



F&C Investment Trust (FCIT)

FCIT’s well-diversified portfolio should enable it to capture returns across multiple scenarios.

Update

19 March 2026

Overview

F&C Investment Trust (FCIT) has been the best performing constituent of the AIC Global sector over the past five years (to 13/03/2026), with its well-diversified **Portfolio** across regions, sectors, and investment styles having enabled it to adapt more effectively to rapidly changing market environments than many of its peers. However, the trust has lagged its benchmark, the FTSE All-World Index, over the same period, as particularly concentrated market returns in a few AI-related stocks – notably in 2023 and 2024 – made it difficult for active strategies to outperform.

During the trust’s FY 2025 (ended 31/12/2025), manager Paul Niven, who oversees the strategic and tactical allocation, increased the weight to emerging markets equities, expecting their outperformance of developed markets to continue, supported by tailwinds such as a weaker US dollar, lower US interest rates, and attractive valuations. As discussed in our **previous note**, Paul appointed Invesco in March 2025 to manage FCIT’s emerging markets portfolio, and this change has proved rewarding so far, with the portfolio having outperformed its regional benchmark last year. On balance, however, FCIT was a net seller of equities in FY 2025, partly to fund share buybacks. Most of the sales involved US equities, although Paul remains constructive on them, highlighting their track record of delivering superior earnings growth relative to other regions. That said, he expects market returns to continue broadening beyond the US.

In addition, the trust has increased its **Dividend** for 55 consecutive years. For FY 2025, the board is proposing a final dividend of 5.2p to be approved at the annual general meeting on 29/04/2026. This would bring the total dividend for the year to 16.6p, representing a 6.4% year-on-year rise and resulting in a prospective yield of c. 1.4%.

Analyst’s View

In our view, FCIT’s outperformance of its average sector peer across multiple timeframes highlights the merits of a well-diversified approach. This means that the trust should be able to participate in market upsidess regardless of which investment style, region, or sector is in favour. It may also help prevent the portfolio from being overly penalised when market sentiment turns sour on specific themes or names, compared with concentrated, high-conviction strategies.

In addition, we believe Paul’s ability to tilt the portfolio based on his outlook can help allow FCIT to adapt to rapidly shifting market environments more effectively than strategies applying a purely bottom-up approach. That said, the high concentration of market returns over the past five years has made it difficult for active strategies to outperform, and FCIT has been no exception. We think that the recent sell-off in mega-cap tech stocks due to their AI spend and flat returns for expensive NVIDIA shares since last August means this period could be coming to an end, which is creating a much more favourable environment for active strategies like FCIT.

We think FCIT is an attractive strategy for investors seeking core exposure to growth assets, with the trust also holding a small allocation to private equities. This differentiates the trust from many of its sector peers and enhances portfolio diversification. While private equities have struggled since 2022, they have historically outperformed listed equities over the long term, and signs of recovery have begun to emerge.

Finally, we believe the trust’s 55-year track record of annual dividend increases adds to its appeal. FCIT benefits from strong revenue and distributable capital reserves, meaning the board should have the capacity to support further dividend increases in the years to come, including in the event of an economic downturn.

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BULL

Has outperformed its sector peers across multiple timeframes

Offers broad diversification across regions, sectors, styles, and asset classes

55 consecutive years of dividend growth, supported by strong revenue and distributable capital reserves

BEAR

May underperform when market returns are concentrated

Valuations in equity markets are elevated compared with historical standards

As a core holding, FCIT is closely correlated with global equity indices



Portfolio

F&C Investment Trust (FCIT) is a multi-manager strategy offering exposure to growth assets, primarily listed equities but with a meaningful allocation to private equities (c. 11% of the portfolio as at 31/01/2026), and aiming to provide long-term growth in both capital and income. Paul Niven, who has managed FCIT since 2014, oversees the strategic and tactical allocation, giving him the ability to adjust the portfolio based on his market outlook. He also ensures that the portfolio has exposure to different drivers of return and is well diversified in terms of geographies, sectors, and investment styles.

Stock selection is delegated to fund managers whom Paul considers to be best in class, each operating under a tailored mandate designed to meet specific risk and return targets in line with the portfolio’s overall objectives. Paul also has the flexibility to select managers both within and outside Columbia Threadneedle Investments (CTI).

