

It's never too early to start investing in their future.



# Contents.

Starting early with the F&C Child Trust Fund.	3
The Child Trust Fund – an overview.	4
What types of Child Trust Funds are available?	5
The key differences between the accounts.	6
An introduction to investment trusts.	7
The advantages of investment trusts.	8
Investing in your Child Trust Fund.	9
Building a balanced investment.	10
Select your trusts.	11
Risk factors.	12
Your step by step guide to investing.	13
Trusts profiles.	14-26
F&C give you even more.	27

# Award winning expertise.

At F&C, we're just as committed to making your money grow now, as we were in 1868 when we launched the Foreign & Colonial Investment Trust, the world's first ever investment trust. Now over 143 years later, with over three million customers and £108.0 billion (as at 30.06.11) of assets under management, we are one of the UK's largest investment trust managers. As you might expect from a company that's weathered world wars, recessions, depressions, the oil crisis and the credit crisis, our investment decisions are geared towards long-term growth, based on careful research, market analysis and experience. Something we'd like your child to benefit from.

Please remember that past performance is not a guide to future performance and the value of investments can fall as well as rise and you may not get back the full amount invested.



WINNER

Gold Standard Award for fund management 2006-2010



Best Children's Investment Provider 2007, 2008, 2010 & 2011



Best Investment Trust Children's Savings Plan, 2011



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# Starting early with the F&C Child Trust Fund.

The Government has changed the Child Trust Fund (CTF) rules so children born after 2 January 2011 are no longer eligible. Parents with an unexpired voucher can still invest in the way outlined in this brochure.

With the introduction of the Junior ISA in November comes an opportunity for Child Trust Fund investors who wish to put more into their child/ren's accounts. In line with the annual investment limit for Junior ISAs, CTF investors will be able to invest up to £3,600 a year for their children. This is a significant increase on the previous maximum investment of £1,200 a year.

There is no Government contribution to the new Junior ISA account but it provides a tax-favoured framework in which parents and families can save. Children born between 1 September 2002 and 2 January 2011 inclusive and eligible for a Child Trust Fund are not eligible for a Junior ISA.

## What does the abolition of Child Trust Fund Vouchers mean for existing CTF holders?

Anyone who has a CTF account (and this includes those children born between 2 August and 31 December 2010) can continue to contribute up to £300 a month and income and gains in the CTF are free of income and capital gains tax until the child's 18 birthday. Family and friends can also pay into the account, as long as the £3,600 annual contribution limit is not breached.

F&C also plans to launch its own Junior ISA in 2012 giving access to F&C's investment trust range. To stay up to date with the latest F&C Junior ISA information please visit:

[www.fandc.com/junior-isa](http://www.fandc.com/junior-isa)

## Affordable contributions can grow into significant amounts

The great thing about investing for children is that they've got time on their side. Provided you start investing when they're young, even relatively small amounts invested each month can grow into a substantial lump sum for when they really need it. All your investment options are fully explained throughout this brochure.

If you have a Government voucher then you can open the **F&C Child Trust Fund** and add up to a total of £3,600 each birthday year, and the great benefit is that neither you, nor the child will pay income or capital gains tax.

Whilst the money in the CTF can be used for any purpose, many of our investors are preparing to meet the cost of:

- University fees – the spiralling cost of higher education is worrying many parents. With the pressure mounting on Government finances, the already high levels of student debt are set to get even worse when today's children complete their higher education.
- Helping to fund a year out for a worldwide adventure.
- Buying a first car.
- Paying for a wedding.
- Helping them to take their first step on the housing ladder.

Please note that any money invested into a Child Trust Fund cannot be accessed until the child reaches 18, and only the child (not the parent or other donor) can access it.

## Everyone can invest

You don't have to be the child's parents to invest in the CTF, although it does have to be opened by the child's parents or guardians. Grandparents, other relatives and family friends can contribute (they do need to be over 18 years old), so they could choose to invest in the Fund at Christmas or for the child's birthday, making a longer lasting gift than the latest toy or computer game.

## You don't have to be an experienced investor

The **F&C Child Trust Fund** provides a simple way to take advantage of the long term potential offered by investing in the stock market, with a range of 13 investment trusts to choose from in our Shares Account. You can also choose our Stakeholder Account, where your money will be invested in F&C FTSE All-Share Tracker Fund.

All our investment trusts are professionally managed, so you don't have to be an experienced investor, spending hours monitoring stock markets and adjusting the portfolio – our Trust Managers do all that for you.



# The Child Trust Fund – an overview.

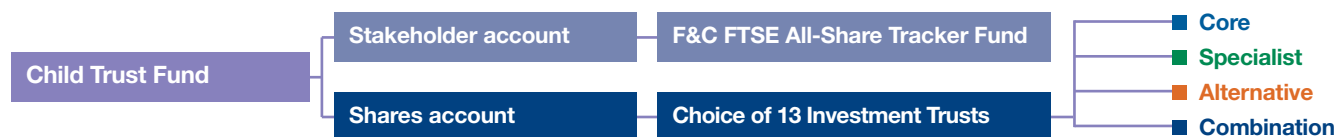
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The Child Trust Fund (CTF) is a great way to ensure your child has a financial pot of their own at the start of adult life, plus a sound understanding of how to manage money and make better financial choices later in life.

The table below gives you a better idea of the key features of the CTF.

Can my child have one?	All children living in the UK born between 1 September 2002 and 2 January 2011 inclusive, are eligible for a CTF and are sent a voucher.
How much does the Government put in?	The Government gives you a head-start with a voucher worth up to £250 (the actual amount will depend upon your household income and could be more).
How much can I contribute?	From 1 November 2011 you can add up to £3,600 each year (over and above the value of the voucher). A year runs from one birthday to the next.
Who else can make contributions?	Anyone can contribute to your child's CTF – family members, godparents or friends can make contributions of up to £3,600 between them each birthday year.
Can I have access to the money?	No, any money in your child's CTF (whether a Government contribution or a contribution from you, family or friends) belongs to your child and will be locked in until they reach 18. At this point your child can choose what to do with the CTF.
Do I have control over the money?	Until your child reaches 16 you can choose the type of investments held in the CTF. From 16, to help your child develop a more thorough understanding of how their savings work, they can control the investment decisions should they wish – though they cannot make any withdrawals until they reach 18.
Are there any restrictions on how the money can be spent?	No. When your child turns 18, they will have full access to their money to put towards a car, house or university fees, or to spend however they wish. Alternatively, they can leave the money invested until a later date, though the account will stop being a CTF on your child's 18th birthday.
What about tax?	Neither you nor your child will pay tax on income or capital gains in the CTF, so your child can make more of the money saved.
What type of savings and investments can I put into the CTF?	A variety of investments may be used in the CTF – the choice of which will depend on whether you opt for a cash, shares or stakeholder account.
Can I transfer the CTF to another provider?	Yes, you can transfer the CTF from one provider to another.
Can I use the voucher to invest in any other way?	No. The voucher must be invested in a CTF.

# What types of Child Trust Funds are available?



Under current Government rules, you can choose from three different types of CTF account: **Cash**, **Stakeholder** and **Shares**.

## Cash account

Nobody wants to take unnecessary chances when it comes to investing for a child's future. For that reason, you may decide that the best home for your child's CTF money is a bank or building society cash account. These guarantee to return your original capital plus any interest earned. However, while the risk of losing any money is removed, the potential for growth is limited and the real value of cash savings can be eroded by the effects of inflation. F&C do not offer a cash account.

## Stakeholder and shares accounts

Stakeholder and Shares Accounts both invest in the stock market. Over longer periods, investing in stocks and shares has historically provided much better returns than leaving your money in a cash savings account. So, given your CTF account is going to last for up to 18 years, a Stakeholder or Shares Account could be a better option.

Whether you choose a Stakeholder or Shares Account will largely depend on how ambitious your investment objectives are and your acceptance of more investment risk for more potential reward over the long term. You can always open a Stakeholder Account and then transfer it into a Shares Account and vice versa.

## Stakeholder account

The Government has strict criteria for all investments offered through the stakeholder account option.

- The minimum investment for all stakeholder accounts is £10.
- Charges must be capped at 1.5% a year. Depending on your choice of investment trusts, our Shares Account can have even lower charges than this, as it has no annual plan charge.
- The account can only invest in broadly based funds to help spread risk.
- The account must offer a feature called 'lifestyling'.

Lifestyling is a form of automatic risk reduction which starts to reduce the exposure to shares when the child reaches age 13. At this point the money in the account will be gradually switched into lower risk investments like cash and gilts, so that by the time your child turns 18, all the account's investments will be in cash or low risk assets. This means that although the account may not benefit if the stock market is performing well, it is protected from potential stock market losses as your child approaches their 18th birthday.

