Alliance Trust PLC

1 March 2019

Business simplification almost complete

Results for the year ended 31 December 2018

Financial Highlights	As at 31 Dec 2018 (p)	As at 31 Dec 2017 (p)	Year-on-year change (%)
Share price	688.0	746.5	-7.8
NAV per share	723.6	777.7	-7.0
Total dividend	13.55	13.16	3.0

Full Year 2018 Performance Highlights

- The Trust's Total Shareholder Return[1] for 2018 was -6.1% (2017: 19.2%) and its share price at 31 December 2018 was 688.0p, down 7.8% compared to 746.5p at 31 December 2017
- The Trust's NAV Total Return[1] for 2018 was -5.4% (2017:18.5%) and its Net Asset Value (NAV)[2] per share at 31 December 2018 was 723.6p, down 7.0% from 777.7p at 31 December 2017
- The Trust's Equity Portfolio Total Return remains ahead of its benchmark since the adoption of the current investment approach on 1 April 2017, outperforming the MSCI All Country World Index (MSCI ACWI) by a cumulative 1% (5.1% compared to 4.1% by the MSCI ACWI). Its performance in 2018 was -4.2%* against the MSCI ACWI at -3.3%
- Ongoing Charges Ratio (OCR)[1] for 2018 was 0.65%. The increase versus the previous year reflects a full year of WTW's fees and fixed costs rising as a proportion of a smaller asset base
- The Trust bought back 14.0m shares in 2018. This compares to 145.1m shares in 2017 (which included the purchase of 95.5m shares from Elliott)
- The year began with the Trust's shares trading at a discount of 4.0% and ended at a discount of 4.9%
- The Trust raised its total ordinary dividend for 2018 by 3.0% to 13.55p, compared with a total ordinary dividend for 2017 of 13.16p, marking the 52nd consecutive annual increase

Lord Smith of Kelvin, Chairman of Alliance Trust PLC commented:

"2018 was a challenging year for global equities with most markets falling and many active managers struggling to outperform. Like others, we trailed our benchmark, partly due to market returns during much of the year having been driven by a narrow group of very large companies.

"Our strategy of appointing a number of managers with different styles and approaches to select their best stocks means we will never have a very concentrated exposure to one segment of the market. By investing more broadly across companies, countries and sectors, we should avoid the short-term performance highs and lows driven by particular market factors. In the long run, though, we expect our portfolio to outperform the market.

"Meanwhile, we continued to provide investors with income by increasing our dividend, which has now risen every year for 52 consecutive years.

"During the year, we made further progress towards simplifying our business by disposing of many of our remaining non-core investments, and we are in the process of selling, subject to regulatory approval, our subsidiary, Alliance Trust Savings, to Interactive Investor Limited. The rationalisation of our holdings will enable us to focus on global equities which at year-end represented over 97% of our assets. We are clear on the direction of the Trust and that it will continue to prove a wise choice as a core investment for the long term"

1. Alternative Performance Measure
2. UK GAAP Measure

*Before managers' fees but including the effect of the managers' cash holdings

About Alliance Trust PLC

Alliance Trust aims to deliver long-term capital growth and rising income from investing in global equities at a competitive cost. We blend the top stock selections of some of the world's best active managers** into a single diversified portfolio designed to outperform the market.

** As rated by Willis Towers Watson

https://www.alliancetrust.co.uk

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CHAIRMAN'S STATEMENT

2018 was a challenging year for global equities, with most markets falling and many active investment managers struggling to outperform. Like others, we trailed our benchmark, partly due to market returns during much of the year having been driven by a narrow group of very large companies. Although a number of our eight managers owned some of these companies and benefited from their share prices appreciating, others avoided them because they thought they were overvalued.

Our strategy of appointing a number of managers with different styles and approaches to select their best stocks means we will never have a very concentrated exposure to one segment of the market. By investing more broadly across companies, countries and sectors, we should avoid the short-term performance highs and lows driven by particular market factors. In the long run, though, we expect our portfolio to outperform the market. Since we adopted our investment approach in April 2017, the equity portfolio has beaten its benchmark. During the year, we made further progress in the disposal of our remaining non-core investments. This will enable us to focus on our equity portfolio which we are confident is well positioned for future gains.

DEVELOPMENTS IN 2018

Alliance Trust Savings

Alliance Trust Savings (ATS) was established in 1986 to provide a vehicle for the Trust's shareholders to hold their shares in a convenient way and to take advantage of tax-protected structures like ISAs. Over the course of the next three decades the Trust invested to allow ATS to grow.

ATS is reporting an operating profit of £1.1m for 2018 (2017: operating loss of £19.3m). Although the business is now one of the major UK share-trading platforms, the market in which ATS operates is very competitive and high technology costs make it difficult to achieve profitability without significant scale. There has been considerable consolidation within this market in recent years and the Board received a number of expressions of interest in the business. The Board, after long and careful consideration, decided that it would be an appropriate time for this business to be transferred to new owners. We chose Interactive Investor Limited as the two businesses are highly complementary and ATS' customers, many of whom are Trust shareholders, will benefit from Interactive Investor's similar flat-fee structure, as well as its increased scale. The Board saw this as another positive step in the Trust's strategy to focus on its equity portfolio. An important consideration for the Board was a commitment by Interactive Investor to maintain a presence in Scotland and to invest in ATS' operations in Dundee.

The total price payable under the sale agreement for both ATS and the Trust's office building in Dundee, where ATS occupies most of the space, is £40.0m. The sale requires regulatory approval and the price is subject to some post-completion adjustments. Although the price is less than the combined value we placed on the business and our office building last year, we regard it as a fair offer. The net proceeds of the sale will be invested in global equities. The Trust, which has been headquartered in Dundee since 1888, will continue to be based in the city.

