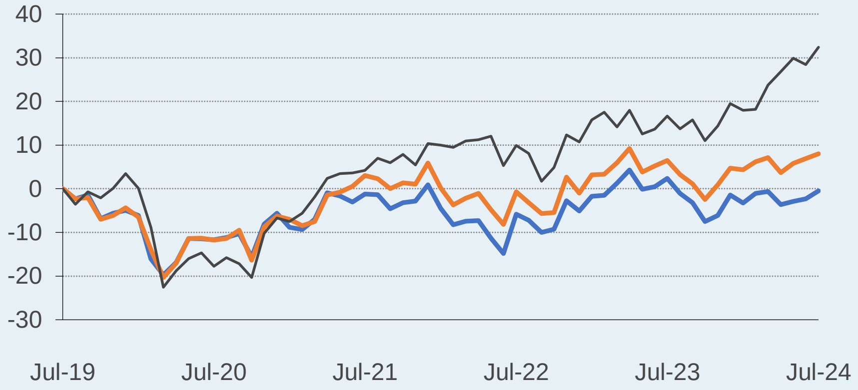
# Finsbury Growth & Income Trust PLC
## Factsheet as at 31 July 2024

### 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 Year Performance (%)

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.




Share Price (total return) +1.1%
Net Asset Value per share (total return) +10.0%
Benchmark: FTSE All-Share Index (net dividends reinvested) +32.4%

Source: Morningstar

### Ten Largest Holdings as at 31 July 2024 (% of total investments)

| Name | Sector | Total |
|---|---|---|
| RELX | Consumer Discretionary | 12.9 |
| Experian | Industrials | 12.7 |
| London Stock Exchange | Financials | 12.6 |
| Unilever | Consumer Staples | 11.2 |
| Sage Group | Technology | 10.5 |
| Diageo | Consumer Staples | 9.8 |
| Hargreaves Lansdown | Financials | 5.5 |
| Schroders | Financials | 5.4 |
| Rightmove | Consumer Discretionary | 4.5 |
| Burberry Group | Consumer Discretionary | 3.5 |
| **Total** | | **88.6** |

LINDSELL TRAIN

**Portfolio Manager** Nick Train

### Fast Facts

As at 31 July 2024

| | |
|---|---|
| **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 Ratio ('OCR')*** | 0.6% |
| **Year / interim end** | 30 September/ 31 March |
| **Capital Structure** | 173,902,487 Ordinary shares of 25p 51,088,816 (in treasury) |
| **Number of Holdings** | 21 |
| **Net Assets (£m)** | £1,619.3m |
| **Market Capitalisation (£m)** | £1,488.6m |
| **Dividend Per Share**** | 19.3p |
| **Current Net Yield** | 2.3% |
| **Gearing** | 1.1% |
| **Leverage***** | Gross 101.1% Commitment 101.7% |
| **Share Price (p)** | 856.00 |
| **NAV (p) (cum income)** | 931.14 |
| **(Discount) / Premium to NAV** | (8.1%) |
| **Portfolio Turnover p.a.** | 7.0% |
| **Active Share^** | 84.7% |

### Codes

| | |
|---|---|
| **Sedol** | 0781606 |
| **ISIN** | GB0007816068 |
| **Legal Entity Identifier (LEI)** | 213800NN4ZKX2LG1GQ40 |
| **Global Intermediary Identification Number (GIIN)** | QH4BH0.99999.SL.826 |
| **Bloomberg** | FGT LN |
| **EPIC** | FGT |

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## Sector Breakdown as at 31 July 2024 (%)

| | |
|---|---|
| Consumer Staples | 28.7 |
| Financials | 25.3 |
| Consumer Discretionary | 22.8 |
| Industrials | 12.7 |
| Technology | 10.5 |
| **Total** | **100.0** |

## Discrete Performance – Calendar Years (%)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| NAV | 23.1 | -2.0 | 13.0 | -6.5 | 5.8 |
| Share Price | 21.8 | -0.7 | 6.9 | -6.0 | 3.9 |
| Index | 19.2 | -9.8 | 18.3 | 0.3 | 7.9 |

## Standardised Discrete Performance (%)

| | 1m | 3m | YTD | 1yr | 3yr | 5yr | 10yr | Since Manager Appointment** |
|---|---|---|---|---|---|---|---|---|
| NAV | 1.0 | 4.2 | 3.2 | 1.4 | 4.9 | 10.0 | 129.3 | 651.5 |
| Share Price | 1.9 | 3.3 | 0.9 | -2.8 | 0.7 | 1.1 | 110.1 | 710.1 |
| Index | 3.1 | 4.4 | 10.8 | 13.5 | 27.1 | 32.4 | 83.9 | 249.5 |

Source: Morningstar.