Whilst the Government has laid out the criteria for the Stakeholder Account, they are not meant to imply any form of Government endorsement. In fact, you may find that a Shares Account or Cash Account is more appropriate for you.

With F&C, your choice is restricted to one fund – the F&C FTSE All-Share Tracker Fund. This fund is an Open Ended Investment Company (OEIC). A 'passive' fund or 'index tracker' such as this, invests in companies in a particular index e.g. the FTSE All-Share Index, in such a way that the performance of the fund is designed to track that of the index, as its name implies. Such an investment will therefore generally perform no better, but not significantly worse than the index, making this type of investment more appropriate for investors with a conservative approach to investing.

## Shares account

Shares Accounts also invest in stocks and shares, but they offer you more flexibility and a wider choice of investment options than Stakeholder Accounts. The fact that a Shares Account may not qualify as a Stakeholder Account does not necessarily mean that it will be more expensive – it just means that it doesn't fit all the criteria of a Stakeholder Account. Often charges on a Shares Account can be lower than on a Stakeholder Account, leaving more of your money to be invested for the long term. The F&C Shares Account offers you a choice of 13 investment trusts through which you can invest in the stock market.

Unlike the Stakeholder Account, the Shares Account may invest in investment trusts which are actively managed by a fund manager. The fund managers aim to generate better returns than an 'index tracker'. This type of investment has the potential to outperform the index, but there is also the risk that it will underperform.

# The key differences between the accounts.

Stakeholder Account – Open Ended Investment Company (OEIC)	Shares Account – Investment Trusts
Invests in the F&C FTSE All-Share Tracker Fund (OEIC) only	Choice of 13 investment trusts and a deposit account*
UK equities only	Choice of UK and international equity investments
No initial charge	No initial charge
0.7% annual plan charge	No annual plan charge
The fund bears an annual management charge and other expenses. These are deducted from the fund and no direct charge is made on the CTF. The annual plan charge plus fund expenses will never exceed 1.5%	Investment trusts bear underlying running costs, though these are paid from the trust's assets, not from your investment
No bid/offer spread	Bid/offer spread
No Government stamp duty	0.5% Government stamp duty (on purchase of UK shares only)
No other funds available for switching	Two free trust switches per year, £25+VAT per switch thereafter
<b>Additional investments</b> – in addition to the Government voucher <ul style="list-style-type: none"> <li>■ Minimum lump sum £10</li> <li>■ Minimum monthly investment £10</li> <li>■ Maximum lump sum £3,600 a birthday year</li> <li>■ Maximum monthly investment £300</li> </ul>	<b>Additional investments</b> – in addition to the Government voucher <ul style="list-style-type: none"> <li>■ Minimum lump sum £100 per trust</li> <li>■ Minimum monthly investment £25 per trust</li> <li>■ Maximum lump sum £3,600 a birthday year</li> <li>■ Maximum monthly investment £300</li> </ul>

\*Deposit account available for switching, not available for initial contributions.

It's worth taking a few moments to fully understand the differences between OEIC's and Investment Trusts.

Open Ended Investment Company (OEIC)	Investment Trust
A company which can create or cancel shares to meet demand from investors (open ended)	A company with a fixed number of shares (closed-ended)
Share price reflects the value of investment in the fund and is not affected by supply and demand for its shares	Share price varies according to supply and demand and can trade at a price higher than (at a premium to) or lower than (at a discount to) the value of the underlying assets
Shares are bought and sold at the same price, referred to as a 'single price'	Shares are bought and sold at different prices, referred to as the 'bid offer spread'
Annual management fees – there is no initial charge. The TER and plan charge are capped at 1.5% in aggregate	Annual management fees vary from about 0.3% to 1.25%
Some have a limited ability to borrow in certain circumstances	Can borrow extensively to make additional investments

# An introduction to investment trusts.

## Greater long term potential

The **F&C Child Trust Fund** provides a simple way to invest in the stock market. History has shown us that over the long term, investments made in stocks and shares have outperformed bank and building society accounts. As you could be investing for your child for 18 years or more, this is certainly one of the attractions of the Plan.

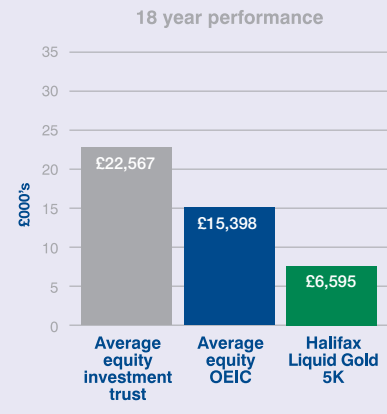
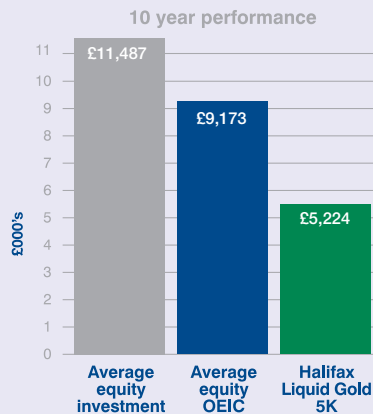
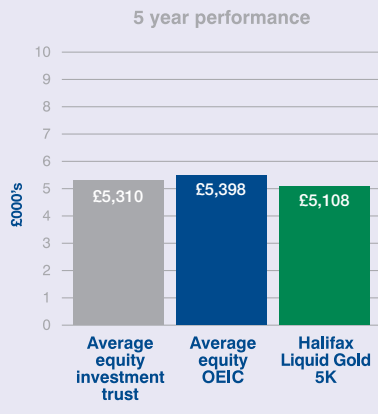
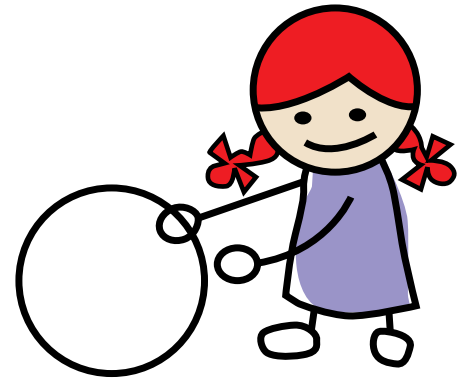
Barclays Capital has been studying the performance of shares and cash for over 100 years, and their results show that by holding shares for a period of 10 years, there has been a 90% probability of outperforming cash over the same period. The probability increased further the longer the investment is held (Source: Barclays Equity Gilt Study, February 2011).

## How do investment trusts compare?

It's easy to put money in a bank or building society. You can have instant access, you'll earn interest and your money is relatively safe. The problem over the long term is that the potential for growth is limited and the value of cash savings can be eroded by the effects of inflation.

The potential for greater returns from investment trusts can be demonstrated by taking a look at the following three charts. Had you invested £5,000 into the average investment trust 18 years ago, it would have grown to £22,567. Compare this to £15,398 in the average Open Ended Investment Company (OEIC) and just £6,595 in the Halifax Liquid Gold 5K account. You can see why investment trusts continue to be such an attractive option for many parents.

Past performance is not a guide to future performance. Stocks and shares can go down in value as well as up and carry a greater risk. So, unlike a bank or building society savings account, your capital is not secure and you may get back less money than you originally invested.



Source: Lipper Hindsight. Lump sum investment of £5,000, offer to offer, net income reinvested to 30.09.11. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not realise the original amount invested, whereas savings in a bank or building society are readily accessible and capital and interest once earned, is guaranteed. Halifax Liquid Gold 5K account for a £5,000 investment.

# The advantages of investment trusts.

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There are a number of challenges facing individuals looking to invest in the stock market:

- Lack of investment experience and finding the time required to research, choose and monitor shares.
- Investing directly into individual shares can lead to relatively high dealing fees.
- A small selection of shares in a portfolio has little scope of reducing the risk of day-to-day volatility in share prices because of the lack of diversification.

Collective investments, such as investment trusts help you avoid these problems. Your money is pooled with other investors' money in a fund and a professional manager then invests this money in a wide range of carefully researched assets. These can include shares, bonds, investments such as cash or property – helping to spread both the risk and cost of investing.

**Public limited companies** – Investment trusts are public limited companies which invest in other company shares, with the aim of producing returns for you and the other shareholders. Like any other public limited company, investment trust shares are bought and sold on the open market. This means the price you pay for a share in an investment trust depends on the supply and demand for the shares.

**Independent Board of Directors** – Being a company in its own right, each investment trust has a Board of Directors that oversees the running of that trust. The Directors are completely independent of the investment managers and are there to ensure that the interests of the shareholder (you) are looked after. Shareholders enjoy the right to attend and vote at Annual General Meetings and receive copies of interim and annual Reports and Accounts.

