QUARTERLY NEWSLETTER • WINTER 2022

Connection

Alliance Trust
INVESTING FOR GENERATIONS

ALLIANCE TRUST: DIVERSIFIED, HIGH-CONVICTION

Research shows that active equity managers add most value through a small number of their highest-conviction positions.[1] Yet, the performance of concentrated portfolios can also be highly volatile.

The Alliance Trust portfolio mitigates this risk by blending together the best ideas of nine best-in-class.[2] Stock Pickers, each with different, complementary styles. We believe our diversified, high-conviction, global equity strategy should deliver more consistent outperformance and lower volatility than a strategy run by a single manager. Returns from single-manager strategies are often prone to sharp up and down moves; we aim to provide investors with a smoother ride.

A stand-out bet in 2022, will energy stocks continue their run in 2023?

One of the dreary memories of 2022 will be that of Russia's invasion of Ukraine, which triggered shock-waves through gas, coal, electricity, and oil markets and sparked a global energy crisis. While the long-run fall-out may be to speed up the transition to cleaner, more sustainable forms of energy, in the short run, given the current lack of green infrastructure, it has left energy markets vulnerable and prices volatile.

As a result, it has juiced earnings at energy firms, making energy stocks one of the stand-out bets in 2022. And yet, for 2023, the outlook for the sector is mixed. Below, we examine three bull points of the energy sector's outlook in 2023, and three bear points.

THE 'BULLISH' OUTLOOK

Here, we look at three reasons why energy prices may be higher, boosting energy stocks.

Continued disruptions to the supply of oil
Russia's weaponisation of its energy exports has changed the status quo for energy security in the West, driving it up the political agenda and prompting a reassessment of energy sources fraught with geopolitical risks.

While this has encouraged gas diversification in Europe and refocused minds on renewables investment, the impact won't be felt for another year or two at the very least. It makes further supply disruptions and continuing price shocks much more likely.

The rise of climate activism and sustainable investing in recent years has turned investors away from non-renewable forms of energy, starving these sectors of capital.

Lifting of China's Covid restrictions may help global economic growth
As the removal of Covid restrictions in China completes early this year, the re-opening of the world's second largest economy will likely boost faltering global growth and prop up energy prices on account of China's enormous appetite for energy.

Oil, gas and coal underinvestment may elevate prices
The rise of climate activism and sustainable investing in recent years has turned investors away from non-renewable forms of energy, starving these sectors of capital. It has led to underinvestment in new projects and reduced supply, potentially keeping prices higher for years to come.

Past performance is not a reliable indicator of future returns.

THE 'BEARISH' OUTLOOK

Here, we look at three reasons why energy prices may be lower, negatively impacting energy stocks.

Demand for oil wanes due to looming recessions
Higher interest rates have cooled economies and will likely push many into recession. As economic activity reduces, so does demand for energy. Although OPEC+ nations – representing around 40%[3] of global supply – have cut production in response to recessionary threats, it has been insufficient to stop a slide in prices so far. The impact will be a hit on earnings at oil and gas companies, alongside higher costs in countries where windfall taxes have been introduced.

Oil supply disruptions become extreme
2023 could see geopolitical fault lines fracture further, particularly between energy consumers in the West and hydrocarbon producers in Russia and the Middle East. This could send oil and gas prices into the stratosphere, adding to global recessionary threats and further cooling demand for oil, lowering prices.

US may add more oil to the market
While US shale oil producers appear to be maintaining fairly restrained and disciplined production amid higher oil prices, there is a possibility this could change, leading to increased supply, weakening prices.

ALLIANCE TRUST'S VIEW

Alliance Trust does not hold a house view on the energy sector as we are aware of the difficulties in correctly calling styles, sectors, or regions consistently over time. Instead, we believe that what's best for our investors is to balance the portfolio's risks across these areas, and add value by letting our stock pickers select great companies. This can, and does, result in divergent investment views.

