

# F&C Global Smaller Companies PLC

Report and Accounts for the half-year  
ended 31 October 2017

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## Introducing F&C Global Smaller Companies PLC

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F&C Global Smaller Companies has operated as an investment trust since 1889.

Our objective is to invest in smaller companies worldwide in order to secure a high total return.

Our investment team is consistently able to construct a portfolio of attractive small cap stocks with business models that are able to thrive in the ever-evolving corporate landscape.

We recognise the particular risks inherent in smaller company investing. Our portfolio is invested across many individual companies and funds, providing a global exposure to stock markets and sectors reducing the risk of over-exposure to any one company, market, currency or industry.

Our record of increasing the dividend for 47 years in a row is one that we are proud of. By focusing on companies that have the potential to deliver future growth, we hope to receive an increasing stream of investment income in the years ahead.

F&C Global Smaller Companies is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth over the long term, and who understand and are willing to accept the risks, as well as the rewards, of exposure to smaller companies.

Visit our website at [www.fandcglobalsmallers.com](http://www.fandcglobalsmallers.com)

The Company is registered in England and Wales, company registration number 28264  
Legal Entity Identifier: 2138008RRULYQP8VP386

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

## Summary of Unaudited Results for the half-year ended 31 October 2017

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8.0%

**Diluted Net Asset Value<sup>(1)</sup> ("NAV") rose to 1,357.10p, giving a total return<sup>(2)</sup> of 8.0% compared to the Benchmark total return of 7.4%**

6.9%

**Share price total return<sup>(2)</sup> of 6.9% with share price up to 1,352p**

4.4p

**Interim dividend up by 10.0% to 4.4p per ordinary share**

(1) Diluted NAV – assumes that the Convertible Unsecured Loan Stock ("CULS") are converted into ordinary shares at the rate of 977.697 pence per £1 nominal CULS value.

(2) Total return – return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the share price or NAV in the period.

### Forward-looking statements

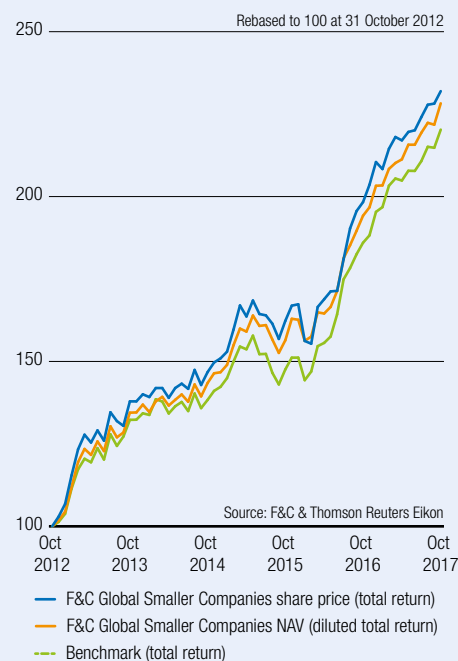
This interim report may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this report. Nothing should be construed as a profit forecast.

# Manager's Review

Peter Ewins. Lead Manager

The period under review saw many equity markets around the globe move up to reach new highs. Risks from several dimensions in the political sphere have been a headwind, but investors were heartened by generally encouraging economic and corporate earnings data. A number of European economies in particular, are now doing notably better than in recent years and while there is always a difference in pattern across the various markets, smaller company share prices broadly matched larger company returns over the six months.

## Share price and NAV per share performance vs Benchmark over five years



## Performance

The Company's Benchmark is calculated from the returns of the MSCI All Country World ex UK Small Cap Index and the Numis UK Smaller Companies (excluding investment companies) Index in a 70%/30% proportion, and this delivered a 7.4% return on a total return basis. Taking the dilution from the Convertible Unsecured Loan Stock into account, the net asset value ("NAV") total return over the six months was 8.0%, while on an un-diluted basis the NAV was up by 8.2%, so the fund was ahead of the Benchmark over the period.

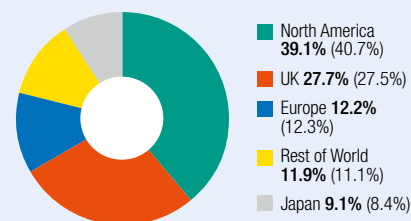
The Company's share price remained close to the diluted NAV through the full period, but ended at a 0.4% discount compared to a 0.8% premium at the start of the year, meaning that the share price total return for the six months was 6.9%. Pleasingly the Company's share count continues to grow, with just over 1.2 million new shares issued in the period at a premium to the diluted NAV at the point of issue. Regular share issuance and the strong performance of the fund over recent years have increased the market capitalisation to a scale that has led to the Company's shares qualifying for inclusion in the FTSE 250 index with effect from December 18th.

## Dividends

With corporate earnings improving and feeding through into dividend receipts, revenue returns per share were up 9.6%. As a result and reflecting a positive outlook for the remainder of the year, the Board have decided to pay a 4.4p interim dividend, up 10.0% on last year. This will be paid to shareholders on 31 January 2018.

## Geographical distribution of the investment portfolio

at 31 October 2017



Source: F&C  
The percentages in brackets are as at 30 April 2017

## Economic and market background

The last few years have seen central banks around the world employ loose monetary policy and provide direct support to financial markets, for example via bond purchases. In some countries there is evidence that this support is no longer warranted, and during the period interest rates were raised in the US and Canada, with the Bank of England following suit in November. The US Federal Reserve also indicated that it was looking to gradually reduce its balance sheet holdings of assets in the coming years. These initiatives had been heavily flagged to the markets and did not create the amount of volatility in either equity or bond markets that some observers had anticipated earlier in the year.