Non-Core Investments

In October we announced that we had agreed a conditional sale of certain private equity assets to global asset manager PineBridge Investments. The sale of these private equity holdings was aligned with the Trust's previously announced strategy to realise value from its non-core assets in order to focus on its equity portfolio. The sale was completed in December. The Trust remains invested in only a small number of private equity holdings, valued at £14.8m at the year end, which we anticipate being realised by the end of 2019.

The Trust holds mineral rights in North America which have generated revenue for the Trust for many years. The marketing of these rights commenced in the second half of the year and as at the year end an agreement had been entered into to sell more than half of the holdings with further sales anticipated in 2019.

We provide more detail on page 27 of the Annual Report.

Long-term Debt

In November we announced that we had issued £60m of fixed rate unsecured privately placed notes with maturities of 15, 25 and 35 years and coupons for each respective £20m tranche of 2.657%, 2.936% and 2.897%. This was used to repay some of the Trust's floating rate bank debt. Total borrowing facilities at the year end were £360m. Our fixed long-term borrowing costs have been reduced from 4.3% to 3.7%.

Shareholders

In 2019 we will be considering how we can stimulate additional demand for our shares and thereby reduce the level of our discount. We were very pleased to win the Association of Investment Companies' awards for Best Factsheet and Best Website for an individual investment company this year. We will be looking at how we can further improve on the way we communicate with our shareholders including how we report on our performance. We already hold regular meetings with our shareholders and provide information about the Trust and its performance through these meetings as well as our website, factsheets and newsletters. If you do not already do so, I would encourage you to subscribe to our monthly factsheet and quarterly newsletter.

Expenses

We finished 2018 with an Ongoing Charges Ratio (OCR) of 0.65%. Many of our expenses are fixed in nature and when our net assets fall our OCR rises. Had our average net assets remained unchanged from 31 December 2017, when we set our target of 0.65%, our OCR for 2018 would have been 0.56%.

Our Total Expenses Ratio increased during the year from 0.58% in 2017 to 0.68% in 2018. The increase was attributable to the fall in the value of our net assets, a full year of WTW's fees and a few non-recurring costs.

We provide more detail on page 29 of the Annual Report.

Share Buybacks

During 2018, the Trust bought back a total of 14.0m shares at a weighted average discount of 5.5%, adding £5.5m to the Net Asset Value for remaining shareholders. The average discount for the year was 6.0%.

While we are encouraged by an increase in demand for our shares, the Board remains committed to the use of its share buyback programme to support the management of the discount.

ANNUAL GENERAL MEETING

As I mentioned in last year's Annual Report, we will be proposing changes to the wording of our Investment Objective and Policy to reflect the Trust's current investment approach. Although we are making no changes to the way in which we currently manage the portfolio, we are required to put the amended Investment Objective and Policy to shareholders and we will do so at our Annual General Meeting (AGM) in April. We explain the nature of the proposed changes on page 6 of the Annual Report.

Our Directors' Remuneration Policy is also to be considered at the AGM and we are proposing only minor changes to this Policy. The Remuneration Committee has decided to reduce the fees paid to the Chairman, Deputy Chairman, Senior Independent Director and Chairman of the Remuneration Committee and will keep the level of fees under review.

After the meeting shareholders will have the opportunity to receive presentations from two of our stock pickers, Andrew Wellington of Lyrical Asset Management and Rob Rohn of Sustainable Growth Advisers.

DIVIDEND

We are very proud of our dividend track record and the Board is delighted to continue the Trust's progressive dividend policy. We have now increased our dividend for 52 consecutive years. This year we have used £4.2m from our £107.7m of revenue reserves and we retain 25 years dividend cover assuming our current dividend level and an unchanged level of income from our equity portfolio.

THE BOARD

When I joined the Board in 2016 the Directors were all male. One of the first things I did after my appointment was to look at the skills and experience around the Board table and decided that we needed one additional Director. We then appointed Clare Dobie. The last two years have been very busy and what I did not want to do was distract the Board from its objective of simplifying the Trust. I believe that while the current Board has the necessary skills and time to devote to the needs of the Trust we need to improve our diversity, not as a target for its own sake but to expand the range of views and opinions that feed into our decision making processes. We will be asking shareholders to approve a resolution at the AGM to increase the maximum level of ordinary remuneration that may be paid to our Directors from £224,000 per annum to £300,000 per annum. This change is proposed to give us the flexibility to recruit additional Board members if we wish to do so, rather than to increase the level of fees currently paid to our Directors.

OUTLOOK

I cannot end my statement without reference to Brexit. We have considered the implication for the Trust and we have in place a contingency plan to change our Irish Alternative Investment Fund Manager, if required. We do not consider that Brexit, regardless of how it finally materialises, will have a significant impact on the operation of the Trust.

Despite the political uncertainties, we are clear on the direction of the Trust and that it will continue to prove a wise choice as a core investment for the long term.

Lord Smith of Kelvin
Chairman

INVESTMENT MANAGER'S REPORT

INVESTMENT PERFORMANCE

The Trust's equity portfolio returned -4.2% in 2018 before managers' fees and including the effect of managers' cash holdings, compared to the benchmark MSCI All Country World Index (ACWI), which returned -3.3% over the same period. The Trust's Net Asset Value (NAV) Total Return was slightly lower at -5.4%. The NAV Total Return reflects the impact on performance of Alliance Trust Savings, small holdings in some other investments such as private equity and mineral rights that are in the process of being sold, the negative impact of the Trust's gearing, fees and costs. It also reflects the positive impact of buybacks. The Total Shareholder Return, which also takes into account the movement in the discount to NAV over the year, was -6.1%.

While disappointing, the equity portfolio's underperformance versus the benchmark for the 12-month period needs to be put in the context of challenging conditions for equity markets, particularly the highly volatile last quarter of the year, and what was a difficult period for many active managers. It is important to note that despite 2018 the equity portfolio has still outperformed the benchmark since the current investment approach was put in place in April 2017.

