

# F&C Investment Trust PLC

Report and Accounts for  
the half-year ended 30 June 2020

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# F&C Investment Trust PLC

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the half-year ended 30 June 2020



## Company Overview

F&C Investment Trust PLC (“**FCIT**” or the “**Company**”) was founded in 1868 as the first ever investment trust with the purpose of providing the investor of more moderate means access to the same opportunities and advantages as the very largest investors.

Our purpose today is essentially unchanged and is to provide a diversified, convenient and cost effective global investment choice to meet the longer term investment needs of investors large or small.

Our objective is to achieve long-term growth in capital and income through a policy of investing primarily in an internationally diversified portfolio of publicly listed equities, as well as unlisted securities and private equity, combined with the use of gearing.

Our approach is designed to obtain the investment performance benefits from a range of individually concentrated global and regional portfolios alongside the diversification benefits of lower risk and lower volatility achieved by managing these portfolios in combination. Offering a globally diversified portfolio of growth assets, FCIT aims to be a core investment choice through all available channels.

FCIT continues to evolve, allowing it to keep pace with new investment opportunities and maintain its relevance in today’s world. FCIT is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth in capital and income from investment in global markets and who understand and are willing to accept the risks, as well as the rewards, of exposure to equities.

Visit our website at [fandcit.com](http://fandcit.com)



### Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors’ current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

The Company is registered in England and Wales with company registration number 12901  
Legal Entity Identifier: 213800W6B18ZHTNG7371

Potential investors are reminded that the value of investments and the income from dividends may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

## Financial Highlights for the half-year

-10.0%

**Our share price total return<sup>(1)</sup> was minus 10.0% largely attributable to the move from a small premium to a discount of 7.7% in a period of extreme volatility for markets**

-0.9%

**Our Net Asset Value total return<sup>(1),(2)</sup> was minus 0.9% which compares with a 0.4% gain from our benchmark, the FTSE All-World Index**

**Our revenue reserve alone exceeds one year's worth of dividends and Shareholders can expect an increased dividend for 2020 that will not only mark 50 consecutive years of increases, but also 152 years of annual dividend payments. The first interim dividend of 2.9 pence for 2020 will be paid on 3 August.**

(1) Total return – return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the share price or Net Asset Value in the period\*

(2) Including debt at market value. Represents the replacement value of debt, assuming repaid and re-negotiated under current market conditions\*

\*See full details of the explanation and calculation of Alternative Performance Measures in the Report and Accounts as at 31 December 2019

## Chairman's Statement

### Markets and performance

The market shock and extreme volatility triggered by Covid-19 in March saw global share prices fall substantially followed by a remarkably sharp rebound. In amongst the fear and uncertainty that had developed, investment trust discounts widened with your Company's shares moving from a 1.5% premium to a discount of 7.7% by the period end. The overall outcome for our total shareholder return was a decline of 10.0% and a decline of 0.9% for our Net Asset Value (“NAV”) total return. Our benchmark, the FTSE All-World Index, net of withholding tax, managed to achieve a small gain of 0.4%. Shareholders might well have been expecting a more severe outcome as during the market lows the share price had fallen by as much as 40%, but by the period end had recovered strongly to 683.0 pence.

The NAV per share closed at 740.27 pence by comparison with 753.90 pence at the end of 2019. In aggregate, our investment portfolio delivered a positive return of 0.7% during the first half of the year which was ahead of the 0.4% return of our benchmark. The difference between this and our NAV total return of minus 0.9% was largely due to the impact of borrowings, with the repricing of the fair value of our debt detracting 0.9% from our returns. Having started the year at 9.9% gearing, we modestly reduced this as markets recovered strongly from their lows and ended the period at 8.1%.

Our private equity holdings represented 8.4% of the portfolio as at 30 June 2020 and posted positive returns. A feature of these unlisted holdings is the timing lag in the receipt of underlying valuation reports. The Board has

scrutinised valuations as at the end of June and any adjustments in pricing, as a result of economic disruption going forward, are not expected to be material to this part of the portfolio.

### Buyback policy

Buying back the Company's shares enhances shareholder value and helps moderate discount volatility. The shares were not immune to the sharp widening of discounts that took place across the sector during the steep market falls and we bought back a total of 742,000 shares. We remain committed to our policy of buying back shares to enhance shareholder value and in pursuit of a sustainably low deviation between the share price and NAV per share.

### Income and Dividends

We paid a third interim dividend of 2.9 pence per share for the year ended 31 December 2019 in February 2020 and a final dividend of 2.9 pence in May. These payments were fully covered by earnings.

Many corporates have been cutting or passing dividend payments and as a result our net revenue return per share declined by 29% to 5.74 pence in the first six months of 2020, by comparison to the equivalent period last year. While sterling's weakness helped our income by the sum of £0.5m, this was down from £1.6m in the first half of 2019 while special dividends were lower at £0.7m, down from £2.3m.

