Frostrow CAPITAL

Finsbury Growth & Income Trust PLC

Portfolio Manager

Nick Train

LINDSELL TRAIN

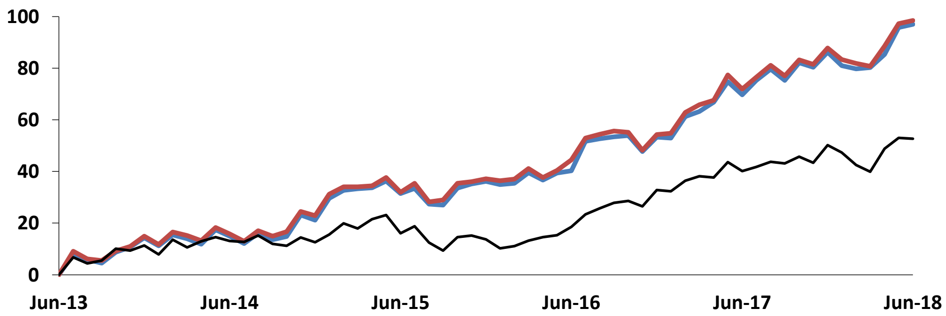
Fund Information as at 30 June 2018 www.finsburygt.com @FinsburyGT

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) +98.5%

Share Price (total return) +97.0%

Benchmark: FTSE All-Share Index (net dividends reinvested) +52.8%

Source: Morningstar

Commentary

In June, the NAV was up 0.6% on a total return basis, the share price was up 0.6%, while the index was down 0.2%.

“In the future all companies will be Internet companies”.

We continue to find Andy Grove’s observation of great relevance for understanding the performance of the UK and global equity markets in 2018, and indeed of our portfolios.

His quote seems to us to be true – in that most companies we know are indeed becoming more like Internet companies. But it also provides explanatory power for the way stock prices are performing. Certainly more explanatory than other, let us call them, twentieth century paradigms. Specifically, the twentieth century polarity between “growth” and “value”, which for a number of last century decades was a helpful descriptor of what was going up or down, as well as when and why, seems to us to be less useful today – how temporarily we don’t know. In other words, in 2018 it looks as though working out which companies are advantaged and which challenged by digital disruption may deliver better returns than establishing what is currently “cheap” or “dear” or whether macro-economic trends favour “cyclical value” or “quality growth”.

Certainly in 2018 we note that government bond yields have gone up, as Oil and other commodity prices have advanced. The symptoms of a widely-predicted cyclical upturn are there. But we also note these developments have not had the effects that twentieth century market theory expects. The “growth” market NASDAQ remains the best performing major in 2018, while traditional “value” markets Germany and Japan are down. Indeed, according to Goldman Sachs, “value” was the worst performing stock category in Europe in H1 2018, underperforming “expensive” shares by 10%. Meanwhile and symbolically that great industrial/cyclical value play, GE, has dropped out of the Dow Jones after 110 years, with its shares still falling.

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 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 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 30 June 2018 (% of total investments)

Name	Sector	Total
Diageo	Consumer Goods	9.6
Unilever	Consumer Goods	9.3
RELX	Consumer Services	9.0
London Stock Exchange	Financials	8.6
Hargreaves Lansdown	Financials	8.3
Burberry Group	Consumer Goods	7.9
Schroders	Financials	5.7
Heineken	Consumer Goods	5.7
Mondelez Int.	Consumer Goods	5.6
Sage Group	Technology	5.0
Total		**74.7**

Sector Breakdown as at 30 June 2018 (%)

Consumer Goods	45.5
Financials	25.7
Consumer Services	20.5
Technology	8.3
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	5.7
Share Price	35.1	5.9	12.4	12.6	21.5	5.8
Index	20.8	1.2	1.0	16.8	13.1	1.7

Standardised Discrete Performance (%)

Percentage Growth 12 Month Return	Jun 13-Jun 14	Jun 14-Jun 15	Jun 15-Jun 16	Jun 16-Jun 17	Jun 17-Jun 18
NAV	15.8	14.0	9.5	19.0	15.5
Share Price	15.0	14.3	6.7	21.0	16.1
Index	13.1	2.6	2.2	18.1	9.0

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 June 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	169,481,712 Ordinary shares of 25p

Trust Characteristics

Number of Holdings	25
Net Assets (£m)	£1,365.8m
Market Capitalisation (£m)	£1,376.2m
Dividend Per Share**	14.6p
Current Net Yield	1.8%
Gearing (AIC basis)	2%
Leverage* Gross & Commitment**	102%
Share Price (p)	812.00
NAV (p) (cum income)	805.87
Premium / (Discount) to NAV (p)	0.8%