Manager Line-Up

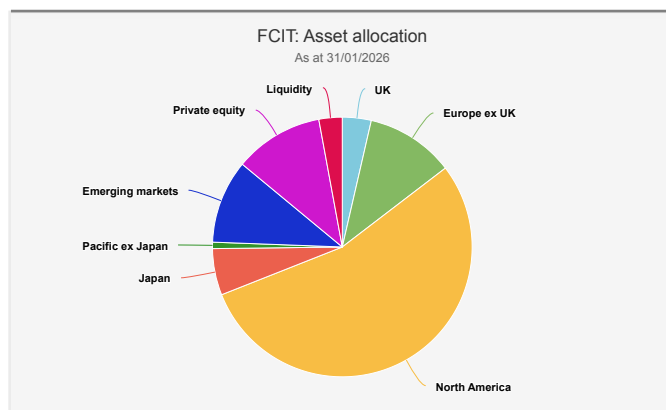
STRATEGY	FIRM	APPROACH	% OF PORTFOLIO
Regional			
US growth	J.P. Morgan Asset Management	Growth	18.2
US value	Barrow, Hanley, Mewhinney & Strauss	Value	9.6
US value		Value	8.5
US core		GARP	2.9
Europe	Columbia Threadneedle Investments	Fundamental quality value	8.7
Japan		Quality growth	4.6
Emerging markets	Invesco	Long-term quality value	6.6
Global			
Income		GARP and momentum	11.8
Global focus	Columbia Threadneedle Investments	Quality growth	11.1
Global enhanced		GARP and momentum	8.3
Private Equity			
VC/growth	Pantheon	Funds	3.3
Mid-market	Columbia Threadneedle Investments	Funds / co-investments	8.1

Source: CTI, as at 31/01/2026

This includes, for example, Invesco, which was appointed in March 2025 to run FCIT’s emerging markets strategy, as discussed in our **previous note**. That said, given CTI’s extensive resources, most of the trust’s strategies are currently run by in-house managers, which helps keep costs low.

In its financial year 2025 (ended 31/12/2025), FCIT was a net seller of equities, partly to fund share buybacks. Most of the sales involved US equities, with Paul reducing the trust’s allocation to the US core portfolio as well as to the global enhanced portfolio, which is primarily exposed to US equities. That said, Paul remains constructive on US equities, highlighting their track record of delivering superior earnings growth compared with other regions. He also maintains exposure to AI-related mega caps in the US, as he believes this technology could increase productivity and lead to stronger corporate earnings. In addition, Paul highlighted in a recent meeting that there have been meaningful changes within the US growth portfolio, which is outsourced to JP Morgan, with the manager having substantially underweighted software-related companies in anticipation that they could be disrupted by AI.

Fig.1: Asset Allocation



Source: Columbia Threadneedle Investments

Conversely, Paul has slightly increased exposure to emerging markets, which delivered higher returns than their developed market peers in 2025. Paul believes this outperformance may continue, supported by tailwinds such as a weaker US dollar, lower US interest rates, and attractive valuations. We note that emerging-market equities are currently trading on lower multiples than their peers from the US and other developed markets, while being expected to deliver stronger earnings growth over the next 12 and 24 months.

However, Paul has neither added to nor reduced the allocation to the trust’s European portfolio, including the UK. This is because the outperformance of European equities last year was driven by valuation rerating but not supported by the earnings of European corporates,



which were weak in 2025. As such, Paul believes there are more attractive opportunities elsewhere. In terms of portfolio activity, CTI – which manages FCIT’s European strategy, including the UK – exited positions in companies whose business models appear challenged by AI, such as RELX and Publicis, during 2025. They also added to their positions in BAE Systems, Safran, and Airbus, after the portfolio suffered from a lack of exposure to the aerospace and defence industry in the earlier part of 2025.

Finally, Paul deployed fresh capital into the fund and co-investment programme managed by CTI, which focusses on mid-market opportunities, primarily in North America and Europe. Private equities have struggled to keep pace with listed equities since 2022, but Paul highlights that they have historically outperformed over the long term. We also note signs of improvement recently, such as a rise in global deal and exit values in 2025. FCIT’s exposure to private equities also includes programmes managed by Pantheon, covering venture and growth opportunities, which are currently fully committed.