We recognise the importance of a steadily rising income stream for our Shareholders. One of our strengths is the ability to build revenue and capital reserves that we can call on in difficult

## Chairman's Statement (continued)

times to help sustain annual dividend payments to Shareholders. This is such a time and we are pleased to report that our revenue reserve alone exceeds one year's worth of dividends. This leaves us with plenty of scope to deliver yet another increased dividend this year despite the fall in earnings. Shareholders can therefore expect an increased dividend for 2020 that will not only mark 50 consecutive years of increases but also 152 years of annual dividend payments. The first interim dividend of 2.9 pence for 2020 will be paid on 3 August.

### Outlook

All companies will be reassessing the impact on their business and the risks and uncertainties arising from Covid-19 and their status as going concerns. We outline in this report how we have assessed your Company's own standing in the midst of the pandemic. It remains strong and well positioned. In recent years we have built up a substantial revenue reserve and Shareholders can expect a higher dividend this year despite the ongoing uncertainty. Importantly, our level of diversification, closed end capital structure and low interest costs on fixed rate borrowings give us a strong advantage as we navigate our way through the current economic crisis and market uncertainty. As we have throughout our long history, please be assured that we remain watchful to the risks that we all face and the opportunities that will arise for the longer-term prosperity of our Shareholders.

Beatrice Holland  
Chairman  
24 July 2020

## Fund Manager's Review

We entered 2020 with the expectation that the US economy would further extend a record long expansion and that equity markets would continue to be aided by solid growth in corporate earnings and a supportive policy backdrop. Indeed, early in the period equity markets reached new record highs buoyed by an environment of benign inflation and modest, but robust, growth.

There were some concerns early in the period that Covid-19 would disrupt the Chinese economy, but markets quickly adjusted expectations to the wider reality that we were facing a global pandemic with profound implications for growth. Indeed, the actions of governments globally, with the prospect of rising domestic infection rates, was to enforce a shutdown of large segments of the economy leading to a simultaneous shock to both supply and demand.

While government action to protect the health of their citizens rapidly created the sharpest and deepest downturn in the global economy for generations, policymakers sought to cushion the blow by enacting huge monetary and fiscal stimulus. Indeed, the scale of packages unveiled and the speed of response surpassed those seen over a decade ago in response to the Global Financial Crisis. The unprecedented scale of stimulus, however, was commensurate with the magnitude of the downturn.

As markets grappled with the severity of the economic collapse and contemplated the prospect of widespread corporate failures as a result of the ensuing recession, share prices fell sharply with declines of 30-40% in many major indices. The pace of the sell-off, which occurred in a little over

four weeks, was extraordinary, reflecting both tremendous uncertainty and the challenge facing the global economy. Apart from the impact of Covid-19, separately the collapse of the oil price and increased tensions between the US and China added to the volatility.

Markets, however, are forward looking and, having fallen precipitously and troughing on the day that Prime Minister Johnson announced a lockdown in the UK, equities began a sharp recovery towards the end of March driven by an expectation that growth was likely to return later in the year. Markets rallied by over 40% from the lows with an acceptance of near-term recession while hopeful that infection rates and fatalities would diminish, and that policy action would not only speed the recovery but alleviate some of the lasting damage from the downturn.

'Growth' stocks, such as technology companies, which tend to be more highly priced on the expectation of growth in future earnings, delivered outperformance into the market downturn as well as through the recovery seen to date. In contrast, and in general terms, those companies trading on lower multiples but with greater sensitivity to short-term fluctuations in the economy underperformed markedly coming into the crisis and, unusually, also underperformed as economic prospects improved. Ahead of the setback in markets we reduced exposure to higher yielding value stocks, such as Chevron, as well as trimming European exposure which reduced our exposure to, amongst other stocks, Shell. These moves funded new allocations in our Global Strategy component.

## Fund Manager's Review (continued)

Our investment portfolio produced a return of 0.7%, which was ahead of the market benchmark (0.4%) and our North American holdings produced positive gains of 4.5%. Our US growth manager, T Rowe Price, delivered exceptional returns of 18.5%, materially extending their outperformance relative to 'value' stocks, where our holdings fell by 11.6% over the six-month period. Despite the challenges, a number of our North American holdings produced strong returns, benefiting from an acceleration in prevailing trends brought about by the crisis. Amazon and Microsoft, our two largest listed holdings, rose by around 50% and 30%, respectively.

Outside the US, Japan was a relatively strong area for the portfolio in absolute and relative terms with a gain of 4.0%. Early in the year we decided to focus our exposure in this area, selecting the best twenty stocks available, and this strategy paid off with strong performance from stock selection. Here, Keyence was a beneficiary of anticipated rises in automation investment and posted gains of 17%.

Despite a loss (-2.4%), Europe was an area of relative strength for the portfolio over the first half. Here, limited exposure to the banking sector, which performed poorly, and some strong stock selection in companies such as Delivery Hero, the online food delivery platform whose business models were robust to the effects of pandemic, helped our relative returns.