For example, Rajiv Jain at GQG believes that underinvestment in the oil and gas sector as well as strong demand for oil across major economies will continue to support prices and keep cashflow and earnings strong, making oil and gas energy stocks an attractive long-term play. Therefore, investments for the Alliance Trust Portfolio include Petrobras, Exxon, PetroChina, Eni, Enbridge, Shell, Reliance, Total and Tupras.

Rob Rohn at SGA, on the other hand, does not invest in energy stocks for Alliance Trust, citing the unpredictable and unreliable nature of revenue streams. These different views reflect different investment philosophies and perspectives, that WTW is happy to embrace to avoid groupthink. While making the right call on a sector can be handsomely rewarded, getting it wrong can be very expensive.

Marcus De Silva, Freelance Investment Writer

1. Sebastian & Attaluri, Conviction in Equity Investing, The Journal of Portfolio Management, Summer 2014.
2. As rated by Willis Towers Watson
3. https://www.weforum.org/agenda/2022/11/oil-opec-energy-price/

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THE OUTLOOK FOR 2023

Throughout 2022, the key concerns for investors have been how inflation and rising interest rates might impact their portfolios. At the start of 2023, those concerns persist. Alliance Trust has canvassed its nine stock pickers, to see how they are seeking to insulate their investments against inflation and the possibilities of recession.

INFLATION PROOFING

Over the long term, investing in equities has proved a reasonable inflation hedge, given revenue, cash flows and earnings are able to adjust to the environment of higher input costs. But over shorter periods, this may not be the case, as rising inflation tends to be associated with declining stock prices, according to Bill Kanko, Founder and President of Black Creek Investment Management.

"In an inflationary environment where real bond yields are higher, investor interest will broaden out beyond the winners of the past decade (ie high-growth companies) to other areas of the market, including ones that are more economically sensitive."

"High-growth stocks with little or no present earnings and cash flows are much more sensitive to the higher interest rate environment, as central banks raise rates to counteract inflation," says Kanko. "Companies that are reasonably valued and have current cash flows and earnings should be less affected by rising interest rates.

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However, he points out that in the short term, stocks may fall in reaction to the impact of higher inflation and interest rates.

Jupiter's Head of Strategy for Value Equities, Ben Whitmore, agrees that equities have proved a hedge against inflation over time. However, he adds that they initially react poorly to unanticipated inflation, or a change from low to high levels of inflation.

"This can be clearly seen in the 1970s, and now to a degree," says Whitmore. "Real assets have historically proven a good hedge (commodities, property) against inflation. Furthermore, companies that can raise their prices in line with inflation, have also proven a good hedge."

Valuations are also key, says Whitmore. "The portfolio can also be protected by the starting valuation – high inflation leads to high interest rates, and this tends to favour companies where the value of the business is more determined by near-term cash flows, rather than businesses that are valued off cash flows a long way in the future. Low valuations tend to triumph as a result over high valuations."

Andrew Wellington, Managing Director, Consultant Relations and Institutional Sales at Lyrical Partners, agrees, believing that owning businesses with attractive valuations as well as resilient business structures, is one way to protect against inflation.

Past performance is not a reliable indicator of future returns.

"Inflation impacts companies in two ways," he explains. "First, it raises their input costs. But second, it increases their revenues, as they raise their selling prices to pass through their higher costs. As a result, inflation often increases the revenue and earnings growth of businesses that can pass through rising costs."

The catch, he says, is that inflation also tends to be accompanied by higher interest rates, which typically compress the valuation multiples of stocks. In past periods of inflation, faster earnings growth has been more than offset by falling valuation multiples, leading to disappointing returns.

"During the Great Inflation period from 1973 to 1982, nominal earnings growth for the S&P 500 was higher than average, but the overall index return of 7.2% per year fell below the inflation rate of 8.9%, as multiple compression resulted in negative real returns over a decade."

