Finsbury Growth & Income Trust PLC

Portfolio Manager

Nick Train

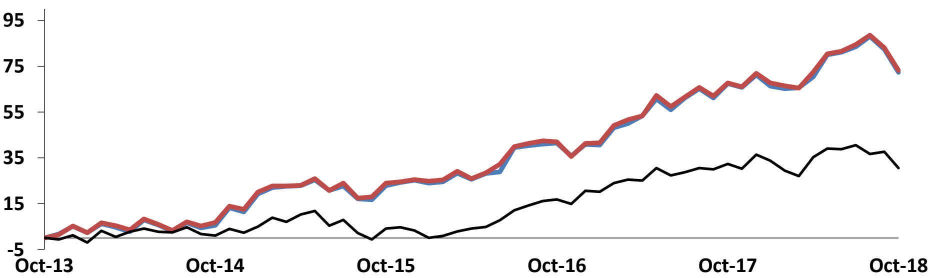
Fund Information as at 31 October 2018 www.finsburygt.com @FinsburyGT

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.



Net Asset Value per share (total return) +73.2%
Share Price (total return) +72.3%
Benchmark: FTSE All-Share Index (net dividends reinvested) +30.5%
Source: Morningstar

Commentary

In October, the NAV was down 5.4% on a total return basis, the share price was down 5.5% on a total return basis, while the index was down 5.2%.

By the end of October 2018 the 10 biggest companies in the FT All-Share Index by market capitalisation offered between them an average historic dividend yield of a fraction under 5%. Six of those top 10 have dividend yields close to 6% - namely HSBC, the two lines of Shell, BP, BAT and RTZ. Even the two drug stocks, AstraZeneca and Glaxo – which you would expect to sport fancier ratings - yield 3.5% and 5.3% respectively. Only one share in the top 10 has a dividend yield lower than 3% - which is Diageo at 2.4%. We own Diageo, of course, but only one other, Unilever, which has the second lowest yield in the group, at 3.3%. The dividend yield of the whole of the FT All-Share Index is c4% - boosted by the very high income returns on these biggest companies. By contrast, that of your company (before all charges) is more like 2.5% - or only about 60% of the starting dividend for the market and half that of the top 10. What to make of these numbers? First I sympathise with the view that today UK equities are, to say the least, not overextended. On the 26th of October the FTSE 100 closed below 7,000 – although it rallied immediately. 7,000 is the level it reached back in 1999/2000 – meaning that this index has generated no capital return for getting on for two decades. Admittedly the FT All-Share has done a bit better, up 20% from its 2000 top, but no wonder Hargreaves Lansdown tells us its largely UK client base is deeply frustrated by the performance of the domestic market. The UK looks oversold and unloved, for sure. But is this enough to confirm that UK equities are cheap? Or to be more precise – can one expect strong cash flow growth from quoted UK companies, with an accompanying rerating? Actually I'm not going to attempt an answer to that. But I do think it is surprising and not encouraging that – to repeat a statistic from above – only 1 out of the top 10 shares in London has a starting dividend yield of less than 3%. It is discouraging because it implies investors are very cautious about the prospects for cash flow growth from this group of large UK companies. Consider that the UK Treasury 4% 2060, the long gilt, has a running yield of 2.5% and a redemption yield of 1.8%. Investors don't believe any of the 10 biggest UK companies deserves a lower income yield than a government bond. Next, what does it mean for financial markets strategy and indeed, for conventional wisdom about the way financial markets are today? The fact is we have long been assured by market commentators that in a world of "unnaturally" low government bond yields the inevitable result would be a gross mispricing of equities, as investors desperate for income force dividend yields down to imprudently low levels. In other words a prevailing view amongst market strategists is that central bank monetary policies have created a bubble in stock markets. But at least for the UK the huge gap between the dividend yields on these biggest companies and the interest yield on long dated government bonds – albeit these have begun to rise – says that this analysis was incorrect and that equity investors are more discriminating than they are given credit for. Put another way, it seems to us by no means certain that the UK stock market would go down if long term interest rates continue to rise – for the simple reason the stock market hasn't gone up very much for a long time. Meanwhile and by clear contrast, those UK companies with the prospect of substantial real cash flow growth into the distant future have done very well. UK investors are happy to accord dividend yields of zero or near to zero to FTSE 100 companies such as Just Eat, Ocado and Rightmove (none of which we own). They're even content to allow a company with a recent record as patchy as Pearson's (which we do own) to offer a yield of under 2%, despite its horrible (but necessary)dividend cut last year. All because these companies appear to offer some participation in a digital future.

