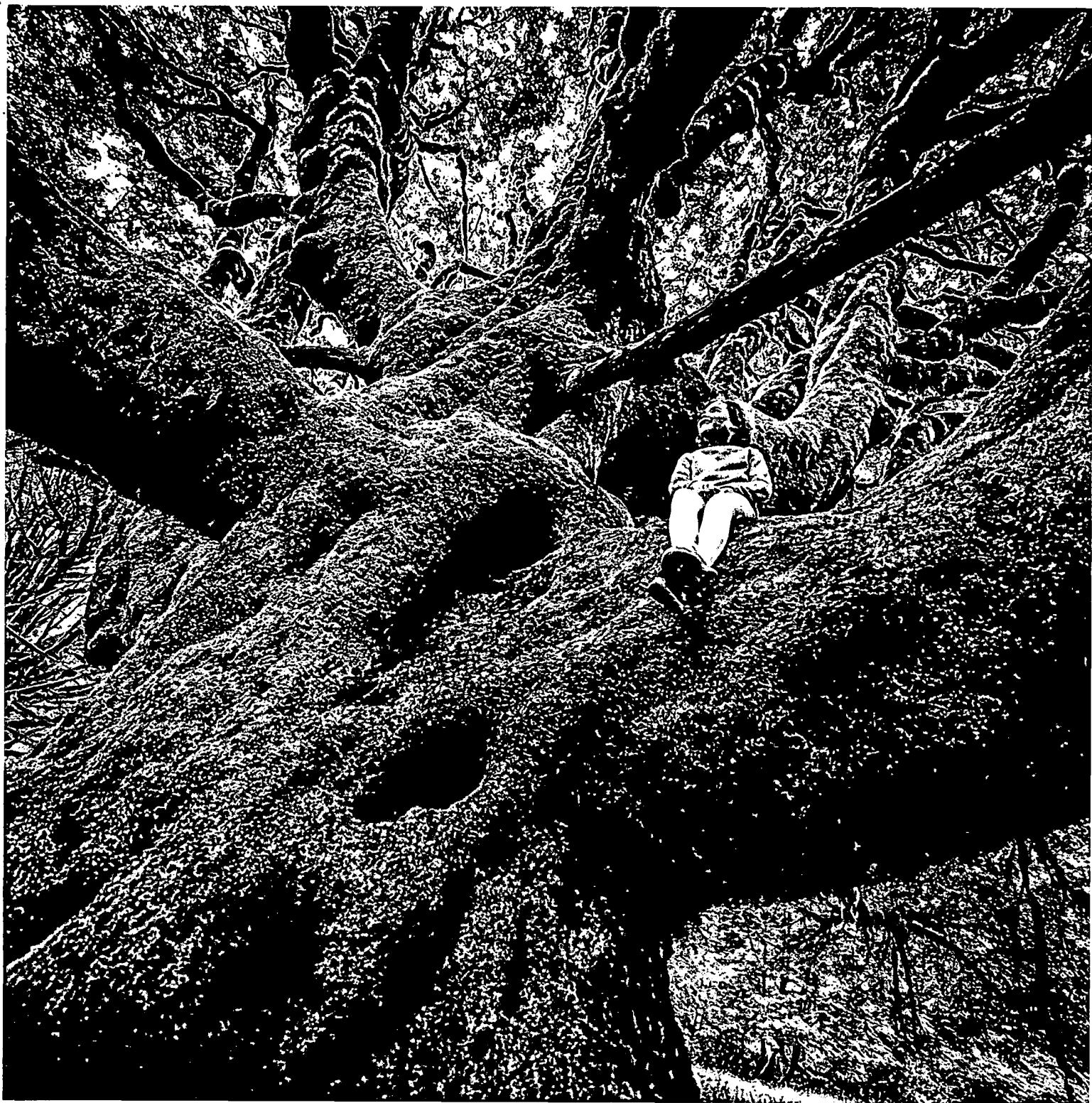


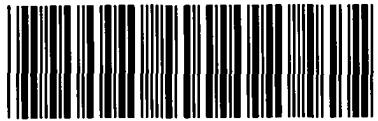
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# ANNUAL REPORT 2019

Annual Report for the year ended 31 December 2019



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Alliance Trust

INVESTING FOR  
GENERATIONS

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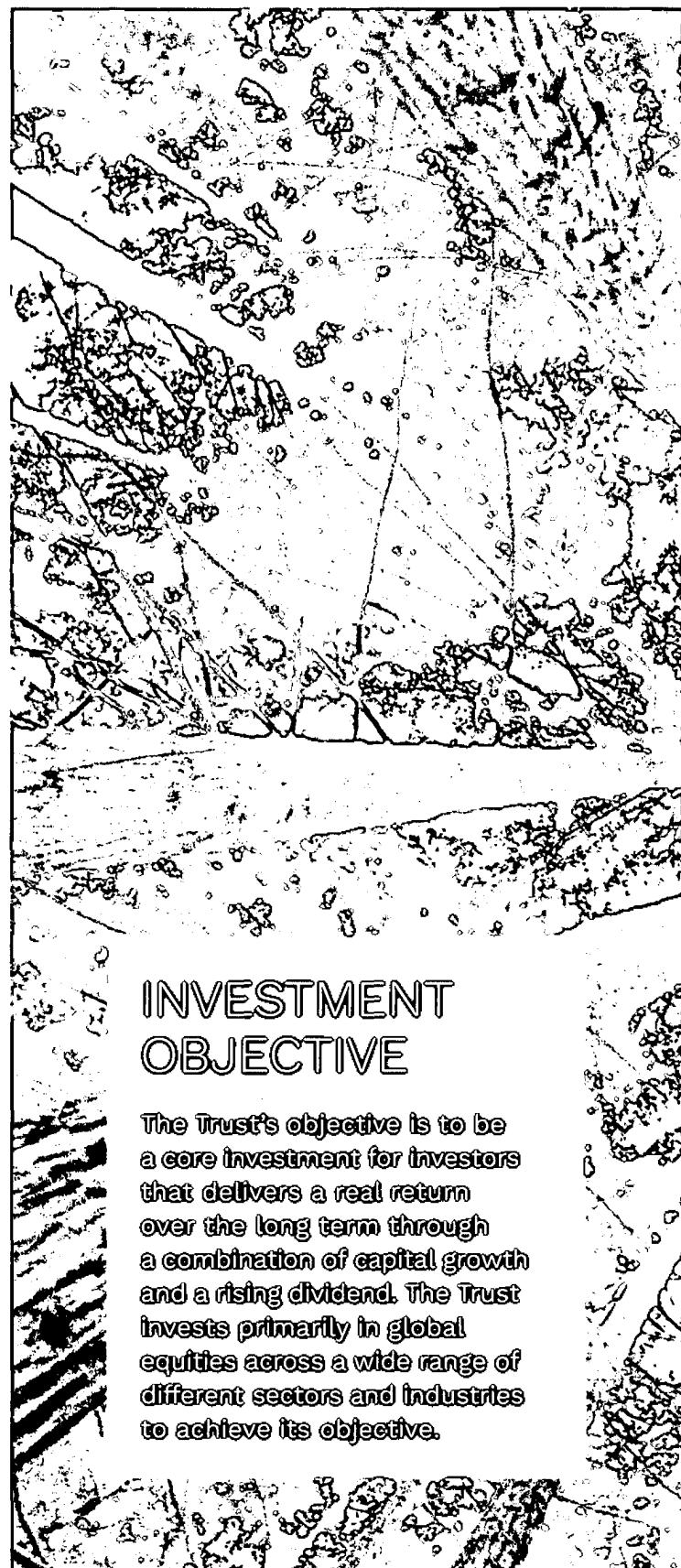
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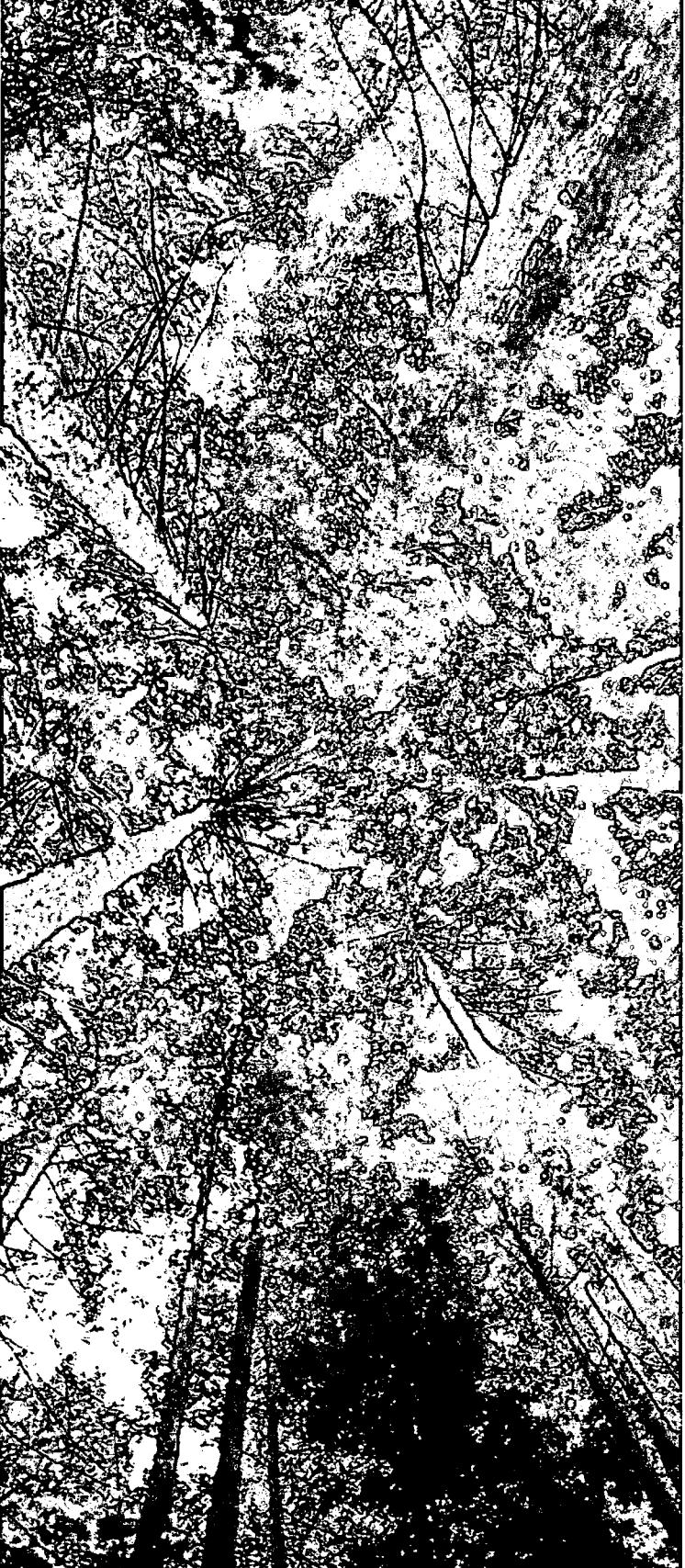
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# INVESTING FOR GENERATIONS: PAST, PRESENT AND FUTURE

Whether you are paying for university, saving for a pension or leaving a legacy, Alliance Trust can help you achieve your goals, as it has for generations of investors since 1888.

## THE BENEFITS OF OWNING SHARES IN THE TRUST

Our carefully constructed global equity portfolio is designed to deliver, over the long term, higher returns than world stock markets, while at the same time shielding you from some of the risks that active investing usually entails. The Trust also produces regular and rising income, having increased its dividend every year for 53 years. It does all this at a competitive cost.

We find, select and monitor highly skilled Managers – each with their own, different investment approach – from around the world, and they invest only in their top stock picks. We combine these in the Alliance Trust portfolio, which is broadly diversified across countries and sectors to manage risk. But the individual holdings are quite different from those in a tracker fund. Performance is driven by stock selection rather than sector or country allocation.

## HOW THE TRUST MANAGES YOUR INVESTMENT

We use nine of the best Stock Pickers in the world, as rated by Willis Towers Watson (WTW), our Investment Manager.

Each of our Stock Pickers invests in a bespoke selection of usually 20 or fewer stocks. Research shows that high conviction investing can deliver market-beating returns, but it can also be risky if using just one Stock Picker whose style may fall in and out of favour. This is why we combine a range of Stock Pickers rather than rely on one person's skill and judgement.

The portfolio benefits from a rich mix of investment styles which smooths out the peaks and troughs of one Stock Picker's performance and reduces the risk of isolated losses damaging the performance of the portfolio as a whole.

However, our focus on high conviction positions avoids the disadvantages of traditional multi-manager strategies, which can end up virtually reproducing the index, often at high costs. The Trust's portfolio has around 200 stocks, compared to approximately 3,000 in our benchmark, the MSCI All Country World Index.

WTW's scale and global research help us keep our annual charges competitive.

By combining the outperformance potential of high conviction investing with the reduced risk of loss and volatility that manager diversification provides, we believe Alliance Trust makes an ideal long-term core holding, either on its own or as a building block in a broader portfolio.

# OUR PERFORMANCE IN 2019

## FINANCIAL HIGHLIGHTS AT 31 DECEMBER 2019



Share Price



NAV Total Return<sup>1</sup>



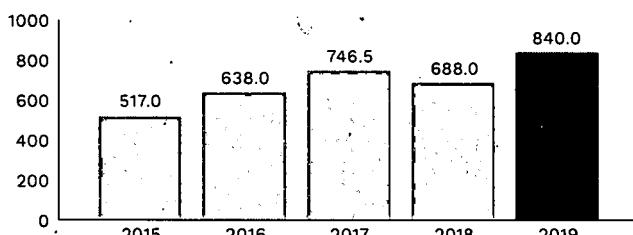
Net Asset Value<sup>2</sup>

## KEY PERFORMANCE INDICATORS

On these two pages we set out the Key Performance Indicators (KPIs) the Board uses to measure performance.

### SHARE PRICE (PENCE)

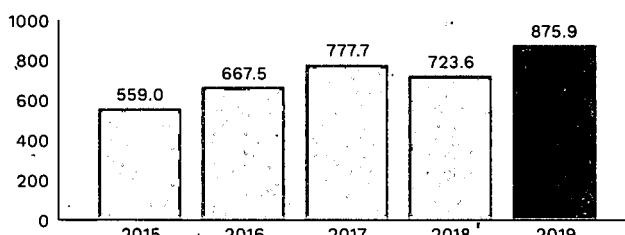
This is a simple means of identifying the change in the value of the Trust.



Source: FactSet.

### NET ASSET VALUE (PENCE)<sup>2</sup>

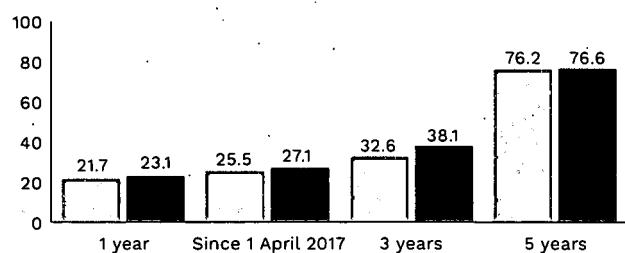
This shows the value per share of the investments held by the Trust less its liabilities (including borrowings).



Source: Alliance Trust.  
Net Asset Value includes income and with debt at fair value.

### NAV TOTAL RETURN (%)<sup>1</sup>

This measures the performance of our assets, including the contribution of dividends.

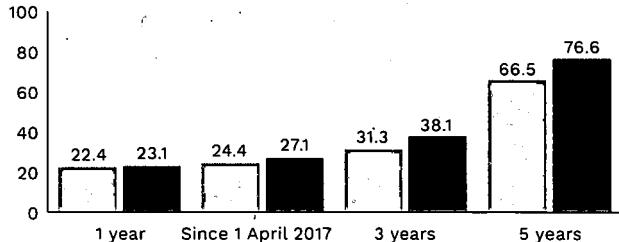


  MSCI ACWI  
  Alliance Trust

Source: Morningstar and MSCI Inc.  
NAV Total Return based on NAV including income with debt at fair value and after Managers' fees (including WTW's fees).

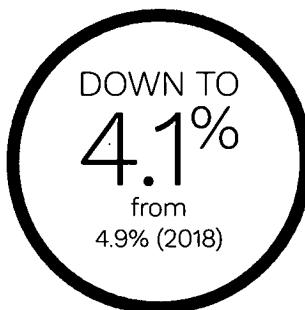
### COMPARISON AGAINST PEERS (%)

This shows our NAV Total Return against that of the Morningstar universe of UK retail global equity funds (open ended and closed ended).



  Morningstar Global Equity Median  
  Alliance Trust

Source: Morningstar.

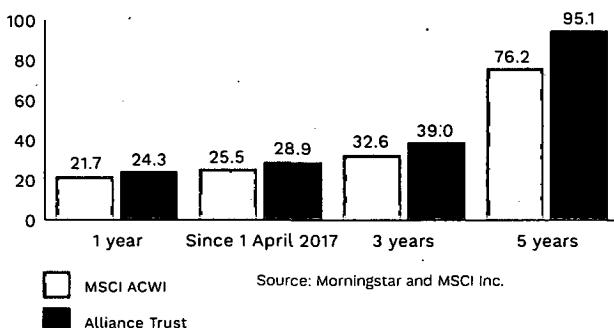
Total Shareholder Return<sup>1</sup>Discount<sup>1</sup>Total Dividend<sup>2</sup>

1. Alternative Performance Measure (refer to Glossary on page 104).

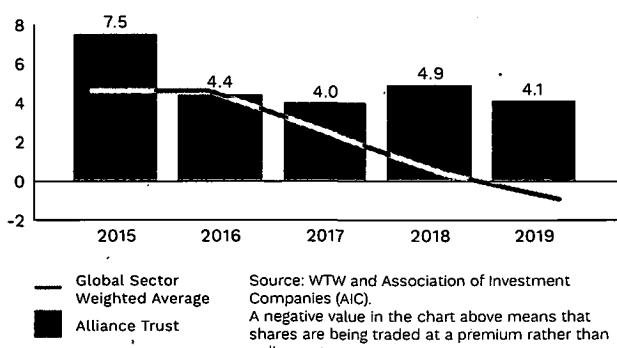
2. GAAP Measure.

**TOTAL SHAREHOLDER RETURN (%)<sup>1</sup>**

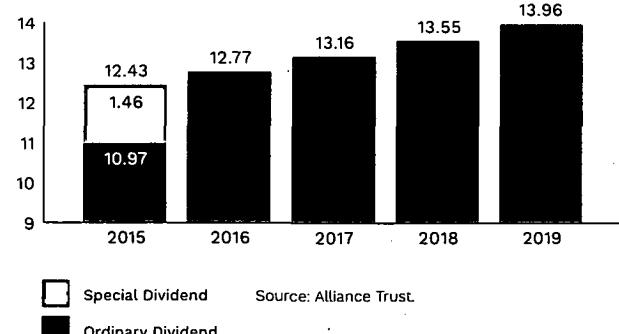
This demonstrates the return our shareholders receive through dividends and capital growth of the Trust.

**DISCOUNT (%)<sup>1</sup> ON 31 DECEMBER**

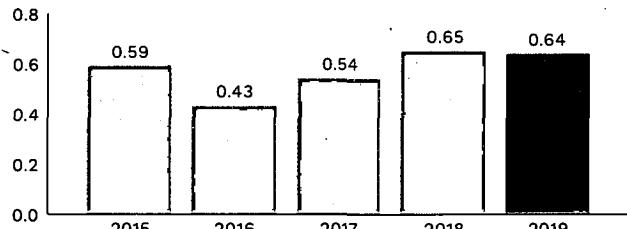
This is the difference between the share price of the Trust and its NAV and is an indicator of demand for our shares.

**TOTAL DIVIDEND (PENCE)<sup>2</sup> YEAR TO 31 DECEMBER**

A steadily rising dividend is one of the objectives of the Trust.

**ONGOING CHARGES RATIO (%)<sup>1</sup>**

This shows the cost of running the Trust as a percentage of our average NAV. It is an indicator of how efficiently the Trust is managed.



Source: Alliance Trust and FactSet.



“

I am delighted that in my first Chairman's Statement I can report that 2019 was a good year for the Trust, despite these unusual and uncertain times overshadowed by Brexit and now the coronavirus. We saw strong returns from our investments, outperforming our benchmark and our peers not only over the last 12 months but also since we adopted our multi-manager strategy in April 2017. We have also increased our ordinary dividend for the past 53 years. Virtually all of our non-core investments have been sold; the Trust is now well-positioned for continued outperformance.”

The Trust delivered a strong investment performance in 2019. We ended the year with a NAV Total Return of 23.1% and a Total Shareholder Return (TSR) of 24.3%; our benchmark index, the MSCI ACWI, returned 21.7%. The main reason for this, which is explained in more detail in our Investment Manager's report, is down to the performance of the stocks selected by our nine Stock Pickers.

We are a long-term investor so we do not want to concentrate too much on performance over 12 months. Our multi-manager approach is also delivering over a longer period. Between 1 April 2017, when we appointed WTW as our Investment Manager and 31 December 2019, our NAV Total Return was 27.1% and our TSR was 28.9%, both comfortably ahead of the MSCI ACWI which returned 25.5% for the same period. On page 8 we provide an estimate of how the Trust would have performed had we not owned Alliance Trust Savings or held the non-core investments, which we have now sold.

#### COMMITTING TO AN INCREASING DIVIDEND

I am pleased to report that we are declaring a fourth interim dividend for 2019 of 3.49p per share. This brings the total dividend for the year to 13.96p, an increase of 3% on last year. The Trust has increased its ordinary dividend for the past 53 years and the Board expects this to continue.

The Trust has strong revenue reserves from which it can continue to pay dividends even if there should be a shortfall in the income from our portfolio in any year. To further strengthen our dividend coverage and provide the potential to increase dividends, we are asking shareholders to approve a conversion of our Merger Reserve to a distributable reserve; if successful this change will mean we will have an additional £645.3m available to support increased dividend levels in the future. We will also be giving our shareholders the opportunity to approve our progressive Dividend Policy. We report in more detail on page 35.

We are introducing a Dividend Reinvestment Plan which will be administered by our Registrars. This will be available for the June 2020 dividend and shareholders will be able to join the Plan from 31 March 2020. This will enable shareholders to increase their holding in the Trust in a cost-effective way.

#### NARROWING OUR DISCOUNT

We increased our focus on the Trust's sales, marketing and investor relations activities in 2019 and we have seen demand for the Trust's shares from existing as well as new investors. These activities included an increased number of meetings with shareholders and potential shareholders, which helped us maintain our understanding of the needs of investors. The increased demand for shares will naturally narrow the discount at which our shares trade, thereby benefitting existing shareholders. This focus will continue in 2020. During 2019,

the Trust bought back a total of only 4.6m shares compared to 14.0m in 2018 and added £1.9m to the Net Asset Value for remaining shareholders. The average discount for the year was 5.0% and we ended the year at 4.1% (4.9% in 2018). While I am pleased at the progress made to date, we expect to see the discount narrow further as a result of continuing strong performance and increased demand. We report in more detail on our discount and share buyback activity on page 36.

#### CONTROLLING COSTS

We have continued to control costs resulting in the Trust's administrative expenses reducing to £5.9m from £6.5m in 2018. This includes the reduction in Directors' remuneration that we implemented in July 2019. At the year-end we are reporting an Ongoing Charges Ratio of 0.64%, which remains competitive for a global, active equity, multi-manager trust. We report in more detail on our costs on page 34.

#### INVESTING RESPONSIBLY

We believe that if we invest responsibly not only will our shareholders benefit but so will wider society. All of our Managers have processes in place to ensure that they have regard for Environmental, Social and Governance (ESG) matters when they select investments for the Trust. We have strengthened our approach to responsible investing by appointing external experts Hermes EOS (Equity Ownership Services). Hermes EOS not only provides guidance to our Managers on voting at company meetings, but uses its size (they represent asset owners and asset managers with more than £662bn) to encourage positive change in the way companies run their businesses. You can read more about this topic on page 17.

#### BORROWING TO IMPROVE PERFORMANCE

We regularly review the funding structure of the Trust and at the end of the year one of our existing facilities was expiring. We took the opportunity to refinance all of our other short-term borrowings and entered two new revolving credit facilities totalling £200m. Following the refinancing exercise, the Trust's weighted average interest on all borrowings remained at 3.1%.

#### CREATING A DIVERSE AND EFFECTIVE BOARD

On behalf of the Board, I would like to thank Lord Smith for his hard work and dedication as Chairman and for successfully leading the Board through a period of significant change. I am pleased to welcome Jo Dixon who joined the Board in January 2020 and takes on the role of Chair of the Audit & Risk Committee in March. Jo's appointment adds to the Board's existing skills and expertise, particularly its financial and audit knowledge, and also means that we have achieved our target of 33% female representation on the Board.

# CHAIRMAN'S STATEMENT

It was gratifying that the work carried out to refocus the Trust was recognised in the 2019 Citywire Investment Trust awards in which we were named Best Board. The judges commended the Board for the changes that had been made, saying it had tackled issues "head on" and implemented significant change "at a rapid pace". In the table below, you can see what we have achieved against the commitments we made following the announcement of the strategic review in 2016 and subsequently.

## ANNUAL GENERAL MEETING

We are again intending to hold our AGM in Dundee in 2020. We are aware of the potential impact of the coronavirus on such meetings and, if we need to make any change to our plans, we will do what we can to provide as much notice as possible to shareholders. Normally, I would look forward to welcoming you to meet some of our managers after the AGM. This year, I am sure you will understand why, we have decided not to hold an investor forum after the meeting. We will, however, aim to arrange something similar in Scotland in the not too distant future. I hope as many shareholders as possible will be able to attend the event and meet with me, or one of my fellow Directors, and some of our Stock Pickers.

We announced the outcome of our strategic review and our intention to move to a multi-manager global equity investment in December 2016. Since then we have taken a number of decisions to enable us to complete the simplification of the Trust and we set out below the progress we have made.

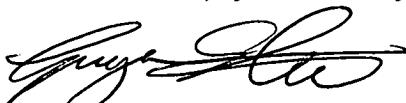
Decision	What has been achieved
To focus on global equities through a multi-manager approach.	Following a shareholder vote, WTW was appointed on 1 April 2017. The Trust is now almost completely invested in global equities.
To increase our outperformance target to 2% p.a. over the MSCI All Country World Index, net of costs, over rolling three-year periods.	We outperformed the MSCI ACWI between 1 April 2017 and 31 December 2019 by 3.4% in terms of our Total Shareholder Return and by 1.6% in terms of our NAV Total Return and are encouraged by performance to date as we approach the third anniversary of WTW's appointment. See page 8 for further information.
To maintain our progressive dividend policy and build on Alliance Trust's record of year-on-year dividend growth.	We have now increased our dividend for 53 consecutive years. Actions are underway to further enhance dividend payment capability.
To seek outperformance at a competitive cost, below 0.65%.	At the end of 2019, our OCR was 0.64%.
Sales of Alliance Trust Investments and Alliance Trust Savings.	The sale of Alliance Trust Investments completed in April 2017 and that of Alliance Trust Savings in June 2019. A total of £72.5m was received for these two businesses which was invested in global equities.
A proactive programme of share buybacks to be introduced and to achieve significantly narrower discount.	At the end of November 2016, the month before we announced the outcome of our strategic review, the discount was 10.3%. As at 31 December 2019, it had narrowed to 4.1%. Between those dates, £1.3bn was spent on share buybacks. The extent of share buybacks reduced by 67% between 2018 and 2019.

1. Known as EOS at Federated Hermes since 1 January 2020.

In addition to the normal AGM business and giving shareholders the opportunity to approve our Dividend Policy (see page 35) and changes to our Merger Reserve, we will be asking shareholders to approve some minor changes to our Articles of Association and the appointment of BDO as the Trust's new Auditor. As always, I and my other Directors, would be delighted to talk to any shareholders who manage to attend.

## OUTLOOK

The outlook for the global economy and financial markets is, as always, uncertain. The coronavirus is an international problem that will impact directly or indirectly everyone. Our Stock Pickers have made some minor changes as part of their ongoing review of their stock selections. We are confident that the Trust remains well placed to be a core investment for our shareholders for generations to come, through a portfolio designed to outperform but with less volatility and risk than investments in equity funds with only one manager.



Gregor Stewart  
Chairman

# INVESTMENT MANAGER'S REPORT

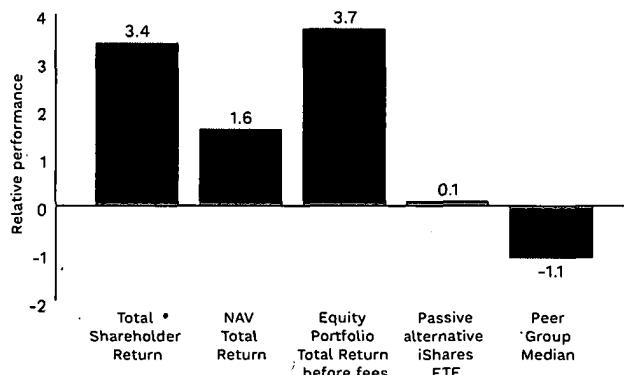
## STRONG PERFORMANCE IN A CHALLENGING MARKET FOR ACTIVE MANAGERS

The Trust's Total Shareholder Return for the year was 24.3% and the Trust's NAV Total Return was 23.1%, against the MSCI ACWI return of 21.7%. The Trust's NAV Total Return includes the impact of the Trust's buybacks, gearing, fees and costs. In future, the NAV Total Return will be better aligned with the return generated by the equity portfolio, given the sale of the Trust's legacy assets and Alliance Trust Savings (ATS).

The Trust's Equity Portfolio Total Return before fees for the year was 22.9%. Between 1 April 2017 when we were appointed and 31 December 2019, the Equity Portfolio Total Return before fees was 29.2%, 3.7% ahead of the Trust's benchmark.

The Trust's Equity Portfolio Total Return before fees between 1 April 2017 and 31 December 2019 is a good approximation of what the Trust's NAV Total Return would have been had the Trust not held its legacy non-core investments. The Equity Portfolio Total Return excludes the positive impact of leverage and buybacks seen in the NAV. The strong performance of the Trust's equity portfolio demonstrates the value of investing longer term in a portfolio of our Stock Pickers' highest conviction stocks. This performance has been achieved in what has been a challenging environment for active managers, given the low dispersion and narrow leadership of US mega cap technology stocks driving markets.

## RELATIVE RETURNS AGAINST BENCHMARK SINCE APPOINTMENT OF WTW (%)



Source: BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc. The passive alternative iShares is the BlackRock iShares MSCI ACWI ETF. The Peer Group is the Morningstar universe of UK retail global equity funds (open ended and closed ended). The performance of the Passive Alternative iShares ETF and Peer Group is after fees. The Trust's NAV Total Return reflects the impact of holding non-core investments and Alliance Trust Savings until 30 June 2019.



Willis Towers Watson (WTW), a leading investment group with roots dating back to 1828, was appointed as the Trust's Investment Manager in April 2017. It, in turn, has appointed a number of Stock Pickers to invest in their highest conviction stock ideas for the Trust.

WTW has drawn on its in-depth knowledge of over 1,500 equity managers and 16,850 equity investment products to select skilled Stock Pickers.

Performance of the Trust's overall portfolio is managed by WTW's Alliance Trust Investment Committee. This committee is responsible for driving investment outperformance, monitoring and overseeing Stock Picker performance, reviewing portfolio blending, balancing risk at the stock, sector and geographical level, implementing any hedging and gearing - as well as tight cost management.

