

Manager Commentary Paul Niven



We posted a small gain of 0.8% in our net asset value in June despite a small decline in global equities (-0.2%). A slight widening in our discount, ending the half year at 7.7%, led to a monthly shareholder total return of -0.3%.

For most of the month, markets lacked direction and volatility was low. The UK general election delivered a shock result and sterling assets duly underperformed. Oil was also weak as expectations that Organisation of the Petroleum Exporting Countries (OPEC) would further curtail supply were disappointed and resource stocks slipped further. In the last few days of June, a clutch of central banks delivered remarks which marked a shift in tone towards more hawkish rhetoric.

The European Central Bank (ECB) kept interest rate policy on hold but changed guidance and forecasts. In the UK, there was a rise in dissenters voting for a rate rise and during the month we saw the US Federal Reserve raise interest rates by another quarter point, to 1.25%, despite a general trend (outside of the UK) of downgrading of inflation expectations. Indeed, a key puzzle has been the decline in US core inflation in recent months. This has occurred despite the steep decline in unemployment to the lows seen at the peak of the last cycle. The mystery has deepened with data showing a slowdown in wage inflation. We do expect this to be resolved with a return to the previous upward trend in both wage and price inflation.

These macro trends are important not just for expectations on interest rates but they also relate to growth expectations and have a bearing on performance across and within our equity portfolio. Indeed, financial stocks were supported by higher interest rate expectations while technology stocks came under some pressure due to internal market rotation and some concerns over valuations in this highly performing area.

This rise in interest rate expectations reflects the acceptance by central banks that global growth has improved significantly but does not reflect increased inflationary pressures. For this reason, central bank policy is unlikely to yet threaten the pro risk environment. Global growth is steady or improving in almost every country and corporate earnings are following suit.

We continue to invest in a range of diversified underlying stock selection strategies and believe that we remain well placed to withstand any further short term volatility in markets.

Key facts

Trust aims: The objective of the trust is to secure long-term growth in capital and income through a policy of investing primarily in an internationally diversified portfolio of publicly listed equities, as well as unlisted securities and private equity, with the use of gearing.

Trust highlights: The first ever investment trust, launched in 1868. A diversified portfolio gives exposure to most of the world markets. Invests in more than 500 companies in 35 countries. Among the largest investment trusts in its sector.

Benchmark: FTSE All World TR Index (Pre 01/01/2013 60% FTSE World ex UK TR Index/40% FTSE All Share TR Index).

Fund type: Investment Trust

Launch date: 1868

Total assets: £3.7 billion

Share price: 586.00p

NAV: 635.09p

Discount/Premium(-/+): -7.73%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield[†]: 1.7%

Net gearing/Net cash*: 6%/0%

Management fee rate:** 0.365% p.a. based on Market Capitalisation

Total expenses: 0.53%

Ongoing charges:** 0.79%

Year end: 31 December

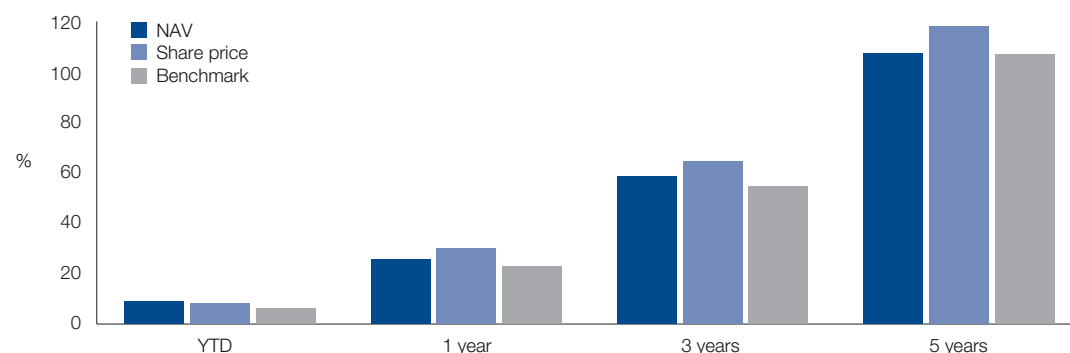
Sector: Global

Currency: Sterling

Website: www.foreignandcolonial.com

** Ongoing charges calculated in accordance with AIC recommendations.

Fund performance



Cumulative performance (%) as at 30.06.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	0.77	9.05	25.47	58.37	107.28
Share price	-0.34	8.72	30.59	65.18	119.11
Benchmark	-0.17	6.29	22.95	54.50	106.87

