

# Finsbury Growth & Income Trust PLC



Portfolio Manager

Nick Train

LINDSELL TRAIN



Fund Information as at 31 May 2017

[www.finsburygt.com](http://www.finsburygt.com)

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## Investment Objective and Benchmark Index

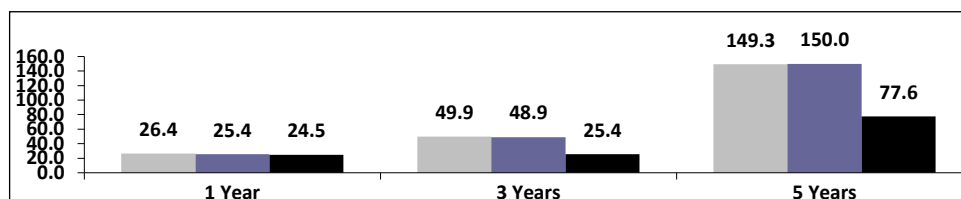
Finsbury Growth & Income Trust PLC invests principally in the securities of UK listed companies with the objective of achieving capital and income growth and providing a total return in excess of that of its benchmark, the FTSE All-Share Index (net dividends reinvested).

## 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	14.9
Share Price	25.4	35.1	5.9	12.4	12.6	14.0
Index *	12.3	20.8	1.2	1.0	16.8	8.2

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

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

## Commentary

In May, the NAV was up 5.9% on a total return basis, the share price was up 4.8% while the index was up 4.4%.

Daily Mail and General Trust was a poor performer for FGT, down 3.6% and now down 11% year-to-date. We have been steadily adding to the position in the belief there is real value in the current market capitalisation, but sharing other investors' frustration that realisation of this value is deferred. A brief recapitulation on the history and credentials of the company. It has to be judged a success. Since listing in 1932 it has never asked investors for an additional penny of capital – meaning the current market capitalisation of £2.3bn and the exemplary dividend growth record (8%pa compound over the last 20 years for instance) have been funded solely by the smart reinvestment of retained earnings and judicious use of debt. Since 1988 the shares have gone up by not far from 8-fold (excluding dividends); by contrast the FT All Share is up 4.5x.

DMGT's success has been built upon two related but historic factors. First the inherent cash generative nature and inflation-protection offered by a successful newspaper franchise. Next – love it or loathe it – the editorial positioning of the Mail titles has been canny. It knows its readers. But, as everyone realises, the Internet has fundamentally changed the newspaper business. This is one reason DMGT's shares at £6.85 today are trading over 40% below their all time high hit in 2000 (and got down as low as £2.34 in 2009). However, the controlling family has always been alert to changes in its industry and has used the cash generated by the newspaper (and it still generates a lot) to diversify the company across a range of other Intellectual Property assets. Not all of its diversifications have been successful, but as a result of the policy DMGT is in a much more tenable, even prosperous, position today than many of its peers. Two of the diversifications are partly quoted – Euromoney and Zoopla. The current values of DMGT's stakes in this pair are £620m and £475m respectively – in other words close to 50% of the parent's market capitalisation. In addition, we know the new CEO of DMGT believes there is significant and underappreciated value in other subsidiaries, notably RMS – the world's largest risk catastrophe modelling company, serving the insurance industry. When we work to put a value on DMGT's component parts it is apparent that investors ascribe a very low value to the newspaper. This is understandable, of course. Although in fact we suspect the Daily Mail will generate a lot more cash before it finally shuts down its presses. The Mail has also developed an online version of itself, drawing on the same editorial skills as the physical product. And this has become a global phenomenon – the most visited English-language newspaper website, with 49 million daily visitors by April 2017. MailOnline is loss-making, but will this year generate over £100m revenues. DMGT is not the most predictable or lowest risk investment we own, however, the gap between current market value and potential market value is one of the widest in the portfolio.

## 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

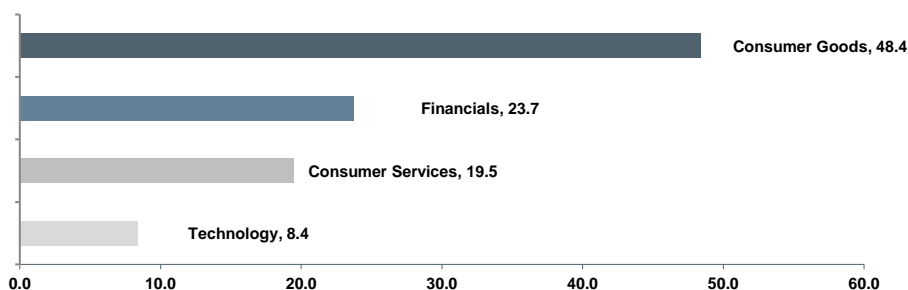
The Directors have adopted an active discount management policy to establish and support an improved rating in the Company's shares through the use of share buybacks, with a view to limiting the discount to NAV per share at which the shares trade to no more than 5%. Shares bought back may be held in 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 May 2017 (% of total investments)

Name	Sector	Total
Unilever	Consumer Goods	10.4
RELX	Consumer Services	9.6
Diageo	Consumer Goods	9.3
London Stock Exchange	Financials	7.9
Burberry Group	Consumer Goods	7.2
Heineken	Consumer Goods	6.6
Hargreaves Lansdown	Financials	6.3
Schroders	Financials	6.0
Sage Group	Technology	5.7
Mondelez Int.	Consumer Goods	5.6
<b>Total</b>		<b>74.6</b>

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



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

1 year	125.4
3 years	148.9
5 years	250.0

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

## Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	May 12- May 13	May 13- May 14	May 14- May 15	May 15- May 16	May 16- May 17
NAV	45.4	14.4	16.3	2.0	26.4
Share Price	47.6	13.8	16.1	2.3	25.4
Index	30.1	8.9	7.5	-6.3	24.5

## 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' Chronical 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 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 Investment 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 May 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>	153,600,712 Ordinary shares of 25p

## Trust Characteristics

<b>Number of Holdings</b>	25
<b>Net Assets (£m)</b>	£1,128.0m
<b>Market Capitalisation (£m)</b>	£1,128.2m
<b>Dividend Per Share**</b>	13.8p
<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>	734.50
<b>NAV (p) (cum income)</b>	734.40
<b>Premium / (Discount) to NAV (p)</b>	0.01%

## 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 16) 6.8p

2nd Interim payable 11 Nov 16 : (Year ended Sep 16) 7.0p

\*\*\*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. Frostrow also receives a fixed fee of £70,000 per annum but this will cease to be payable with effect from the 1<sup>st</sup> of October.

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