F&C Investment Trust PLC

Report and Accounts
31 December 2019

BMO

F&C Investment Trust
ESTABLISHED 1868

Contents

2020-21 Financial year events	
Annual General Meeting	7 May 2020
Final dividend payable for 2019	13 May 2020
Interim Results for 2020 announced	end July 2020
First interim dividend for 2020	August 2020
Second interim dividend for 2020	November 2020
Third interim dividend for 2020	February 2021
Final Results for 2020 announced	March 2021
Final dividend for 2020	May 2021

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in F&C Investment Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

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**

The Company is registered in England and Wales with company registration number 12901

Legal Entity Identifier: 213800W6B18ZHTNG7371

Financial Highlights

22.9%

Share price total return* of 22.9%; ahead of the benchmark return of 22.3%

19.1%

Net Asset Value total return* of 19.1% with debt at market value

11.6p

Annual dividend† * per share up 5.5% to 11.6p, our 49th consecutive annual increase

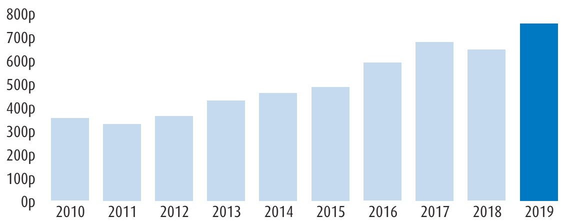
1.5%

Further improvement in rating with the year end share price at a 1.5% premium*

Delivering long-term growth in capital and income

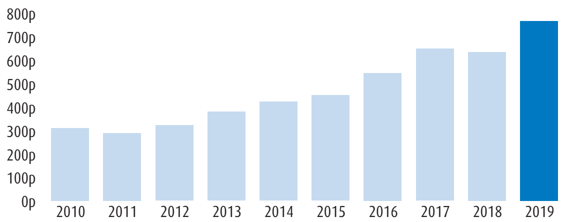
In the last ten years FCIT has turned a £1,000 investment, with dividends reinvested, into £3,487. The dividend has increased every year for the past 49 years and over the last ten years is up 74.4% (5.7% compound per annum), compared with inflation of 23.4% (2.1% compound per annum).

Net asset value* per share with debt at market value at 31 December – pence



Source: BMO GAM

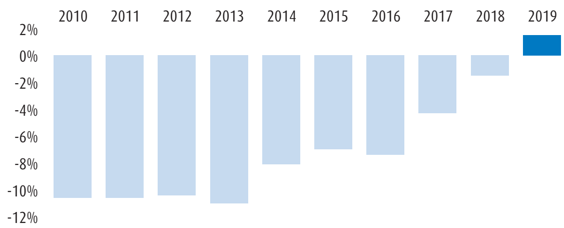
Mid-market price per share at 31 December – pence



Source: BMO GAM

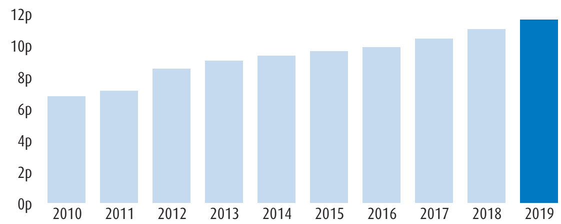
Our rating has moved to a premium enhancing shareholder returns.

Share price premium/(discount)* to net asset value* at 31 December – %



Source: BMO GAM

Dividends†* – pence per share



Source: BMO GAM

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.

* See Alternative Performance Measures on page 95.
† The final dividend for 2019 is subject to shareholder approval at the Annual General Meeting.

Chairman's Statement

"There will be risks and there will be opportunities. At all times, we will be focused on delivering growth in both capital and income over the longer term."