Equity Portfolio

The key driver of negative equity returns in 2018 was monetary tightening by various central banks around the world, designed to prevent strong economic growth leading to above-target inflation. The Federal Reserve raised interest rates four times, the Bank of England increased them for the second time since the Global Financial Crisis and the European Central Bank announced that it would stop expanding market liquidity. Additionally, equity prices were plagued by the threat of trade wars between the two largest economies in the world, the US and China. This contributed to a more volatile market towards the end of 2018, with global equity indices finishing the year in the red.

2018 was a challenging year for truly active managers, with a relatively small number of very large-cap companies delivering significantly positive returns. In most years, close to 50% of stocks that make up the index outperform and close to 50% underperform, suggesting that active managers have a roughly even number of winners and losers to pick from. However, in 2018, significantly more stocks underperformed than outperformed because it was generally the mega cap growth companies that did particularly well. Truly active managers who take little notice of the benchmark in the short term tend to be structurally underweight the mega caps, and the Trust's stock pickers were no different. This was a slight headwind in 2018 (unlike 2017). However, stock selection has continued to be the main driver of returns. While that led to significant outperformance in 2017, it led to moderate underperformance in 2018, but outperformance over the period since 1 April 2017.

Managers who did not have exposure to this narrow group of high performing growth stocks, in particular, value managers, who pick stocks they believe are undervalued by the market, suffered significant underperformance. It is unusual for the market to be so dominated by a relatively small number of very large-cap growth stocks, and we believe this is not a situation that will likely persist over the longer-term.

Looking further back, value managers have suffered persistent headwinds for many years now. Traditional value stocks have now experienced the longest period of underperformance relative to growth stocks in recent years. Of course, history can provide no guarantee of future market movements, but this unprecedented run of growth stocks over the past decade is a dynamic that we do not expect to continue in perpetuity.

As the observation often attributed to Mark Twain says, "history does not repeat itself, but it often rhymes". We have heard several of our managers describe the similarities that they observe between the market in 2018 and past stock market shocks in early 2000 and in 2008. In particular, they have highlighted the concentration of capital in technology stocks with lofty growth expectations. We do not think trying to time markets is sensible but we are conscious of warning signs, not just from pockets of lofty valuations but also central bank behaviour, threats of trade wars and political uncertainty. We are minded that this has been a long cycle of growth and that cycles inevitably turn.

Of the Trust's eight global stock pickers those that outperformed the benchmark (four of them) represented a mix of investing styles but were mainly growth-focused. The underperformers (four of them) represented predominantly value styles. The Trust's emerging markets stocks delivered strong returns relative to the MSCI Emerging Markets Index. The three managers that struggled the most all favour the value style of investing, but their stock selections in particular now look especially attractive on a relative valuation basis, and appear well placed to deliver future outperformance.

Equity portfolio turnover in 2018 was approximately 60%. There was an increase in portfolio trading activity during the fourth quarter as increased market volatility enabled the Trust's managers to exploit falling valuations and find new, exciting opportunities. During 2018, significant additions to the Trust's equity portfolio included multinational consumer goods conglomerates Unilever and Reckitt Benckiser, both purchased in March. Other sizeable positions established during the year included US health insurer Cigna, US data centre and internet connection services provider Equinix, and research and development focused global drug manufacturer AstraZeneca.

Our target manager allocations remained constant throughout most of the year. In September, a small adjustment was made to the portfolio's target manager weights to reduce the portfolio's exposure to growth stocks in response to growth stocks having significantly outperformed the index since the start of the year. We rebalanced the weightings to reduce any biases across styles, factors and geographies. Our high level of conviction in all of the Trust's managers remains unchanged, and we believe the portfolio is well positioned to capitalise on future opportunities to deliver outperformance.

Performance Attribution

Despite experiencing active management headwinds in 2018, the Trust's managers have managed to find a number of big winners over the course of the year. Amongst the most significant contributors to the Trust's return were San Francisco cloud-based software company Salesforce.com, an operator of healthcare facilities, HCA Healthcare, and a health insurance company, Anthem Inc. These names were all present in the Trust's top 10 holdings at some point during the year. As with previously mentioned HCA Healthcare, UnitedHealth, a US-based company that offers healthcare products and insurance services, was also a significant contributor to returns. Although the portfolio was not overweight mega-cap growth stocks, we did have some exposure to large technology companies such as Amazon, Salesforce.com and Microsoft, which boosted returns. However, the tide turned in the fourth quarter and some of the previous leaders (e.g. Apple, in which our managers have long been underweight) fell significantly. Fortunately, our managers have been rotating their portfolios throughout the year, moving the Trust's overall portfolio positioning from a modest overweight technology stocks at the start of the year, to a modest underweight technology and overweight healthcare.

In terms of detractors, we note that stocks which are statistically cheap in earnings or asset terms became even cheaper during the year. Examples of detractors included CommScope, a multinational communications network provider, Flex, an electronics manufacturer, and Hain Celestial, a global leader and first mover in organic and natural products, all based in the US, were significant detractors over the year. We are in continuous conversation with each of our managers to ensure that their thesis on such stocks remains intact and conviction remains high. Whilst there have been some disappointing performers over this particular 12 month period (and we do not expect our managers to be right all the time), our confidence in the managers who hold value-oriented stocks is as strong as ever and we feel that the market painted them in a particularly poor light during 2018. We believe it would be wrong to make a knee-jerk reaction under such conditions.

