

Finsbury Growth & Income Trust

Strong support for former top-rated trust

Finsbury Growth & Income Trust (FGT) offers an interesting opportunity for shareholders. The trust was launched a century ago, and since 2000 has been managed by Nick Train at UK-based Lindsell Train. For the first 20 years, he mostly outperformed the UK market year after year, via a portfolio of primarily UK quality growth companies, with a bias towards consumer names. However, there has been a reversal in fortunes. Since 2021, Train and deputy manager Madeline Wright (who was appointed in 2019) have faced style headwinds as cyclical/value stocks have led the market. Also, there have been stock-specific issues with some of FGT's long-term holdings; having a concentrated portfolio of around 20 names means that the performance of one company is likely to have an impact on the whole fund. The trust's board introduced a continuation vote at the January 2026 AGM. Shareholder support was very much in evidence, with more than 97% voting in favour of FGT continuing. The board has expressed its confidence that the managers' strategy will lead to improved performance and the board has committed to do whatever it takes to improve shareholder value. In pursuit of this objective, FGT's H126 results included some important policy changes.

Exhibit 1: Sign of a stabilisation in relative NAV performance vs the UK market?



Source: LSEG Data & Analytics, Edison Investment Research

Why consider FGT?

Train and Wright have retained their strategy of buying high-quality companies with durable business models, low capital intensity, high returns and strong free cash flow generation. While the board has confidence that performance can improve with this approach, and has commented that parts of the portfolio look to have bottomed, it has also made changes to the trust's dividend and gearing policies. These follow the reduction in fees that was announced in the FY25 results, and are meaningful developments aimed at increasing FGT's appeal to both new and existing investors.

The managers are confident that the trust's current exposure to 'digital winners', which make up around 60% of the portfolio, will be a winning strategy and are hopeful that improved performance will lead to a return to a higher rating for the fund. Prior to mid-2021, FGT regularly traded close to NAV.

Train continues to have a considerable amount of 'skin in the game' as he has been adding to his holding, and now owns more than 5.5% of the trust.

Not intended for persons in the EEA.

Investment companies
UK equities

3 June 2026

Price	749.00p
Market cap	£785m
Total assets	£884m
NAV	816.3p
¹ NAV at 1 June 2026.	
Discount to NAV	8.2%
Current yield	2.7%
Shares in issue	104.8m
Code/ISIN	FGT/GB0007816068
Primary exchange	LSE
AIC sector	UK Equity Income
Financial year end	30 September
52-week high/low	934.0p 713.0p
NAV high/low	1,014.9p 764.2p
Net gearing	3.4%

¹Net gearing at 30 April 2026.

Fund objective

Finsbury Growth & Income Trust's investment objective is to achieve capital and income growth and provide shareholders with a total return above that of the broad UK market index. It invests principally in the securities of companies either listed in the UK or otherwise incorporated, domiciled or having significant business operations within the UK, while up to a maximum of 20% of the portfolio, at the time of acquisition, may be invested in companies not meeting these criteria.

Bull points

- Very strong long-term absolute and relative performance versus the UK market.
- Disciplined strategy, with the managers investing with a long-term perspective.
- The discount is at the wider end of the three-year range, which may offer a favourable entry point.

Bear points

- FGT has underperformed its benchmark for the last five consecutive years.
- Growth style headwind persists, despite the UK market hitting new highs.
- Key person risk: Train has built up FGT's long-term record over the last 25+ years.

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FGT: Change in dividend policy and higher gearing

Train and Wright aim to achieve capital and income growth, with a total return above that of the broad UK stock market. They run a concentrated portfolio of around 20 names and invest for the long term to capture the benefit of compounding returns. On 28 May 2026, FGT released its H126 earnings report, which contained some important policy changes:

- **Dividends** – following a review of the trust's dividend policy, starting at the beginning of FY27 (1 October 2026), the annual dividend will be rebased and increased by at least 50% to c 30p per share. This would equate to an increase in the dividend yield from 2.7% to 4.0%. From that level the board will pursue a progressive policy of sustainable and rising income. When required, dividends will be paid out of both capital and revenue reserves. Distributions will be made quarterly, rather than semi-annually, in February, May, August and November. The changes to FGT's dividend policy are intended to be more appealing to the trust's shareholders, providing more clarity about their future income. Also, a higher dividend yield should more appropriately position FGT within the AIC UK Equity Income sector.
- **Gearing** – FGT has a £40m debt facility with an additional £100m accordion feature. At the end of March 2026, only £29.2m was drawn down. Given attractive UK company valuations, and UK equity returns that are likely to remain above the cost of debt, the trust will increase its gearing to up to £100m, while staying within the maximum permitted 25% of net assets.