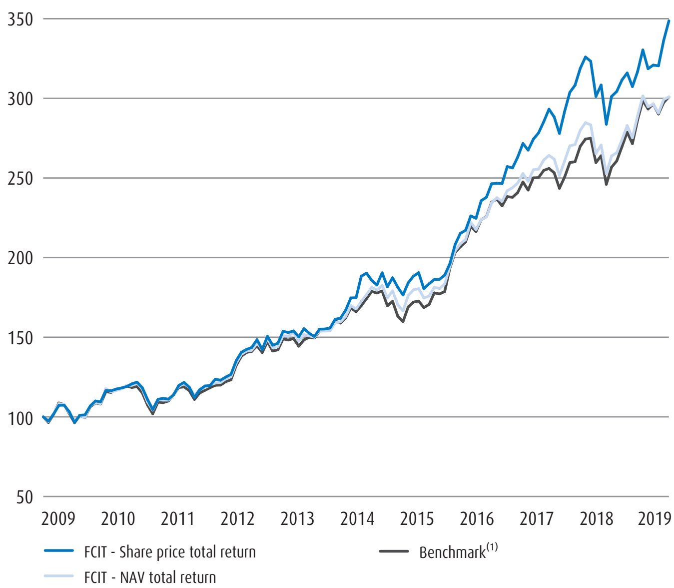
Beatrice Hollond, Chairman

Dear Shareholder,

In this, the first Report and Accounts for which I report to you as Chairman, we explain more about our purpose, values and culture. Much can be traced back to our foundation as the first investment trust in 1868 when FCIT was established to provide access to the capital markets for people wishing to invest, not least those with relatively modest means. Your Board recognises and values the contribution and benefits of that vision to this day, not only for shareholders but also for society at large.

Global equity markets have fallen sharply in recent days, in stark contrast to 2019 when they delivered annual returns which ranked among the strongest in decades. Our share price total return was 22.9%, ahead of the 22.3% from the FTSE All-World Index against which we benchmark our performance. Our Net Asset Value (**"NAV"**) with debt at market value gained 19.1%. There was further improvement in the rating of your Company (the level at which the share price trades relative to NAV), with the shares ending the year at a premium of 1.5%.

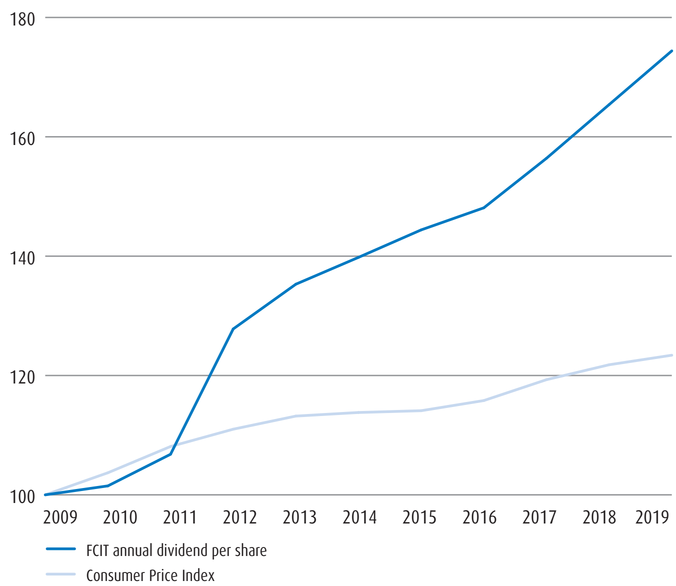
FCIT NAV and share price performance vs benchmark(1) over 10 years



Source: BMO GAM & Refinitiv Eikon

(1) See Glossary of terms on page 96 for explanation of "benchmark"

FCIT annual dividend per share vs Consumer Price Index over 10 years



Source: BMO GAM & Refinitiv Eikon

Our NAV per share with debt at market value rose from 642.9 pence per share to 753.9 pence per share and our share price rose from 633.0 pence to 765.0 pence. In common with major equity market indices, our share price ended the year close to record highs.

Our exposure to listed equity markets delivered strong gains but our Private Equity holdings, which by their nature as unlisted investments will always lag valuation changes reflected in listed markets, produced only marginally positive returns. Our newer commitments to unlisted exposure produced satisfactory returns but our holdings in Syncona and residual mature funds of funds declined in value. Underperformance of the Private Equity exposure as a whole was driven by the valuation declines of these particular funds. Private Equity and underperformance from some of our listed strategies, notably North America and Emerging Markets, left our NAV total return below benchmark. Private Equity has a strong record of delivering higher returns than listed equities in FCIT's portfolio and we expect this to continue to be the case over the longer term.