Top-Ten Listed-Equity Holdings

Stock	Sector	Country	Weight (%)
NVIDIA	Information technology	United States	4.8
Alphabet	Communication services	United States	2.9
Apple	Information technology	United States	2.8
Microsoft	Information technology	United States	1.8
Taiwan Semiconductor Manufacturing	Information technology	Taiwan	1.4
Amazon	Consumer cyclical	United States	1.3
Meta Platforms	Communication services	United States	1.2
Mastercard	Financials	United States	1.1
Broadcom	Information technology	United States	0.9
ASML	Information technology	Netherlands	0.8
Total			19

Source: Columbia Threadneedle Investments, as at 31/01/2026

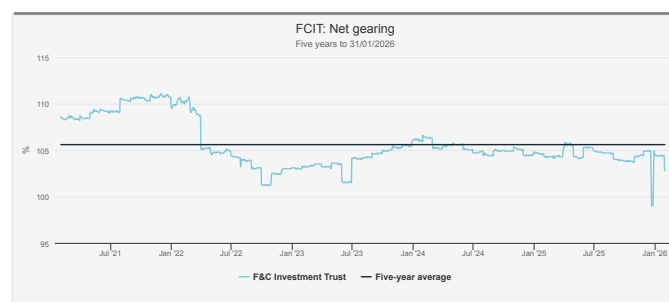
Looking forward, Paul believes that, provided the current conflict in the Middle East is relatively short-lived and the oil price normalises, the outlook for equities remains solid. He expects economic growth to be reasonable and inflation to be around target, while potential further cuts

in interest rates by the Federal Reserve could provide additional support. Although Paul acknowledges the elevated valuations in equity markets, he does not believe they should prevent further market progress. That said, he expects returns to continue broadening beyond the US, as well as AI to remain a key driver of market behaviour. Within the AI theme, he anticipates that the pattern of returns will become increasingly uneven between companies capable of sustaining returns on high capital expenditure and those that do not generate economic value. Given FCIT’s diversification across geographies, sectors, and styles, we believe the trust should be able to capture at least some market returns across a wide range of scenarios.

Gearing

Paul is responsible for determining the level and timing of gearing, with discretion to invest within a range of 90% to 120% of net assets. At the end of January 2026, gearing stood at 2.8%, compared with 8% at the end of the trust’s FY 2025 (31/12/2025) and a five-year average of 5.5%. The current lower level of gearing relative to historical standards reflects the fact that many of the underlying managers have been holding high cash levels. In a recent meeting, Paul highlighted that he has been encouraging his managers to redeploy cash, which would increase the gearing level.

Fig.2: Gearing



Source: Morningstar

The board was able to negotiate favourable borrowing arrangements in 2021 and the first half of 2022, when interest rates were at historically low levels, giving FCIT a lower hurdle rate for investments compared with peers with more expensive debt. At the end of FY 2025, the nominal value of FCIT’s total borrowings was £580.7m, with a blended average interest rate of 2.4%, which compares favourably with the Bank of England base rate of 3.75% at the time of writing. In addition, FCIT’s debt maturity profile is well diversified, ranging from 2026 to 2061. The board will assess opportunities to secure borrowings at advantageous rates to replace the loan maturing this year. Based on net assets of c. £6.8bn (as at 13/03/2026), we



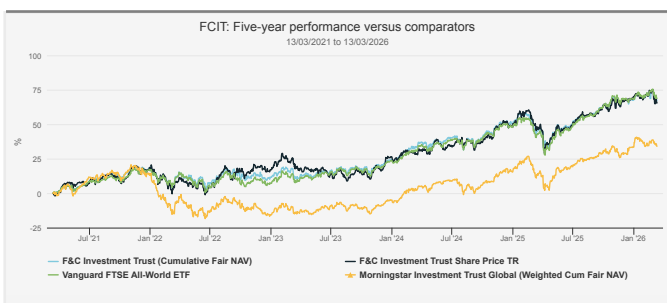
estimate that FCIT’s borrowings could allow net gearing to be increased to a maximum of c. 8.6%, with debt valued at par.

Performance

FCIT has been the best performing trust in the AIC Global sector over the past five years (to 13/03/2026), generating a NAV total return (TR) of 67.2%. This compares with a weighted average NAV return of 34.1% for the Morningstar Investment Trust Global sector. In our view, this illustrates the benefits of FCIT’s well-diversified approach, whether across investment factors, geographies, or sectors, as well as Paul’s ability to tactically adjust allocations based on his outlook. In comparison, many constituents of the AIC Global sector have a factor bias and often follow a strict bottom-up approach, meaning they have struggled to adapt to rapidly changing market environments. Over the same period, FCIT’s share price TR was 65.5%.