“

We are very pleased with the performance of the Trust since we took over management of the Trust's portfolio and believe we are well positioned for continued success.”

**Craig Baker**  
Global Chief Investment Officer, WTW



WTW Investment Committee: Stuart Gray, Mark Davis and Craig Baker.

## MARKET UNCERTAINTY LEADS TO NEW RISKS AND OPPORTUNITIES

Global equity markets experienced solid growth in 2019, rebounding strongly from the sell-off in the fourth quarter of 2018.

Softening global economic data saw central banks act. The Federal Reserve in the US changed its tightening course and cut interest rates in July, September and October. Similar measures were adopted across many other regions to help stimulate economic activity. This accommodating central bank stance helped spur equity markets on, despite the economic weakness seen globally and continued market uncertainty, with the US/China trade dispute continuing to dominate headlines for a second year.

The impact of the trade dispute was particularly felt across emerging markets, with the MSCI Emerging Markets benchmark lagging the main index, up only 13.9% in sterling terms over the year.

Yet again, US markets dominated most major regions, up 25.8% in sterling terms versus 21.7% for the MSCI ACWI, mostly led by large cap technology companies. The Information Technology sector was up 41.2% in sterling terms over 2019. The weakest sector was Energy, up 8.4%, with performance dragged down by unease about sluggish global growth and oversupply as well as worrying headlines, particularly regarding Middle East tensions and global climate concerns.

Investment in US companies in aggregate represented the Trust's largest holding, accounting for over 50% of the portfolio, at 31 December 2019. Information Technology was also a significant exposure, accounting for 18.5% of the portfolio. This contributed positively to the absolute portfolio return. The Trust had only 3% allocated to Energy stocks.

Whilst US large cap technology stocks led the market for a significant part of the year, it was not plain sailing all the time. Towards the end of summer 2019 we saw a reversal in the trend, with some of the more growth focused stocks pulling back in favour of value stocks. As such, the Trust's value Managers were able to recover some ground, whereas the Trust's growth Managers' strong momentum was somewhat tapered in the latter part of the year.

The divergent returns from different styles, countries and sectors has been significant and has persisted for many years. It is unpredictable as to when their directions might change. This unpredictability is a key driver behind our risk management approach of balancing the allocation of the Trust's portfolio across a range of global Stock Pickers with different

perspectives and investment approaches to control the overall risk of the portfolio. Our focus on risk management has meant that the Trust's portfolio demonstrated its all-weather robustness this year, able to perform strongly in both phases of the market, solidly keeping up while growth momentum dominated, as well as in the reversal back towards value.

## THE NEXT PHASE OF BREXIT

With the Brexit Withdrawal Bill passing in the House of Commons, the UK is now in the negotiation phase for a trade deal with the European Union. This clearly means that uncertainty remains, with a no deal outcome still on the table. However, one hurdle has been overcome. The Trust had 12% allocated to UK stocks as at end December 2019, with 4.8% in UK stocks in the MSCI ACWI benchmark. This is an overweight versus the benchmark, but an underweight relative to many Investment Trust peers that often have a greater allocation to the UK. The Trust has a global portfolio, focusing on seeking opportunities across a wide universe. Many of the UK stocks the portfolio invests in, are global companies, with global revenues.

How UK shares will fare during 2020 will depend, in part, on the outcome of the negotiations. However, the thorough bottom-up analysis undertaken by our Stock Pickers should ensure that the Trust holds companies with attractive long-term fundamentals, which should fare well in the long run, whatever the outcome.

## GROWING CONCERN AROUND CLIMATE RISK IMPACTS

2019 saw increasingly common heatwaves, floods and wildfires around the globe having a devastating impact on lives and livelihoods, as well as the environment. There is rising public awareness and pressure on world leaders to address climate risk and reconsider their dependency on fossil fuels, and to design a transition to net zero carbon emissions.

Corporations and investors are now also starting to more consistently evaluate their impact on the environment and reassess their investment beliefs. We have identified climate change as a critical and systemic priority, given the risk it presents to our clients' investments, the ongoing resilience of the savings universe, and the planet as a whole. Within the Trust's investment process, we consider the potential impacts of Environmental, Social and Governance (ESG) factors such as climate change. We cover this in more detail on page 15.

# INVESTMENT MANAGER'S REPORT

## continued

### STOCK PERFORMANCE ANALYSIS

Looking in more detail at stocks that drove the Trust's performance relative to its benchmark index, the table below illustrates the stocks that made the biggest difference to the Trust's performance against its benchmark index in the year and includes both stocks held and those not held by the Trust.

Name	Country	Sector	Average Active Weight	2019 Total Return in Sterling	Attribution Effect relative to benchmark
<b>TOP 5 CONTRIBUTORS</b>					
Qorvo, Inc.	United States	Information Technology	0.4%	84%	0.5%
New Oriental Education & Technology Group	China	Consumer Discretionary	0.7%	113%	0.4%
Charter Communications	United States	Communication Services	1.0%	64%	0.3%
Crown Holdings, Inc.	United States	Materials	0.9%	68%	0.3%
CGG	France	Energy	0.4%	136%	0.3%
<b>TOP 5 DETRACTORS</b>					
Apple, Inc.*	United States	Information Technology	-2.1%	81%	-0.9%
Qurate Retail, Inc.	United States	Consumer Discretionary	0.5%	-58%	-0.6%
Glanbia Plc	United Kingdom	Consumer Staples	0.5%	-40%	-0.4%
Baidu, Inc.	China	Communication Services	0.7%	-23%	-0.4%
Pearson PLC	United Kingdom	Communication Services	0.5%	-31%	-0.3%
Equity Portfolio Total Return				22.9%	1.2%
MSCI ACWI				21.7%	

Source: FactSet and WTW; Estimated attribution metrics calculated using the Brinson methodology using monthly data. \*Apple, Inc. was not held by the Trust and as such represents an opportunity loss rather than a financial loss.

### STOCKS THAT IMPROVED PERFORMANCE

The Trust's strongest driver of relative performance in 2019 was Qorvo, a US-based semiconductor company that is one of the three major players that make radio frequency and power amplification systems for mobile devices including mobile phones, tablets and, increasingly, devices included in the Internet of Things. There is a meaningful tailwind to this industry and business as the transition from 4G to 5G occurs across the globe. Qorvo's share price increased strongly in the fourth quarter after the company posted quarterly results that topped analysts' expectations.

New Oriental Education (EDU), a leading provider of tutoring services in China, was the second-best contributor to performance. It posted impressive growth over the past year, benefiting from classroom expansions and strong increases in student enrolment. An area of recent strength has been its Overseas Testing segment, which has benefited from reforms that management made to its offering catering to younger students. Greater classroom utilisation and lower outlays for sales and marketing have also provided a lift to its margins.

### STOCKS THAT DETRACTED FROM PERFORMANCE

Among the stocks in the portfolio, the main detractor during the year was Qurate, which was down 58% for the year. Qurate is a leader in TV-based retail shopping, and one of the largest e-commerce retailers in the US. Qurate's first two earnings reports were disappointments, missing estimates by 17% and 9% as the company experienced changes in product mix that impacted profitability, as well as increases in customer acquisition costs. There have been similar challenges in the past at the company, and these have proven temporary. During the year, the company's multiple compressed from 10x to 6x forward earnings, making it very attractive from a valuation perspective.

Apple is a stock we did not hold in the portfolio as it did not constitute one of our Stock Pickers 'best ideas'. The stock benefited from the US technology mega cap momentum and rallied strongly over the year. It is the largest stock in the index, accounting for over 2% of the MSCI ACWI benchmark and hence had a meaningful impact on the relative performance of the portfolio versus the benchmark.

## STOCK PICKERS' PERFORMANCE

We are very pleased with how the Stock Pickers we have selected for the Trust performed over the year. Many active managers have struggled to outperform a market driven by the narrow leadership of US mega cap information technology stocks, that we have experienced over the last two years.

If we were to take all the stocks in the MSCI ACWI and re-weight them at each quarter-end evenly so that they are equal weight, their performance over 2018 and 2019 would have been 4.6% and 6.1% lower than that of the actual MSCI ACWI market cap weighted index in US dollar terms. This illustrates the dominance of a small number of very large stocks over the period, with many other stocks in the index under-performing, making this a rather challenging environment.

## ANNUAL PERFORMANCE (%)

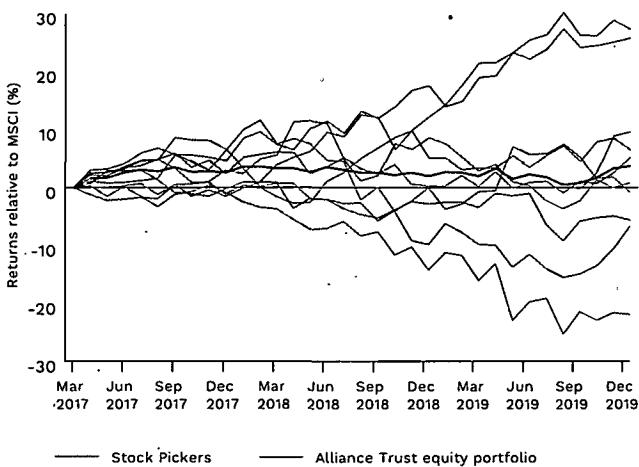
Year	MSCI ACWI Equal Weighted (US\$)	MSCI ACWI (US\$)
2019	21.18	27.30
2018	-13.52	-8.93
2017	26.42	24.62

Source: MSCI Inc.

As would be expected, there was some variation in the manager returns, with some performing strongly and others doing less well. Of the Trust's nine global Stock Pickers, six have outperformed the MSCI ACWI over 2019 and six have also outperformed in the period between 1 April 2017 and 31 December 2019. The emerging markets stocks in the Trust's portfolio have come in line with the MSCI Emerging Markets index over both time frames. Two of the global Stock Pickers have outperformed by more than 20% since April 2017, one has underperformed by more than 20% over the same time frame, with the remaining Stock Pickers within a +/-10% range since April 2017.

## DIVERSIFIED HIGH CONVICTION SMOOTHES RETURNS

The chart below illustrates just how critical risk management of the portfolio exposures is. An individual Manager's return path can be quite volatile. Allocating to a single manager's concentrated portfolio can be a bumpy ride. However, blending the stock selection of complementary Stock Pickers into a portfolio that is risk-managed in terms of style, sector and country exposures, and diversified across a number of manager strategies, leads to a much smoother return path.



Source: BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc. Individual Stock Picker returns, before fees, are benchmarked against MSCI All Country World Index NDR (Net Dividends Reinvested) in sterling and the MSCI Emerging Markets Index NDR. The Trust's returns are benchmarked against the MSCI All Country World Index NDR in sterling.

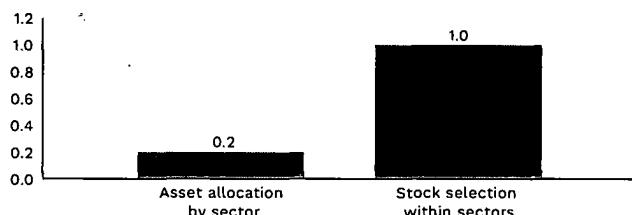
# INVESTMENT MANAGER'S REPORT

continued

## PERFORMANCE OF THE TRUST RELATIVE TO ITS BENCHMARK

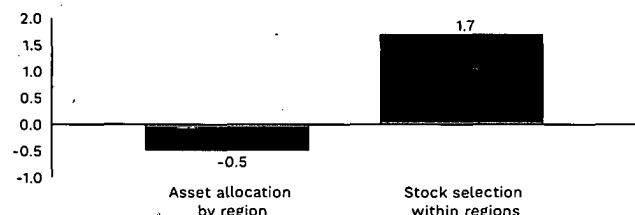
Over 2019, the Trust's equity portfolio, before costs, has outperformed its MSCI ACWI benchmark by 1.2%. We believe in the power of stock selection. We look to find and appoint the best Stock Pickers. We blend their 'best ideas' stock choices into a diversified and risk-controlled portfolio that exhibits no significant sector, regional or currency tilts. Performance in the long term is therefore driven by those stocks and not macro risks. During 2019, we did not implement any currency hedging for the Trust nor did the Trust have any exposure to derivative products. Our reference benchmark is unhedged, and our currency exposure is in line with our country allocations. As part of our portfolio risk management we monitor and manage our country and currency exposure, aiming to not diverge significantly away from the benchmark allocations. We are able to hedge currency risk as required, depending on our view of the risk profile. The charts below demonstrate the total added value through sector and regional allocation as well as stock selection impacts.

### ATTRIBUTION BY SECTOR (%)



Source: WTW and FactSet. Estimated attribution metrics calculated using the Brinson methodology using monthly data.

### ATTRIBUTION BY REGION (%)



Source: WTW and FactSet. Estimated attribution metrics calculated using the Brinson methodology using monthly data.

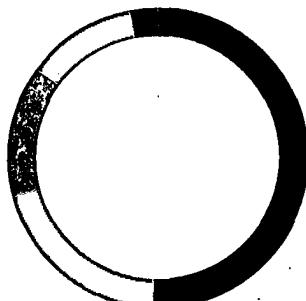
### Stock selection was the key driver of performance

In 2019 the Trust's sector allocation had a slightly positive impact on performance. An overweight to Information Technology and underweight to Energy benefited performance, however, this was partially offset by a small negative impact from a cash drag in a rising equity market.

Stock selection was positive over the year, especially among Materials and Financials.

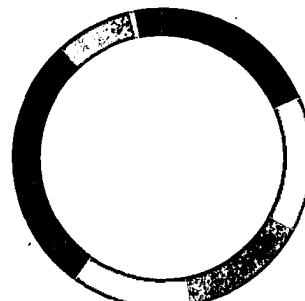
In terms of regional positioning, the Trust had an underweight position to the US versus the MSCI ACWI, and overweight to the UK and Europe. This, along with our small cash position, acted as a drag on relative performance against the benchmark in 2019 leading to a slightly negative allocation impact.

### REGION



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

### SECTOR



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

## PORFOLIO CHANGES

During 2019, the Trust announced the appointment of Vulcan Value Partners as an additional Stock Picker. Vulcan adds a differentiated source of active return and gives us an additional way to manage. In particular, Vulcan gives more flexibility to manage the portfolio's exposure to the US, which accounts for over 50% of global equity markets. It was an opportune time to add Vulcan as it had only reopened its strategy to new business in the early part of 2019. We were pleased to have secured Vulcan for the Trust.

Vulcan's primary objective is to minimise the risk of permanently losing capital over a long-term, five-year time horizon. It seeks to invest in quality companies that display substantial competitive advantages that will allow them to earn attractive cash returns and demands a high margin-of-safety in terms of value over price. If the team is not comfortable holding a stock for five years, then it will not qualify for investment. Vulcan is a quality value investor and specialises in larger cap stocks. The team there has a global perspective and, like the Trust's other eight global Stock Pickers, has no geographical constraints on the stocks they choose for the Trust's portfolio. Vulcan tends to invest mostly in US-domiciled businesses. The team focus on capital preservation and long-term compounding opportunities from very high-quality businesses that can grow in value over the long term.

The Trust strengthened its approach to responsible investment in 2019 through the appointment of Hermes EOS.\* Hermes EOS provides voting recommendations to the Trust's Stock Pickers. They also engage with companies that the Trust invests in and on public policy. We cover this more on page 17.

In 2019, turnover was 52%. This reflected the day-to-day investment activities of our Stock Pickers, the appointment of Vulcan with a subsequent rebalancing of the portfolio and the investment of proceeds from the sale of non-core investments.

Significant additions to the Trust's portfolio over the course of the year included US technology firm Nvidia, designer of graphics processing units (GPUs) for the gaming market as well as computer electronics systems for the mobile computing and automotive sectors. The Trust also established a position in KKR and Co, a US-based investment firm with specific focus in private equity and corporate buyouts. KKR has developed a global portfolio of companies, totalling over 100, generating over US\$120bn in annual sales. Its portfolio includes UK-based cybersecurity consultants Darktrace and US-based consumer electronics company Sonos. The Trust's positions in IMCD, a UK-based chemical and food ingredients distributor, and in Daikin, a Japanese air conditioning manufacturer were sold following share price appreciation.

\*Hermes EOS was renamed EOS at Federated Hermes in January 2020.

# INVESTMENT MANAGER'S REPORT

## continued

### PORTRFOIO RISK AND POSITIONING

The Trust's portfolio continues to show a level of absolute volatility that is similar to that of the benchmark index (with an annualised volatility of 12.3% for the portfolio and 11.8% for the benchmark as at 31 December 2019).

Risk summary		
Active Risk	2.3%	Portfolio volatility
Active Share	80%	Benchmark volatility
Beta	1.02	

### Number of Companies as at 31 December 2019\*

Portfolio	164
Benchmark	3,050

Source: FactSet, BNY Mellon Performance & Risk Analytics Europe Limited and MSCI Inc. The Glossary on page 104 explains the meaning of the above terms.

\*The figures shown in the Number of Companies table above for Portfolio and Benchmark are different from those used for the calculation of the corresponding risk analysis. This is due to the classification of stocks for risk purposes, that we may invest in more than one class of share in a company and limited data coverage for certain stocks.

The Trust delivers a very high level of Active Share (80% as at 31 December 2019) with significantly lower active risk and a similar level of absolute risk to the Trust's benchmark.

We have retained a broadly balanced exposure of manager styles, sector and geographical exposures in 2019 relative to the benchmark. This has been an appropriate method to manage risk as performance of the different investment styles, markets and sectors has evolved during 2019. This has helped the Trust deliver robust performance and avoid being held hostage to any one particular risk factor.

The Trust's global Stock Pickers are not constrained by geography or sectoral limits and are able to seek out opportunities in a global universe. This means that the stocks selected by each individual Stock Picker can have quite different sector or country allocations, that are a direct outcome of their stock picks. Whilst constructing the Trust's portfolio, our top-down portfolio risk management process ensures that no significant style, sector or country positions relative to the benchmark are present and that the risk and return profile of the portfolio is driven by stock selection as opposed to macro tilts.

### GEARING TO ENHANCE RETURNS

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 for the Trust of around 7.5%-8.5% throughout the year. This has had a positive impact on performance. By late March 2019, when equity valuations were back at pre-October 2018 levels, we reduced the Trust's gearing slightly. This decision was proved right during May when volatility returned to the market. We moved the Trust's gearing back to around 8% and then managed it in the range of approximately 7.5% to 8.5% for the rest of the year.

In December we replaced the Trust's short-term credit facilities with two new short-term credit facilities totalling £200m. During the process the Trust received several offers from which the Board was able to select the most attractive pricing. The Trust's total gearing level remained unchanged as a result of the new facilities.

### OUTLOOK

The coronavirus has dominated news flow in early 2020.

Undoubtedly, the Chinese and global economy will suffer some short-term cyclical impacts. However, whilst there are a wide number of potential outcomes, we believe that most scenarios lead to modestly improving levels of global growth by 2021 and beyond. Despite these comments, risks remain skewed to the downside in areas such as the feeble manufacturing sector straining from the onslaught of the trade war impacts. Central banks now have little ammunition left to prevent potential recessionary pressures. This, as well as headwinds from the continued geopolitical risks, the initial shock of the coronavirus, and with US elections and further Brexit trade deal negotiation uncertainty still ahead, may result in subdued equity returns.

Performance momentum in 2019 was yet again dominated by a continuation of the US large cap technology theme although, as we progressed through the year, we saw glimpses of a turnaround towards other parts of the market. The jury is still out on whether we are seeing a blip in the market or whether this is a true rotation back towards value stocks that will be sustained going forward. If the global economy starts to pick up, these stocks may indeed come back in favour; many of them are currently priced at very attractive levels, well positioned for a strong rebound.

Because economic policy and political uncertainty are elevated globally, it is increasingly difficult to predict economic outcomes. In such uncertain markets, diversification and robust risk management is critical.

## OUR APPROACH TO RESPONSIBLE INVESTMENT

A core part of our research, selection and monitoring procedure is an assessment of ESG risks and opportunities. We expect Stock Pickers to have a demonstrable process in place that identifies and assesses material ESG factors.

Where sustainability themes could realistically impact stock prices over the possible holding period, Stock Pickers are expected to reflect this in their investment thesis, decision-making and/or ownership activities. We explore how they identify, assess and act on the sustainability risks inherent in their stock selections for the Trust, using internal and external ESG information in order to analyse, monitor and challenge their approach.

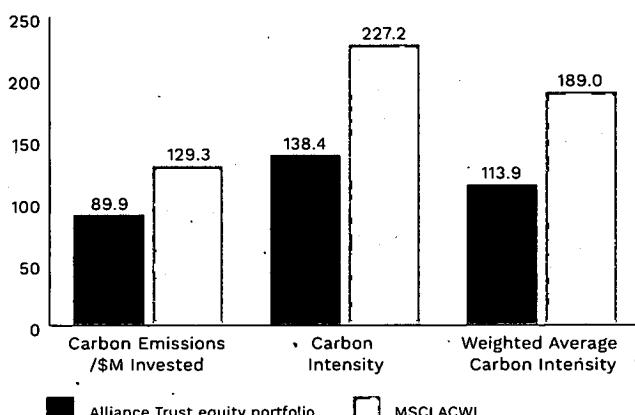
When constructing the Trust's portfolio, we review it through a sustainability lens which aims to measure the portfolio's resiliency to ESG risks, including climate risk and long-term trends that could materially impact it.

An illustration of the Trust's Climate Risk exposures as at 31 December 2019 is set out opposite above.

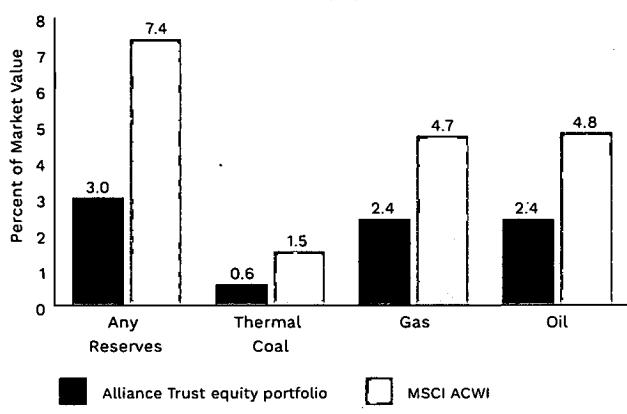
This shows that at that time the Trust's portfolio's carbon footprint is significantly better than its benchmark. The graph below shows it has much lower exposure to companies owning fossil fuel reserves. The graphs are based on MSCI ESG Research data, which is one of the various data sources we utilise in our analysis. Although the Trust's portfolio's carbon footprint should be generally lower than that of the benchmark over the long term, there are shorter term scenarios where this might not be the case. Some companies may be making very significant progress on moving to carbon neutrality, and so their historic emissions used in carbon metric calculations, may be a poor guide to future emissions.

While the Trust has not placed any ethical or value-based restrictions on the types of stocks in which its Stock Pickers can invest, it has prohibited investment in armaments made illegal under international law via the Inhuman Weapons Convention, and those weapons covered by standalone conventions.

## CLIMATE RISK EXPOSURES (tCO<sub>2</sub>e)



## WEIGHT OF HOLDINGS OWNING FOSSIL FUEL RESERVES (%)



# INVESTMENT MANAGER'S REPORT

## continued

### Effective Stewardship

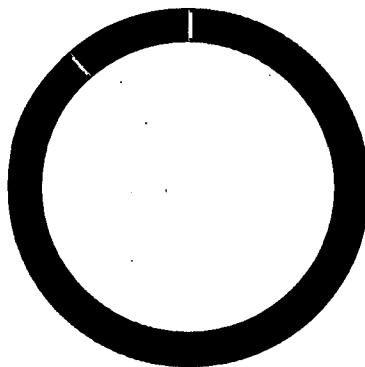
We support the Trust's view that by engaging with the companies in which it invests, the Trust can contribute to the long-term success of those companies, help reduce the negative impacts that they may have on the environment and society and improve long-term returns to the Trust's shareholders by managing downside risks.

We take a strong and engaged approach to the investment industry, helping to shape it for the benefit of all participants through our collaborative initiatives, not least the Thinking Ahead Institute. This is a not-for-profit research think-tank, which brings together asset owners, asset managers and academics to debate the issues surrounding responsible investing. The aim is to use collective power and action to raise standards and improve outcomes for end investors. More information can be found at: [www.thinkingaheadinstitute.org](http://www.thinkingaheadinstitute.org)

Assessing a manager's level of stewardship is an integral part of our manager research, selection and monitoring process. We aim to appoint Stock Pickers for the Trust who actively engage with the companies in which they invest. When necessary, we also engage with the Trust's Stock Pickers and guide them towards better practices.

The Trust's Stock Pickers exercise the voting rights in respect of the stocks in which they have invested for the Trust. Between 1 January 2019 and 31 December 2019, they cast 3,082 votes at company meetings. They voted against or abstained from voting on 344 of these. Of the votes against management, the key topics voted on were Board Structure, with 38.1% of the votes against management as well as Capital Structure and Remuneration both representing just over 20% of votes against management.

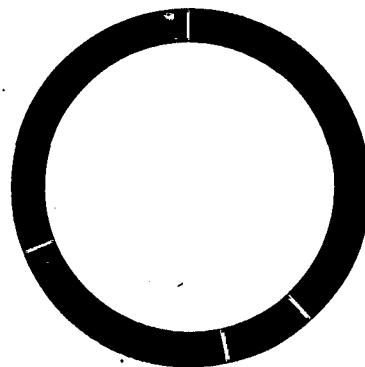
### VOTING SUMMARY



- Number of votes exercised with management on each topic 88.8%
- Number of eligible votes exercised that were against management 8.4%
- Number of eligible votes that were abstentions 2.8%

Source: WTW.

### ELIGIBLE VOTES EXERCISED THAT WERE AGAINST MANAGEMENT



- Board Structure 38.1%
- Business Strategy and Risk Management 8.6%
- Capital Structure 20.6%
- Environmental 1.6%
- Of which climate change related 0.4%
- Other governance 6.2%
- Remuneration 20.2%
- Social or Ethical 2.7%
- Other 1.6%

Source: WTW.

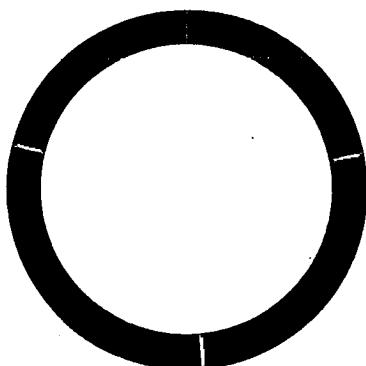
## FOCUS ON ENGAGEMENT AND CASE STUDIES

In June 2019, Hermes EOS was engaged, via WTW, to assist the Trust in meeting its responsibilities as a long-term shareholder. Hermes EOS is a leading stewardship provider with a focus on achieving positive change. It works on behalf of investors including corporate sponsored and sector pension funds, sovereign wealth funds, wealth managers and asset managers from 13 countries who entrust it with the stewardship of approximately £662bn in assets under advice (as at 31 December 2019), which provides Hermes EOS with significant leverage during its engagement activities. Its dedicated team of engagement and voting specialists enables pension funds and other longer-term institutional investors to achieve their fiduciary responsibilities and be more active owners of companies. In addition to providing the Trust's Stock Pickers with voting advice and recommendations to help them make better informed decisions, Hermes EOS also engages with companies in which its clients have invested and engages on public policy on their behalf.

Hermes EOS is also involved in a number of collaborative engagements, including Climate Action 100+, which is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Hermes EOS is among over 370 investors with over US\$35tn under management who have signed up to the initiative.

We provide an illustration of the activity undertaken by Climate Action 100+ within the BP case study on page 18.

## ISSUES AND OBJECTIVES ENGAGED

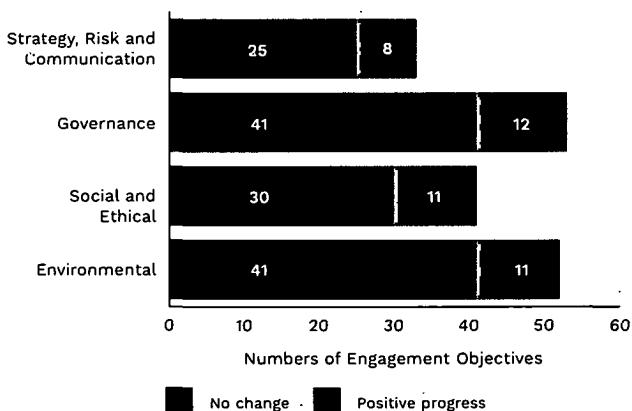


Source: Hermes EOS.

As a holder of BP, we voted in favour of the shareholder resolution brought forward by Climate Action 100+ at the company's Annual General Meeting. The Climate Action 100+ resolution encouraged further disclosures by BP, including enhanced reporting requirements, which would provide clarity on how the company's strategy is consistent with the Paris Agreement. The Paris Agreement aims to keep the increase in global average temperature to well below 2 degrees Celsius. Greater disclosure across companies will allow investors to more clearly evaluate the climate risk exposure present in their portfolio and take appropriate action. It will also help companies to set out robust plans towards a transition to a low carbon economy. This is a good example of discussions with companies undertaken over a period of time, leading to successful resolutions being passed to implement positive change.

Since their appointment in June 2019, Hermes EOS has engaged on a range of 248 Environmental, Social and Governance issues and objectives with 65 companies held by the Trust. Of the 130 specific engagement objectives Hermes EOS discussed with the companies during the period, it recorded progress on 23% using its milestone measurement system. Hermes EOS measures and monitors progress on all engagements, setting clear objectives and specific milestones for its most intensive engagements. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. In selecting companies for engagement, it takes account of ESG risks, its ability to create long-term shareholder value and the prospects for engagement success.

## MILESTONE STATUS OF ENGAGEMENT



Source: Hermes EOS.

# INVESTMENT MANAGER'S REPORT

## continued

### HERMES EOS CASE STUDIES

To provide some context of the type of discussions Hermes EOS are involved in, we illustrate below two case studies of their engagement activities. This demonstrates Hermes EOS's collective bargaining power and how, over a number of years, they can influence companies to bring about positive change.



#### BP

As part of the Climate Action 100+ initiative<sup>1</sup>, Hermes EOS have been co-leading the collaborative investor engagement with BP. The company had demonstrated leadership on climate change. However, Hermes EOS remained concerned that the company had not yet demonstrated that its strategy is consistent with the goals of the 2015 Paris Agreement. In addition, they wanted the company to explain the consequences of this strategy for its future business model and long-term investment proposition.

Following a lengthy period of collaborative engagement, Hermes EOS helped facilitate the development of a shareholder resolution calling for the company to set out a business strategy that is consistent with the goals of the Paris Agreement on climate change. It was co-filed by 9.6% of shareholders, supported by the board and subsequently passed with the support of over 99% of shareholders.

1. A global investor engagement initiative to reduce greenhouse gas emissions. It targets the world's 100+ largest corporate greenhouse gas emitters steering them towards necessary action on climate change.



#### FACEBOOK

In May 2019, Facebook signed up to the Christchurch Call to Action to tackle the spread of terrorist content online and introduced a "one-strike" policy for those who violate new livestreaming rules<sup>1</sup>.

