



**Foreign & Colonial Investment Trust PLC**

Exchange House, Primrose Street, London EC2A 2NY  
**Telephone** +44 (0)20 7628 8000 **Facsimile** +44 (0)20 7628 8188  
[www.foreignandcolonial.com](http://www.foreignandcolonial.com)

**Date:** 7th March 2017

**Contact:** Paul Niven  
F&C Management Limited  
020 7011 4385

**FOREIGN & COLONIAL INVESTMENT TRUST PLC**  
**Audited Statement of Results**  
**for the year ended 31 December 2016**

**Summary of Results**

Share price total return of 23.7%

Strong performance with 23.9% net asset value total return with debt at market value

Discount closed the year at 7.4%

Proposed full year dividend of 9.85p – 46<sup>th</sup> consecutive annual increase

## The Chairman's Statement

Dear Shareholder,

2016 was an extraordinary year in terms of political events, stock market returns and sterling weakness. Despite the upheaval, I am delighted to report that your Company had a very strong year, achieving a total shareholder return of 23.7%. Our Net Asset Value ("NAV") total return with debt at market value rose at its strongest annual rate for over a decade, gaining 23.9%. The proposed total dividend for 2016 is 9.85 pence per share, an increase of 2.6% on the year – our forty-sixth consecutive annual rise in dividends.

These results further strengthen our long-term record of delivering growth in both capital and income for our shareholders. Over ten years the share price total return is 141%, equivalent to 9.2% per annum and over twenty years is 443%, which equates to 8.8% per annum.

### Performance

Our NAV per share with debt at market value rose from 483.4 pence to 587.2 pence per share while the share price increased from 449.2 pence to 544.0 pence. In sterling terms, investors enjoyed the strongest annual returns from global equity markets since 1999 with your Company ending the year at a new record high for both the share price and NAV. Volatility was a notable feature throughout the year, with few predicting the combined outcomes of the US Presidential elections and the UK's Brexit Referendum. While we delivered NAV total returns of 23.9% this fell short of the 29.6% delivered by our benchmark, the FTSE All-World Index.

This shortfall was largely due to a significant reversal in performance within equity markets, with a substantial rally in areas previously out of favour, such as resources and economically sensitive stocks. Our underweight position in the highly performing North American region and underperformance from stock selection there also detracted from returns as did our exposure to private equity which, despite posting strong returns, lagged benchmark returns over the year. While we underperformed listed markets over the year, we performed well relative to our peer group and continue to deliver excess shareholder total returns over the longer term.

### Earnings and dividends

We have made strong progress in our earnings over recent years. Revenue per share of 10.6 pence earned in 2016 represents a rise of 26% by comparison to 2015. This improvement in earnings was helped by the receipt of £4.4m of special dividends from our investments.

Subject to shareholder approval at the Annual General Meeting ("AGM"), shareholders will receive a final dividend of 2.70 pence per share on 2 May 2017 bringing the total dividend for the year to 9.85 pence. That represents an increase of 2.6% over 2015 which compares with an increase of 1.6% in the Consumer Price Index. After the full year dividend, which is fully covered, our revenue reserve will stand at about one year's worth of dividends.

A rising income stream in real terms is important for our shareholders and it is a clear focus of the Board that we maintain our record of long-term dividend growth ahead of the rate of inflation. As ever, there remains a great deal of uncertainty over the global economic outlook but the Board is planning another dividend increase ahead of inflation for 2017.

Our direct and indirect costs, expressed as the ongoing charge, were 0.79%, down from 0.80% in 2015.

### Gearing

Gearing levels ended 2016 modestly lower on the year. In June, we secured £75m of new long-term debt in two tranches with twelve and fifteen year maturities. The borrowings were undertaken ahead of the Brexit Referendum and replaced short-dated foreign currency denominated debt. At a blended rate of 3.04%, we locked in interest costs for these borrowings at some of the lowest levels seen in many generations. Our range of fixed rate

borrowings is complemented by access to short term funding when required.

