Finsbury Growth & Income Trust PLC

Portfolio Manager

Nick Train

LINDSELL TRAIN

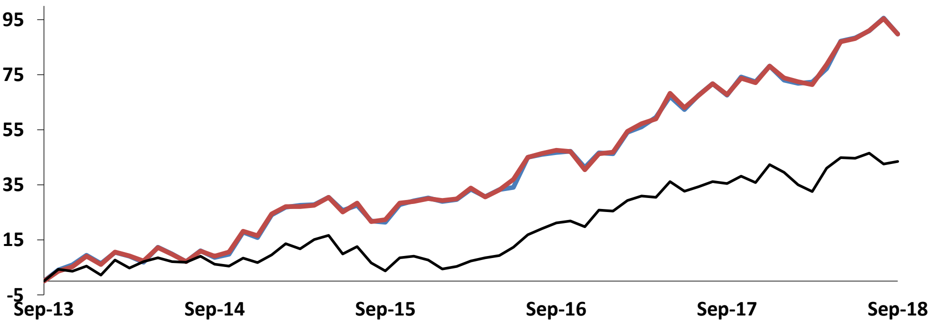
Fund Information as at 30 September 2018 www.finsburygt.com @FinsburyGT

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) +89.8%
Share Price (total return) +89.8%
Benchmark: FTSE All-Share Index (net dividends reinvested) +43.5%
Source: Morningstar

Commentary

In September, the NAV was down 2.9% on a total return basis, the share price was down 3.0% on a total return basis, while the index was up 0.7%.

We were surprised by the sudden dismissal of Stephen Kelly as CEO of Sage in late August and therefore not surprised by the weakness of the company's shares in the aftermath. Admittedly his departure follows a period when Sage has struggled to meet the perhaps overly ambitious growth targets the CEO had set for the company. In addition, we were discomforted earlier this year by the very public announcement of the sacking of 30 Sage executives at the time of one of those revenue growth misses. That public sacrifice smacked, fairly or not, of senior officers of the company diverting responsibility for not hitting their own targets away from themselves and on to employees. We note that one media comment on Stephen Kelly's departure highlighted that auto da fe as the moment he "lost the dressing room". Nonetheless, the dismissal is a surprise. His tenure was less than four years, while, from the outside, the strategy he has implemented looks appropriate. We are forced to assume that his departure was considered an urgent priority, given its abruptness in the middle of a half year trading period. It is common for a CEO to leave at short notice when either trading falls woefully short of expectations or when the CEO has put his or her name to a big acquisition that turns out to be a lemon. However, neither appears to be the case. Sage reaffirmed its guidance, give or take, for the current year and reassured that Stephen Kelly's big deal – the purchase of Intacct in the US for £650m (biggish potatoes by Sage's standards) – continues to meet or beat expectations.

What remains is the unanswered question for the company and its investors. A question that presumably the board felt Stephen Kelly was unable to find an answer to. Namely, can this notably successful C20th technology company make a necessary transition to become a successful C21st one? It is well understood that the advent of "cloud" computing services has offered accounting software companies like Sage the opportunity to provide even more valuable services to its customers at even lower cost. Cloud should bring big productivity gains to its users and valuable revenues and profits to its providers. Sage acknowledges it was slow to recognise the significance of cloud for its customers and that this tardiness has allowed some younger, cloud-focussed competitors to take mind and market share away from the "sleepy" incumbent. We have known this ourselves for many years and have persistently encouraged Sage to take the actions required to avoid the fate of the companies described in Clayton Christenson's classic study of corporate complacency – The Innovator's Dilemma. At times Sage gave the appearance of being far more interested in financial engineering – share buybacks and maintaining its stellar dividend growth record – than in software engineering. Although, admittedly, not under Stephen Kelly, who at least introduced a sense of urgency to the company's innovation efforts.

Our current thinking is this: incumbency is not necessarily a bad thing. Sage still has powerful competitive advantages and every opportunity and incentive to exploit them. A 3 million global installed customer base (across which £3 trillion of business crosses every year) generates high profit margins and cash. Those internally generated funds are very valuable for a business needing to invest in change. One statistic from Sage's Capital Market Day in January 2018 resonates here. This is that the company has 9 million interactions with its customers every year – helping small business with questions relating to accounts, tax or regulation. 9 million contacts a year is nearly 25,000 every day. That is the evidence the service Sage offers to its installed base is highly valuable to those customers and that, at the very least, Sage is not a business going to evaporate in a puff of smoke.

Meanwhile, Sage's two most vocal and public competitors are Xero and Intuit. Both lay claim to having been more successful than Sage in delivering cloud services. We can't help note, though, that investors know this already. Xero is valued at 18x its annual sales, while Intuit, which we own in our global strategies, trades on 10x sales. Meanwhile, Sage now sells on 3.5x sales. This is both a warning that Sage's cost of capital will continue to rise relative to its rivals, if it cannot match their success. But it is also an indication of the value gap that could close if Sage can execute on its technology transition.

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 30 September 2018 (% of total investments)

Name	Sector	Total
Diageo	Consumer Goods	10.1
RELX	Consumer Services	9.8
Unilever	Consumer Goods	9.5
Hargreaves Lansdown	Financials	9.2
London Stock Exchange	Financials	8.6
Mondelez Int.	Consumer Goods	7.6
Burberry Group	Consumer Goods	7.4
Schroders	Financials	7.1
Heineken	Consumer Goods	5.5
Sage Group	Technology	5.0
Total		**79.8**

Sector Breakdown as at 30 September 2018 (%)

Consumer Goods	46.1
Financials	27.8
Consumer Services	21.1
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	6.6
Share Price	35.1	5.9	12.4	12.6	21.5	6.6
Index	20.8	1.2	1.0	16.8	13.1	0.9

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Sep 13-Sep 14	Sep 14-Sep 15	Sep 15-Sep 16	Sep 16-Sep 17	Sep 17-Sep 18
NAV	9.0	12.1	20.7	13.7	13.1
Share Price	8.6	11.8	20.8	14.2	13.2
Index	6.1	-2.3	16.8	11.9	5.9

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 30 September 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	173,691,712 Ordinary shares of 25p

Trust Characteristics

Number of Holdings	24
Net Assets (£m)	£1,411.7m
Market Capitalisation (£m)	£1,420.8m
Dividend Per Share**	15.3p
Current Net Yield	1.9%
Gearing (AIC basis)	1.4%
Leverage* Gross & Commitment**	101.4%
Share Price (p)	818.00
NAV (p) (cum income)	812.74
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.

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