Largest 5 Contributors to Equity Portfolio Total Return	**1 Year**		
Security Name	**Average Equity Portfolio weight (%)**	**Average MSCI ACWI weighting (%)**	**Contribution to Return (%)**
Amazon.com Inc	1.2	1.5	0.5
Salesfore.com Inc	1.1	0.2	0.4
Microsoft Corp	1.7	1.5	0.4
HCA Healthcare Inc	1.1	0.1	0.4
UnitedHealth Group Inc	1.5	0.6	0.3

Largest 5 Detractors to Equity Portfolio Total Return	**1 Year**		
Security Name	**Average Equity Portfolio weight (%)**	**Average MSCI ACWI weighting (%)**	**Contribution to Return (%)**
CommScope Holding Co. Inc	0.6	0.0	-0.4
Hain Celestial Group Inc	0.5	0.0	-0.4
Flex Ltd	0.6	0.0	-0.4
Western Digital Corp	0.7	0.0	-0.3
Amerprise Financial Inc	0.8	0.0	-0.3

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) Total Return and Total Shareholder Return.

PORTFOLIO RISK

The Trust's equity portfolio is managed in order to maintain a neutral balance across investing styles, geographies and sectors relative to the benchmark, achieved by careful selection and weighting of managers with complementary investment styles and regional/sector exposures. As a result of this approach, as at 31 December 2018, regional and sector exposures of the equity portfolio were broadly similar to the position at 31 December 2017. The equity portfolio is currently positioned with a small underweight to the US against the MSCI ACWI; but this is a result of bottom-up stock picking, rather than top-down asset allocation. With US stocks looking expensive relative to their European and Asian counterparts throughout much of the year, managers have been able to find more attractive opportunities outside of the US.

In much the same vein as the preceding year, 2018 saw numerous external risk factors reappear, as political uncertainty and controversy in all corners of the world continued to dominate headlines. For a Sterling investor, Brexit-associated risks continued to be a major concern throughout 2018, and despite a number of significant developments in the negotiation process, at the time of writing, many of the realities of post-Brexit Britain remain unclear.

Since the current investment approach was adopted on 1 April 2017, it is pleasing to see the majority of the Trust's outperformance has been due to managers' stock selection abilities, and the Trust has followed a significantly less volatile path than that of the benchmark, the MSCI ACWI.

Risk Summary			
Active risk	2.5%	Portfolio volatility	11.9%
Active share	80%	Benchmark volatility	12.5%
Beta	0.94		

Number of stocks*	
Portfolio	197
Benchmark	2,727

Source: Factset, BNY Mellon Fund Performance & Risk Analytics Europe Limited and MSCI Inc.

* The figures shown for Portfolio and Benchmark above are those used for the calculation of the corresponding risk analysis and will differ from the number of stocks held and the number of stocks in the benchmark. This is due to the classification of stocks for risk purposes and limited data coverage for certain stocks.

While the stock pickers are not restrained by geography, sector or style, we set out below an analysis of how the Trust's portfolio was structured at the year end.

Region	**% of Portfolio**
North America	45.5
Europe	21.9
Asia	16.8
UK	13.4
Cash	2.4

Sector	**% of Portfolio**
Information Technology	15.4
Financials	14.9
Health Care	13.9
Consumer Discretionary	12.5
Industrials	11.7
Consumer Staples	10.8
Telecommunications	8.9
Materials	3.8
Energy	3.5
Cash	2.4
Utilities	1.4
Real Estate	0.8

GEARING

We manage the gearing level for the Trust in accordance with the gearing policy set by the Board. We have maintained a gross level of gearing of around 8.0% throughout much of 2018. This is towards the lower end of the range set by the Board and reflects our central view that whilst markets are still projecting expectations for relatively strong growth, we expect that global growth will soon begin to slow.

Gross gearing levels have fluctuated between approximately 7.5% and 9.5% over the course of the year reflecting market movement. As at the end of December after the market fall, the Trust's gross level of gearing was around the higher end of this range. This level of gearing will allow the Trust to benefit from leveraged returns in the event of a market rebound.

In November, the Trust took advantage of a historically low-yield environment to issue fixed-rate long-dated financing of £60m through three equally-sized unsecured privately placed notes with maturities of 15, 25 and 35 years respectively. During the process the Trust received several offers from which the Board was able to select the most attractive pricing. The proceeds were used to repay short-term borrowing on existing floating rate facilities and the Trust's total gearing level remained unchanged as a result of this transaction.

One of the ways in which the Trust is expected to add value for its shareholders is by securing long-term, cheap borrowings that would not otherwise be available to an individual investor, and invest these borrowings to generate higher returns for its shareholders. We are pleased that the Trust's debt offering received such strong interest, which is a reflection of the confidence the market has in the future success of the Trust.

VOTING

WTW has given discretionary voting powers to each of the stock pickers in respect of the equities they have selected for the Trust. Between 1 January 2018 and 31 December 2018, they voted on 2,915 resolutions at company meetings. They voted against or abstained from voting on 10% of these resolutions. Of the resolutions where the management recommendation was 'For', the managers voted against or abstained on 9% of these resolutions and of the 73 proposals where the management recommendation was 'Against', the managers voted with management on 42% of them.

These votes related to many issues, including: board composition (including director remuneration, incentive compensation and appointment), auditor tenure, the reduction of company capital and the setting of company dividends.

ECONOMIC AND MARKET OUTLOOK FOR 2019

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 we employ for the Trust, can take advantage of this volatility by identifying companies that have been sold without regard for their true intrinsic value. Combining the 20 best such companies from each of our eight high conviction stock pickers, as well as a less concentrated selection of emerging markets stocks, we believe we have created a diversified portfolio that will be able to provide investors with a less volatile and hopefully more rewarding investment experience.

Because economic policy and political uncertainty are elevated globally, it is 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. We expect liquidity to fall and volatility to rise.

Market expectations for US earnings growth for 2019 are optimistic – leaving scope for earnings disappointment. As such, 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 Trust's portfolio is managed in such a way as to ensure that stock selection drives returns, and it is stock selection that gives us slight underweight position to the US and slight overweight position to emerging markets.