As for your company, it would be idle and remiss of me not to point out that once upon a time, probably more than 10 years ago, our strategy had a higher dividend yield than the market average. To the extent that the yield relative of the company has fallen to only c60% of that average is a confirmation of what the performance already tells us – that it has enjoyed a meaningful rerating compared to the market. Should you or I be worried? Actually the historic yield of 2.5% still seems attractive to me – both relative to inflation and relative to the underlying rate of weighted dividend growth being delivered by the portfolio constituents. The latter is in the order of 8% currently – with Unilever, Hargreaves, LSE, Mondelez, Burberry, Heineken, Sage, Pearson, Rathbone, Barr and Euromoney all growing recent dividends at least at that rate. Those dividend growth rates and the additional cash returns being delivered to shareholders via share buybacks - by Diageo, Unilever, RELX, Mondelez, Burberry and Barr – help explain why the starting dividend yield for your company is so much lower than for the FT All Share. You pays your money and you makes your choice...

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 up to 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/ Premium 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. In order to stop the share price trading at a significant premium to the NAV per share, the Company has the ability to issue new shares at a 0.7% premium to the cum income NAV 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 2018 (% of total investments)

Name	Sector	Total
Diageo	Consumer Goods	10.4
RELX	Consumer Services	9.9
Unilever	Consumer Goods	9.9
London Stock Exchange	Financials	8.4
Hargreaves Lansdown	Financials	8.1
Mondelez Int.	Consumer Goods	8.0
Burberry Group	Consumer Goods	7.1
Schroders	Financials	6.8
Heineken	Consumer Goods	5.6
Sage Group	Technology	5.0
Total		**79.2**

Sector Breakdown as at 31 October 2018 (%)

Consumer Goods	47.3
Financials	26.3
Consumer Services	21.4
Technology	5.0
Total	**100.0**

Discrete Performance – Calendar Years (%)

Percentage Growth 12 Month Return	2013	2014	2015	2016	2017	YTD
NAV	34.9	6.9	11.6	12.5	21.7	0.8
Share Price	35.1	5.9	12.4	12.6	21.5	0.7
Index	20.8	1.2	1.0	16.8	13.1	-4.4

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Oct 13-Oct 14	Oct 14-Oct 15	Oct 15-Oct 16	Oct 16-Oct 17	Oct 17-Oct 18
NAV	6.8	16.0	14.6	18.1	3.3
Share Price	5.5	16.4	15.2	18.4	2.9
Index	1.0	3.0	12.2	13.4	-1.5

Source: Morningstar.
* Index source: FTSE International Limited ("FTSE") © FTSE 2018
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Fast Facts

As at 31 October 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	175,676,712 Ordinary shares of 25p

Trust Characteristics

Number of Holdings	24
Net Assets (£m)	£1,336.6m
Market Capitalisation (£m)	£1,343.9m
Dividend Per Share**	15.3p
Current Net Yield	2.0%
Gearing	2.8%
Leverage***	Gross 102.8% Commitment 103.8%
Share Price (p)	765.00
NAV (p) (cum income)	760.85
Premium / (Discount) to NAV (p)	0.6%

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.*
***2nd Interim payable 9 Nov 18 :(Year ended Sep 18) 8.1p*
1st Interim paid 17 May 18 :(Year ended Sep 18) 7.2p
****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.

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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