Frostrow CAPITAL

Finsbury Growth & Income Trust PLC

Portfolio Manager

Nick Train

LINDSELL TRAIN

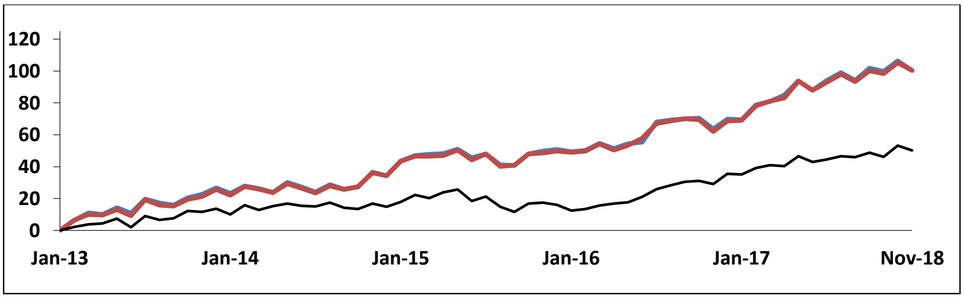
Fund Information as at 31 January 2018 www.finsburygt.com @FinsburyGT

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).

Five Years Performance (%)

Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as arise and is not guaranteed; An investor may receive back less than the original amount invested.



Share Price (total return) +100.5%

Net Asset Value per share (total return) +100.3%

Benchmark: FTSE All-Share Index (net dividends reinvested) +50.3%

Source: Morningstar

Commentary

In January, the NAV was down 2.4% on a total return basis, the share price was down 2.8%, while the index was down 1.9%.

“Should I sell my Unilever (Diageo, Heineken, Mondelez, RELX) shares when interest rates go up?”

People have been asking us this, or a variant of it, for years and as a result we have a well-rehearsed and multi-part answer. I reprise it below. Let me be clear: if you are a trader the short term answer is self-evidently “yes”. Most of the above have already fallen by at least 10% since the market correction began. But for the rest of us, though – read on.

- Don’t make the category error of conflating growth companies with bond proxies. Unilever (and the best others of its type) has compounded its dividends by 8% pa since 1952. Government bonds do not do this – indeed very few quoted companies have been able to do it either. We do not invest in regulated utilities or highly levered property vehicles, which might more truly be described or dismissed as interest rate sensitive.

- Just because Unilever has gone up does not mean that it has become expensive. The valuations on our holdings in this category cluster around a P/E of 20x. A P/E of 20x is an earnings yield of 5%. I know how trite that observation reads. But an earnings yield of 5%, with the earnings highly likely to grow in real terms for the foreseeable future, is an attractive proposition for serious investors, we believe. It is attractive in absolute terms, but still so, it seems to us, when compared to the returns available on index-linked government bonds and even to the likely peak yield on conventional ones. Jeremy Siegel’s work on the warranted value of those exceptionally rare companies that can compound steadily for decades concludes that they can readily justify P/Es of 30, 40 or more times. Wake me up when Diageo trades on 45x earnings.

- Cyclical, capital-intensive companies are the ones that get especially killed by inflation over time. Buffett and Munger basically invented “quality investing” as a response to rising and persistent inflation – as a protection against rising long term bond yields, not falling ones. They noted the superior inflation-adjusted cash performance of branded goods companies through such episodes. They have the pricing power. Why would you sell Unilever (or its peers) if you really believed in a prolonged period of problem inflation? Do you really want to fund a stream of rights issues from cash-strapped coal miners, engineers, insurance companies and banks? Because, in my recollection of the 1980s, that is what you will be required to do.

- Who says inflation is going to be a problem over the next 10 years, anyway? One reason we’re told staples are expensive is because Amazon has destroyed their pricing power. There may be something to this and we think very hard about the trend in brand equity per share for our companies. But if it is true it does not presage rampant inflation. It seems possible there could be years more “good” deflation to come, as technology-driven price-finding unravels the unjustified price premiums.

The commentary continues on page 3.