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 payable 17 May 18 :(Year ended Sep 18) 7.2p 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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Admittedly for our UK portfolios we must acknowledge that our three biggest so-called "quality growth" holdings – Diageo, RELX and Unilever (which are also the three biggest holdings in the portfolio) all underperformed the FT All-Share over the first half of the year - although Diageo and RELX handsomely outperformed in Q2. Even so, over the half year, the worst of them was RELX which was only down 5%, with Diageo and Unilever actually delivering modest gains. Against the apocalyptic warnings we heard at the end of 2017 about the clear and unsustainable overvaluation of consumer staples and other steady growers this outcome seems unimpressively muted. Bears of the three have longer to wait. The fact we have been adding to Diageo, RELX and Unilever throughout 2018 shows our confidence that that wait for a major derating could go on and on.

Notwithstanding the underperformance of the big three, you can see that our portfolio actually outperformed over the recent quarter and for the half year. A look at the contributors to that return reveals, at least to our eyes, the irrelevance of the value/growth debate. And the central importance of backing successful digital strategies. The big winners over the six months (in terms of contribution to overall portfolio performance) were Burberry, LSE, Fidessa, Daily Mail and Hargreaves Lansdown. All of these we have seen characterised as "expensive" in recent times. Hargreaves with its longstanding P/E in the high 20s has outraged value investors for many years. But the fact is it is the success of the strategies of these companies – strategies with technology at the heart of them – that has mattered much more to stock market investors than the valuations.

Over the half year two previous portfolio laggards have gained over 20% - Daily Mail and Pearson. Again, we think this is so not because the pair had simply become too "cheap". Rather the investment and time both have poured into digitising their products has at last begun to show signs of paying off. In truth for both DMGT and Pearson the evidence of transformative digital success is still tentative. But it is another illustration of the paucity of credible digital strategies in the UK stock market that both shares have rallied so soon and so much. It's worth remembering that still the top 5 UK companies by market capitalisation are a bank, two oil majors, an arguably ex-growth drug company and a tobacco stock. Not being disparaging, but this is no collection of FAANGs.
And the worst of the genuinely poor performers in our UK portfolios in 2018 is Sage. The share is down nearly 20%. Again, that fall has nothing to do with valuation or rising interest rates. Instead it absolutely has to do with the challenges Sage faces in migrating its business to the Cloud, in the face of new competition from exponents of the new Cloud technology. We hope Sage can meet those challenges, of course.

Another weaker holding in 2018 has been Mondelez – inherited from Cadbury and combined with Kraft's biscuit and confectionary assets. Its shares have drifted, as sales growth has been muted. But also in sympathy with the very poor share price performance of many US food companies. Here the dismal share prices over the last couple of years of, for instance, Campbell Soup, General Mills or Kellogg (none of which we own, or have ever owned) are further instances of the sterility of the value/quality debate. Because no one is arguing these US food companies are doing poorly because interest rates are going up – even though interest rates have been going up. No, they're doing poorly because of investors' well-founded concerns about what Amazon will do to food brands in circumstances where younger consumers' tastes and shopping habits are changing quickly. As one thoughtful client put it to me recently – in the 20th century much of the value of a food brand was in the simple but invaluable proposition: "this product will not poison me". Now edibility is a given. And perhaps staple foods will now commoditise more quickly, just as, for instance, sugar did in the second half of the twentieth century. Returning to Mondelez, though, we remain encouraged about its brands. New CEO Dirk Van de Put was recently interviewed and noted that Oreos remain the number one biscuit brand purchased online in the US – just as they are in brick and mortar stores. The same is true for Cadbury in the UK. His conclusion is that beloved consumer brands which taste good are making a perfectly successful transition to digital distribution – at least so far. Meanwhile, he claimed, own-label share in chocolate is only 3% worldwide; much lower than for mainstream food products. We think Mondelez may be being unfairly tarred with the genuine problems of others.

Concluding this discussion let me say that in the end the sceptics are going to be right. In the end "value" will prevail over "growth". Because in the end everything hangs on what is the true value of a corporation's future cash flows, discounted back to today's intrinsic worth. It's just that during the 21st century to date what looked expensive yesterday has turned out to be in fact far cheaper than most of us could imagine. And some of yesterday's most compelling "value" opportunities have been revealed to be ruinous value traps. Because digital technology is creating investment value so quickly. And destroying it.

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