

Manager Commentary Paul Niven



During August, our net asset value (NAV) gained by 2.4%, slightly lagging the 2.8% return from the FTSE All World benchmark. Nonetheless, this gain added to our returns for the year meaning that underlying NAV returns were 13.0% to the end of August, exceeding the benchmark return of 10.6%. For shareholders, a narrowing in the discount has boosted returns further so that our share price total return is 15.2% year-to-date.

For much of August, markets were focused on rising geopolitical risk as tensions worsened between the US and North Korea.

Safe haven assets performed strongly with gold up 4% whilst the S&P 500 and trade weighted dollar were roughly flat on the month. President Trump sparked controversy on the domestic scene following his comments on the Virginia rallies and Steve Bannon's departure as chief strategist but this had little impact on markets. The main focus of the month was heading into the annual central banker Jackson Hole symposium but neither Federal Reserve Chair Janet Yellen nor European Central Bank President Draghi provided much new information on future policy. The US dollar fell on a lack of guidance from Yellen around the path of monetary tightening whilst the euro continued to rally when Draghi made no comment on its strength.

The weakness in the dollar has been one of the dominant market themes so far in 2017. US consumer inflation reports have come in consistently below consensus and in response expectations of US official interest rate rises have been scaled back, supporting bond markets and depressing yields globally. With not even one full hike by the US Federal Reserve priced in for the end of 2018, the market appears too sanguine to us on the pace of tightening.

That said, the inflation backdrop continues to present a conundrum for both policy makers and investors with little sign of wage pressure despite ongoing tightening in labour markets.

The balance sheet reduction and tapering issues have been well communicated so market impact should be modest. Even if there are marginal surprises in terms of timing or size that leads to a more hawkish outcome, fears of a 2013 'taper tantrum' (when the Federal Reserve's use of tapering to gradually reduce the amount of money it was feeding into the economy led to a surge in bond yields) are overdone. Until and unless we see a resumption of the upward trend in US core inflation, we think the pro risk environment can be maintained. In this context, the fact that US wage inflation has turned down make us even less concerned about an early revival of inflation pressures. 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 as at 31.08.2017

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: £3.8 billion

Share price: 618.50p

NAV: 655.72p

Discount/Premium(-/+): -5.68%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield[†]: 1.6%

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

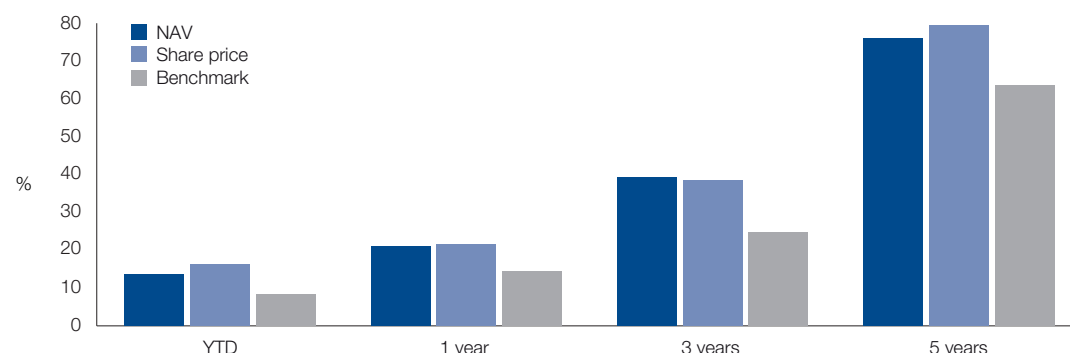
Sector: Global

Currency: Sterling

Website: www.foreignandcolonial.com

** Ongoing charges calculated in accordance with AIC recommendations.

Fund performance as at 31.08.2017



Cumulative performance (%) as at 31.08.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	2.41	13.04	21.12	58.86	110.30
Share price	3.26	15.24	26.21	68.37	126.95
Benchmark	2.77	10.60	19.69	54.52	109.16

Discrete annual performance (%) as at 31.08.2017

	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
NAV	21.12	22.41	7.15	10.84	19.44
Share price	26.21	18.66	12.43	11.26	21.15
Benchmark	19.69	26.69	1.90	13.33	19.44

Past performance is not a guide to future performance.

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.

Lines may be recorded

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	6.4
Europe ex UK equity	19.1
North America equity	46.9
Japan equity	10.1
Pacific ex Japan equity	3.2
Emerging markets equity	13.2
Liquidity	1.1
Total	100.0

All figures are subject to rounding.

Glossary	
Bid price	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
Dividend	Income paid to shareholders by the company they invest in.
Net asset value	A key measure of the value of a company or trust – the total value of assets less liabilities, divided by the number of shares.

Ten Largest Listed Company Holdings (%)	
	Percentage of total Investments
Amazon	1.4
Microsoft	1.2
Alphabet	1.1
UnitedHealth	1.0
Facebook	1.0
Utilico Emerging Markets	0.9
Apple	0.9
Priceline	0.7
Unilever	0.7
Anthem	0.7

Ten Largest Fund Holdings (%)	
	Percentage of total Investments
Pantheon Europe Fund V	0.9
Conventum Lyrical Fund	0.6
Artemis US Extended Alpha Fund	0.6
Pantheon Asia Fund V	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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All data as at 31.08.2017 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 CM14269 (09/17).