### Private Equity

Our private equity holdings delivered strong returns of 24.7% in 2016 and generated £69.6m of net cashflow. Our past commitments have now been repaid in full and we retain £264m of value in exposure at the year end. We expect further profits to be realised for shareholders as these holdings mature, further enhancing shareholder returns.

The Board has agreed to recommit capital to a new private equity programme taking a more focused, opportunistic and direct approach that is flexible and will ultimately be considerably cheaper. We are doing this by making good use of the internal expertise at F&C. New commitments to this programme have been made over the course of the year.

### Buyback and share issue policies

The year saw a general widening in investment trust discount levels. This deterioration in rating was driven by reduced investor demand as a function of uncertainty arising from Brexit as well as a perceived overhang from institutional sellers in the investment trust sector as a whole. For most of the year our discount traded wider than the 7.5% average level that the Board has set for the purpose of discount control. Our desire to meet our discount control objective led us to increase the pace of buybacks from the lowest level in a decade and purchase 12.4m shares. The discount closed the year at 7.4%. It remains the aspiration of your Board to reach a point where our share price trades at or around the NAV of the Company.

Contributors to total return in 2016	%
Portfolio return	24.3
Management fees	(0.4)
Interest and other Expenses	(0.3)
Buy-backs	0.2
Change of value of debt	(0.1)
Gearing	0.2
<b>Net Asset Value total return</b>	<b>23.9</b>
Increase in discount	(0.2)
<b>Share price total return</b>	<b>23.7</b>
<b>FTSE All-World Total Return</b>	<b>29.6</b>

Source: F&C

### Your Board

We continue to ensure that proper succession arrangements are in place. Edward Knapp was appointed during the year and brings to us his experience in board advisory and business transformation, including deep expertise in financial services and risk. Stephen Burley will retire immediately following the AGM in April having served nine years. Our thanks are extended to Stephen whose investment insight and experience have been particularly helpful in recent years as the Company's strategy has evolved.

### Our strategy

At the start of 2013 your Board made the strategic decision to allocate more capital to overseas markets, creating a truly global growth portfolio. This decision has helped to significantly improve returns to shareholders; over the following four years, we have seen the domestic market, represented by the FTSE All-Share Index, deliver a healthy 44.1% return but well behind the 81.6% delivered from global equities.

We carry out a review of the Manager's overall investment performance and services following each year end with continual monitoring throughout the year. As a consequence it has again been decided that F&C be reappointed as our Manager.

### Outlook

Long running trends in inflation and interest rates may well have turned on a secular basis, with significant implications for investment opportunities across and within stock markets. Despite longer term uncertainty and

the unclear political environment, we enter 2017 with some renewed impetus in the global economy and signs of improvement in corporate earnings for the first time in several years. Markets have responded with enthusiasm and the US economy continues to be very resilient.

Your Company therefore faces a year of challenges and opportunities as it has on numerous occasions since it was launched as the very first investment trust in 1868. Not only are we proud of our heritage but also of our relevance for investors in today's world. We will continue to adapt and innovate. Our corporate structure enables us to take a long term view, borrowing in different currencies to invest and providing a rising income stream in real terms to our shareholders over time. As we move towards the celebration of your Company's 150th anniversary in 2018, you can be assured that we will remain focused on extending our record of delivering growth in capital and income to you over the longer term from our globally diversified equity portfolio.

**Simon Fraser**  
**Chairman**  
**6 March 2017**

### **Forward-looking statements**

*This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.*

<b>Weighting, stock selection and performance over one year in each investment portfolio strategy and underlying geographic exposure versus Index at 31 December 2016</b>					
<b>Investment Portfolio Strategy</b>	<b>Our portfolio strategy weighting %</b>	<b>Underlying geographic exposure* %</b>	<b>Benchmark weighting %</b>	<b>Our strategy performance in Sterling %</b>	<b>Index performance in sterling %</b>
UK	6.2	8.6	6.2	17.8	18.9
North America	32.5	47.3	56.3	28.5	34.1
Europe ex UK	12.9	19.4	14.5	14.1	19.7
Japan	8.3	10.1	8.4	26.1	22.7
Emerging Markets	9.8	11.9	10.4	26.7	33.1
Developed Pacific	-	2.7	4.2	-	29.8
Global Strategies**	22.1			29.3	29.6
Private Equity	8.2			24.7	

Source: F&C

\*Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings.