Protection against inflation for Wellington comes first by owning value stocks: "Since 1960, there have been four periods of elevated inflation with CPI above 4% for one year. In each of those periods, the cheapest stocks outperformed the S&P 500."[1]

Pricing power is a common company feature that stock pickers highlight when selecting stocks to beat inflation, as well as valuations.

Rajiv Jain, Chairman and Chief Investment Officer at GQG Partners, says, "From a sector perspective, we will look to increase our exposure to names that traditionally exhibit strong pricing power, as long as those stocks continue to be reasonably valued, in our opinion."

In addition, he adds that certain business models such as Visa Inc. have revenue that is partially driven by the dollar amount of transaction volume, which may act as an inflation hedge.

Sunil Thakor, Research Analyst and Co-portfolio Manager at Sands Capital Management, would agree on the transaction element. "The best pricing power, in our view, is ad valorem, where businesses capture a transaction fee; this results in a higher fee – directly linked to revenue generation, so an inflationary environment and more revenue – as prices rise. Typically, these companies have costs that aren't as actually margin-accretive."

Thakor also looks for businesses that are asset-light, built on intangible rather than tangible assets, with limited sensitivity to global supply chain disruptions and fluctuating raw materials prices.

"We seek to own businesses with strong balance sheets and low debt, resulting in muted interest expenses, and also ones that have market-leading positions, delivering must-have products and services. This often results in pricing power."

RECESSION PROOFING

It may seem obvious, but diversification and careful stock selection are essential to ensure your investments can weather a recession. The key characteristic is to ensure you are not overpaying in terms of current valuations for future growth of revenues, earnings and cash flows, according to Kanko. He says while diversification does not necessarily mean adding holdings, it does mean taking advantage of future opportunities, and considering the many risks that the current environment poses, including increased geopolitical concerns and uncertainty about the timing and shape of a future economic recovery.

"We feel there will likely be a recession in 2023, given the effects of rising rates (to fight inflation) and slowing growth across many developed and developing markets," says Kanko.

As a consequence, his team has adjusted its financial discounted cash flow models to incorporate an earnings downturn in 2023.

"For cyclical companies, the adjustment has been even greater," he says. "However, out-of-favour, non-US companies, which tend to be more cyclical, look attractive, as many already have the worst-case scenario priced into their valuation. US stocks continue to look more expensive broadly, but we are finding opportunities."

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1. https://fred.stlouisfed.org/series/CPIAUCSL

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"We have increased our cost-of-debt assumptions in our analysis across all portfolio companies, and have ensured that companies with debt on their balance sheet have repayments that are further out. Share prices will be volatile, but strong underlying business fundamentals should ultimately prevail."

Jain agrees that stock picking and selecting sectors carefully are important in preparing a portfolio for a potential economic recession. "We can rotate from names in certain pro-cyclical sectors, including consumer discretionary and technology, to companies operating in more defensive areas such as consumer staples, utilities and healthcare," he says. "And we focus on high-quality businesses, regardless of their sector classification, which we believe are well positioned to thrive in recessionary environments. These companies are typically characterised by profitability, brand loyalty and strong balance sheets. During recessions, their financial flexibility affords them the opportunity to maintain their research and development budgets, to innovate new products and increase their advertising to gain market share."

Needless to say, investing in businesses driven by secular forces that can persist regardless of the economic cycle, and that have leadership positions, competitive advantages, financial strength and experienced management teams, which enable the businesses to "survive and thrive" amid times of crisis, is wise in the current economic environment.

Secular change can occur regardless of what's happening in the real economy, says Sands' Thakor. "For instance, a recession isn't likely to derail the shift from paper to electronic payments, the enterprise transition from on-premises to cloud software, or the need for innovative therapeutics to address unmet medical demand.

"In times of stress, the biggest and best-run businesses tend to entrench their leadership positions. They're often better positioned to handle a downturn, and can use their position of strength to take share from – or even acquire – struggling competitors."

Thakor says he doesn't expect the share prices of the businesses he invests in to be immune amid a protracted market drawdown, but he does expect them to continue to deliver fundamental growth in excess of the broader market, which he believes is essential for outperforming over the long run.