Hopes for tax reform in the US have been a factor in the performance of equities since the election of Donald Trump as President in November 2016. Over the course of the six months, political challenges in the form of a succession of senior personnel changes in the Trump administration, allegations about interference in the election from Russia, plus the

failure of health reform, meant that little progress in relation to tax policy was made. In October, details of a plan to cut the headline corporation tax rate to 20%, plus amendments to the treatment of international income and the tax deductibility of interest along with lower personal tax rates, were finally announced, but the path to adoption could still prove tricky. US small cap stocks performed satisfactorily over the six months, taking account of the fact that they had been very strong in the year before.

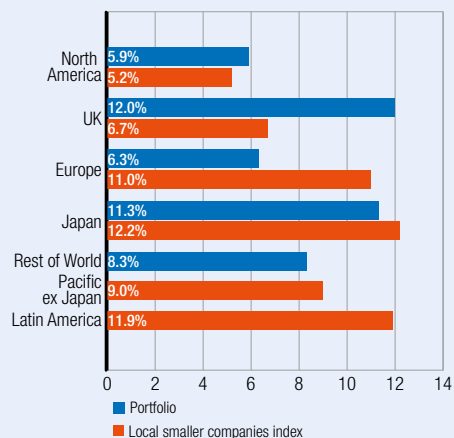
Not many expected the Brexit negotiations to be easy and so it has proved to date with the added complication of a weakened UK government post the general election. UK small cap stocks however, proved resilient to slower growth in the economy, although some parts of the market most closely linked to domestic consumer confidence lagged. A post Brexit rise in inflation is placing pressure on disposable income. More positively, the labour market has remained strong and there have been signs that UK export trade is benefitting from a more competitive sterling level.

An improving prognosis for the European economy plus the market-friendly Presidential election result in France in May lifted global investor's appetite for Continental European exposure. Later in the period however, the weaker than expected result for Angela Merkel's CDU party in the German elections and more pertinently the constitutional crisis in Catalonia, led to something of a reversal in sentiment.

North Korea's nuclear testing programme caused periodic bouts of weakness in Asian markets, but on the whole the region was in favour, with the key being that the Chinese

## Geographical performance (total return sterling adjusted)

for the half-year ended 31 October 2017



Source: F&C

economy appeared to be maintaining its growth trajectory. North Asian markets such as China itself and Korea were strong, while those further south lagged. Japanese small cap shares did well, with the small cap index here surpassing returns elsewhere. Weakness in the yen, better retail sales numbers and a rise in exports combined with the re-election of Prime Minister Shinzo Abe in October, were all helpful influences on the market.

### Portfolio performance

We divide our portfolio into five segments; North America, the UK, Europe, Japan and the Rest of the World (with our Rest of World portfolio principally made up of investments in Asian orientated funds). With markets rising around the globe, the table above shows that positive total returns in sterling terms were delivered across the board, as was the case in the last financial

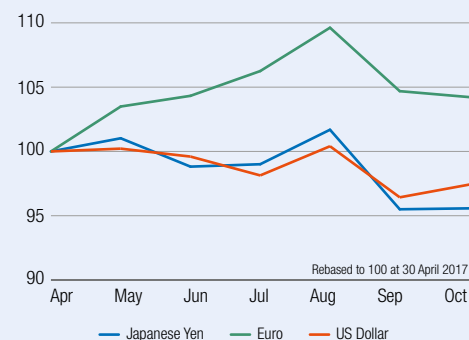
year. We were ahead in the two markets where we have the most invested, namely the US and the UK. Our weakest relative performance during the period was in Europe.

In the US, we were helped by positive stock selection within the healthcare sector. **Wellcare Health Plans** posted strong earnings growth as a new management team accelerated plans to turn around the business, whilst an expected change of leadership also boosted **Molina Healthcare**. One of our largest holdings, **STERIS**, the sterilisation services supplier, produced good results and the shares were re-rated. **The Ensign Group** benefitted from improved management of its recently acquired skilled nursing facilities and progress on its managed care contract business. Contract pharmaceuticals research company **ICON** enjoyed a good run, despite the partial loss of a large customer, as it gained new business and benefitted from generally firm market demand.

Telecoms business **GTT Communications** and **American Vanguard**, the agricultural chemicals supplier, were both good performers as they made progress on their acquisition strategies. Another winner in the period was golf and country clubs business **Clubcorp**, which received a bid from a private equity company. Back-up power company **Generac's** shares rose late in the period as investors priced in additional business as a result of the three major US hurricanes. These storms however, were a double-edged sword for the portfolio, as our insurance holding **Alleghany** fell as claims for damage came through, while **ATN International's** Caribbean telecoms business also took a hit.

## Currency movements relative to sterling

for the half-year ended 31 October 2017



Source: F&C

In terms of the poorer performers in the US, financial holdings were generally under pressure. **Franklin Financial Network** was the weakest of our bank holdings with margins facing a squeeze from higher deposit costs as short term interest rates rose. Shares in debt purchaser **PRA Group** were lower as costs rose and brokers cut forecasts. Stock selection in technology was disappointing, with travel software business **Sabre** suffering from higher costs and the loss of a customer, while **Nuance Communications** was hit by a cyber security attack. **Cardtronics**, the cash machine operator, was weak as a result of negative regulatory news in Australia and a lack of the anticipated recovery in the US. Other weaker performers included the cinema business **Cinemark**, hampered by an uninspiring film release schedule, hobby retailer **Michaels Co** where margins remained under pressure, and **Carrizo Oil & Gas**, whose share price fell after the company issued new shares at a low price to fund a large deal.

