

KGC, ALLIANCE TRUST AGM SCRIPT – 21 MAY 2010

((SLIDE - Opening Slide))

Thank you, Lesley and a very good morning to you all. I'd like to welcome you to my second AGM as Chief Executive. And it's wonderful to see such a full room especially since we are sometimes berated for holding this meeting in such an "inaccessible and sparsely populated" place.

This morning, I'd like to cover our results for last year, how we achieved those results and then briefly turn to the market outlook.

((Slide - Rodeo))

I realise that you have all seen our results for last year, but if I am to characterise it, I would say that it was very much a year of two halves. In the first half of the year we finished reinvesting the cash balances that we had amassed at the tail end of 2008, reducing our net cash,

from 11% to a net debt position of about 5% at the year end, and around 7% now. We built positions in companies which we know and understand, whilst most importantly fitting with our long-term investment approach. However, March and April proved to be horrible for us, as we had chosen not to re-invest into companies, that were either heavily government owned or heavily indebted and these were the types of companies that rallied quite hard during the early phase of the recovery.

The feedback we get is that you invest in us, for our ability to find quality companies using our experienced investment team. Accordingly having reviewed the state of markets and economies at mid-year, we didn't change our views or the way in which the portfolio was structured. We felt very confident that as the market broadened out, our performance would recover and that has certainly proven to be the case. This underpinned our decision to undertake the first purchase of our own shares, in October 2009. The manner in which the market bounced back,

until it stopped doing so quite dramatically last month, far surpassed most people's expectations. There were very few people calling the FTSE up 20% for 2009 and even fewer, calling for a 50% recovery from the bottom in March 2009. "Challenging" is perhaps slightly euphemistic for how, internally, we have described the mechanics of the markets over the last 12 months!

((Slide - Performance relative to Peer Group))

While I am fully aware that we are here to report on the results for the year and yes, we found 2009 challenging, through the ups and downs of the markets we have taken some pretty bold decisions. I think that it is important to bear in mind what we've delivered over the two years.

In the chart behind me, you can see the share price total return of Alliance Trust since January 2008, versus the performance of the peer group, consisting of the 43 Trusts

in the AIC Global Growth and Global Growth and Income sectors.

What you can see is that the Trust has beaten that peer group during some of the most extreme market conditions that anyone has ever experienced. Over this time, we have also seen the discount go out to 28% and then close in to 10%, within 6 months. More recently, along with the sector as a whole, the discount has drifted out again. We ended the year at 17% and it is now around 19%. While it is clearly wider than we would like, the volatility has reduced and was lower than in the previous year.

It is difficult to illustrate the extraordinary conditions we have seen in the markets in the last couple of years, but I hope that the following examples may help.

Whilst we have seen some impressive returns from financials and basic materials at various times over the last 24 months from 31 January 2008, surprisingly for a

traditionally volatile sector, only Technology has managed to outperform the FTSE All-World in each year, and perhaps less surprisingly, it is some of the consumer sectors, which have proven to be the safest havens.

However we focus much more on the fundamentals of the stocks in which we invest than on their sectors and if we drill down to that level, we find that in the year to 31 January 2009, the share prices of only THREE companies out of the 600 or so companies in the FTSE All-Share rose, while in the following twelve months, up to 31 January 2010, 110 companies DOUBLED in value. However, while the doubling was a relief, it should be recognised that they were doing so from a very low base and, in fact, 50% of those companies are still less than half the size they were at the end of January 2008.

In the last two years, equity markets as a whole have experienced extreme volatility, the like of which only a very few of our most venerable shareholders will have ever

witnessed, even if they were too young to be aware of it at the time. We track the VIX index, which measures the volatility of options, and that peaked in late 2008 at a level double that which it reached in the immediate aftermath of 9/11 which was itself an historic high.

Meanwhile on the currency markets, we have all seen the slide in Sterling against the Dollar and the Euro, but over one six month period, Sterling fell 40% against the Yen.

I believe that it is an old Chinese proverb that says “May you live in interesting times.” Since I took over as Chief Executive, this proverb has certainly come true.