## **Spreading your investments and risk** –

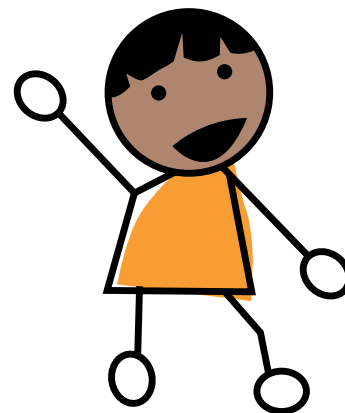
Depending on the aims of the individual trust, your money will be invested across different industries, countries and regions. This diversification means you can enjoy the growth potential and income yield from a wide range of investments, whilst significantly reducing the risk to which your money is exposed.

**Closed-ended structures** – Unlike OEICs and unit trusts which create new units or cancel existing ones depending on demand, investment trusts have a fixed number of shares. This means that underlying assets do not have to be sold to meet redemption demands from investors who want to sell. So you benefit from both the freedom the investment trust manager has to focus on making long term investment decisions, and his ability to pick up bargain stocks from a competitor forced to sell.

**Ability to borrow** – Investment trusts can borrow money or 'gear' their portfolios, to make additional investments on top of shareholders' funds. This enhances performance if returns exceed the cost of borrowing, and is one reason investment trusts have historically outperformed other collective investments over the long term. However, in a falling market, gearing will magnify the negative impact on performance.

**Discounts** – Investment trust shares can trade at a price higher than (at a premium to) or lower than (at a discount to) the value of their underlying assets. If you buy at a discount, you will hold a greater stake in the net asset value of a trust than you paid for. Buying shares at a discount can be seen as a bargain, however there is no guarantee that the discount will narrow, and there is a risk it may widen further.

**Share classes** – Some trusts offer a choice of different share classes to match your specific investment needs e.g. growth or income. Throughout our literature we use 'investment trust' to refer to the investment companies whose shares are available in our CTF. These may include authorised investment trusts, UK investment companies and overseas investment companies. All companies are listed on the London Stock Exchange.



# Investing in your Child Trust Fund.

## Investing is easy

Opening a CTF account with us is easy and doesn't cost a lot. You can open an account with just your voucher – which can only be invested in one fund – and, if you wish, invest additional money so your child can potentially look forward to a more substantial cash sum on their 18th birthday.

You can make one-off payments and start monthly investments from just £10 in the stakeholder account, or you can invest lump sums from £100 per trust or start monthly investments from £25 per trust in our shares account.

## Choice

With 13 actively managed investment trusts to choose from in our shares account it's never been easier to tap into the returns of major stock markets from around the world. If you prefer to stay a little closer to home, our stakeholder FTSE All-Share Tracker Fund is a good way to track the performance of some of the UK's largest companies.

## Flexibility

Whichever account you choose, you have total control over how your child's investments are run up to their 16th birthday. After that your child can choose to take control of their investments if they wish. You can invest a lump sum or, if you prefer, invest regularly each month. You can also top-up your investments, stop, start, or change your monthly investments at any time, provided you stay within the minimum and maximum amounts permitted.

Investing smaller amounts on a monthly basis has the effect of ironing out stock market volatility. If the market rises, you benefit

because the shares you already own increase in value. If the market falls, you still benefit because your monthly investment buys more shares at the lower price. This is known as 'pound cost averaging'.

An easy way to keep your child's CTF account topped up is to pay in any Christmas or birthday money they are given over the years. Plus, if you want to pay something into the account each month, you could consider investing any child benefit allowance.

## Additional contributions

As well as any contributions you make, grandparents, relatives, godparents and friends will be able to make contributions provided the total amount invested in your child's CTF account does not exceed £3,600 in any one birthday year – over and above the amount of the voucher.

## Reinvesting dividends

We automatically reinvest dividends to buy further shares. This enhances the capital growth potential of your investment.

## Tax-efficient

Remember, neither you nor your child will pay tax on income or capital gains in the account – meaning more growth potential for your child's CTF.

## Switching

Flexibility is the key to successful investing and, subject to the investment minimums, you can move your money around in our shares account if you need, for example, to avoid stock market volatility by switching to lower risk investments as your child approaches age 18. You can switch between any of our trusts twice a year free of

charge, with any additional switches costing just £25+VAT. You can also switch to a deposit account to protect against any falls in the market.

Please note, you cannot invest in the deposit account at the outset, either as a lump sum or on a monthly basis or top-up lump sums. In addition, you can redirect monthly investments into another trust at any time. Our stakeholder account offers an automatic lifestyling feature when your child reaches 13. You can however cancel this by writing to us at any time.

## Transfers

You can transfer your entire CTF from the stakeholder account to the shares account and vice versa at any time. You will need to complete an application form and provide us with written authority. We can then arrange it for you.

If for any reason you are unhappy with the performance of a CTF account you already hold with another provider, you can always transfer your account to F&C. Just ask us for a transfer form or download one from our website at [www.fandc.co.uk](http://www.fandc.co.uk)

**Low cost** – Our approach to charges is to keep them simple and transparent – which means you get excellent value for money. When you buy or sell shares we only charge a 0.2% dealing fee. Apart from this and the Government stamp duty of 0.5% (which can't be avoided whenever you buy UK shares) there are no other charges for running your Plan. So for example, if you invest £50 monthly you pay just 10p in charges each month. And on a lump sum investment of £250, the charges would be 50p.

If you have any questions please feel free to talk to our Investor Services team on **0800 136 420** who will be happy to help you.

# Building a balanced investment.

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Our 13 investment trusts are divided into three categories – **Core**, **Specialist** and **Alternative**. This will help you decide which individual trusts or combinations of trusts, are most suitable for your own investment objectives and your appetite for risk and reward.

To view daily updated performance information, please log onto our website: [www.fandc.co.uk](http://www.fandc.co.uk). There are also monthly fact sheets to download and copies of the latest set of Report and Accounts. Each trust has specific risk factors which are outlined on page 12.

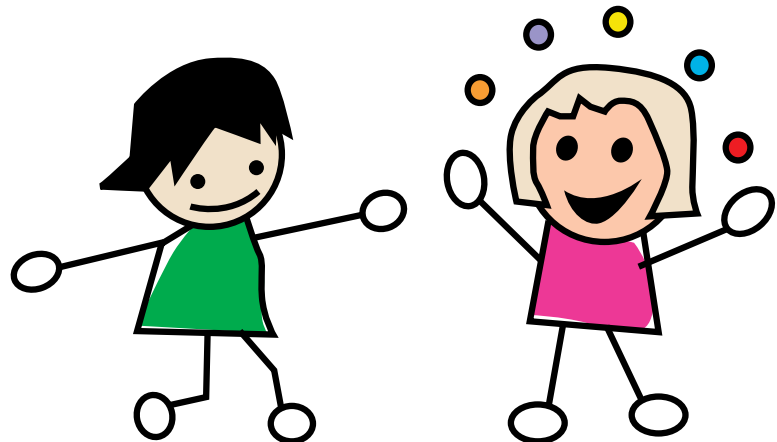
Building a balanced portfolio by investing in a combination of trusts is one way to help manage risk; for example you could invest in a core holding of more conservative trusts plus a smaller holding of more specialist trusts. That way you gain exposure to a wide range of companies and market sectors.

More conservative trusts might not give you stellar returns, but are more likely to be consistent, solid performers. You could consider a core UK or global trust investing in a widely spread, diversified portfolio for this role. Specialist and alternative trusts tend to invest in a particular sector or geographic region. If you're happy to accept more risk in return for potential higher rewards, you could allocate a percentage of the portfolio to more specialist trusts.

Each of our trusts has a different aim and invests in different sectors or parts of the world. With 13 trusts to choose from, you can build a diversified portfolio tailored to your exact needs.

## Looking for something more adventurous?

If you have an established portfolio you may wish to make an allocation to one of the alternative options with an investment exposure outside the main equity indices. It is important that you consider the investment risks associated with the alternative strategy as there is no guarantee that the strategy will provide superior returns over a given period or at all.



## Select your trusts.

### Core Trust

Our range of core investment trusts allow you to build a solid foundation for your investment portfolio, so you can plan for the future with more confidence. These trusts are intended to provide consistent, solid performance, with investments made in large diversified UK and global portfolios.

	Growth or income	Investment risk (see p12)	Invests in	Geographic region
<b>Foreign &amp; Colonial Investment Trust</b>	Growth	b, c, g*	An international investment portfolio	International
<b>British Assets Trust</b>	Both	c, g	An international portfolio of equities and equity-related securities	International (with a core UK holding)
<b>F&amp;C Capital and Income Investment Trust</b>	Both	c	Predominantly UK blue-chip companies plus some European blue-chips and smaller UK companies	Predominantly UK, some European holdings
<b>Investors Capital Trust</b>	Income	-	UK equities and predominantly UK fixed interest securities	UK

### Specialist Trust

Investors who want to diversify an existing equity portfolio and are prepared to accept more risk in exchange for greater potential returns will be interested in our specialist trusts. These still provide diversification but to narrower asset groups. You will be able to adjust the focus of your portfolio where you identify potentially more rewarding investments with an acceptable risk profile.

