Finsbury Growth & Income Trust PLC

Portfolio Manager

Nick Train

LINDSELL TRAIN

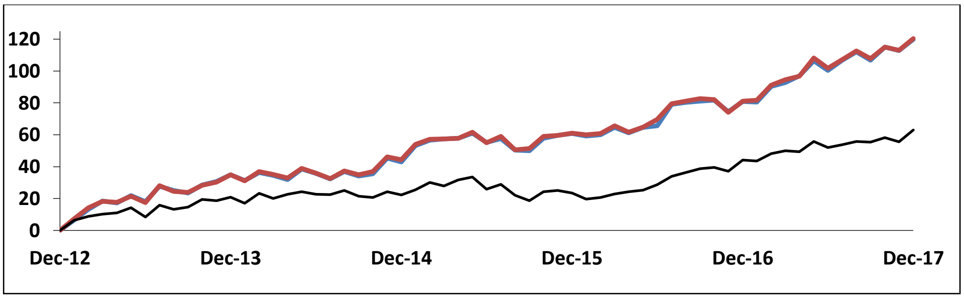
Fund Information as at 31 December 2017 www.finsburygt.com @FinsburyGT

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) +119.9%

Net Asset Value per share (total return) +120.4%

Benchmark: FTSE All-Share Index (net dividends reinvested) +63.0%

Source: Morningstar

Commentary

In December, the NAV was up 3.5% on a total return basis, the share price was up 3.3%, while the index was up 4.8%.

For an investor in UK equities of my vintage – and my career began back in 1981 – perhaps the biggest shock of 2017 was the sight of the market capitalisation of online clothing retailer ASOS exceeding that of Marks and Spencer. For so many decades and well before 1981, I've only known M&S as the giant of its sector – loved by its customers and admired and feared by competitors and suppliers. But sadly no longer. Now to be clear, Lindsell Train has never been an investor in M&S and I'd also known its shares had been a long term dull market – although it was still a surprise to register that at their end December 2017 price of £3.15 the shares are no higher than they were in early 1992. That's no capital return for a quarter of a century. But even so, as I say, the sight of ASOS, founded in 2000, leapfrogging M&S' market value – a business going back to 1884 – was a wake-up for me and a real sign of the times. It's a sign that Technology driven change is relentless and that while new fortunes are being minted, old ones may atrophy and decline.

Candidly such stories made me feel a bit insecure as 2017 progressed. It seems to me that the incidence of profit warnings from UK companies picked up through the year and that the punishment beatings for the miscreants got more brutal. Indeed, if those profit warnings were merely a result of a traditional cyclical slowdown you'd argue that the share price reactions were excessive. But there is a good case to argue that 2017 was the year when investors really got to grips with Technology as a secular challenge to a multiplying number of businesses – even those with decades of past success. These 2017 profit warnings, therefore, may have more meaning than usual. For instance, advertising giant WPP had a tough 2017 as a share price, down 26%. The fall makes some sense when you consider that UK TV viewing by a key age demographic for advertisers – 16-24 year-olds – has declined by 30% since 2010. This is not because the youth of Britain are watching less video entertainment than in 2010. The success of Netflix – shares up 55% in 2017 – tells us entertainment is as sought out as ever. No, it's that people are watching stuff differently and less often via advertising-funded TV. That's a problem for WPP, or at least for its traditional line of business. Or I look at the shares of Tesla – up 45% in 2017 and compare to those of UK companies serving the automotive industry, like Autotrader or Pendragon, both down around double digits. What does the advent of electric cars mean for them? I don't know.

I've not yet mentioned any holdings in your Company, but digital disruption is relevant to them all. For instance, one of my disappointments last year was the investment in Greene King, which fell a sobering 20% (not very funny, I'm sorry). There are a variety of factors here and some are temporary. But I was interested to hear the company acknowledge the unanticipated impact on its dining business of the success of the online food delivery companies. It may be just a coincidence that Just Eat, founded in a Danish basement in 2001, entered the FTSE 100 in 2017, with its shares up 34% – in a miserable year for Greene King, founded in 1799 – but there's some causation too.

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 December 2017 (% of total investments)

Name	Sector	Total
Diageo	Consumer Goods	10.3
RELX	Consumer Services	9.5
Unilever	Consumer Goods	9.2
Hargreaves Lansdown	Financials	8.2
London Stock Exchange	Financials	7.9
Burberry Group	Consumer Goods	6.7
Sage Group	Technology	6.2
Heineken	Consumer Goods	6.2
Schroders	Financials	6.1
Mondelez Int.	Consumer Goods	5.8
Total		**76.1**

Sector Breakdown as at 31 December 2017 (%)

Consumer Goods	45.9
Financials	25.4
Consumer Services	20.1
Technology	8.6
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

Source: Morningstar.
* Index source: FTSE International Limited ("FTSE") © FTSE 2017
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.