((SLIDE - Strategic Priorities))

Moving on, to give a bit more detail on our strategic priorities for last year, importantly, they remain the same priorities for this year. The key thing for us, is to keep doing what it says on the tin. Investment in our equity portfolio remains by far and away the biggest proportion of

what we do and if you consider where we were this time last year, we had about 77% of our assets in equities, that's up to just over 95% as of last Friday, with the lion's share of the money going back into the market in the early part of last year.

We remain very focused on improving our long term investment performance. We emphasise the long term because we are well aware that many of you have, or will, hold us for between 15-20 years, and I know that a number of you in this room have held us for considerably longer. This influences our investment approach and, in respect of our equity portfolio, we returned just over 26% during 2009.

The other part of managing any business is obviously to ensure that the cost base doesn't balloon out of control. You will know that over the past two years we have had a real focus on managing our cost base effectively and most importantly, managing it in line with the tough economic

and market conditions that we have seen. We spent quite a lot of time last year talking about the fact that for the first time ever, we had reduced head count by about 12%. Last year saw the full impact of this cost reduction and indeed we reduced our head count again, by about 14%. This factor, as well as other cost management initiatives, contributed to a reduction in our expenses by 4.8% for the year. This is significant; given it was the first time in nearly fifteen years that our absolute cost base has fallen.

Looking at the subsidiaries, we have had a year of real transformation in both businesses. From an Alliance Trust Savings perspective, the business looks and feels in a completely different place from twelve months ago and I will give a bit more detail in a minute. In respect of the Asset Management business, we now have a business, where last year we only really had a concept and a plan; we have three funds up and running and again, I'll give more detail later.

The other real priority for us is to ensure that we develop our people. Over the year we moved into three new offices, most critically our company headquarters in Marketgait, here in Dundee. It has made a huge difference to the culture and morale of the business. We now have the investment team sitting in an open-plan space and it has been very positive for the whole company, to combine our three previous locations in Dundee, into one. It has particularly benefited the way we communicate and the speed of our decision making. Indeed in the past couple of years, we have succeeded in building a team of investment professionals, who combined have more than 600 years of investing experience. This combination gives us a real competitive advantage.

Through greater employee engagement, a more flexible benefits structure and a new employee awards programme, we are now far better placed to recognise the contribution our people make, to the development of the business. We've also encouraged a volunteering

programme through which we support a local charity, focused on Riding for the Disabled, thereby giving something back to our community. These things may sound trivial, but actually what we deliver is entirely at the behest and attitude of our people and that's why we spend time and effort focusing on this.

((SLIDE - Company Highlights))

So what did we deliver last year? Net Asset Value total return was up just over 22%, you can see the share price up close to 17%, with company expenses down 4.8% as we have just discussed. Within the peer group we rank ourselves against, which is the Global Growth and Global Growth and Income sectors; you can see that over the year our ranking proved disappointing. It wasn't where we expected it to be, for many of the reasons we've already talked about, most of which occurred in the first half. However, our ranking of 11 out of 37 over the two years puts us just outside the top quartile.

((SLIDE - Performance Slide))

We have shown the summary results, but if I can put a little more colour on the numbers, we have summarised the performance of each of the regional equity portfolios for the year as a whole. It is fair to say that we were disappointed by what we produced at a total level.

What's more interesting, is if you look over the nine months from July last year to the end of last month. The direction is much more promising and you can see here that we have had a significant recovery.

During the year we combined our large and mid cap UK portfolio so we now have a single UK portfolio, managed by Neil Tong and his team. We also unified our Pan-Asian portfolio and completely restructured it under Jonathan Bolton. Over the past couple of years you will well know that our Asian performance has been disappointing; it was

one of the reasons that we decided to centralise the team back in Scotland. The portfolio was completely re-structured in May of last year and in fact since then, the portfolio is modestly out performing and the Japanese element is almost 5% ahead of its benchmark over the past twelve months.

