

# INTERIM REPORT 2020

Interim Report for the six months ended 30 June 2020



A woman with a backpack is standing in a row of tall, classical marble columns. She is looking upwards, and the scene is brightly lit, suggesting an outdoor or well-lit indoor space. The columns are made of light-colored marble with visible veining.

# INVESTMENT OBJECTIVE

The Company's objective is to be a core investment for investors that delivers a real return over the long term through a combination of capital growth and a rising dividend. The Company invests primarily in global equities across a wide range of different sectors and industries to achieve its objective.

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# INVESTING FOR GENERATIONS

As a core holding, Alliance Trust aims to cater for the needs of every generation

## RISK CONTROLLED

Our multi-manager approach reduces risk and volatility, smoothing out the peaks and troughs of performance normally associated with a single manager

## DESIGNED TO PERFORM

Each Manager selects no more than 20 stocks.<sup>1</sup> High conviction stock picking gives the portfolio strong potential to outperform the index<sup>2</sup>

## RISING DIVIDEND

Our policy is to seek to pay a dividend that increases year on year. We have increased our dividend for 53 consecutive years

## EXPERT MANAGER SELECTION

Our team of Stock Pickers with different and complementary approaches is chosen by Willis Towers Watson<sup>3</sup>

## EXCLUSIVE STOCK PICKS

UK retail investors can only access each Manager's concentrated stock picks through the Company

## RESPONSIBLY MANAGED

Consideration of environmental, social and governance factors is fully embedded in our investment process

## COMPETITIVE COSTS

Our Ongoing Charges Ratio\* at 31 December 2019 was 0.62%<sup>4</sup>

1. With the exception of GQG which can choose up to 60 additional emerging markets stocks. 2. MSCI All Country World Index. 3. Alliance Trust has appointed Towers Watson Investment Management Limited (TWIM) as its Alternative Investment Fund Manager (AIFM). TWIM is a member of the Willis Towers Watson group of companies and we refer to TWIM as Willis Towers Watson or WTW.

4. The OCR at 31 December 2019 was calculated in line with the industry standard using the average of Net Asset Values (NAV) at each NAV calculation date. Previously we reported the OCR based on the average of the opening and closing NAV for the year; based on the old methodology, the OCR for the year to 31 December 2019 was 0.64%.

\*Alternative Performance Measure (refer to Glossary on page 32).

# OUR PERFORMANCE TO 30 JUNE 2020

## FINANCIAL HIGHLIGHTS AT 30 JUNE 2020



Share Price



Dividend<sup>2</sup>

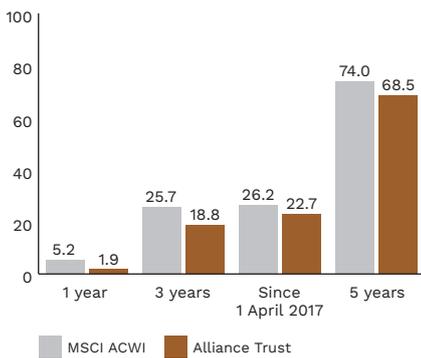


Net Asset Value<sup>2</sup>

## PERFORMANCE HIGHLIGHTS AT 30 JUNE 2020

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

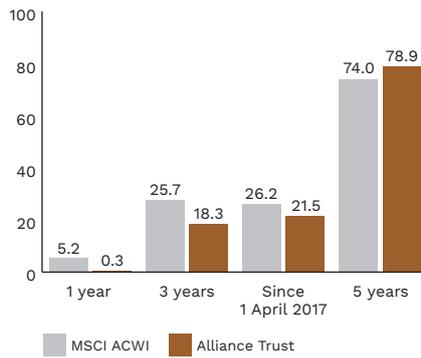
This measures the performance of our assets, including the contribution of dividends.



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).

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

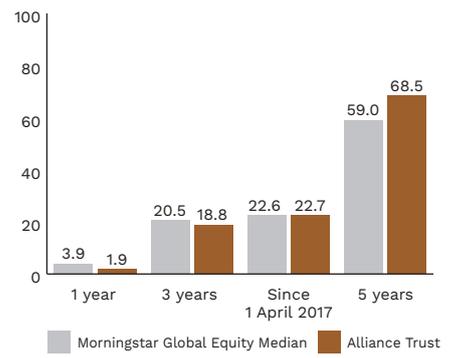
This demonstrates the return our shareholders receive through dividends and capital growth of the Company.



Source: Morningstar and MSCI Inc.

### COMPARISON AGAINST PEERS (%)<sup>1</sup>

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



Source: Morningstar.

1. Alternative Performance Measure (refer to Glossary on page 32). 2. GAAP Measure.

# CHAIRMAN'S STATEMENT

- For the six months to 30 June 2020, the Company's Net Asset Value (NAV) Total Return was -3.5% and Total Shareholder Return (TSR) was -5.8% versus 0.5% for the Company's benchmark index, the MSCI ACWI
- This was against the background of a particularly challenging market impacted by the pandemic and the MSCI ACWI's skew towards the very largest stocks
- Our Investment Manager remains confident that the Company's diversified, high conviction strategy can deliver significant outperformance in the long run
- We expect to continue to pay an increasing dividend and extend our current 53-year record of increasing dividends for 2020 and beyond



## PERFORMANCE

The Covid-19 pandemic has had terrible consequences and I hope that you are staying safe and well. I would like to thank our Executive team and our service providers who have met the operational challenges of the pandemic and have transferred seamlessly to working remotely. The Board has met regularly throughout the period using video and telephone conferencing. This also facilitated more frequent reports from our Investment Manager about the adjustments it was making to control risk during the period.

The first six months of 2020 have been extremely turbulent. The pandemic has triggered the greatest economic contraction since the Second World War. Through this period of uncertainty and volatility, we saw the Company's total net assets fall from £2.9bn at the end of 2019 to £2.3bn at the end of March. Global markets subsequently rallied and our total net assets at the end of the period were £2.7bn.

Since our Investment Manager, Willis Towers Watson (WTW), was appointed on 1 April 2017, our NAV Total Return was 22.7% and TSR was 21.5% to 30 June 2020 against 26.2% for our benchmark index. The Equity Portfolio Total Return, which does not include the negative impact of non-core investments that have now been sold, was 25.9%, broadly in line with our benchmark index and better than the median of our peers<sup>1</sup> which returned 22.6%. However, for the first six months of 2020 against a particularly difficult market backdrop, the Company delivered a NAV Total Return of -3.5% and a TSR of -5.8%. The total return of the MSCI ACWI was 0.5% over this period and the median return of our peers -0.8%. The performance of the MSCI ACWI has been skewed in

the six month period by very strong returns from the largest stocks in the index whereas our Stock Pickers saw more opportunities outside the largest index constituents.

## RELIABLE AND RISING DIVIDENDS

In the first six months of 2020, consistent with global markets, we have seen our income fall as companies have stopped paying dividends or reduced their level as a result of the impact of Covid-19. We anticipate companies will continue to pay out lower levels of dividends at least until the global economy begins to recover.

As an investment trust, we have over many years been able to build up significant distributable reserves from which we can draw to pay dividends to shareholders even if there were to be a shortfall in the income from our portfolio in any year; the Company currently has £109.1m of revenue reserves and a further £1,962.4m of distributable capital reserves. In addition, as I explained in our Annual Report, we were seeking to obtain shareholder approval at our Annual General Meeting (AGM) to convert our Merger Reserve into a distributable reserve. This would provide a further £645.3m that could be used to support the payment of future dividends. As a result of the Covid-19 outbreak, and the consequent difficulties of getting Court approval, we decided to withdraw that resolution from the meeting. However, we intend to bring the resolution back to our AGM next year and, if approved, this will significantly bolster our already strong distributable reserves. Even with an income stream that may fall in the short term, we expect to continue to pay an increasing dividend and to extend our current record of year-on-year increasing dividends to 54 years and beyond.