Hermes EOS have pushed for the company to be clearer on its strategy to extricate itself from the reputational, legal and regulatory issues it faces. There has been more investment in content governance but there is no clear, coherent plan with objectives and milestones so that stakeholders can judge progress.

As a result, Hermes EOS recommended a vote against the lead director and the chair of the audit and risk committee. Hermes EOS backed shareholder proposals, including a request for a report concerning the content governance crisis, which would help to resolve in part their concerns. Hermes EOS continues to engage with the company, including as part of the Christchurch Call to Action.

1. <https://www.bbc.co.uk/news/technology-48276802>

The above case studies demonstrate the power of engagement, especially when performed by skilled professionals, pulling asset power from many stakeholders, and joining in a common voice to deliver better outcomes for investors, as well as society at large.

# THE STOCK PICKERS

Over the next nine pages we provide examples of investments chosen by our Stock Pickers and details of their best performing stocks. Further information on all of our Stock Pickers can be found on the Trust's website ([www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)). UK retail investors can only access the Stock Pickers' 10 to 20 best stock picks through the Trust.



# THE STOCK PICKERS

## continued



**BLACK CREEK**  
INVESTMENT MANAGEMENT INC.



**Bill Kanko**, Founder and President. Bill was the Lead Manager for the successful Trimark Fund and Trimark Select Growth Fund, with combined assets of more than \$13bn.

- Long-term contrarian value-orientated buyers of leading businesses across the market cap spectrum.
- 11% of the Trust's portfolio at 31 December 2019.

### LARGEST 3 INVESTMENTS

<b>IPG</b>	
Sector	Communication Services
Value at 31 December 2019 (£m)	25.2
First invested by Stock Picker	11-Mar-19
% Sterling gain in 2019	3.7

<b>GSK</b> do more feel better live longer	
Sector	Health Care
Value at 31 December 2019 (£m)	24.7
First invested by Stock Picker	19-Jan-18
% Sterling gain in 2019	23.8

<b>Santen</b> <i>A Clear Vision For Life™</i>	
Sector	Health Care
Value at 31 December 2019 (£m)	21.1
First invested by Stock Picker	11-Apr-17
% Sterling gain in 2019	29.4

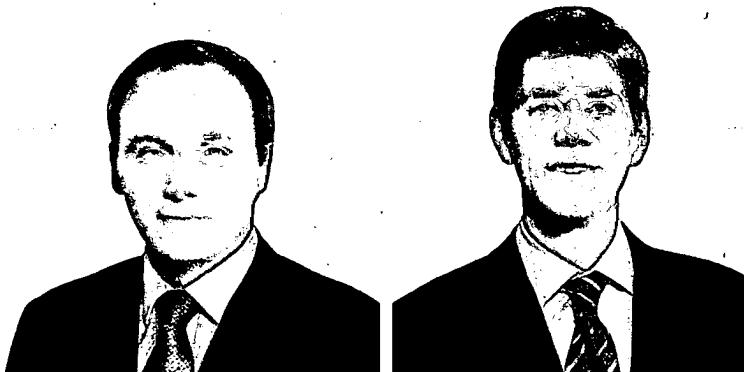
### STOCK SPOTLIGHT: DKSH HOLDING



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling loss in 2019
Industrials	17.1	3-Oct-18	21.6

Founded in 1865, DKSH Holding (DKSH) is a Swiss-headquartered market leader in Asian expansion services. It provides sales, marketing, research, logistics, distribution and after sales-care to its customers in the consumer, health care, specialty ingredients and technology industries.

DKSH provides investors with an opportunity to participate in the growth in Pan-Asian economies, which have a rising middle class (consumer products, technology) and also an ageing population (health care). We began building a position in DKSH for the Trust in October 2018. The opportunity to purchase DKSH came when stocks with emerging markets exposure were out of favour with investors.



Pierre Py and Greg Herr have an average of over 20 years' investing experience.

- Seek companies with high-quality business models, financial strength and strong management at a significant discount.
- 10% of the Trust's portfolio at 31 December 2019.

#### LARGEST 3 INVESTMENTS

<b>RYANAIR</b>	
Sector	Industrials
Value at 31 December 2019 (£m)	29.7
First invested by Stock Picker	12-Apr-17
% Sterling gain in 2019	29.3

<b>UBISOFT</b>	
Sector	Communication Services
Value at 31 December 2019 (£m)	21.9
First invested by Stock Picker	17-Jul-19
% Sterling loss in 2019	22.6

<b>PageGroup</b>	
Sector	Industrials
Value at 31 December 2019 (£m)	20.6
First invested by Stock Picker	12-Apr-17
% Sterling gain in 2019	26.9

#### STOCK SPOTLIGHT: UBISOFT



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling loss in 2019
Communication Services	21.9	17-Jul-19	22.6

Based in France, Ubisoft is the world's third-largest independent video game producer. Over the course of the last decade, the video game industry has shifted from one-time physical unit sales to digital downloaded sales of games and additional content. This industry trend strengthened Ubisoft's business model by extending the lifecycle of its games, which meaningfully increased the amount of revenues that are annually recurring. The combination of the company's attractive profitability, with operating margins in the low 20% range, and limited tangible asset needs produces strong returns on capital employed.

# THE STOCK PICKERS

continued

**GQG**  
**PARTNERS**



Rajiv Jain founded GQG Partners in June 2016, having previously worked at Vontobel Asset Management for 22 years where he was responsible for over £30bn of assets.

- Seek high-quality sustainable businesses at reasonable prices whose strengths should outweigh the macro environment.
- 14% of the Trust's portfolio at 31 December 2019. GQG manages both a global equity and emerging markets portfolio for the Trust.

## LARGEST 3 INVESTMENTS

<b>Microsoft</b>	
Sector	Information Technology
Value at 31 December 2019 (£m)	22.0
First invested by Stock Picker	31-Jul-18
% Sterling gain in 2019	50.7

<b>Alphabet</b>	
Sector	Communication Services
Value at 31 December 2019 (£m)	20.2
First invested by Stock Picker	07-Apr-17
% Sterling gain in 2019	21.7

<b>UnitedHealthcare</b>	
Sector	Health Care
Value at 31 December 2019 (£m)	20.2
First invested by Stock Picker	07-Apr-17
% Sterling gain in 2019	13.6

## STOCK SPOTLIGHT: NOVARTIS



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling gain in 2019
Health Care	12.8	24-May-19	4.5

Novartis is a global health care company that discovers, develops, and manufactures drugs for the treatment of human diseases. Human health products are centred on drugs that span many therapeutic areas, including oncology, gastroenterology, infectious disease, cardiovascular, ophthalmology, central nervous system, transplantation, dermatology, respiratory, and arthritis. The company is among the largest global pharmaceutical companies in the world, with annual sales north of US\$50bn.

Novartis is the only global company with drug discovery and developmental capabilities across small molecule, biologics, cell therapy, gene therapy and radiotherapy. These capabilities not only yield a robust pipeline, but the highly technical expertise required to develop these drugs makes it more difficult for competitors to reproduce such efforts in a quick, cost-effective manner.



# JUPITER<sup>†</sup>



**Ben Whitmore** has over 20 years of experience and joined Jupiter in 2006. He worked at Schroders, managing both retail and institutional portfolios and around £2bn of assets. Ben is supported by Dermot Murphy, Co-Portfolio Manager.

- Look for out-of-favour and undervalued businesses with prominent franchises and sound balance sheets.
- 10% of the Trust's portfolio at 31 December 2019.

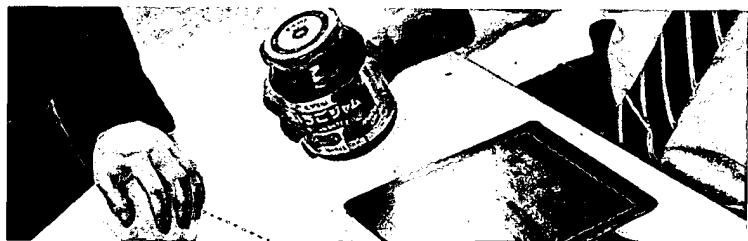
## LARGEST 3 INVESTMENTS

WPP	
Sector	Communication Services
Value at 31 December 2019 (£m)	23.5
First invested by Stock Picker	12-Dec-18
% Sterling gain in 2019	33.4

BARCLAYS	
Sector	Financials
Value at 31 December 2019 (£m)	22.5
First invested by Stock Picker	03-Nov-17
% Sterling gain in 2019	23.6

WesternUnion WU	
Sector	Information Technology
Value at 31 December 2019 (£m)	22.2
First invested by Stock Picker	08-Apr-17
% Sterling gain in 2019	55.7

## STOCK SPOTLIGHT: KATO SANGYO



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling gain in 2019
Consumer Staples	7.5	15-Jan-19	11.7

Kato Sangyo is a food and beverages wholesaler operating in Japan. It supplies the major retailers with a broad range of products, runs their distribution systems and helps them with product ranging and display. The business is reasonably stable and has a very high return on operating assets. The business also has net cash and investments that make up the entire market capitalisation of the company. In addition the food wholesaling business generates ¥11bn of operating profit which in effect you are receiving for free. This extreme valuation is prevalent in some medium and small sized companies in Japan. There is some change in corporate governance and attitude in Japan which may well highlight this value.

<sup>†</sup>JUPITER\* and JUPITER are the trade marks of Jupiter Investment Management Group Ltd.

# THE STOCK PICKERS

continued



Lyrical Asset Management's investment management team is led by Co-Founder and Chief Investment Officer, **Andrew Wellington**.

- Look for US companies in cheapest decile of valuation with high returns on invested capital and ability to grow profitability.
- 13% of the Trust's portfolio at 31 December 2019.

## LARGEST 3 INVESTMENTS

<b>HCA</b> Healthcare	
Sector	Health Care
Value at 31 December 2019 (£m)	37.5
First invested by Stock Picker	12-Oct-17
% Sterling gain in 2019	15.2

<b>CROWN</b> Brand-Building Packaging™	
Sector	Materials
Value at 31 December 2019 (£m)	30.1
First invested by Stock Picker	15-Jan-19
% Sterling gain in 2019	46.6

<b>United Rentals</b>	
Sector	Industrials
Value at 31 December 2019 (£m)	27.5
First invested by Stock Picker	04-Apr-19
% Sterling gain in 2019	31.6

## STOCK SPOTLIGHT: HANESBRAND



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling loss in 2019
Consumer Discretionary	16.7	4-Apr-19	18.2

Hanesbrands (Hanes) is the world's largest maker of basic apparel, including underwear, activewear, intimates, socks, and shapewear. Hanes has leading market share in over a dozen countries, including the U.S. and much of Europe.

Basic apparel is a business where brand matters and Hanes ranks number one or two across most of their categories and geographies. Hanes has one of the largest and lowest cost apparel manufacturing operations in the world. With an efficient manufacturing footprint, this profitability has delivered returns on tangible invested capital above 30%.

Over the next several years, we expect high-single-digit to low-double-digit earnings growth. Additional upside exists should the company continue to make accretive acquisitions or deliver on its additional margin expansion targets. The stock trades at an attractive valuation of just 8.4x 2020 earnings per share.

**RIVER AND MERCANTILE**  
ASSET MANAGEMENT



Hugh Sergeant is the Chief Investment Officer of Equities having previously been in a similar role at Societe Generale Asset Management (SGAM) and prior to that at UBS/Phillips & Drew and Gartmore.

- Strength in smaller companies and recovery situations identifying value at different stages of a companies' lifecycle.
- 9% of the Trust's portfolio at 31 December 2019.

#### LARGEST 3 INVESTMENTS

<b>Baidu</b>	
Sector	Communication Services
Value at 31 December 2019 (£m)	21.5
First invested by Stock Picker	22-Jun-17
% Sterling loss in 2019	23.4

<b>PRADA</b>	
Sector	Consumer Discretionary
Value at 31 December 2019 (£m)	20.8
First invested by Stock Picker	11-Apr-17
% Sterling gain in 2019	23.2

<b>prosus</b>	
Sector	Consumer Discretionary
Value at 31 December 2019 (£m)	19.5
First invested by Stock Picker	18-Sep-19
% Sterling loss in 2019	6.7

#### STOCK SPOTLIGHT: BAIDU



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling loss in 2019
Communication Services	21.5	22-Jun-17	23.4

Baidu, the leading internet search engine in China, is a top-decile-scoring Recovery PVT (Potential, Valuation and Timing) stock within our proprietary global stock screen (MoneyPenny). Baidu has recovery Potential because its share price and return on capital are depressed after a period of significant investment in new areas of growth. This coincided with a period of weaker performance from its core search business. The Valuation of Baidu is very low after stripping out its large cash pile and stakes in other quoted companies. The Timing is improving, with profits starting to beat expectations.

# THE STOCK PICKERS

continued



Sustainable Growth Advisers (SGA) was founded in 2003 by **George Fraise, Gordon Marchand and Rob Rohn** who jointly manage SGA's stock picks for the Trust. They average over 30 years of investment experience.

- Seek differentiated companies that have strong pricing power, recurring revenue generation and long runways of growth.
- 11% of the Trust's portfolio at 31 December 2019.

## LARGEST 3 INVESTMENTS

<b>Alibaba Group</b>	
<b>Sector</b>	Consumer Discretionary
<b>Value at 31 December 2019 (£m)</b>	22.8
<b>First invested by Stock Picker</b>	29-Nov-18
<b>% Sterling gain in 2019</b>	48.7

<b>AUTODESK.</b>	
<b>Sector</b>	Information Technology
<b>Value at 31 December 2019 (£m)</b>	22.3
<b>First invested by Stock Picker</b>	22-Jan-18
<b>% Sterling gain in 2019</b>	37.2

<b>AT&amp;T</b>	
<b>Sector</b>	Financials
<b>Value at 31 December 2019 (£m)</b>	21.2
<b>First invested by Stock Picker</b>	08-Apr-17
<b>% Sterling gain in 2019</b>	23.2

## STOCK SPOTLIGHT: SALESFORCE



<b>Sector</b>	<b>Value at 31 December 2019 (£m)</b>	<b>First invested by Stock Picker</b>	<b>% Sterling gain in 2019</b>
Information Technology	19.3	3-Oct-17	14.1

Salesforce.com is a leading provider of enterprise software-as-a-service (SAAS) applications that address the customer relationship management functions of companies of all sizes. The company's broad suite of SAAS applications continues to be market leading in vision, function and innovation. Salesforce allows its enterprise customers to reduce upfront license and installation costs as well as outsource operational responsibility and upgrade complexity, further enhancing its value proposition. Customers pay recurring annual subscription fees with high renewal rates, leading to a highly recurring and predictable business with strong visibility into the company's future cash flow generation. Additionally, the "digital revolution" has created a tailwind that should sustain approximately 20% top line growth in the coming years.

# Veritas — Asset Management



**Andy Headley** is Head of Global Strategies at Veritas Asset Management. Andy has over 20 years' investment experience.

- Aim to grow real wealth over five-year periods by researching thematic trends that drive medium-term growth.
- 13% of the Trust's portfolio at 31 December 2019.

## LARGEST 3 INVESTMENTS

### Alphabet

Sector	Communication Services
Value at 31 December 2019 (£m)	37.4
First invested by Stock Picker	07-Apr-17
% Sterling gain in 2019	22.4

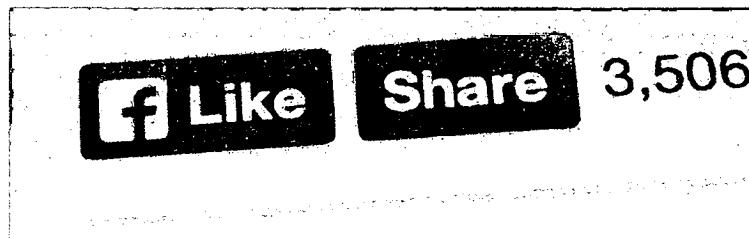
### Charter<sup>®</sup> COMMUNICATIONS

Sector	Communication Services
Value at 31 December 2019 (£m)	34.9
First invested by Stock Picker	07-Apr-17
% Sterling gain in 2019	63.6

### FACEBOOK

Sector	Communication Services
Value at 31 December 2019 (£m)	31.7
First invested by Stock Picker	19-Mar-18
% Sterling gain in 2019	51.2

## STOCK SPOTLIGHT: FACEBOOK



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling gain in 2019
Communication Services	31.7	19-Mar-18	51.2

Facebook was a good quality stock that had some short-term concerns after the Cambridge Analytica affair in 2018. The stock has risen on strong fundamental performance with the first two concerns being largely allayed. The company looks to have achieved 26% growth in 2019. Costs have risen markedly, largely because of regulation, but these have also been significantly less than guided and provide an increased barrier to entry. We remain positive on Facebook because engagement remains strong and is growing and advertisers still have strong intent and there are still tools which can be monetised further.

# THE STOCK PICKERS

continued



VULCAN VALUE PARTNERS



**C.T. Fitzpatrick**, Chief Investment Officer of Vulcan Value Partners, LLC has over 30 years' experience and he is the lead portfolio manager for the Trust's mandate.

- Focus on protecting capital by investing in companies with high quality business franchises trading at attractive prices.
- 9% of the Trust's portfolio at 31 December 2019.

## LARGEST 3 INVESTMENTS

<b>QORVO</b>	
Sector	Information Technology
Value at 31 December 2019 (£m)	45.4
First invested by Stock Picker	22-Aug-19
% Sterling gain in 2019	43.7

<b>KKR</b>	
Sector	Financials
Value at 31 December 2019 (£m)	45.0
First invested by Stock Picker	22-Aug-19
% Sterling gain in 2019	4.1

<b>NVIDIA</b>	
Sector	Information Technology
Value at 31 December 2019 (£m)	30.3
First invested by Stock Picker	22-Aug-19
% Sterling gain in 2019	26.9

## STOCK SPOTLIGHT: QORVO



Sector	Value at 31 December 2019 (£m)	First invested by Stock Picker	% Sterling gain in 2019
Information Technology	45.4	22-Aug-19	43.7

Qorvo is one of the two major providers of radio frequency (RF) systems to mobile device manufacturers and in the Internet of Things (IoT) space. It enjoys a deep and widening moat as it would take many years for other competitors to replicate. As RF systems become more complex, their content value increases. The company lowered its guidance for 2019 as Smartphone growth slowed – giving us an opportunity to purchase shares at a meaningful discount to our estimate of intrinsic value. We believe this slowdown is a temporary setback, and the increasing complexity presented as China and the Western world transition to 5G will continue to drive increased content per handset. The increased complexity of content, coupled with the continuing explosive growth of the IoT, will provide opportunity for significant future growth.

# INVESTMENT PORTFOLIO

The following are the largest 20 global stocks selected by our Stock Pickers. In total these stocks account for 29.4% of the Trust's portfolio. A number of these stocks have been invested in by more than one of our Stock Pickers. A full list of all of our holdings can be found on our website at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

## LARGEST 20 INVESTMENTS AT 31 DECEMBER 2019

### Alphabet

Alphabet Inc. is the holding company for Google but also has other subsidiaries which provide web-based search, advertisements, maps, software applications, mobile operating systems, consumer content, enterprise solutions, commerce and hardware products.

<b>Country of Listing</b>	United States
<b>Sector</b>	Communication Services
<b>Selected by Stock Pickers</b>	5
<b>% of the equity portfolio</b>	3.8
<b>% of MSCI ACWI</b>	0.8
<b>Value of Holding (£m)</b>	120.0

### Microsoft

Microsoft Corporation develops, manufactures, licenses, sells and supports software products including Microsoft Office. The company offers a range of other software products including operating systems, server applications, business and consumer applications. It also offers software development tools and software for the internet and intranets. In addition, it develops video game consoles and digital music entertainment devices.

<b>Country of Listing</b>	United States
<b>Sector</b>	Information Technology
<b>Selected by Stock Pickers</b>	4
<b>% of the equity portfolio</b>	2.5
<b>% of MSCI ACWI</b>	2.2
<b>Value of Holding (£m)</b>	77.2

### amazon

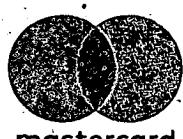
Amazon.com, Inc. is an American multinational technology company based in Seattle that focuses on e-commerce, cloud computing, digital streaming and artificial intelligence.

<b>Country of Listing</b>	United States
<b>Sector</b>	Consumer Discretionary
<b>Selected by Stock Pickers</b>	3
<b>% of the equity portfolio</b>	2.0
<b>% of MSCI ACWI</b>	1.5
<b>Value of Holding (£m)</b>	63.3

### Alibaba Group

Alibaba Group Holding Limited is a Chinese multinational conglomerate holding company specialising in e-commerce, retail, Internet and technology.

<b>Country of Listing</b>	China
<b>Sector</b>	Consumer Discretionary
<b>Selected by Stock Pickers</b>	3
<b>% of the equity portfolio</b>	1.7
<b>% of MSCI ACWI</b>	0.7
<b>Value of Holding (£m)</b>	52.0



mastercard.

Mastercard Incorporated is an American multinational financial services corporation headquartered in the Mastercard International Global Headquarters in Purchase, New York, United States. Its principal business is to process payments.

<b>Country of Listing</b>	United States
<b>Sector</b>	Information Technology
<b>Selected by Stock Pickers</b>	2
<b>% of the equity portfolio</b>	1.5
<b>% of MSCI ACWI</b>	0.5
<b>Value of Holding (£m)</b>	48.5

\*includes the value of cash held by the Stock Pickers for investment.

# INVESTMENT PORTFOLIO

## continued

### LARGEST 20 INVESTMENTS AT 31 DECEMBER 2019

 <b>HDFC BANK</b>	HDFC Bank Ltd. is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. HDFC Bank is India's largest private sector lender by assets.	<b>Country of Listing</b>	India
		<b>Sector</b>	Financials
		<b>Selected by Stock Pickers</b>	3
		<b>% of the equity portfolio</b>	1.5
		<b>% of MSCI ACWI</b>	0.0
		<b>Value of Holding (£m)</b>	46.6

	Nvidia Corporation is an American technology company incorporated in Delaware and based in Santa Clara, California. It designs graphics processing units for the gaming and professional markets, as well as system-on-a-chip units for the mobile computing and automotive market.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Information Technology
		<b>Selected by Stock Pickers</b>	3
		<b>% of the equity portfolio</b>	1.5
		<b>% of MSCI ACWI</b>	0.3
		<b>Value of Holding (£m)</b>	46.1

	Qorvo is an American semiconductor company that designs, manufactures and supplies radio-frequency systems for applications that drive wireless and broadband communications, as well as foundry services.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Information Technology
		<b>Selected by Stock Pickers</b>	1
		<b>% of the equity portfolio</b>	1.4
		<b>% of MSCI ACWI</b>	0.0
		<b>Value of Holding (£m)</b>	45.4

	KKR & Co. Inc. is an American global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate, credit and, through its strategic partners, hedge funds.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Financials
		<b>Selected by Stock Pickers</b>	1
		<b>% of the equity portfolio</b>	1.4
		<b>% of MSCI ACWI</b>	0.0
		<b>Value of Holding (£m)</b>	45.0

	Airbus SE is a European multinational aerospace corporation. They design, manufacture and deliver industry-leading commercial aircraft, helicopters, military transports, satellites and launch vehicles, as well as provide data services, navigation, secure communications, urban mobility and other solutions for customers on a global scale.	<b>Country of Listing</b>	France
		<b>Sector</b>	Industrials
		<b>Selected by Stock Pickers</b>	2
		<b>% of the equity portfolio</b>	1.2
		<b>% of MSCI ACWI</b>	0.2
		<b>Value of Holding (£m)</b>	37.9

## LARGEST 20 INVESTMENTS AT 31 DECEMBER 2019

	UnitedHealth Group Incorporated owns and manages organised health systems in the United States and internationally. It provides products for employers to enable them to plan and administer employee benefit programs. UnitedHealth also provides specialised care services for the elderly.	Country of Listing	United States
		Sector	Health Care
		Selected by Stock Pickers	2
		% of the equity portfolio	1.2
		% of MSCI ACWI	0.5
		Value of Holding (£m)	37.9

	HCA Healthcare, Inc. offers health care services in the United States and the UK. This includes diagnosis, treatments, consultancy, nursing, surgeries as well as medical education, physician resource centres and training programs.	Country of Listing	United States
		Sector	Health Care
		Selected by Stock Pickers	1
		% of the equity portfolio	1.2
		% of MSCI ACWI	0.1
		Value of Holding (£m)	37.5

	Visa Inc. is an American multinational financial services corporation headquartered in Foster City, California, United States. It facilitates electronic funds transfers throughout the world, most commonly through Visa-branded credit cards, debit cards and prepaid cards.	Country of Listing	United States
		Sector	Information Technology
		Selected by Stock Pickers	2
		% of the equity portfolio	1.2
		% of MSCI ACWI	0.6
		Value of Holding (£m)	37.5

	Citigroup Inc. or Citi is an American multinational investment bank and financial services corporation headquartered in New York City. It specialises in banking and financial solutions.	Country of Listing	United States
		Sector	Financials
		Selected by Stock Pickers	2
		% of the equity portfolio	1.2
		% of MSCI ACWI	0.4
		Value of Holding (£m)	37.2

	Charter Communications, Inc. operates as a cable telecommunications company. It offers cable broadcasting, internet, voice, and other business services in the United States.	Country of Listing	United States
		Sector	Communication Services
		Selected by Stock Pickers	1
		% of the equity portfolio	1.1
		% of MSCI ACWI	0.1
		Value of Holding (£m)	34.9

# INVESTMENT PORTFOLIO

continued

## LARGEST 20 INVESTMENTS AT 31 DECEMBER 2019

 <b>Abbott</b>	Abbott Laboratories is an American medical devices and health care company with headquarters in Abbott Park, Illinois, United States.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Health Care
		<b>Selected by Stock Pickers</b>	2
		<b>% of the equity portfolio</b>	1.1
		<b>% of MSCI ACWI</b>	0.3
		<b>Value of Holding (£m)</b>	34.3

 <b>ORACLE</b>	Oracle Corporation supplies software for enterprise information management. It offers databases and relational servers, application development, decision support tools and enterprise business applications. Oracle's software runs on a variety of hardware options including network computers, personal digital assistants, set-top devices, PCs, mainframes and massively parallel computers.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Information Technology
		<b>Selected by Stock Pickers</b>	2
		<b>% of the equity portfolio</b>	1.0
		<b>% of MSCI ACWI</b>	0.2
		<b>Value of Holding (£m)</b>	32.3

 <b>FACEBOOK</b>	Facebook, Inc. is an American social media and technology company based in Menlo Park, California.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Communication Services
		<b>Selected by Stock Pickers</b>	1
		<b>% of the equity portfolio</b>	1.0
		<b>% of MSCI ACWI</b>	1.0
		<b>Value of Holding (£m)</b>	31.7

 <b>CROWN</b> Brand-Building Packaging™	Crown Holdings is an American company headquartered in Philadelphia, Pennsylvania. It is a leading supplier of beverage packaging, food packaging, aerosol packaging, metal closures and specialty packaging products.	<b>Country of Listing</b>	United States
		<b>Sector</b>	Materials
		<b>Selected by Stock Pickers</b>	1
		<b>% of the equity portfolio</b>	1.0
		<b>% of MSCI ACWI</b>	0.0
		<b>Value of Holding (£m)</b>	30.1

 <b>RYANAIR</b>	Ryanair Holdings plc provides low fare passenger airline services to destinations in Europe.	<b>Country of Listing</b>	Ireland
		<b>Sector</b>	Industrials
		<b>Selected by Stock Pickers</b>	1
		<b>% of the equity portfolio</b>	0.9
		<b>% of MSCI ACWI</b>	0.0
		<b>Value of Holding (£m)</b>	29.7

# INVESTMENT DISPOSALS

## PRIVATE EQUITY

In 2018, a sales process was undertaken to sell most of the Trust's remaining assets and the sale was completed in December 2018 leaving holdings valued at £14.8m in limited partnerships that were close to their termination dates. In 2019, these investments were realised and at the end of 2019 the Trust holds interests in only a handful of investments which are in the process of winding up and as such have no residual value and one investment where there is the potential of some return, dependent on an international arbitration process (it is currently held at a value of £63,000). The total distributions received in 2019 were £9.0m. The net proceeds received from these disposals and distributions were reinvested in the Trust's global equity portfolio. Private Equity had a negligible impact on the Trust's performance in 2019.

## MINERAL RIGHTS

The Trust has held mineral rights in North America for over 100 years. The Board decided to market these assets for sale in 2018 and by the end of that year an agreement had been entered into to sell more than half the holdings. By 31 December 2019 the sales process was complete and all of the mineral rights held in North America have now been sold. Sales proceeds of £11.1m after costs of disposal were received in 2019 which were reinvested in the Trust's global equity portfolio. Mineral Rights had a negligible impact on the Trust's performance in 2019.

## ALLIANCE TRUST SAVINGS (ATS)

The sale of ATS to Interactive Investor Limited completed on 28 June 2019. The total consideration payable for the business, including the office premises was £40m, subject to post-completion adjustments. The net proceeds after costs associated with the disposal of £34.2m were reinvested in the Trust's global equity portfolio. ATS had a negligible impact on the Trust's performance in 2019.

# COST AND PERFORMANCE MEASURES

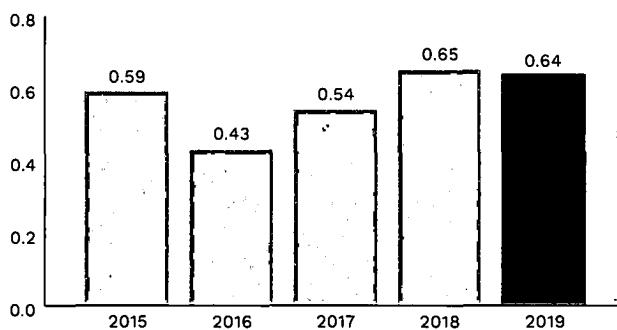
The Trust has reduced its Ongoing Charges Ratio from 0.65% to 0.64%. Total administrative expenses were £5.9m, a reduction from 2018 when they were £6.5m. Investment management expenses were £11.7m (2018: £10.9m).

The Trust incurred several one-off costs during the year including the transaction costs relating to the sale of Alliance Trust Savings, office relocation, property and IT separation. The total of one-off costs for the year was £0.7m, of which £0.4m was related to property matters which are not connected to the ongoing investment business of the Trust.

The Board has a policy of adopting a one quarter revenue and three quarters capital allocation for management fees, financing costs and other indirect expenses where this is consistent with the AIC Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts.

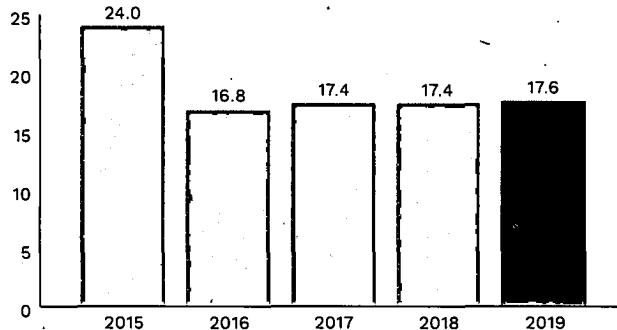
In 2019 the Trust completed its business simplification. The Trust's portfolio is now almost wholly listed equities which are valued daily. Going forward the Trust will report on its OCR calculated using its average daily NAV in accordance with AIC guidelines, rather than its historic approach of using the average of the 1 January and 31 December NAV values. The OCR for 2019 calculated using the average daily NAV was 0.62%.

