



### Manager Commentary Paul Niven



During August, our net asset value return was -2.3% and shareholder returns were -3.6%, versus the FTSE All World Index return of -1.8%.

After more muted performance in July, equity market returns turned negative over August as geopolitical concerns weighed on sentiment. Particular weakness was seen in the UK and Asia, stemming from continuing Brexit uncertainty and the ongoing protests in Hong Kong. Meanwhile, the trade war between the US and China escalated.

President Donald Trump announced a 10% tariff on the remaining US\$300bn worth of Chinese imports from 1 September (although these were later delayed until December), which saw a response from China that included halting agricultural purchases and letting the yuan weaken past the key 7 per US dollar level. This led to the US Treasury labelling China a "currency manipulator" for the first time since 1994. Both sides announced further tariffs in retaliation, and it seemed very unlikely that talks on a resolution would take place in September.

Following its cut of 25 basis points (bps) in July, which disappointed overly dovish market expectations, the US Federal Reserve (Fed) emphasised – in the minutes from August's Federal Open Market Committee (FOMC) meeting – that it will focus on the data going forward. Such has been taken as slightly hawkish, given that a majority of the FOMC were in support of characterising the last meeting's cut as a "mid-cycle adjustment to policy" rather than "the beginning of a lengthy cutting cycle". In contrast, speakers from the European Central Bank have been more mixed in their views ahead of September's meeting.

Global economic data remains lacklustre, with continued weakness in German manufacturing and industrial figures. In contrast, US retail sales were fairly strong in July and global purchasing managers' index (PMI) readings held up slightly better than expected in August, although the services PMI in the US disappointed as it registered a 2.1 point drop. US recession fears rose again, as the US 2-year/10-year yield curve inverted, seen by the market as a key leading indicator of growth.

Europe has seen a fair amount of political drama over August; in Italy, Matteo Salvini withdrew support for the governing populist coalition, made up of his party – the right-wing Northern League – and Five Star, arguing for new elections. However, his plans were scuppered when Prime Minister Giuseppe Conte obtained a mandate from President Sergio Mattarella to form a new government, with a new coalition between Five Star and the Democratic Party likely, thus avoiding elections and further uncertainty.

In the UK, the Brexit situation deteriorated as Prime Minister Boris Johnson adopted a tougher stance against the EU and suspended Parliament for almost five weeks ahead of Brexit in order to push through his 'do or die' agenda. Chances of a 'no deal' exit continue to rise and weigh on sterling.

Emerging market equity markets underperformed relative to developed markets in August, particularly in Asia as protests in Hong Kong and trade tensions hurt performance. Chinese activity data for July came in weaker than expected, although such followed a strong uptick in June.

Our US Value and Small Cap strategies performed well over the month in relative terms, as did our Emerging and Global Income strategies. We ended August at a discount of 5.2%, having averaged a discount of 4.8% over the month.

Despite the recent recovery in equities, valuation metrics in a number of areas remain reasonable and, provided that growth remains on a positive path globally, we feel that the outlook for global equity markets remains positive. Nonetheless, the cycle and bull market are maturing and the growth outlook is starting to moderate. We expect that volatility will remain heightened in the coming quarters and we continue to invest in a range of diversified underlying stock selection strategies. In our view, we remain well placed to withstand any further short-term volatility in markets.

### Key facts as at 30.08.2019

**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:** £4.4 billion

**Share price:** 702.00p

**NAV:** 740.41p

**Discount/Premium(-/+):** -5.19%

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

**Net dividend yield †:** 1.6%

**Net gearing\*:** 8%

**Management fee rate\*\*:** 0.35% p.a. based on Market Capitalisation up to £3.0 billion, 0.30% between £3.0 and £4.0 billion, and 0.25% above £4.0 billion