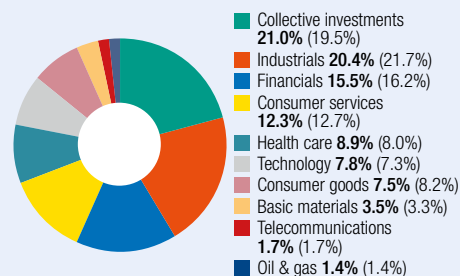
There was a pleasing performance from the UK portfolio. In financials, **Premier Asset Management**, announced steady inflows into its multi-asset and income orientated funds, and IFA consolidator **AFH Financial Group** was strong as the accretion from acquisitions fed through into results. Document management specialist **Restore** produced strong figures and waste business **Biffa** was also in favour as the market started to appreciate the defensive nature of its earnings.

**Clinigen**, the services provider to the pharmaceutical and biotechnology sectors, announced strong results and an earnings enhancing acquisition. Power control solutions supplier **XP Power's** shares did well as a surge in orders came through, while **Senior Group**, which had been weak in the last year, recovered as it reported stability in margins with new aerospace business starting to contribute better profitability. Media company **Huntsworth** performed well as its US centric healthcare businesses demonstrated strong growth, while its other businesses showed improving returns. This more than offset the hit from sports agency business **TLA Worldwide**, which saw its shares suspended due to delays in filing accounts.

There were few poor performers in the UK, with company news-flow generally being solid, although car dealer **Vertu** lagged as the underlying car market slowed. **Revolution Bars** was down over the six months, with a profit warning being followed by a bid for the company which failed to gain shareholder support, and subsequent management departures. Not all consumer orientated stocks were weak however and tonics supplier **Fevertree Drinks** was up by more than a third in share price terms, as incremental

## Industrial classification of the investment portfolio

at 31 October 2017



Source: F&C  
The percentages in brackets are as at 30 April 2017

distribution led to dynamic sales and profits growth. Carpets supplier **Victoria** continued its strategy of successfully buying and integrating businesses in the floorcoverings space.

While European markets were strong, our portfolio lagged. In media, holdings in **Atresmedia** and **Mediaset España** were weak as it became apparent that advertising spend was not following its traditional relationship to GDP progression. Swedish based windows supplier **Inwido** was one of the more disappointing holdings, with the company cutting guidance as a result of a failure to profitably manage an increased amount of business. **Gerresheimer** was also weak as the company's pharmaceutical company customers cut back on orders after the US election, while a new inhaler product has also been delayed. Two other lagging holdings were textiles supplier **Lenzing**, with the market becoming concerned about global overcapacity in viscose lines, and office supplies business **Takkt** which reported weak first half results.

It was not all bad news in Europe however, and our Scandinavian financial holdings **Sparebank** and **Storebrand** continued their good form from the previous year. Both companies have emerged from a period when their near term prospects had looked bleak, and the markets are now better appreciating the strengths of their business models. While the Catalanian crisis meant that Spanish stocks on the whole were under some pressure, we did see good returns from bottle maker **Vidrala** which moved to acquire a Portuguese peer on sensible terms. Good results from long standing holdings **Rational** (catering equipment) and **Christian Hansen** (specialist ingredients) drove further positive share price returns. Credit information supplier **Cerved Information Solutions** based in Italy signed some important contracts to manage the collections on some non-performing loans portfolios, opening up a new stream of earnings for the company. Finally **Norma Group** rose, as its exposure to a recovering US agricultural equipment market and progress elsewhere in the group, led to broker upgrades.

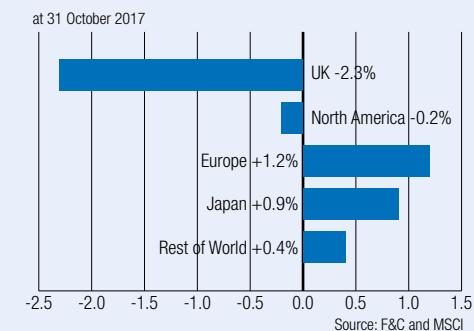
As stated above, the Japanese small cap market did well. We get exposure to the market by way of two fund holdings and in this period, the **Eastspring Investments Japan Smaller Companies Fund** broadly matched the MSCI Japan Small Cap Index but the Aberdeen managed fund lagged. Our Rest of the World fund holdings produced mixed returns. Pleasingly two of the holdings that we had added during the course of 2016/17, managed by Pinebridge and HSBC, performed strongly. The **Manulife Global Fund – Asian Smaller Cap Equity Fund** also did well, helped by a high exposure to North Asian markets. However, **The Scottish Oriental**

**Smaller Companies Trust** failed to keep up in the period, and despite having increased its exposure to Latin American markets, which were strong, the **Utilico Emerging Markets** fund lagged as cyclical stocks did better than the more defensive infrastructure and utility sectors that it focuses on.

## Asset allocation

While this is a stock-picking fund, we need to take account of the potential for diverging returns across regions, not least because varying economic conditions, political developments and/or currency moves can sometimes have a big impact. In the last financial year sterling was weak across the board in the aftermath of Brexit, but over the course of the period under review, the pound regained some ground versus the US dollar and yen in spite of the unsettled state of domestic politics.