**ONGOING CHARGES RATIO (%)**



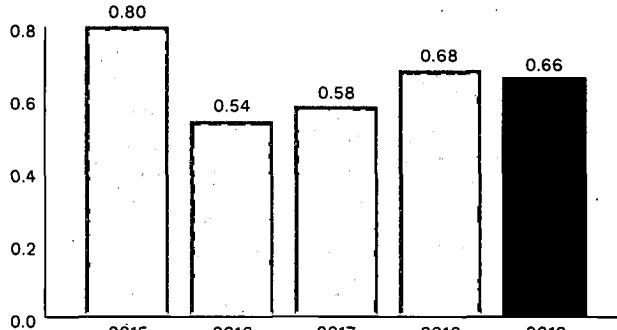
Source: Alliance Trust and FactSet.  
An explanation of how the Ongoing Charges Ratio is calculated can be found on page 105.

**TOTAL EXPENSES (£M)**



Source: Alliance Trust and FactSet.

**TOTAL EXPENSE RATIO (%)**



Source: Alliance Trust and FactSet.  
An explanation of how the Total Expense Ratio is calculated can be found on page 105.

# DIVIDENDS

## DIVIDEND POLICY

Since 2006 the Trust has paid quarterly interim dividends on or around the ends of June, September, December and March. Due to the timing of our Annual General Meeting, in April or May, the Trust has not proposed a final dividend (paid in March) to the AGM for approval, preferring to give shareholders certainty of the dates on which they will receive their income.

Recognising that shareholders should be able to make their views on the Trust's dividend known, the Board has decided to submit its Dividend Policy to shareholders for approval each year. The Trust will continue to have a progressive dividend policy, paying a dividend that increases year on year. The wording of the Policy is intended to give shareholders clarity on the Board's approach to making decisions on the amount, structure and timing of returns to shareholders. The following Policy will be submitted for approval to the next Annual General Meeting:

Subject to market conditions and the Company's performance, financial position and outlook, the Board will seek to pay a dividend that increases year on year. The Company expects to pay four interim dividends per year, on or around the last day of June, September, December and March, and will not, generally, pay a final dividend for a particular financial year.

In determining the level of future dividends, the Board will take into account factors such as any anticipated increase or decrease in dividend cover, projected income, inflation and yield on similar investment trusts.

The Board will seek to use the income from investments to satisfy its dividend payments, but may also, when this income is insufficient, use part of the Company's distributable reserves. In addition, should there be a year in which income is unexpectedly high, some of that income may be retained in the distributable reserves or a special dividend may be declared.

## DISTRIBUTABLE RESERVES

While all of the dividends paid in the calendar year ending 31 December 2019 have been met from income without recourse to the Trust's reserves, the Board recognises that when the Trust's income is insufficient to meet the cost of an increased dividend, part of its distributable reserves may be used to meet the cost. We do not set an income target for our Investment Manager as this could unnecessarily constrain its freedom to act. The Trust currently cannot use its Merger Reserve (£645.3m) for payment of dividends.

The Board is proposing to convert its Merger Reserve into a distributable reserve which could, if necessary, be used to support the payment of dividends. This is a process which requires shareholder and Court approval.

If approved by shareholders and the Court, the Board has no intention of making immediate use of the funds currently forming the Merger Reserve. The proposal is being recommended as a means of providing additional flexibility in the future.

In terms of process, the Merger Reserve would have to be capitalised and a share issue declared. This is a technical step and would not require any shares to be physically issued. These shares would then be cancelled with Court approval. Once approved by shareholders, a Court hearing would then take place. Assuming the approval of the Court is given (a process expected to take 10 weeks), the Merger Reserve would then be converted into a reserve that could be distributed.

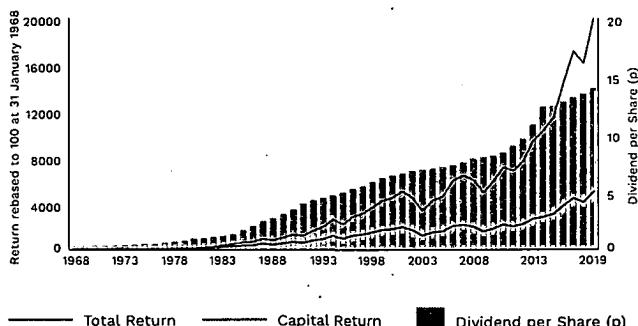
The process will not reduce the total capital of the Trust but, if approved, will increase the proportion of the Trust's reserves capable of being distributed in the future. Details of the Trust's reserves can be found on page 91.

## DIVIDEND DECLARATION

The Ordinary Dividend for 2019 will increase by 3% to 13.96p. A fourth interim dividend of 3.49p will be paid on 31 March 2020 to shareholders who are on the register on 20 March 2020. The payments dates for the 2020 financial year can be found on page 108.

## A GROWING DIVIDEND

The chart below shows the growth in our dividend over the last 53 years.



Source: WTW and Alliance Trust.

# DISCOUNT AND SHARE BUYBACKS

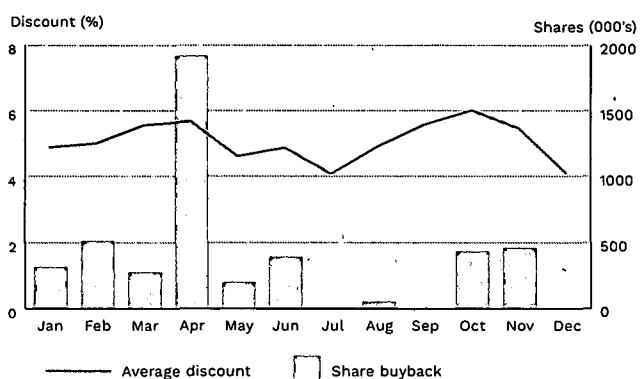
The discount at which the Trust's shares trade compared to its Net Asset Value continued to be relatively stable during the year, trading in a range of 6.5% to 3.1%. The discount was 4.9% at the start of the period and at the end of the year was 4.1%.

During the year there was very little buyback activity in the first quarter. The weighted average discount of shares bought back in the year was 5.4%. All of the shares bought back were cancelled. Share buybacks and the reduction in our discount contributed a total of 1.3% to our performance in the year.

The Board will continue to monitor the stability of the discount and will take advantage of any significant widening of the discount to produce additional return for shareholders.

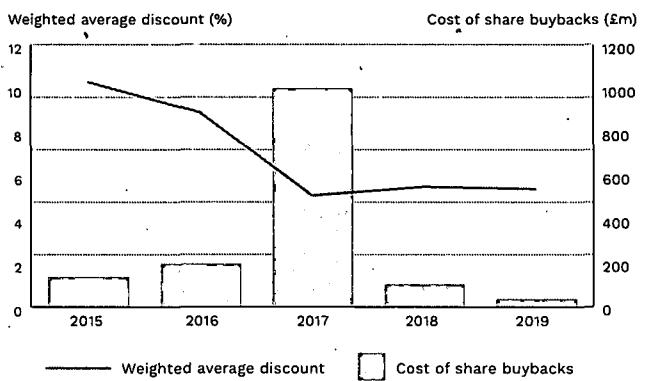
The top chart opposite shows our discount during 2019 and the level of buyback activity during the year. The bottom chart shows the progress that has been made in reducing the amount expended on buybacks while maintaining a relatively stable discount.

## DISCOUNT AND SHARE BUYBACKS (2019)



Source: Bloomberg and Morningstar.

## DISCOUNT AND SHARE BUYBACKS (5 YEARS)



Source: Bloomberg and Morningstar.

# RISK MANAGEMENT

## INTRODUCTION

The Audit and Risk Committee has delegated responsibility from the Board to provide oversight and to challenge the appropriateness of the actions being taken to mitigate the risks which could impact the Trust. All of the Directors are members of the Committee. Gregor Stewart, who was Chairman of the Committee, continued to be a member after he was appointed the Trust's Chairman. The Committee receives and considers regular reports from the Executive team and from WTW.

The Strategic Objectives of the Trust are to:

- Consistently meet the investment performance targets set by the Board;
- Continue its policy of paying a progressive dividend;
- Maintain a stable discount; and
- Provide good value to its shareholders.

The Board determines the level of risk that it is prepared to accept to achieve these objectives. The Committee monitors whether there is a possibility of any of these risk levels being breached (through Early Warning Indicators (EWIs)) and if there is, it will take action to bring the level of risk back within the EWIs set by the Board.

At the year end, we had three measures which had breached their EWI and one where the limit was breached. This breach related to the overall expenses budget for the year which was exceeded due to the increase in the value of the portfolio and a consequential increase in Managers' fees.

## PRINCIPAL RISKS

We set out below the Trust's principal risks which could impact on the achievement of the Strategic Objectives and whether the level of risk changed during the year. We also indicate whether the Board is prepared in 2020 to accept more or less risk in the future compared to 2019.

Risk	Description	Mitigating Activities
<b>Market, Counterparty and Financial Risks (no change in level of acceptable risk in 2020)</b>		
Investment Risk ► Unchanged in 2019	Investment performance fails to deliver long-term capital growth and rising income or is impacted by adverse currency movements.	<ul style="list-style-type: none"> <li>• The portfolio is designed to outperform the market over the long term regardless of the market conditions by blending the stocks invested in by Managers with different complementary styles into a diversified, high-conviction global equity portfolio expected to deliver consistent outperformance with lower volatility.</li> <li>• The investment strategy and the performance of the Managers as well as the composition and diversification of the portfolio are regularly reviewed.</li> <li>• The sale of Alliance Trust Savings has been completed.</li> <li>• The process to sell the Trust's private equity investments and mineral rights has been completed and the proceeds were used for equity investment.</li> <li>• Whilst in 2019 currency risk was not considered a material risk, the Trust now has the ability to borrow in US Dollars and Euros as well as sterling.</li> </ul>

# RISK MANAGEMENT

## continued

Risk	Description	Mitigating Activities
<b>Market, Counterparty and Financial Risks continued (no change in level of acceptable risk in 2020)</b>		
<p>Credit and Counterparty Risk</p> <p>► Unchanged in 2019</p>	<p>Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust.</p> <p>Counterparty risk is the risk that a counterparty to an agreement will fail to discharge an obligation or commitment that it has entered into with the Trust.</p>	<ul style="list-style-type: none"> <li>• The Trust contracts only with creditworthy counterparties.</li> <li>• Its main transactions relating to investments are carried out with well-established brokers on a cash against receipt, or cash against delivery, basis.</li> <li>• Outsourced providers are subject to regular oversight by the Board, the Executive team and the Depositary.</li> <li>• The Trust's Depositary is responsible for the safekeeping of the Trust's assets and liable to the Trust for any loss of assets. Reports from the Depositary and Custodian are reviewed regularly by the Depositary, Custodian, the Executive team and WTW. Daily reconciliation of the Trust's assets is undertaken.</li> </ul>
<p>Capital Structure and Financial Risk</p> <p>▼ Decreased in 2019</p>	<p>The capital structure is not appropriate to support the Trust's strategic objectives, risk appetite and overall operations.</p> <p>(Following the sale of Alliance Trust Savings, the Trust has ceased to be a bank holding company and no longer requires to hold a minimum amount of regulatory capital.)</p>	<ul style="list-style-type: none"> <li>• The Board regularly reviews the capital structure of the Trust including, but not limited to, issued share capital, discount and share buybacks, capital and other reserves, and gearing.</li> <li>• Stress and scenario testing is carried out on the portfolio and reported to the Committee by WTW.</li> </ul>
<p>Liquidity Risk</p> <p>► Unchanged in 2019</p>	<p>The Trust does not have sufficient liquid resources to ensure that it can meet its liabilities as they fall due and the movement in the fair value of the assets of the Trust is amplified by any gearing that the Trust may have.</p>	<ul style="list-style-type: none"> <li>• The Trust is now invested solely in listed equities partly due to the sale of Alliance Trust Savings and the Trust's private equity and other non-core investments.</li> <li>• Equities are more liquid than the private equity and mineral rights investments.</li> <li>• Liquidity analysis, including liquidity stress testing, is carried out on the portfolio and reported to the Committee by WTW.</li> </ul>

Risk	Description	Mitigating Activities
<b>Operational Risks</b> (reduction in the level of acceptable risk in 2020)		
Cyber-attack ▼ Decreased in 2019	Failure to ensure that the business is adequately protected against the threat of cyber-attack, which may lead to significant business disruption or external fraud. (Following the sale of Alliance Trust Savings, the Trust no longer shares IT with a business holding personal and financial data.)	<ul style="list-style-type: none"> <li>The Trust benefits from the level of IT security put in place by its third-party IT service provider. This includes having in place security designed to protect systems from cyber-attack and a programme of training for staff on privacy-related risks and data security.</li> <li>Business continuity plans are in place should a cyber-attack occur.</li> </ul>
Outsourcing ► Unchanged in 2019	Loss arising from inadequate or failed processes, people and/or systems of outsourced functions.	<ul style="list-style-type: none"> <li>The outsourced providers, having been in place for over two years, have greater experience and understanding of the Trust.</li> <li>WTW monitors and reports on the performance of outsourced providers to the Board, which also receives control reports from certain service providers.</li> <li>WTW itself is monitored by the Board and the Executive team, and the Depositary who also monitors the Custodian.</li> </ul>
<b>Corporate Governance</b> (no change in level of acceptable risk in 2020)		
Corporate Governance ► Unchanged in 2019	The risk of not meeting and being in compliance with legal and regulatory responsibilities.	<ul style="list-style-type: none"> <li>The Board conducts an annual internal review on its and its Committees' effectiveness. An external review is carried out at least every three years and the last such review was in November 2019.</li> <li>Members of the Board or the Executive team periodically attend relevant industry training events.</li> <li>The Board receives updates from WTW, the Executive team and the Trust's legal advisers on legal and regulatory developments and changes.</li> </ul>
<b>Investment Trust Status</b> (no change in level of acceptable risk in 2020)		
Loss of Investment Trust status ► Unchanged in 2019	The risk of not complying with Sections 1158-59 of the Corporation Tax Act and the organisation losing Investment Trust status.	<ul style="list-style-type: none"> <li>WTW reviews and monitors the Trust's Investment Trust status and reports on this regularly to the Board.</li> </ul>

# RISK MANAGEMENT

## continued

Risk	Description	Mitigating Activities
<b>Strategy Risk</b> <b>(no change in level of acceptable risk in 2020)</b>		
Performance impacted by external factors  ► Unchanged in 2019	Stock market action involving the Trust as a result of external factors, such as political uncertainty and shareholder influence, results in uncertainty around the business model and impact on performance (current and future).	<ul style="list-style-type: none"> <li>• The Board expects active management of the concentrated high conviction approach employed by the Trust will be able to take advantage of any volatility caused by external factors as it creates opportunities.</li> <li>• The Board agreed to switch AIFM from TWIMI to TWIM as a result of Brexit (see page 64).</li> <li>• The Board considered the implications of Brexit and concluded that by investing in a global equity portfolio it is unlikely to be adversely impacted as a direct result of Brexit regardless of the final direction that it takes.</li> <li>• The Trust now has a stable shareholder base and continues to take action through its buyback programme to support the management of the discount at which the Trust's shares trade.</li> <li>• An increased level of engagement with shareholders is being facilitated by the Head of Marketing and Investor Relations who has now been in role for over 18 months.</li> </ul>
Share price and discount  ► Unchanged in 2019	The risk that the Company's share price trades at a wide discount to its underlying net asset value.	<ul style="list-style-type: none"> <li>• The Board (and Broker) monitors the discount level closely and has taken the powers, which it seeks to renew each year, for share issuance, buybacks and cancellation to support the management of the discount.</li> <li>• The Board believes that consistently delivering investment performance in accordance with the target set by the Board will drive demand for the shares.</li> </ul>
<b>Reputational</b> <b>(no change in level of acceptable risk in 2020)</b>		
Reputational  ► Unchanged in 2019	Damage to the Trust's reputation that could lead to negative publicity and adverse impact on financial performance.	<ul style="list-style-type: none"> <li>• Due diligence process is in place for selecting third-party service providers.</li> <li>• These providers are regularly monitored by the Committee or Board.</li> </ul>

Risk	Description	Mitigating Activities
<b>Environmental, Social and Governance (ESG) factors (reduction in the level of acceptable risk in 2020)</b>		
Environmental, Social and Governance (ESG) factors ▼ Decreased in 2019	Failure to consider the impact of ESG factors adversely affecting the Trust's reputation and financial performance.	<ul style="list-style-type: none"> <li>WTW's approach to ESG is fully embedded within WTW's overall assessment of the Managers. It considers each Manager's stewardship credentials and integration of ESG factors into the portfolio management process.</li> <li>The appointment of Hermes EOS (Equity Ownership Services) has strengthened the Trust's commitment to responsible investment (see page 17).</li> </ul>
<b>Regulatory Non-Compliance (reduction in the level of acceptable risk in 2020)</b>		
Regulatory non-compliance ▼ Decreased in 2019	Failure to ensure that systems and controls are adequate to allow compliance with all relevant regulatory requirements.	<ul style="list-style-type: none"> <li>The Trust no longer has to comply with the regulations of the Prudential Regulation Authority applicable to bank holding companies following the sale of Alliance Trust Savings.</li> <li>The change in the Trust's AIFM means that it no longer has an Irish AIFM subject to Central Bank of Ireland regulations.</li> <li>The Board receives updates from WTW and the Executive team on regulatory developments and changes.</li> <li>The Trust's third-party service providers have a good understanding of the activities of the Trust and its regulatory obligations.</li> <li>Shareholder documentation including the Trust's Interim and Annual Reports are subject to stringent review.</li> <li>Processes and procedures are in place to ensure compliance with applicable requirements such as the Market Abuse Directive.</li> </ul>

# CORPORATE RESPONSIBILITY



## THE TRUST'S PURPOSE

The Trust is an investment company with investment trust status. It aims to generate capital growth over the medium to long-term while maintaining an increasing dividend for its shareholders. It does all this at a competitive cost.

On page 3 we set out the Trust's Investment Objective. This, together with the Investment Policy set out below, was approved by shareholders at the Annual General Meeting held in April 2019.

## INVESTMENT POLICY

The Trust, through its investment manager, appoints a number of Stock Pickers with different styles and approaches, each of which will select and invest in stocks for the Trust's single investment portfolio; it will achieve an appropriate spread of risk by holding a diversified portfolio in which no single investment may exceed 10% of the Trust's total assets at the time of investment. Where market conditions permit, the Trust will use gearing of not more than 30% of its net assets at any given time. The Trust can use derivative instruments to hedge, enhance and protect positions, including currency exposures. While the primary focus of the Trust is investment in global equities, the Trust may also invest from time to time in fixed interest securities, convertible securities and other assets.

## RESPONSIBLE INVESTMENT

In our Investment Manager's Report (on page 16), WTW describes the responsible investment activities it has undertaken for the Trust and discloses how the Stock Pickers have voted in respect of the stocks in which they have invested for the Trust as well as some of the company-specific engagements undertaken by Hermes EOS.

The Trust supports the UK Stewardship Code (the Code) published by the Financial Reporting Council (FRC) which aims to enhance the quality of engagement between institutional investors and the companies in which they invest to help improve long-term risk-adjusted returns to shareholders and the efficient exercise of governance responsibilities.

The Trust has published its statement of how it complies with the principles contained in the Code on its website ([www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)).

A Statement on Responsible Investment can also be found on the Trust's website.

## CHARITIES

The Board, while supportive of the aims of many charities, believes that the Trust should not divert shareholder's funds to finance them save in occasional circumstances where there is a close link to the Trust or its heritage. The Trust, which has supported the V&A Museum of Design, Dundee since 2015, made a payment of £50,000 in the year and provided £200 to fund prizes at Dundee University.

## EMPLOYMENT

The Trust seeks to attract and retain staff with the requisite skills and experience required to manage and administer the Trust's business affairs. Recruitment, development and promotion are based solely on the individual's suitability. There should be no discrimination either before or during employment on the basis of gender, sexual orientation, age, race, nationality, disability, political or religious belief. Should any worker become disabled they should not suffer any discrimination and reasonable adjustments will be made to allow them to continue to have the same opportunities as any other employee.

The table below provides the gender split of the Board and workforce of the Trust as at 31 December 2019. The Trust has five employees of whom two are part time (one male and one female).

As at 31 December 2019	Male	Female
Board	4	1
Senior Managers	2	1
Other Staff	0	2
Total Workforce (including Directors)	6	4

## MODERN SLAVERY

The Trust considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Trust considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement from WTW, the Trust's Investment Manager, on the steps it takes to investigate and mitigate the risk of modern slavery and human trafficking can be found on WTW's website [www.willistowerswatson.com](http://www.willistowerswatson.com)

## ENVIRONMENTAL IMPACT

As an investment trust with a small number of employees, the Trust's environmental impact is limited. On page 67, we report on our carbon footprint. The Trust seeks to influence how its investee companies operate in relation to environmental impact through its responsible investment activities, about which more can be found on pages 15 to 18.

# CORPORATE RESPONSIBILITY

## continued

### ANTI-BRIBERY AND CORRUPTION

The Trust takes anti-bribery measures very seriously and conducts its business honestly, fairly and with transparency. The Trust is committed to implementing and enforcing effective measures to counter bribery and corruption and has a zero tolerance approach to acts of bribery and corruption by Directors, employees or anyone acting on the Trust's behalf.

### FINANCIAL CRIME

The possibility of financial crime is taken seriously by the Board and it has a zero tolerance for any such activity, including tax evasion and the facilitation of tax evasion.

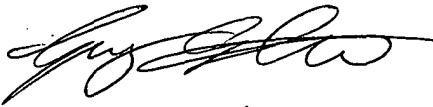
### PAYMENT PRACTICES REPORTING

The Trust complies with its obligations under the Reporting on Payment Practices and Performance Regulations.

### INVESTMENT ASSOCIATION PUBLIC REGISTER

The Investment Association maintains a public register of companies who have received significant shareholder opposition to proposed resolutions. There were no votes cast at our AGM on 25 April 2019 that received significant opposition.

The Strategic Report (including pages 3 to 44 of this document, the s172(1) statement on page 54 and the viability statement on page 55) has been approved by the Board and signed on its behalf by:



Gregor Stewart  
Chairman

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# DIRECTOR'S REPORT



# BOARD OF DIRECTORS



**Gregor Stewart**  
Chairman

Member of Audit and Risk Committee and of Remuneration Committee.

Gregor joined the Board in 2014 and chaired the Audit and Risk Committee until his appointment as Chairman in September 2019. He was also previously a Non-Executive Director of Alliance Trust Savings Limited.

Gregor was Finance Director for the insurance division of Lloyds Banking Group, including Scottish Widows, and a member of the Group's Finance Board. He brings over 20 years' experience at Ernst & Young, with ten years as a Partner in the firm's Financial Services practice.



**Karl Sternberg**  
Senior Independent Director

Member of Audit and Risk Committee and of Remuneration Committee.

Karl has been a member of the Board since 2015.

Karl was a founding partner of Oxford Investment Partners. He has had an executive career in fund management at Deutsche Asset Management, latterly as both its Global Head of Equities and Chief Investment Officer for Europe and Asia Pacific.



**Anthony Brooke**  
Non-Executive Director

Chair of Remuneration Committee and member of Audit and Risk Committee.

Anthony joined the Board in 2015.

Anthony was a Vice Chairman of S.G. Warburg & Co. Ltd and from 1999 to 2008 a partner in Fauchier Partners, a manager of alternative investments. Until 2010, Anthony was a Non-Executive Director of the PR consultancy, Huntsworth PLC.

## Current Appointments

**Direct Line Insurance Group plc** ■  
Non-Executive Director

**Quilter Financial Planning Limited** ■  
Chairman (due to step down during the first half of 2020)

**FNZ (UK) Limited and its holding company** ■  
Chairman of FNZ(UK) Limited and Non-Executive Director of its holding company

## Current Appointments

**Jupiter Fund Management PLC** ■  
Non-Executive Director

**JPMorgan Elect PLC** ■  
Non-Executive Director

**Monks Investment Trust PLC** ■  
Non-Executive Director

**Lowland Investment Company PLC** ■  
Non-Executive Director

**Herald Investment Trust PLC** ■  
Non-Executive Director

**Clipstone Logistics REIT PLC** ■  
Non-Executive Director

## Current Appointments

**Investment Committee of the National Portrait Gallery** ■  
Member

**Investment Committee of Christ's College, Cambridge** ■  
Member

**Various Endowments** ■  
Adviser



**Jo Dixon**  
Non-Executive Director

Member of Audit and Risk Committee and of Remuneration Committee.

Jo joined the Board in 2020.

Jo is a chartered accountant and has previously held senior positions within the NatWest Group and was Finance Director of Newcastle United plc. She was Commercial Director, UK, Europe and the Middle East at Serco Group and sat on various advisory boards in the education and charity sector.



**Clare Dobie**  
Non-Executive Director

Member of Audit and Risk Committee and of Remuneration Committee.

Clare joined the Board in 2016.

Clare ran a marketing consultancy from 2005-2015. Before that she was Group Head of Marketing at GAM (formerly Global Asset Management) and served on its Executive Business Committee. Prior to that, Clare held a number of roles at Barclays Global Investors, including Head of Marketing.



**Chris Samuel**  
Non-Executive Director

Member and Interim Chairman of the Audit and Risk Committee and a member of Remuneration Committee.

Chris joined the Board in 2015.

Chris was Chief Executive of Ignis Asset Management from 2009-2014 and was previously a Director and Chief Operating Officer of Gartmore and Hill Samuel Asset Management and a Partner at Cambridge Place Investment Management. He is a Chartered Accountant.

#### Current Appointments

- JPMorgan European Investment Trust PLC** ■  
Chair
- BB Healthcare Trust PLC** ■  
Non-Executive Director
- Strategic Equity Capital PLC** ■  
Non-Executive Director
- BMO Global Smaller Companies PLC** ■  
Non-Executive Director
- Ventus VCT PLC** ■  
Non-Executive Director

#### Current Appointments

- BMO Capital and Income Investment Trust PLC** ■  
Non-Executive Director
- Schroder UK Mid Cap Fund PLC** ■  
Non-Executive Director

#### Current Appointments

- Sarasin and Partners LLP** ■  
Non-Executive Director
- BlackRock Throgmorton Trust PLC** ■  
Chairman
- JPMorgan Japanese Investment Trust PLC** ■  
Chairman
- UIL Limited** ■  
Non-Executive Director

# BOARD OF DIRECTORS

## continued

### BOARD AND COMMITTEE ATTENDANCES

In 2019, in addition to the Board's regular quarterly meetings, an additional two Board meetings were scheduled. There were three Audit and Risk Committee and two Remuneration Committee meetings scheduled. These were supplemented by several ad hoc meetings where decisions were required before the next scheduled meeting. Jo Dixon joined the Board on 29 January 2020.

Scheduled Meeting Attendances	Board		Audit and Risk		Remuneration		
	Director	Actual	Possible	Actual	Possible	Actual	Possible
Lord Smith	4	4	-	-	-	-	-
Gregor Stewart	6	6	3	3	2	2	
Anthony Brooke	6	6	3	3	2	2	
Clare Dobie	6*	6	3	3	2	2	
Chris Samuel	6	6	3	3	2	2	
Karl Sternberg	5	6	2	3	2	2	

Several ad hoc working group meetings also took place to deal with specific activities during the year which involved some, or all, of the Directors. The non-attendance of Directors at meetings was due to previous commitments for other boards where meeting dates had already been set and could not be rescheduled. Lord Smith stepped down as Chairman on 5 September 2019.

### POLICY ON BOARD DIVERSITY

The following changes have been made to the Board's Policy on Board Diversity since it was published in the Trust's Annual Report last year: (1) the removal of the target to achieve 33% female representation on the Board over time as this has now been achieved; and (2) the addition of a requirement for search agents to consider other areas of diversity when preparing their long list of candidates.

Alliance Trust recognises the benefits of having a diverse Board, and sees diversity at Board level as important in maintaining good corporate governance and Board effectiveness. The Board members should have different skills, regional and industry experience, backgrounds, race and gender. These differences will be considered in determining the composition of the Board and when possible should be balanced appropriately.

All Board appointments must be made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. In reviewing Board composition the benefits of all aspects of diversity will be considered including, but

not limited to, those described above, in order to enable it to discharge its duties and responsibilities.

In identifying suitable candidates for appointment to the Board, the Board will consider candidates against objective criteria and with due regard for the benefits of diversity on the Board. As part of the selection process, where search agents are used, they are currently required in preparing their long list to include female candidates of at least 33% of the number submitted for consideration and to consider other areas of diversity.

As part of its Board and Committee evaluation (reported on in more detail on page 49) the diversity of the Board and Board Committees was considered. They took into account the search for a further Director that was under way and which resulted in the subsequent appointment of Jo Dixon. The Board concluded that the current Directors had the appropriate and necessary level of skills and experience to manage the Trust in its current structure. The longest serving Director was appointed in December 2014, the newest being appointed after the year-end on 29 January 2020 and the others being appointed between June 2015 and May 2016.



## DIRECTORS' SKILLS

Set out in the table below are the key skills and experience that the Board recognises it must possess to manage and govern effectively. In addition to these key skills, the Board also has experience in Investment, Financial Oversight, Risk, Strategy and Change, and Corporate Finance.

### Board Experience

Director	Financial Services	Business Leadership	Asset Management	Investment Trusts	Marketing and Distribution	Finance
Gregor Stewart	✓	✓		✓	✓	✓
Anthony Brooke	✓		✓		✓	
Clare Dobie	✓		✓	✓	✓	
Chris Samuel	✓	✓	✓	✓	✓	✓
Karl Sternberg	✓	✓	✓	✓	✓	
Jo Dixon	✓	✓		✓		✓

## BOARD EVALUATION

Each year the Board undertakes an evaluation of the effectiveness of individual Directors, the Board and its Committees. The 2019 Board and Committee evaluation was carried out externally by the corporate advisory firm, Lintstock Limited, by way of questionnaires with the performance of individual Directors being carried out by way of discussions between the Chairman and the Directors. The performance of the Chairman was reviewed by the other Directors, led by Mr Sternberg. This was the third year that the Board and Committee evaluation was carried out by Lintstock Limited and the Board intends to review how the evaluation is to be undertaken in 2020 to ensure that the process remains effective.

There were no significant issues arising from the 2019 evaluation process and it was agreed that the Board and its Committees were functioning effectively. In terms of priorities for the Board for 2020, the evaluation process identified:

1. Marketing;
2. Strategy; and
3. Appointments to the Board.

In 2019, the Board had started to increase its focus on the Trust's sales, marketing and investor relations activities. This will continue to be a focus for 2020 as will maintaining the Board's understanding of the needs of different types of investors, to enable it to better direct its distribution strategy.

The Board has commenced a review of the efficiency and effectiveness of the administrative services supporting the Trust now that it is wholly invested in global equities. This review will conclude in 2020. The recruitment of an additional female Director commenced in 2019. The search concluded after the year-end with the appointment of Jo Dixon. While this appointment strengthened the Board's audit and financial skills and meant that the Board achieved a 33% female composition, the Board will continue to consider whether a further appointment is required to add to its current skills and expertise and improve on other aspects of diversity.

### Best Board Award

The Board was named 'Best Board' at Citywire's 2019 Investment Trust Awards. The judges said: "The fact is the present board was faced with serious issues, it tackled them head on and it implemented significant change, at a rapid pace and so far to good effect. That is very much a beacon for best practice going forward, hence our nomination."

