

# Finsbury Growth & Income Trust PLC



Portfolio Manager

Nick Train

LINDSELL TRAIN



Fund Information as at 31 October 2017

www.finsburygt.com

@FinsburyGT

## Investment Objective and Benchmark Index

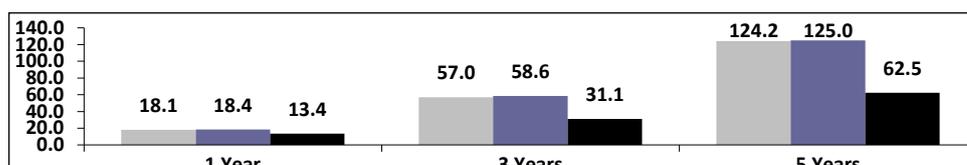
Finsbury Growth & Income Trust PLC invests principally in the securities of UK listed companies with the objective of achieving capital and income growth and providing a total return in excess of that of its benchmark, the FTSE All-Share Index (net dividends reinvested).

## Cumulative Performance (%)

Trust: Finsbury Growth & Income Trust PLC – NAV (total return)

Trust: Finsbury Growth & Income Trust PLC – Share Price (total return)

Index: FTSE All-Share Index (net dividends reinvested) \*



## Discrete Performance – Calendar Years (%)

Percentage Growth	2012	2013	2014	2015	2016	YTD
NAV	23.6	35.1	6.9	11.7	12.5	18.7
Share Price	25.4	35.1	5.9	12.4	12.6	18.8
Index *	12.3	20.8	1.2	1.0	16.8	9.8

Source: Morningstar. Past performance is not a guide to future performance.

\* Index source: FTSE International Limited ("FTSE") © FTSE 2017

## Commentary

In October, the NAV was up 3.5% on a total return basis, the share price was up 3.9% while the index was up 1.9%.

Unilever ended the month down 1.1%, but it felt worse, because on the 18th October the shares had hit an all-time high of £45.48 and the fall over the next 10 days was 6% from there. Even after that drop the shares remain up 29% year-to-date, so perhaps there is little surprise that some investors should be looking for an excuse to take profits.

That excuse was the company's Q3 trading statement, which was disappointing, purportedly. Without disentangling a single quarter's results in excessive detail what was revealed was that Unilever's developed market business shrank by 2.3%, while its emerging market business grew at over 6% to get to a group growth rate of 2.6%. This divergence between developed and developing markets has been a feature for some time and must be tending, as it progresses, to tilt the group ever more towards "where all the people are" – as Paul Polman has said.

Already Unilever has the joint second highest revenue exposure to emerging markets amongst its peers, according to Morgan Stanley. ABI comes first, at 60%, with Unilever and, significantly for us, Heineken both at 58%. Amongst other FGT holdings in the list Diageo at 40% and Mondelez at 35% are advantageously positioned toward emerging markets too. Without getting starry-eyed about it – because the last few years have proven again how volatile emerging economies can be – we're sure that these exposures will be at least a mitigating factor for the companies as consumer brands work out how to readjust to the 21st century. We look at the share price return on Hindustan Unilever (HUVR) – its 67% owned Indian subsidiary – as indicative of the excitement that investors may come again to feel about the shares of the parent. HUVR's shares hit an all time high in the first week of November 2017, up 56% so far in 2017 and properly performing for the first time since early 2015. Over the last decade HUVR's shares have more than sextupled. This is both a nice reminder of the rewards for patient investing into emerging markets, but also of how important an asset it has become for the overall valuation of Unilever. The stake in the Indian subsidiary is now worth over £20bn, or c16% of Unilever's market capitalisation. Given HUVR trades on over 50x prospective earnings, the "look through" P/E of the rest of the group is lower than the headline – about 18.5x, compared to 21x. Elsewhere dogged work will be required to pick up the pace of Unilever's overall, global growth. But we are encouraged by the dogged progress. It is significant that Food, which represented 33% of group revenues in 2009, has now declined to 24% of the mix, because packaged food products are probably most vulnerable to the 21st century. Meanwhile, as a result of acquisition and growth, Unilever's Personal Care sales have increased from 30% to 38% of the whole - for choice offering better prospects than food.

A near 3% dividend yield, with a dividend that has grown at nearly 10% pa over the last decade is no reason to argue that Unilever is cheap – we long ago realised that yield alone has no predictive value for total share returns. But I still find it reassuring.