On the global side, we re-structured the portfolio in the latter stages of last year under John Ewart and Jay Newman and although we are still behind our target benchmark, the trend is more encouraging. Our North American portfolio, managed by Matt Strachan and his team, was broadly flat for the year, despite being extremely differentiated from the index against which he is measured. In particular, we see better opportunities in Canada and are heavily overweight that market.

Our European portfolio, managed by Fiona MacRae and her team, had another strong year, after a good 2008 and,

as you can see from the slide, they are continuing to do well since the year end.

Members of each of these teams are here with us today, so if you have any questions of them, please track them down after the meeting, over lunch. If I could ask all members of the investment team to stand up so that you can be identified.....Thank you

((SLIDE - Portfolio Characteristics))

This next slide is a very interesting one and is the result of a major piece of work we have undertaken over the past year. We are all used to analysing the portfolio based on the country in which the companies are listed. However, what we are now able to do, is to compare that split, with the revenue split of the underlying companies. You can clearly see, that although in crude terms it looks as if we have a heavy exposure to the UK – in respect of where our companies derive their revenue from, it is far less. In

respect of revenue, the UK proportion is under 10%. By far and away the biggest impact and driver of what will influence the equity portfolio is what's happening in Pan Asia and emerging markets. This has been a trend that has been in place over the past eight to nine months.

((SLIDE - Financials in Detail))

This next slide gives you a flavour of what is going on at the coal face. I have focused on our largest sector - financials, and I am just going to use it to illustrate how we invest. One of the major themes we dealt with last year, has been the spectacular rise in stocks in the financial sector, in part because of the "near death experience" they endured in 2008. It has been a tricky sector to predict, which we did in 2008 by largely avoiding it, but we decided to return to the sector last year.

The "Ins" are our largest financial positions. They are listed in 3 regions and crucially, as I was saying before, 4

of them are heavily exposed to Asia and Emerging Markets. These four outperformed the sector, which itself rose 42% over the year. The 5th, New York Community Bancorp, is a niche mortgage bank. It typifies our long term view. It rose 10% in 2008, when the sector fell 17% and it continues to do what it has always done, without getting sidetracked into the glitzy world of exotic derivatives. We believe it has great long term potential.

The “outs”, representing our largest sales in the year reflect our conclusion that there was something lacking, be it strategic clarity, capital adequacy or exposure to growth markets. While Deutsche Bank did very well in 2009, following a dire 2008, most others continued to struggle.

Finally, the “not ins” are the largest five financial companies in the World in which we do not have a stake. Only the mouthful that is “Bank of China Construction Bank” outperformed the sector as did the stock we

preferred, the equally catchy, Industrial and Commercial Bank of China.

What I hope you will take away from this is that we are stock pickers and that we invest with conviction. We actively manage the portfolio and we have navigated a particularly frenetic sector with a good degree of success.

((SLIDE - Asset Allocation))

We have talked about the regional portfolios, and you can see here their relative weights. In respect of other asset classes, it is important to just touch on these. Other assets account for just over 9% of net assets. On the private equity side, which is about 3% of net assets, the portfolio, managed by Raymond Abbott and his team, returned about 17% during the year, the bulk of which was from our quoted private equity portfolio. At the end of the year the funds were worth £68m, our listed holdings were worth £12m and we have about £230m total fund commitments.

Importantly draw downs have been running at a really low rate and that continues to be the case.

Turning to the property side; we indicated last year that we were looking to reduce our direct exposure. We achieved an income of £4.2m from our property assets during 2009, but have in fact now sold two of them, one just after the end of the year, for a total consideration of £23.2 million. We have four properties remaining, that we are looking to sell at the appropriate moment. We will replace the income we generated from these assets, through an increased allocation to Fixed Income.

Our Fixed Income portfolio returned more than 48% last year, but that was largely because the previous year had been awful. The portfolio, which at year end was less than 2% of our net assets, is comprised of banking preference shares, so you would have expected them to have a pretty decent year last year in capital terms as well as generating a healthy yield.

Looking forward, we have appointed a new team of four individuals, headed by Rod Davidson, to manage our fixed income assets. It is our intention to use this well respected team to give greater flexibility to our asset allocation, whilst at the same time helping to meet our overall income requirement. We have approval in place to invest up to 10% of the total portfolio; however it will be some time before we achieve that.