Emerging Markets produced disappointing returns (-8.9%) over the period with banking stocks in India and Indonesia detracting from returns.

Within our Global Strategies (-3.3%), our Global Smaller Companies exposure and Global Income Strategy, which invests into cheaper and higher yielding stocks, both lagged global market returns. In contrast, our allocation to a new Sustainable

Contributors to total return in first half of 2020 (%)	
Portfolio return	0.7
Management fees	(0.2)
Interest and other expenses	(0.2)
Buybacks	0.0
Change in value of debt	(0.9)
Gearing/other	(0.3)
<b>Net asset value total return*</b>	<b>(0.9)</b>
Decrease in discount	(9.1)
<b>Share price total return</b>	<b>(10.0)</b>
FTSE All-World total return	0.4

\*Debt at market value  
Source: BMO GAM

Opportunities strategy, focusing on high quality and sustainable business models, produced strong returns against a challenging backdrop.

Our private equity portfolio posted positive returns of 7.1%, helped by weakness in sterling over the period, as the currency fell by more than 6% against both the US dollar and the Euro.

In aggregate, our investment portfolio delivered a small positive return of 0.7% during the first half of the year. The difference between this and our NAV total return of minus 0.9% was largely due to the impact of borrowings, with the repricing of the fair value of our debt detracting 0.9% from our returns. Having started the year at 9.9% gearing, we modestly reduced this as markets recovered strongly from their lows and ended the period at 8.1%.

### Current Market Perspective

Having seen one of the sharpest downturns in history we have now witnessed the fastest and steepest recovery in equity markets. These events

### Weightings, stock selection and performance in each investment portfolio strategy and underlying geographic exposure versus index as at 30 June 2020

Investment portfolio strategy	Our portfolio strategy weighting %	Underlying geographic exposure*	Benchmark weighting %	Our strategy performance in sterling %	Index performance in sterling %
North America	44.9%	58.0%	58.8%	4.5%	4.0%
Europe inc UK	9.9%	21.9%	17.7%	-2.4%	-6.3%
Japan	4.6%	6.5%	7.6%	4.0%	-0.3%
Emerging Markets	8.5%	10.8%	11.0%	-8.9%	-3.9%
Developed Pacific		2.8%	4.9%		-4.5%
Global Strategies	23.7%			-3.3%	0.4%
Private Equity	8.4%			7.1%	

\*Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings  
Source: BMO GAM

correspond to the deepest recession of modern times and the largest stimulus packages ever deployed by governments and central banks across the world. Over the near-term there will undoubtedly be testing times in terms of economic, corporate and Covid-related newsflow. Longer term, markets are looking forward to better growth with recent data suggesting a decent upturn in activity that should accelerate into 2021.

The recent crisis has fundamentally benefited many of the large technology related companies in our portfolio as, in common with prior recessions, we have seen a rapid acceleration of many pre-existing corporate and consumer trends. This will likely be one of the lasting impacts of Covid-19.

Paul Niven  
Fund Manager  
24 July 2020

## Twenty Largest Listed Equity Holdings

30 Jun 2020	31 Dec 2019		% of total investments	Value £'000s
1	(1)	Amazon	3.3	144,168
2	(2)	Microsoft	2.6	115,133
3	(3)	Alphabet	1.9	84,191
4	(4)	Facebook	1.9	83,242
5	(5)	Apple	1.8	79,533
6	(11)	Mastercard	1.1	49,665
7	(7)	Alibaba	1.0	44,520
8	(55)	Paypal	1.0	43,788
9	(10)	Visa	1.0	42,637
10	(6)	UnitedHealth	0.9	37,543

30 Jun 2020	31 Dec 2019		% of total investments	Value £'000s
11	(65)	Servicenow	0.8	33,239
12	(14)	Broadcom	0.7	31,962
13	-	Taiwan Semiconductor Manufacturing Company	0.7	30,694
14	(40)	Tencent	0.7	30,490
15	(25)	SAP	0.6	28,479
16	(118)	Netflix	0.6	28,148
17	(141)	Thermo Fisher Scientific	0.6	26,267
18	(45)	Salesforce	0.6	26,078
19	(9)	Dollar General	0.6	24,873
20	(76)	Vertex Pharmaceuticals	0.6	24,301

The value of the twenty largest listed equity holdings represents 23.0% (31 December 2019: 18.7%) of the Company's total investments. The figures in brackets denote the position at the previous year end.

These are the largest listed equity holdings excluding collective investment schemes. If the whole portfolio was considered then PE Investment Holdings 2018 LP (£132.8m), Inflexion Strategic Partners (£40.0m) and Syncona (£24.9m) would have been included in the list.