\*\*The Global Strategies consist of Global Income, Global Multi-Manager and Global Smaller Companies and have been in existence for less than three years.

## Principal Risks and Future Prospects

The principal risks, both perceived and observed, together with their mitigations are described below. Note 25 on the Report and Accounts details the Financial Risk Management of the Company. The risks that affect the Company's ongoing operations as well as the threats to security over the Company's assets may vary in significance from time to time. These principal risks are unchanged from those reported in the prior year.

**Risk description:** Inappropriate business strategy in relation to investor needs leading to significant pressure on the share price discount to net asset value per share. **Unchanged throughout the year under review**

**Mitigation:** The Board specifically considers business strategy at a formal meeting annually and monitors investor requirements and themes at each Board meeting. A discount control mechanism has operated over many years. The effectiveness of the marketing strategy is also reviewed at each meeting.

**Risk description:** Unfavourable markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to investment under-performance as well as impacting capacity to pay dividends to investors. Political risk factors could also impact performance. **Unchanged throughout the year under review**

**Mitigation:** Underlying investment strategies, performance and gearing are reviewed with the Fund Manager at each Board meeting. Cash, borrowing and derivative limits are also monitored. F&C's Performance and Risk Oversight team provides independent oversight on investment risk management for the directly managed portfolios. The portfolio is diversified and the Company's structure enables it to take a long-term view of countries, markets and currencies.

**Risk description:** Failure of F&C as the Company's main service provider to continue to operate effectively including the loss of key staff. **Unchanged throughout the year under review**

**Mitigation:** The Board regularly reviews the strength of the Manager's investment management and client services resources and meets with their risk management team to review internal control and risk reports. The Manager's appointment can be terminated at six month's notice. A business continuity plan is in place. The Manager structures its recruitment and remuneration packages in order to retain key staff and works closely with the Board on any significant management changes.

**Risk description:** Errors, fraud or control failures at service providers or loss of data through business continuity failure or cyber attacks could damage reputation or investors' interests or result in loss. Cyber risks increased generally in 2016. **Increased in the year under review**

**Mitigation:** The Board receives regular control reports from F&C covering risk and compliance including oversight of third party service providers. The Board has access to F&C's Head of Business Risk and BMO's Group Information Security Officer, International and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

### Ten Year Horizon

Through a series of connected stress tests over the ten years commencing 1 January 2017, the Board assessed the effects of:

- Potential illiquidity of the Company's portfolio during substantial market falls when needing to fund private equity commitments.
- Substantial falls in investment values on the ability to maintain loan covenants and to repay and re-negotiate funding.
- Significant falls in income on the ability to continue paying steadily-rising dividends and maintaining adequate revenue reserves.
- Constraints on the Board's ability to control the discount including those concerning the funding of buybacks during periods of high volatility in the share price.

The Board also took into consideration the perceived viability of its principal service providers, potential effects of anticipated regulatory changes and the potential threat from competition.

Based on its assessment and evaluation of the Company's future prospects, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming ten years; the Company's business model, strategy and embedded characteristics have helped define and maintain the stability of Foreign & Colonial over many decades. The Board expects this to continue over many more years to come.

## **Statement of Directors' Responsibilities in Respect of the Financial Statements**

In accordance with Chapter 4.1.12 of the Disclosure Guidance and Transparency Rules the Directors confirm, that to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report includes a fair, balanced and comprehensive review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- the financial statements and the Directors' Report include details on related party transactions.

