

Manager Commentary  
Paul Niven



During August, our net asset value (NAV) rose by 1.7%, in line with the return from the FTSE All World Index. Shareholder returns were slightly better at 2.2%.

While global equities produced gains over August, there was reasonable divergence in terms of returns, with the US leading the way. There was a raft of positive US data releases, including very strong gross domestic product growth in the second quarter, increasingly positive sentiment indicators, above-expectation retail sales and improving unemployment statistics for July. These factors provided support to US equity markets, which

rallied strongly over the month, outperforming global markets over August. The S&P 500 Index reached a new record high, buoyed by strong financial results and share buybacks. This was despite a further escalation in the trade dispute between the US and China, with the two nations applying further tariffs to each other's imports. Other regions' stock markets generally ended negative, with the UK a disappointing -2.8%, even though sterling continued to fall against the US dollar. Lack of progress in Brexit negotiations and political uncertainty continued to weigh on UK assets. In line with economists' forecasts, the Bank of England hiked interest rates by 0.25%, to 0.75%.

Europe remained disappointing, with a pick up in the eurozone economy still muted and subdued earnings growth given the macroeconomic backdrop. Italian stocks significantly underperformed amid increasing worries over the country's debt levels and the budget proposals of its government. Along with the concerns surrounding Italy, eurozone banking shares were hit by market jitters over the rapidly falling Turkish lira, given their sizeable

exposures to Turkey. Valuations are improving but we believe risks surrounding Italian politics remain high and positive catalysts have diminished.

Emerging markets continued to be under pressure, with strength in the US dollar, trade concerns and slowing growth in China all negatively impacting returns. Turkey (-27.9%) lost significant ground over the month as the lira came under renewed selling pressure, with the Trump administration applying sanctions over the detention of an American pastor. Brazil (-10.6%) was hit by political uncertainty as opinion polls showed gains for the left-wing Workers' party and waning support for the Social Democratic party presidential candidate Geraldo Alckmin. Elsewhere, political and economic concerns weighed on South Africa (-9.2%).

We continue to invest in a range of diversified underlying stock-selection strategies and will focus on remaining well placed to withstand any further short term volatility in markets.

## Key facts as at 31.08.2018

**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

**Fund type:** Investment Trust

**Launch date:** 1868

**Total assets:** £4.3 billion

**Share price:** 730.00p

**NAV:** 726.95p

**Discount/Premium(-/+):** 0.42%

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

**Net dividend yield †:** 1.5%

**Net gearing\*:** 7%

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

**Total expenses:** 0.52%

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

**Year end:** 31 December

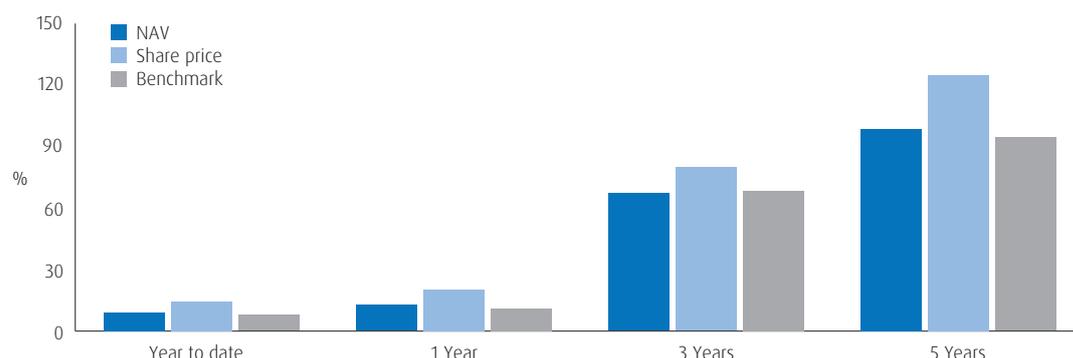
**Sector:** Global

**Currency:** Sterling

**Website:** www.foreignandcolonial.com

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

## Fund performance as at 31.08.2018



## Cumulative performance (%) as at 31.08.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
<b>NAV</b>	1.70	8.96	12.64	67.07	98.49
<b>Share price</b>	2.24	14.23	19.99	79.70	124.77
<b>Benchmark</b>	1.68	7.72	10.88	68.13	94.17

## Discrete annual performance (%) as at 31.08.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
<b>NAV</b>	12.64	21.13	22.44	7.15	10.88
<b>Share price</b>	19.99	26.21	18.66	12.43	11.26
<b>Benchmark</b>	10.88	19.69	26.69	1.90	13.33

## 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						
	2013	2014	2015	2016	2017	2018
February	2.00	2.10	2.20	2.30	2.45	2.70
May	2.50	2.70	2.70	2.70	2.70	2.70
August/September	2.10	2.20	2.30	2.35	2.50	2.70
November	2.10	2.20	2.30	2.35	2.50	-
<b>Total</b>	<b>8.70</b>	<b>9.20</b>	<b>9.50</b>	<b>9.70</b>	<b>10.15</b>	<b>8.10</b>

Asset allocation including Private Equity (%)	
UK equity	6.6
Europe ex UK equity	17.6
North America equity	51.1
Japan equity	9.3
Pacific ex Japan equity	2.1
Emerging markets equity	12.1
Liquidity	1.1
<b>Total</b>	<b>100.0</b>

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.



Twenty largest Holdings (%)	
	Percentage of total Investments
Amazon	2.3
Microsoft	1.5
Alphabet	1.2
UnitedHealth	1.1
Anthem	1.1
Facebook	0.8
Novo Nordisk	0.7
JPMorgan Chase	0.7
Pfizer	0.7
Lowe	0.7
Utilico Emerging Markets	0.7
Artemis US Extended Alpha Fund	0.7
Citigroup	0.7
Booking Holdings	0.7
Visa	0.7
Apple	0.7
UBS	0.7
Boeing	0.6
Syncona	0.6
Alibaba	0.6

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All data as at 31.08.2018 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 2017. 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 (09/18).