We have historically referenced the total return of the FTSE All-World Index inclusive of withholding tax when reporting our performance and have done so again for 2019. In future we will report against the FTSE All-World Index net of withholding tax as this is a more realistic representation for comparing our performance given the negative effect of these taxes on returns as an investor in overseas equities. It is also consistent with most of our peers. The total return of the FTSE All-World Index net of withholding tax for 2019 was 21.6%. On page 11 we are showing the comparisons of the total returns on a gross and net basis as part of our Key Performance Indicators.

The benefits of our long-term focus

Our overriding objective is to provide sustainable long-term growth in capital and income and, in this regard, it is instructive to consider our historic performance as we begin a new decade. Ten years ago, the global economy was emerging from the Global Financial Crisis and the consequent severe bear market across the world. The ten-year period to the end of 2019 saw your Company deliver a total return of 248.7%, equivalent to an annual return of 13.3% per annum. Over the past twenty years, the total return was 367.3%, equivalent to 8.0% per annum. Thus, this past decade produced extraordinary returns for investors in equities. It also demonstrates the importance of income to investor returns and the power of compounding over time. Our capital returns over the past twenty years amounted to 209% which, with reinvested dividends, brought the total return up to the 367.3% figure that I have mentioned. Dividends paid to shareholders have risen by 5.7% per annum over the past ten years and by 7.2% over the past twenty years.

Earnings and Dividends

Earnings posted gains over the year, rising to £70.9m, including the positive benefits of exchange rate movements estimated to be £2.3m (2018: negative £1.1m) and special dividends of £3.7m (2018: £3.9m). Our Net Revenue Return per share rose to 13.1 pence per share from 12.8 pence per share in 2018, boosted by an increase in dividends received and a slight reduction in expenses. Subject to shareholder approval at the Annual General Meeting (**"AGM"**), shareholders will receive a final dividend of 2.9 pence per share on 13 May 2020 bringing the total dividend for the year to 11.6 pence. This is a rise of 5.5%, which compares with the 1.3% rise in the Consumer Price Index. It adds to our long record of increases in real terms and is our forty ninth consecutive annual dividend increase and our one hundred and fifty second annual dividend.

The total dividend proposed for the year is, once again, fully covered by earnings and we remain confident that the Company will continue to deliver sustainable rises in dividend payments for the foreseeable future. After payment of the final dividend our revenue reserve will continue to exceed one year's worth of dividends.

Company rating

After making our first issuance of shares for decades in 2018, we continued to make progress in our rating with modest net share issuance of 0.34m in 2019. The shares had started the year at a discount of 1.5% and continued to trade at or around NAV for much of the first half before it widened, temporarily, due to Brexit concerns which reduced demand from retail investors. As part of our commitment towards a sustainably low deviation between the share price and NAV, we bought back shares during this period. The discount averaged 2.2% over the year but had moved to a premium of 1.5% by its end, with a total of 1.65m shares reissued from treasury.

Cost efficiency

The returns that we are reporting are net of the costs that we incur and we are pleased to report a further reduction in our Ongoing Charges[(1)] figure, which fell slightly to 0.63% (2018: 0.65%). This reduction follows several years in which this measure of cost efficiency has improved considerably. The tiered management fee structure that took effect at the beginning of 2019 helped to contain costs. This is designed to bring down our cost ratios as the Company grows, with the benefits of scale being passed on to shareholders. Delivering value for money for shareholders remains one of our key performance objectives.

Borrowings

In recent years we have taken advantage of low interest rates to undertake new long-term borrowings. In 2019, we borrowed a further £150m equivalent for terms ranging from seven to forty years. Rates on

[(1)] See Alternative Performance Measures on page 95


“We are focused on helping students to become financially aware.”

these loans ranged from 0.93% to 2.72%. These borrowings, combined with our other short-term and long-term loans, led to a blended overall rate on our borrowings of around 2.2%, which is extremely low by historic standards. Provided that our assets can deliver returns above this rate over the term of the borrowings then our gearing will be accretive for NAV returns.