### Manager Review

The Board regularly reviews the performance of WTW. As it did last year, the Board additionally considered WTW's performance as part of its external year-end evaluation process. In terms of the top priorities for WTW for 2020 the following matters were identified: supporting the Trust's marketing, improving the Trust's business and operational model and improving their presentation of performance attribution information.

# CORPORATE GOVERNANCE

Set out below are the Principles from the AIC Code of Corporate Governance issued in February 2019 (AIC Code) and the steps the Board takes to adhere to these Principles and the recommended Provisions. The terms of reference of the two standing Board Committees (Remuneration and Audit and Risk) can be found on the Trust's website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

There are two areas where the Trust is required to explain how it complies with the AIC Code. Due to the outsourced investment and administration business model the Board believes there is no requirement for an internal audit function and that sufficient assurance is gained from the reports that it receives from WTW's Risk and Compliance functions and the Trust's Executive team. The second area was in respect of my appointment as Chairman where search agents were not engaged nor did we advertise the role. My appointment was agreed by the Board having been subject to prior discussion on succession for the Chairman role.

**Gregor Stewart**  
Chairman

Principle	How the Trust complies
<b>Board Leadership and Purpose</b>	
A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	<p>The Board has now completed its simplification of the Trust. This was a process that started in 2016. The Board recognised that the previous strategy of growing the Trust through a multi-asset investment approach with regulated subsidiaries was increasing costs and failing to deliver shareholder value. Over the last four years the Trust has moved to an equity-only investment approach using outsourced managers and has sold its operating subsidiaries.</p> <p>As part of the process of simplification, the Board sought and obtained shareholder approval for its new investment approach. The result of the simplification, the Board believes, will be more sustainable long-term investment performance with a tight control on costs which will allow the Board to focus on continued growth and increasing dividends to the benefit of the Trust's current and future shareholders.</p>
The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	<p>The Board reviewed its Investment Objective and Policy, and an amended version was approved by shareholders at the AGM held in April 2019. This affirmed that the Board's strategy had been fully endorsed by shareholders. The Directors through their annual evaluation, reported on page 49 confirm that there is an appropriate alignment between the Trust's purpose, value and strategy and its culture. All Directors play a part in this. The Directors are all independent of the Investment Manager and the Stock Pickers. The Directors ensure that there are no conflicts of interest with the manager. The Board noted that while Karl Sternberg is a Director of Jupiter Fund Management PLC the appointment of Jupiter as a Stock Picker was not a conflict as he had no part in their selection. WTW has full discretion over each Manager's appointment and removal.</p>
The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	<p>The Board has appointed WTW to manage its investment portfolio. They were chosen as they demonstrated that they had the resources and capabilities to manage the Trust's portfolio in accordance with the directions of the Board. Set out on pages 37 to 41 and 57 and 58 is the Board's approach to risk and the control framework that is in place to monitor performance against the Board's risk appetite.</p>

Principle	How the Trust complies
<b>Board Leadership and Purpose continued</b>	
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	<p>The Board seeks to communicate effectively with its shareholders and stakeholders. The Annual Report and Accounts, Interim Report, quarterly newsletters and monthly factsheets are issued to all shareholders who request them and they are published on the Trust's website where the Investor Disclosure Document can also be found. The Trust encourages attendance at its AGM and holds investor forums during the year where the Directors are able to interact directly with private shareholders. The Directors also meet with significant shareholders.</p> <p>Gregor Stewart is responsible for engagement with staff and he meets with members of the Executive team on a regular basis.</p> <p>Directors also meet outside the regular Board meetings with senior representatives of WTW and other significant service providers.</p>
<b>Division of responsibilities</b>	
The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The responsibility of the Chairman is clearly set out in his terms of appointment. The Chairman's terms of appointment and those of the other Directors are available at the Trust's registered office and at the AGM. The performance of the Board is brought out in the annual evaluation on page 49.
The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision-making.	<p>The Board is wholly independent, and the Directors are from a range of different backgrounds. The Chairman was independent on appointment. The Board's annual board evaluation concluded that the Board operates effectively and that no individual or small group of Directors dominates.</p> <p>The Senior Independent Director provides a sounding board for the Chairman and serves as a intermediary for other Directors and shareholders. He led discussions on the appointment of the Chairman in 2019.</p>
Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	<p>The Directors confirm each year that they have sufficient time available to satisfy their responsibilities to the Trust. On pages 46 and 47 the other Board commitments of the Directors are disclosed. Any additional appointments are subject to prior approval by the Board. In the course of the year no Director accepted a significant appointment. The Board carries out an annual review of the performance of its managers and other significant service providers – in 2019 it carried out tenders for the roles of Auditor and insurance broker and indicated that it may carry out a tender exercise for the role of corporate broker.</p>

# CORPORATE GOVERNANCE

## continued

Principle	How the Trust complies
<b>Division of responsibilities continued</b>	
The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Board meets together on at least four occasions during the year. At these meetings the Board will consider a range of reports and receive presentations from WTW, the Stock Pickers and Executive team. The Board reviews investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, discount, costs, risk, compliance, share buybacks and the performance of peer investment trusts. The Board will also consider controls reports from WTW and other service providers. Additional meetings either of the Board as a whole or a committee of the Board are held as required to progress projects or to take decisions. Set out on page 35 is the Trust's dividend policy. At the Trust's AGM in April 2019, shareholders approved a change in the Trust's Investment Objective and Policy. Other policies are kept under review on an ongoing basis. All Directors have access to the Company Secretary for advice and to independent professional advice where this is considered necessary. The Company Secretary is also Head of Operations and leads the Executive team. She is responsible for the day to day oversight of the Investment Manager and other service providers.
<b>Composition, succession and evaluation</b>	
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	In September this year Gregor Stewart was appointed Chairman following the resignation of Lord Smith. The Senior Independent Director, Karl Sternberg, led the Board's discussion on the appointment of Gregor Stewart as Chairman. In light of previous Board discussions on succession planning the Board concluded that there was no need to carry out a search before confirming the appointment.  After the year-end in January 2020 we appointed Jo Dixon as a new Director. This followed a search carried out by a search agency, Odgers Berndston, to a detailed specification aimed to ensure that the successful candidate would contribute to diversification. The Board composition is now one third female. The Board continues to consider how best to encourage greater diversity bearing in mind the current tenure of the Directors and the existing diversity of backgrounds and personal strengths.
The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Details of the Directors' skills and experience can be found on pages 46 and 47. There is no absolute limit to the period for which a Director or the Chairman may serve. However, continuation of a Director's appointment is subject to satisfactory performance evaluation and annual re-election by shareholders. Subject to the foregoing, a Director's initial term of appointment shall normally be for the period commencing with his or her appointment to the Board and ending on the seventh AGM of the Company following appointment. Following that term, the Director may be appointed for a further term to be determined by the Board in accordance with its policy on tenure. Should a Director's appointment extend for more than nine years, the reasons for that Director's continuing appointment shall be considered by the Board annually and disclosed in the Company's Annual Report in accordance with the provisions of the AIC Code.
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	This is reported on separately on page 49.  All Directors are subject to annual re-election. An assessment of whether each Director continues to demonstrate an effective contribution is made prior to any recommendation being made by the Board for their reappointment.

Principle	How the Trust complies
<b>Audit, risk and internal control</b>	
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	How the Board satisfies itself on these matters is reported on page 58. During the year an audit tender exercise was completed and, subject to shareholder approval at the AGM in April 2020, BDO will be appointed as the Trust's new Auditors. Gregor Stewart was chairman of the Audit and Risk Committee until his appointment as Chairman on 5 September 2019. He continues to be a member. Since that date the interim chairman of the Audit and Risk Committee has been Chris Samuel. Jo Dixon will replace Chris Samuel as chair of the Audit and Risk Committee in March 2020.
The board should present a fair, balanced and understandable assessment of the company's position and prospects.	As part of the assessment of the Annual Report and Accounts the Board instructed an independent review to provide additional assurance that the Trust's position was fair, balanced and understandable. The Directors confirm their position on page 67.
The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	This is reported on separately on pages 37 to 41.
<b>Remuneration</b>	
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	This is reported on separately on pages 60 to 63.
A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.	This is reported on separately on pages 60 to 63. Shareholders approved a slightly modified Remuneration Policy at the AGM in April 2019.
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	This is reported on separately on pages 60 to 63.

# CORPORATE GOVERNANCE

## continued

### THE TRUST'S STAKEHOLDERS

The Trust's Directors have a number of obligations including those under section 172 of the Companies Act 2006. These obligations relate to how the Board takes into account a number of factors in making its decisions – including the impact of its decisions on employees, suppliers and the local community as well as shareholders. The Board is focussed on its responsibilities to stakeholders, corporate culture and diversity as well as contributing to wider society.



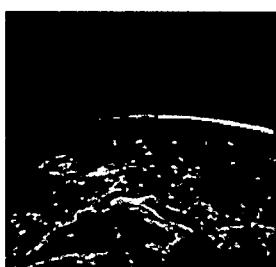
#### SHAREHOLDERS

The Board engages with the Trust's shareholders in a number of ways – at the Annual General Meeting and Investor Forums; through its investor relations and marketing activities, including meetings with individual shareholders and members of the Board and, through its reporting via its website, newsletters and factsheets.



#### EMPLOYEES

Having a small number of employees means that all of the Directors are in contact with and engage with each member of the Executive team – face-to-face, by email or by telephone. Gregor Stewart is the Director responsible for employee engagement. In addition to discussing the day-to-day business of the Trust with its employees, he regularly spends time in the Trust's offices in Dundee (and elsewhere), interacting with and understanding the needs of the Executive team.



#### SOCIETY

The consideration of Environmental, Social and Governance factors is incorporated into the Trust's investment approach and it has enhanced its commitment to responsible investment through the appointment of Hermes EOS. See page 17. The Trust's total greenhouse gas emissions for 2019 have reduced mainly due to the move to a smaller, more energy-efficient office. In addition, both Directors and employees take advantage of technology to attend meetings by video and reduce the requirement for travel.



#### SERVICE PROVIDERS

The Trust has outsourced a number of activities, not least, the management of the Trust's portfolio to Willis Towers Watson and the responsibilities of safekeeping the Trust's assets to NatWest Trustee and Depositary Services.

Prior to the award of any material contract, the Board conducts tender processes and due diligence. Once a provider is appointed, service providers are subject to regular oversight by the Board as well as the Executive team.

# VIABILITY AND GOING CONCERN STATEMENTS

## VIABILITY STATEMENT

The Board has assessed the prospects and viability of the Trust beyond the 12 months required by the Going Concern accounting provisions.

In making their assessment, the Board considered the current position of the Trust and its prospects, strategy and planning process as well as its principal risks in the current, medium and long term, as set out on pages 37 to 41. The Trust's Investment Objective and Policy, which was approved by shareholders in April 2019, is on pages 2 and 42. The Board reviews its strategy and how it is performing against its strategic objectives and its principal risks on, at least, an annual basis.

Prior to 28 June 2019, when the sale of Alliance Trust Savings completed, the Board considered a number of severe but plausible downside financial scenarios as part of the annual review of the prudential consolidated Group Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process. Since the sale completed such Group-wide scenarios are no longer required. The Board continues to consider various scenarios and their impact on the Trust's current position and prospects in conjunction with its principal risks as set out on pages 37 to 41. The Board has concluded that there is a reasonable expectation that the Trust will be able to continue in operation and meet its liabilities as they fall due for at least the next five years; the Board expects this position to continue over many more years to come.

The Board in its assessment noted the following:

- The portfolio is now completely invested in listed equities across the globe. Our Investment Manager believes that in normal market conditions around 79% of the Trust's portfolio could be sold within a single day, and a further 19% within 10 days, without materially influencing market pricing. We would not expect this position to materially alter in the future.
- The Trust is closed-ended which means that there is no requirement to realise investments to allow shareholders to sell their holdings. The Directors have assumed that shareholders will continue to be attracted to the closed-ended structure due to its liquidity benefit.
- The Trust has sufficient funds to continue to meet its Dividend Policy commitments. This position will be strengthened should the Merger Reserve (see page 35) become distributable.

- The Trust has no fixed discount control policy. The Trust will continue to buy back shares when the Board consider it appropriate and to take advantage of any significant widening of the discount and to produce Net Asset Value accretion for shareholders (see page 36).
- The Trust has a risk and control framework (see pages 37 to 41) which includes a number of triggers which, if breached, would alert the Board to any potential adverse scenarios.
- The portfolio is structured for long-term performance with the portfolio targeted to outperform the MSCI ACWI by 2% a year after costs over rolling three-year periods; the Board would also consider five years as being an appropriate period over which to measure performance.
- The Trust has put in place unsecured long-term borrowing arrangements of various durations going out to 2053.
- The Trust maintains large revenue and capital reserves.
- The Trust retains title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.
- As at 31 December 2019 the Trust had a Net Asset Value of £2.9bn, with net gearing of 4.3% and gross gearing of 7.8% (as at that date the Trust had £135m of unused loan funds, short-term debt of £65m and £160m of long-term debt repayable over a range of periods ending between 2029 to 2053).
- The Board has approved various sensitivities to market, credit, liquidity and gearing as set out on pages 94 to 98.
- Brexit will not have a significant impact on the Trust.

## GOING CONCERN STATEMENT

In view of the conclusions drawn in the foregoing Viability Statements, which considered the resources of the Trust over the next 12 months and beyond, the Directors believe that the Trust has adequate financial resources to continue in existence for at least 12 months from the date of approval of these accounts. Therefore, the Directors believe that it is appropriate to continue to adopt the Going Concern basis in preparing the financial statements.

# AUDIT AND RISK COMMITTEE

**66**

This section of the Annual Report provides information on the main areas of focus of the Audit and Risk Committee during the year. The Committee's main role is ensuring the Trust's financial statements are properly prepared and that there are appropriate and effective internal controls in place. The Committee also monitors the effectiveness of how risk is managed and challenges the appropriateness of the Trust's risk appetite. During the year the Committee played a central role in conducting a tender process for the appointment of a new External Auditor. We are pleased that the Board are recommending to shareholders for the first time in many years the appointment of a firm that falls outside the 'Big-4' audit firms. I was appointed Interim Chairman of the Committee in September, Gregor Stewart was Chairman of the Committee to that point, and chairmanship of the Committee will pass to Jo Dixon in March 2020."

**Chris Samuel**  
Interim Chairman, Audit and Risk Committee

Areas of focus in 2019	
<b>Risk Appetite</b>	The Committee considered and updated its risk appetite which is reported on in more detail on pages 37 to 41.
<b>Investment Risk</b>	The Committee reviewed the level of risk being run by the Investment Manager including breakdowns by region, industry and style. It also considered the level of active risk being adopted across the portfolio, the source of that risk, and the impact of the individual Stock Pickers' risk profile on the portfolio as a whole. The Committee considered whether it was appropriate to appoint an additional manager.
<b>Regulatory Compliance</b>	The Committee reviewed a number of reports which were required to ensure compliance with regulations that applied due to the ownership of Alliance Trust Savings as well as the now-reduced level of regulatory compliance that the Trust must observe.
<b>Internal and External Auditors</b>	The Committee considered both its internal and external audit requirements. Due to the Trust's outsourcing of its investment and administrative arrangements, the Committee concluded that there was no need for an internal audit function. The Committee evaluated, and was satisfied with, the performance of the External Auditor.
<b>Audit Tender</b>	As reported in last year's Annual Report, a decision had been taken to conduct a tender for the role of External Auditor. This process concluded with presentations to the Audit and Risk Committee of the two preferred accountancy firms and a subsequent report to the Board which agreed to appoint BDO as the Trust's new External Auditor subject to the approval of shareholders at the AGM.
<b>Valuation of Unlisted Investments</b>	The valuation methodology used to value the investments in the subsidiaries, mineral rights and private equity investments can be found in Note 21.9 on pages 98 and 99.
<b>Review of Annual and Interim Accounts</b>	The Committee considered the content of the Interim Accounts and the Annual Report and Accounts of the Trust before recommending approval to the Board. The Committee concluded that the Trust's accounts were fair, balanced and understandable.
<b>Outsourcing</b>	The Committee considered, at each meeting, papers setting out how financial controls and risk were managed by WTW and the other outsourced providers.
<b>Brexit</b>	The Committee had previously noted the potential of issues arising from the Trust using the services of WTW's Irish Alternative Investment Fund Manager (AIFM) following Brexit. That entity has since been replaced as AIFM by Towers Watson Investment Management Limited, a UK entity authorised and regulated by the Financial Conduct Authority.



## INTERNAL CONTROLS

The Board receives recommendations from the Audit and Risk Committee on the level of risk that it should be prepared to take to meet its Strategic Objectives (see pages 37 to 41) and the Committee carries out an assessment of the internal controls that are in place to ensure the security of the Trust's assets and that the Trust's financial records are correct and reliable. To achieve this, regular reports are provided by WTW and the Executive team together with reports from the Depositary and the Custodian and Administrator.

While the Trust has relied on the internal controls systems put in place by WTW, third party assurance is also sought. The Committee received WTW's report on the effectiveness of the risk management and internal control systems, including an Independent Service Auditors' Assurance Report (ISAE 3402 Type 2) on Internal Controls prepared by KPMG LLP.

WTW performs operational due diligence on the Stock Pickers.

The Chairman of the Committee is the Trust's designated financial expert on the Committee and was Gregor Stewart until September 2019 and then Chris Samuel. Jo Dixon will become the designated financial expert when she takes on the role of Chair of the Committee.

## Depositary

The Trust's depositary is NatWest Trustee and Depositary Services Limited. It is responsible for the safekeeping of all the Trust's custodial assets as well as verifying and maintaining a record of the Trust's other assets. It also collects income from the Trust's assets and monitors the Trust's cash flow. The Depositary must take reasonable care to ensure that the Trust is managed in accordance with the Financial Conduct Authority's (FCA's) FUND Sourcebook, the Trust's Articles of Association and the AIFM Directive. The Custodian appointed by the Depositary for the Trust is The Bank of New York Mellon, London branch.

### Annual review of internal controls and findings

The Audit and Risk Committee conducts an annual review on the effectiveness of the risk management framework and internal control systems in place to mitigate any significant risks. The Committee recognises that the system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against regulatory breaches, material misstatement or loss. This review is reported to the Board.

The 2019 assessment and internal controls assurance reports did not highlight any significant weaknesses or failings in the risk management framework and internal control systems.

# AUDIT AND RISK COMMITTEE

## continued

### Internal controls over financial reporting

As part of the outsourcing arrangements with WTW, the financial reporting process is managed by WTW, which has in turn delegated certain accounting responsibilities to The Bank of New York Mellon (International) Limited. WTW still remains responsible for the accuracy and completeness of the financial records of the Trust and provides a report to each Board meeting. These risk mitigating controls are assessed regularly by the Executive team. Controls over the preparation of the financial statements include, but are not limited to:

- A formal review and sign-off of the annual accounts by WTW including verification of any statements made;
- Adoption and review of appropriate accounting policies by the Board; and
- Review and approval of accounting estimates by the Board.

The Audit and Risk Committee considered whether the Annual Report, taken as a whole, was fair, balanced and understandable and provides the information necessary for shareholders to assess the Trust's performance, business model and strategy. They also considered whether the narrative and the numerical disclosures were consistent. The Committee concluded that the Annual Report did pass these tests. In recommending approval to the Board the Committee took into account the process in preparing the Annual Report, which included the involvement of Directors, the Executive team, WTW and a review by an independent third party.

### INDEPENDENCE OF AUDITOR

The Trust will only use the Auditor for non-audit work where there is no threat of independence and then only when approved by the chairman of the Audit and Risk Committee. In 2019 the only non-audit work carried out by the Auditor was in relation to the Interim Report for which a fee of £5,100 was paid.

The Committee considered the independence of the Auditor and concluded that it was independent.

During the year the Committee had a private meeting with the Auditor.

### EFFECTIVENESS OF AUDIT PROCESS

The audit engagement partner and other members of the engagement team met the Committee Chairman and members of the Executive team to raise any matters relating to the conduct of the audit, including the performance of the External Auditor. Following completion of the external audit of the financial statements for the period ended 31 December 2018 the Committee carried out an evaluation of the Auditor's effectiveness and concluded that it was generally satisfied with the performance of the External Auditor.

### APPOINTMENT OF AUDITOR

The Trust's current Auditors, Deloitte, were appointed in 2011 after a tender exercise. The current audit partner is Andrew Partridge who has been the audit partner since April 2016. Last year we indicated that we would conduct a tender exercise in 2019 and that a recommendation on the appointment of an Auditor would be made to the AGM to be held in April 2020.

After a lengthy audit tender process involving a number of 'Big 4' and other audit firms the Audit and Risk Committee received presentations from two firms. The Audit and Risk Committee concluded that they had a preference for a non-'Big 4' firm, BDO. The Board approved the appointment of BDO and this appointment will be confirmed after the approval of shareholders at the AGM to be held in April 2020 and will be effective for the financial year ending 31 December 2020. The audit partner will be Peter Smith.

The Trust confirms its compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year to 31 December 2019.

## DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditor is unaware; and each Director has taken all steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

## DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. By law, the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements under IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Trust and the performance for that period; the Companies Act 2006 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Trust's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and a Strategic Report that complies with that law and those regulations.

# REMUNERATION COMMITTEE

“

I have pleasure in setting out the Directors' Remuneration Report for the year ended 31 December 2019. In expectation of completing the simplification of our business, in early 2019 we approved reductions in the fees for the roles of Chairman, Deputy Chairman, Senior Independent Director and Chairman of the Remuneration Committee. In October, following the appointment of Gregor Stewart as Chairman, we decided that there was no need to continue with the role of Deputy Chairman. This resulted in a further reduction in the overall level of fees paid to Directors. We will continue to keep the level of fees under review.”

**Anthony Brooke**  
Chairman, Remuneration Committee

On 25 April 2019 the shareholders at our Annual General Meeting (AGM) approved the following Remuneration Policy:

The Board's Remuneration Policy is designed to ensure that the remuneration of Directors is set at a reasonable level commensurate with the duties and responsibilities of each Director and the time commitment required to carry out their roles effectively. Remuneration will be such that the Trust is able to attract and retain Directors of appropriate experience and quality. The fees paid to Directors will reflect the experience of the Board as a whole, will be fair, and will take account of the responsibilities attaching to each role given the nature of the Trust's interests, as well as the level of fees paid by comparable investment trusts. Secretarial assistance will be provided to the Chairman to assist in the execution of his duties. Additional payments may be made to Directors for time expended over and above that envisaged on appointment and for serving on or chairing committees or for service as Directors of subsidiary boards, or other additional responsibilities. The level of such fees and payments will be subject to periodic review. Directors will be reimbursed for travel and subsistence expenses incurred in attending meetings or in carrying out any other duties incumbent upon them as Directors of the Trust. In the event that any such payments are regarded as taxable, Directors may receive additional payments to ensure that they suffer no net cost in carrying out their duties. The level of Directors' fees paid will not exceed the limit set out in the Trust's Articles of Association.

The Committee also reserves the right to make payments outside the Policy in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Trust, and when it would be disproportionate to seek specific approval from a General Meeting. Any such payments would be fully disclosed on a timely basis.

In April 2019, Shareholders also approved a resolution to increase the maximum level of ordinary remuneration that may be paid to Directors from £224,000 per annum to £300,000 per annum. This change was made to provide the Board with the flexibility to recruit additional Board members.

Directors regularly engage with shareholders on all aspects of performance and governance. In the past year the views of our principal shareholders, specifically on remuneration issues, have not been sought. Any comments received from shareholders are always carefully considered. We welcome the opportunity to discuss matters of remuneration with shareholders at our AGM or at any investor forum that we may hold during the year.



## NON-EXECUTIVE DIRECTORS' CONTRACTS

Each Non-Executive Director's appointment is governed by written terms which are available for inspection at the Trust's registered office. They are also available at the AGM. There is no absolute limit to the period for which a Non-Executive Director may serve. Directors' appointments may continue subject to satisfactory performance evaluation and annual re-election by shareholders at the Trust's AGM. Their appointment may be terminated at any time by notice given by three quarters of the other Directors. Subject to the foregoing, the expectation is that any Director appointed will serve until the AGM seven years after the date of their initial appointment and thereafter for a further term of between one and three years. The date of appointment of each Director can be found on page 64.

## STAFF REMUNERATION

The Trust has no Executive Directors, but has a small Executive team comprising five members of staff, two of whom work part time. The Remuneration Committee takes all decisions in respect of salary and bonuses for these members of staff on the recommendation of the Company Secretary and Head of Operations (other than in respect of her own remuneration).

These employees are not members of any share-based incentive arrangements nor of any long-term share award schemes. The Committee has agreed that any remaining shares, which are not required to satisfy historic commitments and held by the Trustee of the Employee Benefit Trust under the Company's Long Term Incentive Plan, can be sold to meet the costs of any discretionary cash bonuses that may be awarded to members of the Executive team.

## NON-EXECUTIVE DIRECTORS FEES

The table below sets out the fees that were payable to the Directors on 1 January 2019 and the fees which will be payable from 1 January 2020. The basic Non-Executive Director's fee has remained unchanged since 2013.

Annual Fees	2019	2020
Chairman	£120,000 <sup>1</sup>	£80,000
Deputy Chairman	£80,000 <sup>2</sup>	Not applicable
Basic Non-Executive Director	£35,000	£35,000
Committee Membership <sup>3</sup>	£6,000	£6,000
Chairman of Audit and Risk Committee <sup>4</sup>	£8,000	£8,000
Chairman of Remuneration Committee	£4,500 <sup>5</sup>	nil
Senior Independent Director	£5,000 <sup>6</sup>	£3,000
Subsidiary Board Director's Fee <sup>7</sup>	£35,000 <sup>7</sup>	Not applicable

1. The Chairman's fee is inclusive of membership of Board Committees and from 1 July 2019 was reduced to £80,000.

2. This fee was reduced to £60,000 from 1 July 2019. This role ceased to exist on 5 September 2019 on the appointment of Gregor Stewart as Chairman.

3. All Directors are members of all Board Committees and this is a composite fee for all Board Committees.

4. This fee is additional to the Committee membership fee. Gregor Stewart ceased to be Chairman of the Audit and Risk Committee upon his appointment as Chairman on 5 September 2019. Chris Samuel agreed to act as an Interim Chair of the Audit and Risk Committee and has not been paid an additional fee for this role.

5. This fee, which was additional to the Committee membership fee, ceased on 1 July 2019.

6. This fee was reduced to £3,000 from 1 July 2019.

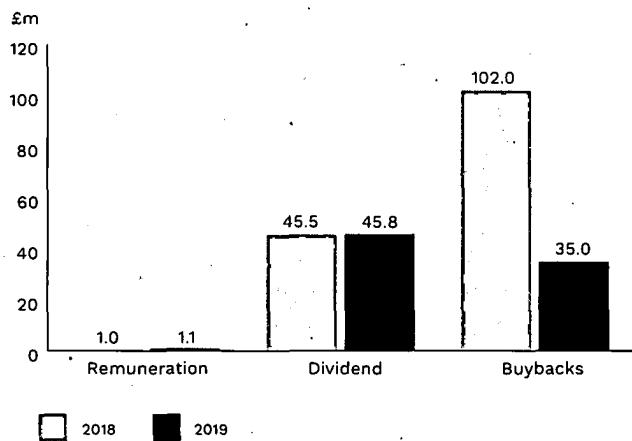
7. This fee was not paid from 30 June 2019 following the completion of the sale of Alliance Trust Savings Limited.

# REMUNERATION COMMITTEE

## continued

### RELATIVE IMPORTANCE OF SPEND ON PAY

The chart below shows the actual expenditure of the Trust on remuneration and distributions to shareholders by way of dividend and share buybacks in 2018 and 2019. The Executive team received £0.8m in remuneration for the year to 31 December 2019 (2018: £0.6m) and the Non-Executive Directors received £0.3m (2018: £0.4m).



Source: WTW.

### DIRECTORS' SHAREHOLDINGS (AUDITED)

All Directors are required to hold 3,000 shares in the Trust. Details of the shareholdings of all Directors and their connected persons, together with details of shares acquired, are shown below. None of these shares are subject to performance conditions. In 2019 the Trust issued no options to subscribe for shares.

Directors' shareholdings*	As at 1 Jan 2019	As at 31 Dec 2019 or date of leaving if earlier	Acquired between 31 Dec 2019 and 28 Feb 2020
Lord Smith	30,700	30,700	-
Gregor Stewart	25,120	25,235	-
Anthony Brooke	13,000	25,000	-
Clare Dobie	3,160	3,160	-
Chris Samuel	40,374	61,122	170
Karl Sternberg	13,997	18,967	-

\*Jo Dixon joined the Board after the year-end and had 3,000 shares at the date of appointment.

### ADVISERS

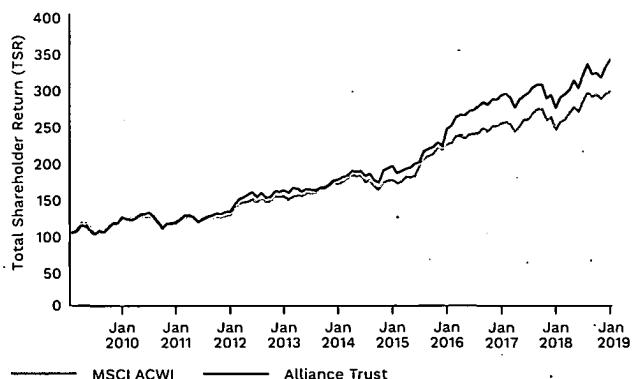
The Remuneration Committee received no independent advice in respect of remuneration during the year.

### SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

£'000	2019			2018			
	Non-Executive Director	Company Fees	Fees for Subsidiary Appointment	Total	Company Fees	Fees for Subsidiary Appointment	Total
Lord Smith	74	-	-	74	120	-	120
Gregor Stewart	86	17	-	103	94	35	129
Anthony Brooke	43	-	-	43	46	-	46
Clare Dobie	41	-	-	41	41	-	41
Chris Samuel	41	-	-	41	41	-	41
Karl Sternberg	45	-	-	45	46	-	46
<b>Total</b>	<b>330</b>	<b>17</b>	<b>-</b>	<b>347</b>	<b>388</b>	<b>35</b>	<b>423</b>

## PERFORMANCE GRAPH

The graph below shows the Total Shareholder Return (TSR) for holders of Alliance Trust PLC Ordinary Shares, measured against the MSCI All Country World Index (ACWI) rebased to 100 at 31 January 2010. The Trust believes that this is the most appropriate index as it represents the performance of listed equities across a range of global markets and is the one used to measure the Trust's performance. At the year-end the Trust was completely invested in listed equities.



Source: Morningstar and MSCI Inc.

## VOTING AT ANNUAL GENERAL MEETING

At the AGM held on 25 April 2019 votes cast by proxy and at the meeting in respect of resolutions relating to remuneration were as follows:

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld (abstentions)
Directors' remuneration report (excluding Remuneration Policy)	84,272,718	97.67	2,013,189	2.33	86,285,907	1,227,970
Directors' Remuneration Policy	84,114,726	97.49	2,163,748	2.51	86,278,474	1,270,000
Approval of a new limit for the Directors' ordinary remuneration	82,920,427	95.53	3,876,796	4.47	86,797,223	699,657

## APPROVAL

The Remuneration Report comprising pages 60 to 63 and the Implementation Report comprising pages 61 to 63 have been approved by the Board and signed on its behalf by:

Anthony Brooke  
Chairman, Remuneration Committee  
5 March 2020

# OTHER GOVERNANCE

## RE-ELECTION OF DIRECTORS

Details of the current Directors can be found on pages 46 and 47. 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. Jo Dixon having been appointed during the year will be subject to election and the remaining members of the Board to re-election. All are recommended for approval by shareholders 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.