In addition, the reduction in the management fee structure, which was announced in December 2025 (see our last [review](#) for more detail), became effective on 1 January 2026. It lowered costs by c £129k in Q126, and illustrates the board's ongoing focus on cost control. Regular share repurchases are undertaken to manage the trust's discount. In H126, c 23.3m shares (c 17.5% of the share base) were bought back into treasury at a cost of c £188.1m. During the period, the average discount of 6.5% was lower than FY25's 7.4%.

FGT's consistent strategy

Although the weightings have changed over time, during Train's tenure, FGT's portfolio has been concentrated, with exposure to three strategic areas: data/software/platform companies (currently 58% of the fund and considered as 'digital winners'); consumer brands (31% of the portfolio, primarily in premium and luxury brands); and stock market proxies (9% of the fund in asset management companies). All these businesses have similar attributes: secular growth trends; repeatable or sticky revenue streams, which are often subscription based; and low capital intensity resulting in sustainable high returns on capital. For many years, the three strategic areas provided a winning formula for FGT's shareholders, but in recent years, the trust has faced style headwinds as cyclical/value sectors such as banks, energy and mining companies have led the UK market. Also, there have been some stock-specific issues within the portfolio.

In H126, 'digital winners', including Rightmove, RELX and Experian, were the largest performance detractors, as investors were concerned that these businesses will be threatened by AI. The managers disagree, believing that 'digital winners' will be beneficiaries of the growth in AI due to their constantly replenished proprietary databases. Train and Wright believe that FGT's consumer brands, including Burberry, Diageo, Fever-Tree and Unilever, remain relevant for today's consumers, generating steady revenue growth and reliable cash flows, which will once again be valued by shareholders when market leadership broadens out. While share price weakness in Diageo and Burberry has been painful, the managers believe that these companies' brands still resonate, and their long-term growth profiles are attainable once consumer confidence improves. The consumer sector is experiencing an uptick in M&A, which should be supportive for share prices, while elsewhere, FGT's relatively new 'digital winner' Intertek recently received a private equity bid at a significant premium. The trust's stock market proxies exposure will be reduced, as in February 2026, US-based Nuveen bid for Schroders at a c 80% premium to its end 2025 share price; this will leave Rathbones as FGT's only holding in this area.

FGT's managers regularly reassess portfolio names to ensure that their investment rationale remains valid. They believe that the 'digital winners' in particular have become oversold and 'could offer a once-in-a decade opportunity to access exceptional growth assets at fundamentally the wrong price'. While gearing has traditionally been modest given the risk of running a concentrated portfolio, taking into account investee companies' positive prospects and modest valuations, the managers see a compelling case for a higher level of gearing.

Current portfolio positioning

At the end of April 2026, FGT had 21 holdings, with the 10 largest positions making up 85.8% of the portfolio, which was a lower concentration compared with 91.5% 12 months earlier; nine positions were common to both periods. The active share was 89.3%, which showed a high level of differentiation compared with the reference index (0% is index replication, while 100% is no commonality). Annualised portfolio turnover was 9.7%, which appears modest, but is around three times higher than the trust's historical activity levels.

Exhibit 2: FGT's top 10 holdings at 30 April 2026 (%)

Company	Sector	Portfolio end April 2026	Portfolio end April 2025
London Stock Exchange Group	Financials	12.8	12.8
RELX	Consumer discretionary	10.3	13.5
Unilever	Consumer staples	10.2	11.8
Sage Group	Technology	10.2	12.2
Experian	Industrials	10.0	12.7
Diageo	Consumer staples	8.7	10.1
Schroders	Financials	7.5	4.5
Burberry Group	Consumer discretionary	6.1	3.3
Rightmove	Consumer discretionary	5.8	7.9
Clarkson	Industrials	4.2	N/A
		85.8	91.5