<b>European Assets Trust</b>	Growth	c, f, g	Medium sized quoted companies in Europe excluding the UK	Europe (excluding UK)
<b>F&amp;C US Smaller Companies</b>	Growth	c, g	US quoted smaller and medium-sized companies	US
<b>F&amp;C Global Smaller Companies</b>	Growth	c, g	Smaller companies worldwide	International
<b>F&amp;C Managed Portfolio Trust</b>	Both	c	A diversified portfolio of closed ended listed investment companies	International

### Alternative Trust

If you're looking to invest in opportunities outside of the main equity indices, our range of alternative investment trusts offer you access to the greater potential rewards of undiscovered stocks and non-equity investment. You will need to carefully consider the particular investment risks associated with each trust's investment strategy.

<b>F&amp;C Private Equity Trust</b>	Growth	c, d, g	Unquoted companies worldwide	International
<b>Graphite Enterprise Trust</b>	Growth	c, d, g	Direct investment in unquoted companies and private equity fund investments	UK and Continental Europe
<b>IRP Property Investments Limited</b>	Income	e	A diversified UK property portfolio	UK
<b>F&amp;C Commercial Property Trust</b>	Income	e	A diversified UK property portfolio	UK
<b>Thames River Hedge+</b>	Growth	c, d	Fund of hedge funds	International

\*The stated risks only apply to part of the portfolio.

# Risk factors.

All of our range of investment trusts invest in the stock market. As well as looking at the potential rewards that this can bring, it's important that you are aware of the potential risks involved so that you can make an informed decision.

Please refer to the tables on the previous page to check which risks apply to each investment trust.

## General risks

**Gearing** – Investment trusts can borrow money, which can then be used to make further investments (gearing). They can also invest in instruments such as warrants or derivatives, where a small movement in the value or price of the underlying right or asset results in a larger movement in the value or price of the instrument. In a rising market, this 'gearing' can enhance returns to shareholders. Correspondingly, if the market falls, losses may be greater.

**Insufficient income** – Where the income earned by an investment trust is insufficient to cover its charges and expenses, the balance may be charged to capital, which will to that extent, constrain capital growth.

**Liquidity** – Shares in smaller companies are generally traded less frequently than those in larger companies. This means that there may be difficulty in both buying and selling shares and individual share prices may be subject to short-term price swings.

**Premiums and discounts** – As investment trust shares are publicly traded on the London Stock Exchange, their price is determined by market factors, such as demand and supply between buyers and sellers. That price will not necessarily accurately reflect the underlying value of the trust's portfolio of investments (its 'net asset value' or 'NAV'). The share price may be either higher than the NAV; at a 'premium', or more commonly, lower than the NAV; at a 'discount'. Discounts and premiums vary constantly. Although buying shares at a discount could be seen as value for money, there is no guarantee that the discount will narrow and there is a risk that it may widen further. Many factors influence the discount or premium and a large discount does not necessarily indicate a bargain.

**Price volatility** – The value of shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. Past performance is not a guide to future performance. When you sell your shares, you may get back less than you originally invested.

## Specific investment trust risks

The following may apply depending on the composition of the investment portfolio:

- a) **Concentrated portfolio** – Due to the concentrated nature of the portfolio, short-term volatility in the price could be relatively high which means that the amount by which the Fund diverges from or under/over performs the benchmark may be higher than for other funds.
- b) **Emerging markets** – Where investments are made in emerging markets, dealing, settlement and custody practices are less developed and riskier than in more developed markets. In addition, the stock markets and currencies of emerging markets can be volatile and may be less liquid.
- c) **Foreign currency** – For investment trusts which make investments outside the UK, you should be aware that your investment could be affected by changes in the rates of exchange between sterling and the currencies in which those investments are denominated.
- d) **Investment in unlisted funds** – Investment trusts investing in hedge funds or private equity funds will obtain exposure to funds not normally available to individual investors and will include exposure to the performance, liquidity and valuation issues of the underlying funds. Such funds are typically not marketable generally, have high minimum investment levels and may restrict or suspend repayment to investors. The information available on their investment strategies, underlying assets and performance may be limited.

Investors considering an investment exposed to hedge fund strategies or private equity funds should be prepared to accept that it may be more difficult to assess the scope or scale

of the opportunities available to such funds and the likelihood of their generating the expected returns.

The asset value of shares in such an investment trust and its prospects may also be more difficult to assess.

- e) **Property** – For investment trusts which invest in property and property related securities, the values of such properties and securities are likely to reflect valuations of properties as determined by professional valuers. Such valuations are the opinion of valuers at a particular time, may not be supported by recent transactions and are liable to revision.  
  
Property assets are significantly less liquid than listed securities (take longer to buy or sell) and this may adversely impact the value and performance of related securities.
- f) **Payments from capital** – European Assets Trust largely pays its dividends from capital. Dependent on performance, this may reduce the capital value over time.
- g) **Smaller companies** – Where investments are made in smaller companies and businesses at an early stage of their development, there may be a higher degree of risk. The value of such investments is usually more sensitive to market movements and may be less liquid (take longer to buy or sell).

# Your step by step guide to investing.

## Step 1

### Decide which CTF account you want to open

You can choose either the Stakeholder Account or the Shares Account. Please read the enclosed Key Features and Terms & Conditions leaflet. This explains all the risks and terms and conditions of your CTF account. If you have any questions, please call our Investor Services Team on **0800 136 420**. It can take up to 60 days from the date we receive your application before the voucher money is received from HM Revenue & Customs.

## Step 2

### Fill in your Child Trust Fund voucher

You can only open a CTF account if you have a Government voucher. Simply fill in your address details on the reverse of the voucher and attach it to the application form. If you want to transfer an existing CTF to F&C, please ask us for the appropriate form. Call our Investors Services Team on **0800 136 420**.

## Step 3

### Decide how much you want invest

In addition to the voucher amount, you can invest up to £3,600 each birthday year in the CTF account. You can invest with a lump sum or monthly by Direct Debit. You don't have to make additional contributions, but if you want to please check the table on page 6 for the minimum investment amounts for the account you want to open.

## Step 4

### Choose your trusts for the Shares Account

If you are opening a Shares Account, choose which one or more of our trusts you would like to invest in. You can split the investment across any combination of trusts subject to the investment minimums (the Government voucher can be invested in one trust only). For the stakeholder account all payments will be invested in the F&C FTSE All-Share Tracker Fund.

## Step 5

### Complete and return the application form

If you are happy that you understand the account and the investment trust(s) you intend to invest in, complete the application form, signing where appropriate. Return your application form, voucher and cheque in the envelope provided to: Freepost Plus, RLSU-UYLE-GRHR, F&C Plan Administration Centre, Block C, Western House, Lynch Wood Business Park, Lynch Wood, Peterborough, PE2 6BP. Cheques for any additional lump sum contribution should be payable to 'F&C Management Limited'.

#### What happens next?

For new plans, we will send you an acknowledgement within five working days of receiving your application form and voucher. We'll also confirm the first date that we will collect any Direct Debits.

If for any reason you change your mind about your application, you have 14 days from the date we receive your application to cancel it.

After those 14 days have passed, we will open your account. We'll invest any cheque(s) that you have sent us and send any Direct Debit mandate(s) to your bank/building society.

We will send you a statement once the first shares in your account have been purchased. Please note, it can take up to 60 days to receive the proceeds of the Government voucher, so this might not show on your first statement.

(as at 31 August 2011)

## Investment objective

To secure long-term growth in capital and income from an international investment portfolio.

## Key attractions:

With its aim to seek the best possible returns for shareholders, the trust has appointed specialist fund management companies to look after its US private equity portfolio. This means you benefit from the expert market knowledge and experience of more than one management company.

- The portfolio is invested in more than 600 companies in 35 countries.
- A wide spread of assets helps to reduce risk.
- Solid long-term performance.
- One of the largest investment trusts in the world.
- Investment pedigree: the first ever investment trust, launched in 1868.

