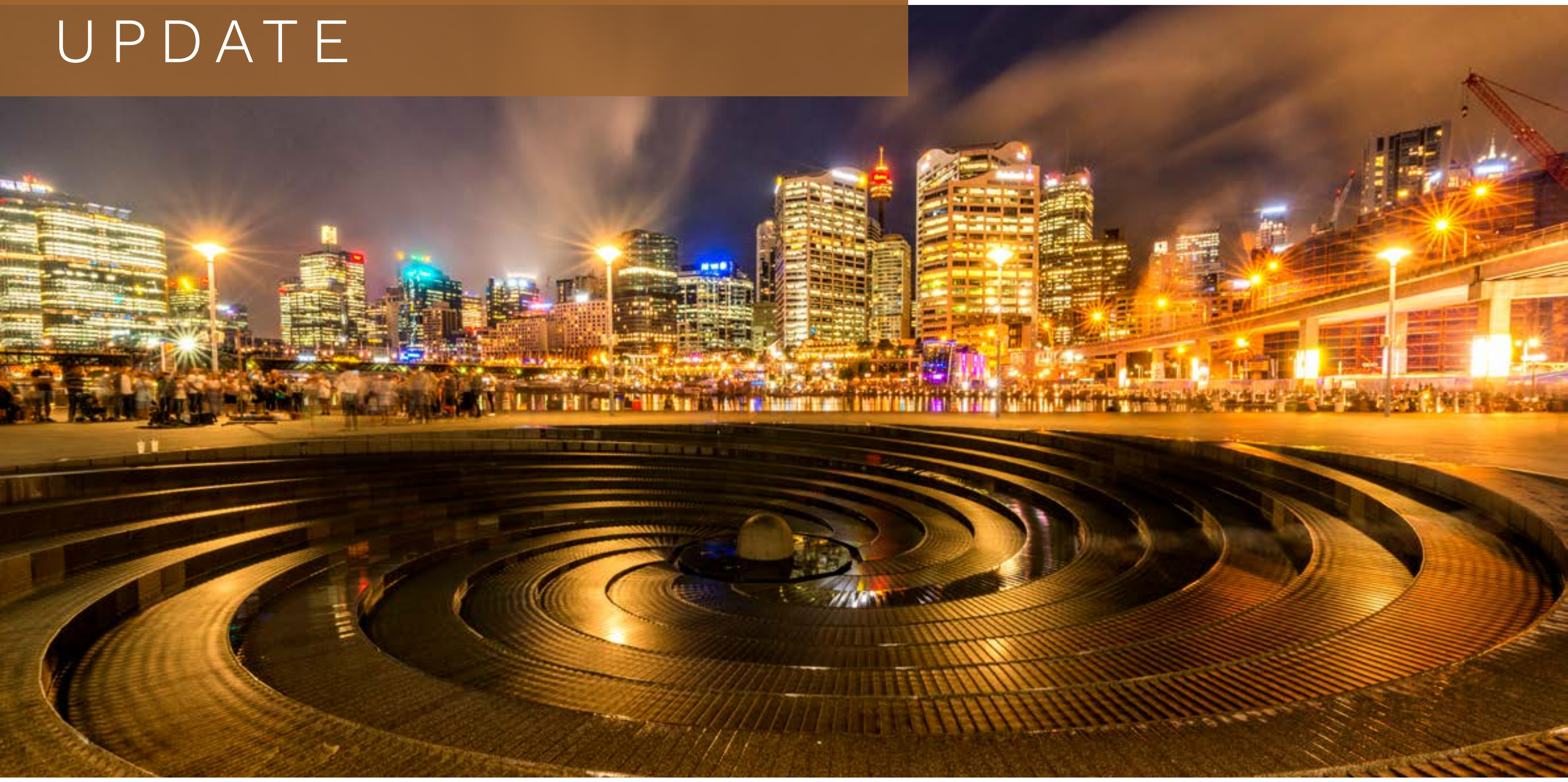
Watch Hugh's interview on his investment style and meet other managers here

STOCK SPOTLIGHT: ANIMA

ANIMA is Italy's number 1 independent asset manager, with €103 billion in assets under management. Italy is an underpenetrated and fragmented market, providing opportunities for ANIMA to grow. Central to ANIMA's business model are its strategic distribution arrangements with banks, where ANIMA has helped transform mutual funds from a troublesome area to a profitable opportunity for both parties. Service offered to the distribution channel (eg tailor-made funds on demand) rather than fund performance, is the main differentiator and inflow driver. This company is a strong cash generator, which provides the opportunity for M&A to drive growth and provide economies of scale. In September 2017, ANIMA announced the acquisition of Aletti Gestielle from Banco BPM, and an agreement with Poste Italiane regarding the transfer of BancoPosta Fondi to ANIMA; both these transactions strengthen ANIMA's market position.