Rob Rohn says SGA's investment approach has always been focused on investing in companies with the most attractive predictable and sustainable cash flow and earnings growth it can identify, using an investment horizon of three to five years.

"We do not invest in companies which are reliant upon a strong macroeconomic backdrop for their growth, and therefore consistently have less exposure to segments of the market which would be expected to be hurt most in an economic downturn such as industrials or commodities."

GROWTH OR VALUE?

So where are our stock pickers looking for growth or value, or both, going forward in 2023?

Wellington says that while growth is important, if you pay too much for it you will get disappointing returns. Consequently, a successful investment must have both growth and value.

"Today, we are finding this combination of both deep value and growth across a range of sectors and industries."

"Today, we are finding this combination of both deep value and growth across a range of sectors and industries," he says. "There are no broad categories that offer this combination. Rather, value and growth can only be found in individual stocks that have slipped through the cracks and been ignored or misunderstood by the market. We find these rare opportunities by being purely bottom-up, sifting through the cheapest stocks in our universe and finding the exceptions that offer quality growth."

Encouragingly, Kanko says his team is finding opportunities in many areas of the market, including higher-growth stocks, where valuations have come down considerably and look attractive to long-term investors. In particular, he cites recent purchases PayPal Holdings, Inc. and Kuehne + Nagel International (K+N), the global transport and logistics company, based in Switzerland.

PayPal Holdings operates an account-based, two-sided platform that enables digital payments on behalf of merchants and consumers worldwide. It operates in 200 markets and over 100 currencies.

"We had the opportunity to purchase PayPal Holdings at an attractive valuation, given that fintech share multiples contracted significantly," says Kanko. "The company's growth prospects remain strong, given the continued adoption of digital payments, fraud protection, e-wallets, and other services."

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“Kuehne + Nagel International is the global leader in sea freight and air freight forwarding worldwide. While sea freight has historically constituted a large part of its business, it has been transforming into a fully integrated freight forwarder, and continually improving its end-to-end supply chain solutions and distribution services offerings to its clients. K+N has a strong balance sheet, which will allow it to invest and gain market share. The company’s asset-light model provides high returns on its underlying assets.”

Jain says, in looking to achieve growth and managing downside risk, essential to compounding wealth, his team has found opportunities in the financials and healthcare sectors.

“Charles Schwab offers wealth management as well as securities brokerage services, and is expected to increase its net interest income in a rising rate environment. And Humana is a health insurer where enrolment growth is expected to be driven by the ageing demographics in the US.”

Jupiter’s investment process looks for lowly valued shares with strong balance sheets and high conversion of profits to cash. Whitmore says, “Given the sharp fall in many areas, there are opportunities spread across many sectors. These include media, IT services, the PC/semi-conductor industry, and a wider range of consumer cyclicals (retail, for example). It is noticeable that there is a particularly high number of potential investments at the moment, due to the fear of rising rates, energy prices and a global recession.”

“Given the sharp fall in many areas, there are opportunities spread across many sectors.”

Thakor says Sands Capital believes seeking businesses with long-term structural drivers of above-average earnings growth, is important in achieving strong long-term returns.

“Secular change is one of the most durable sources of long-duration growth, if you can identify businesses well positioned to benefit from that change,” he says.

So, from a sector (and secular driver) point of view, he highlights: financial services digitalisation; evolving retail habits (ecommerce, formalisation and consolidation, omnichannel; demand for data access, storage and processing; and the computing technology those actions require.

Similarly, in looking for growth businesses with the three-to-five-year investment horizon, Rohn says that given the very broad brush that has penalised longer-duration growth companies due to the recent increase in interest rates, attractive opportunities are being found in sectors such as healthcare, technology, consumer discretionary and communications.