## DIRECTORS IN 2019

Name	Designation	Appointed	Resigned
Lord Smith	Chairman	3/2/2016	4/9/2019
Gregor Stewart	Chairman	1/12/2014	-
Anthony Brooke	Non-Executive Director	24/6/2015	-
Clare Dobie	Non-Executive Director	26/5/2016	-
Chris Samuel	Non-Executive Director	23/9/2015	-
Karl Sternberg	Non-Executive Director	23/9/2015	-
Jo Dixon	Non-Executive Director	29/1/2020	-

All the Directors other than Lord Smith and Jo Dixon served the full financial year. Other than Lord Smith, all of the Directors remained in office at the date of signing these Accounts.

## MAJOR SHAREHOLDERS

As at 28 February 2020 the Trust had no shareholders holding an interest in more than 3% of the voting rights of the ordinary shares in issue of the Trust.

## DIVIDENDS

The dividend payable to shareholders on 31 March 2020 is disclosed on page 35.

## USE OF FINANCIAL INSTRUMENTS

Information on the use of financial instruments can be found in Note 21 on pages 93 to 99 of the Accounts.

## DIRECTORS' AND OFFICERS' INDEMNIFICATION

The Trust provides insurance for legal action brought against its Directors as a consequence of their position. In addition, separate deeds of indemnity have been agreed with each Director indemnifying them as permitted by company law.

The indemnity and insurance do not extend to cover claims brought by the Trust itself, which are upheld by the Courts, nor to criminal fines or penalties.

## INVESTMENT TRUST AND COMPANY STATUS

Alliance Trust PLC is a public limited company limited by shares. HM Revenue & Customs has confirmed that Alliance Trust PLC has investment trust status for all financial periods from 1 January 2012.

## ALTERNATIVE INVESTMENT FUND MANAGER'S DIRECTIVE ('THE DIRECTIVE')

On 1 April 2017 the Trust appointed Towers Watson Investment Management (Ireland) Limited as its alternative investment fund manager (AIFM) and Towers Watson Investment Management Limited as its Investment Manager. On 1 October 2019, Towers Watson Investment Management Limited replaced Towers Watson Investment Management (Ireland) Limited as the Trust's AIFM.

The Trust has appointed NatWest Trustee and Depositary Services Limited (formerly National Westminster Bank plc) as its Depositary under the Directive for the purpose of strengthening the arrangements for the safe custody of assets. Regulatory disclosures, including the Trust's Investor Disclosure Document, are provided on the Trust's website at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk). Disclosures on Remuneration as required under the Directive can also be found on our website.

## INVESTMENT MANAGEMENT AGREEMENT

The management agreement with Towers Watson Investment Management (Ireland) Limited was terminated on 30 September 2019 when Towers Watson Investment Management Limited was appointed as the Trust's AIFM in accordance with the terms of an agreement ('the Management Agreement') dated 1 October 2019. There has been no change in the fee payable to the Trust's AIFM as a result of this change. Under the terms of the Management Agreement, the AIFM is entitled to a management fee together with reimbursement of reasonable expenses incurred.

The management fee of £11.7m (2018: £10.9m) equates to the sum of:

- (i) £1.5m per annum (increasing in line with UK Consumer Prices Index (CPI) each year) plus 0.055% per annum of the market capitalisation of the Trust after deduction of (a) the value of non-core assets, (b) the value of the Trust's subsidiaries; and
- (ii) such fees as are agreed from time to time by the Trust in respect of third-party managers. Each of the third-party managers is entitled to a base management fee rate, generally based on the value of assets under management. No performance fees are payable.

The AIFM is also entitled to receive the following payments:

- (i) A fixed administration fee, in respect of the provision of certain underlying administration services, which is capped at £0.92m per annum (increasing each year in line with the CPI). In 2019 this fee was £0.95m (2018: £0.93m); and
- (ii) fees paid to the managers/administrators of non-core assets of £0.4m (2018: £0.4m) (these have been paid directly by the Trust to the third parties).

The Management Agreement may be terminated by either party on not less than six months' notice or, if terminated by the Trust earlier, upon the payment of compensation. The Management Agreement may also be terminated earlier by either party with immediate effect and without compensation on the occurrence of certain events.

On termination, the AIFM is entitled to receive its fees pro rata to the date of termination.

## DIRECTOR DEVELOPMENT

Every Director on appointment receives an individually tailored induction and the Board as a whole receives updates on relevant topics.

## EMPLOYEE ENGAGEMENT

The Board has appointed Gregor Stewart as the Director responsible for engaging with employees. Further detail as to the Board's engagement can be found on page 54.

## BUSINESS RELATIONSHIPS

The business favours working with suppliers on a long-term basis. Regular reviews of the Trust's main suppliers are carried out and the use of tenders will be considered where deemed appropriate. Further detail as to the Board's approach to business relationships can be found on page 54.

## SHARE CAPITAL AND WAIVER OF DIVIDENDS

The Trust's issued share capital as at 31 December 2019 comprised 329,065,733 Ordinary 2.5p shares of which 334,182 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 4,560,287 shares at a cost of £35.0m.

There are no preference shares or shares held in Treasury.

## ARTICLES OF ASSOCIATION

The Trust's Articles of Association were last amended in 2011. A review was instructed to ensure that they were consistent with the current, more simplified, structure of the Trust and for good governance. The changes that are being proposed are minor in nature and will be described in more detail in the Notice to the AGM. They cover administrative changes regarding how the Directors may hold their qualifying shares, some minor changes to the process to be followed at general meetings (to put matters beyond doubt) as well as some fairly standard changes in relation to valuations and so on to address FATCA (Foreign Account Tax Compliance Act) and AIFMD matters.

# OTHER GOVERNANCE

## continued

### AGREEMENT IN RESPECT OF VOTING RIGHTS

There are no agreements in respect of voting rights.

### SHARE BUYBACK AUTHORITY

At the last AGM the shareholders renewed the authority for the repurchase of up to 14.99% of the issued shares and also authorised that shares repurchased may be held in Treasury. These authorities fall to be renewed at the next AGM.

The Trust made use of this provision during the course of the year as detailed above. The Trust will seek the renewal of these authorities at the AGM.

### CONFLICTS OF INTEREST

The Directors have previously provided details of all interests which potentially could cause a conflict of interest to arise. The unconflicted Directors in each case noted the declarations by the Directors of their other interests and confirmed that at that time none of the interests disclosed was reasonably likely to give rise to a conflict. An annual review of all interests was undertaken as part of the year-end process and this was considered by the Board in March 2020. Procedures are in place to allow Directors to request authority should it be required outwith the normal Board meeting schedule.

### ANNUAL GENERAL MEETING

In addition to formal business, there will be the opportunity for questions to be put to the Directors. This year, in addition to the normal business there will be proposals for:

- Approval of Dividend Policy (details on page 35);
- Approval of Amended Articles of Association (details on page 65);
- Approval of changes to the Merger Reserve (details on page 35);
- Approval of the renewal of the share buyback authority and requesting power to hold shares purchased under that authority to be held in Treasury or cancelled with power to reintroduce any shares held in Treasury to the market but not at a discount to Net Asset Value; and
- Approval of the notice period for convening general meetings other than Annual General Meetings.

## TOTAL GREENHOUSE GAS EMISSIONS DATA

The Trust has seen a reduction in its environmental impact driven by a move to a more energy efficient office, less business travel and a continued reduction in the UK grid electricity emissions factor.

The Trust's carbon footprint has been calculated based on the GHG Protocol Corporate Accounting and Reporting Standard. A location based approach has been adopted. The emissions reported below have been verified by Carbon Footprint Limited, all figures have been restated to reflect the sale of Alliance Trust Investments in 2017 and Alliance Trust Savings in 2019. Details of our verification statements are available on the Trust's website.

Tonnes CO2e		Year to 31 Dec 2016	Year to 31 Dec 2017	Year to 31 Dec 2018	Year to 31 Dec 2019	% Change year-on-year
Scope 1	Natural gas Refrigerant loss Company cars	20.8	21.6	21.6	11.1	-48.6
Scope 2 Location based	Purchased electricity	9.6	8.3	6.5	2.8	-56.9
Scope 2 Market based		0.9	5.3	3.6	0.0	-100.0
Scope 3	Downstream leased assets Business travel	49.9	41.6	27.1	12.8	-52.8
Total all Scopes location based		80.3	71.5	55.3	26.7	-51.7
Total Scope per full employee equivalent (FTE)		20.1	15.3	11.1	5.3	-52.3
Total Scope 1 + 2 per full employee equivalent (FTE)		7.6	6.4	5.6	2.8	-50.0

## REPORT OF DIRECTORS AND RESPONSIBILITY STATEMENT

The Report of the Directors, including the Directors' responsibility statement, on pages 46 to 59, the description of the Trust and how it operates contained on pages 2, 3 and 42 of the Strategic Report and pages 64 to 67 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.



Gregor Stewart  
Chairman  
5 March 2020

# INDEPENDENT AUDITOR'S REPORT

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion the financial statements of Alliance Trust PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet;
- the cash flow statement; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 4 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### SUMMARY OF OUR AUDIT APPROACH

<b>Key audit matters</b>	The key audit matter that we identified in the current year was: • Valuation and ownership of listed investments
<b>Materiality</b>	The materiality that we used in the current year was £28.8m which was determined on the basis of 1% of the net asset value as at 31 December 2019.
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	There have been no significant changes in our audit approach for the current year.

## CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

<p><b>Going concern</b></p> <p>We have reviewed the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.</p> <p>We considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.</p> <p>We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.</p>	<p><b>Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.</b></p> <p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>
<p><b>Principal risks and viability statement</b></p> <p>Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:</p> <ul style="list-style-type: none"> <li>• the disclosures on pages 37 to 41 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;</li> <li>• the Directors' confirmation on page 67 that they have carried out a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; or</li> <li>• the Directors' explanation on page 55 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul> <p>We are also required to report whether the Directors' statement relating to the prospects of the company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.</p>	<p><b>Viability means the ability of the company to continue over the time horizon considered appropriate by the directors.</b></p> <p>We confirm that we have nothing material to report, add or draw attention to in respect of these matters.</p>

# INDEPENDENT AUDITOR'S REPORT

continued

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

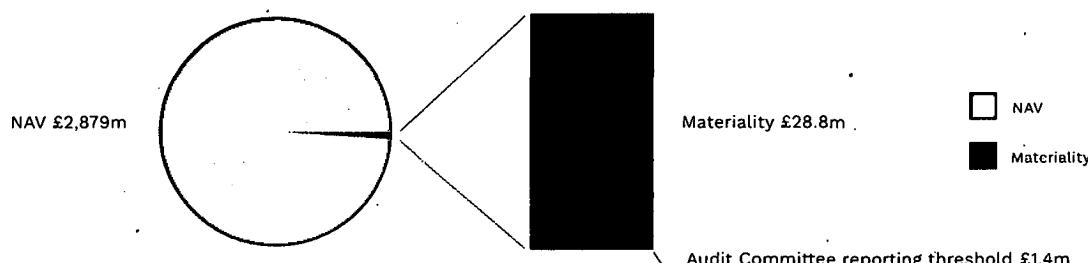
Valuation and ownership of listed investments	
<b>Key audit matter description</b>	<p>Listed equity investments £3,050m (2018: £2,515m) represent the most significant number on the balance sheet and are the main driver of the company's performance and represented 96.5% of total assets of the company at 31 December 2019 (2018: 94.1%). In the prior year, this key audit matter also included other equities and funds of £5.9m which were disposed of during the year. Further detail can be found in note 9 to the financial statements.</p> <p>There is a risk that the prices recorded in respect of the listed investments held by the company may not be reflective of fair value. This has been deemed a fraud risk given the possibility of manipulation of the net asset value of the company through investment valuations.</p> <p>There is also a risk over the recording and custody of listed investments and whether listed investments recorded are indeed the property of the company.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the relevant controls over valuation and existence of listed investments;</li> <li>• reviewed Controls Reports relating to Custody and Investment Accounting provided by Bank of New York Mellon as Custodian and Fund Accountant;</li> <li>• agreed 100% of the company's listed investment portfolio at the year end to confirmations received directly from the depositary (NatWest);</li> <li>• agreed 100% of the bid prices of listed investments on the investment ledger at year end to closing bid prices published by an independent pricing source; and</li> <li>• tested the recording of a sample of purchases and sales of listed investments by agreeing the transactions to supporting documentation and tracing the cash movements to bank statements.</li> </ul>
<b>Key observations</b>	Based on the work performed, we concluded that the valuation and ownership of the listed investment is appropriate.

## OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality</b>	£28.8m (2018: £24.1m)
<b>Basis for determining materiality</b>	We determined materiality as 1% (2018: 1%) of net asset value.
<b>Rationale for the benchmark applied</b>	Net asset value has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



### Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- i. the quality of the control environment over financial reporting;
- ii. management have expressed willingness to investigate and correct any known misstatements during the current audit period, as evidenced in prior year audit; and
- iii. There have been no uncorrected misstatements noted in audits during prior years.

### Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £1.4m (2018: £0.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

### Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. As part of our audit we assessed the controls in place at the Manager who prepares the financial statements of the company and also the relevant controls in place at The Bank of New York Mellon (Fund Accounting) who maintain the underlying accounting records for investment transactions and related balances.

### Our consideration of the control environment

As part of our work over internal controls we have reviewed and relied upon the Bank of New York Mellon Service organisation controls Reports to assess the control environment in place at the fund accountant to the extent relevant to our audit.

# INDEPENDENT AUDITOR'S REPORT

continued

## OTHER INFORMATION

<p>The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.</p> <p>Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.</p> <p>In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:</p> <ul style="list-style-type: none"><li>• Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or</li><li>• Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or</li><li>• Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.</li></ul>	<p>We have nothing to report in respect of these matters.</p>
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## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going-concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

## EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### **Identifying and assessing potential risks related to irregularities**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation and ownership of listed investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

### **Audit response to risks identified**

As a result of performing the above, we identified valuation and ownership of listed investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# INDEPENDENT AUDITOR'S REPORT

continued

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

<b>Adequacy of explanations received and accounting records</b> Under the Companies Act 2006 we are required to report to you if, in our opinion: <ul style="list-style-type: none"><li>we have not received all the information and explanations we require for our audit; or</li><li>adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li><li>the financial statements are not in agreement with the accounting records and returns.</li></ul>	We have nothing to report in respect of these matters.
<b>Directors' remuneration</b> Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

## OTHER MATTERS

### Auditor tenure

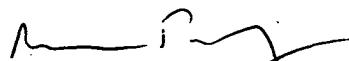
Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 20 May 2011 to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is nine years, covering the years ending 31 December 2011 to 31 December 2019.

### Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

### USE OF OUR REPORT

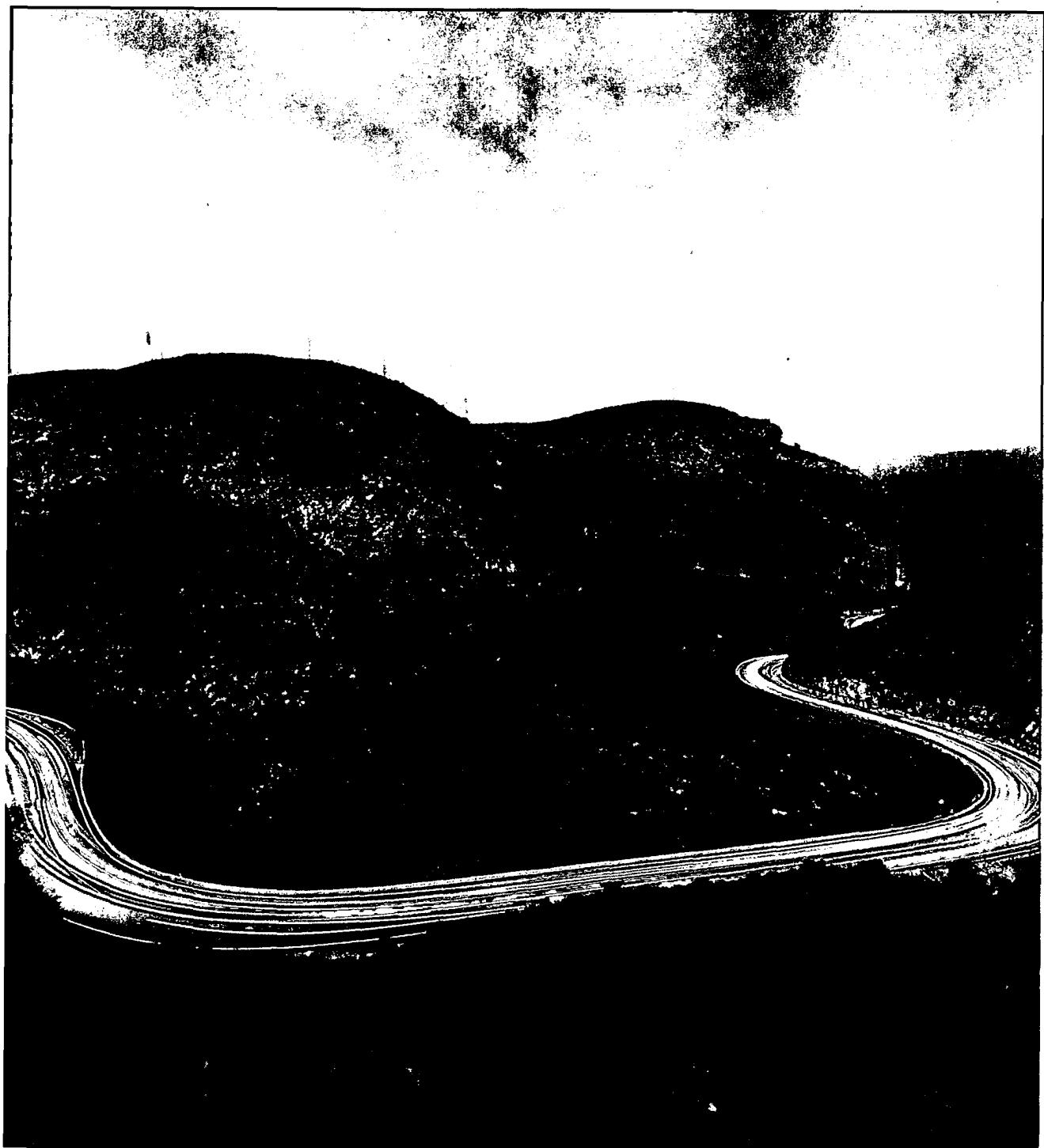
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Partridge (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP, Statutory Auditor  
Glasgow, United Kingdom  
5 March 2020

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# FINANCIAL STATEMENTS



**Income statement for year ended 31 December 2019**

**Statement of comprehensive income**

**Statement of changes in equity for year ended 31 December 2019**

**Balance sheet as at 31 December 2019**

**Cash flow statement for year ended 31 December 2019**

**Notes**

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

£000	Note	Year to 31 December 2019			Year to 31 December 2018		
		Revenue	Capital	Total	Revenue	Capital	Total
Income	3	60,814	-	60,814	55,145	-	55,145
Profit/(loss) on fair value designated investments	9	-	536,228	536,228	-	(162,664)	(162,664)
Loss on fair value of debt		-	(15,317)	(15,317)	-	(361)	(361)
<b>Total revenue</b>		<b>60,814</b>	<b>520,911</b>	<b>581,725</b>	<b>55,145</b>	<b>(163,025)</b>	<b>(107,880)</b>
Investment management fees	4	(2,931)	(8,794)	(11,725)	(2,713)	(8,139)	(10,852)
Administrative expenses	4	(4,893)	(969)	(5,862)	(5,466)	(1,076)	(6,542)
Finance costs	5	(1,810)	(5,456)	(7,266)	(1,618)	(4,817)	(6,435)
Loss on other assets held at fair value	9	-	(56)	(56)	-	(2,180)	(2,180)
Foreign exchange losses		-	(3,926)	(3,926)	-	(2,722)	(2,722)
<b>Profit/(loss) before tax</b>		<b>51,180</b>	<b>501,710</b>	<b>552,890</b>	<b>45,348</b>	<b>(181,959)</b>	<b>(136,611)</b>
Taxation	6	(3,946)	-	(3,946)	(3,986)	-	(3,986)
<b>Profit/(loss) for the year</b>		<b>47,234</b>	<b>501,710</b>	<b>548,944</b>	<b>41,362</b>	<b>(181,959)</b>	<b>(140,597)</b>

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

## Earnings per share attributable to equity holders

Basic (p per share)	8	14.30	151.84	166.14	12.18	(53.60)	(41.42)
Diluted (p per share)	8	14.28	151.68	165.96	12.17	(53.53)	(41.36)

## STATEMENT OF COMPREHENSIVE INCOME

£000	Note	Year to 31 December 2019			Year to 31 December 2018		
		Revenue	Capital	Total	Revenue	Capital	Total
Profit/(loss) for the year		47,234	501,710	548,944	41,362	(181,959)	(140,597)
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Defined benefit plan net actuarial loss	23	-	-	-	-	(38)	(38)
Retirement benefit obligations deferred tax		-	-	-	-	6	6
Other comprehensive loss		-	-	-	-	(32)	(32)
<b>Total comprehensive income/(loss) for the year</b>		<b>47,234</b>	<b>501,710</b>	<b>548,944</b>	<b>41,362</b>	<b>(181,991)</b>	<b>(140,629)</b>

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

£000	Note	2019	2018
<b>Called-up share capital</b>			
At 1 January		8,342	8,691
Own shares purchased and cancelled in the year		(115)	(349)
At 31 December		8,227	8,342
<b>Capital reserve</b>			
At 1 January		1,639,172	1,923,439
Profit/(loss) for the year		501,710	(181,959)
Defined benefit plan actuarial net loss		-	(32)
Own shares purchased and cancelled in the year		(34,987)	(102,276)
At 31 December		2,105,895	1,639,172
<b>Merger reserve</b>			
At 1 January and at 31 December		645,335	645,335
<b>Capital redemption reserve</b>			
At 1 January		10,656	10,307
Own shares purchased and cancelled in the year		115	349
At 31 December		10,771	10,656
<b>Revenue reserve</b>			
At 1 January		107,684	111,861
Profit for the year		47,234	41,362
Dividends paid	7	(45,754)	(45,545)
Unclaimed dividends returned		-	6
At 31 December		109,164	107,684
Total Equity at 1 January		2,411,189	2,699,633
Total Equity at 31 December		2,879,392	2,411,189

## BALANCE SHEET AS AT 31 DECEMBER 2019

£000	Note	2019	2018
<b>Non-current assets</b>			
Investments held at fair value	9	3,050,010	2,580,765
Right of use asset	24	797	-
		3,050,807	2,580,765
<b>Current assets</b>			
Outstanding settlements and other receivables	11	13,409	13,574
Cash and cash equivalents	19	97,486	81,168
Asset classified as held for sale	9	-	2,755
		110,895	97,497
<b>Total assets</b>		3,161,702	2,678,262
<b>Current liabilities</b>			
Outstanding settlements and other payables	12	(19,661)	(18,752)
Bank loans	13	(65,000)	(67,000)
Lease liability	24	(251)	-
		(84,912)	(85,752)
<b>Total assets less current liabilities</b>		3,076,790	2,592,510
<b>Non-current liabilities</b>			
Unsecured fixed rate loan notes held at fair value	13	(196,638)	(181,321)
Lease liability	24	(760)	-
		(197,398)	(181,321)
<b>Net assets</b>		2,879,392	2,411,189
<b>Equity</b>			
Share capital	14	8,227	8,342
Capital reserve	15	2,105,895	1,639,172
Merger reserve	15	645,335	645,335
Capital redemption reserve	15	10,771	10,656
Revenue reserve	15	109,164	107,684
<b>Total Equity</b>		2,879,392	2,411,189

All net assets are attributable to equity holders.

## Net Asset Value per ordinary share attributable to equity holders

Basic (£)	16	£8.76	£7.24
Diluted (£)	16	£8.75	£7.23

The financial statements of Alliance Trust PLC (SC1731) were approved by the Board of Directors and authorised for issue on 5 March 2020. They were signed on its behalf by:

Gregor Stewart  
Chairman



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

£000	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		552,890	(136,611)
Adjustments for:			
(Gains)/losses on investments		(536,228)	162,664
Losses on fair value of debt		15,317	361
Foreign exchange losses		3,926	2,722
Depreciation	24	187	-
Loss on revaluation of office premises		56	2,180
Finance costs	5	7,266	6,435
Scrip dividend		(350)	-
Movement in pension scheme loss		-	6
Operating cash flows before movements in working capital		43,064	37,757
Decrease/(increase) in receivables		6,399	(2,288)
(Decrease)/increase in payables		(4,206)	5,848
Net cash flow from operating activities before income taxes		45,257	41,317
Taxes paid		(1,539)	(5,220)
Net cash inflow from operating activities		43,718	36,097
<b>Cash flows from investing activities</b>			
Proceeds on disposal at fair value of investments through profit and loss		1,691,941	1,849,279
Purchases of fair value through profit and loss investments		(1,627,201)	(1,747,167)
Disposal of asset held for sale	9	2,699	-
Net cash inflow from investing activities		67,439	102,112
<b>Cash flows from financing activities</b>			
Dividends paid – Equity		(45,754)	(45,545)
Unclaimed dividends returned		-	6
Purchase of own shares		(34,987)	(102,276)
Bank loans and unsecured fixed rate loan notes raised	19	-	60,000
Repayment of bank debt	19	(2,000)	(66,000)
Property finance lease	24	(271)	-
Finance costs paid		(7,901)	(6,312)
Net cash outflow from financing activities		(90,913)	(160,127)
Net cash increase/(decrease) in cash and cash equivalents		20,244	(21,918)
Cash and cash equivalents at beginning of year		81,168	105,808
Effect of foreign exchange rate changes		(3,926)	(2,722)
<b>Cash and cash equivalents at end of year</b>		<b>97,486</b>	<b>81,168</b>

## NOTES

### 1 GENERAL INFORMATION

Alliance Trust PLC was incorporated in the United Kingdom under the Companies Acts 1862-1886. The address of the registered office is given on page 106. The nature of the Company's operations and its principal activity is a global investment trust. The following notes refer to the year ended 31 December 2019 and the comparatives, which are in brackets, refer to the year ended 31 December 2018.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies, which are set out below, and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. There are no critical judgements. Following completion of the sale of its subsidiary company Alliance Trust Savings (ATS) there are no key sources of estimation uncertainty in the Company's financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (Adopted IFRSs).

The financial statements have been prepared on the historical cost basis, except that investments and financial instruments are stated at fair value. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (SORP) Financial Statements of Investment Trust Companies issued by the Association of Investment Companies (AIC) in November 2014 and updated in October 2019, effective for periods beginning on or after 1 January 2019, is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

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 below.

#### IFRS 16 Leases

In the current financial year, the Company has applied IFRS 16 Leases. The Company has elected to use the transition rules as permitted by the standard. IFRS 16 introduces new or amended requirements with respect to lease accounting. It removes the distinction between operating and finance leases and requires the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. The requirements for lessor accounting have remained largely unchanged. The Company has applied IFRS 16 using the modified retrospective basis with the cumulative effect of initially applying the standard recognised on a catch-up basis. The date of initial application of IFRS 16 for the Company is 1 January 2019. The only leases captured by this standard are the property leases of the Company's head office in Dundee and an office in Edinburgh which has been sublet.

#### Impact on lessee accounting

The adoption of the transition rules means that there was no impact to equity. A right of use asset of £0.9m and a lease liability of £1.2m was created. The incremental rate of borrowing applied to lease liabilities is 3.06%. The Company applied the transition rules to adjust the value of the right-of-use asset by £0.3m for the value of onerous leases.

#### Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements. The Company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 3 to 44. The financial position of the Company as at 31 December 2019 is shown on the balance sheet on page 79.

#### Basis of consolidation

The Company qualifies as an investment entity under IFRS 10 meeting all the key characteristics:

- it obtains funds from investors and provides those investors with investment management services;
- it commits to its investors that its business purpose is to invest solely for returns from capital appreciation and investment income; and
- it measures and evaluates performance of substantially all its investments on a fair value basis.

As such the Company does not consolidate its subsidiaries.

The following subsidiaries are not consolidated and are valued at fair value through the income statement as they do not provide services that relate directly to the investment activities of the Company nor are they themselves regarded as an investment entity:

Name	Shares held	Country of incorporation	Principal Activity
AT2006 Limited	Ordinary	Scotland*	Intermediate holding company
Second Alliance Trust Limited	Ordinary	Scotland*	Inactive
ATEP 2008 GP Limited	Ordinary	Scotland*	Private equity general partner
ATEP 2009 GP Limited	Ordinary	Scotland*	Private equity general partner
Allsec Nominees Limited	Ordinary	Scotland*	Nominee

\*Registered at River Court, 5 West Victoria Dock Road, Dundee, Scotland, DD1 3JT.

Alliance Trust Savings (England) Limited was dissolved on 15 January 2019. Albany Venture Managers GP Limited on 8 October 2019 and Alliance Trust Real Estate Partners GP Limited on 25 October 2019. On 18 December 2019 Liquidators were appointed to Alliance Trust Services Limited and Alliance Trust Equity Partners Limited.

#### Adopted IFRSs

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### IFRSs not yet applied

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU as at 31 December 2019:

IAS 1 Presentation of Financial Statements (amendments)

IAS 8 Accounting Policies, Changes in Accounting estimates and errors (amendments)

The Directors do not expect that the adoption of the above Standards will have a material impact on the financial statements of the Company in future periods.

#### Presentation of income statement

In order to reflect the activities of an investment trust more accurately, and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature have been presented alongside the income statement. Net capital returns are not generally distributed by way of a dividend. The net revenue profit for the year is the measure the Directors use in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

#### Revenue recognition

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, normally the ex-dividend date.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a capital gain in the income statement.

Rental income from property and income from mineral rights are recognised on a time-apportioned basis.

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Special dividends receivable are treated as repayment of capital or as income, depending on the facts of each case.

#### Expenses

All expenses and interest payable are accounted for on an accruals basis. Where there is a connection with the maintenance or enhancement of the value of the Company's investments and it is consistent with the AIC SORP the Company is attributing indirect expenditure including management fees and finance costs one quarter to revenue and three quarters to capital profits. Specific exceptions to this general principle 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.

The Directors have adopted a one quarter revenue and three quarters capital allocation for management fees, financing costs and other indirect expenses where this is consistent with the AIC SORP guidelines.

Expenses connected with rental income and mineral rights income are included as administrative expenses.

#### Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange applicable to the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are restated at the rates prevailing on the balance sheet date. Gains and losses arising on restatement are included as foreign exchange losses in the capital column for the period where investments are classified as fair value through profit or loss.

### **Share-based payments**

Historically, the Company has operated three share-based payment schemes: the All Employee Share Ownership Plan (AESOP), the Long-Term Incentive Plan (LTIP) and the Deferred Bonus scheme. No awards have been made in any of these schemes during the year. Any cost relating to the AESOP was recognised as a revenue cost in the year. The AESOP has now been terminated and the previous members have all received their awards. The fair value of options granted to employees under the LTIP was recognised as staff costs, with a corresponding increase in equity, over the year in which the employees became unconditionally entitled to the options. The amount recognised as an expense may be adjusted to reflect the actual number of share options that vest. For share-based compensation schemes settled by the Company that related to employees of the subsidiary companies, either a recharge equal to the cost has been made or the cost is met by the Company.