## Discrete annual performance

	Share price
Year to 31.08.11	<b>9.6%</b>
Year to 31.08.10	<b>12.5%</b>
Year to 31.08.09	<b>-13.1%</b>
Year to 31.08.08	<b>0.0%</b>
Year to 31.08.07	<b>17.7%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

## Performance chart



Performance from 31.08.06 to 31.08.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

## Cumulative performance

	1 month	1 year	3 years	5 years
Share price	<b>-6.3%</b>	<b>9.6%</b>	<b>7.0%</b>	<b>26.0%</b>
Benchmark	-6.6%	8.0%	10.9%	19.2%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

## Top ten equity holdings

Pantheon Europe Fund III	3.1%
Pantheon Europe Fund V	2.7%
HarbourVest V Direct Fund	2.5%
Vodafone	2.3%
GlaxoSmithKline	2.1%
Rio Tinto	1.9%
HSBC	1.8%
HarborVest Buyout VII Fund	1.8%
BP	1.8%
British American Tobacco	1.7%
<b>TOTAL</b>	<b>21.7%</b>

## Key statistics

Fund manager:	Jeremy Tigue
Launched:	1868
Total assets:	£2.1 billion
Share price:	288.00p
NAV:	319.38p
Discount/Premium (-/+):	-9.8%
Dividend date(s):	May, Sept
Net dividend yield:	2.3%
Actual gearing:	111.0
Year end:	31 December
Management fee rate:	0.365% p.a.*
Total expenses:	0.54%
Benchmark:	FTSE All-Share Index / FTSE All World ex-UK Index (40:60)

\*Based on Market Capitalisation.

## Geographical breakdown

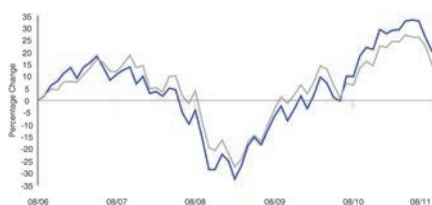
UK	36.4%
USA	22.5%
Private Equity	20.6%
Emerging Markets	11.6%
Europe ex UK	9.8%
Japan	4.6%
Cash	-5.5%

Past performance is not a guide to future performance.

(as at 31 August 2011)

**Investment objective**

To achieve a total return in excess of a composite index, weighted as to 75% FTSE All-Share Index and 25% FTSE World (ex-UK) Index, by investing principally in a diversified international portfolio of equities and equity related securities. Within this overall objective, the Company aims to maintain a progressive dividend policy which will be dependent upon, inter alia, the rate of revenue growth within the investment portfolio and the level of dividend cover.

**Performance chart**

Performance from 31.08.06 to 31.08.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

**Geographical breakdown**

<b>Corporate bonds</b>	<b>11.4%</b>
<b>UK</b>	<b>14.5%</b>
<b>Global Developed</b>	<b>8.3%</b>
North America	8.1%
Europe	3.1%
Japan	1.6%
Pacific (ex Japan)	1.5%
<b>Global Emerging</b>	<b>8.8%</b>
Asia	4.7%
Latin America	2.1%
Europe	1.2%
Other	0.8%
<b>Cash</b>	<b>-0.3%</b>

**Key attractions:**

With over 100 years of solid performance, the trust offers attractive growth potential and pays a regular quarterly dividend which you can choose to receive or re-invest for greater capital growth potential. Dominated by UK blue-chip holdings, the trust also offers exposure to global developed and global emerging countries, including Europe, North America, Japan and Pacific ex-Japan, as well as corporate bonds.

- Global diversification with a core UK portfolio.
- One of the highest yielding trusts in its sector.
- An attractive regular income with quarterly dividends paid directly to your bank account.
- Plus the prospect of solid long-term capital growth.

**Discrete annual performance**

	<b>Share price</b>
Year to 31.08.11	<b>9.3%</b>
Year to 31.08.10	<b>17.4%</b>
Year to 31.08.09	<b>-2.5%</b>
Year to 31.08.08	<b>-13.4%</b>
Year to 31.08.07	<b>10.8%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

**Cumulative performance**

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>-4.9%</b>	<b>9.3%</b>	<b>25.2%</b>	<b>20.1%</b>
Benchmark	-6.8%	7.5%	9.7%	14.5%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

**Top ten equity holdings**

Vodafone	4.6%
GlaxoSmithKline	4.3%
Rio Tinto	4.3%
Royal Dutch Shell	3.6%
BP	3.4%
British American Tobacco	2.6%
HSBC	2.6%
Tesco	2.1%
Scottish & Southern	2.0%
Standard Chartered	1.7%
<b>TOTAL</b>	<b>31.2%</b>

Past performance is not a guide to future performance.

**Key statistics**

Fund manager:	Phil Doel
Launched:	1898
Total assets:	£439.2 million
Share price:	123.00p
NAV:	122.57p
Discount/Premium (-/+):	0.4%
Dividend date(s):	Jan, Apr, Jul, Oct
Net dividend yield:	5.0%
Actual gearing:	108.2
Year end:	30 September
Management fee rate:	0.30%
Total expenses:	0.72%
Benchmark:	FTSE All-Share Index / FTSE All World ex-UK Index (75:25)

(as at 31 August 2011)

**Investment objective**

To generate long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share Index companies.

**Key attractions:**

This trust has built up an excellent track-record of providing long-term capital growth with a healthy income stream.

- Invests mainly in large, UK blue-chip companies.
- Some additional holdings in European blue-chip companies and some smaller UK companies.
- Dividend yield tends to be higher than that of the UK stock market as a whole.
- Pays an attractive income with the option to have quarterly dividends paid directly to your bank account.

**Discrete annual performance**

	Share price
Year to 31.08.11	<b>10.0%</b>
Year to 31.08.10	<b>9.5%</b>
Year to 31.08.09	<b>-5.3%</b>
Year to 31.08.08	<b>-9.4%</b>
Year to 31.08.07	<b>8.4%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

**Performance chart**

Performance from 31.08.06 to 31.08.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

**Sector breakdown**

Financials	21.2%
Oil & Gas	14.4%
Consumer Services	10.3%
Telecommunications	10.0%
Basic Materials	9.8%
Industrials	9.1%
Consumer Goods	8.9%
Healthcare	7.9%
Utilities	6.6%
Technology	1.8%

**Cumulative performance**

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>-6.3%</b>	<b>10.0%</b>	<b>14.1%</b>	<b>12.0%</b>
Benchmark	-6.9%	7.3%	8.9%	11.2%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

**Top ten equity holdings**

Vodafone	6.7%
Royal Dutch	6.4%
BP	5.9%
Rio Tinto (REGD)	5.6%
GlaxoSmithKline	5.3%
HSBC	4.2%
British Amer Tobacco	3.8%
Scottish & Southern	3.3%
Tesco	2.6%
AstraZeneca	2.4%
<b>TOTAL</b>	<b>46.2%</b>

**Key statistics**

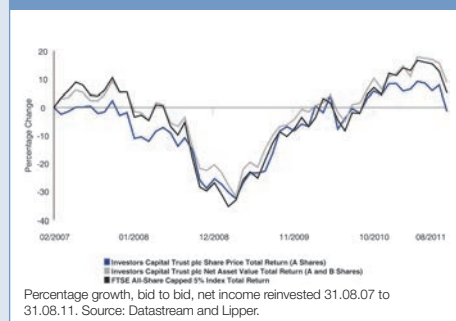
Fund manager:	Julian Cane
Launched:	1992
Total assets:	£190.0 million
Share price:	207.75p
NAV:	203.98p
Discount/Premium (-/+):	1.8%
Dividend date(s):	Jan, Mar, Jun, Sep
Net dividend yield:	4.9%
Actual gearing:	109.0
Year end:	30 September
Management fee rate:	1.00%
Total expenses:	0.81%
Benchmark:	FTSE All-Share Index

Past performance is not a guide to future performance.

## Trust aims

To provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth. The Company's portfolio is managed in two parts. The first part comprises investments in UK equities and equity-related securities of large and mid-sized companies (the Equities portfolio) and the second part comprises investments in fixed interest and other higher yielding stocks and securities (the Higher Yielding Portfolio). At outset the Equities portfolio represented 80 per cent of the overall portfolio.

## Performance chart



## Sector breakdown

FTSE 100	67.0%
FTSE 250	6.7%
Cash and Fixed Interest	26.3%

## Key attractions:

Investors Capital Trust employs an inventive structure allowing three investment options, satisfying investors with a priority of higher income, capital growth or both.

- Innovative structure allowing investors to take an income from dividends and/or capital returns.
- Designed specifically to deliver capital growth as well as regular income.
- Fund split into two distinct parts: an equities portfolio (80%) comprising large and medium sized companies, and a higher yield portfolio (20%), comprising mailing of bonds.