Stephanie Spicer, Head of Content, Quill PR

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EQUITY MANAGER SPOTLIGHT

LYRICAL ASSET MANAGEMENT

Andrew Wellington,
Co-founder and CIO,
Lyrical Asset Management

STOCK SPOTLIGHT: UNITED RENTALS

INVESTMENT PHILOSOPHY

The world has always been an unpredictable place, a point made clear by the events over the last few years. Between Covid, inflation, the war in Ukraine, rising interest rates and fear of recession, the only certainty has been uncertainty. So how is an investor supposed to make investment decisions based on the future, when the future is so hard to predict?

At Lyrical Asset Management, our defence against uncertainty is resilience. In short, resiliency is the ability of a company to produce the expected result, even when the unexpected happens. Resilient companies may face a temporary earnings disruption, but they can adjust and adapt and return to earning profits well before the world returns to normal.

Resilience takes many forms. Its simplest form is stability. Our investments in healthcare services companies are good examples. Healthcare demand is fundamentally stable, not rising in a boom, nor shrinking in a bust. In an uncertain world, stable companies are resilient because they do not fluctuate, even as everything else does.

Another form is counter-cyclicality. We have many investments in companies that exhibit this trait in their cash flows. The market tends to focus on earnings, but cash flows matter just as much. Most of the time, earnings and cash flow closely track each other, but not always. In an economic downturn, as demand declines, sales and earnings typically decline too. However, some business models, like our investments in distributors, produce rising cash flows when they experience falling demand. This happens as they sell goods from inventory but don't replenish them. Inventory levels fall, and cash flow rises. While earnings still decline during the downturn, the business is resilient from rising cash flows and avoids distress while patiently waiting for the economic recovery.

The stock market is short-sighted. Qualities like counter-cyclicality are invaluable for long-term survival, but are not always appreciated in a myopic market.

Due to that lack of appreciation, Lyrical is able to find wonderful, resilient businesses at bargain prices, to drive our long-term investment success.

United Rentals – a value stock that is part of Lyrical's portfolio for Alliance Trust – is the leading equipment rental company in North America. The company has 1,350 locations and an inventory of 890,000 pieces of equipment, including aerial lifts, earth-moving machines, forklifts, and many more.

We own United Rentals because of its financial flexibility and how we expect it to perform in an economic recession. Rental equipment is an economically sensitive business; during the pandemic in 2020, sales declined by 9%. Despite declining sales, free cash flow increased by 56% to a record level. As demand fell, United Rentals needed less equipment in its fleet and cut spending on new equipment. As the largest purchaser of most of its suppliers, the company has strong bargaining power and can cancel new equipment orders with as little as 30-45 days' notice.

Another key reason we own United Rentals, is its long-term growth prospects. There is a secular shift towards renting equipment instead of owning it. Customers prefer renting because they receive 24-hour customer care and support, have reduced downtime and increased reliability, and conserve capital. Additionally, the rental equipment market is fragmented. As of 25 October 2022, United Rentals has a 15% market share, but is larger than the next two competitors combined, which allows the company to buy equipment at lower prices. We expect United Rentals to continue to gain share as smaller, independently owned companies struggle to compete with the company's lower prices, superior service and more resilient business model.

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FAST FACTS ON UNITED RENTALS

Founded **1997**

$9.72bn
Revenue (2021)

circa 24,700
employees

CEO
Matthew J Flannery

Headquarters
Stamford, Connecticut, US

Companies mentioned are for informational purposes only and should not be considered investment advice.

EQUITY MANAGER SPOTLIGHT

JUPITER ASSET MANAGEMENT

Ben Whitmore,
Head of Strategy,
Jupiter Asset Management

STOCK SPOTLIGHT: INTEL

INVESTMENT PHILOSOPHY

As value investors, the team believe the key determinant of future returns is whether the valuation paid for a security is high or low relative to its long-term history. There is a significant amount of evidence showing that securities purchased at a low valuation, have historically delivered above-average returns over time. The theory is that low valuations result in higher future returns, whereas higher valuations, on average, result in lower future returns. In other words, there is a "value premium" that, if captured, leads to above-average returns over the long term.