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. Having worked at a range of large investment management firms before starting or joining their current businesses, the Trust's stock pickers all have extensive experience of a wide variety of market environments over many years, including both bull and bear markets. They are, therefore, highly skilled at identifying companies with attractive earnings prospects relative to their perceived market value. We have a high degree of confidence in their abilities to identify the winners and we have already heard from several of our managers that increased volatility is presenting them with opportunities to invest in what they regard as undervalued stocks.

INVESTMENT PORTFOLIO

EQUITY HOLDINGS AS AT 31 DECEMBER 2018

Investment	Region	% of Investment Portfolio	Value £m
Equities	Global	97.4	2,514.5
		Total value	2,514.5

INVESTMENT IN OPERATING SUBSIDIARY COMPANY AS AT 31 DECEMBER 2018

Investment	Region	% of Investment Portfolio	Value £m
Alliance Trust Savings	United Kingdom	1.3	32.7
		Total value	32.7

NON-CORE INVESTMENTS AS AT 31 DECEMBER 2018*

Investment	Region	% of Investment Portfolio	Value £m
Private Equity	United Kingdom/Europe	0.6	14.8
Mineral Rights	North America	0.5	12.9
Liontrust Asset Management PLC	United Kingdom	0.2	5.9
		Total value	33.6

* As at 13 February 2019 the value of the remaining private equity investments was £9.3m with a further £3.4m held in cash and the mineral rights £11.6m. The shares in Liontrust Asset Management PLC cannot be sold prior to 6 April 2019.

TOTAL INVESTMENTS AS AT 31 DECEMBER 2018

Investment	% of Investment Portfolio	Value £m
Equities	97.4	2,514.5
Investment in Operating Subsidiary Company	1.3	32.7
Non-core Investments	1.3	33.6
	Total value	2,580.8

Source: The Bank of New York Mellon (International) Ltd.

CONTRIBUTION ANALYSIS - 2018

Contribution Analysis (%)	Contribution to Total Return	
Equity Portfolio	**-4.2**	This is the Equity Portfolio Total Return and is before managers' fees and includes the effect of managers' cash holdings
Effect of Weighting and Cost of Gearing	-0.1	This is the impact of having more than 100% of the assets in the equity portfolio on average over the year and the cost of gearing
Non-core Investments	-0.1	Includes private equity and mineral rights and shows that they had a negative impact on the Trust's return in the year
Subsidiaries	-0.2	Despite delivering a profit for the year, Alliance Trust Savings' fair value fell during 2018, therefore providing a negative contribution to the Trust's Total Shareholder Return
Cash and Accruals	-0.4	This entry includes cash as well as accruals for Trust expenses, but does not include cash held by the stock pickers which has not been invested – this is captured in the Equity Portfolio Total Return
Share Buybacks	0.3	The impact of share buybacks was positive boosting the Total Shareholder Return
Total Expenses	-0.7	Costs (detailed on page 29 of the Annual Report) including manager fees (detailed on page 57 of the Annual Report) reduced performance
NAV Total Return	**-5.4**	This is the total return of the Trust based on its NAV
Effect of Discount	-0.7	This is the negative impact on the Total Shareholder Return due to the discount increasing during the year
Total Shareholder Return	**-6.1**	This is the total return that our shareholders received through share price movement and dividend reinvestment
MSCI ACWI Total Return	**-3.3**	This is the return that the benchmark index achieved through share price movement and dividend reinvestment

Source: WTW, The Bank of New York Mellon (International) Ltd, Morningstar, BNY Mellon Fund Performance & Risk Analytics Europe Limited and MSCI Inc.

NON-CORE INVESTMENTS (1.3% OF INVESTMENT PORTFOLIO)

During 2018, the Trust has sold a significant part of its legacy non-core assets portfolio with the remaining non-core assets expected to be sold or to be wound-down in 2019 as part of the Trust's strategy to simplify and focus on global equities. As a result of the sale activity the value of the non-core assets has reduced in the year from £225.8m to £33.6m as at 31 December 2018. Of that £33.6m at the year-end, £8.7m was cash held in the Trust's private equity limited partnership structures.

In January 2018, the Trust sold the Liontrust Asset Management shares received as part of the sale consideration for Alliance Trust Investments, raising net proceeds of £21.0m, a return of over 55% on the price at which the shares were issued. As at 31 December 2018, the Trust continues to hold the Liontrust first anniversary shares, valued at £5.9m. In April, the Trust sold its legacy holdings in three Liontrust Investments' sustainable funds, the proceeds of £103.0m being invested into the equity portfolio.

In the second half of the year the Trust successfully sold the investments in both private equity fund of funds vehicles, ATEP 2008 LP and ATEP 2009 LP, in addition to a select number of private equity holdings which had been held directly by the Trust.

The sale has significantly reduced the value of the Trust's private equity holdings, with only a small residual number of private equity holdings remaining. As at 31 December 2018, the value of our non-core private equity investments was £14.8m representing a material reduction from £81.3m as at 31 December 2017. The total price paid under the sale agreement for the assets is at a small discount to their combined net asset values at the end of December 2017.

The remaining private equity holdings, representing direct private equity and real estate investments, are all expected to be wound-down in 2019, and therefore, were not included in the sale process conducted in 2018.

In 2018, the private equity investments distributed £73.7m to the Trust through investment realisations and sales proceeds. The unfunded commitment, which includes recallable distributions, now stands at £0.3m.

The Trust continues to hold its North American mineral rights assets, valued at £12.9m as at 31 December 2018. The mineral rights assets have generated sustainable levels of income for many years. The Directors began marketing the sale of these assets during the second half of the year and as at the year-end an agreement had been entered into to sell more than half of the holdings with further sales anticipated after the year end.

Note 22.9 of the Financial Statements (page 89 of the Annual Report) provides details of the valuation methodologies applied to non-core investments and a contribution analysis is shown on page 23 of the Annual Report.