* Index source: FTSE International Limited ("FTSE") © FTSE 2024

**Cumulative since Manager appointment in December 2000

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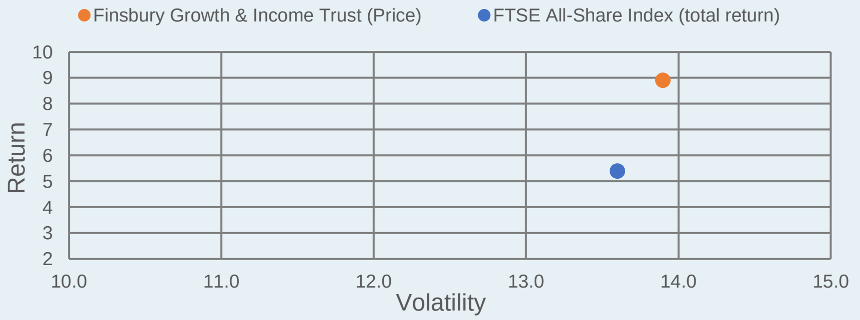
## Return vs Volatility (Annualised since Appointment of Lindsell Train: December 2000) – Chart (%)




## Dividend Growth – 5 Years History

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Dividend Rate | 16.6p | 16.6p | 17.1p | 18.1p | 19.0p |
| YoY% Growth | 8.5 | - | 3.0 | 5.8 | 5.0 |

**Calculated at the financial year end, includes management fees and all other operating expenses.*

***1st Interim paid 17 May 24 :(Year ended Sep 24) 8.8p*

*2nd Interim paid 10 Nov 23 :(Year ended Sep 23) 10.5p*

****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% pa of the Company's adjusted market capitalisation up to a value of £1 billion, such fee reducing to 0.405% pa of the Company's adjusted market capitalisation in excess of £1 billion up to a value of £2 billion, such fee reducing to 0.36% pa of the Company's adjusted market capitalisation in excess of £2 billion.*

*Frostrow – 0.15% pa of the Company's adjusted market capitalisation up to a value of £1 billion, such fee reducing to 0.135% pa of the Company's adjusted market capitalisation in excess of £1 billion up to a value of £2 billion, such fee reducing to 0.12% pa of the Company's adjusted market capitalisation in excess of £2 billion.*

*^Active Share is expressed as a percentage and shows the extent to which a fund's holdings and their weightings differ from those of the fund's benchmark index. A fund that closely tracks its index might have a low Active Share of less than 20% and be considered passive, while a fund with an Active Share of 60% or higher is generally considered to be actively managed.*

## 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 outside the UK. The Company's policy is to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

## Share Buy-back and Issuance Mechanism

The Directors have adopted a share buy-back 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 a later date and it is the intention of the Board that any re-sale of treasury shares would only take place at a premium to the NAV 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 NAV per share.

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## Commentary

In July, the NAV was up 1.0% on a total return basis and the share price was up 1.9%, on a total return basis, while the index was up 3.1%.

The best and worst performing holdings in the Company in July were both companies exposed to global consumer spending. They were Unilever (+9.9%) and Burberry (-11.7%). Perhaps that divergence is not so surprising, when you consider current challenges to global consumer spending. You'd expect sales of Unilever's everyday staple products to hold up much better in straitened conditions than Burberry's "aspirational luxury" offering. And that was confirmed with trading updates both companies provided in July. Unilever's sales were more robust than expected, while Burberry's first quarter was dire.

But there are company specific factors for this pair as well. Unilever's new senior management team has set to vigorously improving sales growth for its biggest brands and enhancing profitability. Initially and understandably sceptical, investors have cottoned on to the potential in Unilever and the shares are now up 27.9% in calendar 2024. Unilever's business performance and share price has been dull over the last five years (albeit a uniquely challenging half decade), but it is worth noting that at today's price, Unilever's shares have returned just over 10% per annum over the last decade (and 11.6% per annum over the last 20 years). A satisfactory return and one typical of this sort of steadily compounding consumer staple. Of course, as the last five years demonstrate, shareholders cannot extrapolate such returns into the indefinite future. Successive cohorts of Unilever's executives will always be challenged to maintain the relevance of its brand portfolio and reinvest the company's cash flows wisely. Nonetheless, looking at the opportunities that still present for Unilever with its Wellbeing and Beauty brands in the United States, its huge potential in India and with its biggest global brand, Dove, pretty much everywhere – we can see grounds to expect Unilever's long-term investment returns to keep ticking on.

For Burberry the prognosis is less certain. The first quarter trading update precipitated the departure of the CEO and a suspension of dividend payments for at least this financial year. Its shares have now fallen c.70% from their recent all-time high in April 2023. We have two things to say about Burberry.