**On behalf of the Board**  
**Simon Fraser**  
**Chairman**  
**6 March 2017**

## Income Statement

For the year ended 31 December	2016			2015		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Gains on investments and derivatives	-	620,118	620,118	-	164,815	164,815
Exchange movements on foreign currency loans and cash balances	857	(41,236)	(40,379)	(127)	(6,577)	(6,704)
Income	71,117	-	71,117	57,982	-	57,982
Management fees	(3,063)	(9,499)	(12,562)	(2,849)	(8,791)	(11,640)
Other expenses	(2,758)	(97)	(2,855)	(2,403)	(59)	(2,462)
Net return before finance costs and taxation	66,153	569,286	635,439	52,603	149,388	201,991
Finance costs	(1,722)	(5,167)	(6,889)	(1,206)	(3,619)	(4,825)
<b>Net return on ordinary activities before taxation</b>	<b>64,431</b>	<b>564,119</b>	<b>628,550</b>	<b>51,397</b>	<b>145,769</b>	<b>197,166</b>
Taxation on ordinary activities	(6,038)	-	(6,038)	(4,135)	(269)	(4,404)
<b>Net return attributable to shareholders</b>	<b>58,393</b>	<b>564,119</b>	<b>622,512</b>	<b>47,262</b>	<b>145,500</b>	<b>192,762</b>
<b>Net return per share – basic (pence)</b>	<b>10.57</b>	<b>102.12</b>	<b>112.69</b>	<b>8.42</b>	<b>25.94</b>	<b>34.36</b>

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

A statement of total recognised gains and losses is not required as all gains and losses of the Company have been reflected in the above statement.



## Statement of Changes in Equity

For the year ended 31 December 2016	Share Capital £'000s	Capital Redemption Reserve £'000s	Capital Reserves £'000s	Revenue Reserve £'000s	Total Shareholders' Funds £'000s
Balance brought forward 31 December 2015	140,455	122,307	2,361,073	78,329	2,702,164
Dividends paid	-	-	-	(53,628)	(53,628)
Shares repurchased by the Company and held in treasury	-	-	(57,613)	-	(57,613)
Net return attributable to shareholders	-	-	564,119	58,393	622,512
<b>Balance carried forward 31 December 2016</b>	<b>140,455</b>	<b>122,307</b>	<b>2,867,579</b>	<b>83,094</b>	<b>3,213,435</b>

For the year ended 31 December 2015	Share Capital £'000s	Capital Redemption Reserve £'000s	Capital Reserves £'000s	Revenue Reserve £'000s	Total Shareholders' Funds £'000s
Balance brought forward 31 December 2014	140,573	122,189	2,230,361	84,390	2,577,513
Dividends paid	-	-	-	(53,323)	(53,323)
Shares repurchased by the Company and cancelled	(118)	118	(2,121)	-	(2,121)
Shares repurchased by the Company and held in treasury	-	-	(12,667)	-	(12,667)
Net return attributable to shareholders	-	-	145,500	47,262	192,762
Balance carried forward 31 December 2015	140,455	122,307	2,361,073	78,329	2,702,164

## Balance Sheet

At 31 December	2016	2015
	£'000s	£'000s
<b>Fixed assets</b>		
Investments	3,432,682	2,932,572
<b>Current assets</b>		
Debtors	6,648	6,044
Cash at Bank and short-term deposits	26,463	73,605
	33,111	79,649
<b>Creditors: amounts falling due within one year</b>		
Loans	-	(154,096)
Other	(4,785)	(10,818)
	(4,785)	(164,914)
Net current assets/(liabilities)	28,326	(85,265)
Total assets less current liabilities	3,461,008	2,847,307
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(246,998)	(144,568)
Debenture	(575)	(575)
	(247,573)	(145,143)
<b>Net assets</b>	<b>3,213,435</b>	<b>2,702,164</b>
<b>Capital and Reserves</b>		
Share capital	140,455	140,455
Capital redemption reserve	122,307	122,307
Capital reserves	2,867,579	2,361,073
Revenue reserve	83,094	78,329
<b>Total shareholders' funds</b>	<b>3,213,435</b>	<b>2,702,164</b>
<b>Net asset value per share – prior charges at nominal value (pence)</b>	<b>587.92</b>	<b>483.42</b>

