

Manager Commentary Paul Niven



March was a busy month in terms of newsflow. Foreign & Colonial delivered a NAV return of 1.4% and share price total return of 0.1%. Trump's 'phenomenal' tax package was pulled, the Dutch election challenger, Geert Wilders won fewer seats than expected in the Dutch election, and the French Presidential election continued to deliver twists and turns. Theresa May triggered Article 50 en route to Brexit but not before the Scottish government attempted to trigger Section 30 in order to hold a second Scottish referendum. On the monetary front, the Federal Open Market Committee (FOMC) raised rates, European Central Bank 'sources' set off a flurry of speculation (since quashed) that they would tighten later this year; the Bank of England meeting was hawkish too, though they left rates

unchanged. Analysts pored over economic data attempting to work out whether the surge in survey measures of economic activity was being confirmed by the hard data. The conclusion was 'yes perhaps', though estimates of US Q1 GDP have been steadily revised down. Much less attention was paid to the jump in inflation surprises which, on the Citi measures, rose strongly in the US and reached record levels in Europe.

By contrast, financial markets were relatively calm. Peripheral European equities had a very strong month which has been attributed to the strong showing of Macron in the French Presidential elections and the suggestion from the Dutch elections that populists can underperform their opinion poll ratings. Commodities, especially oil, were generally weak.

The global economy remains in robust good health but this is no longer 'news'. The Citi economic surprise index for the major economies remains positive but has declined sharply since late March; the equivalent Goldman Sachs index shows a similar pattern. The UK and eurozone, where economic data surprises were especially strong, have converged down to meet the US. Inflation data have also surprised strongly to the upside but this does

not foreshadow a more generalised uptrend in our view. Inflation does appear to be trending higher in the US – hardly surprising given the low level of unemployment. But the trajectory is shallow and wage inflation appears to have reached a plateau. Elsewhere, there are few signs of inflationary pressures apart from the temporary impact of higher food and energy prices or in those countries whose currency has been weak. Geopolitical concerns are on the increase following the US airstrike on Syria, terrorist incidents in the UK and Sweden, and the rise in the opinion polls for the French Presidential election of far left candidate Jean-Luc Mélenchon.

We continue to run 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: £3.6 billion

Share price: 564.00p

NAV: 618.74p

Discount/Premium(-/+): -8.85%

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

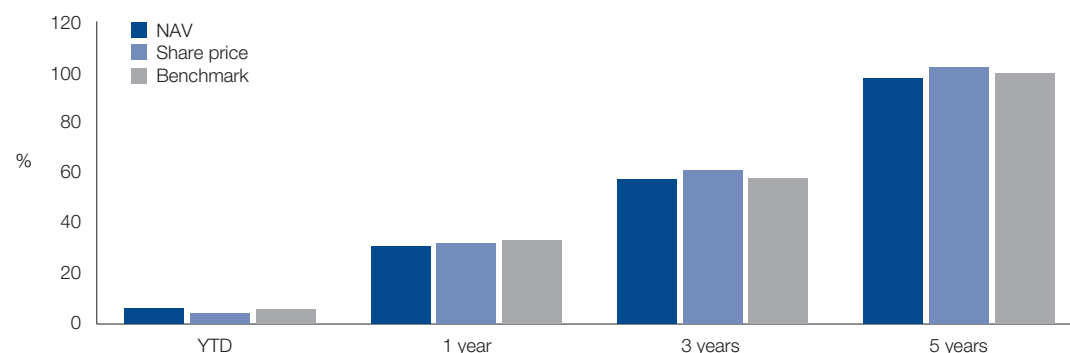
Sector: Global

Currency: Sterling

Website: www.foreignandcolonial.com

** Ongoing charges calculated in accordance with AIC recommendations.

Fund performance



Cumulative performance (%) as at 31.03.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	1.64	6.26	30.64	57.21	97.30
Share price	-0.35	4.15	31.83	60.95	101.81
Benchmark	0.80	5.78	33.12	57.85	99.27

Discrete annual performance (%) as at 31.03.2017

	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
NAV	30.64	0.42	19.83	6.84	17.47
Share price	31.83	0.29	21.74	7.14	17.03
Benchmark	33.12	-0.49	19.17	6.75	18.25

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	
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	2.45

Asset allocation including Private Equity (%)

UK Equity	8.1
Europe ex UK Equity	18.3
North America Equity	46.4
Japan Equity	10.0
Pacific ex Japan Equity	2.7
Emerging Markets Equity	12.5
Liquidity	2.0
Total	100.0

All figures are subject to rounding.

Ten Largest Listed Company Holdings (%)

	Percentage of total Investments
Amazon	1.4
UnitedHealth	1.2
Alphabet	1.1
Microsoft	1.1
Utilico Emerging Markets	0.9
Facebook	0.9
BP	0.8
Priceline	0.8
Apple	0.8
Philip Morris	0.7

Ten Largest Fund Holdings (%)

	Percentage of total Investments
Pantheon Europe Fund V	0.9
Pantheon Asia Fund V	0.7
HarbourVest Partners Ventures VIII Fund	0.7
HarbourVest Partners VIII Buyout Fund	0.6
Artemis US Extended Alpha Fund	0.6
Conventum Lyrical Fund	0.6
Findlay Park American Fund	0.5
HIPEP VI Asia Pacific Fund	0.5
Hermes Global Emerging Mkets Fund	0.5
William Blair US Small-mid cap Growth Fund	0.5



© 2017 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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.

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. If markets fall, gearing can magnify the negative impact on performance.

All data as at 31.03.2017 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.