### **Taxation**

The Company carries on its business as an investment trust and conducts its affairs so as to qualify as such under the provisions of Section 1158 and 1159 of the Corporation Tax Act 2010.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates applicable as at balance sheet date.

The Company does not recognise deferred tax assets or liabilities on capital profits or losses on the basis that the investment trust status of the Company means no tax is due on the capital profits, or losses, of the Company.

### **Investments**

Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost, including transaction costs.

Investments, which include collective investment schemes, are principally designated as fair value through profit and loss upon initial recognition (not including transaction costs). Listed investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Investments which are not listed, or which are not frequently traded are valued at the Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's-length transactions in the same or similar instruments.

Investments in subsidiary companies are valued in the Company's accounts at 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. For investments in private equity, the Directors make use of unaudited valuations of the underlying investments as supplied by the managers of those private equity funds. The Directors regularly review the principles applied by those managers to ensure they are in compliance with the Company's policies.

Valuation of mineral rights, included in last year's unlisted investments, were based upon the net income received from the asset in the previous 12 months multiplied by appropriate factors for gas and oil or the agreed sale price for any assets sold.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. The Company will only offset financial assets and financial liabilities if it has a legally enforceable right of offset and intends to settle on a net basis.

### **Derivative financial instruments**

Derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts of similar maturity dates. Changes in fair value of derivative financial instruments are recognised in the Income Statement.

### **Other receivables**

Other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### **Cash and cash equivalents**

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash.

### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into by the Company. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

### **Other payables**

Other payables are not interest-bearing and are stated at their nominal value.

**Bank borrowings and unsecured fixed rate loan notes**

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for through the income statement on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Unsecured fixed rate loan notes are initially recorded at the proceeds received. After initial recognition they are measured at fair value through the profit and loss. Finance charges are accounted for through the income statement on an accruals basis using the effective interest rate.

**Buybacks and cancellation of shares**

The costs of acquiring own shares for cancellation, together with any associated trading costs, are deducted from the Capital Reserve. Share capital is reduced by the nominal value of the shares bought back with an equivalent entry made to the capital redemption reserve.

**Realised and unrealised reserves**

A description of each of the reserves follows:

**Capital reserve**

Gains and losses on the disposal of investments, changes in the fair value of investments, exchange differences of a capital nature and changes in the value of other assets and liabilities held at fair value are transferred to the capital reserve. Purchases of the Company's own shares are also funded from this reserve, and any purchase of shares for the Employee Benefit Trust is funded from this reserve. Where it is consistent with the AIC SORP, 75% of indirect expenditure including management fees, finance costs and relevant administrative expenses are charged to the capital reserve and 25% to the revenue account.

**Revaluation reserve**

This reserve is used to record changes in the valuation of the office premises. A downward revaluation in office premises is charged to the income statement to the extent that there is no earlier upward revaluation in this reserve for those premises.

**Merger reserve**

This reserve was created as part of the arrangements for the acquisition of the assets of The Second Alliance Trust Limited in 2006.

**Capital redemption reserve**

This reserve was created by the cancellation and repayment of the Company's preference share capital. Further movements in this reserve reflect the nominal value of the buyback and cancellation of a portion of the share capital of the Company.

**Revenue reserve**

Net revenue profits and losses of the Company and the fair value costs of share-based payments which are revenue in nature are recorded within this reserve, together with the dividend payments made by the Company.

**3 INCOME**

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

£000	2019	2018
<b>Income from investments</b>		
Listed dividends – UK	14,542	11,071
Listed dividends – Overseas	44,127	40,497
Distributions from Collective Investment Schemes	-	235
	58,669	51,803
<b>Other income</b>		
Property rental income	324	785
Mineral rights income	974	2,144
Other interest	764	344
Other income	83	69
	2,145	3,342
<b>Total income</b>	<b>60,814</b>	<b>55,145</b>

The mineral rights income disclosed above represents gross income received. Against this the Company paid associated expenses of £243k (£341k), with US tax of 20% payable on the net income.

**4 PROFIT BEFORE TAX IS STATED AFTER CHARGING THE FOLLOWING EXPENSES:****Investment management fee**

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Investment management fee	2,931	8,794	11,725	2,713	8,139	10,852

On 1 October 2019 Towers Watson Investment Management Limited (TWIM) replaced Towers Watson Investment Management (Ireland) Limited (TWIMI) as Alternative Fund Manager (AIFM) to the Company on the same fee arrangement. TWIM continues to manage the Company's investment portfolio. TWIM has appointed a range of specialist managers to invest the Company's portfolio. TWIM is entitled to a fixed fee and a base variable fee based on the market capitalisation of the Company after deduction of the value of non core assets and the value of the Company's subsidiaries. TWIM is also entitled to an administration fee for the provision of certain administrative services outsourced by the Company. Each of the managers is entitled to a base management fee rate, generally based on a percentage of the value of assets under management. No performance fees are payable.

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Total staff costs	327	969	1,296	358	1,075	1,433
Total auditor's remuneration	54	-	54	59	-	59
Depreciation	187	-	187	-	-	-
Other administrative costs	4,325	-	4,325	5,049	1	5,050
<b>Total administrative costs</b>	<b>4,893</b>	<b>969</b>	<b>5,862</b>	<b>5,466</b>	<b>1,076</b>	<b>6,542</b>

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
<b>Staff Costs</b>						
Staff costs	275	813	1,088	270	810	1,080
Social security costs	40	120	160	65	195	260
Pension costs - defined contribution scheme	12	36	48	23	70	93
<b>Total Staff Costs</b>	<b>327</b>	<b>969</b>	<b>1,296</b>	<b>358</b>	<b>1,075</b>	<b>1,433</b>

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
<b>Auditor's remuneration</b>						
Fee payable to the auditor for the audit of the Group's annual accounts	49	-	49	54	-	54
All other services	5	-	5	5	-	5
<b>Total auditor's remuneration</b>	<b>54</b>	<b>-</b>	<b>54</b>	<b>59</b>	<b>-</b>	<b>59</b>

In addition to the audit fees paid by the Company disclosed above, fees payable to the Company's auditors for the audit of the non-consolidated subsidiaries amount to £12,600 (£106,350), with nil audit-related services for these entities (£74,100). Total audit fees were £61,100 (£160,350) and non-audit fees were £5,100 (£79,050). Total remuneration paid to Deloitte LLP amounted to £66,200 (£239,400).

Total Directors' remuneration recorded for the year was £330k (£388k). The balance of the remuneration expense £966k (£1,045k) relates to the Executive team. Further details are given in the Remuneration Report on pages 60 to 63. The Company has five employees, two on a part-time basis excluding Directors. The average full-time equivalents in the year was four (five).

Total Company administrative expenses of £17,587k (£17,394k) consist of investment management fees of £11,725k (£10,852k) and administrative expenses of £5,862k (£6,542k). Administrative expenses include non-recurring administrative expenses of £733k (£785k) as disclosed on page 34.

The cost of insured benefits for staff is included in staff costs.

## 5 FINANCE COSTS

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Bank loans and unsecured fixed rate loan notes	1,801	5,428	7,229	1,618	4,817	6,435
Finance lease	9	28	37	-	-	-
	1,810	5,456	7,266	1,618	4,817	6,435

Finance costs include interest of £4,280k (£4,280k) on the £100m 4.28% unsecured fixed rate loan notes issued in July 2014 for 15 years and interest of £1,698k (£154k) on the three tranches of £20m unsecured loan notes issued in November 2018 for 15, 25 and 35 years with coupons of 2.657%, 2.936% and 2.897% for each respective tranche. The basis of apportionment of finance costs between revenue and capital profits is disclosed in Note 2.

## 6 TAXATION

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
UK corporation tax at 19.00% (19.00%)	-	-	-	-	-	-
Revision of prior year estimate	(1,525)	-	(1,525)	1,830	-	1,830
Overseas taxation	5,471	-	5,471	2,199	-	2,199
Recoverable income tax	-	-	-	(49)	-	(49)
	3,946	-	3,946	3,980	-	3,980
Deferred taxation originations and reversal of temporary differences	-	-	-	6	-	6
Tax expense for the year	3,946	-	3,946	3,986	-	3,986

The 2019 revision of prior year estimate noted above relates to a net refund of overseas withholding tax. The 2018 revision of prior year estimate relates to Group relief.

The profit/(loss) of the Company for the year ended 31 December 2019 is taxed at an average rate of 19% (19%). Taxation for overseas jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The tax charge assessed for the years ended 2018 and 2019 can be reconciled to the profit per the income statement as follows:

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Profit/(loss) before tax	51,180	501,710	552,890	45,348	(181,959)	(136,611)
Tax at the average UK corporation tax rate of 19.00% (19.00%)	9,724	95,325	105,049	8,616	(34,572)	(25,956)
Non-taxable income	(10,852)	-	(10,852)	(9,658)	-	(9,658)
Gains/(losses) on investments not taxable	-	(101,873)	(101,873)	-	30,906	30,906
Revision of prior year estimate	(1,525)	-	(1,525)	1,830	-	1,830
Effect of overseas tax	5,471	-	5,471	2,199	-	2,199
Deferred tax assets not recognised	1,455	6,535	7,990	1,289	3,484	4,773
Other adjustments	(327)	13	(314)	(290)	182	(108)
Tax expense for the year	3,946	-	3,946	3,986	-	3,986

At the balance sheet date, the Company had unused tax losses of £134.9m (£122.1m) available for offset against future profits.

The unrecognised deferred tax asset in relation to the unused tax losses is £22.9m (£20.8m). There are other unrecognised deferred tax assets of £6.1m (£2.1m) in connection with other deductible temporary differences. The Directors have not recognised the deferred tax assets as it is considered unlikely that the Company will generate taxable income in excess of deductible expenses in future periods. The unrecognised deferred tax assets have been calculated using a corporation tax rate of 17%.

Tax payable of £3.99m (£3.99m) relates to the taxation of overseas dividends received before July 2009. The amount of the final liability is dependent on the manner in which open tax returns are settled with HMRC.

## 7 DIVIDENDS

### Dividends Paid

£000	2019	2018
2017 fourth interim dividend of 3.2900p per share	-	11,245*
2018 first interim dividend of 3.3890p per share	-	11,516
2018 second interim dividend of 3.3890p per share	-	11,441
2018 third interim dividend of 3.3890p per share	-	11,343
2018 fourth interim dividend of 3.3890p per share	11,260	-
2019 first interim dividend of 3.4900p per share	11,517	-
2019 second interim dividend of 3.4900p per share	11,504	-
2019 third interim dividend of 3.4900p per share	11,473	-
	45,754	45,545

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158/1159 of the Corporation Tax Act 2010 are considered.

### Dividends Earned

£000	2019	2018
2018 first interim dividend of 3.3890p per share	-	11,516
2018 second interim dividend of 3.3890p per share	-	11,441
2018 third interim dividend of 3.3890p per share	-	11,343
2018 fourth interim dividend of 3.3890p per share	-	11,260*
2019 first interim dividend of 3.4900p per share	11,517	-
2019 second interim dividend of 3.4900p per share	11,504	-
2019 third interim dividend of 3.4900p per share	11,473	-
2019 fourth interim dividend of 3.4900p per share	11,473	-
	45,967	45,560

\*The fourth interim dividend values have been adjusted to reflect share buybacks in the period between the year-end date and the dividend record date.

## 8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

£000	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
<b>Ordinary shares</b>						
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to equity holders	47,234	501,710	548,944	41,362	(181,959)	(140,597)
<b>Number of shares</b>						
Weighted average number of ordinary shares for the purpose of basic earnings per share			330,417,501			339,480,982
Weighted average number of ordinary shares for the purpose of diluted earnings per share			330,772,093			339,904,794

To arrive at the basic figure, the number of shares was reduced by 334,182 (407,316) ordinary shares held by the Trustee of the Employee Benefit Trust (EBT). During the period the Trustee did not increase its holding. 73,134 (49,570) shares were transferred from the Employee Benefit Trust to satisfy deferred share awards made by the Company or its subsidiaries or to fund bonus payments to existing staff. In 2019, the 2018 discretionary bonuses for the Executive team were paid using surplus shares in the EBT. Subject to the agreement of the EBT Trustee and there being any remaining shares, the same will be the case in future years.

IAS 33.41 requires that shares should be treated as dilutive only if they decrease earnings per share or increase the loss per share.

## 9 INVESTMENTS HELD AT FAIR VALUE

£000	2019	2018
Investments designated at fair value through profit and loss:		
Investments listed on a recognised investment exchange	3,049,874	2,514,544
Other equities and funds	-	5,888
Unlisted investments	63	22,273
Investments in related and subsidiary companies	73	38,060
	3,050,010	2,580,765

Investments listed on a recognised investment exchange relate to equity holdings considered to be core investments. In 2018 other equities and funds related to holdings in Liontrust-managed funds and Liontrust Asset Management PLC shares, disclosed as part of non-core investments. In April 2019 all remaining holdings in this category were sold.

In 2018 investments in related and subsidiary companies include Alliance Trust Savings, other subsidiary companies and the value of investments held in the ATEP fund of fund private equity investments. In 2019, following the completion of the sale of Alliance Trust Savings and the sale of the remaining private equity investments, this category only contains the remaining subsidiary companies as disclosed in Note 2.

Unlisted investments relate to directly held private equity investments and in the prior period contained mineral rights which have been sold.

£000	Listed equity investments	Other equity and funds	Related and subsidiary companies	Unlisted investments	Total
Opening book cost at 1 January 2018	2,371,146	93,660	134,569	44,571	2,643,946
Opening unrealised appreciation/(depreciation)	201,931	35,540	(46,549)	2,007	192,929
Opening valuation as at 1 January 2018	2,573,077	129,200	88,020	46,578	2,836,875
<b>Movements in the year</b>					
Purchases at cost**	1,727,085	3,957	-	3,236	1,734,278
Sales – proceeds**	(1,629,453)	(124,830)	(55,020)	(18,421)	(1,827,724)
(Losses)/gains on investments	(156,165)	(2,439)	5,060	(9,120)	(162,664)
Closing valuation as at 31 December 2018	2,514,544	5,888	38,060	22,273	2,580,765
Closing book cost	2,623,475	3,956	109,835	9,141	2,746,407
Closing (depreciation)/appreciation on assets held	(108,931)	1,932	(71,775)	13,132	(165,642)
Closing valuation as at 31 December 2018	2,514,544	5,888	38,060	22,273	2,580,765
Opening book cost at 1 January 2019	2,623,475	3,956	109,835	9,141	2,746,407
Opening unrealised (depreciation)/appreciation	(108,931)	1,932	(71,775)	13,132	(165,642)
Opening valuation at 1 January 2019	2,514,544	5,888	38,060	22,273	2,580,765
<b>Movements in the year</b>					
Purchases at cost**	1,633,349	-	250	-	1,633,599
Sales – proceeds**	(1,636,206)	(9,177)	(36,939)	(18,260)	(1,700,582)
Gains/(losses) on investments	538,187	3,289	(1,298)	(3,950)	536,228
Closing valuation at 31 December 2019	3,049,874	-	73	63	3,050,010
Closing book cost	2,769,561	-	-	648	2,770,209
Closing appreciation/(depreciation) on assets held	280,313	-	73	(585)	279,801
Closing valuation as at 31 December 2019	3,049,874	-	73	63	3,050,010

\*\*Expenses incidental to the purchase or sale of investments noted above are included within the purchase cost or deducted from the sale proceeds. These expenses amounted to £2.1m (£2.4m) for purchases and £0.9m (£5.2m) for sales.

The company received £1,699.9m (£1,827.7m) from investments sold in the year. The book cost of these investments when they were purchased was £1,603.1m (£1,631.8m). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

**Assets held for sale**

£000	2019	2018
Opening valuation	2,755	-
Transfer to asset held for sale	-	2,755
Loss on other assets held at fair value	(56)	-
Disposal of asset held for sale	(2,699)	-
Closing valuation	-	2,755

The sale of ATS to Interactive Investor Limited completed on 28 June 2019. The total consideration payable for the business, including the office premises was £40m, subject to post-completion adjustments. The net proceeds after costs associated with the disposal of £34.2m were reinvested in the Trust's global equity portfolio.

**10 SUBSIDIARIES AND RELATED COMPANIES**

At 31 December 2019 the Company owned 100% of the companies listed in the basis of accounting note on page 82. AT2006, a direct subsidiary, owned 100% of The Second Alliance Trust.

£000	2019	2018
Alliance Trust Savings	-	32,650
Other subsidiaries	73	5,410
	73	38,060

During 2019 the valuation of Investments in other subsidiary companies were valued at 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.

**11 OUTSTANDING SETTLEMENTS AND OTHER RECEIVABLES**

£000	2019	2018
Sales of investments awaiting settlement	8,844	203
Dividends receivable	2,173	2,820
Amounts due from subsidiary companies	-	2
Other debtors	264	6,014
Recoverable overseas tax	2,128	4,535
	13,409	13,574

The Directors consider that the carrying amounts of other receivables approximates to their fair value.

**12 OUTSTANDING SETTLEMENTS AND OTHER PAYABLES**

£000	2019	2018
Purchases of investments awaiting settlement	8,118	2,014
Amounts due to subsidiary companies	37	1,130
Other creditors	6,196	9,626
Interest payable	1,319	1,991
Tax payable (Note 6)	3,991	3,991
	19,661	18,752

The Directors consider that the carrying amounts of other payables approximates to their fair value.

**13 BANK LOANS AND UNSECURED FIXED RATE LOAN NOTES****Bank loans**

£000	2019	2018
Bank loans repayable within one year	65,000	67,000

**Analysis of borrowings by currency:**

Bank loans – sterling	65,000	67,000
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**The weighted average % interest rates payable:**

Bank loans	1.32%	1.44%
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**The Directors estimate the fair value of the borrowings to be:**

Bank loans	65,000	67,000
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£000	2019	2018
Opening bank loans balance	67,000	133,000
Repayment of bank loans	(2,000)	(66,000)
Closing bank loans balance	65,000	67,000

**Unsecured fixed rate loan notes**

£000	2019	2018
4.28 per cent. Unsecured fixed rate loan notes due 2029.	125,340	119,390
2.657 per cent. Unsecured fixed rate loan notes due 2033	22,426	20,439
2.936 per cent. Unsecured fixed rate loan notes due 2043	23,814	20,607
2.897 per cent. Unsecured fixed rate loan notes due 2053	25,058	20,885
	<b>196,638</b>	<b>181,321</b>

£100m of unsecured fixed rate loan notes were drawn down in July 2014, with 15 years' duration at 4.28%.

On 28 November 2018 the Company issued £60m fixed-rate, unsecured, privately placed notes each of £20m and with maturities of 15, 25 and 35 years and coupons for each respective tranche of 2.657%, 2.936% and 2.897%.

The fair value of unsecured debt is estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings of similar maturity to estimate credit risk margin.

**Long term fixed rate notes**

	2019	2018
<b>The total weighted average % interest rate</b>	<b>3.11%</b>	<b>3.06%</b>

**14 SHARE CAPITAL**

£000	2019	2018
Allotted, called up and fully paid:		
- 329,065,733/(333,626,020) ordinary shares of 2.5p each	8,227	8,342

The Company has one class of ordinary share which carries no right to fixed income.

The Employee Benefit Trust holds 334,182 (407,316) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee did not increase its holding. 73,134 (49,750) shares were transferred from the Employee Benefit Trust to satisfy deferred share awards made by the Company or its subsidiaries or to fund bonus payments to existing staff.

During the year the Company bought back 4,560,287 (13,966,136) ordinary shares at a total cost of £34,956,557 (£102,275,560), all of which were cancelled. The full cost of all shares bought back is included in the Capital Reserves.

£000	2019	2018
Ordinary shares of 2.5p each		
Opening share capital	8,342	8,691
Share buybacks	(115)	(349)
Closing share capital	8,227	8,342

**15 RESERVES**

£000	Share capital	Capital reserve	Merger reserve	Redemption reserve	Revenue reserve	Total
Net assets at 31 December 2017	8,691	1,923,439	645,335	10,307	111,861	2,699,633
Dividends	-	-	-	-	(45,545)	(45,545)
Unclaimed dividends returned	-	-	-	-	6	6
(Loss)/profit for the year	-	(181,959)	-	-	41,362	(140,597)
Own shares purchased	(349)	(102,276)	-	349	-	(102,276)
Defined benefit plan net actuarial loss	-	(32)	-	-	-	(32)
Net assets at 31 December 2018	8,342	1,639,172	645,335	10,656	107,684	2,411,189
Dividends	-	-	-	-	(45,754)	(45,754)
Profit for the year	-	501,710	-	-	47,234	548,944
Own shares purchased	(115)	(34,987)	-	115	-	(34,987)
Net assets at 31 December 2019	8,227	2,105,895	645,335	10,771	109,164	2,879,392

The Company revenue reserves distributable by way of a dividend are £109.2m (£107.7m). Realised capital reserves of £1,826.6m (£1,826.5m) can be distributed. Unrealised capital reserves of £279.3m (£187.4m) relate to increases/decreases in unrealised appreciation on investments. Total distributable capital reserves are £2,105.9m (£1,639.1m). Share buybacks are funded through realised capital reserves.

## 16 NET ASSET VALUE PER ORDINARY SHARE

The calculation of the net asset value per ordinary share is based on the following:

£000	2019	2018
Equity shareholder funds	2,879,392	2,411,189
Number of shares at year-end – basic	328,731,551	333,218,704
Number of shares at year-end – diluted	329,065,733	333,626,020

The diluted figure is the entire number of shares in issue.

To arrive at the basic figure, the number of shares has been reduced by 334,182 (407,316) shares held by the Trustee of the Employee Benefit Trust. During the year the Trustee did not increase its holding. 73,134 (49,570) shares were transferred from the Employee Benefit Trust to satisfy deferred share awards made by the Company or to fund bonus payments to existing staff.

## 17 SEGMENTAL REPORTING

The Company has identified a single operating segment, the investment trust, whose objective is to be a core investment delivering a real return over the long term through capital growth and a rising dividend. The accounting policies of the operating segment, which operates in the UK, are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on Net Asset Value·Total Return and Total Shareholder Return.

## 18 RELATED PARTY TRANSACTIONS

There are amounts of £1,222 (£1,222) and £34,225 (£34,225) owed to AT2006 and Second Alliance Trust Ltd respectively at year end.

There are no other related parties other than those noted below.

### Transactions with key management personnel

Details of the Non-Executive Directors are disclosed on pages 46 and 47.

For the purpose of IAS 24 'Related Party Disclosures', key management personnel comprised the Non Executive Directors of the Company.

Details of remuneration are disclosed in the remuneration report on pages 60 to 63.

£000	2019	2018
Total emoluments	330	388

## 19 ANALYSIS OF CHANGE IN NET CASH/(DEBT)

£000	2017	Cash flow	Other losses	2018	Cash flow	Other losses	2019
Cash and cash equivalents	105,808	(21,918)	(2,722)	81,168	20,244	(3,926)	97,486
Bank loans and unsecured fixed rate loan notes	(253,960)	6,000	(361)	(248,321)	2,000	(15,317)	(261,638)
Net (debt)/cash	(148,152)	(15,918)	(3,083)	(167,153)	22,244	(19,243)	(164,152)

Other gains/(losses) includes movement on foreign exchange and movements in the fair value of the fixed rate loan notes.

## 20 FINANCIAL COMMITMENTS

Financial commitments as at 31 December 2019, which have not been accrued, for the Company totalled £0.3m (£1.7m). These were in respect of uncalled subscriptions in the Company's private equity limited partnerships (LPs) investments. The one remaining commitment relates to an investment in a Limited Partnership which is currently in arbitration with the Spanish Government. Any further calls will be in respect of the cost of arbitration.

A maturity analysis of the expiry dates of these LP commitments is presented below:

£000	2019	2018
< 1 year	276	1,737

The Company provided a letter of support to AT2006 Limited, one of its subsidiaries in connection with banking facilities made available and confirming ongoing support for at least 12 months from the date the annual financial statements were signed, to make sufficient funds available if needed to enable this company to continue trading, meet commitments and not to seek repayment of any amounts outstanding.

The Company provided ongoing regulatory support for ATS in the context of its role as a consolidated bank holding company until the sale completed.

## 21 FINANCIAL INSTRUMENTS AND RISK

The Strategic Report details the Company's approach to investment risk management on pages 3 to 44 and the accounting policies on pages 81 to 84 explain the basis on which currencies and investments are valued for accounting purposes.

The Directors are of the opinion that the fair values of financial assets and liabilities of the Company are not materially different from their carrying values.

### Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimising its use of debt and equity. The Company's overall strategy remains unchanged from the year ended 31 December 2018 (see objective on page 37).

The capital structure of the Company consists of debt, (including the borrowings disclosed in Note 13), cash and cash equivalents and equity attributable to equity holders of the Company comprising issued ordinary share capital, reserves and retained earnings as disclosed in Note 15 to the financial statements.

The Board reviews the capital structure of the Company on at least a semi annual basis. The Company has decided that gearing should at no time exceed 30% of the net assets of the Company.

£000	2019	2018
Debt*	(261,638)	(248,321)
Cash and cash equivalents	97,486	81,168
Net (debt)	(164,152)	(167,153)
Net (debt) as % of net assets	5.7%	6.9%

\*If debt had been valued at par, net debt as a percentage of net assets would be 4.4% (6.0%).

### 21.1 RISK MANAGEMENT POLICIES AND PROCEDURES

As an investment trust the Company invests primarily in equities consistent with the investment objective set out on page 3. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for payment as dividends.

The principal financial instruments at risk comprise those in the Company's investment portfolio.

The risks and the Directors' approach to managing them are set out below under the following headings: market risk (comprising currency risk, interest rate risk, and other price risk), credit risk, liquidity risk, and gearing risk. The assumptions and sensitivities within each risk are considered appropriate and are based on the Directors' wider knowledge of the investment market.

The Company has a risk management framework in place which is described in detail on pages 37 to 41. The policies and processes for managing the risks, and the methods used to measure the risks, have not changed from the previous accounting period.

## 21.2 MARKET RISK

Market risk embodies the potential for both losses and gains and includes currency risk (see note 21.3), interest rate risk (see note 21.4) and other price risk (see note 21.5). Market risk is managed on a regular basis by TWIM as AIFM (TWIMI until 1 October 2019). The AIFM manages the capital of the Company within parameters set by the Directors on investment and asset-allocation strategies and risk.

The Company's strategy on investment risk is outlined in our statement of investment objectives and policy on page 3.

Details of the equity investment portfolio at the balance sheet date are disclosed on pages 29 to 32.

## 21.3 CURRENCY RISK

A significant amount of the Company's assets, liabilities and transactions are denominated in currencies other than its functional currency of pounds sterling. Consequently, the Company is exposed to the risk that movements in exchange rates may affect the pounds sterling value of those items.

Currency risk is assessed and managed on an ongoing basis by the AIFM within overall investment and asset-allocation strategies and risk guidelines as set out in the AIFM agreement. The Company may enter into forward exchange contracts to cover specific foreign currency exposure.

The currency exposure for overseas investments is based on the quotation currency of each holding, while the currency exposure for net monetary assets is based on the currency in which each asset or liability is denominated. At the reporting date the Company had the following exposures:

### Currency exposure

£000	Overseas investments 2019	Net monetary assets 2019	Total currency exposure 2019	Overseas investments 2018	Net monetary assets 2018*	Total currency exposure 2018*
US dollar	1,844,839	24,101	1,868,940	1,406,409	29,141	1,435,550
Euro	448,642	1,035	449,677	428,694	952	429,646
Yen	113,211	-	113,211	80,336	-	80,336
Other non sterling	331,750	2,259	334,009	360,791	4,015	364,806
	2,738,442	27,395	2,765,837	2,276,230	34,108	2,310,338

\*Restated to include net monetary assets to be consistent with 2019 accounting.

### Sensitivity analysis

If pounds sterling had strengthened by 10% (10%) relative to all currencies, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis is performed on the same basis as for the year ended 31 December 2018. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

£000	2019	2018*
<b>Income statement</b>		
Revenue return	(4,510)	(4,264)
Capital return	(276,584)	(231,034)
Net assets	(281,094)	(235,298)

\*Restated to include net monetary assets to be consistent with 2019 accounting.

A 10% (10%) weakening of pounds sterling against the above currencies would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

## 21.4 INTEREST RATE RISK

The Company is exposed to interest rate risk in several ways. A movement in interest rates may affect income receivable on cash deposits and interest payable on variable rate borrowings.

The Company finances part of its activities through borrowings at levels which are approved and monitored by the Directors. The possible effects on fair value and cash flows as a result of an interest rate change are considered when making investment or borrowing decisions. Unsecured fixed rate loans are excluded from the sensitivity analysis..

The following table details the Company's exposure to interest rate risks for bank and loan balances:

£000	2019	2018
<b>Exposure to floating interest rates</b>		
Cash and cash equivalents	97,486	81,168
Bank loans repayable within 1 year	(65,000)	(67,000)
	32,486	14,168

### Sensitivity analysis

If interest rates had decreased by 0.25% (0.25%), with all other variables held constant, the income statement result and the net assets attributable to equity holders would have changed by the amounts shown below. The revenue return impact is an estimated figure for the year based on the cash balances at the reporting date.

£000	2019	2018
<b>Income statement</b>		
Revenue return	(203)	(124)
Capital return	122	35
Net assets	(81)	(89)

A 0.25% increase (0.25%) in interest rates would have resulted in a proportionate equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

## 21.5 OTHER PRICE RISK

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment or its issuer, or by factors affecting all instruments traded in that market.

As the majority of the Company's financial assets are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect gains and losses on investments and net assets.

The Directors manage price risk by having a suitable investment objective for the Company. The Directors review this objective and investment performance regularly. The risk is managed on a regular basis by TWIMI or from 1 October 2019, TWIM, within parameters set by the Directors on investments and asset allocation strategies and risk. TWIM monitors the managers' compliance with their mandates and whether asset allocation within the portfolio is compatible with the Company's objective.

### Concentration of exposure to other price risks

A listing of the Company's equity investments can be found on the Company's website. The largest geographical area by value for equity investments value is North America, with significant amounts also in Europe, Asia and the UK. A breakdown of investments by geography and sector can be found on page 12.

The following table details the Company's exposure to market price risk on its quoted and unquoted equity investments:

£000	2019	2018
<b>Investments at fair value through Profit &amp; Loss</b>		
Investments listed on a recognised investment exchange	3,049,874	2,514,544
Unlisted investments	63	22,273
Other equity and funds	-	5,888
Investments in related and subsidiary companies	73	38,060
	<b>3,050,010</b>	<b>2,580,765</b>

### Sensitivity analysis

99.9% (97.7%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% with all other variables remaining constant, the income statement result and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below. The analysis for last year assumed a share price decrease of 10%.

£000	2019	2018
<b>Income statement</b>		
Capital return	(304,987)	(252,043)
Net assets	(304,987)	(252,043)

A 10% increase (10% increase) in share prices would have resulted in a proportionate equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

## 21.6 CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

This risk is managed as follows:

- The Company contracts only with creditworthy counterparties and obtaining sufficient collateral where appropriate (cash and gilts) as a means of mitigating the risk of financial loss from defaults.
- Investment transactions are carried out with a number of well established, approved brokers on a cash against receipt, or cash against delivery basis.
- Outsourced providers are subject to regular oversight by the Board, the Executive team and the Depositary.
- The Company's Depositary is responsible for the safekeeping of the Company's assets and liable to the Company for any loss of assets. Reports from the Depositary and Custodian are regularly reviewed, and daily reconciliation of the Company's assets is undertaken.