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: Investment Week, Investment Company Of The Year Awards 2016, 2015
Category: UK Equity Income

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").

www.finsburygt.com **@FinsburyGT**

Fast Facts

As at 31 December 2017

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	162,771,712 Ordinary shares of 25p

Trust Characteristics

Number of Holdings	26
Net Assets (£m)	£1,253.2m
Market Capitalisation (£m)	£1,261.5m
Dividend Per Share**	14.2p
Current Net Yield	1.8%
Gearing (AIC basis)	2%
Leverage* Gross & Commitment**	102%
Share Price (p)	775.00
NAV (p) (cum income)	769.92
Premium / (Discount) to NAV (p)	0.7%

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 payable 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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So, what is an investor in UK equities of my vintage to do in these uncertain times? First let me reiterate that now is an exciting and rewarding time to be seeking out well-positioned UK companies – probably as exciting and rewarding as at any time in financial history. There are uncertainties – yes, but the potential is thrilling for those that can get right either the Technology or their access to new global markets, or preferably both. As an example – and this relates to another 2017 poorly performing holding – as far back as 1901 Sunny Harmsworth, co-founder of the Daily Mail, mused about the possibility of launching a "simultaneous" newspaper, published across the UK, US and rest of the world – "given the man, the capital, the organisation and the occasion." Well the occasion wasn't to present itself to Daily Mail for more than another 100 years, but you bet Sunny Harmsworth would've been impressed by the scale and reach of MailOnline today and the rapidity with which it's reached £100m of advertising revenue. I acknowledge the case is not proven, but in theory at least MailOnline could be greatly more profitable and valuable than its print forbear – because it can reach immeasurably more readers at an immeasurably lower cost of production. As Harmsworth said in 1901 – "I am convinced that the Press has its best days to come." He was right. And it's still true today – even if the delivery mechanism has changed.

Daily Mail & General Trust is one of an important group of investments in the portfolio that I hope will combine to deal with my earlier question. What to invest in during a period of technology disruption? We want to find companies where new technology will turn out to be their friend – enhancing the existing franchise. Opportunities of this type make up over 40% of portfolio value and, really, these ought to be the most rewarding in coming years. As another example from this group – what do you make of this quote? "Education is the next frontier in the digital revolution and Pearson is uniquely well-placed to lead the way. I'm impressed by the major investment in the products of the future and the creation of a single, global learning platform." The person saying it is Michael Lynton, who is Chairman of Snap Inc, owner of Snapchat and former CEO of Sony Entertainment and ought, therefore, to know what he is talking about. Lynton has just agreed to become a non-executive director of Pearson and if he's right in his - doubtless PR-drafted comments - then we agree with him that he should indeed be "excited to join the team."

Other holdings in this "doing exciting things with technology" segment include Euromoney, Fidessa, Hargreaves Lansdown, LSE, Manchester United, Reed and Sage. As recently as 2014 Sage had only £2m pa of recurring revenue from the "Cloud". Now it's £300m – admittedly with the help of acquisition. That transformation helped Sage shares gain 22% in 2017 and there ought to be more to come.

But what about the remainder of the portfolio, in particular the c45% held across a collection of great consumer brands? Let me nail our colours to the mast – to us the prospects for great brands that are also great products (and this is an important distinction) are better than ever. And it is the Internet itself that will help owners of great brands build deeper and more valuable relationships with their customers. Look, I understand the concerns some investors have about the outlook for both consumer brands and the companies that own them. They argue the shares have gone up too much over the last several years and are due a prolonged period of underperformance. Or that the profusion of choice opened up by the Internet is undermining mainstream brands. Let's grant the possibility this is correct. But in turn the pessimists also have to grant that these concerns were valid and widely voiced at the start of 2017. And what's more, during 2017 interest rates actually did go up, as did the price of oil, metals and the shares of many cyclical companies. All those things are supposed to be unhelpful for the shares of consumer branded goods companies. But they didn't stop, for instance, Diageo, Heineken and Unilever being up 29%, 25% and 25% respectively. I'm not saying Diageo can or will go up another 29% in 2018, but I do say that the very fact that it did go up in the face of those apparently adverse macro-economic conditions ought to make everyone give thought about what is the "correct" valuation for a collection of brands as unique as Diageo's. Or put another way - don't let economic arguments or the bets of market timing strategists bounce you out of long term holdings of exceptional companies.

But putting intellectual discussion aside, I have to admit to having a deeply unsophisticated reason for still being bullish about great brands. It's that when I consider the partial ownership our clients have of brands and products as resonant as – Burberry, IRN-BRU, Guinness, Johnnie Walker, Dr Pepper, Cadbury, Oreos, Remy Martin, Hellman's, Magnum Ice-cream, Heineken and London Pride. When I think about them I still get the feeling that if we own them for long enough then good things will happen for our clients - dividends will ratchet up, every so often one of them will do a deal or be subject to a deal being done to them. And that still seems more than good enough for me.

In conclusion, I have been adding to my own holding in Finsbury. I do so not because I expect our performance in 2018 to be as strong as in recent years – although why not? But rather because I see the portfolio as a collection of more or less unique companies with enduring worth and most with credible opportunities to grow that worth into the future, especially through this period of Technology change, indeed often precisely because of the Technology change.