

INVESTMENT IN OUR KEY SERVICE PROVIDERS

CORPORATE INVESTMENTS

Investment trusts have a somewhat unusual structure compared to most limited companies in the corporate world. They frequently have an entirely non-executive board of directors and contract out the management services they need to one or more third party service providers.

In our case we use Lindsell Train to provide our portfolio management and Frostrow to provide our AIFM, corporate administration, secretarial services, investor relations and marketing; they are by far our two most important service providers. Nick Train, one of the directors of Lindsell Train, heads the fund management team looking after our portfolio and Alastair Smith, Managing Partner of Frostrow, heads the team at Frostrow and oversees the range of services that the firm provides. These two men do therefore effectively provide the senior executive management of Finsbury Growth & Income Trust PLC (the "Company"); they are an essential part of our successful operations. When we first started working with them, the Board therefore felt it was of great importance that we took a meaningful participation in each of their businesses, not just to align our commercial interests with theirs but to bind them in to the future prosperity of the Company.

At the time we approached Lindsell Train in 2000 to discuss with them taking on the investment mandate for the Company, they were in the process of establishing The Lindsell Train Investment Trust plc ("LTIT") which was to take a 25% interest in Lindsell Train; the balance is held by the founding directors Michael Lindsell and Nick Train together with some of their key colleagues. The option of taking a stake directly in Lindsell Train was therefore not open to us, but taking a significant shareholding in their new investment trust was and so we invested £1,000,000 in January 2001 at £100 per share into LTIT. At 30 September 2019, that holding was worth £13,500,000 (2018: £11,750,000), due in no small part to LTIT's very valuable holding in Lindsell Train.

When Alastair Smith established Frostrow in 2007, we were able to negotiate with him that the Company took a 10% direct participation in Frostrow at a cost of £150,000, of which £75,000 has been repaid. It is of course an unlisted investment, but using well established industry norms, we have valued that holding at £2,140,000 (2018: £1,885,000) at 30 September 2019, including the AIFM investment, which is valued at £600,000 (2018: £550,000). We have also received very tax-efficient profit distributions totalling £2,568,000 from Frostrow since inception.

By any measure therefore both these investments have been hugely successful but that should not obscure the great strategic importance of them. The success of the Company is very largely due to the skill and commitment both those organisations bring to us, something the Board values even more highly than the investment return we have made on the holdings.

It is very pleasing to us that this is a two way street. Shareholders will see from page 37 of the Annual Report that as at 30 September 2019, Nick Train holds 2,665,336 shares in the Company (2018: 2,044,202) and Alastair Smith 74,827 shares (2018: 71,633). I have consent from Nick Train to tell shareholders that his holding represents the whole of his personal investment in Lindsell Train's UK equity strategy and is a significant portion of his total assets.

Anthony Townsend
Chairman

17 December 2019