Fulfilling our purpose

Companies that are subject to the UK Code of Corporate Governance (the **"UK Code"**) now have to explain their purpose. Our purpose is essentially unchanged since inception as The Foreign & Colonial Government Trust back in 1868. The purpose then was to provide the investor of relatively moderate means access to the same opportunities and advantages as the very largest investors and diminish risk by investing across a wide area; then, for the very first time, the investor with £100 had the same pro rata investment benefits and costs as other investors with as much as £100,000. For the same fundamental purpose we now invest in global equities, both public and private, and continue to provide a diversified, convenient and cost-effective global investment choice that meets the longer term investment needs of investors large or small.

This purpose, coupled with the long track record of investing well, should help our shareholders to plan for the future even in more uncertain times. We believe that with innovation, adaptation and diversification inherent in our long-term strategy we can continue to deliver sustainable returns and rises in dividends. In addition to strong investment performance from our Manager, we expect them to adhere to the very highest standards of environmental, social and governance practice given their diverse, collaborative and forward thinking organisational culture. In alignment with this culture and the values that we share with BMO Global Asset Management, we aim to pursue our strategy and objective through the consistent application of the very highest standards of transparency, corporate governance and business ethics.

Financial education – a social need

The Foreign & Colonial Government Trust was founded on strong values that centred around the democratisation of capital markets with contemporary newspaper commentary attesting to FCIT as being "universally recognised as meeting a public want." Those social values exist today as we develop, albeit in a small way, our financial education programme. This is designed to help people understand better the opportunities and significance of not just saving, but how their savings can work much harder through investment over the longer term. We are therefore focused on helping students to become financially aware and in 2019 partnered with four universities and colleges to run the "F&C Investment Trust Prize", a competition designed to inspire financial thinking among students and showcase their financial knowledge. At a more junior level and by working with a small but growing number of primary schools, we have been introducing basic savings concepts to much younger children. We plan to continue to build on these activities in coming years.

Board composition

My predecessor, Simon Fraser, retired from the Board on 31 December 2019. On behalf of the Board, I would like to register my sincere thanks to Simon for the outstanding role which he played as Chairman from May 2010. Simon demonstrated vision and leadership while holding true to the Company's great heritage and values and helped to steer FCIT through a number of challenges, including dealing with the aftermath of the 2008 financial crisis and ownership changes affecting the management company. The achievement of a premium rating and resultant share issuance is testament to the progress made and marked a fitting end to Simon's tenure.

One of my responsibilities as Chairman is to lead the Nomination Committee and maintain a strong Board by replacing longer serving members with those of equally high calibre. Shareholders can therefore expect to see some new Directors over the next year or so. In this regard, I am pleased to report the appointment of Quintin Price on 10 March 2020 as a first step in a sequence of these planned changes. Quintin brings us senior level experience in both investment management and investment banking and we look forward to working with him.

Outlook

The rise and spread of COVID-19, coronavirus, has seen increased risks of widespread economic disruption with simultaneous demand and supply side shocks for global and corporate earnings. This is being reflected in substantial falls in equity markets worldwide. We expect that policymakers will attempt to contain both the economic and financial market impact through concerted monetary and fiscal easing. As at 12 March 2020, FCIT's NAV per share was 586.6 pence per share, a fall of 22.2% since 31 December 2019. The share price fell by 24.6% to 577.0 pence per share. FCIT has weathered many a crisis throughout its long history and even though there are likely to be economic and equity market challenges in the near-term, your Company has a diversified portfolio that is well placed to cope with market shocks and short-term volatility. There are risks and there will be opportunities. Shareholders can be assured that, at all times, we will retain our focus on delivering growth in both capital and income over the longer term.

Beatrice Hollond
13 March 2020

Strategic Report*

Our purpose 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 investment objective is to secure long-term growth in capital and income for our shareholders.

Purpose, values and culture

Since its inception the boards of Directors of FCIT have upheld the values on which it was founded, which was for the purpose of making long-term investing more widely accessible. The current Board recognises FCIT's purpose as being to provide a diversified, convenient and cost-effective global investment choice that meets the needs of investors large or small. Delivery of the investment objective has been achieved throughout its long history through both investment capability and long-held values that centre around diversification, innovation, adaptation and integrity.