For example, analysis of the US stock market shows that over a 70-year period from 1951 to 2020, the bottom decile of the market in terms of price-earnings ratio, produced superior annual returns to the market average.

The reason why this "value premium" occurs, is open to debate. One might argue that lowly valued securities are "riskier" and that the return comes from this higher risk. Alternatively, it could be argued that the higher return comes from an ability to exploit the behavioural biases at work in stock markets, in which stocks are often driven to irrational valuations due to short-term fashion or momentum. Whatever the cause of this trend, a value-based investment process relies on the premise that the lowly-valued securities will eventually mean-revert as their profits move closer to the industry average, or any fears about the business prove either unfounded or not as severe as first thought.

The team's investment process is focused on identifying lowly valued securities with resilient balance sheets and good businesses, to capture this value premium.

To further their understanding and refine their investment process, they actively seek out academic and investment literature to gain further insights into value investing.

They do not attempt to make forecasts at either the company or macro level. Forecasting the future is inherently difficult and unreliable, especially to do so consistently, so instead, they aim to understand where a company's current earnings sit within the broader historical context.

In our opinion, Intel has lost its way over the last five to ten years, due to a series of poor decisions. The company chose the wrong technology to enable it to make ever smaller and faster semi-conductors. This culminated in the company losing its process technology lead (the ability to manufacture semi-conductors) to TSMC, its Taiwanese competitor. In addition to this serious misstep, the company's design arm designed ever more complicated chips to compensate for the weaker process technology. This exacerbated the problem and led to several delays in shipments to clients. This culminated in a change of management team and strategy. Intel's priority is to regain parity and then leadership in the manufacturing process ("5 nodes in 4 years" is the Intel strapline). The new management team are investing heavily in the business to regain the lead. At the same time, there is a sharp downturn in PC demand, and these two issues have caused a sharp fall in profits. This has led to a collapse in the share price, which offers us a very attractive valuation to invest in the company. Intel trades on just 5x its average earnings over the last ten years, when adjusted for its stake in Mobileye. If Intel were listed on the FTSE100, it would be the lowliest valued company in the FTSE100.

MEET THE ALLIANCE TRUST MANAGERS ⟶

FAST FACTS ON INTEL

Founded **1968**

$69.54bn
Revenue (2022)

circa 121,000
employees

CEO
Patrick P Gelsinger

Headquarters
Santa Clara, California, US

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PORTFOLIO UPDATE

Over the fourth quarter of 2022, the Company's Total Shareholder Return and NAV Total Return were 3.7% and 2.7% respectively, outperforming the MSCI All Country World Index (ACWI) that returned 1.9%.

Despite the late recovery over Q4, 2022 has been the worst year for global equities since the financial crisis of 2008 (and also a similarly poor year for global bonds). The benchmark finished 2022 down 8.1% (materially helped by the devaluation of sterling) whilst the NAV Total Return outperformed, delivering -7.1%. Markets were particularly volatile over the year which can largely be attributed to the end of the low interest rate environment and the war in Ukraine and associated rising political tensions. Central banks around the world significantly hiked rates over the year to control rising inflation which caused tech and growth stocks to underperform. Energy significantly outperformed both over Q4 and the year, returning 11% and 64% respectively, driven by supply constraints caused by the war in Ukraine. Value stocks outperformed growth stocks by 9% for Q4 and 25% for the year, largely due to the huge tech-energy dispersion.

In the Company's portfolio, Black Creek, Metropolis, GQG and Jupiter were the largest contributors to returns over the quarter. This was largely due to their exposure to energy, value or small/mid cap stocks. Black Creek's investment in Heidelberg Cement (German multinational building materials company) added value, benefitting from the easing of Covid lockdowns in China and the expected boost to construction activity. Interpublic Group of Companies (US advertising company) also performed well for Black Creek, which has a bias towards value stocks. The company gained over 20% in Q4, with third-quarter results showing solid revenue growth in all regions and driven by contributions across different sections of their portfolio. The company also upgraded their FY 2022 performance outlook, despite a more challenging macroeconomic environment. The growth-oriented managers, on the other hand, struggled, notably SGA and Sands. Holdings in tech stocks such as Alphabet, Amazon and Salesforce detracted from performance, as big tech names faced challenges such as rising costs and slowing growth amid a deteriorating economic environment.

