

Manager Commentary
Paul Niven



During September, our net asset value (NAV) fell modestly, down by -0.5%, lagging a small gain (of 0.2%) by the FTSE All World Index. Shareholder returns were -0.8%.

While equity markets eked out small gains over the month, many areas posted absolute losses. There were several areas of concern over the month. Worries on Italy's debt levels and intransigence from the new coalition government's spending plans weighed on European equities (which fell by -0.5% on the month). This led to pressure on Italian bond markets as investors worried over the sustainability of debt levels there and the broader backdrop for the eurozone pointed to a further decline in manufacturing activity and slowing growth momentum there.

Another area of weakness was again in emerging markets, which were hindered by rising US rates (and bond yields) and dollar strength, along with a further escalation in the trade war between the US and China – with the US imposing tariffs on an additional \$200bn of Chinese imports, prompting the Chinese government to retaliate with tariffs on \$60bn of US goods. India (-9.7%) was among the worst-performing emerging market countries over the month as it came under pressure from rising oil prices. Greece (-9.1%) was also weak as its bank stocks came under pressure. On the positive side, Turkey (19.4%) shares rebounded, as the lira recovered some of its sharp losses of the prior month.

In line with expectations, the Federal Reserve raised interest rates again by 0.25% to 2.25% following its September meeting, highlighting generally strong conditions across the US economy. While inflationary pressures remained well contained, oil prices picked up again over the month, with Brent crude rising to well over US\$80 per barrel. The US market was broadly flat over the month in sterling terms, while Japan gained 2.8%, with yen weakness helping to boost exporters. There was also positive news on the political front as a successful summit between

Prime Minister Shinzo Abe and President Donald Trump headed off the near-term threat of a 25% US import tariff on Japanese cars. Confidence in Japanese equities was additionally bolstered by a resounding win for Abe in the ruling Liberal Democratic Party's leadership election.

Closer to home, the UK market also posted a small gain of 0.7%, although domestic political uncertainty was on the rise after EU leaders rejected Prime Minister Theresa May's proposals for the post-Brexit trade relationship. UK economic news continued to be mixed, with survey data suggesting increased talk of a no-deal Brexit was weighing on consumer sentiment. However, separate survey data suggested that activity in the UK service sector had firmed in August. Official figures showed UK inflation also surprised on the upside in August, rising to 2.7% from 2.5% in July. UK wages accelerated ahead of forecasts, rising 2.9% year on year in the three months to July.

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 28.09.2018

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: 724.00p

NAV: 723.45p

Discount/Premium(-/+): 0.08%

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

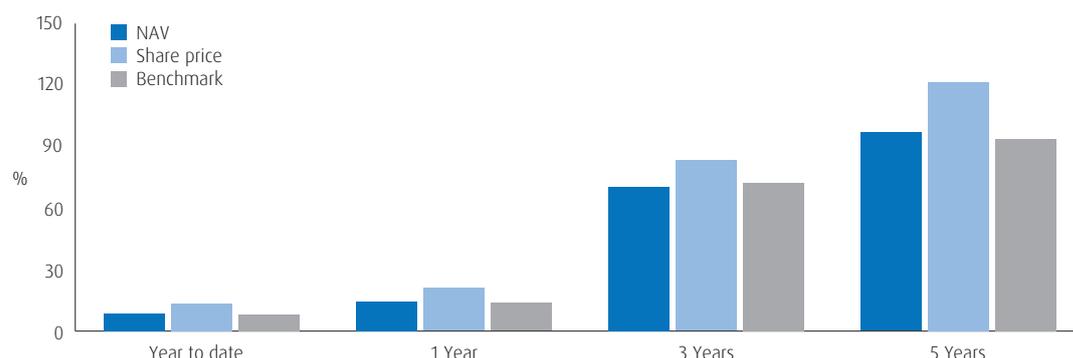
Sector: Global

Currency: Sterling

Website: www.foreignandcolonial.com

** Ongoing charges calculated in accordance with AIC recommendations.

Fund performance as at 28.09.2018



Cumulative performance (%) as at 28.09.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-0.49	8.42	14.29	70.14	96.76
Share price	-0.82	13.29	20.86	83.16	121.14
Benchmark	0.18	7.91	13.42	72.04	93.50

Discrete annual performance (%) as at 28.09.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	14.29	17.33	26.87	4.34	10.84
Share price	20.86	23.21	23.00	9.03	10.73
Benchmark	13.42	15.52	31.31	0.58	11.82

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	-
Total	8.70	9.20	9.50	9.70	10.15	8.10

Asset allocation including Private Equity (%)	
UK equity	6.3
Europe ex UK equity	17.2
North America equity	51.8
Japan equity	9.7
Pacific ex Japan equity	2.1
Emerging markets equity	11.3
Liquidity	1.6
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.



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

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All data as at 28.09.2018 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 (10/18).