1. Peer group is the Morningstar universe of UK retail global equity funds (closed and open ended).

# CHAIRMAN'S STATEMENT

## continued

In April, we announced a 3% increase in our first interim dividend for 2020 compared with the payment for the same time last year and we have today announced the same level of increase for our second interim dividend. Unless we suffer greater market volatility than expected in the second half of the year, we anticipate using our strong revenue reserves to maintain that level of increase for the remaining interim dividends for 2020. If necessary we can also use our distributable reserves in future years, to ensure that we continue to meet the expectations of our shareholders who approved our progressive dividend policy at our AGM in April.

### GEARING

The Company started 2020 with gross gearing of around 7.8%. The gearing levels were managed effectively within the guidelines set by the Board throughout the market volatility of the first six months of 2020. Gearing has been reduced to 5.8% at the period end reflecting our Investment Manager's view that there remains a significant level of uncertainty about the impact of the pandemic on the global economy and the timing of its recovery.

### EXPENSES

We have maintained expenses at around the same level as this point last year. Investment management fees are slightly higher reflecting a higher average NAV for the period. Other ongoing costs are slightly lower reflecting cost savings we have achieved. Where possible, we are continuing to seek ongoing savings as a result of the simplification of the Company.

### DISCOUNT\* AND SHARE BUYBACKS

We started the year with our discount at 4.1% and at 30 June it was 6.5%. Our average discount for the period was 5.8%. There were some extreme movements in March when over three days the discount moved from 2.5% to 17.6%. In the second quarter, as such extreme movements abated, we resumed share buybacks in order to reduce and stabilise the discount and, in the period, we purchased 2.3m shares at a cost of £17.5m.

### RESPONSIBLE INVESTMENT

We continue to believe that effective stewardship and the integration of environmental, social and governance (ESG) factors into the Company's investment process can help protect and grow the value of our investments. We aim to be a responsible investor and details of our approach can be found on our website.

We have not placed any ethical or value-based restrictions on the types of stocks in which our Stock Pickers can invest other than they are prohibited from investing in companies which illegally manufacture armaments under international law via the Inhuman Weapons Convention, and those weapons covered by standalone conventions. We also prohibit investment in other UK listed investment trusts and in Willis Towers Watson stock. We are keeping the need for further restrictions under review as our approach to responsible investment evolves.

### SHAREHOLDER RELATIONS

I chaired my first AGM of the Company in April this year. I was disappointed that, due to necessary Government restrictions, the meeting took place with only myself and our Company Secretary present. I had very much wished to see as many of our shareholders as possible attending, so that I could meet with you and hear your views in person.

It currently remains difficult for individuals to travel and we do not know when we will be able to host 'normal' public meetings. We plan to hold a number of virtual meetings in the course of this year to allow you to hear directly from our Investment Manager. We will provide details of these events on our website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

We had also hoped to hold an investor forum later this year. It is now doubtful that we will be able to do this. When it becomes possible, I, and my fellow Directors, look forward to meeting with you at such an event.

\*Alternative Performance Measure (refer to Glossary on page 32).

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## BOARD COMPOSITION

I am delighted that shareholders confirmed Jo Dixon's appointment as a Director at our AGM. Jo chairs our Audit and Risk Committee. The Board has 33% female representation, but we are mindful that there remains work to do in order to address other areas of diversity.

## OUTLOOK

Looking ahead, there are still significant risks and uncertainties. As the economic recovery from the Covid-19 pandemic broadens out, our Investment Manager expects to see a significant pick up in performance through following the approach that has worked successfully for its institutional clients over the last 10 years. At this time, possibly more than any other, investors need a core investment that is designed to outperform, better reduce the risk and volatility normally associated with a single manager portfolio and is able to deliver a sustainable and increasing dividend.



**Gregor Stewart**  
Chairman  
22 July 2020

# INVESTMENT MANAGER'S REPORT

## MARKET BACKGROUND

In the first half of 2020, we have witnessed extremes of volatility. Despite a collapse in national income, stock markets finished the first half slightly higher. But this disguises a very bifurcated stock market. Winners were very narrowly drawn from a small number of large-cap growth stocks, which in many cases were more insulated from the negative impact of the lockdowns. The value of other companies that have been more negatively affected by the Covid-19 pandemic fell dramatically. Markets have also had to contend with geopolitical risks, including the escalating tensions between trading blocs, such as China and the US.

## INVESTMENT PERFORMANCE

The Company has benefited from exposure to some of the so-called 'FAAMGs' (Facebook, Amazon, Apple, Microsoft and Google (Alphabet)), a small group of US mega-cap, growth stocks. At the time of writing, the portfolio is slightly overweight that particular group of stocks, though it is underweight the largest-cap stocks in general. The index composition is tilted towards very large companies, whereas the Company's Stock Pickers are seeing more opportunities in a broader set of companies outside the very largest index constituents. While this approach may have worked against the Company in the short term, we believe these stocks have greater potential for share price appreciation in the long run as the narrow market

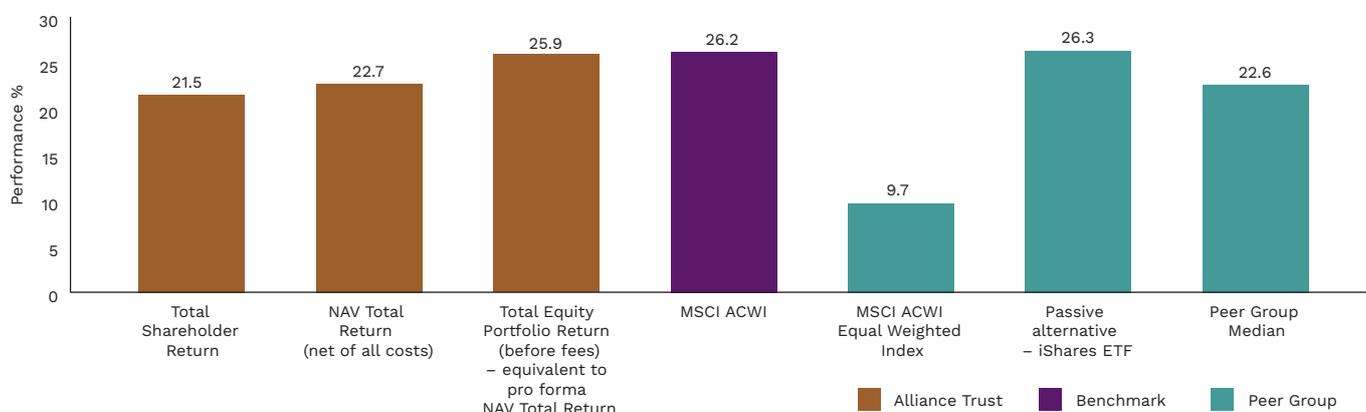
leadership of certain large-cap stocks as seen in the last few years will not persist indefinitely and valuations already reflect potential future success.

In the six months to 30 June, the Company's NAV Total Return was -3.5%, underperforming the MSCI ACWI by 4.0%. The damage was incurred in the first three months, when the narrowness of market returns was at its most extreme. In the first three months of 2020, we underperformed by 4.9%.

The second quarter of 2020 saw a more balanced picture with less extreme swings. Over that three-month period, we experienced a broader based market without the dominance of the very largest companies in the index and a more balanced return profile across the rest of the cap spectrum. This led to a pick-up in performance for a number of the Company's Stock Pickers and helped the Company claw back some of the losses made in the first three months of this year. The Company's NAV Total Return outperformed the MSCI ACWI by 2.3% in the second quarter.

The impact of the concentration effect of very large-cap stocks is demonstrated in the chart below. When we measure the performance of each company taking into account its size, the index had a return of 26.2% for the period since 1 April 2017 to 30 June 2020. If we exclude the impact of the company's size, and instead weight each company equally (the MSCI ACWI Equally Weighted Index), you can see that the performance reduces to 9.7%.

## PERFORMANCE FROM 1 APRIL 2017 TO 30 JUNE 2020 (%)



**Notes:** All data is provided as at 30 June 2020. All figures may be subject to rounding differences. The benchmark shown is the MSCI ACWI Net Dividends Reinvested.