ANIMA's share price has suffered disproportionately recently from its linkage to Italian banks. The company earns very good profit margins and a high return on capital, despite low management fee margins (0.30%), which should increase as it delivers cost synergies from recent M&A. Our confidence on delivery of these is supported by management's strong record of cost discipline. At the current trough valuation, it offers clear strategic value as an entry into the Italian market on 1% of AuM, 8x earnings and a 5% dividend yield.

PORTFOLIO UPDATE



Willis Towers Watson

A look at what has occurred in the Trust's portfolio over the last quarter.

Over the quarter, the Trust's total shareholder return, Net Asset Value (NAV) total return and equity portfolio return were -10.7%, -12.2% and -11.0% respectively, against the MSCI ACWI which returned -10.6% over the same period. Over the full course of 2018, the equity portfolio returned -4.2%, against an index return of -3.3%. While disappointing, this needs to be put in context of a very difficult period for all active managers, and it is important to note that the equity portfolio has still outperformed since the inception of the new mandate.

Key detractors for the quarter included the Trust's positions in a number of off-benchmark and small cap holdings, which experienced a rough ride through recent market volatility. Baidu, a Chinese internet company that the Trust was invested in, also detracted over the fourth quarter, with the stock price taking a hit in recent months as investors sought to exit stocks with significant exposure to China, following trade concerns.

Over the quarter, underweight positions in a number of major US technology stocks such as Apple, Netflix and Amazon, which for the first three quarters of the year had dragged on relative performance, were significantly additive to the fund's active return. The Trust's positions in Barrick Gold, the largest gold mining company in the world, and India-based HDFC Bank were also significant sources of positive performance over the quarter.

During the fourth quarter, heightened market volatility presented opportunities for the Trust's underlying stock pickers. A position in AstraZeneca, the major global drug manufacturer, was initiated in the portfolio in October. The company entered a strong new product cycle as a result of its focus on R&D and a considerable number of collaborative projects funded by partners. Other familiar large cap names added to the portfolio over the quarter included Chinese e-commerce giant Alibaba, a position which was re-established in November following a period of stock price and weakness, and US financial information and analytics firm S&P Global, which was purchased in December.

In November, the Trust secured attractively priced, fixed-rate, long-dated financing of £60 million through unsecured privately placed notes with maturities of 15, 25 and 35 years. The proceeds were used to repay short-term borrowing on existing floating rate facilities and the Trust's absolute gearing level remained unchanged as a result of the transaction. We expect this to provide the Trust with a long-term benefit through a full market cycle.

We acknowledge that while the Trust has outperformed since the inception of the new approach, calendar year 2018 was disappointing, with the stocks selected by five of the nine managers under-performing. However 2018 was a tough year generally for active managers, with a small number of mega-cap stocks leading the market.

The three that struggled the most were value managers, but their stock selections in particular now look especially attractive on a relative valuation basis. We believe the Trust's equity portfolio is well positioned to deliver future out-performance, and we continue to hold high conviction in all of the Trust's equity managers.

Learn more about the latest portfolio price and performance here

Please refer to page 9 for important past performance information

BIGGEST POSITIONS SOLD AND ACQUIRED OVER THE QUARTER

10 largest purchases as at 31 December 2018	% of Equity Portfolio	Value of position (£m)
Microchip Technology Inc.	0.9	21.8
Alibaba	0.7	17.9
WPP plc	0.7	17.8
Procter & Gamble	0.7	16.7
DKSH Holding Ltd.	0.6	16.0
IMCD Group	0.6	14.9
Roche	0.6	14.5
Nextera Energy Inc.	0.5	13.7
AstraZeneca	0.4	10.9
Bayer AG	0.4	9.7