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 January 2018 (% of total investments)

Name	Sector	Total
Diageo	Consumer Goods	9.7
Unilever	Consumer Goods	9.3
RELX	Consumer Services	8.9
Hargreaves Lansdown	Financials	8.6
London Stock Exchange	Financials	8.3
Schroders	Financials	6.6
Heineken	Consumer Goods	6.5
Burberry Group	Consumer Goods	6.1
Sage Group	Technology	6.0
Mondelez Int.	Consumer Goods	5.8
Total		**75.8**

Sector Breakdown as at 31 January 2018 (%)

Consumer Goods	45.2
Financials	26.9
Consumer Services	19.6
Technology	8.3
Total	**100.0**

Discrete Performance – Calendar Years (%)

% Growth	2013	2014	2015	2016	2017
NAV	34.9	6.9	11.7	12.5	21.7
Share Price	35.1	5.9	12.4	12.6	21.5
Index *	20.8	1.2	1.0	16.8	13.1

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Jan 13-Jan 14	Jan 14-Jan 15	Jan 15-Jan 16	Jan 16-Jan 17	Jan 17-Jan 18
NAV	22.2	17.4	4.0	13.5	18.4
Share Price	23.3	16.5	4.1	13.4	18.3
Index	10.1	7.1	-4.6	20.1	11.3

Source: Morningstar.
* Index source: FTSE International Limited ("FTSE") © FTSE 2018
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 receive back less than the original amount invested.

Risk Warnings

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. Before investing in the Company, or any other investment product, you should satisfy yourself as to its suitability and the risks involved, and you may wish to consult a financial adviser.

Any return you receive depends on future market performance and is uncertain. The Company does not seek any protection from future market performance so you could lose some or all of your investment. Shares of the Company are bought and sold on the London Stock Exchange (LSE). The price you pay or receive, like other listed shares, is determined by supply and demand and may be at a discount or premium to the underlying net asset value of the Company. Usually, at any given time, the price you pay for a share will be higher than the price you could sell it. For further information on the principal risks the Company is exposed to please refer to the Company's Annual Report or Investor Disclosure Document available at www.finsburygt.com.

The Company can borrow to purchase investments, this could potentially magnify any losses or gains made by the Company.

Important Information

Finsbury Growth & Income Trust PLC (the Company) is a public limited company whose shares are premium listed on the LSE and is registered with HMRC as an investment trust.

The Company has an indeterminate life.

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

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Fast Facts

As at 31 January 2018

Launch Date	1926
AIC Sector	UK Equity Income
Date of Appointment of Lindsell Train	December 2000
Annual Management Fee (payable by the company) †	
Ongoing charges*	0.7%
Year / interim end	30 September/ 31 March
Capital Structure	163,401,712 Ordinary shares of 25p

Trust Characteristics

Number of Holdings	26
Net Assets (£m)	£1,228.2m
Market Capitalisation (£m)	£1,230.4m
Dividend Per Share**	14.2p
Current Net Yield	1.9%
Gearing (AIC basis)	3%
Leverage* Gross & Commitment**	103%
Share Price (p)	753.00
NAV (p) (cum income)	751.66
Premium / (Discount) to NAV (p)	0.2%

Codes

Sedol	0781606
ISIN	GB0007816068
Legal Entity Identifier	213800NN4ZKX2LG1GQ40
Bloomberg	FGT LN
Epic	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 paid 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 £1billion, 0.405% in excess of £1 billion.
Frostrow – 0.15% of the market capitalisation of the company that is equal to or less than £1billion, 0.135% in excess of £1 billion.

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- Why are investors debating "quality versus value" in the second decade of the 21st century? It's such a 20th century question. The more relevant one for 2018 is - "Will my company be a beneficiary or a victim of digital technology?" It's the answer to that that will determine whether you preserve the real value of your savings or not. As noted above, Unilever (and its peers) may be losing pricing power as consumer habits and preferences change. We take the view that there are mitigations for Unilever. But we're sure it is far more relevant to worry about this issue, than whether bond yields are set to go up a bit.

- Dr Pepper (DPS) was bid for in January. The shares spun out of Cadbury in 2008 at c$15. By December 2017 they reached $90. There was scepticism about the valuation all the way up. It didn't help that the Cadbury board gave the impression it couldn't wait to be shot of the asset. If it'd been understood how cheap DPS was in 2008 maybe Cadbury would've fought a bit harder against Kraft when that company came knocking in 2009. Nonetheless, a serious industry participant has placed a bid for DPS that initially valued it at c$130 – nearly 9x higher than where it demerged. The DPS brands, the distribution, the resultant cash flows all turned out to be worth much more than stock market investors conceived. Unilever is now trading below the value of Kraft's opening shot from last year. Do you really feel justified in selling it in this light?

In fact this month I switched some of our remaining Kraft – inherited from Cadbury – into Unilever. Kraft's shares had held up better and the dividend yields on the two were just about the same. When we think about Unilever's growth opportunity, particularly in the emerging markets, that just seems wrong.

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