## Geographical weightings against Benchmark



While allocations at a market level can give a misleading picture of genuine effective exposures at the portfolio level, our view that the UK economy was bound to slow relative to others led us to maintain an underweight

stance towards the UK. Given the improving growth across Europe, we remained overweight here. As the period progressed, we slightly reduced exposure to the US market in favour of Asian and Japanese markets, where earnings trends appeared to be strengthening. The asset allocation decisions made a modest positive contribution to performance versus the overall Benchmark, mainly due to the overweight stance towards Europe.

## Gearing

The Board's policy is to maintain leverage on a strategic basis, taking the view that markets are likely to appreciate over time. During the six months, a new £30m Revolving Credit Facility with RBS was agreed, and at the end of the period £12m of this had been drawn down in sterling. As a result the Company ended the six months with effective gearing of 5.0% (3.4% at the end of April 2017).

## Outlook

Calling the outlook for markets as a whole is always challenging, not least at the present time due to a myriad of potential political challenges, whether they be Brexit, the Spanish regional elections in December, the national elections in Italy in 2018, or the progress of tax reform in the US. Risks to financial markets in relation to evolving central bank policies should not be dismissed. On the other hand, economic conditions remain favourable and should be reflected in company results. We still feel optimistic about the potential to find new opportunities for the portfolio in the coming period.

## Thirty Largest Holdings

31 Oct 2017	30 Apr 2017		% of total investments	Value £m
1	1	<b>Eastspring Investments Japan Smaller Companies Fund</b> <i>Japan</i> Fund providing exposure to Japanese smaller companies.	5.2	44.0
2	2	<b>Aberdeen Global-Japanese Smaller Companies Fund</b> <i>Japan</i> Fund providing exposure to Japanese smaller companies.	3.8	32.4
3	3	<b>The Scottish Oriental Smaller Companies Trust</b> <i>Rest of World</i> Investment trust providing exposure to Asian smaller companies.	2.9	24.4
4	4	<b>Pinebridge Asia ex Japan Small Cap Fund</b> <i>Rest of World</i> Fund providing exposure to Asian smaller companies.	2.8	23.3
5	5	<b>Utilico Emerging Markets</b> <i>Rest of World</i> Investment trust focusing on utility and infrastructure companies in emerging markets.	1.8	15.3
6	6	<b>HSBC GIF Asia ex Japan Equity Smaller Companies Fund</b> <i>Rest of World</i> Fund providing exposure to Asian smaller companies.	1.4	12.3
7	8	<b>Manulife Global Fund – Asian Smaller Cap Equity Fund</b> <i>Rest of World</i> Fund providing exposure to Asian smaller companies.	1.4	11.6
8	7	<b>Aberdeen Global-Asian Smaller Companies Fund</b> <i>Rest of World</i> Investment company providing exposure to Asian smaller companies.	1.2	10.2
9	12	<b>STERIS</b> <i>United States</i> Global supplier of surgical and sterilisation products and services.	1.1	9.7
10	11	<b>State Bank Financial</b> <i>United States</i> Atlanta based bank.	1.1	9.0
11	14	<b>Waste Connections</b> <i>Canada</i> North American provider of waste collection and disposal services.	1.0	8.7
12	9	<b>Alleghany</b> <i>United States</i> Specialist commercial insurer.	1.0	8.6
13	18	<b>LKQ Corp</b> <i>United States</i> A distributor of alternative car parts.	1.0	8.3
14	22	<b>Vail Resorts</b> <i>United States</i> Operator of luxury ski resorts in the US and Australia.	0.9	7.6
15	13	<b>Martin Marietta Materials</b> <i>United States</i> Aggregates and cement producer that served the construction industry.	0.9	7.5

31 Oct 2017	30 Apr 2017		% of total investments	Value £m
16	20	<b>Sterling Bancorp</b> <i>United States</i> New York based commercial lender.	0.9	7.3
17	10	<b>Franklin Financial Network</b> <i>United States</i> Tennessee based bank that makes real estate based loans.	0.9	7.3
18	19	<b>Amdocs</b> <i>United States</i> Outsourced IT services provider to telecommunications sector.	0.9	7.3
19	17	<b>Leucadia National</b> <i>United States</i> Diversified holding company with exposure to the financial services, food and extractive industries.	0.8	6.9
20	38	<b>ICON</b> <i>United States</i> Clinical research provider to the global pharmaceutical industry.	0.8	6.9
21	23	<b>CSRA</b> <i>United States</i> IT services provider to US government agencies.	0.8	6.9
22	26	<b>American Vanguard</b> <i>United States</i> Producer of chemicals for crop protection.	0.8	6.7
23	21	<b>Roper Technologies</b> <i>United States</i> An operator of niche industrial business.	0.8	6.5
24	29	<b>Brown &amp; Brown</b> <i>United States</i> Insurance broker to SMEs.	0.8	6.5
25	30	<b>CLS Holdings</b> <i>United Kingdom</i> Property investment company mainly operating in the UK, Germany and France.	0.7	6.4
26	15	<b>Total System Services</b> <i>United States</i> Global payment solutions provider.	0.7	6.2
27	28	<b>Catchmark Timber Trust</b> <i>United States</i> REIT that owns timberlands in southern states in the US.	0.7	6.2
28	79	<b>GTT Communications</b> <i>United States</i> Provider of internet infrastructure related services.	0.7	6.1
29	44	<b>Dechra Pharmaceuticals</b> <i>United Kingdom</i> International specialist veterinary pharmaceutical products supplier.	0.7	5.8
30	24	<b>ProAssurance</b> <i>United States</i> Insurer that specialises in medical professional liability insurance.	0.7	5.6

The value of the thirty largest equity holdings represents 39.2% (30 April 2017: 38.8%) of the Company's total investments.