Discrete annual performance (%) as at 30.06.2017

	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
NAV	25.47	11.27	13.45	8.19	20.97
Share price	30.59	8.01	17.11	9.05	21.64
Benchmark	22.95	13.99	10.24	9.64	22.13

Source: Lipper and F&C. Basis: Percentage growth, Total return, net income reinvested.

Past performance is not a guide to future performance. Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Where investments are made in emerging markets their potential volatility may increase the risks to the value of and the income from the investment. Political or economic change may be more likely to occur and have a greater effect on the economies and markets of the emerging countries. Smaller companies carry a higher degree of risk and their value can be more sensitive to market movement; their shares may be less liquid and performance may be more volatile. The fund may invest in private equity funds which are not normally available to individual investors, exposing the fund to the performance, liquidity and valuation issues of these funds. Such funds typically have high minimum investment levels and may restrict or suspend redemptions or repayment to investors. The asset value of these private equity funds and prospects may be more difficult to assess. If markets fall, gearing can magnify the negative impact on performance. The discrete annual performance table refers to 12 month periods, ending at the date shown.

Trust codes

Stock exchange	FRCL
Sedol	346607
Legal Entity Identifier	213800W6B18ZHTNG7371

Net dividend distributions pence per share

	2012	2013	2014	2015	2016	2017
February	-	2.00	2.10	2.20	2.30	2.45
May	4.10	2.50	2.70	2.70	2.70	2.70
August/September	4.00	2.10	2.20	2.30	2.35	
November	-	2.10	2.20	2.30	2.35	
Total	8.10	8.70	9.20	9.50	9.70	5.15

Asset allocation including Private Equity (%)

UK Equity	7.8
Europe ex UK Equity	19.9
North America Equity	46.3
Japan Equity	10.1
Pacific ex Japan Equity	2.6
Emerging Markets Equity	12.8
Liquidity	0.5
Total	100.0

All figures are subject to rounding.

Ten Largest Listed Company Holdings (%)

	Percentage of total Investments
Amazon	1.4
UnitedHealth	1.1
Alphabet	1.1
Microsoft	1.1
Utilico Emerging Markets	0.9
Facebook	0.9
BP	0.8
Priceline	0.8
Apple	0.7
Philip Morris	0.7

Ten Largest Fund Holdings (%)

	Percentage of total Investments
Pantheon Europe Fund V	0.9
Pantheon Asia Fund V	0.6
Conventum Lyrical Fund	0.6
Artemis US Extended Alpha Fund	0.6
HarbourVest Partners VIII Buyout Fund	0.6
HarbourVest Partners Ventures VIII Fund	0.6
Hermes Global Emerging Markets Fund	0.5
HIPEP VI Asia Pacific Fund	0.5
Findlay Park American Fund	0.5
Majedie Asset Management	0.4



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Suitability for Retail Distribution

The Company is an investment trust and conducts its affairs so that its shares can be recommended by Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's rules relating to non-mainstream investment products and intends to continue to do so.

The company is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth in capital and income from investment in global markets and who understand and are willing to accept the risks, and rewards, of exposure to equities.

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All data as at 30.06.2017 unless otherwise stated.

All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets. † The yield is calculated on an historic basis using the actual dividends paid during the last twelve months and the closing share price as at the end of the relevant month. * Net gearing is total assets less cash and cash equivalents divided by shareholders' funds and expressed as a percentage. Net cash is net exposure to cash and cash equivalents expressed as a percentage of shareholders funds after any offset against gearing. **Ongoing charges and management fee information as at the end of 31 December 2016. Please refer to the latest annual report as to how the fee is structured. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Features document for the relevant product. The fact sheet is issued and approved by F&C Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895.