10 largest sales as at 30 September 2018	% of Equity Portfolio	Value of position (£m)
Corning Inc.	0.9	25.7
Schlumberger	0.7	20.1
Bank Of America	0.6	17.4
Omnicom Group	0.6	16.7
Nvidia	0.5	12.9
J.P Morgan Chase	0.4	12.0
Sanofi	0.4	11.5
MercadoLibre	0.3	8.5
LVMH Moët Hennessy	0.3	8.5
BHP Billiton	0.3	7.9

TOP 5 EQUITY CONTRIBUTORS TO TOTAL RETURN

Security Name	Average Equity Portfolio Weight (%)	Contribution to Return (%)
Barrick Gold Corp	0.7	0.2
HDFC Bank Ltd	1.6	0.2
Inovalon Holdings Inc	0.4	0.1
TP ICAP Plc	0.9	0.1
ICICI Bank Ltd	0.4	0.1

TOP 5 EQUITY DETRACTORS TO TOTAL RETURN

Security Name	Average Equity Portfolio Weight (%)	Contribution to Return (%)
Baidu Inc	1.0	-0.4
Commscope Holding Co Inc	0.5	-0.3
EOG Resources Inc	0.8	-0.3
Aercap Holdings Nv	0.8	-0.3
Suncor Energy Inc	0.8	-0.2

Source: The Bank of New York Mellon Performance & Risk Analytics Europe Limited.
Note: Contributions to total return are for the equity portfolio only, which may differ from the Net Asset Value (NAV) return, and Total Shareholder Return.

UPDATE ON BUYBACKS

This year the Trust has purchased over 13.9 million shares at a cost of £102 million. The availability of the flexible share buyback programme has continued throughout the year. The increase in buyback activity in the third quarter continued in the fourth quarter with buybacks of 3.8 million shares at a cost of £27.7 million. In volatile markets in the second half of the year the discount has remained relatively stable in the range of 3.2% to 8.3% since the AGM with an average discount of 6.2% through the period, suggesting that supply and demand are finding their current equilibrium level. The discount at the year-end is 5.0%. The continued stability of the discount, despite a notable reduction in demand for share buybacks and volatile market conditions, is encouraging, however the Trust continues to watch the discount closely, to take advantage of the NAV accretion for shareholders, by buying back more shares if the discount shows signs of widening significantly.

Please remember, past performance is not a guide to future performance, and the value of shares and the income from them can rise and fall, so investors may not get back the amount originally invested. Net Asset Value ("NAV") performance is not the same as share price performance and investors may not realise returns the same as NAV performance. Note: No investment decisions should be based in any manner on the information and opinions set forth above. You should verify all claims, do your own due diligence, and/or seek advice from your own professional adviser(s) before investing in any securities mentioned.

DISCRETE PERFORMANCE (%)

From To	31-Dec-17 31-Dec-18	31-Dec-16 31-Dec-17	31-Dec-15 31-Dec-16	31-Dec-14 31-Dec-15	31-Dec-13 31-Dec-14
Total shareholder return	-6.1	19.2	26.4	11.0	9.0
NAV total return	-5.3	18.5	21.3	5.4	8.1
Equity portfolio return	-4.2	17.9	23.3	6.1	7.2
MSCI ACWI total return	-3.3	13.8	29.4	3.8	11.2

Notes: All data is provided as at 31 December 2018 unless otherwise stated. All figures may be subject to rounding errors. Sources: Investment performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc; key trades data is provided by BNYM Fund Services (Ireland) Limited. Equity portfolio return is the return achieved by the eight equity managers and so includes the effect of any of their cash holdings (gross of their fees). Returns are quoted net of withholding taxes (some of which are potentially recovered at a later date) and therefore potentially underestimate the managers' relative performance.

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 Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the Financial Conduct Authority'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 IFA who specialises in advising on the acquisition of shares and other securities before acquiring shares.

IMPORTANT INFORMATION AND RISK WARNINGS

This section contains important regulatory disclosures and risk warnings that are relevant to the material in this document. You should read this section carefully, as it is intended to inform and protect you.

Towers Watson Investment Management Limited ("TWIM") has approved this communication for issue to Retail Clients. Past performance is not a reliable indicator of future returns. The value of all investments and the income from them can go down as well as up, this may be due, in part, to exchange rate fluctuations. Investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV), meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV. This means that potential investors could get back less than the 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.

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 computershare.com →

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: 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.

Start your investment journey here

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