The remaining part of our investment portfolio, is our long-term investments in our subsidiary businesses, Alliance Trust Savings and Alliance Trust Asset Management. Although in terms of contribution to net asset value, they are currently small, in terms of their potential and what they do to raise the profile of the Trust, they are important.

((SLIDE 10 - ATS))

So I would like to give a brief update in respect of Alliance Trust Savings and the impressive work that Robert Burgess and his team have been putting in over the last year. Net revenue was just shy of £10 million with total costs of £17.7m. We pointed out when we announced our results for the first half of the year, that the reduction in revenue was exclusively impacted by both the big reduction in base rates and our temporary closure to new Full SIPP business. Although we reopened for new Full Sippis in the second half of last year, the larger impact from base rates was felt throughout the year.

Having said that, as many of you have noticed, the business is now in a totally different place. Importantly, we have a completely new management team, some of whom, are only recently onboard. Every process has been reviewed and where appropriate, upgraded. We have had a conscious focus on taking the actions to improve our customer service, both in the short and long-term. This is critical to maintaining customer loyalty.

Some of the things that we have been working on are how to reduce manual intervention and therefore risk, resulting in over 150 processes being automated across the business. This also drives efficiency and underpins our ability to scale the business.

The other point to make is that, compared to other platforms in the market, we are probably best positioned for the world post the FSA's Retail Distribution Review. Our model uniquely rebates all commissions back to our customers. As competitors are potentially challenged to reinvent their businesses, we are far better positioned on this. We're very much focused on developing our product and service propositions to grow the revenue as we go forward. In addition, as we indicated at the interims, we are taking actions to reduce our reliance on Net Interest Income.

We have re-engineered our full SIPP processes and that's been one of the big pieces of work for last year. It is

important to ensure that our fee structure best reflects the work and service that people are getting and we have just recently advised clients on the full SIPP side, that we will be raising fees from 1 May 2010. We haven't actually raised our fees for the full SIPP for many years. Our pricing structure will still be very competitive, but more importantly, reflect our high quality proposition compared to others in the market.

The other point to make is that we already have the largest Investment Trust Supermarket and are now actively expanding our Funds Supermarket. Day by day we are signing up more funds, we have just added a number of the more prominent fund houses such as Invesco, Artemis and Neptune, which will make a real difference to our overall offering. We will end up with about 1400 funds or so on the platform by the half year, but that also ties to about 4000 different sorts of instruments that people can buy. So, combined with share dealing enhancements, the overall offering is in a much,

much better position and it is in a very different shape to where it was last year. As we look at the business it is now well set for a period of really exciting development.

I know that a number of you invest in us via Alliance Trust Savings, and may recognise the voices of some of the team, but if you would like any information then if I could ask all members of the ATS team in attendance to stand up so you will know who to seek out after the meeting.
.....Thank you

[SLIDE - ATAM]

In our asset management subsidiary, as you may be aware, we launched three funds during 2009: UK equity income, North American equity and, late last year, European equity. A large percentage of the new money we raised came from Alliance Trust Savings customers. This is a great vote of confidence in what we are offering.

In terms of the focus for 2010, it's really all about building on the successes of last year. Clearly one of the biggest drivers is going to be the direction of equity markets and how people feel, but also the underlying performance of the funds that we're running. I am delighted to report that actually, the numbers look pretty good; the UK fund in particular is generating quite a lot of interest. In addition, our North American fund has started to attract some meaningful assets, from investors who have never considered us before.

So for this year specifically, we will be looking at a UK Income Fund for the Fixed Income Team to manage, probably launching some time next month. It will be pretty conservative in structure and management and we're obviously looking to build the right sort of product that fits very much with what our customers are looking for.

In terms of growing the business and attracting new investors, Ed Troughton and Tom Pearson are constantly

out on the road, spending a great deal of time with Discretionary Wealth Managers. Indeed they are doing just that, today. We are also having good initial meetings with the Institutional Pension Fund Consultants. It is still early days but when I think in terms of what we achieved last year, it's been very good start.