**Total expenses:** 0.56%

**Ongoing charges\*\*:** 0.65%

**Year end:** 31 December

**Sector:** Global

**Currency:** Sterling

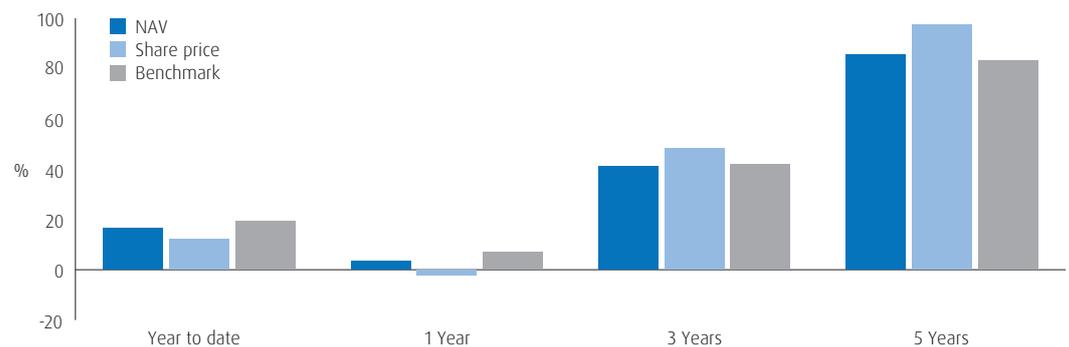
**Website:** fandcit.com

\*\* Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.



Lines may be recorded

### Fund performance as at 30.08.2019



### Cumulative performance (%) as at 30.08.2019

|                    | 1 Month | Year to date | 1 Year | 3 Years | 5 Years |
|--------------------|---------|--------------|--------|---------|---------|
| <b>NAV</b>         | -2.26   | 16.64        | 3.50   | 41.23   | 85.29   |
| <b>Share price</b> | -3.57   | 12.29        | -2.26  | 48.02   | 97.47   |
| <b>Benchmark</b>   | -1.78   | 19.23        | 6.88   | 41.84   | 83.11   |

### Discrete annual performance (%) as at 30.08.2019

|                    | 2019/2018 | 2018/2017 | 2017/2016 | 2016/2015 | 2015/2014 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| <b>NAV</b>         | 3.50      | 12.64     | 21.13     | 22.44     | 7.15      |
| <b>Share price</b> | -2.26     | 19.99     | 26.21     | 18.66     | 12.43     |
| <b>Benchmark</b>   | 6.88      | 10.88     | 19.69     | 26.69     | 1.90      |

### 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 BMO. Basis: Percentage growth, Total return, net income reinvested. The discrete annual performance table refers to 12 month periods, ending at the date shown.



### Trust codes

|                         |                      |
|-------------------------|----------------------|
| Stock exchange          | FCIT                 |
| Sedol                   | 346607               |
| Legal Entity Identifier | 213800W6B18ZHTNG7371 |

### Net dividend distributions pence per share

|                  | 2014 | 2015 | 2016 | 2017  | 2018  | 2019 |
|------------------|------|------|------|-------|-------|------|
| February         | 2.10 | 2.20 | 2.30 | 2.45  | 2.70  | 2.80 |
| May              | 2.70 | 2.70 | 2.70 | 2.70  | 2.70  | 2.80 |
| August/September | 2.20 | 2.30 | 2.35 | 2.50  | 2.70  | 2.90 |
| November         | 2.20 | 2.30 | 2.35 | 2.50  | 2.70  | -    |
| Total            | 9.20 | 9.50 | 9.70 | 10.15 | 10.80 | 8.50 |

### Asset allocation including Private Equity (%)

|                         |       |
|-------------------------|-------|
| UK equity               | 6.4   |
| Europe ex UK equity     | 15.4  |
| North America equity    | 55.6  |
| Japan equity            | 8.5   |
| Pacific ex Japan equity | 1.9   |
| Emerging markets equity | 11.0  |
| Liquidity               | 1.2   |
| Total                   | 100.0 |

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                         | 2.1                             |
| Microsoft                      | 1.9                             |
| PE Investment Holdings 2018 LP | 1.7                             |
| Alphabet                       | 1.3                             |
| Facebook                       | 1.3                             |
| Dollar General                 | 1.0                             |
| Comcast                        | 0.9                             |
| UnitedHealth                   | 0.9                             |
| Visa                           | 0.9                             |
| Anthem                         | 0.9                             |
| Mastercard                     | 0.8                             |
| Lowe                           | 0.8                             |
| Boeing                         | 0.8                             |
| Alibaba                        | 0.8                             |
| JPMorgan Chase                 | 0.8                             |
| Chevron                        | 0.7                             |
| Apple                          | 0.7                             |
| Novo Nordisk                   | 0.7                             |
| AstraZeneca                    | 0.7                             |
| Utilico Emerging Markets       | 0.7                             |



All data as at 30.08.2019 unless otherwise stated.

All information is sourced from BMO, 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 2018. 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. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned. The factsheet is issued and approved by BMO, a trading name of BMO Asset 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 (09/19).