## Statement of Cash Flows

for the year ended 31 December	2016 £'000s	2015 £'000s
<b>Cash flows from operating activities before dividends received and interest paid</b>	<b>(21,403)</b>	<b>(17,805)</b>
Dividends received	69,943	56,794
Interest paid	(6,512)	(4,523)
<b>Cash flows from operating activities</b>	<b>42,028</b>	<b>34,466</b>
<b>Investing activities</b>		
Purchases of investments	(1,233,876)	(1,084,118)
Sales of investments and derivatives	1,347,880	1,126,372
Other capital charges and credits	(93)	(58)
<b>Cash flows from investing activities</b>	<b>113,911</b>	<b>42,196</b>
<b>Cash flows before financing activities</b>	<b>155,939</b>	<b>76,662</b>
<b>Financing activities</b>		
Equity dividends paid	(53,628)	(53,323)
Repayment of loans	(547,676)	(364,692)
Drawdown of loans	456,100	396,565
Cash flows from share buybacks for treasury shares	(57,407)	(12,464)
Cash flows from share buybacks for cancellation	-	(2,121)
<b>Cash flows from financing activities</b>	<b>(202,611)</b>	<b>(36,035)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(46,672)</b>	<b>40,627</b>
Cash and cash equivalents at the beginning of the year	73,605	32,831
Effect of movement in foreign exchange	(470)	147
<b>Cash and cash equivalents at the end of the year</b>	<b>26,463</b>	<b>73,605</b>
Represented by:		
Cash at bank	10,071	8,322
Short-term deposits	16,392	65,283
<b>Cash and cash equivalents at the end of the year</b>	<b>26,463</b>	<b>73,605</b>

## Notes

### 1 NET RETURN PER SHARE

	2016 pence	2016 £'000s	2015 pence	2015 £'000s
Total return	112.69	622,512	34.36	192,762
Revenue return	10.57	58,393	8.42	47,262
Capital return	102.12	564,119	25.94	145,500
Weighted average ordinary shares in issue, excluding shares held in treasury - number		552,403,894		560,998,806

### 2 DIVIDENDS

The Directors have proposed a final dividend in respect of the year ended 31 December 2016 of 2.7p per share payable on 2 May 2017 to all shareholders on the register at close of business on 31 March 2017.

### 3 FINANCIAL RISK MANAGEMENT

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom (UK) as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure long-term growth in capital and income through a policy of investing primarily in an internationally diversified portfolio of public listed equities, as well as unlisted securities and private equity, with the use of gearing. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board of Directors, together with the Manager, is responsible for the Company's risk management.

The full details of financial risks are contained in note 25 of the report and accounts.

### 4 GOING CONCERN

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager and the Board.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a robust regulatory environment; and the Company has sufficient resources to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern.

### 5 ANNUAL GENERAL MEETING

The annual general meeting will be held at the Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on 25 April 2017 at 12 noon.

### 6 REPORT AND ACCOUNTS

This statement was approved by the Board on 6 March 2017. It is not the Company's statutory accounts. The statutory accounts for the financial year ended 31 December 2016 have been approved and audited, and received an audit report which was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report. The statutory accounts for the financial year ended 31 December 2015 received an audit report which was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

The Report and Accounts will be posted to shareholders on or around 20 March 2017 and copies may be obtained thereafter during normal business hours from the Company's Registered Office, Exchange House, Primrose Street, London EC2A 2NY. Copies are available on the internet at [www.foreignandcolonial.com](http://www.foreignandcolonial.com) from 7 March 2017.

Legal Entity Identifier: 213800W6B18ZHTNG7371

Information disclosed in accordance with Disclosure Guidance and Transparency Rule 4.1

**By order of the Board  
F&C Investment Business Limited, Secretary,  
Exchange House,  
Primrose Street,  
London  
EC2A 2NY  
6 March 2017**