**Sources:** Investment Performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc; NAV Total Returns are after all manager fees (including WTW fees) and allow for any tax reclaims when they are achieved. NAV Total Return figures are based on NAV including income with debt at fair value. Alliance Trust Equity Portfolio Total Return is before fees and is a good approximation of what the NAV Total Return would have been had the Company not held its legacy non-core investments. Passive alternative – iShares ETF used is the BlackRock iShares MSCI ACWI ETF. The Ongoing Charges Ratio as at 31 December 2019 was 0.62%. Peer Group Source: Morningstar. Notes: All figures are measured since 1 April 2017. The Peer Group is the Morningstar universe of 341 UK retail global equity funds (open ended and closed ended) at 30 June 2020 with performance net of fees. P.a. outperformance calculated arithmetically.



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

### Stock Performance Analysis

The table below illustrates the stocks that made the biggest difference to the Company's performance against its benchmark index in the six months to 30 June 2020. It includes both the effect of stocks we hold, and the impact of not holding some stocks that benefited from the effects of the impact of Covid-19.

Name	Country	Sector	Average Active Weight	Total Return in Sterling to 30 June 2020	Attribution Effect Relative to Benchmark
<b>TOP 5 CONTRIBUTORS TO RELATIVE PERFORMANCE</b>					
NVIDIA Corporation	United States	Information Technology	1.1%	73%	0.7%
Alphabet, Inc.	United States	Communication Services	2.7%	13%	0.4%
Amazon.com, Inc.	United States	Consumer Discretionary	0.7%	60%	0.3%
Autodesk, Inc.	United States	Information Technology	0.7%	40%	0.3%
Barrick Gold Corporation	Canada	Materials	0.5%	55%	0.3%
<b>TOP 5 DETRACTORS TO RELATIVE PERFORMANCE</b>					
Apple, Inc.*	United States	Information Technology	-2.9%	34%	-0.9%
Airbus SE	France	Industrials	0.8%	-48%	-0.8%
HDFC Bank Limited	India	Financials	1.2%	-15%	-0.5%
AerCap Holdings NV	Netherlands	Industrials	0.5%	-46%	-0.4%
Capita plc	United Kingdom	Information Technology	0.3%	-73%	-0.3%
Equity Portfolio Total Return				-2.6%	-3.1%
MSCI ACWI				0.5%	

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

# INVESTMENT MANAGER'S REPORT

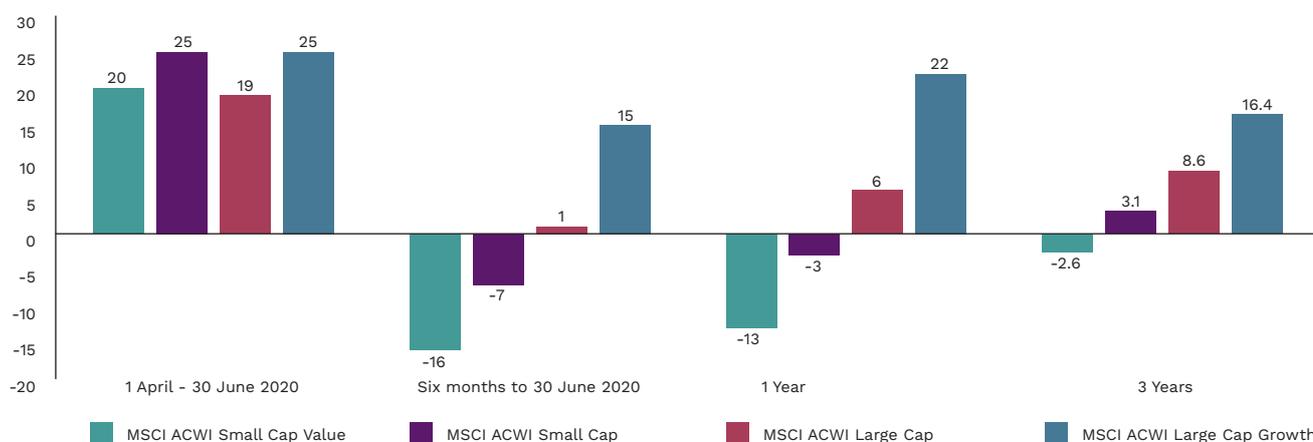
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### Stock Pickers' Performance

The performance of a number of our Stock Pickers was largely driven by their preferences for stocks other than the largest stocks. Those with a bias towards 'value investing' were especially hard hit. River and Mercantile, Jupiter and Lyrical had a poor six months due to this size effect and the market's preference for the very largest companies. In contrast, the Company's large-cap quality and growth-oriented managers performed well. GQG and Sustainable Growth were the notable winners. That Stock Pickers' performances can vary dramatically is not unexpected and is a feature of the Company's strategy: over time, this diversification avoids the dominance of one style over another and seeks to smooth out the peaks and troughs of performance normally associated with a single manager.

We have seen the dominance of growth stocks over value, and that of the largest-cap stocks over smaller-cap stocks for an extended period of time. This dominance was exacerbated further during the first three months of this year before becoming a more balanced return profile in the next three months.

### RETURNS BY SIZE AND STYLE OF STOCK (%)



Source: MSCI, GBP Total Returns, Unhedged. As at 30 June 2020.

### Manager Oversight

During this difficult period, we undertook additional operational and investment due diligence on the Stock Pickers, challenging them on their investment processes and the robustness of the companies they were choosing for our portfolio. The Board also received additional reports from WTW and directly from a number of the Stock Pickers during this time.

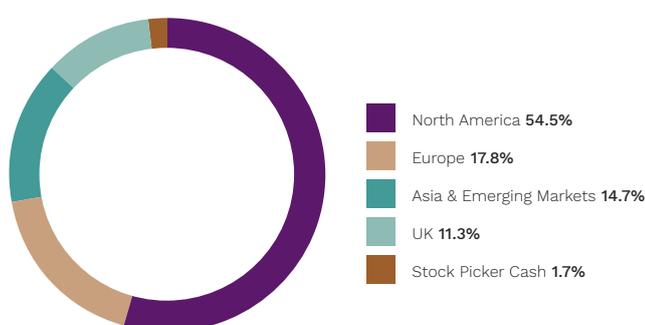
### Manager Allocations

To control risk within the portfolio during March and April, we re-allocated capital between the Company's Stock Pickers. We decided to switch some capital from those Stock Pickers which had suffered the most from volatility. We reduced exposure to River and Mercantile, Lyrical and Jupiter and increased our allocation of capital to Veritas, GQG and Sustainable Growth Advisers. These latter Stock Pickers tend to favour investing in more stable, higher quality, large-cap companies. We maintained a balance of investment styles to ensure that stock selection was the driver of risk and returns rather than any factor-based biases.

## Stock selection was the key driver of performance

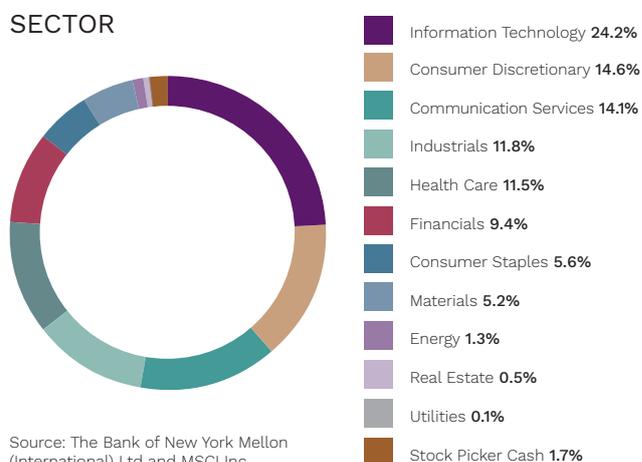
Periods of market stress highlight the importance of robust risk management within the portfolio. We ensure that the Company's portfolio is well diversified with no overall significant style, sector or regional biases relative to the benchmark. This means that the Company's performance and its risk profile, is driven primarily by the Stock Pickers' choice of specific companies. This portfolio is driven by stock-picking and not macroeconomic calls on style, industries or regions.