## Discrete annual performance

	Share price
Year to 31.08.11	<b>0.6%</b>
Year to 31.08.10	<b>17.3%</b>
Year to 31.08.09	<b>-6.3%</b>
Year to 31.08.08	<b>-8.8%</b>
Year to 31.08.07	<b>n/a</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

## Cumulative performance

	1 month	1 year	3 years	Since Launch
Share price	<b>-8.6%</b>	<b>0.6%</b>	<b>10.4%</b>	<b>1.0%</b>
Benchmark	-6.9%	7.3%	10.9%	6.0%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

## Top ten equity holdings

GlaxoSmithKline	4.5%
Vodafone Group	4.2%
Royal Dutch Shell	4.0%
British American Tobacco	3.8%
Rio Tinto	3.5%
HSBC Holdings	3.2%
BHP Billiton	2.7%
BP	2.6%
BG Group	2.5%
AstraZeneca	2.3%
<b>TOTAL</b>	<b>33.3%</b>

## Key statistics (based on A shares)

Fund manager:	Rodger McNair
Launched:	2007
Total assets:	£135.3 million
Share price:	74.00p
NAV:	79.76p
Discount/Premium (-/+):	-7.2%
Dividend date(s):	Feb, May, Aug, Nov
Net dividend yield:	5.8%
Actual gearing:	99.3
Year end	31 March
Management fee rate:	0.90%
Total expenses:	1.10%
Benchmark:	FTSE All-Share Capped 5% Index

Past performance is not a guide to future performance.

## Investment objective

To achieve growth of capital through investment in quoted medium-sized companies in Europe, excluding the UK. A high distribution policy has been adopted and dividends have been paid mainly out of capital reserves.

## Key attractions:

Strong track-record of investing in small and medium-sized quoted companies throughout mainland Europe.

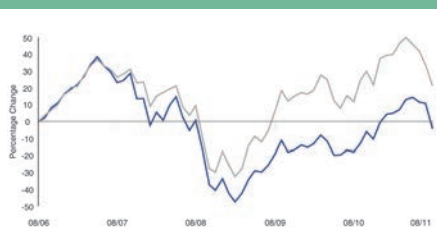
- Attractive, high dividend.
- Can capitalise on growth in EU membership.
- Under-researched market gives rise to value opportunities.
- Focus on small to mid cap companies with good growth prospects.

## Discrete annual performance

	Share price
Year to 31.08.11	<b>15.9%</b>
Year to 31.08.10	<b>0.8%</b>
Year to 31.08.09	<b>-18.0%</b>
Year to 31.08.08	<b>-19.0%</b>
Year to 31.08.07	<b>22.9%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

## Performance chart



Performance from 31.08.06 to 31.08.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

## Cumulative performance

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>-15.8%</b>	<b>15.8%</b>	<b>-4.2%</b>	<b>-4.6%</b>
Benchmark	-9.4%	8.3%	10.7%	21.1%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

## Top ten equity holdings

Glanbia	6.3%
C&C Group	4.5%
Exact	4.3%
Davide Campari - Milano	4.1%
Lindt & Spruengli	4.1%
Viscofan	3.6%
Rational	3.5%
Topdanmark	3.4%
Gerresheimer	3.3%
Paddy Power	3.2%
<b>TOTAL</b>	<b>40.3%</b>

Past performance is not a guide to future performance.

## Key statistics

Fund manager:	Paras Anand
Launched:	1972
Total assets:	£107.1 million
Share price:	565.00p
NAV:	653.56p
Discount/Premium (-/+):	-13.6%
Dividend date(s):	Jan, May, Aug
Net dividend yield:	8.0%
Actual gearing:	110.4
Year end:	31 December
Management fee rate:	0.80%
Total expenses:	1.70
Benchmark:	HSBC Europe (ex-UK) Smaller Companies Index

## Geographical breakdown

Germany	19.8%
Ireland	19.7%
Spain	10.6%
Italy	10.3%
Netherlands	9.9%
Switzerland	7.2%
Denmark	6.7%
France	5.4%
Others	10.4%

## Investment objective

Focuses on achieving long-term capital growth by investing in a diversified portfolio of quoted US smaller and medium-sized companies.

It concentrates on absolute as well as relative performance with the emphasis being firmly on capital growth. There's a conservative approach to stock selection, and it targets companies which have a strong franchise, free cash flow, and management who hold a stake in the business.

## Key attractions:

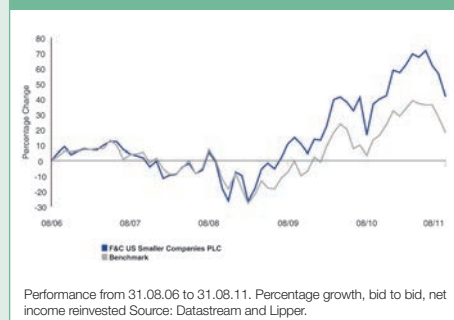
- Strong focus on absolute and relative performance.
- Targets smaller US companies with market capitalisations of between \$100 million and \$3 billion.
- Well-diversified portfolio.

## Discrete annual performance

	Share price
Year to 31.08.11	<b>21.5%</b>
Year to 31.08.10	<b>5.2%</b>
Year to 31.08.09	<b>4.8%</b>
Year to 31.08.08	<b>1.3%</b>
Year to 31.08.07	<b>4.3%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

## Performance chart



## Cumulative performance

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>-9.7%</b>	<b>21.5%</b>	<b>33.9%</b>	<b>41.4%</b>
Benchmark	-8.1%	13.9%	10.1%	17.8%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

## Top ten equity holdings

Rex Energy	2.5%
Airgas	2.4%
Waste Connections	2.4%
SBA Communications	2.3%
Teledyne Technologies	2.3%
Sanderson Farms	2.2%
America's Car-Mart	2.2%
Intrepid Potash	2.2%
Simpson Manufacturing	2.1%
Premiere Global Services	2.1%
<b>TOTAL</b>	<b>22.7%</b>

## Key statistics

Fund manager:	Robert Siddles
Launched:	1993
Total assets:	£85.1 million
Share price:	379.00p
NAV:	410.78p
Discount/Premium (-/+):	-7.7%
Dividend date(s):	N/a
Net dividend yield:	0.0%
Actual gearing:	97.0
Year end:	30 June
Management fee rate:	0.80%
Total expenses:	1.12%
Benchmark:	Russell 2000 Index

## Sector breakdown

Producer Durables	29.6%
Financial Services	15.0%
Consumer Discretionary	14.8%
Materials And Processing	8.0%
Energy	5.5%
Health Care	5.2%
Cash	3.1%
Other	18.8%

Past performance is not a guide to future performance.

(as at 31 August 2011)

## Investment objective

To secure a high total return by investing in smaller companies worldwide.

## Key attractions:

An excellent track-record, this trust continues to uncover exciting and interesting new opportunities in many countries and across a wide range of industries.

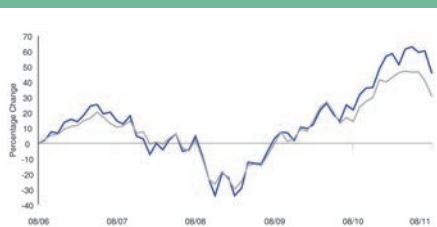
- Focus on identifying under-valued companies with strong growth potential, regardless of geographical location.
- Dividend has risen in each of the last 37 years.
- Risk reduced by spreading investment over a wide range of smaller company stocks.
- Disciplined approach to stock picking and maintains a global perspective.
- Ability to switch geographic regions.

## Discrete annual performance

	Share price
Year to 31.08.11	<b>19.5%</b>
Year to 31.08.10	<b>18.1%</b>
Year to 31.08.09	<b>-1.5%</b>
Year to 31.08.08	<b>-8.6%</b>
Year to 31.08.07	<b>14.5%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

## Performance chart



Performance from 31.08.06 to 31.08.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

## Cumulative performance

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>-9.2%</b>	<b>19.5%</b>	<b>39.0%</b>	<b>45.4%</b>
Benchmark	-7.4%	14.3%	27.4%	30.4%

Basis: Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Datastream and Lipper.

## Top ten equity holdings

iShare MSCI Japan Smaller Companies	3.8%
Scottish Oriental Smaller Cos Inv Trust	2.4%
Aberdeen Global Asian Small Cap	2.4%
Utilico Emerging Markets	2.4%
Allianz Little Dragons	2.3%
AXA Framlington Japan Smaller Companies Fund	1.7%
M&G Japan Smaller Companies Fund	1.7%
Australian New Horizons	1.4%
Rex Energy	1.0%
Airgas	1.0%
<b>TOTAL</b>	<b>20.1%</b>

## Key statistics

Fund manager:	Peter Ewins
Launched:	1889
Total assets:	£226.4 million
Share price:	523.00p
NAV:	534.05p
Discount/Premium (-/+):	-2.1%
Dividend date(s):	Aug, Jan
Net dividend yield:	1.0%
Actual gearing:	102.7
Year end:	30 April
Management fee rate:	0.40%
Total expenses:	0.74%
Benchmark:	Hoare Govett Smaller Companies Index / MSCI World ex-UK Small Cap Index (30:70)

## Geographical breakdown

USA	39.3%
UK	29.5%
Rest of World	12.2%
Continental Europe	10.0%
Japan	7.2%
Cash & Fixed Interest	1.8%

Past performance is not a guide to future performance.