However, FCIT has slightly lagged the FTSE All-World Index (represented by an ETF in the chart below), which returned 72.1% in the period under review. While FCIT delivered superior returns in 2021 and 2022, market gains have since been particularly concentrated in a few AI-related names predominantly listed in the US, especially in 2023 and 2024, making it difficult for active strategies to outperform. That said, we note that periods of market concentration on specific themes have occurred in the past and, eventually, ended. In fact, we believe this period may already be ending, as tech mega caps have sold off due to concerns about their AI-related spending, while the shares of NVIDIA – arguably the ‘poster child’ of the AI boom – have been flat since August 2025. As such, we think we could be entering a more favourable environment for active strategies such as FCIT.

Fig.3: Five-Year Performance



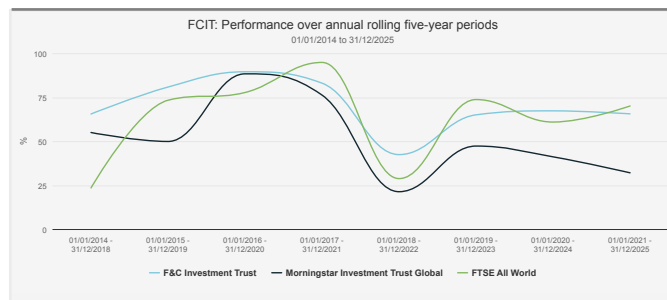
Source: Morningstar

Past performance is not a reliable indicator of future results.

In addition, we note that across annual rolling five-year periods from 01/01/2014 (with Paul Niven having managed the trust since July 2014) through to 31/12/2025, FCIT consistently outperformed its average sector peer and exceeded its benchmark in over 60% of the periods. To us,

this demonstrates the effectiveness of FCIT’s approach, as it has more often than not outperformed the FTSE All-World Index over a full market cycle, and the underperformance in the five years to 13/03/2026 can largely be attributed to the exceptional concentration of market returns in specific years.

Fig.4: Trailing Returns



Source: Morningstar

Past performance is not a reliable indicator of future results.

In the trust’s FY 2025 (ended 31/12/2025), every portfolio strategy delivered positive absolute returns. However, the emerging markets portfolio was the standout, returning 27.6% compared with 24.4% for the MSCI EM Index. This outperformance was notably supported by stock selection in the information technology sector, an underweight position in India, and exposure to commodity-related stocks. Paul has allocated more capital to emerging markets since our last update in June 2025, citing attractive valuations, a weaker US dollar, and lower US interest rates as tailwinds.

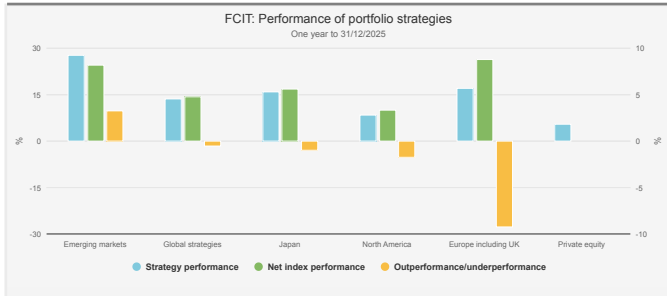
However, the other portfolios lagged their regional benchmarks. Although the underperformance of the North America, Japan, and Global portfolios was modest, it was more pronounced for Europe, including the UK portfolio. CTI, which manages this portfolio for FCIT, focusses on high-quality businesses with strong growth characteristics. As such, the strategy has faced stylistic headwinds, as European market returns were dominated by lowly rated stocks over the period. The strategy was also affected by over-exposure to companies perceived as ‘AI losers’ and a lack of exposure to the aerospace and defence industry. This prompted CTI to add to positions such as BAE Systems, Safran, and Airbus, and to exit stocks like RELX and Publicis during the year.