The Company minimises credit risk through banking policies which restrict banking deposits to high rated financial institutions.

At the reporting date, the Company's cash and cash equivalents exposed to credit risk were as follows:

£000	2019	2018
<b>Credit rating</b>		
Aa1	97,145	80,827
A3	341	341
	<b>97,486</b>	<b>81,168</b>
Average maturity	1 day	1 day

The Company's UK and overseas listed equities are held by The Bank of New York Mellon, London branch, as custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

## 21.7 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

This is not a significant risk for the Company as most of its assets are investments in quoted equities that are readily realisable. It also can borrow, which gives it access to additional funding when required. At the balance sheet date, it had the following facilities:

£000	2019	Expires	2018	Expires
Committed multi-currency facility - RBSI	-	-	100,000	31/12/2019
Amount drawn	-	-	67,000	-
Committed multi-currency facility - Scotiabank*	100,000	16/12/2020	100,000	22/12/2020
Amount drawn	65,000	-	-	-
Committed multi-currency facility – Scotiabank	100,000	16/12/2021	-	-
Amount drawn	-	-	-	-
15-year 4.28% unsecured fixed rate loan notes**	100,000	31/07/2029	100,000	31/07/2029
Amount drawn	100,000	-	100,000	-
15-year 2.657% unsecured fixed rate loan notes**	20,000	28/11/2033	20,000	28/11/2033
Amount drawn	20,000	-	20,000	-
25-year 2.936% unsecured fixed rate loan notes**	20,000	28/11/2043	20,000	28/11/2043
Amount drawn	20,000	-	20,000	-
35-year 2.897% unsecured fixed rate loan notes**	20,000	28/11/2053	20,000	28/11/2053
Amount drawn	20,000	-	20,000	-
Total facilities	360,000	-	360,000	-
Total drawn	225,000	-	227,000	-

All the facilities are unsecured and have covenants on the maximum level of gearing and minimum net asset value of the Company.

\*The agreement for the existing loan facility with Scotia Bank (Ireland) Limited was novated and amended to Scotiabank Europe PLC.

\*\*The fair value of fixed rate loan notes is shown in Note 13.

## 21.8 GEARING RISK

This is the risk that the movement in the fair value of the assets of the Company is amplified by any gearing that the Company may have. The exposure to this risk and the sensitivity analysis is detailed below.

£000	2019	2018
Investments after gearing	3,050,010	2,580,765
Gearing*	(261,638)	(248,321)
Investments before gearing	2,788,372	2,332,444

\*Gearing is expressed based on debt at fair value.

### Sensitivity analysis

If net assets before gearing had decreased by 10%, with all other variables held constant, the income statement result and the net assets attributable to equity holders would have further decreased by the amounts shown below. The analysis for last year assumed a net asset before gearing decrease of 10%.

£000	2019	2018
<b>Income statement</b>		
Capital return	(26,164)	(24,832)
Net assets	(26,164)	(24,832)

A 10% increase (10% increase) in net assets before gearing would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

## 21.9 HIERARCHICAL VALUATION OF FINANCIAL INSTRUMENTS

Accounting Standards recognise a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange.
- Level 2 Quoted prices for similar assets or liabilities or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be forward exchange contracts and certain other derivative instruments.
- Level 3 Valued by reference to valuation techniques using inputs that are not based on observable market data. The value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are direct or pooled private equity investments and mineral rights.

The following table analyses the fair value measurements for the Company's assets and liabilities measured by the level in the fair value hierarchy in which the fair value measurement is categorised at 31 December 2019. All fair value measurements disclosed are recurring fair value measurements.

The Company valuation hierarchy fair value through profit and loss through the income statement:

£000	As at 31 December 2019			As at 31 December 2018				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Listed investments	3,049,874	-	-	3,049,874	2,520,432	-	-	2,520,432
<b>Unlisted investments</b>								
Private equity	-	-	63	63	-	-	9,392	9,392
Alliance Trust Savings	-	-	-	-	-	-	32,650	32,650
Mineral rights	-	-	-	-	-	-	12,881	12,881
Other	-	-	73	73	-	-	5,410	5,410
	<b>3,049,874</b>	<b>-</b>	<b>136</b>	<b>3,050,010</b>	<b>2,520,432</b>	<b>-</b>	<b>60,333</b>	<b>2,580,765</b>

There have been no transfers during the year between Levels 1, 2 and 3:

**Fair Value Assets in Level 1**

The quoted market price used for financial investments held by the Company is the current bid price. These investments are included within Level 1 and comprise equities, bonds and exchange traded derivatives.

**Fair Value Assets in Level 2**

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates.

There were no assets in this category as at 31 December 2019 or 31 December 2018.

**Fair Value Assets in Level 3**

This includes remaining subsidiary companies and private equity investments held by the Company noted on page 33. In 2018 this further included North American mineral rights.

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy.

£000	2019	2018
Balance at 1 January	60,333	134,598
Purchases at cost	250	3,236
Sales proceeds	(55,199)	(73,441)
Losses on investments	(5,248)	(4,060)
Balance at 31 December	136	60,333

**Subsidiaries**

Investments in subsidiary companies (Level 3) are valued in the Company accounts at £0.1m (£38.1m).

On 28 June 2019 the sale of Alliance Trust Savings to Interactive Investor Limited was completed. The total consideration payable for the business was £40m which included the Company's office premises at 8 West Marketgait, Dundee, and was subject to post completion adjustments. The valuation for 2018 was carried at the sale value to Interactive Investor Limited adjusted for transaction costs.

**Mineral rights**

A structured sales process for the sale of the Company's North American mineral rights has completed, there are no remaining holdings at year end.

**Private equity investments**

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 cash flows.

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.

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

## 22 SHARE BASED PAYMENTS

The Company operated the share based payment schemes:

### All Employee Share Ownership Plan (AESOP)

No awards were made in 2018 or 2019 and the scheme was terminated in 2019. Employees could receive up to £3,600 of shares annually under the terms of the AESOP. This amount was pro rated for part time employees. Individuals received these shares free of all restrictions after a period of five years. The total costs for the AESOP for all staff were borne by the employing Company.

### Long Term Incentive Plan (LTIP)

The LTIP is a discretionary plan for former Executive Directors and senior managers. No awards have been made since May 2015 and no new awards will be made. It comprised two elements: first it provided for the grant of matching awards based on the proportion of annual bonus applied by participants in the purchase of shares in the Company and held by the Employee Benefit Trust; and second it provided for the grant of performance awards. Both awards, granted over shares in the Company, vest either in full or in part at the end of the three year performance period or five years from date of grant in the case of the 2015 awards subject to meeting pre-defined targets.

The number of shares comprised in all awards has now been determined and was reported in the 2017 financial statements.

In accordance with IFRS 2 the costs of matching and performance awards for each plan are expensed over the three year performance period.

The final vesting and distributions to participants will be made in 2020.

### Deferred Bonus Award

The Deferred Bonus Award is a discretionary plan for FCA code staff in former subsidiaries, where they were required to defer 50% of an annual bonus award for three years. No awards have been made since 2016. Shares in the Company were awarded up to the value of the deferred award and held by the Employee Benefit Trust. The award, granted over shares in the Company, vests in full or in part at the end of the three year holding period subject to there being no material misstatement or fraud in the results of the year that the grant relates to. The cost of all awards was reflected in the subsidiaries.

The final vesting and distribution to participants will be made in 2020.

### Movements in Options and Deferred Bonus Award

Movements in options granted under the LTIP and of shares awarded to satisfy Deferred Bonus Awards are as follows:

	December 2019		December 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
£000				
Outstanding at 1 January	832,213	£0.00	890,552	£0.00
Granted during year	-	£0.00	-	£0.00
Exercised/vested during year	(36,703)	£0.00	(58,339)	£0.00
Forfeited during year	-	£0.00	-	£0.00
Expired during year	(528,727)	£0.00	-	£0.00
Outstanding at 31 December	266,783	£0.00	832,213	£0.00
Exercisable at 31 December	-	£0.00	-	£0.00

The weighted average remaining contractual life of the options and deferred shares outstanding at 31 December 2019 was 198 days (555 days).

The weighted average exercise price of the options is Nil (Nil) as any options which vest at the end of the performance period are satisfied by shares held on behalf of the Company by the Trustee of the Employee Benefit Trust.

## 23 PENSION SCHEME

The Company offers (i) membership of a pension plan through the National Employment Savings Trust, which was set up for the purposes of auto enrolment and has no members; and (ii) contributions by the Trust to personal SIPP's operated by individual members and administered by Interactive Investor (ATS until 28 June 2019):

**24 LEASES****Right of use property assets**

£000	2019
<b>Cost</b>	
Balance at 1 January	
Adjustment due to introduction of IFRS 16	984
<b>Balance at 31 December</b>	<b>984</b>
 <b>Depreciation</b>	
Balance at 1 January	
Depreciation charge for the year	(187)
<b>Balance at 31 December</b>	<b>(187)</b>
<b>Net book value at 31 December</b>	<b>797</b>

**Property lease liabilities**

£000	2019
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	251
One to five years	760
<b>Total undiscounted lease liabilities at 31 December</b>	<b>1,011</b>

**Amount recognised in profit or loss**

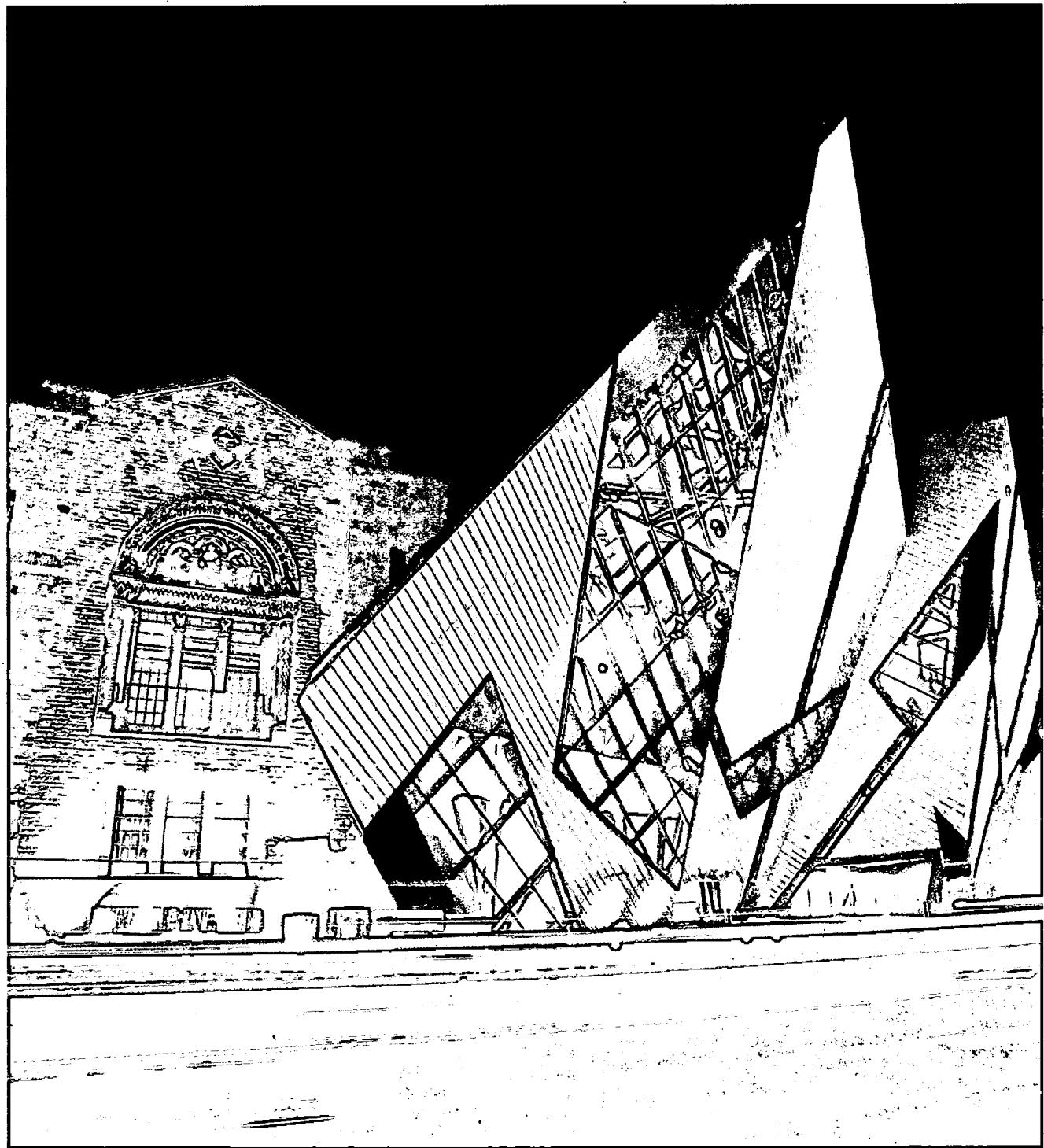
£000	2019
Income from sub-leasing right-of-use assets	324

**Amounts recognised in the statement of cash flows**

£000	2019
Total cash outflow for leases	(271)

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## OTHER INFORMATION



# GLOSSARY: PERFORMANCE MEASURES AND OTHER TERMS

Throughout this document we use several defined terms including specific terms to describe performance. Where not described in detail elsewhere we set out here what these terms mean.

**Active Risk** is a measure of the risk in a portfolio that is due to active management decisions. It is calculated as the standard deviation of the excess returns of a portfolio over its benchmark. For the Trust's portfolio as at 31 December 2019 this was calculated as 2.3% in relation to the MSCI ACWI benchmark.

**Active Share** is a measure of how actively a portfolio is managed; is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index. For the Trust's portfolio as at 31 December 2019 this was calculated as 80% in relation to the MSCI ACWI benchmark.

**Benchmark Volatility** is a measure of the variability of a benchmark's returns. It is calculated as the standard deviation of the benchmark returns over a one-year period. We have calculated the MSCI ACWI benchmark volatility as at 31 December 2019 to be 11.8%.

**Beta** is a measure of the risk, defined as the volatility of a stock or portfolio, compared to a benchmark. It is calculated through regression analysis, a statistical analysis that examines the relationship between two or more variables. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta greater than 1 indicates that the investment is more volatile than the benchmark. For example, if a stock has a Beta of 0.5, you would expect it to increase or decline in value, half as much as the benchmark increases or declines. The Trust's portfolio had a Beta of 1.02 as at 31 December 2019.

**Equity Portfolio Total Return** is a measure of the performance of the Trust's equity portfolio over a specified period. It combines any appreciation in the value of the equity portfolio and dividends paid. The comparator used for the Equity Portfolio Total Return is the MSCI ACWI total return. The Equity Portfolio Total Return over the year to 31 December 2019 was 22.9%, before Managers fees.

**Gearing**, at its simplest, is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'.

If the Trust's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But, if the value of the Trust's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

**Gearing (Gross)** = **Total Gearing** and is a measure of the Trust's financial leverage. It is calculated by dividing the Trust's total borrowings (unless otherwise indicated these are valued at par) by its Net Asset Value. The Gross Gearing calculation includes any cash or non-equity holdings. As at 31 December 2019, the Trust had Gross Gearing of 7.8%.

**Gearing (Net)** is a measure of the Trust's financial leverage and calculated by dividing the Trust's net borrowings (i.e. total borrowings minus cash) by its Net Asset Value. Unless otherwise indicated, borrowings are valued at par. As at 31 December 2019, the Trust had Net Gearing of 4.3%.

**Investment Manager** means the investment manager appointed by the Trust to manage its portfolio. As at 31 December 2019, this was Towers Watson Investment Management Limited, a member of the Willis Towers Watson group of companies.

**Leverage** for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is a term used to describe any method by which the Trust increases its exposure, whether through borrowing (gearing) or through leverage embedded in derivative positions, or by any other means. As required by AIFMD, the Trust's leverage is calculated using two methods: the gross method which gives the overall total exposure, and the commitment method which takes into account hedging and netting offsetting positions. As the leverage calculation includes exposure created by the Trust's investments, it is only described as 'leveraged' if its overall exposure is greater than its Net Asset Value. This is shown as a leverage ratio of greater than 100%. Details of the Leverage employed for the Trust is disclosed annually by WTW in its AIFMD Disclosure which can be found on the Trust's website.

**Manager or Stock Picker** means a manager selected and appointed by Willis Towers Watson to invest the Trust's portfolio.

**MSCI** means MSCI Inc which provides information relating to the benchmark, the MSCI All Country World Index (MSCI ACWI), against which the performance target for the equity portfolio has been set. MSCI's disclaimer regarding the information provided by it and referenced by the Trust can be found on the Trust's website.

**MSCI All Country World Index (MSCI ACWI)** is a market capitalisation weighted index designed to provide a broad measure of equity-market performance throughout the world. It is comprised of stocks from both developed and emerging markets. This measures performance in sterling. Until 30 June 2019 the variant of the MSCI ACWI referred to was the Gross Dividend Reinvested (GDR) variant. This assumes that as much as possible of a company's dividend distributions are reinvested back into the index. The reinvested amount is equal to the total dividend amount distributed to persons residing in the country of the dividend paying company, excluding any tax credits. Since 1 July 2019, the variant of the MSCI ACWI referred to has been the Net Dividend Reinvested (NDR) variant of the MSCI ACWI. This variant more accurately reflects the return that a shareholder could expect to actually receive because it includes the effects of foreign withholding tax on dividend payments.

**NAV Total Return** is a measure of the performance of the Trust's Net Asset Value (NAV) over a specified time period. It combines any appreciation in the NAV and dividends paid. The comparator used for the Trust's NAV Total Return is the MSCI ACWI total return. The Trust's NAV Total Return for 2019, after fees and including income with debt at fair value, was 23.1% as at 31 December 2019.

**Net Asset Value (NAV)** is the value of the Trust's total assets less its liabilities (including borrowings). The Trust's NAV per share is calculated by dividing this amount by the number of ordinary shares in issue and is stated on an 'including income' basis with debt at fair value. The Trust's balance sheet Net Asset Value as at 31 December 2019 was £2.88bn which, divided by 329,065,733 ordinary shares in issue on that date, gave a NAV per share of 875.9p.

**Non-core Assets** are the assets the Trust holds aside from the global equity portfolio. During 2019, these included mineral rights investments and a number of private equity holdings which were sold prior to 31 December 2019.

**Ongoing Charges Ratio (OCR)** is the total expenses (excluding borrowing costs) incurred by the Trust as a percentage of the Trust's average NAV (with debt at fair value). The average value is calculated as the average of the Trust's NAV as at 1 January and 31 December and not the average of the daily NAV.

**Ongoing Charges** represent the Trust's total ongoing costs and are calculated in accordance with the guidelines issued by the Association of Investment Companies (AIC). More detailed information on the Trust's costs can be found on page 34.

**Peer Group Median** is the median of the Morningstar universe of UK retail global equity funds (open ended and closed ended). The peer group had 309 members on 31 December 2019. The number of members of the peer group will vary depending on the performance period being reported.

**Portfolio Volatility** is a measure of the variability of the Trust's equity portfolio returns. It is calculated as the standard deviation of the Trust's portfolio returns and its benchmark returns over a one-year period. The Trust's Portfolio Volatility as at 31 December 2019 was 12.3%.

**Responsible or Sustainable Investment** is an investment strategy that integrates financial-driven strategies with non-financial Environmental, Social and Governance (ESG) factors and stewardship for the purpose of managing long-term risk and/or enhancing long-term returns.

**Stewardship** represents active ownership practices such as engagement and voting, aimed at achieving positive change in a company's ESG practices and delivering improved risk management and long-term investment returns outcomes, as well as a more sustainable outcome for society and all stakeholders.

**Total Assets** represents total net assets less current liabilities, before deduction of all borrowings.

**Total Expense Ratio (TER)** is a measure of the total costs associated with managing and operating the Trust. These costs consist primarily of management fees and additional expenses, such as trading fees, legal fees, auditor fees and other operational expenses. The total costs for managing and operating the Trust is divided by the Trust's total assets to arrive at a percentage amount, which represents the TER. The Trust's TER over the year to end 31 December 2019 was 0.66%.

**Total Shareholder Return (TSR)** is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. The comparator used for the Trust's TSR is the MSCI ACWI total return. This measure shows the actual return received by a shareholder from their investment. The Trust's TSR as at end 31 December 2019 was 24.3% for the year.

**Turnover** is the lesser of the value of stocks sold or purchased in the year expressed as a percentage of the value of the equity portfolio. Turnover can be affected by the investment activity of the Stock Pickers, rebalancing of the Trust's portfolio between the Stock Pickers, the appointment of a new Stock Picker, additional funds being made available for investment or the need to realise cash for the Trust. In the period ending 31 December 2019 turnover was 52%.

# INFORMATION FOR SHAREHOLDERS

## INCORPORATION

Alliance Trust PLC is incorporated in Scotland with the registered number 1731.

The Trust's Register of Members is held at:

**Computershare Investor Services PLC**  
Edinburgh House  
4 North St Andrew Street  
Edinburgh EH2 1HJ

## GENERAL ENQUIRIES

If you have an enquiry about the Trust, or wish to receive a paper copy of our Annual Report, please contact the Company Secretary at our registered office:

**River Court**  
5 West Victoria Dock Road  
Dundee DD1 3JT  
**Tel:** 01382 938320

**Email:** investor@alliancetrust.co.uk

The Trust's website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk) contains information about the Trust, including daily share price and Net Asset Value.

## REGISTRARS

Our Registrars are:

**Computershare Investor Services PLC**  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

Change of address notifications and enquiries for shareholdings registered in your own name should be sent to the Trust'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 [www.uk.computershare.com/investor](http://www.uk.computershare.com/investor)

## DATA PROTECTION

Where the Trust has personal information, it will be held and processed by the Trust as a data controller in accordance with the requirements of the General Data Protection Regulation and any other applicable legislation. This may be information received from or about shareholders or investors (for example from a stockbroker), whether by telephone or in writing, or by any electronic or digital means of communication that may be processed.

Information held on the Trust's Register of Members is, by law, information to which the public may, for a proper purpose, have access and the Trust cannot prevent any person inspecting it or having copies of it for such purpose, on payment of the statutory fee.

If you do not want to receive information from the Trust other than that which the Trust is obliged to issue to shareholders, please let us know and you will be removed from our mailing lists.

## ANNUAL REPORT AND ELECTRONIC COMMUNICATIONS

The Trust sends paper Annual Reports only to shareholders who have requested this. All shareholders receive notices of the Trust's general meetings and information on how to access our Annual Report either in paper form or electronically. Shareholders can opt to receive all notifications electronically by going to [www.uk.computershare.com/investor](http://www.uk.computershare.com/investor)

## TAXATION

If you are in any doubt about your liability to tax arising from a shareholding in the Trust, you should seek professional advice.

## CAPITAL GAINS TAX

For investors who purchased shares prior to 31 March 1982, the cost of those shares for capital gains tax purposes is deemed to be the price of the share on that date. The market value of each Alliance Trust PLC ordinary 25p share on that date was £2.85 which, when adjusted for the split on a 10 for 1 basis on 21 June 2006, gives an equivalent value of £0.285 per share. The market value of each Second Alliance Trust PLC ordinary 25p share on 31 March 1982 was £2.35. Holders of Second Alliance Trust PLC shares received 8.7453 ordinary 2.5p shares for each 25p ordinary share they held on 20 June 2006 and are treated as though they acquired these shares at the same time and at the same cost as the Second Alliance Trust shares they previously held. This gives an equivalent value of £0.269 per share.

## DIVIDEND TAX ALLOWANCE

Shareholders will normally have a tax-free allowance across their entire share portfolio. Above this amount, shareholders will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances.

The Trust's Registrars provide registered shareholders with a confirmation of the dividends paid by the Trust. Shareholders should include this with any other dividend income when calculating and reporting total dividend income received to HMRC. If you have any tax queries, you should seek professional advice.

## INVESTOR DISCLOSURE DOCUMENT

We are required to make certain information available to investors prior to their purchase of shares in the Trust. The Trust's Investor Disclosure Document is available at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

## SHARE INVESTMENT

The Trust invests primarily in equities and aims to generate capital growth and a progressively rising dividend from its portfolio of investments.

The Trust currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA'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. Shares in the Trust may also be suitable for institutional investors who seek a combination of capital and income return. Private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares.

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.

## HOW TO INVEST

Individuals can invest and benefit from the Trust's strategy through purchasing shares which are available through most online share-dealing platforms that offer investment trusts or through banks or stockbrokers. From April 2020 onwards, investors who hold their shares directly through our Registrars will be able to benefit from our Dividend Reinvestment Plan. This will allow shareholders to receive shares in the Trust instead of cash dividends.

## DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRIP) will be available for the June 2020 dividend and onwards. Further information, including Terms & Conditions and an Election Form will be sent to existing shareholders with their Dividend Confirmation payable 31 March 2020. Alternatively, these are also available to view at [www.computershare.co.uk/DRIP](http://www.computershare.co.uk/DRIP) from 31 March 2020.

## RISKS

If you wish to acquire shares in the Trust, you should take professional advice as to whether an investment in our shares is suitable for you. You should be aware that:

- investment should be made for the long term;
- the price of a share will be affected by the supply and demand for it and may not fully represent the underlying value of the assets of the Trust. The price generally stands below the net asset value of the Trust ('at a discount') but it may also stand above it ('at a premium'). Your capital return will depend upon the movement of the discount/premium over the period you own the share, as well as the capital performance of the Trust's own assets;
- the assets owned by the Trust may have exposure to currencies other than sterling. Changes in market movements and in rates of exchange may cause the value of your investment to go up or down; and
- past performance is not a guide to the future. What you get back will depend on investment performance. You may not get back the amount you invest.

## BOGUS COMMUNICATIONS

The Trust is aware of contact having been made with shareholders, generally by telephone, seeking information about their shareholdings. These unsolicited callers may state this is in connection with a takeover bid or some other reason. They may offer to buy your shares at a price significantly above the current market price. If you have any concerns about the genuineness of any such communication you may call us on 01382 938320.

The Trust is prohibited from advising shareholders on whether to buy or to sell shares in the Trust, but recommend that if you wish to sell your shares you deal only with a financial services firm that is authorised by the FCA.

# INFORMATION FOR SHAREHOLDERS

## continued

### ANNUAL GENERAL MEETING

The 132nd Annual General Meeting of the Trust will be held at 11am on Thursday 23 April 2020 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.

### DIVIDEND CALENDAR

Barring unforeseen circumstances there will be four dividends paid for the 2020 financial year as follows:

#### **1st Interim Dividend**

Dividend will be paid on 30 June 2020 to shareholders on the register on 5 June 2020.

#### **2nd Interim Dividend**

Dividend will be paid on 30 September 2020 to shareholders on the register on 4 September 2020.

#### **3rd Interim Dividend**

Dividend will be paid on 31 December 2020 to shareholders on the register on 4 December 2020.

#### **4th Interim Dividend**

Dividend will be paid on 31 March 2021 to shareholders on the register on 12 March 2021.

### COMMON REPORTING STANDARDS

You may have received requests from the Trust's Registrar for personal information to comply with legal obligations introduced to reduce tax evasion. While it is not compulsory that you complete and return these requests, the Trust is required by law to make these requests and to report on the responses received to HMRC.

Please note that only a small number of our shareholders fall into the category where these requests have to be made. If you have any queries on the validity of any document received from our Registrars, you can contact them directly on 0370 889 3187.

### KEY INFORMATION DOCUMENT

Investment trust companies (and other providers of investment products) are required to publish a Key Information Document (KID). This required the inclusion of standardised illustrations of theoretical risk and returns.

The intention is to allow investors to enable a comparison of different investment products across a wide range of financial sectors. Caution should be used in using KIDs as the sole basis for your investment decisions.

# TEN-YEAR RECORD

A ten-year record of the Trust's Financial Performance is provided below.

Assets £m as at	31 Jan 2011	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
Total assets	3,268	2,676	2,702	3,478	3,415	3,351	3,541	2,979	2,678	3,162
Loans	(339)	(249)	(200)	(380)	(380)	(390)	(220)	(233)	(227)	(225)
Net assets	2,895	2,400	2,491	2,886	3,019	2,948	3,284	2,700	2,411	2,879
<b>Net asset value (p)</b>										
NAV per share	439.0	405.8	444.9	516.5	544.8*	559.0*	667.5*	777.7*	723.6*	875.9*
NAV total return on 100p – 10 years*					210.7	178.6	198.3	217.8	265.8	270.1
<b>Share price (p)</b>										
Closing price per share	364.0	342.8	375.3	450.1	478.9	517.0	638.0	746.5	688.0	840.0
Share price High	377.9	392.7	383.5	464.2	481.1	528.5	641.5	747.5	785.0	853.0
Share price Low	293.5	310.2	337.0	375.3	426.0	440.1	447.3	638.0	672.0	688.0
Total shareholder return on 100p – 10 years*					226.0	197.0	225.5	266.4	306.7	321.4
<b>Gearing/Net cash (%)</b>										
Gearing	11	7	7	12	11	13	6	5	7	6
Net cash	–	–	–	–	–	–	–	–	–	–

	31 Jan 2011	11 mths to 31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
Revenue										
Profit after tax	£63.8m	£61.9m	£55.6m	£60.6m	£68.8m	£60.2m	£65.9m	£48.5m	£41.4m	£47.2m
Earnings per share	9.67p	9.87p	9.74p	10.83p	12.38p	12.43p†	12.77p	12.86p	12.18p	14.30p
Dividends per share	8.395p	9.00p	9.27p	9.55p	9.83p	10.97p	12.77p	13.16p	13.55p	13.96p
Special dividend	–	–	0.36p	1.28p	2.546p	1.46p‡	–	–	–	–

Performance % (rebased at 31 Jan 2010) as at	31 Jan 2011	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
NAV per share	104	96	106	123	130	133	158	185	228	232
Closing price per share	100	94	103	123	131	141	174	204	257	268
Earnings per share	112	117	112	125	143	143	147	148	117	155
Dividends per share (excluding special)	111	119	122	126	130	145	169	174	169	171

Cost of running the Trust	31 Jan 2011	11 mths to 31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
Total expenses	£17.0m	£16.0m	£18.7m	£21.5m	£20.8m	£24.0m	£16.8m	£17.4m	£17.4m	£17.6m
Ongoing charges ratio (excluding capital incentives***)	0.53%	0.56%**	0.67%	0.75%	0.60%	0.59%	0.43%	0.54%	0.65%	0.64%
Total expense ratio	0.60%	0.60%**	0.71%	0.80%	0.64%	0.80%	0.54%	0.58%	0.68%	0.66%

\*With debt at fair value.

\*\*Source: Morningstar UK Ltd.

†Includes capital dividend paid December 2015.

‡Capital dividend paid December 2015.

\*\*Administrative expenses used in calculating these ratios have been annualised given the financial reporting period was for 11 months, except for incentives which were on an actual basis.

\*\*\*The AIC's recommended methodology for the calculation of an Ongoing Charges figure states that for self-managed companies costs relating to compensation schemes which are linked directly to investment performance should be excluded from the calculation of the principal Ongoing Charges figure.

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