**Trust aims**

**Income Portfolio:** The objective for the Income Portfolio is to provide shareholders with an attractive level of income, with the potential for growth of both income and capital from a diversified portfolio of investment companies. It is intended that the Income Portfolio will hold a portfolio of investments which focus on offering a dividend yield above that of the FTSE All-Share Index and will be diversified through holding at least 25 investments. Each investment will provide further diversification through holding a significant number of underlying investments.

**Growth Portfolio:** The objective for the Growth Portfolio is to provide shareholders with capital growth from a diversified portfolio of investment companies. The focus for the portfolio is to maximise total returns principally through capital growth. Higher yielding investment companies can be acquired if it is believed such companies will offer superior total returns although it is not expected that such companies will form a significant part of the Growth Portfolio. The Growth Portfolio will be diversified through holding at least 25 investments. Each investment will provide further diversification through holding a significant number of underlying investments.

Past performance is not a guide to future performance.

**Portfolio performance**

	1 month	Since Launch	1 year	3 years	5 years
<b>Income shares</b>	<b>-9.7%</b>	<b>9.9%</b>	<b>6.8%</b>	<b>26.5%</b>	<b>n/a</b>
<b>Growth shares</b>	<b>-11.7%</b>	<b>-1.5%</b>	<b>10.1%</b>	<b>16.0%</b>	<b>n/a</b>
Benchmark	-6.9%	3.1%	7.3%	8.9%	n/a

Percentage growth, bid to bid, net income reinvested to 31.08.11. Source: Standard & Poor's.

**Key statistics**

Fund manager:	Peter Hewitt
Launched:	2008
Total assets:	£41.2 million
Management fee rate:	0.65%
Total expenses:	1.40%
Benchmark (for both portfolios):	FTSE All-Share Index

**Income portfolio**

Share price:	93.00p
NAV:	93.54p
Discount/Premium (-/+):	-0.6%
Dividend date(s):	Jan, Apr, Jul, Oct
Net dividend yield:	4.7%
Actual gearing:	106.2

**Growth portfolio**

Share price:	98.00p
NAV:	97.80p
Discount/Premium (+/-):	0.2%
Actual gearing:	98.1

**Income Portfolio**

Top Ten Holdings	% of net assets of Income Portfolio
British Assets Trust	5.7%
Murray International Investment Trust	5.7%
Law Debenture Corporation	4.9%
Aberdeen Asian Income Fund	4.9%
Merchants Trust	4.3%
Invesco Leveraged High Yield Investment Trust	4.3%
Perpetual Income Income & Growth Investment Trust	4.2%
European Assets Trust	4.2%
Schroder Oriental Income Fund	4.1%
Lowland Investment Company	4.0%
<b>TOTAL</b>	<b>46.3%</b>

**Growth Portfolio**

Top Ten Holdings	% of net assets of Growth Portfolio
British Empire Securities & General Trust	5.0%
Perpetual Income & Growth Investment Trust	4.8%
Templeton Emerging Markets Investment Trust	4.7%
TR Property Investment Trust	4.1%
BlackRock World Mining	3.8%
The Mercantile Investment Trust	3.7%
Lowland Investment Company	3.5%
RCM Technology Trust	3.4%
Murray International Trust	3.4%
Scottish Mortgage Investment Trust	3.3%
<b>TOTAL</b>	<b>39.7%</b>

(as at 30 June 2011)

**Investment objective**

To provide ordinary shareholders with an attractive level of income with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

**Structure**

At launch, on 18 March 2005, the Company had a capital structure comprising approximately 75 per cent Ordinary Shares and 25 per cent Secured Bonds.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. Borrowings consist of £230 million Secured Bonds due 2017. The bonds carry interest at a fixed rate of 5.23 per cent and have an expected maturity date of 30 June 2015. If the bonds are not redeemed at this date they will carry interest at 0.60 per cent over LIBOR until the final maturity date of 30 June 2017.

**Discrete annual performance**

	<b>Share price</b>
Year to 30.06.11	<b>23.4%</b>
Year to 30.06.10	<b>30.1%</b>
Year to 30.06.09	<b>2.9%</b>
Year to 30.06.08	<b>-32.1%</b>
Year to 30.06.07	<b>-1.2%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

**Sector breakdown**

Offices	40.5%
Retail	26.5%
Retail Warehouse	19.8%
Industrial	13.2%

**Cumulative performance**

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>4.4%</b>	<b>23.4%</b>	<b>65.2%</b>	<b>10.8%</b>
Benchmark	n/a	n/a	n/a	n/a

Basis: Percentage growth, bid to bid, net income reinvested to 30.06.11. Source: Datastream and Lipper.

**Geographical breakdown**

London – West End	41.8%
South East	26.3%
Midlands	13.3%
North West	9.8%
Scotland	5.7%
Eastern	2.1%
Rest of London	1.0%

**Top ten property holdings**

London W1, St Christopher's Place Estate	16.4%
Newbury, Newbury Retail Park	8.9%
London SW1, Cassini House, St James's Street	7.4%
Solihull, Sears Retail Park	6.8%
London SW19, Wimbledon Broadway	6.1%
London SW1, 84 Eccleston Square	5.2%
Uxbridge, 3 The Square, Stockley Park	4.3%
Rochdale, Dane Street	4.2%
London SW1, Charles House, 5-11 Regent Street	4.0%
Glasgow, Alhambra House, Wellington Street	3.2%
<b>TOTAL</b>	<b>66.5%</b>

**Key statistics**

Fund manager:	Richard Kirby
Launched:	2005
Total assets:	£951.4 million
Share price:	106.10p
NAV:	98.70p
Discount/Premium (-/+):	7.5%
Dividend date(s):	Monthly
Dividend yield:	5.7%
Net gearing:	20.8%
Vacant property:	4.8%
Year end:	31 December
Management fee rate:	0.50%
Total expenses:	1.0%

Past performance is not a guide to future performance.

### Investment objective

Our F&C Private Equity Trust aims to exploit the growth of private equity globally to generate superior returns to the quoted markets. In recent years the Trust's portfolio has broadened considerably, most notably into Continental Europe where the Manager has benefited from the expansion of the use of private equity to finance the growth of smaller and medium-sized companies. Managers seek to unlock value from unquoted companies and the venture capital sector.

### Key attractions:

- Anticipated superior returns relative to the quoted markets.
- Has benefited from the expansion of private equity in Europe and the US.
- Designed to exploit the Manager's expertise in accessing private equity funds which have promising potential.
- Well-diversified portfolio of small to mid-cap growth businesses across Continental Europe.

### Discrete annual performance

	Share price
Year to 30.06.11	<b>42.0%</b>
Year to 30.06.10	<b>38.6%</b>
Year to 30.06.09	<b>-52.7%</b>
Year to 30.06.08	<b>7.7%</b>
Year to 30.06.07	<b>20.1%</b>

Basis: Percentage growth, bid to bid, net income reinvested to 30.06.10.  
Source: Datastream and Lipper.

### Performance chart



Performance from 30.06.06 to 30.06.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

### Cumulative performance

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>6.3%</b>	<b>42.0%</b>	<b>93.1%</b>	<b>20.3%</b>

Basis: Percentage growth, bid to bid, net income reinvested to 30.06.11. Source: Datastream and Lipper.

### Top ten equity holdings

Argan Capital	4.4%
August Equity Partners I	3.8%
Warburg Pincus IX	3.7%
Candover 2005 Fund	3.6%
Chequers Capital XV	3.6%
August Equity Partners II	3.3%
SEP III	3.2%
Lifeways	3.2%
The Aurora Fund	3.1%
Hutton Collins II	2.9%
<b>TOTAL</b>	<b>34.8%</b>

### Key statistics

Fund manager:	Hamish Mair
Launched:	2001
Total assets:	£221.6 million
Share price:	177.50p
NAV:	243.20p
Discount/Premium (-/+):	-27.0%
Dividend date(s):	June
Net dividend yield:	0.5%
Actual gearing:	125%
Year end:	31 December
Management fee rate:	0.9%
Total expenses:	1.5%
Sedol no.	3073827

### Geographical breakdown

Europe	54.8%
UK	31.6%
US	6.4%
Global	6.0%
Emerging	1.2%

Past performance is not a guide to future performance.

**Investment objective**

The Trust aims to achieve long-term capital growth through a diversified portfolio of Continental European securities against the benchmark FTSE Europe ex-UK Index. The Trust is designed to target direct investment in unquoted companies as well as through selected management of its portfolio of funds.