The private equity portfolio also weighed on relative returns, generating 5.3% over the period, significantly below the returns of listed equities. Paul notes that 2025 was a challenging year for the asset class, with constrained liquidity, sluggish deal flow, and a low level of exits. Nonetheless, some companies in the portfolio managed by CTI were written up during the year, and the portfolio also received distributions from several positions. While the exposure to private equities has weighed on



relative returns since 2022, Paul highlights that they have historically outperformed listed equities over the long term, and he is seeing signs of improvement for the asset class.

Fig.5: Performance Of Portfolio Strategies



Source: Columbia Threadneedle

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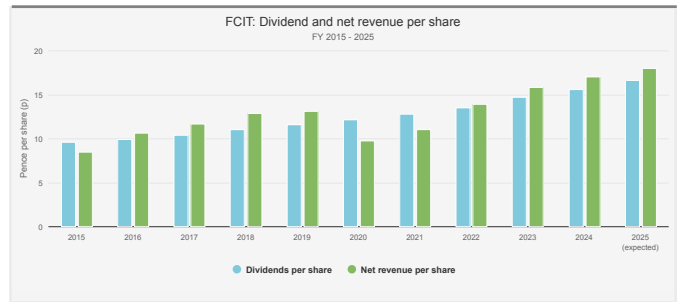
Dividend

FCIT has paid a dividend every year since its launch in 1868 and has increased annually over the past 55 years, making it one of the AIC’s dividend heroes — a group of investment trusts that have increased their dividend for at least 20 consecutive years.

The trust typically distributes its dividends in four quarterly payments, consisting of three equal interim dividends and a larger final dividend. In FY 2025, FCIT paid three interim dividends of 3.8p, and the board is proposing a final dividend of 5.2p, to be approved at the trust’s annual general meeting on 29/04/2026. If approved, this would amount to a total dividend of 16.6p, representing a 6.4% year-on-year increase, and a prospective yield of c. 1.4%. While this yield may seem modest, FCIT’s track record of annual dividend increases has enabled long-term investors to enjoy meaningful income growth. As a result, an investor who purchased shares in FCIT ten years ago at 426.9p is now receiving a dividend yield of c. 3.9% on that original investment.

It is also worth noting that net revenue per share for FY 2025 reached 17.97p, meaning that, if approved, the total dividend of 16.6p would be fully covered. This should enable FCIT to increase its revenue reserves, which stood at c. £125.5m as at 31/12/2025. These reserves were enough to cover c.1.6x the dividends paid during the previous 12 months and were supplemented by significant distributable capital reserves. As such, we believe the board should have ample capacity to continue delivering dividend increases in the years to come, even in the event of an economic downturn.

Fig.6: DPS & RPS



Source: Columbia Threadneedle Investments

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Management

Long manager tenures have been a feature of the trust since its inception, with only 11 managers in its over 150-year history, with just three since 1969. FCIT’s current manager, Paul Niven, has been in charge of the trust since 2014 and is also head of Multi-Asset Solutions (EMEA) at CTI. He has a wealth of experience in managing multi-asset portfolios, with a focus on strategic and tactical asset allocations across a variety of institutional mandates. Importantly, Paul has managed FCIT through CTI’s acquisition of BMO Global Asset Management (EMEA), which took place in November 2021. The strong cultural alignment between the two investment companies and management stability has helped ensure the continuity of the management style for FCIT.

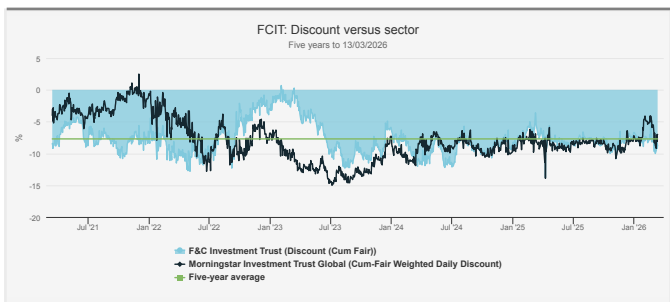
Most of the underlying managers are in-house, and a number transferred from BMO. They now sit within CTI and have been able to maintain the communication and information flows with Paul. Other strategies are delegated to external managers, where Paul believes that their superior long-term performance will more than compensate for the slightly higher fees and the reduced opportunities to build internal synergies offered by the Columbia Threadneedle managers.

