

Manager Commentary  
Paul Niven



During September our NAV declined by 2.0%, slightly exceeding the 2.1% fall from the FTSE All World benchmark. Our returns for the year are 10.8% in NAV terms and 13.0% in share price total return terms, exceeding the benchmark return of 8.3%. For shareholders, a narrowing in the discount has boosted returns and our discount ended September at 5.3%.

Early September saw some rise in risk aversion, with US 10-year yields falling close to 2% following increased geopolitical tensions with North Korea. The trade weighted dollar hit a 32 month low on the 8th September but (in local currency terms) US equities

were firm and as the month progressed both the dollar and US yields bounced back following a stronger than expected CPI print, hawkish Fed talk, and the outline of President Trump's proposed tax reforms. Sterling was the outperformer amongst G10 currencies in response to a marked hawkish shift by the Bank of England. The move higher in sterling (which rose sharply to hit a post Referendum high during the month) served to reduce returns, given our high weighting in overseas assets.

In Germany, Angela Merkel won a fourth term as Chancellor as expected, but her share of the vote was just 32.8% and the AfD garnered 13% became the first right wing nationalist party to enter the Bundestag for 50 years. Meanwhile in Japan, Prime Minister Shinzo Abe called a snap election for the 22nd October. He wants to proceed with the plan to raise the sales tax, but use the extra revenue on education and other projects rather than paying down debt.

Volatility remains exceptionally low in equities. Rising geopolitical risk as tensions worsened between the US and North Korea and

hawkish talk by central banks have failed to disturb the markets. Indeed, the S&P 500 has now gone more than 14 months without a 5% correction, its fifth longest streak in history.

Many trace this extraordinary period of low volatility to financial repression by the authorities, notably central banks' quantitative easing (QE) programmes. If this is the case, volatility should begin to rise as the US Federal Reserve begins to shrink their balance sheet and the ECB taper their programme. We give greater weight to other causes of low volatility including the Goldilocks feature of the growth and inflation coupled with the steady and supportive rise in corporate earnings. Possible catalysts for rising volatility into the year-end are tensions around North Korea, the Chinese Plenum in October, progress on US tax reform, further rate hikes by the US Federal Reserve (Fed) as well as the start of central bank tapering. 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 30.09.2017

**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:** 606.50p

**NAV:** 640.44p

**Discount/Premium(-/+):** -5.30%

**Dividend payment dates:** Feb, May, Aug, Nov

**Net dividend yield †:** 1.7%

**Net gearing/Net cash\*:** 7%/0%

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

**Total expenses:** 0.53%

**Ongoing charges\*\*:** 0.79%

**Year end:** 31 December

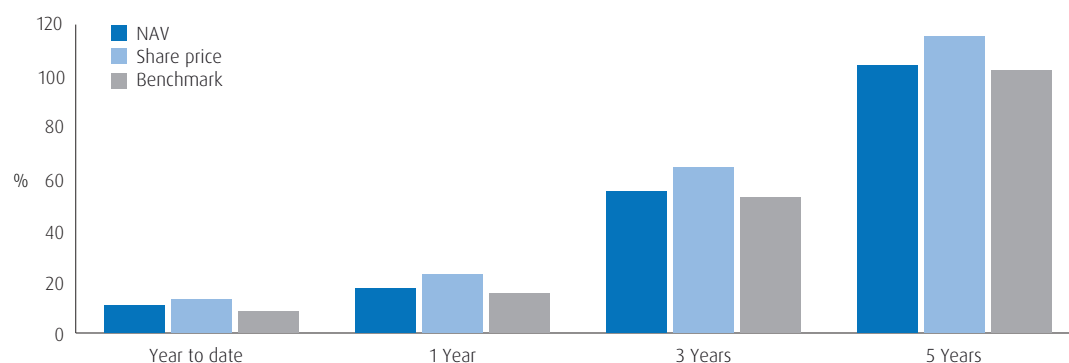
**Sector:** Global

**Currency:** Sterling

**Website:** www.foreignandcolonial.com

\*\* Ongoing charges calculated in accordance with AIC recommendations.

## Fund performance as at 30.09.2017



## Cumulative performance (%) as at 30.09.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
<b>NAV</b>	-2.0	10.8	17.2	55.2	104.1
<b>Share price</b>	-1.9	13.0	22.7	64.5	115.4
<b>Benchmark</b>	-2.1	8.3	15.5	52.6	102.3

## Discrete annual performance (%) as at 30.09.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
<b>NAV</b>	17.2	27.0	4.3	10.8	18.7
<b>Share price</b>	22.7	23.0	9.0	10.7	16.6
<b>Benchmark</b>	15.2	31.3	0.6	11.8	18.6

## 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

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	2.50
November	-	2.10	2.20	2.30	2.35	
<b>Total</b>	8.10	8.70	9.20	9.50	9.70	7.65

Asset allocation including Private Equity (%)	
UK Equity	6.4
Europe ex UK Equity	19.8
North America Equity	47.0
Japan Equity	10.2
Pacific ex Japan Equity	2.6
Emerging Markets Equity	13.0
Liquidity	1.0
<b>Total</b>	100.0

All figures are subject to rounding.

## Glossary

<b>Bid price</b>	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
<b>Dividend</b>	Income paid to shareholders by the company they invest in.
<b>Net asset value</b>	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	1.3
Microsoft	1.2
Alphabet	1.0
UnitedHealth	1.0
Facebook	0.9
Utilico Emerging Markets	0.9
Apple	0.8
Priceline	0.7
ING Groep	0.7
State Street	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
HarbourVest Partners VIII Buyout Fund	0.6
HarbourVest Partners Ventures VIII Fund	0.5
Pantheon Asia Fund V	0.5
Hermes Global Emerging Markets Fund	0.5
Findlay Park American Fund	0.5
HIPEP VI Asia Pacific Fund	0.5
Memnon Fund	0.4

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All data as at 30.09.2017 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 (10/17).