### 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.

The Company saw an increase in stock turnover during the period, which is what we expect to see from our Stock Pickers during a period of volatility. During March and April, just under 20% of the Company's investments changed as the stocks perceived as most vulnerable to the Covid-19 crisis were sold and replaced with new, more attractively priced opportunities. Our switch of some assets between Managers also contributed to this higher-than-usual turnover of 40% for the six months to 30 June.

#### New purchases included:

**Bureau Veritas:** This company's primary activities involve testing products or materials, inspecting sites/equipment, and certifying products and systems to maintain various global standards. It has seen an exponential rise in demand from international governments to implement nationwide medical tests for Covid-19. Our Stock Picker began building a position for the Company's portfolio in mid-March during the market downturn, offering an attractive entry point.

**Dell:** An American multinational computer technology company that develops, sells, repairs, and supports computers and related products and services. Dell owns 80% of VMWare the world's dominant leader in virtualisation software, with some 80% market share. VMWare is Dell's fastest growing segment, with double-digit historical and projected growth rates which our Stock Picker believes will improve corporate

margins over time as the segment becomes an ever-larger share of the company. Our Stock Picker expects significant earnings accretion as Dell reduces its leverage and begins to buy back shares with its robust free cash flow, leading to approximately 10% long-term earnings growth.

**Booking Holdings:** A leading online travel company connecting customers with hotels, car rental and airline tickets. The company has a strong balance sheet with minimal net debt and some significant investments and is very cash generative in normal times. It has a flexible cost base and could strengthen its market share during the downturn. It has a strong market position and should benefit when travel recovers. Booking Holdings shares fell sharply due to restrictions on travel. In due course, our Stock Picker expects earnings to recover making the valuation at which it was purchased very attractive.

#### The stocks that were sold included:

**Carnival:** Sold as cruising may well take longer to recover compared to other holiday options and our Stock Picker is of the view that Carnival has a balance sheet precariously exposed to any extended period of low demand.

**Bank of America:** The decision to sell was based on accelerated declines in global interest rates combined with the uncertainty around the economic backdrop and the possibility of future non-performing loans.

# INVESTMENT MANAGER'S REPORT

## continued

### Voting Activities

Our Stock Pickers exercise the voting rights for all the underlying holdings in the portfolio. Between 1 January 2020 and 30 June 2020, the Company's Stock Pickers cast 2,411 votes at 138 company meetings. They voted on all the proposals that could be voted on in the period.

The Company's Stock Pickers voted against management or abstained on 222 proposals. Of the votes exercised against company management, the most frequently recurring themes were compensation policy and the appropriateness of certain directors.

### Engagement Activities

In addition to the engagement activities undertaken by the Company's Stock Pickers, EOS at Federated Hermes (EOS) engages with companies that the Company invests in and with policy makers on public policy. In the period EOS engaged with over 90 companies within the Company's portfolio on a range of responsible investment issues and objectives.

We report on the voting and engagement activities undertaken by our Stock Pickers and EOS on a quarterly basis via our website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

### Outlook

The Covid-19 pandemic is not yet over. There is the possibility of a second wave creating further social and economic disruption. We do not yet know how quickly economies can recover; for how long governments can run up such enormous deficits; or the effect of central bank intervention in bond markets. There is a credible case for a speedy recovery; but just as credible is the possibility that weakness persists into next year and beyond. While the initial impact may be deflationary, via labour market weaknesses, the creation of new deposits by central banks could eventually lead to a rise in inflation, which could trigger a rise in interest rates and increase debt burdens considerably. Given the wide range of policy responses, now is not the time to make heroic bets. Our portfolio is well-diversified and relies on individual company performance rather than gambling on macroeconomics.

# RESULTS AT A GLANCE

## COMPANY PERFORMANCE

	30 June 2020	31 December 2019	30 June 2019
Share price	783.0p	840.0p	796.0p
Net Asset Value (NAV) per share*	837.2p	875.9p	836.8p
Discount to NAV <sup>1</sup>	6.5%	4.1%	4.9%
Average Discount to NAV** <sup>1</sup>	5.8%	5.0%	5.1%

Source: WTW and Morningstar.

\*Balance sheet value calculated with debt at fair value. \*\*Six months to 30 June and 12 months to 31 December.

## SHAREHOLDER RETURN

As at 30 June 2020	6 months	1 year	3 years	5 years
Total Shareholder Return <sup>1</sup>	-5.8%	0.3%	18.3%	78.9%
NAV Total Return** <sup>1</sup>	-3.5%	1.9%	18.8%	68.5%
MSCI ACWI	0.5%	5.2%	25.7%	74.0%

Source: Morningstar and MSCI Inc.

\*NAV Total Return is based on NAV including income with debt at fair value, and after all Manager fees (including WTW's fees) and allows for any tax reclaims when they are achieved.

## ADMINISTRATION EXPENSES

	6 months to 30 June 2020	Year to 31 December 2019	6 months to 30 June 2019
Investment Management Fees	£5.8m	£11.7m	£5.5m
Ongoing Administrative Expenses <sup>1</sup>	£2.8m	£5.2m	£2.9m
Total Ongoing Expenses	£8.6m	£16.9m	£8.4m
Non-recurring Costs	£0.2m	£0.7m	£0.4m
Total Expenses	£8.8m	£17.6m	£8.8m

Source: WTW.

<sup>1</sup> Alternative Performance Measure (refer to Glossary on page 32).

# PORTFOLIO AT A GLANCE

The following are the largest 20 global holdings selected by our Stock Pickers. By value these stocks account for 34.3% of the Company's investments in 170 companies. 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 30 JUNE 2020

 <p>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.</p>	Country of Listing	United States
	Sector	Communication Services
	Selected by Stock Pickers	5
	% of the equity portfolio*	4.4
	% of MSCI ACWI	0.9
	Value of Holding (£m)	126.9
 <p>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.</p>	Country of Listing	United States
	Sector	Information Technology
	Selected by Stock Pickers	4
	% of the equity portfolio	3.6
	% of MSCI ACWI	3.1
	Value of Holding (£m)	105.2
 <p>Amazon.com, Inc. is an American multinational technology company based in Seattle that focuses on e-commerce, cloud computing, digital streaming and artificial intelligence.</p>	Country of Listing	United States
	Sector	Consumer Discretionary
	Selected by Stock Pickers	3
	% of the equity portfolio	3.5
	% of MSCI ACWI	2.5
	Value of Holding (£m)	101.8
 <p>Alibaba Group Holding Limited operates as a holding company. It provides internet infrastructure, electronic commerce, online financial, and internet content services through its subsidiaries. It offers its products and services worldwide.</p>	Country of Listing	China
	Sector	Consumer Discretionary
	Selected by Stock Pickers	2
	% of the equity portfolio	2.2
	% of MSCI ACWI	0.9
	Value of Holding (£m)	62.5
 <p>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.</p>	Country of Listing	United States
	Sector	Information Technology
	Selected by Stock Pickers	3
	% of the equity portfolio	2.0
	% of MSCI ACWI	0.6
	Value of Holding (£m)	58.5

\*% of the equity portfolio is calculated for each stock in the largest 20 investments table including the value of cash held by the Stock Pickers for investment.