With a sell-off in large cap US growth names, not holding Apple or Tesla made a large positive contribution to the Company's relative performance. Petrobras (Brazilian state-owned multinational energy company), having been a strong contributor in 2022, detracted from performance over the quarter. The company CEO departed in early December following the election of a new president in Brazil, who is to select a new candidate for the post. The president-elect has plans for Petrobras to expand its refining capacity and be more involved in the low-carbon energy transition. The market has responded negatively to the news as in the past the interventionist approach of the president elect's party has forced Petrobras into a lot of debt to subsidise fuel prices.

We have lowered the Company's gross gearing level to just under 8% over the quarter, which is still below the 10% long-term target, as we remain cautious on the outlook for equities as markets continue to adjust to shifting expectations for inflation and interest rates.

LEARN MORE ABOUT THE LATEST PORTFOLIO PRICE AND PERFORMANCE HERE ⟶

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BIGGEST POSITIONS SOLD AND ACQUIRED OVER THE QUARTER

10 largest net purchases – Q4 2022	% of Equity portfolio bought	Net value of stock purchased (£m)
Amazon	0.9	27.8
Airbus	0.8	24.1
Humana	0.7	22.7
Workday	0.7	21.3
S&P Global	0.7	21.1
Walmart	0.6	17.8
Signify	0.5	14.0
Swire	0.4	13.0
Zebra Technologies	0.4	12.8
TD Synnex	0.4	10.8

10 largest net sales – Q4 2022	% of Equity portfolio sold	Net value of stock sold (£m)
BAE Systems	0.9	28.4
Booz Allen Hamilton	0.7	22.1
Bank of America	0.7	21.0
Recruit	0.6	18.1
H&R Block	0.6	17.4
Advanced Micro Devices	0.6	17.0
Salesforce	0.5	16.7
Baxter International	0.5	16.0
Microsoft	0.4	13.3
ASML Holding	0.4	10.9

UPDATE ON BUYBACKS

At the AGM in April 2022, shareholders approved for the Company to purchase and cancel up to 14.99% of the issued share capital. In the period since the AGM to 31 December 2022, the Company purchased 8.8 million shares at a cost of £84.3 million. In this period, specifically on days when shares were purchased, the discount ranged from 3.7% to 8.6%, with an average discount of 5.9%.

In the period from 1 January to 31 December the discount has ranged between 3.0% and 8.9% with an average of 5.9%, and in this period the Company purchased 15.5 million shares at a cost of £149.6 million and on days shares were purchased, the discount ranged between 3.7% and 8.9% with an average of 6.2%.

The Trust continues to watch the discount closely, and will carry out further buybacks if the discount shows signs of widening significantly over a sustained period.

IMPORTANT INFORMATION AND RISK WARNINGS

This section contains important regulatory disclosures and risk warnings that are relevant to the material in this document. You should read this section carefully, as it is intended to inform and protect you.

Towers Watson Investment Management Limited (TWIM) has approved this communication for issue to Retail Clients. Past performance is not a reliable indicator of future returns.

The value of all investments and the income from them can go down as well as up; this may be due, in part, to exchange rate fluctuations. Investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV), meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV. This means that potential investors could get back less than the amount originally invested.

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.