**Key attractions:**

- Exposure to a diversified portfolio of unquoted companies primarily in Europe, which is a sector of the economy often inaccessible to private investors.
- Diversified by sector and by the size of the company, the majority of which are mature, profitable companies.
- Offers the potential for long-term capital growth.
- Over two thirds of the investments are in the UK with most of the remainder in continental Europe.
- Investments in UK-based companies with a value of between £20 million and £130 million are primarily made through Graphite Capital's own funds. Investments in other sectors of the UK market and in overseas markets are made through third party funds selected by Graphite Capital.

**Discrete annual performance**

	<b>Share price</b>
Year to 31.12.10	<b>9.99%</b>
Year to 31.12.09	<b>95.36%</b>
Year to 31.12.08	<b>-61.44%</b>
Year to 31.12.07	<b>7.93%</b>
Year to 31.12.06	<b>12.44%</b>

Basis: Percentage growth, bid to bid, net income reinvested to 31.12.10.  
Source: Datastream and Lipper.

**Performance chart**

Performance from 01.01.06 to 31.03.11. Percentage growth, bid to bid, net income reinvested Source: Datastream and Lipper.

**Sector breakdown**

Business services	24.6%
Manufacturing and engineering	16.5%
Consumer goods and services	16.0%
Healthcare and education	10.1%
Leisure	8.4%
Retailing	6.5%
Financial services	6.3%
Infrastructure	2.7%
Construction and building supplies	2.6%
Media	2.3%
Other	4.0%

**Cumulative performance**

	1 month	1 year	3 years	5 years
<b>Share price</b>	<b>7.54%</b>	<b>9.99%</b>	<b>-17.14%</b>	<b>0.56%</b>
Benchmark	-0.81%	8.72%	17.02%	19.99%

Basis: Percentage growth, bid to bid, net income reinvested to 31.12.10. Source: Datastream and Lipper.

**Top ten portfolio holdings**

Micheldever Tyre Services	4.4%
Kurt Geiger	3.5%
Preh	2.4%
Kwik-Fit	2.4%
Park Holidays UK	2.0%
U-POL	2.0%
Hellermann Tyton	1.5%
Norit	1.5%
Evonik Industries	1.4%
Standard Brands	1.4%
<b>TOTAL</b>	<b>22.5%</b>

Past performance is not a guide to future performance.

**Key statistics**

Fund manager:	Graphite Capital Management
Launched:	1981
Total assets (30.04.11):	£417.1 million
Share price ( 30.04.11):	370.5p
NAV ( 30.04.11):	556.9p
Discount/Premium (-/+ ) (30.04.11):	-33.5%
Dividend date(s):	June
Net dividend yield:	0.75%
Year end:	31 January
Management fee rate:	1.50%/0.50%
Total expenses:	1.4%
Sedol no.	0329200

(as at 30 March 2011)

**Investment objective**

To provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

**Geographical breakdown**

South East	52.2%
West Midlands	13.8%
Scotland	13.0%
Yorkshire and Humberside	5.7%
North West	4.2%
Others	3.0%
East Midlands	2.9%
Eastern	2.7%
London – West End	2.5%

**Top ten property holdings**

Banbury, 3663 Unit, Echo Park	11.6%
Colnbrook, Units 1-8 Lakeside Road	7.9%
Eastleigh, Southampton International Park	7.3%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	6.8%
Bellshill, Mercury House, Strathclyde Business Park	6.1%
York, Clifton Moor Gate	5.7%
Hemel Hempstead, Hemel Gateway	5.6%
Edinburgh, 1-2 Lochside Way, Edinburgh Park	5.3%
Rugby, Swift House, Cosford Lane	4.0%
Nelson, Churchill Way	3.7%
<b>TOTAL</b>	<b>64.0%</b>

**Structure:**

At launch on 1 June 2004, the Company had a capital structure comprising approximately 60% Ordinary Shares and 40% bank debt. Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. As at 30 September 2007 borrowings consisted of a loan of £60 million drawn down for a period of 10 years to 10 January 2017. The loan carries interest at 0.50% over LIBOR for the first three years and 0.45% thereafter; this variable rate has been fixed through an interest rate swap, which matures on 10 January 2017. This swap fixes interest payable on the initial drawdown at 5.655% per annum for the first 3 years and 5.605% per annum thereafter.

**Discrete annual performance**

	Share price
Year to 31.03.11	<b>10.8%</b>
Year to 31.03.10	<b>86.5%</b>
Year to 31.03.09	<b>-42.3%</b>
Year to 31.03.08	<b>-27.0%</b>
Year to 31.03.07	<b>0.5%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Datastream.

**Cumulative performance**

	3 months	1 year	3 years	5 Years
<b>Share price</b>	<b>8.8%</b>	<b>10.8%</b>	<b>19.3%</b>	<b>-12.4%</b>
Benchmark	n/a	n/a	n/a	n/a

Basis: Percentage growth, bid to bid, net income reinvested to 31.03.11. Source: Datastream and Lipper.

**Key statistics**

Fund manager:	Ian McBryde
Launched:	2004
Total assets:	£166.8 million
Share price:	83.8p
NAV:	86.3p
Discount/Premium (-/+):	-3.0%
Dividend date(s):	Mar, Jun, Sept, Dec
Dividend yield:	8.6%
Net gearing:	32.3%
Vacant property:	1.2%
Year end:	30 June
Management fee rate:	0.7%
Total expenses:	1.3%

Past performance is not a guide to future performance.

## Investment objective

The Fund aims to achieve consistent absolute returns by investing opportunistically in a portfolio of both directional and non-directional hedge managers.

## Strategic asset allocation

Other (8)	24.4%
Multi-Strategy (4)	23.4%
Equity L/S (13)	21.1%
Credit (2)	12.7%
Macro (6)	11.6%
Event Driven (1)	5.6%
Distressed (1)	3.2%
Cash, receivables and other	-2%

## Cumulative performance

	1 month	Year to Date	1 year	3 years	5 years
<b>Share price</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>4.2%</b>	<b>-5.3%</b>	<b>26.4%</b>
Benchmark	n/a	n/a	n/a	n/a	n/a

Source: Datastream & Lipper. Basis: share price, percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Past performance is not a guide to future performance. The standardised performance table refers to 12 month periods ending 31 December. The cumulative performance table refers to cumulative periods ending 31.01.11.

## Top five property holdings

	Sector	%
CQS Directional Opps*	Multi-Strategy	3.1%
TR Absolute Return Fund	Multi-Strategy	0.2%
Cheyne TRC II*	Credit	2.3%
Paulson Advantage Plus*	Event Driven	-4.6%
Zebedee Focus	Equity L/S	3.7%

\*Estimate. YTD figures relate to current underlying managers which may not have been held in the portfolio for the whole of this period.

All performance and share price information refers to Ordinary £ share class shares only. 'Ordinary' £ class shares only are available in F&C plans.

## Highlights:

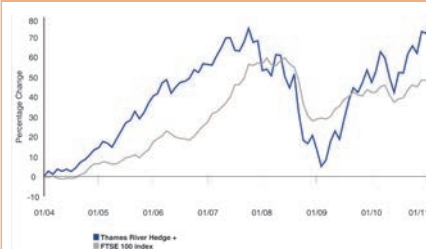
The investment objective of the Company is to produce attractive absolute returns relative to the level of risk assumed through a dynamic multi manager approach. The Investment Manager seeks to accomplish this objective by investing the assets of the Company predominantly in absolute return orientated funds worldwide whose managers employ a variety of investment strategies across all asset classes. A fundamental part of the investment philosophy is to be innovative in terms of portfolio construction techniques as well as in strategy allocation.

## Discrete annual performance

	Share price
Year to 31.01.11	<b>4.2%</b>
Year to 31.01.10	<b>10.4%</b>
Year to 31.01.09	<b>-17.7%</b>
Year to 31.01.08	<b>22.9%</b>
Year to 31.01.07	<b>8.6%</b>

Basis: Percentage growth, bid to bid, net income reinvested. Basis in accordance with the regulations of the FSA. Source: Northern Trust International Fund Administration Services (Ireland)

## Performance chart



Source: Northern Trust International Fund Administration Services (Ireland) Ltd, Bloomberg

## Key facts

Fund Managers	Ken Kinsey-Quick and Alex Kimpen
Launched:	2004
Total assets:	\$224.2 million
Share price:	125.00p
NAV:	145.00p
Discount/Premium (-/+):	-13.8%
Dividend date(s):	-
Dividend yield:	-
Net gearing:	-
Performance fee:	10% HWM (5% hurdle)
Year end:	31 March
Sector:	Opportunistic Multi-manager
Currency:	US\$

# F&C give you even more.

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Here comes the

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To stay up to date with the latest F&C Junior ISA information please visit:

[www.fandc.com/junior-isa](http://www.fandc.com/junior-isa)

# Contact us.

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Call us on **0800 136 420** (8.30am - 5.30pm, weekdays, calls may be recorded)



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