## LARGEST 20 INVESTMENTS AT 30 JUNE 2020

 <p>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.</p>	<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>	1.8
	<b>% of MSCI ACWI</b>	0.5
	<b>Value of Holding (£m)</b>	52.2

 <p>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.</p>	<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>	1.6
	<b>% of MSCI ACWI</b>	0.7
	<b>Value of Holding (£m)</b>	47.3

 <p>Novo Nordisk A/S develops, produces and markets pharmaceutical products worldwide. It focuses on diabetes care but also works in areas such as haemostatis management, growth disorders, hormone replacement therapy and offers educational and training materials.</p>	<b>Country of Listing</b>	Denmark
	<b>Sector</b>	Health Care
	<b>Selected by Stock Pickers</b>	2
	<b>% of the equity portfolio</b>	1.5
	<b>% of MSCI ACWI</b>	0.2
	<b>Value of Holding (£m)</b>	42.5

 <p>Facebook, Inc. is an American social media and technology company based in Menlo Park, California.</p>	<b>Country of Listing</b>	United States
	<b>Sector</b>	Communication Services
	<b>Selected by Stock Pickers</b>	2
	<b>% of the equity portfolio</b>	1.4
	<b>% of MSCI ACWI</b>	1.2
	<b>Value of Holding (£m)</b>	40.1

 <p>SAP SE is a multinational software company. It develops business software, including e-business and enterprise management software, consults on organisational usage of its applications software and provides training services. SAP markets its products and services worldwide.</p>	<b>Country of Listing</b>	Germany
	<b>Sector</b>	Information Technology
	<b>Selected by Stock Pickers</b>	2
	<b>% of the equity portfolio</b>	1.3
	<b>% of MSCI ACWI</b>	0.3
	<b>Value of Holding (£m)</b>	38.5

# PORTFOLIO AT A GLANCE

continued

## LARGEST 20 INVESTMENTS AT 30 JUNE 2020

 <p>Charter Communications, Inc. operates as a cable telecommunications company. It offers cable broadcasting, internet, voice, and other business services in the United States.</p>	<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>	1.3
	<b>% of MSCI ACWI</b>	0.2
	<b>Value of Holding (£m)</b>	37.5
 <p>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.</p>	<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>	1.3
	<b>% of MSCI ACWI</b>	0.0
	<b>Value of Holding (£m)</b>	37.0
 <p>Baidu, Inc. operates an Internet search engine. It offers algorithmic search, enterprise search, news, MP3, and image searches, voice assistance, online storage and navigation services. Baidu serves clients globally.</p>	<b>Country of Listing</b>	China
	<b>Sector</b>	Communication Services
	<b>Selected by Stock Pickers</b>	2
	<b>% of the equity portfolio</b>	1.2
	<b>% of MSCI ACWI</b>	0.1
	<b>Value of Holding (£m)</b>	35.2
 <p>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.</p>	<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>	1.2
	<b>% of MSCI ACWI</b>	0.6
	<b>Value of Holding (£m)</b>	34.3
 <p>KKR &amp; Co. Inc. operates as an investment firm. It manages investments such as private equity, energy, infrastructure, real estate, credit strategies and hedge funds. KKR &amp; Co serves clients worldwide.</p>	<b>Country of Listing</b>	United States
	<b>Sector</b>	Financials
	<b>Selected by Stock Pickers</b>	1
	<b>% of the equity portfolio</b>	1.1
	<b>% of MSCI ACWI</b>	0.0
	<b>Value of Holding (£m)</b>	31.5

## LARGEST 20 INVESTMENTS AT 30 JUNE 2020

 <p>Infosys Limited, is an Indian multinational corporation, headquartered in Bangalore, that provides business consulting, information technology and outsourcing services.</p>	<b>Country of Listing</b>	India
	<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>	0.0
	<b>Value of Holding (£m)</b>	30.4

 <p>Autodesk, Inc. supplies PC software and multimedia tools. Its two-dimensional and three-dimensional products are used across industries and in the home for architectural and mechanical design, geographic information, systems and mapping and visualization applications. Its software products are sold worldwide through a network of dealers and distributors.</p>	<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>	1.0
	<b>% of MSCI ACWI</b>	0.1
	<b>Value of Holding (£m)</b>	29.7

 <p>Tencent Holdings Limited operates as a holding company. Through its subsidiaries, it provides worldwide social networking, music, web portals, e-commerce, mobile games, Internet services, payment systems, entertainment, artificial intelligence and technology solutions.</p>	<b>Country of Listing</b>	China
	<b>Sector</b>	Communication Services
	<b>Selected by Stock Pickers</b>	2
	<b>% of the equity portfolio</b>	1.0
	<b>% of MSCI ACWI</b>	0.8
	<b>Value of Holding (£m)</b>	29.7

 <p>AIA Group Limited offers insurance and financial services. It writes life insurance for individuals, as well as business, accident and health insurance. It also provides retirement planning and wealth management services.</p>	<b>Country of Listing</b>	Hong Kong
	<b>Sector</b>	Financials
	<b>Selected by Stock Pickers</b>	1
	<b>% of the equity portfolio</b>	1.0
	<b>% of MSCI ACWI</b>	0.2
	<b>Value of Holding (£m)</b>	28.0

 <p>ConvaTec Group PLC manufactures medical and surgical equipment. It offers urine meters, dressings, negative pressure wound systems, adhesive removers and infusion devices. ConvaTec Group markets its products worldwide.</p>	<b>Country of Listing</b>	United Kingdom
	<b>Sector</b>	Health Care
	<b>Selected by Stock Pickers</b>	2
	<b>% of the equity portfolio</b>	0.9
	<b>% of MSCI ACWI</b>	0.0
	<b>Value of Holding (£m)</b>	27.4

# PORTFOLIO AT A GLANCE

continued

## THE STOCK PICKERS

Location	Name	Investment Style	% of Portfolio
<b>United States</b> 	<b>First Pacific Advisors</b>	Seeks companies with high-quality business models, financial strength and strong management at a significant discount.	7% (10% at 31 December 2019)
	<b>GQG Partners</b>	Seeks high-quality sustainable businesses at reasonable prices whose strengths should outweigh the macro environment.	20% (14% at 31 December 2019)
	<b>Lyrical Asset Management</b>	Looks for US companies in cheapest decile of valuation with high returns on invested capital and ability to grow profitability.	8% (13% at 31 December 2019)
	<b>Sustainable Growth Advisers</b>	Seeks differentiated companies that have strong pricing power, recurring revenue generation and long runways of growth.	15% (11% at 31 December 2019)
	<b>Vulcan Value Partners</b>	Focuses on protecting capital by investing in companies with high quality business franchises trading at attractive prices.	10% (9% at 31 December 2019)
<b>United Kingdom</b> 	<b>Jupiter Asset Management</b>	Looks for out-of-favour and undervalued businesses with prominent franchises and sound balance sheets.	8% (10% at 31 December 2019)
	<b>River and Mercantile Asset Management</b>	Seeks smaller companies and recovery situations where it can identify value at different stages of a company's lifecycle.	7% (9% at 31 December 2019)
	<b>Veritas Asset Management</b>	Aims to grow real wealth over five-year periods by researching thematic trends that drive medium-term growth.	15% (13% at 31 December 2019)
<b>Canada</b> 	<b>Black Creek Investment Management</b>	Long-term contrarian value-orientated buyers of leading businesses across the market cap spectrum.	10% (11% at 31 December 2019)

# OTHER INFORMATION

## RISKS AND UNCERTAINTIES

In order to achieve its investment objective, the Company invests in quoted equities. It also has some non-core investments that are being realised. Its principal risks and uncertainties are therefore:

- Market, Counterparty and Financial Risks – Investment, Credit and Counterparty, Capital Structure and Financial, and Liquidity
- Operational – Cyber-attack and Outsourcing
- Corporate Governance
- Investment Trust Status – Loss of Investment Trust status
- Strategy – Performance impacted by external factors and share price and discount
- Reputational
- Environmental, Social and Governance (ESG) factors
- Regulatory Non-Compliance

These risks, and the way in which they are managed, are described in more detail within the Risk Management section on pages 37 to 41 of the Annual Report for the year ended 31 December 2019, which is available on the Company's website at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

The first half of 2020 has been marked by the impact of Covid-19 not just on people's lives but also the global economy and it is considered by the Board alongside its other investment and operational risks. In addition to the effects of this pandemic, negotiations are taking place on the terms of the United Kingdom's exit from the European Union. The Board continues to consider both of these risks and the impact they are likely to have. The Board remains of the view that active management of the concentrated 'best ideas' approach employed by the Company will be able to take advantage of any volatility as it creates opportunities. The Board believes that our globally diversified portfolio will be able to provide a less volatile and, hopefully, a more rewarding investment.