INVESTMENT IN OPERATING SUBSIDIARY COMPANY (1.3% OF INVESTMENT PORTFOLIO)

ALLIANCE TRUST SAVINGS

Alliance Trust Savings provides a range of investment and savings products to retail investors. It was set up by the Trust in 1986 to provide the Trust's shareholders with a cost effective way to hold and purchase the Trust's shares. Over the years the Trust has made considerable investment into Alliance Trust Savings allowing it to expand and invest in new technology platforms, all with a view to generating future returns to the Trust.

The Board decided in October 2018 that, due to the level of interest being expressed in acquiring the business and the Board's stated aim of simplifying the Trust, it was an appropriate time to sell this investment. The business will be sold, subject to regulatory approval, along with the office building it occupies in Dundee, to Interactive Investor Limited at a total gross consideration of £40m subject to post completion adjustments. The sale is expected to complete during 2019.

During the year, Alliance Trust Savings has delivered significant improvement in its customer service and has achieved profitability. Although customer account numbers and trades fell during the year the business generated increased revenue and, together with the benefits of the investments made last year and a tight control of costs, the business delivered an operating profit before tax of £1.1m (2017: operating loss of £19.3m).

The fair value of Alliance Trust Savings at the year end was £32.7m reflecting the agreed sale price for this business after deduction of the anticipated expenses of the sale. The sale price is subject to post completion adjustments.

	2018 (£m)	2017 (£m)
Income	29.7	27.0
Administrative Expenses	(28.6)	(33.1)
Operating Profit/(Loss) before exceptional items	1.1	(6.1)
Exceptional Administrative Expenses*	0.0	(13.2)
Operating Profit/(Loss) before tax	1.1	(19.3)

* Exceptional administrative expenses relate to write down of intangible assets related to Stocktrade.

KEY PERFORMANCE INDICATORS FOR THE YEAR TO 31 DECEMBER

Fair Value		Change
2018	£32.7m	-13.9%
2017	£38.0m	

Assets Under Administration		Change
2018	£14.6bn	-7.6%
2017	£15.8bn	

Customer Accounts		Change
2018	107,428	-5.2%
2017	113,317	

Number of Trades		Change
2018	741,400	-1.9%
2017	755,638	

Income		Change
2018	£29.7m	+10.0%
2017	£27.0m	

COSTS AND PERFORMANCE MEASURES – 2018

The Trust's Ongoing Charges Ratio (OCR) for 2018 was a competitive 0.65%. This has been achieved despite many of the Trust's expenses being fixed and experiencing a fall in its NAV of 7.0% during the year; had the Trust's NAV remained unchanged from 2017 the Trust would have been reporting an OCR for 2018 of 0.56% against last year's 0.54%.

The total administrative expenses for 2018 have remained in line with 2017. Within ongoing costs, investment management fees represent £10.9m (2017: £10.1m) and ongoing administrative expenses £5.8m (2017: £6.0m). The increase in investment management costs reflects WTW being in place for the full year compared to only nine months in 2017 and the fixed element of its fee increasing in line with the UK Consumer Prices Index from 1 April 2018. The cost of property is partially offset by income from a tenant occupying sub-let space and the other non-recurring expenses relate mainly to the disposal of Alliance Trust Investments and one-off fund accounting costs.

From 1 January 2018 the Board adopted a one quarter revenue and three quarters capital allocation for management fees, financing costs and other indirect expenses where consistent with the AIC Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts guidelines. The Board believed this was a more appropriate cost allocation under the current Trust structure and better reflects long-term returns from the portfolio.

	Ongoing Charges Ratio (%)
2014	0.60
2015	0.59
2016	0.43
2017	0.54
2018	0.65

Source: WTW.

Ongoing Charges Ratio (OCR) Summary 2018

	2018			2017		
£000	Revenue	Capital	Total	Revenue	Capital	Total
Average Net Assets			**2,555,411**			**2,991,850**
Total expenses	**8,179**	**9,215**	**17,394**	**8,803**	**8,629**	**17,432**
Investment management fees	2,713	8,139	10,852	3,307	6,786	10,093
Administrative expenses	4,780	979	5,759	4,201	1,823	6,024
Ongoing expenses	**7,493**	**9,118**	**16,611**	**7,508**	**8,609**	**16,117**
Strategic review	0	0	0	732	0	732
Indirect disposal costs of ATI	30	90	120	(195)	0	(195)
Property	376	0	376	613	0	613
Reorganisation & Other	280	7	287	146	20	166
Non-recurring costs	**686**	**97**	**783**	**1,295**	**20**	**1,315**
Total administrative expenses	**5,466**	**1,076**	**6,542**	**5,496**	**1,843**	**7,339**
OCR ongoing costs			**0.65%**			**0.54%**
Total Expenses Ratio (TER)			**0.68%**			**0.58%**

DIVIDEND DECLARATION

The ordinary dividend for 2018 will rise by 3% to 13.55p. A fourth interim dividend of 3.389p will be paid on 1 April 2019 to shareholders who are on the Trust's share register on 15 March 2019.

RE-ELECTION OF DIRECTORS

Details of the current Directors can be found on pages 38 and 39 of the Annual Report. Although the Articles of the Trust provide for re-election every three years the Board has decided that all the Directors will be subject to re-election every year.

The individual performance of each Director and their ongoing suitability for election or re-election was considered and endorsed by the Chairman and the Board. All are recommended for re-election at the forthcoming AGM. Each of the Trust's Directors has confirmed that they remain committed to their role and have sufficient time available to meet what is expected of them.