# Unaudited Condensed Income Statement

Notes	Half-year ended 31 October 2017			Half-year ended 31 October 2016			Year ended 30 April 2017		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	–	59,417	59,417	–	102,523	102,523	–	162,084	162,084
	(4)	(5)	(9)	48	1,403	1,451	47	1,050	1,097
2	5,953	–	5,953	5,133	–	5,133	10,416	–	10,416
3	(480)	(1,439)	(1,919)	(378)	(1,136)	(1,514)	(815)	(2,447)	(3,262)
	(467)	(7)	(474)	(372)	(11)	(383)	(701)	(22)	(723)
	<b>5,002</b>	<b>57,966</b>	<b>62,968</b>	<b>4,431</b>	<b>102,779</b>	<b>107,210</b>	<b>8,947</b>	<b>160,665</b>	<b>169,612</b>
	(190)	(571)	(761)	(222)	(665)	(887)	(442)	(1,327)	(1,769)
	<b>4,812</b>	<b>57,395</b>	<b>62,207</b>	<b>4,209</b>	<b>102,114</b>	<b>106,323</b>	<b>8,505</b>	<b>159,338</b>	<b>167,843</b>
	(400)	–	(400)	(329)	–	(329)	(666)	–	(666)
	<b>4,412</b>	<b>57,395</b>	<b>61,807</b>	<b>3,880</b>	<b>102,114</b>	<b>105,994</b>	<b>7,839</b>	<b>159,338</b>	<b>167,177</b>
4	<b>7.64</b>	<b>99.34</b>	<b>106.98</b>	6.97	183.42	190.39	13.99	284.39	298.38
4	<b>7.51</b>	<b>94.58</b>	<b>102.09</b>	6.86	172.03	178.89	13.80	267.79	281.59

The total column is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

# Unaudited Condensed Statement of Changes in Equity

Notes

## Half-year ended 31 October 2017

Balance at 30 April 2017

### Movements during the half-year ended 31 October 2017

<sup>5</sup> Dividends paid

<sup>8</sup> Conversion of Convertible Unsecured Loan Stock ("CULS")

<sup>9</sup> Shares issued

Net return attributable to equity shareholders

### Balance at 31 October 2017

## Half-year ended 31 October 2016

Balance at 30 April 2016

### Movements during the half-year ended 31 October 2016

<sup>5</sup> Dividends paid

<sup>8</sup> Conversion of Convertible Unsecured Loan Stock ("CULS")

Shares issued

Net return attributable to equity shareholders

### Balance at 31 October 2016

## Year ended 30 April 2017

Balance at 30 April 2016

### Movements during the year ended 30 April 2017

<sup>5</sup> Dividends paid

<sup>8</sup> Conversion of Convertible Unsecured Loan Stock ("CULS")

Shares issued

Net return attributable to equity shareholders

### Balance at 30 April 2017

Called-up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
14,284	160,243	16,158	1,169	527,523	13,905	733,282
–	–	–	–	–	(4,751)	(4,751)
71	2,731	–	(91)	–	–	2,711
232	12,017	–	–	–	–	12,249
–	–	–	–	57,395	4,412	61,807
14,587	174,991	16,158	1,078	584,918	13,566	805,298
13,853	141,046	16,158	1,307	368,185	12,643	553,192
–	–	–	–	–	(4,334)	(4,334)
1	47	–	(1)	–	–	47
117	4,955	–	–	–	–	5,072
–	–	–	–	102,114	3,880	105,994
13,971	146,048	16,158	1,306	470,299	12,189	659,971
13,853	141,046	16,158	1,307	368,185	12,643	553,192
–	–	–	–	–	(6,577)	(6,577)
108	4,118	–	(138)	–	–	4,088
323	15,079	–	–	–	–	15,402
–	–	–	–	159,338	7,839	167,177
14,284	160,243	16,158	1,169	527,523	13,905	733,282



## Unaudited Condensed Balance Sheet

Notes	31 October 2017 £'000s	31 October 2016 £'000s	30 April 2017 £'000s
<b>Fixed assets</b>			
6 Investments	844,926	688,877	761,269
<b>Current assets</b>			
Debtors	1,150	3,792	4,462
Cash at bank and short-term deposits	10,779	12,410	10,061
	11,929	16,202	14,523
<b>Creditors: amounts falling due within one year</b>			
7 Loans	(12,000)	–	–
Creditors	(7,382)	(6,556)	(7,813)
	(19,382)	(6,556)	(7,813)
<b>Net current (liabilities)/assets</b>	<b>(7,453)</b>	9,646	6,710
<b>Total assets less current liabilities</b>	<b>837,473</b>	698,523	767,979
<b>Creditors: amounts falling due after more than one year</b>			
8 Convertible Unsecured Loan Stock ("CULS")	(32,175)	(38,552)	(34,697)
<b>Net assets</b>	<b>805,298</b>	659,971	733,282
<b>Capital and reserves</b>			
9 Called-up share capital	14,587	13,971	14,284
Share premium account	174,991	146,048	160,243
Capital redemption reserve	16,158	16,158	16,158
Equity component of CULS	1,078	1,306	1,169
Capital reserves	584,918	470,299	527,523
Revenue reserve	13,566	12,189	13,905
10 <b>Total shareholders' funds</b>	<b>805,298</b>	659,971	733,282
10 <b>Net asset value per share (basic) – pence</b>	<b>1,380.16</b>	1,180.96	1,283.42
10 <b>Net asset value per share (diluted) – pence</b>	<b>1,357.10</b>	1,165.08	1,263.52