## Unaudited Condensed Income Statement

Notes	Half-year ended 30 June 2020			Half-year ended 30 June 2019			Year ended 31 December 2019		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	-	(21,955)	(21,955)	-	482,028	482,028	-	622,989	622,989
	302	(8,717)	(8,415)	444	(3,521)	(3,077)	50	2,817	2,867
3	39,815	-	39,815	53,306	-	53,306	89,376	-	89,376
4	(3,681)	(6,214)	(9,895)	(4,190)	(6,264)	(10,454)	(8,220)	(12,931)	(21,151)
	<b>36,436</b>	<b>(36,886)</b>	<b>(450)</b>	<b>49,560</b>	<b>472,243</b>	<b>521,803</b>	<b>81,206</b>	<b>612,875</b>	<b>694,081</b>
4	(1,201)	(3,602)	(4,803)	(1,096)	(3,289)	(4,385)	(2,245)	(6,736)	(8,981)
	<b>35,235</b>	<b>(40,488)</b>	<b>(5,253)</b>	<b>48,464</b>	<b>468,954</b>	<b>517,418</b>	<b>78,961</b>	<b>606,139</b>	<b>685,100</b>
5	(4,106)	-	(4,106)	(4,535)	-	(4,535)	(8,024)	-	(8,024)
6	<b>31,129</b>	<b>(40,488)</b>	<b>(9,359)</b>	<b>43,929</b>	<b>468,954</b>	<b>512,883</b>	<b>70,937</b>	<b>606,139</b>	<b>677,076</b>
6	<b>5.74</b>	<b>(7.46)</b>	<b>(1.72)</b>	<b>8.08</b>	<b>86.30</b>	<b>94.38</b>	<b>13.06</b>	<b>111.61</b>	<b>124.67</b>

The total column is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

## Unaudited Condensed Statement of Changes in Equity

Notes	Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
<b>Half-year ended 30 June 2020</b>					
Balance brought forward 31 December 2019	140,455	122,307	3,735,063	111,224	4,109,049
<b>Movements during the half-year ended 30 June 2020</b>					
11 Shares repurchased by the Company and held in treasury	-	-	(4,515)	-	(4,515)
7 Dividends paid	-	-	-	(31,461)	(31,461)
Return attributable to shareholders	-	-	(40,488)	31,129	(9,359)
<b>Balance carried forward 30 June 2020</b>	<b>140,455</b>	<b>122,307</b>	<b>3,690,060</b>	<b>110,892</b>	<b>4,063,714</b>
<b>Half-year ended 30 June 2019</b>					
Balance brought forward 31 December 2018	140,455	122,307	3,126,949	102,202	3,491,913
<b>Movements during the half-year ended 30 June 2019</b>					
Shares issued by the Company from treasury	-	-	9,325	-	9,325
Shares repurchased by the Company and held in treasury	-	-	(297)	-	(297)
7 Dividends paid	-	-	-	(30,407)	(30,407)
Return attributable to shareholders	-	-	468,954	43,929	512,883
<b>Balance carried forward 30 June 2019</b>	<b>140,455</b>	<b>122,307</b>	<b>3,604,931</b>	<b>115,724</b>	<b>3,983,417</b>
<b>Year ended 31 December 2019</b>					
Balance brought forward 31 December 2018	140,455	122,307	3,126,949	102,202	3,491,913
<b>Movements during the year ended 31 December 2019</b>					
Shares issued by the Company from treasury	-	-	11,251	-	11,251
Shares repurchased by the Company	-	-	(9,276)	-	(9,276)
7 Dividends paid	-	-	-	(61,915)	(61,915)
Return attributable to shareholders	-	-	606,139	70,937	677,076
<b>Balance carried forward 31 December 2019</b>	<b>140,455</b>	<b>122,307</b>	<b>3,735,063</b>	<b>111,224</b>	<b>4,109,049</b>



## Unaudited Balance Sheet

Notes	30 June 2020 £'000s	30 June 2019 £'000s	31 December 2019 £'000s
<b>Fixed Assets</b>			
8 Investments	4,385,856	4,254,412	4,512,321
<b>Current assets</b>			
Debtors	14,614	12,260	20,563
14 Cash and cash equivalents	43,783	97,572	28,196
<b>Total current assets</b>	<b>58,397</b>	<b>109,832</b>	<b>48,759</b>
<b>Creditors: amounts falling due within one year</b>			
9, 14 Loans	-	-	(75,000)
10 Other	(12,339)	(14,246)	(15,861)
<b>Total current liabilities</b>	<b>(12,339)</b>	<b>(14,246)</b>	<b>(90,861)</b>
<b>Net current assets/(liabilities)</b>	<b>46,058</b>	<b>95,586</b>	<b>(42,102)</b>
<b>Total assets less current assets/(liabilities)</b>	<b>4,431,914</b>	<b>4,349,998</b>	<b>4,470,219</b>
<b>Creditors: amounts falling due after more than one year</b>			
9, 14 Loans	(367,625)	(366,006)	(360,595)
9, 14 Debenture	(575)	(575)	(575)
	<b>(368,200)</b>	<b>(366,581)</b>	<b>(361,170)</b>
<b>Net assets</b>	<b>4,063,714</b>	<b>3,983,417</b>	<b>4,109,049</b>
<b>Capital and reserves</b>			
11 Share capital	140,455	140,455	140,455
Capital redemption reserve	122,307	122,307	122,307
Capital reserves	3,690,060	3,604,931	3,735,063
Revenue reserve	110,892	115,724	111,224
12 <b>Total shareholders' funds</b>	<b>4,063,714</b>	<b>3,983,417</b>	<b>4,109,049</b>
12 <b>Net asset value per ordinary share - prior charges at nominal value (pence)</b>	<b>749.93</b>	<b>732.73</b>	<b>757.26</b>

