

THE EDINBURGH INVESTMENT TRUST PLC

STATEMENT FOR ANNUAL GENERAL MEETING

3 JULY 2002

In my Chairman's statement I informed shareholders that the board had concluded that it was not able to give a commitment to a continuing relationship with Edinburgh Fund Managers without judging them formally against other fund managers. I also reported that Hymans Robertson, who are specialists in this area, had been retained to assist the board in conducting a formal selection process, which would include EFM.

The contract to manage The Edinburgh Investment Trust is one of the largest mandates in UK equities and its future has attracted a great deal of interest both from the fund management community and from the press. The board feels strongly that it is in shareholders' interests that the process, which I will describe, should be conducted calmly and out of the public gaze. My colleagues and I have taken great care not to comment on who, or how many, might, or might not, be in the running and we intend to maintain that stance until we are ready to announce the result. Meanwhile I can assure you that our entire responsibility, as we see it, is to choose the manager who we feel will add most value for shareholders.

I would now like to report to you on the progress being made.

First, from an initial list of some twenty managers, the board, advised by Hymans Robertson, selected twelve who were asked to complete a detailed questionnaire. Responses were then analysed and the managers were "scored" on a number of factors, including their investment credentials, their specific experience in managing and administering investment trusts, their proposals for the marketing of the trust and also their overall business profile.

As a result of this analysis, the board has selected a smaller number of managers for continued consideration. All of the directors will now take time to visit those managers in their respective offices.

Thereafter, the concluding stage will involve formal presentations from a final short list, which will include the existing managers.

We very much hope that the final result will be announced by the end of July. I will at that time write to shareholders with an explanation of our decision

Next - Given the present uncertainty surrounding the future of the investment management contract the board has decided that, this year, it would not be appropriate for this meeting to include a presentation from the company's manager. Nevertheless it is only right that I should bring you up-to-date on what has happened since the end of the financial year.

In the first 3 months of this financial year to 30 June, world markets have been weak and the Trust's benchmark FTSE All-Share index has fallen by 11.5%. The Trust's portfolio has marginally underperformed this benchmark, but the fixed borrowings or gearing have had a more significant effect in the falling market, and net asset value is 14% lower than at the start of the year.

As to the future – investors' confidence on both sides of the Atlantic has been shaken by disappointing company results and recently by more reports of malpractice by some large American companies. These issues have impacted on the market here in the UK where there is also concern about the long term funding of pensions.

UK markets have now fallen to, or even below levels at which well-managed companies offer sound value. However markets are unlikely to bounce until investor confidence recovers

The Edinburgh Investment Trust is for the long term saver who wants a low cost, low risk exposure to the UK market. Despite the present bear market, my colleagues and I remain confident that your company will continue to meet these long term objectives.