## Unaudited Condensed Statement of Cash Flows

Notes	Half-year ended 31 October 2017 £'000s	Half-year ended 31 October 2016 £'000s	Year ended 30 April 2017 £'000s
11 <b>Cash flows from operating activities before dividends received and interest paid</b>	<b>(2,630)</b>	(2,981)	(5,131)
Dividends received	6,196	5,649	10,352
Interest paid	(813)	(887)	(1,769)
<b>Cash flows from operating activities</b>	<b>2,753</b>	1,781	3,452
<b>Investing activities</b>			
Purchases of investments	(112,245)	(101,464)	(238,411)
Sales of investments	90,733	97,666	222,867
Other capital charges	(12)	(11)	(18)
<b>Cash flows from investing activities</b>	<b>(21,524)</b>	(3,809)	(15,562)
<b>Cash flows before financing activities</b>	<b>(18,771)</b>	(2,028)	(12,110)
<b>Financing activities</b>			
Ordinary dividends paid	(4,751)	(4,334)	(6,577)
Proceeds from issue of shares	12,249	5,072	15,402
Movement on loans	12,000	–	–
<b>Cash flows from financing activities</b>	<b>19,498</b>	738	8,825
Net movement in cash and cash equivalents	727	(1,290)	(3,285)
Cash and cash equivalents at the beginning of the period	10,061	12,249	12,249
Effect of movement in foreign exchange	(9)	1,451	1,097
<b>Cash and cash equivalents at the end of the period</b>	<b>10,779</b>	12,410	10,061
Represented by:			
<b>Cash at bank and short term deposits</b>	<b>10,779</b>	12,410	10,061

# Unaudited Notes on the Condensed Accounts

## 1 Significant accounting policies

These condensed financial statements have been prepared on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, FRS102, Interim Financial Reporting (FRS104) issued by the FRC in March 2015 and the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts"(SORP) issued by the AIC in November 2014 and updated in January 2017.

The accounting policies applied for the condensed set of financial statements are set out in the Company's annual report for the year ended 30 April 2017.

## 2 Income

	Half-year ended 31 October 2017 £'000s	Half-year ended 31 October 2016 £'000s	Year ended 30 April 2017 £'000s
Income comprises:			
<b>Income from investments</b>			
Dividends	5,926	5,038	10,303
Scrip dividends	8	81	81
	<b>5,934</b>	5,119	10,384
<b>Other income</b>			
Interest on cash and short-term deposits	19	14	32
<b>Total income</b>	<b>5,953</b>	5,133	10,416

## 3 Management fees

There has been no change to the terms of the management fee agreement with F&C Investment Business Limited, which are set out in detail in the Report and Accounts to 30 April 2017. The fees are payable monthly in arrears to the Manager and are allocated 75% to capital reserve in accordance with accounting policies.

## 4 Return per share

Basic returns per share attributable to ordinary shareholders are based on the following data.

	Half-year ended 31 October 2017	Half-year ended 31 October 2016	Year ended 30 April 2017
Revenue return attributable to shareholders – £'000s	4,412	3,880	7,839
Capital return attributable to shareholders – £'000s	57,395	102,114	159,338
Total return attributable to shareholders – £'000s	61,807	105,994	167,177
Revenue return per share – pence	7.64	6.97	13.99
Capital return per share – pence	99.34	183.42	284.39
Total return per share – pence	106.98	190.39	298.38
Weighted average number of ordinary shares in issue during the period	57,776,354	55,672,900	56,028,214

## Diluted returns per share

Diluted returns per share attributable to ordinary shareholders are based on the following data.

	Half-year ended 31 October 2017	Half-year ended 31 October 2016	Year ended 30 April 2017
Revenue return attributable to shareholders – £'000s	4,600	4,102	8,281
Capital return attributable to shareholders – £'000s	57,959	102,779	160,665
Total return attributable to shareholders – £'000s	62,559	106,881	168,946
Revenue return per share – pence	7.51	6.86	13.80
Capital return per share – pence	94.58	172.03	267.79
Total return per share – pence	102.09	178.89	281.59
Weighted average number of ordinary shares in issue during the period	61,280,443	59,746,483	59,996,888

For the purpose of calculating the diluted total, revenue and capital returns per ordinary share, the number of ordinary shares used is the weighted average number used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all CULS. Total returns attributable to shareholders, adjusted for CULS finance costs accounted for in the period, are divided by the resulting weighted average shares in issue to arrive at diluted total returns per share. Once dilution has been determined, individual revenue and capital returns are calculated.