## Unaudited Condensed Statement of Cash Flows

Notes	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2019 £'000s
13 <b>Cash flows from operating activities before dividends received and interest paid</b>	<b>(17,094)</b>	<b>(14,026)</b>	<b>(28,991)</b>
Dividends received	39,096	52,384	90,240
Interest paid	(4,849)	(5,125)	(9,585)
<b>Cash flows from operating activities</b>	<b>17,153</b>	<b>33,233</b>	<b>51,664</b>
<b>Investing activities</b>			
Purchases of Investments	(1,562,212)	(683,510)	(1,609,187)
Sales of Investments	1,670,481	631,944	1,437,402
Other capital charges and credits	(43)	(18)	(42)
<b>Cash flows from investing activities</b>	<b>108,226</b>	<b>(51,584)</b>	<b>(171,827)</b>
<b>Cash flows before financing activities</b>	<b>125,379</b>	<b>(18,351)</b>	<b>(120,163)</b>
<b>Financing activities</b>			
Equity dividends paid	(31,461)	(30,407)	(61,915)
14 Repayment of loans	(75,000)	(103,435)	(208,884)
14 Drawdown of loans	-	151,666	325,090
Cash flows from share issues	1,931	9,325	9,321
Cash flows from share buybacks for treasury shares	(3,877)	-	(9,276)
<b>Cash flows from financing activities</b>	<b>(108,407)</b>	<b>27,149</b>	<b>54,336</b>
14 <b>Net increase in cash and cash equivalents</b>	<b>16,972</b>	<b>8,798</b>	<b>(65,827)</b>
Cash and cash equivalents at the beginning of the period	28,196	96,439	96,439
14 <b>Effect of movement in foreign exchange</b>	<b>(1,385)</b>	<b>(7,665)</b>	<b>(2,416)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>43,783</b>	<b>97,572</b>	<b>28,196</b>
Represented by:			
Cash at bank	17,699	38,042	14,727
Short term deposits	26,084	59,530	13,469
<b>Cash and cash equivalents at the end of the period</b>	<b>43,783</b>	<b>97,572</b>	<b>28,196</b>

## Unaudited Notes to the Condensed Accounts

### 1. Results

The results for the six months to 30 June 2020 and 30 June 2019 constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 31 December 2019; the report of the Auditors thereon was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The condensed financial statements shown for the year end 31 December 2019 are an extract from those accounts.

### 2. Accounting policies

#### (a) Basis of preparation

These condensed financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, Interim Financial Reporting (FRS 104) and the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP), issued by the AIC in October 2019.

The accounting policies applied for the condensed set of financial statements are set out in the Company's annual report for the year ended 31 December 2019.

#### (b) Use of judgements, estimates and assumptions

The presentation of the financial statements in accordance with accounting standards requires the Board to make judgements, estimates and assumptions that affect the accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. Actual results may differ from these estimates.

The area requiring the most significant judgement and estimation in the preparation of the financial statements is accounting for the value of unquoted investments.

The policy for valuation of unquoted securities is set out in note 8 and further information on Board procedures is contained in the Report of the Audit Committee and note 26(d) of the Report and Accounts as at 31 December 2019. The fair value of unquoted (Level 3) investments, as disclosed in note 8, represented 7.9% of total investments at 30 June 2020. Under foreseeable market conditions the collective value of such investments may rise or fall in the short term by more than 25%, in the opinion of the Directors. A fall of 25% in the value of the unlisted (Level 3) portfolio at the half-year would equate to £86m or 2.0% of net assets and a similar percentage rise should be construed accordingly.

### 3. Income

	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2019 £'000s
Income comprises			
UK dividends	3,932	5,198	9,415
Overseas dividends	35,775	47,592	79,331
Rebate on management fees	6	167	137
Interest on short-term deposits and withholding tax reclaims	102	349	493
<b>Income</b>	<b>39,815</b>	<b>53,306</b>	<b>89,376</b>

Included within income is £0.7m (30 June 2019: £2.3m; 31 December 2019: £3.7m) of special dividends classified as revenue in nature.

The value of special dividends treated as capital in nature is £0.0m (30 June 2019: £0.4m; 31 December 2019: £0.4m).

