

Manager Commentary
Paul Niven



During December our net asset value (NAV) gained by 2.3%, which exceeded the 1.8% gain from the FTSE All World benchmark. Our returns for 2017 were 16.9% in NAV terms and 21% in share price total return terms, ahead of the benchmark return of 13.8%. Our discount finished the year at 4.2%, representing the narrowest year end close for over twenty years. The narrowing in discount from 7.4% at the start of the year was a positive contributor to shareholder returns.

Equities posted strong returns over the month as investors embraced a goldilocks outlook with global growth broadening

and gathering pace while inflation generally remains quiescent. The UK rallied strongly throughout December as Brexit divorce proceedings took a step forward and rising commodity prices helped mining and energy stocks. European equities posted reasonable returns through the first part of the month on the back of data releases showing further improvement in the health of the region's economy. However, concerns over the future political landscape in Germany, Spain and Italy led to a sell off into the year end. The European Central Bank was seen to be modestly less dovish on the back of updated economic growth and inflation forecasts. The US market initially rallied after Trump's tax reform bill made it through the Senate, however the Fed's rate rise to 1.5% put a dampener on further movement. Equity markets still finished in positive territory, to cap a very strong year.

Looking into 2018 the fundamental backdrop seems supportive of further progress in equities. Nonetheless, given that market volatility has been so low and recent returns so strong it is not much of a stretch to suggest that gains may be harder

fought from here as the year progresses. Valuations across asset classes are pushing into extended territory, suggesting that longer term gains may be more muted, but valuation alone has limited predictive content. With no fundamental precursor to a bear market on the immediate horizon we remain constructive but expect that volatility will rise, drawdowns may become more frequent, and dispersion within markets will rise.

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 29.12.2017

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: £4.0 billion

Share price: 647.00p

NAV: 675.35p

Discount/Premium(-/+): -4.20%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield †: 1.6%

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

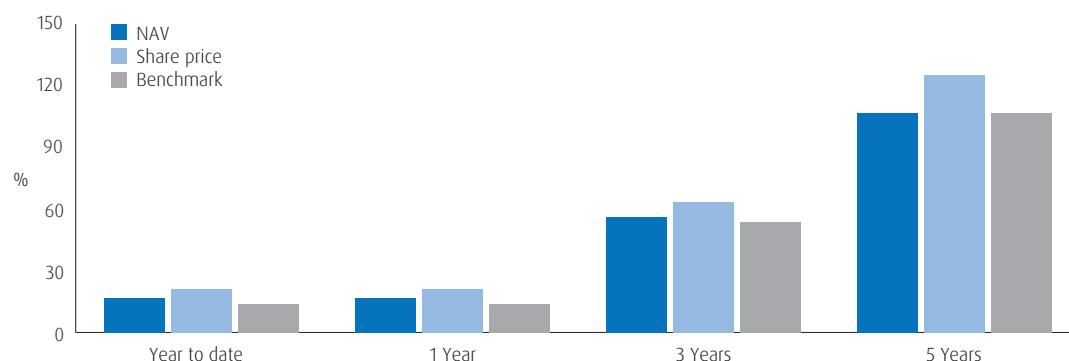
Sector: Global

Currency: Sterling

Website: www.foreignandcolonial.com

** Ongoing charges calculated in accordance with AIC recommendations.

Fund performance as at 29.12.2017



Cumulative performance (%) as at 29.12.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	2.2	16.8	16.8	56.1	106.8
Share price	2.5	21.1	21.1	63.3	125.2
Benchmark	1.8	13.8	13.8	53.5	106.7

Discrete annual performance (%) as at 29.12.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
NAV	16.8	23.6	8.2	8.9	21.6
Share price	21.1	23.7	9.0	13.5	21.5
Benchmark	13.8	29.6	4.0	11.3	21.0

Key risks

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.

Past performance is not a guide to future performance.

Source: Lipper and F&C. Basis: Percentage growth, Total return, net income reinvested. 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	2.50
Total	8.10	8.70	9.20	9.50	9.70	10.15

Asset allocation including Private Equity (%)	
UK equity	5.5
Europe ex UK equity	19.0
North America equity	48.4
Japan equity	11.2
Pacific ex Japan equity	1.8
Emerging markets equity	13.5
Liquidity	0.6
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	1.5
Microsoft	1.4
Alphabet	1.1
UnitedHealth	1.0
Facebook	0.9
Utilico Emerging Markets	0.8
Anthem	0.8
BP	0.8
JPMorgan Chase	0.7
Apple	0.7

Ten Largest Fund Holdings (%)	
	Percentage of total Investments
Pantheon Europe Fund V	0.8
Conventum Lyrical Fund	0.6
Artemis US Extended Alpha Fund	0.6
iShares Core MSCI Emerging Market	0.5
Pantheon Asia Fund V	0.5
HarbourVest Partners VIII Buyout Fund	0.5
HarbourVest Partners Ventures VIII Fund	0.5
Findlay Park American Fund	0.5
HIPEP VI Asia Pacific Fund	0.4
Hermes Global Emerging Markets Fund	0.4

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All data as at 29.12.2017 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 Investor Document ("KID") 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 CM15142 (01/18).