## 5 Dividends

	Register date	Payment date	Half-year ended 31 October 2017 £'000s	Half-year ended 31 October 2016 £'000s	Year ended 30 April 2017 £'000s
Dividends on ordinary shares					
Final for the year ended 30 April 2017 of 8.25p	14 Jul 2017	11 Aug 2017	4,751	–	–
Interim for the year ended 30 April 2017 of 4.00p	06 Jun 2017	31 Jan 2017	–	–	2,243
Final for the year ended 30 April 2016 of 7.80p	15 Jul 2016	12 Aug 2016	–	4,334	4,334
			<b>4,751</b>	<b>4,334</b>	<b>6,577</b>

The Directors have declared an interim dividend in respect of the year ending 30 April 2018 of 4.4p per share, payable on 31 January 2018 to all shareholders on the register at close of business on 5 January 2018. The amount of this dividend will be £2,577,000 based on 58,573,326 shares in issue at 11 December 2017. This amount has not been accrued in the results for the half-year ended 31 October 2017.

## 6 Investments

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 30 April 2017	544,447	–	1,711	546,158
Gains at 30 April 2017	213,136	–	1,975	215,111
Valuation at 30 April 2017	757,583	–	3,686	761,269
Movements in the period:				
Purchases at cost	111,883	–	4	111,887
Transfer to level 2**	(1,525)	1,525	–	–
Sales proceeds	(87,282)	–	(364)	(87,646)
Gains on investments sold in period	25,961	–	418	26,379
Gains/(losses) on investments held at period end	34,747	(1,525)	(185)	33,037
Valuation of investments held at 31 October 2017	<b>841,367</b>	<b>–</b>	<b>3,559</b>	<b>844,926</b>

	Level 1* £'000s	Level 2* £'000s	Level 3* £'000s	Total £'000s
Cost at 31 October 2017	592,767	2,242	1,769	596,778
Gains/(losses) at 31 October 2017	248,600	(2,242)	1,790	248,148
Valuation at 31 October 2017	<b>841,367</b>	<b>–</b>	<b>3,559</b>	<b>844,926</b>

\* Level 1 includes investments listed on any recognised stock exchange or quoted on AIM in the UK.

Level 2 includes investments for which the quoted price has been suspended.

Level 3 includes any unquoted investments which are held at net asset value.

\*\*Transfer due to suspension of listing of investee company

## 7 Creditors: Loans

	31 October 2017 £'000s	31 October 2016 £'000s	30 April 2017 £'000s
Sterling loan falling due within one year	12,000	–	–

The Company has entered into a £30m revolving credit facility expiring September 2019. As at 31 October 2017, £12m was drawn down to 2 January 2018. The interest rate on the amount drawn down is based on the commercial terms agreed with the bank.

## 8 Convertible Unsecured Loan Stock (“CULS”)

	31 October 2017 £'000s	31 October 2016 £'000s	30 April 2017 £'000s
Balance brought forward	34,697	38,410	38,410
Transfer to share capital and share premium on conversion of CULS	(2,711)	(47)	(4,088)
Amortised costs	189	189	375
Balance carried forward	32,175	38,552	34,697

The interest rate on the CULS is fixed at 3.5 per cent. per annum, payable semi-annually on 31 January and 31 July each year throughout the life of the CULS. CULS holders will be able to convert their CULS into Ordinary Shares at no cost on 31 January and 31 July of each year throughout the life of the CULS. All outstanding CULS will be repayable at par on 31 July 2019 together with outstanding interest due. The rate of conversion of 977.6970 pence per £1 nominal of CULS for one Ordinary Share was set at a premium of 15% to the unaudited Net Asset Value per Ordinary Share at the time the CULS were issued. At 30 April 2017, 35,646,557 units of CULS were in issue.

On 31 July 2017, holders of 2,774,368 CULS converted their holdings into 283,752 ordinary shares. At 31 October 2017, 32,872,189 units of CULS were in issue.

The market price of the CULS at 31 October 2017 was 134.00p per 100p nominal. The CULS are unsecured and are subordinate to any creditors of the Company.

## 9 Called up share capital

Equity share capital	Issued and fully paid Number	£'000s
Ordinary shares of 25p each		
Balance at 30 April 2017	57,135,074	14,284
Issue of new shares	1,213,252	303
Balance at 31 October 2017	58,348,326	14,587

During the half-year ended 31 October 2017 929,500 ordinary shares were issued for net proceeds of £12,249,000.

On 9 August 2017, 283,752 ordinary shares were issued on the conversion of 2,774,368 CULS (see note 8), at no cost.

Since the period end a further 225,000 ordinary shares have been issued, raising additional capital of £3,086,000.

## 10 Net asset value per ordinary share

	31 October 2017 £'000s	31 October 2016 £'000s	30 April 2017 £'000s
Net assets attributable at the period end – £'000s	805,298	659,971	733,282
Number of ordinary shares in issue at the period end	58,348,326	55,884,022	57,135,074
Net asset value per share – pence	1,380.16	1,180.96	1,283.42

Diluted net asset value per ordinary share is based on net assets at the end of the period assuming the conversion of 32,872,189 100p CULS in issue at the rate of 977.6970 pence per £1 nominal of CULS for one ordinary share.

