

**Alliance Trust Shareholder Action Group (ATSAG)
Update No. 14**

Dear Member,

Since our mid December 2016 note (Update No. 13) there have been a number of developments at Alliance Trust which are summarised below.

In the company's Strategic Review, which was published on 15th December, the Board promised to implement a proactive programme of share buy-backs with the aim of achieving a significantly narrower discount. Since then 28,362,893 shares (5.5% of the share capital outstanding on 14th December 2016) have been bought back at a cost of £178.9m. As a result, the discount has fallen from 8.1% on 14th December to 5.5%.

As set out below, the narrowing in the discount has had a positive influence on the performance of the shares which have risen from 596.5p on 14th December to 653.5p on 12th January.

	14 December 2016	12 January 2017	Increase/(decrease)
Price (p)	596.5	653.5	9.6%
Net Asset Value (p)#	649.3	691.9	6.6%
Discount (%)	8.1	5.5	(2.6)

Including income. Debt at fair value.

Over the 12 months to 31 December 2016 the share price rose 23.4% compared to an increase of 26.6% in the MSCI ACWI benchmark. The Alliance Trust's net asset value rose 19.4% over the year.

Since 15th December there have been a number of changes in the holdings of major shareholders. DC Thomson, which held 29,275,000 shares as at 3 March 2016, and had sold 3,300,000 shares over the course of the year, reduced their holding by a further 7,975,000 shares on 21 December 2016. The DC Thomson holding is now 18,000,000 shares and accounts for 3.7% of the Trust's issued share capital.

Since 15th December Elliott International have increased their stake in Alliance Trust which at that time was 17% of the Trust's issued share capital. On 15th December 5,055,184 additional contracts for difference (CfDs*) over Alliance Trust shares were purchased and on 21st December a further 2,495,768 CFDs were acquired. Elliott now hold 52,881,891 shares and 42,246,685 CfDs, representing, in total, a 19.6% stake.

The buy backs have elevated the percentage of the shares held by Alliance Trust Savings Nominees Limited. Last March this stood at 25.4% and, assuming the absolute holding (132,285,881 shares) remains unchanged, the ATS nominees now account for 27.2% of the issued share capital.

A key element in the Board's new strategy is to move away from a single manager (currently Alliance Trust Investments) to a multi-manager model. Willis Towers Watson (WTW) has been appointed as the Trust's overall investment manager. At the time of the announcement of the new strategy we had little knowledge of WTW. Since then, however, we have had an opportunity to research WTW's credentials and their approach to the selection and monitoring of investment managers.

First and foremost we understand that WTW seek out skilled managers who can outperform the benchmark over the long term. WTW pay little attention to past performance because, in their experience, this gives only limited information about the sources of the performance outcome. Instead WTW concentrate on finding managers who have a well defined investment process which is consistently applied. WTW favour managers with concentrated portfolios and who are conviction led. WTW also have a preference for smaller "boutique" investment managers.

* CfDs are a type of equity swap that is traded on margin. CfDs are used to hedge cost-effectively an exposure to shares, mainly because they require only a small margin and because no physical shares change hands, thereby avoiding stamp duty.

On 16th January 2017 Alliance Trust published the names of the eight equity managers selected by WTW. Full details can be found on the Trust's website at <http://www.alliancetrust.co.uk/>

Ahead of the General Meeting of shareholders to approve the new investment strategy, which will be held in Edinburgh at the EICC on 28th February 2017 at 14.30, a series of shareholder forums have been organised. At these meetings WTW will present a detailed account of their manager selection and monitoring process. The dates and venues for these meeting are as follows:

London - 14.30, Wednesday 25th January at The Institution of Engineering and Technology, 2 Savoy Place, London WC2R 0BL

Dundee - 14.00, Friday 27th January at The Sidlaw Suite, West Park, 319 Perth Road, Dundee, DD2 1NN

Edinburgh - 14.30 Monday 30th January at Edinburgh International Conference Centre (EICC), The Exchange, 150 Morrison Street, Edinburgh EH3 8EE

James Cook
on behalf of ATSAG
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See <http://www.sharesoc.org/alliance.html> for more background information.