First, this is the second time this century Burberry's share price has fallen 70% or more from peak to trough. The previous time was between late 2007 and late 2008, as investors sold out of companies they believed were vulnerable to the effects of the looming Great Financial Crisis, particularly companies with exposure to Luxury spending in the Far East. We remember that 2007/8 episode well, because it was then we first invested in Burberry shares, assuming that the world was not actually coming to an end and that both Burberry's business and sentiment toward its shares would improve as economic growth resumed. This was a good call and from its late 2008 low to the 2023 peak its shares were up 16-fold (£1.60 to £26.00). Burberry's revenues grew 2.5x and its EBITDA over 4.0x over the same period. Of course, with the shares now under £8.00, we wonder whether the recent collapse in Burberry's shares offers a similar opportunity. And there is no doubt they would benefit from an improvement in consumer confidence, especially in Asia, over the next 18 months.

Next, Burberry's board admits there have been strategic missteps with the brand over the last five years. The company has pursued an overly ambitious strategy of brand elevation and inappropriately attempted to shift away from its traditional brand DNA towards an unsupportable "high fashion" positioning. In doing so it has raised prices to levels that its customers or potential customers do not believe offer value. Nonetheless, the board and its new CEO believe Burberry's core brand and status with global consumers is unimpaired and that with better execution its fortunes can be restored. In some confirmation, here I quote from an article written by a fashion journalist at the Guardian, after the recent profit warning:

"Burberry has blessings that other brands would kill for. Everyone knows what a Burberry trench coat is, and pretty much everyone would be thrilled to have one. Burberry is a household name at a time when shoppers buying luxuries prize a prestige brand more than anything else. It is one of the elite labels that have meaning in the world of power and status, not only fashion."

Continues page 4

* Index source: FTSE International Limited ("FTSE") © FTSE 2024

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If she is right, then we and, we imagine, any current long-term investor would be reluctant to sell at this juncture and, preferably, never sell. Such brands are rare, create wealth for their owners over time and command high valuations on the rare occasions they change hands. We are supportive of the company's decision to suspend the dividend and embark on a cost savings plan, which has eased concerns around the balance sheet. For these reasons, we have stuck to our view that with Burberry we have invested our clients' capital in an enduring and unique brand, that has generated attractive financial returns in the past and can do so again. Accordingly, we have not sold.

I must conclude this report with an account of our thinking about another global consumer business that reported results in July, Diageo. The update was in line with expectations, but Diageo was unable to give an indication when its current period of poor trading will end, again given the difficult outlook for consumer spending, and its shares fell another 3% in the month. As long -term investors in the company, we are left looking for bright spots in a disappointing phase of Diageo's history. There are some. The company ended the year with 75% of its brands gaining or holding market share. Two of its big long-term growth drivers – Guinness and Tequila outside the United States – grew their revenues at a double-digit pace. The company generated $2.6bn of free cash flow, up $400m on the previous year. New earnings forecasts are now emerging for Diageo's financial year end June 2025. Those we monitor show a wide divergence, between £1.60 and £1.20 per share, reflecting the uncertain timing of an improvement in sales trends. Nonetheless, to us the key question is what rating you should apply to those earnings. Taking that low end forecast of £1.20p and today's share price of £23.60, Diageo is valued on just under 20x prospective earnings. We have long held the view that a company with brands of Diageo's calibre and, crucially, half of its earnings generated in the world's biggest, and most dynamic economy, the United States, could be valued on up to 33x EPS, for an earnings yield of 3%. Or put differently, we would not even consider selling out of an asset as advantaged as Diageo at anything less than a 30x or more multiple. That gives a possible target price of c.£40, which will be higher when Diageo's earnings grow again. We have added to our holding when we can.

The top three absolute contributors to the Company's performance in July were Unilever, Schroders and Rightmove, and the top three absolute detractors were Burberry, Fever-Tree and Diageo.

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## 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.

## Target Market

The Company is suitable for investors seeking an investment that aims to deliver total returns over the longer term (at least five years), is compatible with the needs for retail clients, professional clients and eligible counterparties, and is eligible for all distribution channels.

The Company may not be suitable for investors who are concerned about short-term volatility and performance, have low or no risk tolerance or are looking for capital protection, who are seeking a guaranteed or regular income, or a predictable return profile. The Company does not offer capital protection.

## Value Assessment

Frostrow Capital LLP has conducted an annual Value Assessment on the Company in line with Financial Conduct Authority (FCA) rules set out in the Consumer Duty regulation. The Assessment focuses on the nature of the product, including benefits received and its quality, limitations that are part of the product, expected total costs to clients and target market considerations.

Within this, the assessment considers quality of services, performance of the Company (against both benchmark and peers), total fees (including management fees and entry and exit fees as applicable to the Company), and also considers whether vulnerable consumers are able to receive fair value from the product.

Frostrow Capital LLP concluded that the Company is providing value based on the above assessment.

## 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").