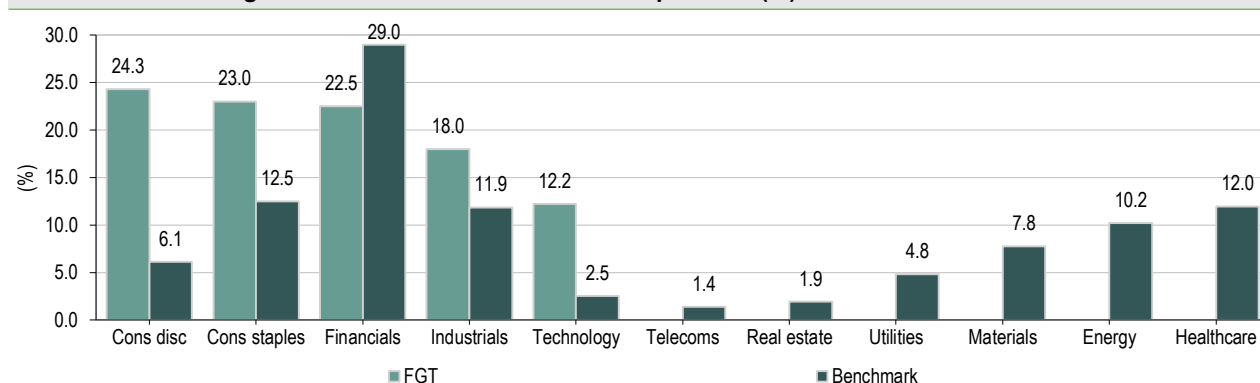
Source: FGT, Edison Investment Research. Note: N/A where not in end April 2025 top 10.

Exhibit 3: FGT's sector exposure and active weights at 30 April 2026 (% , unless stated)

Industry	Portfolio end April 2026	Portfolio end April 2025	Change (pp)	UK index end April 2026	Portfolio vs index (pp)
Consumer discretionary	24.3	25.9	(1.6)	6.1	18.2
Consumer staples	23.0	25.3	(2.3)	12.5	10.5
Financials	22.5	19.0	3.5	29.0	(6.5)
Industrials	18.0	17.2	0.8	11.9	6.2
Technology	12.2	12.6	(0.4)	2.5	9.7
Telecommunications	0.0	0.0	0.0	1.4	(1.4)
Real estate	0.0	0.0	0.0	1.9	(1.9)
Utilities	0.0	0.0	0.0	4.8	(4.8)
Basic materials	0.0	0.0	0.0	7.8	(7.8)
Energy	0.0	0.0	0.0	10.2	(10.2)
Healthcare	0.0	0.0	0.0	12.0	(12.0)
Total	100.0	100.0		100.0	

Source: FGT, Edison Investment Research. Note: Excludes cash.

Exhibit 4: Sector weights versus the benchmark at end April 2026 (%)



Source: FGT, Edison Investment Research. Note: Numbers subject to rounding.

There are 11 broad market sectors, with FGT exposed to just five. At the end of April 2026, the six sectors where the trust had a zero weighting made up c 38% of the reference index. There were modest changes in FGT's sector weightings in the prior 12 months. Compared with the reference index, FGT's largest positive active weights were: consumer discretionary (+18.2pp) and consumer staples (+10.5pp), with notable below-market weights in healthcare

(-12.0pp) and energy (-10.2pp).

Performance: The only way is up

FGT is a member of the 17-strong AIC UK Equity Income sector. The trust's reversal in fortunes is clear when looking at peer group data. As an example, in 2020, FGT was the largest of 25 companies in the sector, with its NAV total returns ranking at, or close to, the top of the table. Now, the trust is mid-sized as a result of its performance and regular share repurchases, while its NAV total returns are at, or close to, the bottom ranked place. At 29 May 2026, FGT's discount was wider than the peer group average, where three funds were trading at a premium. The trust has a competitive ongoing charge. FGT's level of gearing is currently below average, but will be increasing as discussed earlier in the report. The trust's dividend yield is currently the lowest in the sector, but will climb a few places in the rankings when the new dividend policy is implemented. However, the rebased dividend will only lead to a c 4% yield based on the current share price, so capital growth will still be the most important feature of the trust, as its dividend yield is likely to remain below the peer group average.

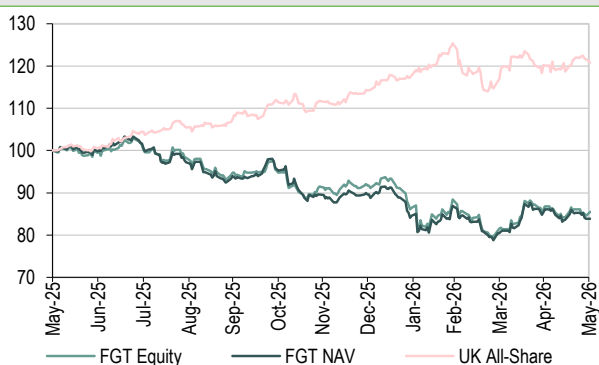
Exhibit 5: AIC UK Equity Income sector at 29 May 2026