[SLIDE - Power of Three]

The Power of Three is a slide which some of you will have seen before, but it's important that we bring it back every time, because this is ultimately what makes Alliance Trust different from everyone else. No other investment trust out there looks like us. We have a unique and compelling business model. Alliance Trust Savings clients are a big and growing part of the overall ownership of the Trust, at over 21%. That's a percentage that has steadily increased month in, month out. This in itself, helps give us a degree of competitive advantage and is an important differentiator. The other point to make is that the Alliance

Trust Asset Management business benefits from new money flowing from our savings customers and ultimately as we get more revenue and assets into that business, the overall costs of the Trust will be reduced as we can spread the same cost base, over more assets. The uniqueness of our model, will ultimately, be the power that will set us apart from other investment companies as we go forward.

[SLIDE - Outlook]

So to sum up and give you our outlook for Alliance Trust over the next twelve months, it very much continues to be a company specific approach; that has always been our style. Shona will shortly give you the economic context, but our view on markets, is that while we do believe an economic recovery is in place, we are ever vigilant about the possibility of a double-dip recession.

We generally have a much more positive outlook for Asia and emerging markets to the extent that over the last

couple of months we've cut our UK exposure by 5% and reinvested it into Asia and emerging markets, taking advantage of the fact that the UK rallied hard during the first quarter. We also benefited from holding some of those UK companies through a decent dividend season.

We are becoming significantly more interested in Japan, in part because we have had so little there. In fact, we have had less than 1% of the portfolio in Japan for the past three years and this has been right. Increasingly, we think that consensus earnings numbers are far too low. We are not making a massively positive bet on Japan PLC, because they have their own problems but, as an exporting nation, a lot of what Japan is exporting at the moment is what the world wants. From a macro perspective, we are forecasting a rebound in corporate spending and that should certainly benefit Japan and other parts of Asia.

As a result, we have recently hired one extra Pan-Asian Fund Manager. Justin Atkinson, who started a couple of weeks ago, graduated from Cambridge with a degree in Oriental Studies. He also speaks Japanese so he will obviously give the team more firepower.

In respect of the rest of the business, which is equally important, we will continue to be very vigilant in respect of our cost base. We will work to grow the subsidiaries, having made real, tangible progress last year. However the number one priority for each and every one of us is to deliver an investment portfolio performance for the total portfolio, such that over time, everyone of our shareholders, will benefit from the combination of capital growth and a progressive dividend.

[SLIDE - 40 year chart]

Just before I finish, I would like to emphasise the double benefit of investing for the long term combined with the

multiplier effect of reinvesting the dividend. To illustrate this, we have chosen a 40 yr chart to coincide with our progressive dividend history.

This chart shows the effect of investing £100 in Alliance Trust in December 1970. If you had taken the income, then you would now have £1,980. If you had opted to reinvest all the income into more shares, you would have over £6,200, or over 3 times the value. By way of comparison, a fund that tracked Alliance Trust and then switched into the FTSE World Index, when it launched in 1986, would be worth just under £5,000.

In summary, 2009 proved to be challenging in many respects, however, I am very proud of the way in which our people have worked together to address and overcome those challenges. Despite an uncertain world, we have the discipline and determination to deliver. We have not shied away from difficult decisions or choices, nor will we in the future. I observe a passionate and

powerful team dynamic as well as a compelling cohesive culture across every part of our company.

It is these things that will continue to see us through economic, political and market cycles and will help us to attract and retain our talent. It is important to remember that our interests in this regard are aligned. A very large part of working for Alliance Trust is all about pride in ownership. Every member of the home team is a shareholder, and on average has more than £10,000 of their own money invested in Alliance Trust shares through our employee share ownership plans. We truly practice what we preach.

Investment remains firmly at the heart of our company and the focus on building a long-term success story has never been stronger.

I would now like to introduce Alan Trotter, who joined us as Finance Director in February, to give more detail on our financial results.

Thank you.