From an operational perspective, the Board is comfortable with the arrangements currently in place for the Company's staff: each employee has the same IT equipment and access to information at home, with the same cyber security in place, as in our office, and that the Company's outsourced providers are similarly organised to continue to provide the level of service required.

## RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the six months ended 30 June 2020 which have a material effect on the results or the financial position of the Company.

## GOING CONCERN STATEMENT

As at 30 June 2020, while there have been significant market changes over the period the Board does not consider that in relation to its ability to continue as a going concern that there have been any significant changes to these factors. Given the level of market volatility experienced due to the impact of the Covid-19 pandemic, the Manager performed liquidity stress tests on the Company's portfolio under current conditions and the Manager remains comfortable with its liquidity. The Directors, who have reviewed budgets, forecasts and sensitivities, consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe it is appropriate to continue to adopt the going concern basis.

The factors impacting on Going Concern are set out in detail on page 55 of the Annual Report for the year ended 31 December 2019.

The Board did not consider it necessary to instruct the Auditors to carry out a review of its Going Concern position as the impact of Covid-19 on the Company's portfolio, as a whole, did not merit taking such action.

# OTHER INFORMATION

## continued

### RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU, this gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- The interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board



**Gregor Stewart**

Chairman

**22 July 2020**

# FINANCIAL STATEMENTS



## Financial Statements

### INCOME STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2020

£000	Note	6 months to 30 June 2020			6 months to 30 June 2019			Year to 31 December 2019 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Revenue</b>										
Income	3	26,656	-	26,656	36,571	-	36,571	60,814	-	60,814
(Loss)/profit on fair value designated investments		-	(117,037)	(117,037)	-	387,125	387,125	-	536,228	536,228
Profit/(loss) on fair value of debt		-	1,408	1,408	-	(10,477)	(10,477)	-	(15,317)	(15,317)
<b>Total revenue</b>		<b>26,656</b>	<b>(115,629)</b>	<b>(88,973)</b>	<b>36,571</b>	<b>376,648</b>	<b>413,219</b>	<b>60,814</b>	<b>520,911</b>	<b>581,725</b>
Investment management fees		(1,438)	(4,314)	(5,752)	(1,378)	(4,135)	(5,513)	(2,931)	(8,794)	(11,725)
Administrative expenses		(2,683)	(329)	(3,012)	(2,802)	(483)	(3,285)	(4,893)	(969)	(5,862)
Finance costs	4	(919)	(2,688)	(3,607)	(879)	(2,637)	(3,516)	(1,810)	(5,456)	(7,266)
Loss on other assets held at fair value		-	-	-	-	(56)	(56)	-	(56)	(56)
Foreign exchange losses		-	(3,237)	(3,237)	-	(1,381)	(1,381)	-	(3,926)	(3,926)
<b>Profit/(loss) before tax</b>		<b>21,616</b>	<b>(126,197)</b>	<b>(104,581)</b>	<b>31,512</b>	<b>367,956</b>	<b>399,468</b>	<b>51,180</b>	<b>501,710</b>	<b>552,890</b>
Tax	5	1,614	-	1,614	(1,657)	-	(1,657)	(3,946)	-	(3,946)
<b>Profit/(loss) for the period/year</b>		<b>23,230</b>	<b>(126,197)</b>	<b>(102,967)</b>	<b>29,855</b>	<b>367,956</b>	<b>397,811</b>	<b>47,234</b>	<b>501,710</b>	<b>548,944</b>

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

#### Earnings per share attributable to equity holders

Basic (p per share)	7	7.07	(38.41)	(31.34)	9.03	111.30	120.33	14.30	151.84	166.14
Diluted (p per share)	7	7.07	(38.41)	(31.34)	9.02	111.18	120.20	14.28	151.68	165.96

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2020**

£000	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019 (audited)
<b>Called up share capital</b>			
At 1 January	8,227	8,342	8,342
Transactions with owners, recorded directly in equity:			
Own shares purchased and cancelled in the period/year	(57)	(90)	(115)
At 30 June/31 December	8,170	8,252	8,227
<b>Capital reserve</b>			
At 1 January	2,105,895	1,639,172	1,639,172
(Loss)/profit for the period/year	(126,197)	367,956	501,710
Transactions with owners, recorded directly in equity:			
Own shares purchased and cancelled in the period/year	(17,309)	(27,427)	(34,987)
At 30 June/31 December	1,962,389	1,979,701	2,105,895
<b>Merger reserve</b>			
At 1 January, 30 June and 31 December	645,335	645,335	645,335
<b>Capital redemption reserve</b>			
At 1 January	10,771	10,656	10,656
Transactions with owners, recorded directly in equity:			
Own shares purchased and cancelled in the period/year	57	90	115
At 30 June/31 December	10,828	10,746	10,771
<b>Revenue reserve</b>			
At 1 January	109,164	107,684	107,684
Profit for the period/year	23,230	29,855	47,234
Transactions with owners, recorded directly in equity:			
Dividends	(23,278)	(22,777)	(45,754)
At 30 June/31 December	109,116	114,762	109,164
<b>Total equity</b>			
At 1 January	2,879,392	2,411,189	2,411,189
At 30 June/31 December	2,735,838	2,758,796	2,879,392

**BALANCE SHEET (UNAUDITED) AS AT 30 JUNE 2020**

£000	Note	30 June 2020	30 June 2019	31 December 2019 (audited)
<b>Non-current assets</b>				
Investments held at fair value	9	2,853,397	2,880,009	3,050,010
Right of use asset		696	881	797
		<b>2,854,093</b>	2,880,890	3,050,807
<b>Current assets</b>				
Outstanding settlements and other receivables		20,475	54,278	13,409
Cash and cash equivalents		75,396	86,036	97,486
		<b>95,871</b>	140,314	110,895
<b>Total assets</b>		<b>2,949,964</b>	3,021,204	3,161,702
<b>Current liabilities</b>				
Outstanding settlements and other payables		(18,010)	(19,485)	(19,661)
Bank loans	12	-	(50,000)	(65,000)
Lease liability		(248)	(251)	(251)
		<b>(18,258)</b>	(69,736)	(84,912)
<b>Total assets less current liabilities</b>		<b>2,931,706</b>	2,951,468	3,076,790
<b>Non-current liabilities</b>				
Unsecured fixed rate loan notes	12	(195,230)	(191,798)	(196,638)
Lease liability		(638)	(874)	(760)
		<b>(195,868)</b>	(192,672)	(197,398)
<b>Net assets</b>		<b>2,735,838</b>	2,758,796	2,879,392
<b>Equity</b>				
Share capital	13	8,170	8,252	8,227
Capital reserve		1,962,389	1,979,701	2,105,895
Merger reserve		645,335	645,335	645,335
Capital redemption reserve		10,828	10,746	10,771
Revenue reserve		109,116	114,762	109,164
<b>Total Equity</b>		<b>2,735,838</b>	2,758,796	2,879,392
All net assets are attributable to equity holders.				
<b>Net asset value per ordinary share attributable to equity holders</b>				
Basic	8	£8.37	£8.37	£8.76
Diluted	8	£8.37	£8.36	£8.75

## CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2020

£000	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019 (audited)
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax	(104,581)	399,468	552,890
Adjustments for:			
Losses/(profit) on investments	117,037	(387,125)	(536,228)
(Profit)/loss on fair value of debt	(1,408)	10,477	15,317
Foreign exchange losses	3,237	1,381	3,926
Depreciation	101	93	187
Loss on other assets held at fair value	-	56	56
Finance costs	3,607	3,516	7,266
Scrip dividends	(169)	(267)	(350)
Operating cash flows before movements in working capital	17,824	27,599	43,064
Decrease in receivables	166	4,998	6,399
(Decrease)/increase in payables	(1,016)	417	(4,206)
Net cash inflow from operating activities before income tax	16,974	33,014	45,257
Taxes paid	(2,345)	(1,600)	(1,539)
Net cash inflow from operating activities	14,629	31,414	43,718
<b>Cash flows from investing activities</b>			
Proceeds on disposal at fair value of investments through profit and loss	1,195,305	726,586	1,691,941
Purchase of investments at fair value through profit and loss	(1,119,787)	(683,533)	(1,627,201)
Disposal of tangible assets	-	2,699	2,699
Net cash inflow from investing activities	75,518	45,752	67,439
<b>Cash flows from financing activities</b>			
Dividends paid – equity	(23,278)	(22,777)	(45,754)
Purchase of own shares	(16,995)	(27,427)	(34,987)
Net repayment of borrowing	(65,000)	(17,000)	(2,000)
Principal paid on lease liabilities	(125)	(140)	(271)
Interest paid on lease liabilities	(17)	(20)	(37)
Finance costs paid	(3,585)	(3,553)	(7,864)
Net cash outflow from financing activities	(109,000)	(70,917)	(90,913)
Net (decrease)/increase in cash and cash equivalents	(18,853)	6,249	20,244
Cash and cash equivalents at beginning of period/year	97,486	81,168	81,168
Effect of foreign exchange rate changes	(3,237)	(1,381)	(3,926)
<b>Cash and cash equivalents at the end of period/year</b>	<b>75,396</b>	<b>86,036</b>	<b>97,486</b>

## Notes to the financial statements

### 1 GENERAL INFORMATION

The information contained in this report for the period ended 30 June 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2019 has been delivered to the Registrar of Companies. The auditor's report on those financial statements was prepared under s495 and s496 of the Companies Act 2006. The report was not qualified, did not contain an emphasis of matter paragraph and did not contain statements under section 498(2) or (3) of the Companies Act.

The interim results are unaudited. They should not be taken as a guide to the full year.

### 2 ACCOUNTING POLICIES

#### Basis of preparation

The annual financial statements were prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU. The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) Financial Statements of Investment Companies issued by the Association of Investment Companies (AIC) in November 2014 as updated in October 2019, and which is effective for periods beginning on or after 1 January 2019, is consistent with the requirements of IFRS the Directors have sought to prepare these financial statements on a basis consistent with that guidance.

These financial statements do not include all of the disclosures that would be required for a complete set of financial statements and should be read in conjunction with the 2019 Annual Report.

#### Going concern

The Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis. In reaching this conclusion, the Directors have regard to the potential impact on the economy and the Company of the current Covid-19 pandemic.

#### Segmental reporting

The Company has identified a single operating segment, the investment trust, which aims to maximise shareholders returns. As such no segmental information has been included in these financial statements.

#### Application of accounting policies

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.

### 3 INCOME

£000	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
Other interest	213	257	764
Dividend income	26,244	35,423	58,669
Mineral rights income	20	797	974
Property rental income	157	62	324
Other income	22	32	83
<b>Total income</b>	<b>26,656</b>	<b>36,571</b>	<b>60,814</b>

The mineral rights income disclosed above represents the gross income received. The last of the mineral rights were sold in 2019 and the income above is residual income due to the Company received during the period.

#### 4 FINANCE COSTS

£000	6 months to 30 June 2020			6 months to 30 June 2019			Year to 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Bank loans and unsecured fixed rate loan notes	915	2,675	3,590	874	2,622	3,496	1,801	5,428	7,229
Interest on lease liabilities	4	13	17	5	15	20	9	28	37
<b>Total finance costs</b>	<b>919</b>	<b>2,688</b>	<b>3,607</b>	<b>879</b>	<b>2,637</b>	<b>3,516</b>	<b>1,810</b>	<b>5,456</b>	<b>7,266</b>

Finance costs include interest of £2,140k (£2,140k at 30 June 2019 and £4,280k at 31 December 2019) on the £100m 4.28% unsecured fixed rate loan notes issued in July 2014 for 15 years and interest of £850k (£842k at 30 June 2019 and £1,698k at 31 December 2019) 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.

#### 5 TAXATION

In the six months to 30 June the Company has received corporation tax refunds of £1,651k (£1,525k at 30 June 2019 and 31 December 2019). The Company has also released £2,853k of prior year tax provisions where the balances no longer meet the conditions to be recognised as a liability. These tax credits have offset the underlying tax expense reflected in the income statement representing irrecoverable withholding tax suffered on overseas dividend income so the Company reports a tax credit in the Income Statement for the accounting period.

#### 6 DIVIDENDS PAID

£000	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
2018 fourth interim dividend of 3.3890p per share	-	11,260	11,260
2019 first interim dividend of 3.4900p per share	-	11,517	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	11,474	-	-
2020 first interim dividend of 3.5950p per share	11,804	-	-
	<b>23,278</b>	<b>22,777</b>	<b>45,754</b>

## 7 EARNINGS PER SHARE

£000	6 months to 30 June 2020			6 months to 30 June 2019			Year to 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Ordinary shares</b>									
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders	<b>23,230</b>	<b>(126,197)</b>	<b>(102,967)</b>	29,855	367,956	397,811	47,234	501,710	548,944

### Number of shares

#### Weighted average number of ordinary shares for the purposes of:

Basic earnings per share	<b>328,570,401</b>	330,591,813	330,417,501
Diluted earnings per share	<b>328,793,760</b>	330,946,254	330,772,093

The calculation of the diluted earnings per share is based on the weighted average of the entire number of shares in issue.

The calculation of the basic earnings per share is based on the weighted average number of ordinary shares arrived at by excluding 22,331 (334,182 at 30 June 2019 and at 31 December 2019) ordinary shares held by the Trustee of the Employee Benefit Trust.

IAS 33.41 requires that shares should only be treated as dilutive if they decrease earnings per share or increase the loss per share. The earnings per share figures on the income statement reflect this.

In both 2019, and 2020 shares held by the EBT were sold to fund the payment of cash bonuses to members of the Executive team.

## 8 NET ASSET VALUE PER ORDINARY SHARE

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

	30 June 2020	30 June 2019	31 December 2019
Equity shareholder funds (£000)	<b>2,735,838</b>	2,758,796	2,879,392
Number of shares at period end – Basic	<b>326,776,402</b>	329,675,551	328,731,551
Number of shares at period end – Diluted	<b>326,798,733</b>	330,009,733	329,065,733

The number of ordinary shares has been reduced by 22,331 (334,182 at 30 June 2019 and at 31 December 2019) ordinary shares held by the Trustee of the Employee Benefit Trust in order to arrive at the basic figures above.

## 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 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 Director's 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.

All fair value measurements disclosed are recurring fair value measurements.

Company valuation hierarchy fair value through income statement:

£000	As at 30 June 2020			
	Level 1	Level 2	Level 3	Total
Listed investments	2,852,779	-	-	2,852,779
<b>Unlisted investments</b>				
Private equity	-	-	584	584
Other	-	-	34	34
	2,852,779	-	618	2,853,397

£000	As at 30 June 2019			
	Level 1	Level 2	Level 3	Total
Listed investments	2,866,095	-	-	2,866,095
<b>Unlisted investments</b>				
Private equity	-	-	9,822	9,822
Mineral rights	-	-	3,891	3,891
Other	-	-	201	201
	2,866,095	-	13,914	2,880,009

£000	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Listed investments	3,049,874	-	-	3,049,874
<b>Unlisted investments</b>				
Private equity	-	-	63	63
Other	-	-	73	73
	3,049,874	-	136	3,050,010

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

### Unlisted investments

The Company's holdings in unlisted investments are categorised as Level 3. Level 3 assets, are reviewed on an ongoing basis by the Valuation Committee of Towers Watson Investment Management (TWIM) who are assigned responsibility for valuation by the Board of the Company.

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	30 June 2020	30 June 2019	31 December 2019
Balance at 1 January	136	60,333	60,333
Purchases at cost	-	250	250
Sales proceeds	(44)	(40,798)	(55,199)
Realised profit/(loss) on sale	5	(5,871)	(5,248)
Profit on fair value designated investments	521	-	-
Balance at 30 June/31 December	618	13,914	136

Investments in subsidiary companies (Level 3) are valued in the Company's accounts at £34.2k (£619.1k at 30 June 2019 and £72.9k at 31 December 2019).

