

F&C Global Smaller Companies PLC



August 2017

Manager Commentary Peter Ewins



July was another positive month for small caps in most parts of the world. Although political uncertainty abounds in the UK, domestic small caps performed well in July as the first batch of half yearly results came through, on the whole, solidly. European small caps also did well in the month with economic data continuing to suggest that economic activity is expanding more rapidly. US small caps were up in local currency terms, but the dollar was weak as political issues and more cautious commentary about the likely pace of interest rates from the Federal Reserve drove it down. The net asset value rose by slightly more than the benchmark in the month due to generally positive stock selection.

A number of our UK companies upgraded their profit expectations. Notable amongst these were tonics supplier Fevertree Drinks, media business Huntsworth and heat treatment company Bodycote.

Revolution Bars, which had been a poor performer after a profit warning in May, rose sharply after reporting a bid approach.

The US portfolio was also ahead in the month. Golf and country club owner Clubcorp Holdings received a bid from private equity firm Apollo, while there was speculation that Total Systems Services might also be acquired. In addition there were good results from waste to energy business Covanta. Less positively Franklin Financial Network lost ground as loan growth slowed and higher expenses hurt the bottom line, while telecoms and renewable energy services business ATN International fell as the company forecast a deterioration in its US wireless business.

European performance was ahead of the local small cap index too. Scandinavian finance stocks Storebrand and Sparebank performed well, while results from industrials Norma, Rational and Tomra were also pleasing. Swedish windows business Inwido's figures however were disappointing and the shares pulled back, while floorings business Forbo also slipped as the market reacted negatively to a cautious outlook statement.

On the funds side, our Japanese portfolio slightly lagged in July, with the Aberdeen managed fund underperforming. Asian markets were relatively flat with our fund holdings marginally outperforming. The best performance here came from the Manulife Asian small cap fund.

Key facts

Trust aims: To secure a high total return by investing in smaller companies worldwide.

Trust highlights: The largest specialist global smaller companies investment trust. Greater inherent growth potential in smaller companies. Strong dedicated small company investment team. The dividend has risen in each of the last 46 years.

Benchmark: 30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index

Fund type: Investment Trust

Launch date: 1889

Total assets: £798.1m

Share price: 1306.00p

NAV (diluted): 1303.43p

Discount/Premium (-/+): 0.20%

Dividend payment dates: Aug, Jan

Net dividend yield %: 0.94%

Net gearing/Net cash*: 4.16%/0.00%

Management fee rate:** 0.55%

Ongoing charges:** 0.84%

Year end: 30 April

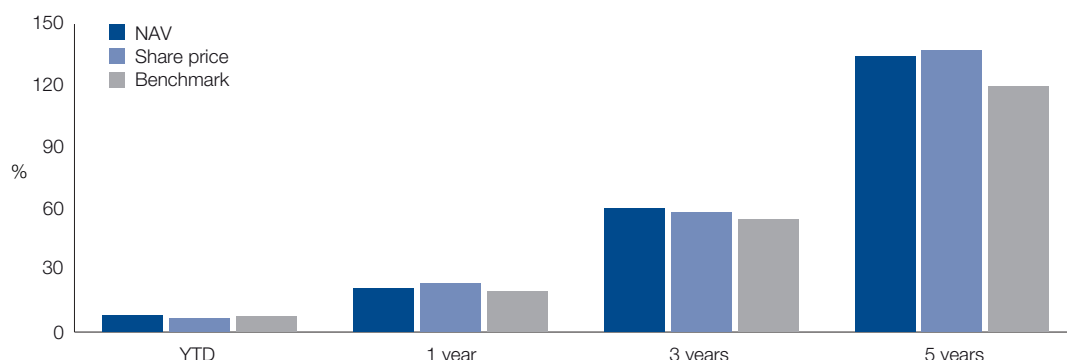
Sector: Global

Currency: Sterling

Website: www.fandcglobalsmallers.com

** Ongoing charges calculated in accordance with AIC recommendations.

Fund performance



Cumulative performance (%) as at 31.07.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV (diluted)	1.7	7.9	21.0	60.2	134.2
Share price	1.8	6.5	23.8	58.1	137.2
Benchmark	1.4	7.7	19.9	54.6	119.5

Discrete annual performance (%) as at 31.07.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
NAV (diluted)	21.0	12.6	17.6	5.0	39.2
Share price	23.8	10.4	15.7	5.3	42.5
Benchmark	19.9	14.3	12.8	5.5	34.6

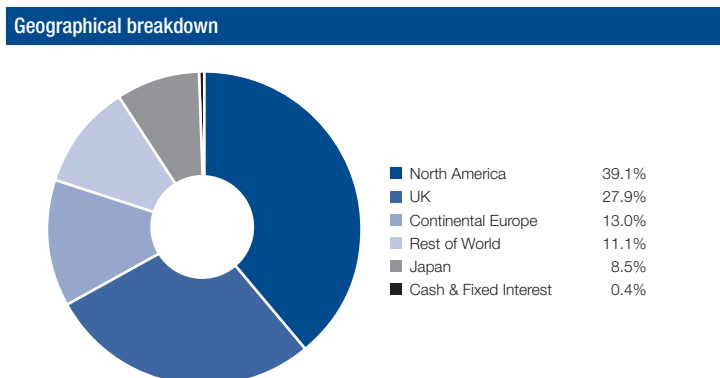
Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority. Past performance is not a guide to future performance. Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth. 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, or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment. If markets fall, gearing can magnify the negative impact on performance. The discrete annual performance table refers to 12 month periods, ending at the date shown.



Trust codes	
Stock exchange	FCS / FCSC
Sedol	17505 / BNH7RK3
Legal Entity Identifier	2138008RRULYQP8VP386

Top 10 holdings (%)		
	Portfolio Weight	Sector
Eastspring Investments Japan Smaller Companies	4.6	Collective investments
Aberdeen Global Japanese Smaller Companies	3.8	Collective investments
Scottish Oriental Smaller Cos Inv Trust	3.0	Collective investments
Pinebridge Asia ex Japan Small Cap Equity	2.0	Collective investments
Utilico Emerging Markets	1.7	Collective investments
HSBC GIF Asia ex Japan Equity Smaller Companies	1.5	Collective investments
Aberdeen Global Asian Smaller Companies	1.3	Collective investments
Manulife Global Asian Smaller Companies	1.2	Collective investments
Alleghany	1.1	Financials
State Bank Financial Corp	1.1	Financials



Net dividend distributions pence per share					
	2013	2014	2015	2016	2017
January	2.00	2.50	2.65	2.90	4.00
August	4.50	5.50	7.00	7.80	8.25
Total	6.50	8.00	9.65	10.70	12.25

Suitability for Retail Distribution

The Company is an investment trust and conducts its affairs so that its shares can be recommended by Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's rules relating to non-mainstream investment products and intends to continue to do so.

The company is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth in capital and income from investment in global markets and who understand and are willing to accept the risks, and rewards, of exposure to equities.

Past performance is not a guide to future performance. 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. 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. If markets fall, gearing can magnify the negative impact on performance.

All data as at 31.07.2017 unless otherwise stated.

All information is sourced from F&C, unless otherwise stated. Percentages in the top ten holdings table based on gross assets. † The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year 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. 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 Features document for the relevant product. The fact sheet 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. CM11095 (08/17)