Discount

At the time of writing, FCIT is trading at an 8.8% discount, wider than its five-year average of 7.7%. In our view, this discount could narrow if relative returns improve, as was the case in late 2022 and early 2023. During that period, FCIT traded close to par, after Paul’s tactical decision to tilt the portfolio towards value and income-focused strategies enabled the trust to weather surging inflation and interest rates better than its benchmark and most of its sector peers.



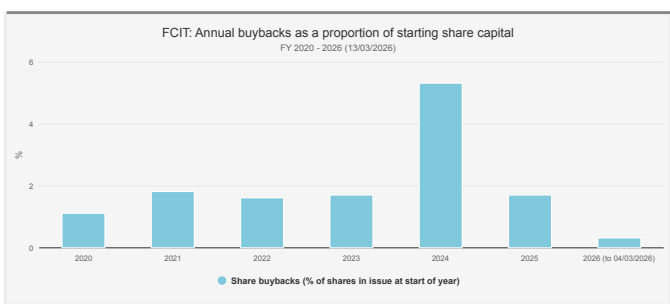
Fig.7: Discount



Source: Morningstar

The board operates a share buyback policy, aiming to keep a low deviation between the share price and NAV per share and to dampen discount volatility. In FCIT’s previous financial year, the board repurchased c. 8.1 million shares – equivalent to c. 1.7% of the shares in issue as at 31/12/2024, as the chart below shows. Since the beginning of FY 2026, c. 0.3% of the shares in issue had been repurchased as at 13/03/2026.

Fig.8: Buybacks



Source: Columbia Threadneedle Investments, LSE

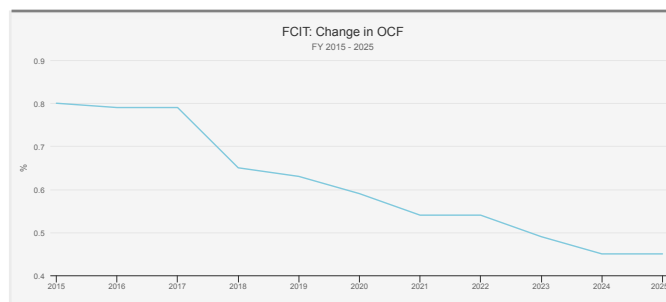
Charges

In its most recent annual report (dated 31/12/2025), FCIT reported an ongoing charges figure (OCF) of 0.45%, which compares favourably with the c. 0.57% simple average of the AIC Global sector. It is also similar to the trust’s OCF for FY 2024, and we note that FCIT’s OCF has been on a downward trend over the past ten years – having been reduced by 0.35 percentage points between FY 2015 and 2025 – as the chart below shows.

The trust’s OCF includes a management fee based on its market capitalisation, which we think is beneficial to shareholders compared to management fees based on net assets, as it incentivises the manager to reduce the discount and increases alignment of interests. Since 01/01/2026, the fee has been 0.30% on the first £3bn of the trust’s market capitalisation (previously £3.5bn), 0.25% on amounts between £3bn and £6bn, and 0.20% on market value above £6bn. Based on a market capitalisation

c. £5.8bn at the time of writing, we estimate FCIT’s average-weighted management fee to be close to 0.28%.

Fig.9: Change In OCF



Source: Columbia Threadneedle Investments

ESG

ESG has become an increasingly important consideration for FCIT. Both the board and Paul are aware that, as stewards of c. £6.9bn in assets, they have a duty to influence and support positive change through taking a responsible approach to investing. In addition, FCIT was the first investment trust to make a clear commitment to net-zero carbon by 2050 and is now assessing companies’ emissions management strategies to assign alignment ratings. Although FCIT does not employ a strict ESG mandate, there are total exclusions on controversial weapons, thermal coal, and tobacco.

As the manager of FCIT, Paul has the ability to leverage the trust’s size as an investor to engage with those companies that fall short of alignment with a net-zero emissions future. The target for FCIT is to ensure that at least 70% of the portfolio’s emissions are from companies that are aligned or are under active engagement. Where companies are not yet aligned, the manager makes active use of the trust’s stewardship influence to facilitate a move in this direction, through active engagement via the portfolio’s managers, as well as the use of AGM voting power. All stock voting is now undertaken by CTI, rather than through third-party managers.

Morningstar has rated FCIT as three out of five globes on its sustainability rating, with c. 98% of the portfolio covered as of 31/12/2025.



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