% unless stated	Market cap (£m)	1Y NAV TR	3Y NAV TR	5Y NAV TR	10Y NAV TR	Prem/disc	Ongoing charge	Performance fee	Net gearing	Dividend yield
Finsbury Growth & Income	790.2	(16.0)	(7.1)	(1.4)	67.5	(6.6)	0.6	No	103	2.7
Aberdeen Equity Income Trust	333.2	34.2	61.6	52.2	72.7	(0.4)	0.8	No	109	5.5
BlackRock Income and Growth	42.7	12.9	32.0	46.8	92.9	(8.8)	1.2	No	104	3.3
Chelverton UK Dividend Trust	30.8	13.2	18.7	(10.0)	41.9	(7.1)	2.8	No	100	7.3
City of London	2,882.8	22.2	60.1	79.5	130.0	2.3	0.4	No	106	3.9
CT UK Capital and Income	327.9	8.0	30.2	31.7	100.0	(4.1)	0.7	No	106	3.7
CT UK High Income	100.7	17.4	52.6	46.5	101.1	(2.9)	1.0	No	110	5.4
Diverse Income Trust	278.9	25.2	62.8	30.8	108.4	(2.6)	1.1	No	100	3.8
Dunedin Income Growth	358.4	6.7	22.5	25.6	105.1	(6.4)	0.6	No	111	6.3
Edinburgh Investment	1,023.4	3.7	35.2	51.2	71.9	(7.7)	0.5	No	111	4.0
JPMorgan Claverhouse	490.8	18.6	52.9	52.6	122.9	(3.3)	0.6	No	106	4.0
Law Debenture Corporation	1,628.1	33.8	70.1	78.4	176.7	1.5	0.6	No	112	2.9
Lowland	375.3	29.8	63.1	58.9	114.9	(9.6)	0.7	No	112	3.9
Merchants Trust	937.5	18.5	38.8	56.4	140.5	(4.1)	0.5	No	111	4.6
Murray Income Trust	875.8	10.7	25.1	31.3	112.3	(6.7)	0.5	No	108	4.3
Schroder Income Growth	238.6	18.5	44.7	54.1	118.0	(5.2)	0.8	No	109	4.1
Temple Bar	1,200.9	31.2	91.3	97.3	152.3	1.0	0.6	No	106	3.8
Simple average (17 funds)	700.9	17.0	44.4	46.0	107.6	(4.2)	0.8		107	4.3
Rank	7	17	17	16	16	12	8		15	17

Source: Morningstar, Edison Investment Research. Note: TR, total return.

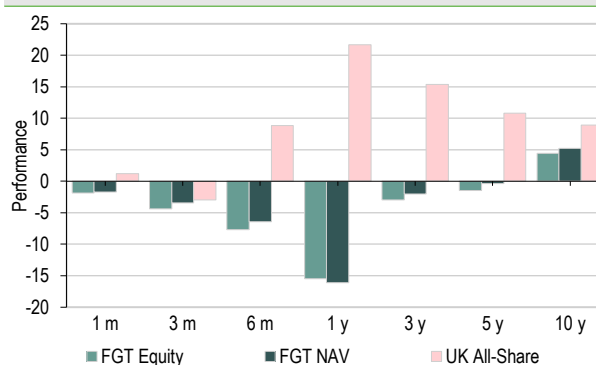
Train admits that 2025 was his worst performance in a more than 40-year career. He is looking forward to improved performance and is confident that the focus on 'digital winners', which possess similar attributes to prior successful holdings, will be beneficial for the trust's existing loyal and new shareholders.

Exhibit 6: Price, NAV and index total return performance to end May 2026, one-year rebased



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 7: Price, NAV and index total return performance (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year numbers annualised.

In H126, FGT's NAV and share price total returns of -14.0% and -13.2% respectively significantly lagged the benchmark's +8.9% total return. Looking at the share price moves of some of the trust's largest positions over the

period, there were some brutal declines in ‘digital winners’, where investors were concerned about the competitive threat from AI. In particular, Rightmove was down by more than 40%, Experian and RELX by more than 30%, with Sage declining by nearly 25%. In the consumer sector, Diageo’s turnaround seems to remain a ‘work in progress’ as its share price declined by more than 20%. However, there were some bright spots in H126, with Schroders’ share price up by more than 50% on an acquisition bid and Clarkson’s up by more than 25% as geopolitical conflicts disrupted trade routes, which forced ships to take longer voyages. This created complexity, which led to higher vessel demand, charter rates and trading volumes.

