

Presentation by Lesley Knox

As you will gather from the presentations you have just heard, this has not been an easy environment for an investor who wants to take a long-term view. Some of the letters I have received in the period leading up to today's meeting have expressed disappointment at our performance over one year. A year when our share price rose by over 16% but we were behind the median of our peer group.

If I remind you that twelve months ago I was reporting that we were close to top quartile in the peer group, but with a share price that had fallen by more than 20%, that will give you some sense of the swings that we have experienced. Despite these swings, it is important to recognise that throughout the period our investment team did not lose their nerve but continued to follow our investment process, and that is why we have pointed to our performance over the two year period where we were 11th out of the 37 Investment Trusts of the peer group as the best way to demonstrate that we can invest across economic cycles to meet our objective of generating a real return for shareholder over the medium to long term.

These two years start with the failure of Bear Stearns and Fannie Mae in 2008, the first mainstream institutions to collapse, and it ends in early 2010 with the markets close to the same levels as 24 months earlier. I should also note, at the same time, that we have maintained our record of progressive dividend. Indeed, we could have paid a higher dividend but we judged it

prudent to continue to strengthen our reserves in what continue, as you will have heard, to be uncertain times.

In the past, much of the burden of supporting the dividend has fallen on the UK Equity Portfolio, and this is one area where we'll benefit from the establishment of our fixed income team, whom Katherine referred to earlier and who are now building a high quality portfolio of corporate bonds. This will give us greater flexibility to move capital between the different equity markets, in particular, taking advantage of the potential growth we see in the Asia Pacific region. After lunch, Matt Strachan, our head of North America, and Jonathan Bolton, who heads up our Pan Asian desk, will be comparing the prospects for eastern and western economies and companies as they emerge from the recession and I hope some of you will be able to stay for what should be a fascinating and combative discussion.

Another subject which is regularly featured in letters is share buy backs and as you may be aware we've bought back 1.6% of our share capital since the last AGM, 4.85 million shares in October last year and a further 6 million in March this year. This is one issue where we are not going to please all of the people all of the time. On the one hand, there are those who see no value whatsoever in buying back our shares, while on the other wing, others believe we should adopt an explicit discount control mechanism. I believe our position is clear. We will continue to buy back shares on an opportunistic basis, when we see value for shareholders in doing so based on the criteria we have adopted and that is to say based on timing, the level of the discount,

the shape of the current portfolio and the outlook for equity markets with an overriding criteria of it being in the best interests of our long term shareholders.

Other trusts have chosen to adopt a discount control mechanism, but each Trust is different. For ourselves, we remain sceptical as to the efficacy of a discount control mechanism because the structure of the Alliance Trust, a self-managed Trust with two subsidiaries, Alliance Trust Savings and Alliance Trust Asset Management, makes us different from many others. We are unique for an Investment Trust in that as well as being self-managed we have two operating subsidiaries. They are both in need of development funding, ATS because it is being positioned for the future and we need systems to manage the £6 billion of assets we manage for some 58,000 customers as efficiently as possible. Asset Management, because it's in the start up phase of its development and we expect it will generate significant returns in the future.

To that end we believe that returning cash to shareholders and stymieing, or slowing, the development potential is not in the best interests of the long term investor who remains our core shareholder, reduced income would also be an inevitable consequence of reducing the investment capital of the Trust.

Turning now to some of the other events during the year just ended, the regulatory landscape has changed in many ways. Some of these changes have been reasonable responses by governments and regulators to reduce

the risk of a recurrence of the financial crisis and the consequences for the wider economy which we have seen over the last two years. Others, and I have in mind the Alternative Investment Fund Managers, or AIFM, Directive, have in our view been less well thought out and the Investment Trust industry ran the risk of being consigned to history by this Directive, which was in fact directed at hedge funds not at all at the Investment Trust industry.

Alliance Trust has worked with other investment trusts, and the AIC, to push for change and good progress has been made although we still need to keep an eye on the track of the Directive in its final stages. I do however want to thank those of our shareholders, over 1,600 of whom signed up to the position on our website or wrote to your MPs and MEPs. This was invaluable in demonstrating to the legislators that this was more than just an industry issue and affected the interests of individuals who see Investment Trusts as a safe low risk form of investment. Curiously, all of this took place at the same time as the Retail Distribution Review which was undertaken by the Financial Services Authority which will level the playing field for Investment Trusts compared to open ended funds by removing the risk of bias in favour of those investment vehicles which pay commission to advisers. We believe investors will be able to see more clearly the benefits of Investment Trusts and we welcome this review as increasing transparency in financial products.