Investment and business strategy

Our investment strategy is designed to produce outperformance and real rises in dividends over the longer term as reported on page 11. We do this by investing mainly in public and private equity markets, using borrowings to enhance returns and by controlling costs. Our investments are held in a number of portfolios that are individually concentrated but are managed as a whole to provide global diversification, lower volatility and lower risk. In a changing environment in which there is a greater need for individuals to take control of their future financial wellbeing, our wider business strategy aims to position your Company as a core investment choice through all available channels.

Business model

The Directors have a duty to promote the success of FCIT. As an investment company with no employees, we believe that the best way to do this and to achieve our objective is to have an effective and strong working relationship with our appointed manager, BMO Investment Business Limited (the **"Manager"**). Within policies set and overseen by the Board of Directors, our Manager has been given overall responsibility for the management of FCIT's assets, including asset allocation, gearing, stock and sector selection as well as risk management. The Manager has the flexibility to use other fund managers by delegating the management of some investment portfolios externally. These currently include the North America publicly listed equities portfolios and some of the long-established Private Equity holdings that are held in funds of funds. Engagement on environmental, social and governance matters are undertaken through the Manager's sister company, BMO Global Asset Management Limited. Both BMO Investment Business Limited and BMO Global Asset Management Limited (together **"BMO GAM"**), are owned by Bank of Montreal (**"BMO"**). The Board remains responsible for the matters listed on page 33.

To provide a breadth of sources of return, the individual investment portfolios are managed on a global or regional basis. While we invest primarily in listed equities, we retain complete investment flexibility to invest in other types of securities or assets depending on the return prospects and in consideration of the implications for the broader portfolio. Furthermore, as a closed-ended listed investment company we are not constrained by asset sales to meet redemptions. Our share capital structure gives us the flexibility to take a longer term view and stay invested while taking advantage of illiquidity throughout normal and volatile market conditions. Having the ability to borrow to invest gives us a significant advantage over a number of other investment fund structures.

Alignment of values

It is important that the values, expectations and aspirations of those charged with managing the assets align with those of our own. The Board has reviewed the Manager's culture and values as part of the

* Further to the provisions of the Companies Act 2006 (the **"Act"**) relating to the preparation of a Strategic Report, which have been amended to implement EU Directive 2014/95/EU (on non-financial and diversity information) we have integrated the information required for a Non-Financial Information Statement (**"NFIS"**) into this Strategic Report with a view to cohesive reporting. The NFIS requirements are explained on page 98 together with a guide to the location of the embedded information.

> "As a closed-ended listed investment company, we are not constrained by asset sales to meet redemptions."

annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. BMO is an organisation committed to helping establish a more sustainable financial system. A founding signatory to the United Nations Principles for Responsible Investment (**"UNPRI"**), it has achieved the maximum rating of A+ for key areas of its responsible investment approach, including strategy and governance, and ESG incorporation and active ownership in listed equities. BMO has a culture of diversity and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs.

Environmental, Social and Governance ("ESG") impact

Our ESG policies are set out on page 24 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of FCIT's activities is minimal as it has no employees, premises, physical assets or operations either as a producer or a provider of goods or services, while its shareholders are effectively its customers. FCIT's indirect impact occurs through the investments that it makes and this is mitigated through BMO GAM's Responsible Investment Approach as explained on pages 24 to 27.

Manager evaluation

Investment performance and responsible ownership are fundamental to delivering sustainable long-term growth in capital and income for our shareholders and therefore an important responsibility of the Directors is exercising a robust annual evaluation of our Manager's performance capabilities and resource. This is an essential element in the mitigation of risk, as outlined under Principal Risks on page 20, and the strong governance that is carried out by the Board of Directors, all of whom are independent and non-executive.

The process for the evaluation of our Manager for the year under review and the basis on which the reappointment decision was made are set out on page 41. The management fee is based on the market capitalisation of FCIT, thus fully aligning the Manager's interests with shareholders through share price performance.

Managing risks and opportunities

We look to make good use of our corporate structure and the investment opportunities that lead to long-term growth in capital and income for our shareholders. Like all businesses, these opportunities do not come without risks and so the performance of our Manager is monitored at each Board meeting on a number of levels. In addition to managing the investments, the ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager. It reports on the investment portfolios; the wider portfolio structure; risks; compliance with borrowing covenants; income, dividend and expense forecasts; errors; internal control procedures; marketing; shareholder and other stakeholder issues, including FCIT's share price discount or premium to NAV; and accounting and regulatory updates. The performance of each individual investment portfolio is reviewed through a series of presentations given by each specialist management team throughout the year.