Private equity investments 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. However if the General Partner does not feel the manager is reflecting a fair value it will select a valuation methodology that is most appropriate for the particular investments in that fund and generate a fair value.

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.

## 10 FINANCIAL COMMITMENTS

As at 30 June 2020 the Company had financial commitments, which have not been accrued, totalling £0.3m (£1.7m at 30 June 2019 and £0.3m at 31 December 2019). These amounts were in respect of uncalled subscriptions in investments structured as limited partnerships all of which relates to investments in our private equity portfolio. 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.

The Company provided letters of support to AT2006 Limited, Allsec Nominees Limited and The Second Alliance Trust Limited, 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 these companies to continue trading, meet commitments and not to seek repayment of any amounts outstanding.

## 11 SHARE BASED PAYMENTS

The Company operated three share based payment schemes. Full details of these schemes (Long Term Incentive Plan (LTIP), Deferred Bonus and All Employee Share Ownership Plan (AESOP) which terminated in 2019) are disclosed in the December 2019 Annual Report and financial statements and the basis of measuring fair value is consistent with that disclosed therein.

The 2015 LTIP and the last Deferred Bonus vested in May 2020. In the period ended 30 June 2020 no new awards were made and no Company shares were purchased (nil at 30 June 2019 and 31 December 2019). All existing share awards have now vested. There was no charge to the Company income statement during the period in respect of LTIP awards (nil at 30 June 2019 and at 31 December 2019).

## 12 BANK LOANS AND UNSECURED FIXED RATE LOAN NOTES

£000	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Bank loans repayable within one year	-	50,000	65,000
<b>Analysis of borrowings by currency:</b>			
Bank loans – Sterling	-	50,000	65,000
<b>The weighted average % interest rates payable:</b>			
Bank loans	1.10%	1.33%	1.32%
<b>The Directors' estimate of the fair value of the borrowings:</b>			
Bank loans	-	50,000	65,000

### Unsecured fixed rate loan notes

£000	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
4.28 per cent. Unsecured fixed rate loan notes due 2029	124,100	123,970	125,340
2.657 per cent. Unsecured fixed rate loan notes due 2033	22,366	21,802	22,426
2.936 per cent. Unsecured fixed rate loan notes due 2043	23,824	22,664	23,814
2.897 per cent. Unsecured fixed rate loan notes due 2053	24,940	23,362	25,058
	<b>195,230</b>	191,798	196,638

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

On 28 November 2018 the Company issued £60m unsecured fixed rate loan 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%.

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.

The fair value of the unsecured fixed rate loan notes are estimates provided by a specialist external vendor.

<b>The total weighted average % interest rates payable:</b>	<b>3.35%</b>	3.16%	3.11%
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## 13 SHARE CAPITAL

£000	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Allotted, called up and fully paid: 326,798,733 (330,009,733 at 30 June 2019 and 329,065,733 at 31 December 2019) ordinary shares of 2.5p each	8,170	8,252	8,227

### Share Buybacks

£000	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Ordinary shares of 2.5p each			
Opening share capital	8,227	8,342	8,342
Share buybacks	(57)	(90)	(115)
Closing share capital	<b>8,170</b>	8,252	8,227

# 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.

**Equity Portfolio Total Return** is a measure of the performance of the Company'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 six months to 30 June 2020 was -2.6%, 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 Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But, if the value of the Company'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 Company's financial leverage. It is calculated by dividing the Company'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 30 June 2020, the Company had Gross Gearing of 5.8%.

**Gearing (Net)** is a measure of the Company's financial leverage and calculated by dividing the Company's net borrowings (i.e. total borrowings minus cash) by its Net Asset Value. Unless otherwise indicated, borrowings are valued at par. As at 30 June 2020, the Company had Net Gearing of 3.1%.

**Investment Manager** means the investment manager appointed by the Company to manage its portfolio. As at 30 June 2020, 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 Company increases its exposure, whether through borrowing (gearing) or through leverage embedded in derivative positions, or by any other means. As required by AIFMD, the Company'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 Company'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 Company is disclosed annually by WTW in its AIFMD Disclosure which can be found on the Company's website.

**Manager or Stock Picker** means a manager selected and appointed by Willis Towers Watson to invest the Company'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 Company can be found on the Company'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 Company'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 Company's NAV Total Return is the MSCI ACWI total return. The Company's NAV Total Return for the six months to 30 June 2020 after fees and including income with debt at fair value was -3.5%.

**Net Asset Value (NAV)** is the value of the Company's total assets less its liabilities (including borrowings). The Company'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 Company's balance sheet Net Asset Value as at 30 June 2020 was £2.74bn which, divided by 326,798,733 ordinary shares in issue on that date, gave a NAV per share of 837.2p.

**Ongoing Charges Ratio (OCR)** is the total expenses (excluding borrowing costs) incurred by the Company as a percentage of the Company's average NAV (with debt at fair value). Previously we reported the OCR based on the average of the opening and closing NAV for the year; based on the old methodology, the OCR for the year to 31 December 2019 was 0.64%. The OCR for year to 31 December 2019 calculated in line with the industry standard using the average of net asset values at each NAV calculation date for the year to 31 December 2019 was 0.62%.

**Ongoing Charges** represent the Company'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 Company's costs can be found on page 34 of the Annual Report.

**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 341 members on 30 June 2020. The number of members of the peer group will vary depending on the performance period being reported.

**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 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 Company's TSR is the MSCI ACWI total return. This measure shows the actual return received by a shareholder from their investment. The Company's TSR for the six months to 30 June 2020 was -5.8%.

**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 Company'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 Company. In the six month period ending 30 June 2020 turnover was 40%.

# INFORMATION FOR SHAREHOLDERS

## INCORPORATION

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

The Company'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 Company, 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](mailto:investor@alliancetrust.co.uk)**

The Company's website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk) contains information about the Company, including the most recent information on our investment performance in our monthly factsheet, and a daily update on our 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 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 [www-uk.computershare.com/investor](http://www-uk.computershare.com/investor)

## HOW TO INVEST

There are various ways to invest in the Company. The Company's shares can be traded through any UK stockbroker and most share dealing services and platforms that offer investment trusts, as well as Computershare, the Company's Registrars. Shareholders may also reinvest their dividend in the Company's shares in a cost-effective way through the Company's Dividend Reinvestment Plan. Further details can be found by visiting [www.investorcentre.co.uk](http://www.investorcentre.co.uk) where you can register and apply online.

The Company conducts its affairs so that its shares can be recommended by independent financial advisers (IFAs) to ordinary retail investors. The shares are excluded from the Financial Conduct Authority's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## KEY DOCUMENTS

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.

We are required to make certain information available to investors prior to their purchase of shares in the Company. The Company's Investor Disclosure Document (IDD) is available at [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk) The IDD was updated in May 2020 to reflect the appointment of BDO LLP as the Company's Auditor as well as some minor typographical changes. The IDD was further updated in June 2020 to reflect a new fee arrangement agreed with the Company's Depository, NatWest Trustee and Depositary Services Limited.

## KEY DATES

### Financial Year End

31 December 2020

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

### 1st Interim Dividend

Dividend was 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.

### Annual General Meeting

22 April 2021

### Shareholder events

We will be holding a number of virtual meetings in the course of this year to allow you to hear directly from our Investment Manager. We will provide details of these events on our website [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)

Earlier this year, we said that we intended to hold an investor forum in Dundee, in lieu of the one we would normally have held after our AGM. However, it currently remains difficult for individuals to travel and we do not know when we will be able to host 'normal' public meetings. We will provide details of this and any other event on our website.

## 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 Company's Registrars provide registered shareholders with a confirmation of the dividends paid by the Company. 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.

## DISABILITY ACT

This document is available both in printed form and on our website. Our website uses the Web Content Accessibility Guidelines (WCAG) 2.0 to ensure our text meets the AAA standard in terms of size and contrast and has been designed to be responsive to whichever device it is viewed on, e.g. if it is viewed on a tablet or phone, the screen and text size will adjust so the whole page is viewable.

If you require this document in any other format, please contact us.

## BOGUS COMMUNICATIONS

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

## CONTACT

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