### 4. Fees and other expenses and interest payable

	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2019 £'000s
Fees and other expenses	9,895	10,454	21,151
Interest payable and similar charges	4,803	4,385	8,981
<b>Total</b>	<b>14,698</b>	<b>14,839</b>	<b>30,132</b>

Fees and other expenses comprise:

Allocated to Revenue Account

Management fees payable directly to the Manager*	2,057	2,082	4,294
Other expenses	1,624	2,108	3,926
	<b>3,681</b>	<b>4,190</b>	<b>8,220</b>

Allocated to Capital Account

Management fees payable directly to the Manager*	6,172	6,244	12,882
Other expenses	42	20	49
	<b>6,214</b>	<b>6,264</b>	<b>12,931</b>

Interest payable and similar charges comprise:

Allocated to Revenue Account	1,201	1,096	2,245
Allocated to Capital Account	3,602	3,289	6,736

\*including reimbursement in respect of services provided by sub-managers.

The primary related party transaction is with the Manager, BMO Investment Business Limited. The Manager's remuneration is based on a fee of 0.35% per annum of the market capitalisation of the Company up to £3.0 billion, 0.30% between £3.0 and £4.0 billion, and 0.25% above £4.0 billion calculated at each month end date on a pro-rata basis. Prior to 1 January 2019, the fee was 0.365% per annum of the market capitalisation of the Company. The fee is adjusted for fees earned by the Manager in respect of investment holdings managed or advised by the Manager. Variable fees payable in respect of third party sub-managers are also reimbursed. The services provided by the Manager remain unchanged from those disclosed within the accounts for the year ended 31 December 2019. The level of variable fees payable in respect of third party sub-managers and private equity managers remain unchanged since the year end.

## 5. Taxation

The taxation charge of £4,106,000 (30 June 2019: £4,535,000 and 31 December 2019: £8,024,000) relates to irrecoverable overseas taxation.

## 6. Net return per share

Net return per ordinary share attributable to ordinary shareholders reflects the overall performance of the Company in the period. Net revenue recognised in the first six months is not indicative of the total likely to be received in the full accounting year.

	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2019 £'000s
Income comprises			
Revenue return	31,129	43,929	70,937
Capital return	(40,488)	468,954	606,139
Total return	(9,359)	512,883	677,076
Weighted average ordinary shares in issue, excluding treasury shares (see note 11)	542,406,495	543,437,152	543,106,069

	Half-year ended 30 June 2020 pence	Half-year ended 30 June 2019 pence	Year ended 31 December 2019 pence
Revenue return	5.74	8.08	13.06
Capital return	(7.46)	86.30	111.61
Total return	(1.72)	94.38	124.67

## 7. Dividends

Dividends paid on ordinary shares	Register Date	Payment date	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2019 £'000s
2018 Third interim of 2.80p	4-Jan-2019	1-Feb-2019	-	15,184	15,184
2018 Final of 2.80p	5-Apr-2019	8-May-2019	-	15,223	15,223
2019 First interim of 2.90p	5-Jul-2019	1-Aug-2019	-	-	15,767
2019 Second interim of 2.90p	4-Oct-2019	1-Nov-2019	-	-	15,741
2019 Third interim of 2.90p	3-Jan-2020	31-Jan-2020	15,736	-	-
2019 Final of 2.90p	17-Apr-2020	13-May-2020	15,725	-	-
			31,461	30,407	61,915

The Directors have declared a first interim dividend in respect of the year ending 31 December 2020 of 2.90p per share, payable on 3 August 2020 to all shareholders on the register at close of business on 17 July 2020. The amount of this dividend will be £15,702,000 based on 541,463,452 shares in issue at 16 July 2020. This amount has not been accrued in the results for the half-year ended 30 June 2020.

## 8. Investments

### Fair value hierarchy

The Company's Investments as disclosed in the balance sheet are valued at fair value.

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

Level 1 includes investments and derivatives listed on any recognised stock exchange or quoted on the AIM market in the UK and quoted open-ended funds.

Level 2 includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.

Level 3 includes investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles, for which observable market data is not specifically available.

The analysis of the valuation basis for financial instruments based on the hierarchy is as follows:

	As at 30 June 2020 £'000s	As at 30 June 2019 £'000s	As at 31 December 2019 £'000s
Level 1	4,041,181	3,984,269	4,186,253
Level 3	344,675	270,143	326,068
Total valuation of investments	4,385,856	4,254,412	4,512,321

With respect specifically to investments in Private Equity, whether through funds or partnerships, the Directors rely on the latest available unaudited quarterly valuations of the underlying unlisted investments as supplied by the investment advisers or managers of those funds or partnerships. The Directors regularly review the principles applied by the managers to those valuations to ensure they are in compliance with the principal accounting policies as stated in the year end report and accounts.

There were no derivative investments held in the period (half-year ended 30 June 2019 and year ended 31 December 2019: same) and no investments held which are valued in accordance with level 2.