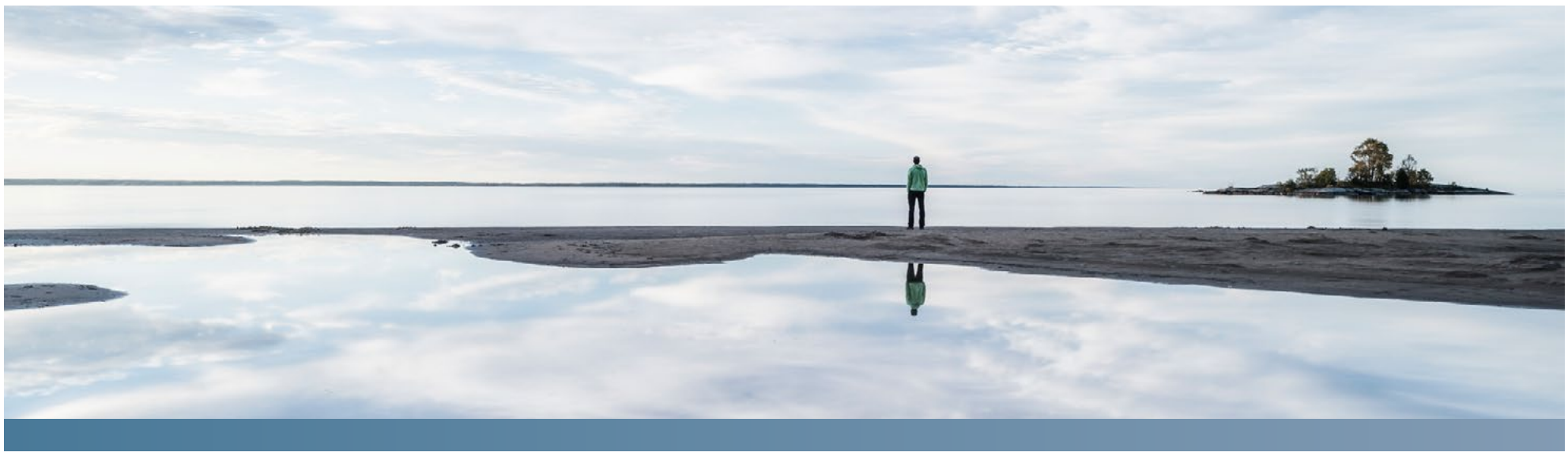
No investment decisions should be based in any manner on the information and opinions set forth above. You should verify all claims, do your own due diligence, and/or seek advice from your own professional adviser(s) before investing in any securities mentioned.

The Alliance Trust Board has appointed Towers Watson Investment Management Limited (TWIM) as its Alternative Investment Fund Manager (AIFM). TWIM is part of Willis Towers Watson. Issued by Towers Watson Investment Management Limited. Towers Watson Investment Management Limited, registered office Watson House, London Road, Reigate, Surrey RH2 9PQ is authorised and regulated by the Financial Conduct Authority, firm reference number 446740.

Past performance is not a reliable indicator of future returns.

Notes: All data is provided as at 31 December 2022 unless otherwise stated. All figures may be subject to rounding errors. Sources: Investment performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc; key trades data is provided by BNYM Fund Services (Ireland) Limited. Equity portfolio return is the return achieved by the equity managers, and so includes the effect of any of their cash holdings (gross of their fees). Returns are quoted net of withholding taxes (some of which are potentially recovered at a later date) and therefore potentially underestimate the managers' relative performance.

USEFUL INFORMATION



SHARE INVESTMENT

Alliance Trust PLC invests primarily in equities and aims to generate capital growth and a progressively rising dividend from its portfolio of investments. Alliance Trust currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the Financial Conduct Authority'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. The shares in Alliance Trust may also be suitable for institutional investors who seek a combination of capital and income return. Private investors should consider consulting an IFA who specialises in advising on the acquisition of shares and other securities before acquiring shares.

REGISTRARS

Our registrars are:
Computershare Investor Services PLC,
Edinburgh House, 4 North St Andrew Street,
Edinburgh EH2 1HJ
Telephone: 0370 889 3187

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company'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 computershare.com

HOW TO INVEST

There are a growing number of savings and investment platforms where you can purchase shares in Alliance Trust direct. They are primarily for investors who understand their personal attitude to risk and those related to equity-based products.

CONTACT

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