	31 October 2017 £'000s	31 October 2016 £'000s	30 April 2017 £'000s
Net assets attributable at the period end – £'000s	805,298	659,971	733,282
Amount attributable to ordinary shareholders on conversion of CULS	32,175	38,552	34,697
Attributable net assets assuming conversion	837,473	698,523	767,979
	Number	Number	Number
Ordinary shares in issue at the period end	58,348,326	55,884,022	57,135,074
Ordinary shares created on conversion of CULS	3,362,206	4,071,036	3,645,972
Number of ordinary shares for diluted calculation	61,710,532	59,955,058	60,781,046
Diluted net asset value per ordinary share – pence	1,357.10	1,165.08	1,263.52

## 11 Reconciliation of net return before taxation to cash flows from operating activities

	Half-year ended 31 October 2017 £'000s	Half-year ended 31 October 2016 £'000s	Year ended 30 April 2017 £'000s
Net return on ordinary activities before taxation	62,207	106,323	167,843
Adjust for returns from non-operating activities			
Gains on investments	(59,417)	(102,523)	(162,084)
Foreign exchange losses/(gains)	9	(1,451)	(1,097)
Non-operating expenses of a capital nature	7	11	22
<b>Return from operating activities</b>	<b>2,806</b>	<b>2,360</b>	<b>4,684</b>
Adjust for non cash flow items, dividend income and interest expense			
Increase in prepayments and accrued income	(46)	(74)	(17)
Decrease in creditors	(8)	(940)	(1,108)
Dividends receivable	(5,809)	(4,919)	(10,073)
Interest payable	761	887	1,769
Scrip dividends	(8)	(81)	(81)
Amortised costs	189	189	375
Overseas taxation	(515)	(403)	(680)
<b>Cash flows from operating activities (before dividends received and interest paid)</b>	<b>(2,630)</b>	<b>(2,981)</b>	<b>(5,131)</b>

## 12 Results

The results for the half-year ended 31 October 2017 and 31 October 2016, which are unaudited and which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 30 April 2017; the report of the auditors thereon was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The condensed financial statements shown above for the year ended 30 April 2017 are an extract from those accounts.

## Directors' Statement of Principal Risks and Uncertainties

### 13 Going concern

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager and the Board.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a robust regulatory environment; and the Company has sufficient resources and arrangements to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern.

By order of the Board  
F&C Investment Business Limited, Secretary  
Exchange House  
Primrose Street  
London EC2A 2NY  
13 December 2017

Most of the Company's principal risks and uncertainties are market related and no different from those of other investment trusts investing primarily in listed equities. They are described in more detail under the heading "Principal risks and future prospects" within the strategic report in the Company's annual report for the year ended 30 April 2017. They have not changed materially since the date of that report and are not expected to change materially for the remainder of the Company's financial year.

The risks include having an inappropriate strategy in relation to investor needs; failure on the part of the Manager to continue to operate effectively; unfavourable markets or inappropriate asset allocation, sector and stock selection and currency exposure leading to investment underperformance and its effect on share price discount/premium and dividends. Also included are risks in relation to errors, fraud or control failures at service providers, or loss of data through cyber-threats or business continuity failure.

## Statement of Directors' Responsibilities in Respect of the Half-Yearly Financial Report

In accordance with Chapter 4 of the Disclosure Guidance and Transparency Rules the Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the development and performance of the Company and important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown above is a fair review of the principal risks and uncertainties for the remainder of the financial year;
- the half-yearly report includes details on related party transactions that have taken place in the first six months of the financial year.

On behalf of the Board  
Anthony Townsend  
Chairman  
13 December 2017

# How to Invest

One of the most convenient ways to invest in F&C Global Smaller Companies PLC is through one of the savings plans run by F&C Investments.

## F&C Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits

## F&C Junior ISA (JISA)\*

You can invest up to £4,128 for the tax year 2017/18 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA

## F&C Child Trust Fund (CTF)\*

If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

## F&C Private Investor Plan (PIP)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

## F&C Children's Investment Plan (CIP)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

\*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18

## Charges

Annual management charges and other charges apply according to the type of plan.

## Annual account charge

ISA: £60+VAT

PIP: £40+VAT

JISA/CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

## Dealing charges

ISA: 0.2%

PIP/CIP/JISA: postal instructions £12, online instruction £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than two switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

For full details of our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website [fandc.com/literature](http://fandc.com/literature)

## How to Invest

To open a new F&C savings plan, apply online at [fandc.com/apply](http://fandc.com/apply)

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

## New Customers

Call: **0800 136 420\*\***

(8:30 am – 5:00 pm weekdays)

Email: [info@fandc.com](mailto:info@fandc.com)

## Existing Plan Holders

Call: **0345 600 3030\*\***

(9:00 am – 5:00 pm weekdays)

Email: [investor.enquiries@fandc.com](mailto:investor.enquiries@fandc.com)

By post: **F&C Plan Administration Centre  
PO Box 11114, Chelmsford CM99 2DG**

\*\*Calls may be recorded or monitored for training and quality purposes.

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, TD Direct Investing, The Share Centre

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website [fandc.co.uk](http://fandc.co.uk). F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

 A part of BMO Financial Group

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### Availability of report and accounts

The Company's report and accounts are available on the internet at [www.fandcglobalismallers.com](http://www.fandcglobalismallers.com). Printed copies may be obtained from the Company's registered office, Exchange House, Primrose Street, London EC2A 2NY

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape.

Please call 0345 600 3030.\*\*

#### Warning to shareholders – Beware of Share Fraud

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the Financial Conduct Authority before getting involved by visiting [fca.org.uk/firms/systems-reporting/register](http://fca.org.uk/firms/systems-reporting/register)
- Report the matter to the Financial Conduct Authority by calling 0800 111 6768
- If the calls persist, hang up.

More detailed information on this can be found on its website [fca.org.uk/consumers/scams](http://fca.org.uk/consumers/scams)