## 9. Loans and Debentures

	30 June 2020 £'000s	30 June 2019 £'000s	31 December 2019 £'000s
Loans falling due within one year	-	-	75,000
Loans falling due after more than one year	367,625	366,006	360,595
Debenture falling due after more than one year	575	575	575
Comprising:			
Sterling denominated loan, falling due within one year	-	-	£75m
Sterling denominated loan, falling due after more one year	£264m	£264m	£264m
Euro denominated loan, falling due after more than one year	€114m	€114m	€114m
4.25% perpetual debenture stock	£0.575m	£0.575m	£0.575m

## 10. Other creditors falling due within one year

	30 June 2020 £'000s	30 June 2019 £'000s	31 December 2019 £'000s
Cost of ordinary shares repurchased	638	297	-
Investment creditors	8,454	7,346	12,349
Management fees payable to the Manager	1,950	1,977	1,983
Foreign exchange contracts	-	3,186	-
Other accrued expenses	1,297	1,440	1,529
	12,339	14,246	15,861

## 11. Share capital

	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Total shares in issue nominal £'000s
Equity share capital				
Ordinary shares of 25p each				
Balance at 31 December 2019	19,197,772	542,621,244	561,819,016	140,455
Shares repurchased by the Company and held in treasury	741,820	(741,820)	-	-
Balance at 30 June 2020	19,939,592	541,879,424	561,819,016	140,455

741,820 shares were repurchased during the period at a cost of £4,515,000. Shares held in treasury have no voting rights and no right to dividend distributions and are excluded from the calculations of earnings per share and net asset value per share.

## 12. Net asset value per ordinary share

	6 months to 30 June 2020	6 months to 30 June 2019	Year ended 31 December 2019
Net asset value per share - pence	749.93	732.73	757.26
Net assets attributable at end of period - £'000s	4,063,714	3,983,417	4,109,049
Ordinary shares of 25p in issue at end of period excluding shares held in treasury - number	541,879,424	543,638,566	542,621,244

Net asset value per share (with debenture stock and long-term loans at market value) at 30 June 2020 was 740.27p (30 June 2019: 730.00p and 31 December 2019: 753.90p). The market value of debenture stock at 30 June 2020 was £429,000 (30 June 2019 and 31 December 2019: £429,000). The market value of the long-term loans at 30 June 2020 was £420,090,000 (30 June 2019: £380,982,000 and 31 December 2019: £378,969,000) based on the equivalent benchmark gilts or relevant commercially available current debt.

### 13. Reconciliation of net return before taxation to cash flows from operating activities

	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2020 £'000s
Net return on ordinary activities before taxation	(5,253)	517,418	685,100
Adjust for non-cash flow items, dividend income and interest expense:			
Losses/(gains) on Investments	21,955	(482,028)	(622,989)
Exchange losses/(gains)	8,415	3,077	(2,867)
Non-operating expenses of a capital nature	42	20	49
Decrease/(increase) in other debtors	9	(18)	(8)
(Decrease)/increase in creditors	(219)	151	(688)
Dividends receivable	(39,707)	(52,790)	(88,746)
Interest payable	4,803	4,385	8,981
Tax on overseas income and Indian Capital Gains Tax	(7,139)	(4,241)	(7,823)
	(11,841)	(531,444)	(714,091)
Cash flows from operating activities (before dividends received and interest paid)	(17,094)	(14,026)	(28,991)

### 14. Analysis of changes in net debt

	Cash £'000s	Short term loans £'000s	Long term loans £'000s	Debenture £'000s	Total £'000s
Opening net debt as at 31 December 2019	28,196	(75,000)	(360,595)	(575)	(407,974)
<b>Cash-flows:</b>					
Repayment of bank loans	-	75,000	-	-	75,000
Net movement in cash and cash equivalents	16,972	-	-	-	16,972
<b>Non-cash:</b>					
Effect of foreign exchange movements	(1,385)	-	(7,030)	-	(8,415)
<b>Closing net debt as at 30 June 2020</b>	<b>43,783</b>	<b>-</b>	<b>(367,625)</b>	<b>(575)</b>	<b>(324,417)</b>

### 15. Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have also considered the Company's objective, strategy and policy, the current cash position of the Company, the availability of the loan facility and compliance with its covenants and the operational resilience of the Company and its service providers.

The global economy continues to suffer considerable disruption due to the effects of the COVID-19 pandemic and the Directors have given serious consideration to the consequences for this Company. The Company has a number of private placement and banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached.

The Company experienced a very substantial decrease in its Net Asset Value during a short period of volatility as a result of the market shock. The Directors have considered the remedial measures that are open to the Company in the event of a recurrence to the extent that a covenant breach could occur. As at 22 July 2020, the last practicable date before publication of this report, borrowings amounted to £368 million. This is in comparison to a Net Asset Value of £4,152 million. In accordance with its investment policy the Company is mainly invested in readily realisable, globally listed securities.