SHARE CAPITAL AND WAIVER OF DIVIDENDS

The Trust's issued share capital as at 31 December 2018 comprised 333,626,020 Ordinary 2.5p shares of which 407,316 have been acquired by the Trustee of an Employee Benefit Trust ('the Trustee') with funds provided by the Trust in connection with former employee share plans. The Trustee has elected to waive all dividends payable in respect of those shares. The Trustee holds a further 98,002 shares deposited by recipients of awards under the LTIP. Each Ordinary share of the Trust is entitled to one vote but the Trustee does not vote in respect of the shares held by it on behalf of the Trust. In the course of the year the Trust acquired and cancelled 13,966,136 shares at a cost of £101.8m.

There are no preference shares or shares held in Treasury.

REPORT OF DIRECTORS AND RESPONSIBILITY STATEMENT

The Report of the Directors, including the Directors' responsibility statement on pages 40 to 49 of the Annual Report, the going concern statement on page 50 of the Annual Report, the indications of future developments contained on pages 6 to 8 of the Strategic Report within the Annual Report and pages 56 to 58 of the Annual Report and Accounts, has been approved by the Board.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Lord Smith of Kelvin
Chairman
28 February 2019

Income statement for the year ended 31 December 2018

	Year to December 2018			Year to December 2017		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income	**55,145**	**-**	**55,145**	60,525	-	60,525
(Loss)/Profit on fair value designated investments	**-**	**(162,664)**	**(162,664)**	-	432,187	432,187
Loss on fair value of debt	**-**	**(361)**	**(361)**	-	(2,160)	(2,160)
Total revenue	**55,145**	**(163,025)**	**(107,880)**	60,525	430,027	490,552
Investment management fees	**(2,713)**	**(8,139)**	**(10,852)**	(3,307)	(6,786)	(10,093)
Administrative expenses	**(5,466)**	**(1,076)**	**(6,542)**	(5,496)	(1,843)	(7,339)
Finance costs	**(1,618)**	**(4,817)**	**(6,435)**	(2,094)	(4,096)	(6,190)
(Loss)/Gain on other assets held at fair value	**-**	**(2,180)**	**(2,180)**	-	1,450	1,450
Foreign exchange (losses)/gains	**-**	**(2,722)**	**(2,722)**	-	4,556	4,556
(Loss)/Profit before tax	**45,348**	**(181,959)**	**(136,611)**	49,628	423,308	472,936
Tax	**(3,986)**	**-**	**(3,986)**	(1,170)	41	(1,129)
(Loss)/Profit for the year	**41,362**	**(181,959)**	**(140,597)**	48,458	423,349	471,807

All (loss)/profit for the year is attributable to equity holders.

Earnings per share attributable to equity holders						
Basic (p per share)	**12.18**	**(53.60)**	**(41.42)**	12.86	112.35	125.21
Diluted (p per share)	**12.17**	**(53.53)**	**(41.36)**	12.84	112.14	124.98

Statement of comprehensive income

	Year to December 2018			Year to December 2017		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
(Loss)/Profit for the year	**41,362**	**(181,959)**	**(140,597)**	48,458	423,349	471,807
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan net actuarial (loss)/gain	**-**	**(38)**	**(38)**	-	313	313
Retirement benefit obligations deferred tax	**-**	**6**	**6**	-	(53)	(53)
Other comprehensive (loss)/income	**-**	**(32)**	**(32)**	-	260	260
Total comprehensive (loss)/income for the year	**41,362**	**(181,991)**	**(140,629)**	48,458	423,609	472,067

All total comprehensive (loss)/income for the year is attributable to equity holders.

Statement of changes in equity for the year ended 31 December 2018

£000	Dec 18	Dec 17
Called-up share capital		
At 1 January	**8,691**	12,319
Own shares purchased and cancelled in the year	**(349)**	(3,628)
At 31 December	**8,342**	8,691
Capital reserve		
At 1 January	**1,923,439**	2,508,359
(Loss)/Profit for the year	**(181,959)**	423,349
Defined benefit plan actuarial net (loss)/gain	**(32)**	260
Own shares purchased and cancelled in the year	**(102,276)**	(1,008,529)
At 31 December	**1,639,172**	1,923,439
Merger reserve		
At 1 January and at 31 December	**645,335**	645,335
Capital redemption reserve		
At 1 January	**10,307**	6,679
Own shares purchased and cancelled in the year	**349**	3,628
At 31 December	**10,656**	10,307
Revenue reserve		
At 1 January	**111,861**	111,450
Profit for the year	**41,362**	48,458
Dividends paid	**(45,545)**	(48,113)
Unclaimed dividends returned	**6**	66
At 31 December	**107,684**	111,861
Total Equity at 1 January	**2,699,633**	3,284,142
Total Equity at 31 December	**2,411,189**	2,699,633

Balance sheet as at 31 December 2018

£000	Dec 18	Dec 17
Non-current assets		
Investments held at fair value	**2,580,765**	2,836,875
Office premises freehold/Heritable property	**-**	4,935
Pension scheme surplus	**-**	38
Deferred tax asset	**-**	6
	2,580,765	2,841,854
Current assets		
Outstanding settlements and other receivables	**13,574**	31,607
Cash and cash equivalents	**81,168**	105,808
Assets classified as held for sale	**2,755**	-
	97,497	137,415
Total assets	**2,678,262**	2,979,269
Current liabilities		
Outstanding settlements and other payables	**(14,761)**	(21,679)
Tax payable	**(3,991)**	(3,991)

Bank loans	**(67,000)**	(133,000)
	(85,752)	(158,670)
Total assets less current liabilities	**2,592,510**	2,820,599
Non-current liabilities		
Unsecured fixed rate loan notes held at fair value	**(181,321)**	(120,960)
Deferred tax liability	**-**	(6)
	(181,321)	(120,966)
Net assets	**2,411,189**	2,699,633
Equity		
Share capital	**8,342**	8,691
Capital reserve	**1,639,172**	1,923,439
Merger reserve	**645,335**	645,335
Capital redemption reserve	**10,656**	10,307
Revenue reserve	**107,684**	111,861
Total Equity	**2,411,189**	2,699,633

All net assets are attributable to equity holders.