Exhibit 8: Share price and NAV total return performance, relative to indices (%)

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to UK All-Share	(3.0)	(1.5)	(15.1)	(30.5)	(40.5)	(44.4)	(34.0)
NAV relative to UK All-Share	(2.8)	(0.5)	(14.0)	(31.0)	(38.8)	(41.1)	(28.9)
Price relative to UK 350	(2.9)	(1.4)	(15.1)	(30.6)	(40.6)	(44.8)	(33.9)
NAV relative to UK 350	(2.8)	(0.4)	(14.0)	(31.0)	(38.9)	(41.5)	(28.8)
Price relative to MSCI World	(6.9)	(10.8)	(15.9)	(34.0)	(45.8)	(51.1)	(60.1)
NAV relative to MSCI World	(6.8)	(9.9)	(14.7)	(34.5)	(44.3)	(48.2)	(57.1)

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end May 2026. Geometric calculation.

FGT’s relative performance is shown in Exhibit 8. While the challenge to turn the trust’s performance around is large, it may not be insurmountable. Train has a history of outperformance from a concentrated portfolio of quality UK shares. A change in investor sentiment in the relative merits of AI versus FGT’s ‘digital winners’ could lead to a sharp improvement in the trust’s relative performance. It should be remembered that Train has around £45m of personal wealth at stake, along with a professional reputation he is keen to uphold; hence, he is unlikely to ‘diversify’ the portfolio into a range of low-quality, low-conviction holdings.

Exhibit 9: Five-year discrete performance data

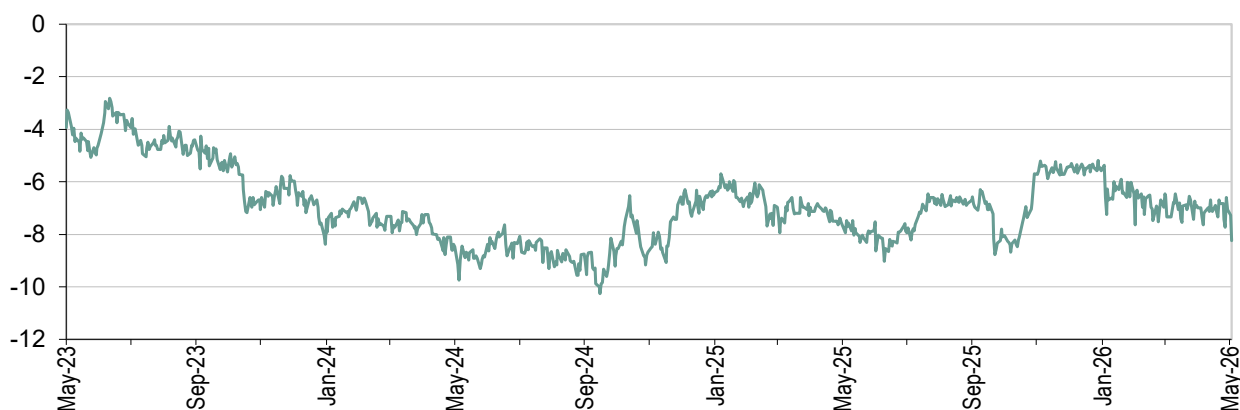
12 months ending	Total share price return (%)	Total NAV return (%)	UK All-Share (%)	UK 350 (%)	MSCI World (%)
31/05/22	(9.8)	(4.0)	8.3	8.7	7.8
31/05/23	12.6	9.0	0.4	0.6	4.3
31/05/24	(2.8)	1.9	15.4	15.4	22.2
31/05/25	11.2	9.9	9.4	9.4	7.8
31/05/26	(15.5)	(16.1)	21.6	21.7	28.0

Source: LSEG Data & Analytics, Edison Investment Research. Note: All figures are total return in pounds sterling.

Discount: Revaluation potential once performance improves

Going back to FY21, FGT’s shares were regularly trading close to NAV and the company was issuing shares at a small premium. However, in FY22, when the trust’s shares had moved to a discount, the company started buying back shares and share buybacks have been a notable feature since then. As stated earlier in this report, 17.5% of the share base was repurchased and put into treasury in H126.

Exhibit 10: Discount, last three years (%)



Source: LSEG Data & Analytics, Edison Investment Research

FGT’s current 8.2% share price discount to cum-income NAV is towards the wider end of 2.8% to 10.3% three-year

range. It is also wider than the historical averages of 6.9%, 6.9%, 6.0% and 2.8% over the last one, three, five and 10 years respectively. While FGT has some catching up to do in terms of NAV performance versus the UK market or its peer group, it would be fair to assume that once this starts to happen, the trust is likely to be afforded a higher valuation; this could be the icing on the cake for the trust's patient shareholders.

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