The Company operates within a robust regulatory environment. The Company retains title to all assets held by the Custodian. Cash is held with banks approved and regularly reviewed by BMO GAM and the Board. The Directors have noted that home working arrangements have been implemented at BMO GAM and many of the Company's key suppliers without any noticeable impact upon service delivery and operations.

Based on this information the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

By order of the Board  
BMO Investment Business Limited, Secretary  
Exchange House  
Primrose Street  
London EC2A 2NY  
24 July 2020

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## Directors' Statement of Principal Risks

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The Company's principal risks and uncertainties are described in detail under the heading "Principal risks and future prospects" within the strategic report in the Company's annual report for the year ended 31 December 2019. They include:

- failure to access the targeted market or meet investor needs or expectations, including ESG and climate change in particular, leading to significant pressure on the share price;
- unfavourable markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to investment underperformance as well as impacting capacity to pay dividends to investors. Political risk factors could impact performance as could near term market shocks such as those experienced in relation to coronavirus (COVID-19);
- failure of BMO GAM to continue to operate effectively through loss of key staff, inadequate investment and support capability, systems or resource; and
- errors, fraud or control failures at service providers, or loss of data through business continuity failure or cyber-threats could damage reputation or investors' interests or result in loss while cyber risks remain heightened.

Since the beginning of 2020 the global economy has suffered considerable disruption due to the effects of the COVID-19 pandemic. The Directors have reviewed the key risk register for the Company which identifies the risks that the Company is exposed to, the controls in place and the actions being taken to mitigate them.

The Board considers that with the spread of the pandemic the threat from the principal risks has increased and have considered this in relation to going concern, see page 23.

It is noted that:

- While the Company's shares are currently trading at a wider discount than at the beginning of the period, there has been a significant recovery in the share price indicating that the strategy of the Company remains in investor demand and continues to meet expectations.
- Performance has been robust during a period of extreme volatility and a strong recovery in markets while the intention is to once again pay an increased dividend for the year, as is referenced within the Chairman's Statement.
- In addition, the Board had sought and received assurance on the robustness of the home working arrangements implemented by BMO GAM and underlying suppliers. The implementation and operation of their business continuity arrangements, with strong lines of defence in the mitigation of cyber risk, has been without incident or any noticeable impact upon service delivery.

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## Directors' Statement of Responsibilities in Respect of the Half-Yearly Financial Report

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In accordance with Chapter 4 of the Disclosure Guidance and Transparency Rules, the Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with applicable UK Accounting Standards on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown on the previous page is a fair review of the principal risks and uncertainties for the remainder of the financial year; and
- the half-yearly report includes a fair review of the related party transactions that have taken place in the first six months of the financial year.

On behalf of the Board  
Beatrice Hollond  
Chairman  
24 July 2020

## How to Invest

One of the most convenient ways to invest in F&C Investment Trust PLC is through one of the savings plans run by BMO.

### BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2020/21 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

### BMO Junior ISA ("JISA")\*

You can invest up to £9,000 for the tax year 2020/21 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

### BMO Child Trust Fund ("CTF")\*

If your child has a CTF you can invest up to £9,000 for the 2020/21 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

### BMO General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

### BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

### Charges

Annual management charges and other charges apply according to the type of plan.

### Annual account charge

ISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

### Dealing charges

ISA: 0.2%

GIA/JIA/JISA: postal instructions £12, online instruction £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change.

Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

### How to Invest

To open a new BMO plan, apply online at [bmogam.com/apply](https://bmogam.com/apply)

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

### New Customers:

Call: **0800 136 420\*\***  
(8:30am – 5:30pm, weekdays)

Email: [info@bmogam.com](mailto:info@bmogam.com)

### Existing Plan Holders:

Call: **0345 600 3030\*\***  
(9:00am – 5:00pm, weekdays)

Email: [investor.enquiries@bmogam.com](mailto:investor.enquiries@bmogam.com)  
By post: BMO Administration Centre  
PO Box 11114  
Chelmsford CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre.**

### Notes

\*The CTF and JISA accounts are opened in the child's name and they can have access to the account at age 18.

\*\*Calls may be recorded or monitored for training and quality purposes.



### BMO Asset Management Limited

0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. 737510\_G19-1804\_L56\_04/20\_UK

#### Availability of report and accounts

The Company's report and accounts are available on the Internet at [fandcit.com](http://fandcit.com).  
Printed copies may be obtained from the Company's registered office,  
Exchange House, Primrose Street, London EC2A 2NY

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0345 600 3030<sup>\*\*</sup>.

#### Warning to Shareholders – Beware of Share Fraud.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from [fca.org.uk](http://fca.org.uk) to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ("FCA") on [0800 111 6768](tel:08001116768) if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [fca.org.uk/scams](http://fca.org.uk/scams)
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at [fca.org.uk/scams](http://fca.org.uk/scams) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on [0800 111 6768](tel:08001116768). If you have already paid money to share fraudsters you should contact Action Fraud on [0300 123 2040](tel:03001232040).

<sup>\*\*</sup> Calls may be recorded or monitored for training and quality purposes.