## Biography

**Nick Train** began his career as an Investment Manager at GT Management in 1981, having graduated from Queen's College, Oxford with a second class honors in Modern History (1977-1980). He left GT in June 1998, after 17 years, on its acquisition by INVESCO. At his resignation he was a Director of GT Management (London), Investment Director of GT Unit Managers and Chief Investment Officer for Pan-Europe. He joined M&G in September 1998, as a Director of M&G Investment Management. In June 1999 he was appointed as Head of Global Equities at M&G. He left M&G in April 2000 to co-found Lindsell Train Limited. He is investment adviser to the Worshipful Company of Saddlers.

## Portfolio Manager Profile

Portfolio management services are provided by Lindsell Train Limited (Lindsell Train). Lindsell Train was formed in December 2000. However the principals, Michael Lindsell and Nick Train had worked together at GT Management from 1992 through to GT's takeover by INVESCO in 1998. Both Michael Lindsell and Nick Train went on to fulfill senior roles at INVESCO and M&G PLC respectively, where they continued to develop an in depth knowledge of investment processes and the world's stock markets. Their shared investment philosophy is to invest in durable, cash generative businesses that are under-priced on their valuation analysis. They believe such businesses are rare and are under-valued by most other investors most of the time. They apply this approach by choosing a concentrated portfolio of approximately 30 stocks with the intention of holding them for the medium to long term. Lindsell Train is authorised and regulated by the Financial Conduct Authority.

## Investment Policy

The Company has a concentrated portfolio of approximately 30 stocks with a low turnover, and aims to provide shareholders with a total return in excess of that of the FTSE All-Share Index. The Portfolio Manager uses a bottom-up stock picking approach and looks to invest in a universe of excellent listed companies that appear mostly undervalued. Up to 20% of the portfolio, at the time of acquisition, can be invested in quoted companies worldwide. The Company's policy is to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

## Discount Control Mechanism

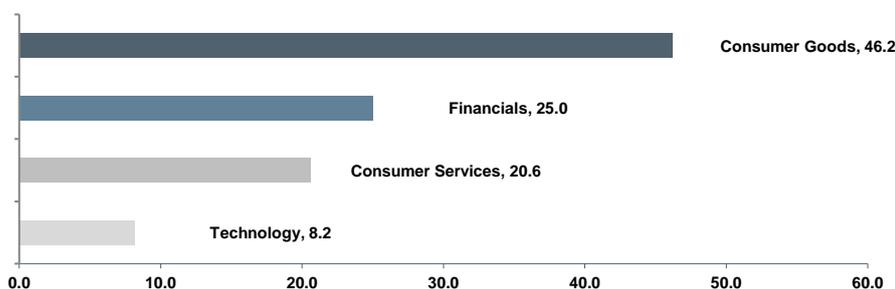
The Directors have adopted an active discount management policy to establish and support an improved rating in the Company's shares through the use of share buybacks, with a view to limiting the discount to NAV per share at which the shares trade to no more than 5%. Shares bought back may be held in treasury for reissue at later dates at no more than the discount at which they were purchased, and in any event at a discount no greater than 5% to the prevailing net asset value per share.

Finsbury Growth & Income Trust PLC conducts its affairs so that its shares can be recommended by independent financial advisers ("IFAs") to retail private investors. The shares are excluded from the Financial Conduct Authority's ("FCA's") restrictions which apply to non-mainstream investment products because they are shares in a UK-listed investment trust.

## Ten Largest Holdings as at 31 October 2017 (% of total investments)

Name	Sector	Total
Diageo	Consumer Goods	10.0
RELX	Consumer Services	9.6
Unilever	Consumer Goods	9.6
London Stock Exchange	Financials	8.1
Hargreaves Lansdown	Financials	7.4
Burberry Group	Consumer Goods	7.1
Schroders	Financials	6.3
Heineken	Consumer Goods	6.1
Sage Group	Technology	5.9
Mondelez Int.	Consumer Goods	5.7
<b>Total</b>		<b>75.8</b>

## Sector Breakdown as at 31 October 2017 (%)



## Share Price Total Return on £100 (£) as at 31 October 2017

1 year	118.4
3 years	158.6
5 years	225.0

Source: Morningstar. Past performance is not a guide to future performance.

## Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Oct 12- Oct 13	Oct 13- Oct 14	Oct 14- Oct 15	Oct 15- Oct 16	Oct 16- Oct 17
NAV	33.7	6.8	16.0	14.6	18.1
Share Price	34.4	5.5	16.4	15.2	18.4
Index	22.8	1.0	3.0	12.2	13.4

## Awards

**Winner: Money Observer, Best UK Income Trust Awards 2017**  
**Winner: What Investment Trust 2016, Best UK Investment Trust**  
**Winner: Moneywise, Investment Trust Of The Year Awards 2016, 2015**  
 Category: UK Equity Income  
**Winner: FT & Investors' Chronicle Awards 2015, Best Income Fund**  
**Winner: Investment Week, Investment Company Of The Year Awards 2016, 2015**  
 Category: UK Equity Income

## Important Information

Finsbury Growth & Income Trust PLC (the "Company") is a UK investment trust premium listed on the London Stock Exchange and is a member of the Association of Investment Companies. As this Company may implement a gearing policy investors should be aware that the share price movement may be more volatile than movements in the price of underlying investments. Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested. There can be no assurance that the Company's investment objective will be achieved and investment results may vary substantially over time. This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Company and has not been prepared in connection with any such offer or invitation. Investment Trust share prices may not fully reflect underlying net asset values. There may be a difference between the prices at which you may purchase ("the offer price") or sell ("the bid price") a share on the stock market which is known as "bid-offer" or "dealing" spread. This is set by the market makers and varies from share to share. This spread typically averages 1-2% each way on the mid-market price (the price halfway between the bid and offer prices), and can fluctuate and at times be higher than average. Net Asset Value per share is calculated in accordance with the guidelines of the Association of Investment Companies. Net assets are stated inclusive of income received. Any opinions on individual stocks are those of the Company's Portfolio Manager and no reliance should be given on any such views. Any research in this document has been procured and may have been acted upon by Lindsell Train Limited for its own purposes. The results are being made available to you only incidentally. The views expressed herein do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of Frostrow Capital LLP and no assurances are made as to their accuracy. Before investing in an investment company referred to in this document, you should satisfy yourself as to its suitability and the risks involved, and you may wish to consult a financial adviser.

www.finsburygt.com @FinsburyGT

## Fast Facts

As at 31 October 2017

<b>Launch Date</b>	1926
<b>Annual Management Fee</b> (payable by the company) †	
<b>Ongoing charges*</b>	0.7%
<b>Year / interim end</b>	30 September/ 31 March
<b>Capital Structure</b>	160,441,712 Ordinary shares of 25p

## Trust Characteristics

<b>Number of Holdings</b>	26
<b>Net Assets (£m)</b>	£1,205.4m
<b>Market Capitalisation (£m)</b>	£1,216.1m
<b>Dividend Per Share**</b>	14.2p
<b>Current Net Yield</b>	1.9%
<b>Gearing (AIC basis)</b>	3%
<b>Leverage***</b>	
<b>Gross &amp; Commitment</b>	103%
<b>Share Price (p)</b>	758.00
<b>NAV (p) (cum income)</b>	751.29
<b>Premium / (Discount) to NAV (p)</b>	0.9%

## Codes

<b>Sedol</b>	0781606
<b>ISIN</b>	GB0007816068
<b>Legal Entity Identifier</b>	213800NN4ZKX2LG1GQ40
<b>Bloomberg</b>	FGT LN
<b>Epic</b>	FGT

\*Calculated at the financial year end, includes management fees and all other operating expenses.

\*\*1st Interim paid 10 May 17 :(Year ended Sep 17) 6.8p

2nd Interim payable 10 Nov 17 :(Year ended Sep 17) 7.4p

\*\*\*The Board has set the leverage limit for both the Gross and the Commitment basis at 125% of the Company's Net Asset Value.

†Lindsell Train – 0.45% of the market capitalisation of the company that is equal to or less than £1 billion, 0.405% in excess of £1 billion.

Frostrow – 0.15% of the market capitalisation of the company that is equal to or less than £1 billion, 0.135% in excess of £1 billion.

## How to Contact Us

### Frostrow Capital LLP

25 Southampton Buildings

London, WC2A 1AL

Tel.: 0203 008 4910

Fax: 0203 043 8889

Website: [www.frostrow.com](http://www.frostrow.com)

### Grant Challis

Tel.: 0203 008 4912

grant.challis@frostrow.com

This financial promotion is issued by Frostrow Capital LLP which is authorised and regulated by the Financial Conduct Authority ("FCA").

\*\*"FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