Net Asset Value per ordinary share attributable to equity holders		
Basic (£)	**£7.24**	£7.78
Diluted (£)	**£7.23**	£7.77

Cash flow statement for the year ended 31 December 2018

£000	**Dec 18**	**Dec 17**
Cash flows from operating activities		
(Loss)/Profit before tax	**(136,611)**	472,936
Adjustments for:		
Losses/(Gains) on investments	**162,664**	(432,187)
Losses on fair value of debt	**361**	2,160
Foreign exchange losses/(gains)	**2,722**	(4,556)
Depreciation	**-**	4
Loss/(Gains) on revaluation of office premises	**2,180**	(1,450)
Finance costs	**6,435**	6,190
Movement in pension scheme loss	**6**	305
Operating cash flows before movements in working capital	**37,757**	43,402
(Increase)/Decrease in receivables	**(2,288)**	3,273
Increase/(Decrease) in payables	**5,848**	(6,318)
Net cash flow from operating activities before income taxes	**41,317**	40,357
Taxes paid	**(5,220)**	(1,433)
Net cash inflow from operating activities	**36,097**	38,924

Cash flows from investing activities		
Proceeds on disposal at fair value of investments through profit and loss	**1,849,279**	4,384,770
Purchases of fair value through profit and loss investments	**(1,747,167)**	(3,322,009)
Disposal of property	**-**	21
Net cash inflow from investing activities	**102,112**	1,062,782
Cash flows from financing activities		
Dividends paid - Equity	**(45,545)**	(48,113)
Unclaimed dividends returned	**6**	66
Purchase of own shares	**(102,276)**	(1,008,529)
Bank loans and unsecured fixed rate loan notes raised	**60,000**	13,000
Repayment of bank debt	**(66,000)**	-
Finance costs paid	**(6,312)**	(6,308)
Net cash outflow from financing activities	**(160,127)**	(1,049,884)
Net cash (decrease)/ increase in cash and cash equivalents	**(21,918)**	51,822
Cash and cash equivalents at beginning of year	**105,808**	49,430
Effect of foreign exchange rate changes	**(2,722)**	4,556
Cash and cash equivalents at end of year	**81,168**	105,808

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The same accounting policies, presentations and methods of computation are followed in these financial statements as were applied in the Company's last annual audited financial statements, other than those stated in the Annual Report.

Basis of accounting

While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs on its website.

1. Revenue

An analysis of the Company's revenue is as follows:

£000	**Dec 18**	**Dec 17**
Income from investments		
Listed dividends - UK	**11,071**	10,948
Distributions from Collective Investment Schemes	**235**	1,500
Listed dividends - Overseas	**40,497**	44,536
	51,803	56,984
Other income		
Property rental income	**785**	570
Mineral rights income	**2,144**	2,803
Other interest	**344**	20
Other Income	**69**	148
	3,342	3,541
Total income	**55,145**	60,525

The mineral rights income disclosed above represents gross income received. Against this the Company pays associated expenses of £0.34m (£0.36m), with US tax of 20% payable on the net income.

2. Total Company administration expenses of £17.4m (£17.4m) consist of investment management fees of £10.9m (£10.1m) and other administrative expenses of £6.5m (£7.3m).

3. The diluted earnings per share is calculated using the weighted average number of ordinary shares, which includes 407,316 (456,886) ordinary shares acquired by the Trustee of the Employee Benefit Trust ("EBT") with funds provided by the Company. The basic earnings per share is calculated by excluding these shares. The basic Net Asset Value per share calculation also excludes these shares.

4. All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement. The Company, where consistent with the AIC Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts Guidelines (AIC SORP) is attributing indirect expenditure including management fees and finance costs one quarter to revenue and three quarters to capital profits, specific exceptions are:

    - Expenses which are incidental to the acquisition of an investment are included within the cost of that investment.

    - Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of that investment.

    - Expenses which under the AIC SORP are chargeable to revenue profits are recorded directly to revenue.

5. Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £38.1m (£88.0m) 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 2018 and information provided by the General Partner. The valuation of Alliance Trust Savings is £32.7m (£38.0m) and for 2018 is carried at the sale value to Interactive Investor Limited adjusted for transaction costs.

Mineral rights are carried at fair value and are valued in the Company's accounts at £12.9m (£15.3m) being the Directors' estimate of their fair value, using agreed sale values and the guidelines and methodologies on valuation published by the Oklahoma Tax Commission and for non-producing properties, the Lierle US Price Report.

Private equity investments, both fund-to-fund and direct included under Level 3, are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued in December 2018. Unlisted investments in private equity are stated at the valuation as determined by the TWIM 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 it 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
- 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).TWIM receives information from the General Partner on the underlying investments which is subsequently reviewed by the TWIM Valuation Committee. Where the TWIM Valuation Committee does not feel that the valuation is appropriate, an adjustment will be made.

Unsecured fixed rate loan notes are recognised at fair value.

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

ANNUAL REPORT

The Annual Report will be available in due course on the Company's website www.alliancetrust.co.uk. It will also be made available to the public at the Company's registered office, 8 West Marketgait, Dundee DD1 1QN and at the offices of the Company's Registrar, Computershare Investor Services PLC, Leven House, 10 Lochside Place, Edinburgh Park, Edinburgh EH12 9DF after publication.

ANNUAL GENERAL MEETING

The 131st Annual General Meeting of the Trust will be held at 11.00 am on Thursday 25 April 2019 at the Apex City Quay Hotel, 1 West Victoria Dock Road, Dundee, DD1 3JP.

The Notice of Meeting, detailing the business of the meeting, is sent to all shareholders. The Meeting will be followed in the afternoon by a presentation from two of the Trust's stock pickers, Andrew Wellington of Lyrical Asset Management and Rob Rohn of Sustainable Growth Advisers.