

Manager Commentary Philip Webster



Despite the challenging environment, the trust outperformed its benchmark, the FTSE ALL-Share Index, which fell 2.8% in August on the back of better-than-benchmark stock selection. Among the holdings that contributed to the relative outperformance was food ingredients Kerry Group. Kerry's stock price extended its gains for a second consecutive month on the back of a solid financial and growth outlook. Cyber security software provider Sophos Group and specialist insurance business Beazley also performed well. The latter is benefiting from the enactment of General Data Protection Regulation legislation, which is increasing demand for cyber insurance in Europe. The same legislation and the constant need for enhanced cyber security are also boosting Sophos' fortunes. British American Tobacco, BBA Aviation and mining giant Rio Tinto detracted from performance.

The latter's stock price has been affected by the trade rhetoric from the US administration. The threats of increased regulation, such as the US FDA nicotine-reduction implementation proposal, pressured the stock's price. Lacklustre first-half financial results hurt BBA's stock price in August.

Trading activity was very limited over the month.

Key facts as at 31.08.2018

Trust aims: To provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth. In pursuit of this objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

Benchmark: FTSE All-Share Index (Pre 05/07/2018 FTSE All-Share Capped 5% Index).

Fund type: Investment Trust

Launch date: 1 March 2007

Total assets: £137.0 million

Share price: 104.00p

NAV: 109.82p

Discount/Premium(-/+): -5.3%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield[†]: 4.69%

Net gearing/Net cash[‡]: 4.47%

Management fee rate^{}:** 0.65%

Ongoing charges^{}:** 0.93%

Year end: 31 March

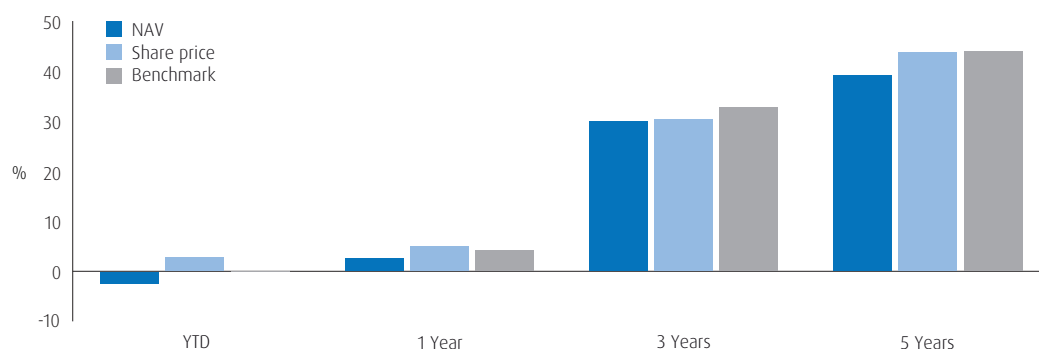
Sector: UK Equity Income

Currency: Sterling

Website: www.fandcukhit.co.uk

^{**} Ongoing charges and management fee as at the end of 31 March 2018. Please refer to the latest annual report as to how the fee is structured. Ongoing charges are 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
NAV	-1.97	-2.39	2.47	29.86	38.96
Share price	0.97	2.76	4.97	30.23	43.73
Benchmark	-2.76	-0.05	4.11	32.75	43.88

Discrete annual performance (%) as at 31.08.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	2.47	11.58	13.58	-2.93	10.23
Share price	4.97	13.55	9.26	0.50	9.81
Benchmark	4.11	14.13	11.72	-1.70	10.26

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. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. 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.

Past performance is not a guide to future performance.

Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

Trust codes		
Stock exchange code	Sedol	
F&C UK High Income	FHI	B1N4G29
F&C UK High Income B	FHIB	B1N4H59
F&C UK High Income Units	FHIU	B1N4H93

Top 10 holdings (%) [*]				
	Portfolio Weight %	Benchmark Weight %	Difference %	Sector
British American Tobacco	6.13	3.53	2.60	Consumer Goods
GlaxoSmithKline	5.78	3.16	2.62	Health Care
HSBC Holdings	5.22	5.59	-0.38	Financials
Royal Dutch Shell	4.95	8.75	-3.80	Oil & Gas
Prudential	4.40	1.87	2.53	Financials
RELX	4.19	0.74	3.45	Consumer Services
Rio Tinto	3.96	1.75	2.21	Basic Materials
Close Brothers Group	3.68	0.10	3.58	Financials
Kerry Group	3.57	--	3.57	Consumer Goods
National Grid	3.34	1.13	2.21	Utilities

All figures are subject to rounding.

Net dividend distributions pence per share (paid)					
	2014	2015	2016	2017	2018
February	1.08	1.11	1.14	1.17	1.21
May	1.12	1.15	1.18	1.21	1.25
August	1.11	1.14	1.17	1.21	1.25
November	1.11	1.14	1.17	1.21	
Total	4.43	4.54	4.66	4.80	3.71

All figures are subject to rounding.

Total summary		% assets
FTSE 100		55.06
FTSE 250		29.42
AIM		4.26
Non-Index		5.59
Overseas		4.42
Cash		1.25

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.

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, unless stated otherwise. † The yield is calculated using the actual dividends declared for the company's current financial year and the closing share price and exchange rate 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 as at the end of 31 March 2018. Please refer to the latest annual report as to how the fee is structured. Ongoing charges are calculated in accordance with AIC recommendations. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. 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 No 517895. (09/18).