

Manager Commentary Peter Ewins



September saw mixed performance in the markets, but one of the more prominent features was the strength of sterling. This seemed to mainly be related to indications from the Bank of England that there could soon be a rise in UK interest rates. The rise in the pound reduces the value of our overseas investments when these are translated back into sterling terms, but the US smaller companies market was strong on an underlying basis. Asian and Japanese markets were weaker as tensions around North Korea continued to cause investor concern. The NAV and Benchmark were slightly down in the month, but the Company's share price was marginally up.

The UK portfolio outperformed the local smaller companies market in September, with a recovery in the oil price lifting several of our holdings including Faroe Petroleum and SDX Energy. Household products supplier McBride announced a good trading update and some of the more domestically (UK) orientated companies performed better, notably car dealer Vertu Motors. A number of more internationally focused companies we invest in lost ground as a result of the rise in sterling, while Fevertree Drinks the tonics supplier, gave back some of its earlier gains. Carclo's trading statement disappointed the market in relation to the company's plastics business.

Our US portfolio lagged the broader US smaller companies market over the month. The resignation of the Chief Operating Officer of Total System Services led to weakness in the company's share price, while shares in insurer Alleghany fell back as investors became concerned about the potential impact from Hurricanes Harvey, Irma and Maria. Building materials supplier Martin

Marietta was also weak as operations were disrupted by the storms. More positively shares in Cubic, a transport systems and defence focused business, were lifted by a broker upgrade, while crop protection chemicals business American Vanguard was also strong.

European performance was disappointing. Shares in textiles business Lenzing fell on fears about too much capacity in its market, while Nordic Waterproofing shares were also weak as the market reacted to a slightly disappointing update from the company. On the other hand, several of our automotive and truck related holdings did well as data suggested that demand in these markets has remained firm.

We hold two funds to get exposure to Japan. Eastspring's fund performed strongly in September and we have added to our holding in order to lift exposure to Japan modestly. In Asia, where we also use funds rather than investing in individual companies, we were ahead of the broader market. The Pinebridge Asia ex Japan small cap and Australian New Horizons funds did well in the month.

Key facts as at 30.09.2017

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 47 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: £812.3m

Share price: 1330.00p

NAV (diluted): 1318.11p

Discount/Premium(-/+): 0.90%

Dividend payment dates: Aug, Jan

Net dividend yield[†]: 0.92%

Net gearing/Net cash^{}:** 2.84%/0.00%

Management fee rate^{}:** 0.55%

Ongoing charges^{}:** 0.84%

Year end: 30 April

Sector: Global

Currency: Sterling

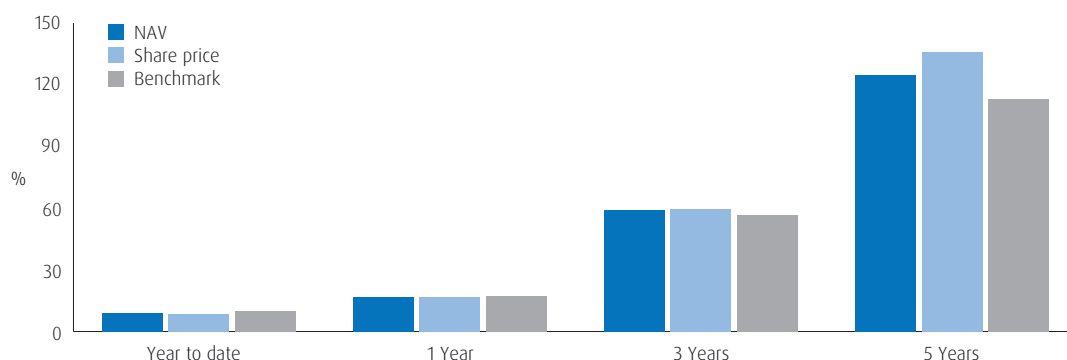
Website: www.fandcglobalsmallers.com

^{**} Ongoing charges calculated in accordance with AIC recommendations.



Lines may be recorded

Fund performance as at 30.09.2017



Cumulative performance (%) as at 30.09.2017

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV (diluted)	-0.3	9.1	17.0	59.1	124.9
Share price	0.2	8.4	16.7	59.7	135.8
Benchmark	-0.2	9.8	17.1	56.5	113.0

Discrete annual performance (%) as at 30.09.2017

	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
NAV (diluted)	17.0	24.3	9.5	8.5	30.3
Share price	16.7	24.7	9.8	9.5	34.9
Benchmark	17.1	27.0	5.3	6.8	27.5

Key risks

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 and 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.

Past performance is not a guide to future performance.

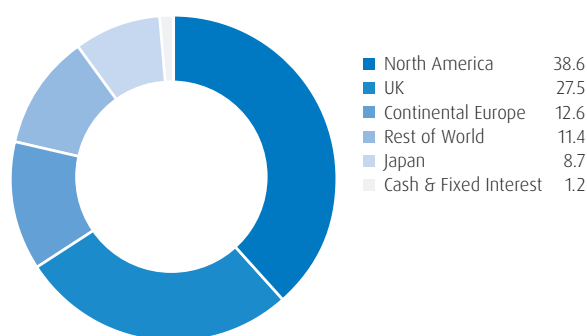
Source: Lipper and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling.

The NAV (diluted) is the Net asset value taking into account the impact of the Convertible Unsecured Loan Stock in issue. 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 (%)		
	% of net assets	Sector
Eastspring Investments Japan Smaller Companies	4.9	Collective investments
Aberdeen Global Japanese Smaller Companies	3.8	Collective investments
Scottish Oriental Smaller Cos Inv Trust	2.9	Collective investments
Pinebridge Asia ex Japan Small Cap Equity	2.4	Collective investments
Utilico Emerging Markets	1.7	Collective investments
HSBC GIF Asia ex Japan Equity Smaller Companies	1.5	Collective investments
Manulife Global Asian Smaller Companies	1.2	Collective investments
Aberdeen Global Asian Smaller Companies	1.2	Collective investments
Steris	1.1	Healthcare
State Bank Financial Corp	1.1	Financials

Geographical breakdown (%)



Net dividend distributions pence per share (paid to date)

	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

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 30.09.2017 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. CM14269 (10/17)