Shareholders can assess our financial performance from the Key Performance Indicators that are set out on page 11 and, on page 20, can see what the Directors consider to be the Principal Risks that we face. The risk of not achieving FCIT's objective of delivering long-term growth in capital and income, or of consistently under-performing its benchmark or competitors, may arise from any or all of inappropriate asset allocation, poor market conditions, ineffective or expensive gearing, poor cost control, loss of assets and service provider governance issues. In addition to monitoring our Manager's performance, commitment, available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include the Custodian and Depositary in their duties towards the safeguarding of the assets.

The principal policies that support our investment and business strategy are set out on page 28, whilst the Fund Manager's review of activity in the year can be found on page 12. In the light of FCIT's strategy,

On page 20 we show how we employ our strategies to mitigate the principal risks associated with our:

- Investment proposition and its promotion
- Investment performance
- Chosen Manager
- Service providers and systems security

investment processes and control environment (relating to both the oversight of its service providers and the effectiveness of the risk mitigation activities), we have set out on page 21 our reasonable expectation that FCIT will continue in operation for at least the next ten years.

Fund Manager and management of the assets

As Fund Manager on behalf of our Manager, Paul Niven is responsible for developing and implementing the investment strategy with the Board and for the day to day management of the total portfolio covering the entire range of individual investment portfolio strategies. His role covers tactical decisions over the allocation of assets between the different investment portfolios as well as decisions over levels and timing of gearing within the prescribed range. He has responsibility for overall portfolio composition but delegates stock selection decisions. The underlying specialist portfolio management teams are responsible and accountable to him and ultimately to the Board for their investment performance.

Marketing

The routes and access to stockmarkets have changed significantly since FCIT first set out to provide investment opportunities to investors of more moderate means. With the majority of the shares in the hands of tens of thousands of retail investors, FCIT continues to serve its purpose well. Reflecting changes in the market, an increasing proportion hold their investment via third party platforms, as well as via the BMO Savings Plans, which continue to be a cost effective and flexible way to invest. Recognising the changes in how our key target market choose to invest, as well as the benefits of FCIT continuing to maintain and grow a well-diversified underlying shareholder base, a key focus of our marketing activities is to maintain, and ideally continue to increase, the proportion of shares held via third-party platforms, including the BMO Savings Plans. As such, this year we have introduced a specific Key Performance Indicator to show progress made in relation to this measure over the past five years.

Key stakeholders

Our shareholders are our customers and key stakeholders. We also have a role in the community at large and, whilst we hold our Manager to account in managing FCIT's assets, we recognise that as a key relationship too. We engage with our shareholders by reporting FCIT's activities and performance through the publication of its financial statements. The vast majority of shareholders and BMO Savings Plan investors prefer not to receive such detailed information. To avoid losing this essential line of communication, we instead make available a short notification summary of the main highlights of our half-yearly and annual results. Shareholders and savings plan investors are able to locate the full information on our website, fandcit.com. Through BMO GAM, we also make sure the savings plan investors are encouraged to attend and vote at annual general meetings in addition to those who hold their shares as members on the main shareholder register. Details of the proxy voting results on each resolution are published on the website where there is also a link to the daily publication of our NAV and our monthly factsheet.

Shareholders have recently been invited to meet Beatrice Hollond following her appointment as Chairman. BMO GAM also has in place a programme of visits designed to foster good relations with wealth managers and underlying investors in promoting the Company's investment proposition. These visits are reported regularly to the Board. Any contact with the Company's institutional shareholders is also reported. The Chairman and Senior Independent Director are always available to meet with shareholders.

In our 150th anniversary year we initiated a programme of activities in the wider community by supporting financial education for young people. This aligns our social and longer term values with their need to develop an understanding of how to build strong financial foundations. In 2019 we partnered with four universities and colleges to run the "F&C Investment Trust Prize", a competition designed to inspire financial thinking among students and showcase their financial knowledge. Entrants were invited to answer questions on how young people provide for their future; how sustainability and ethical principles affect their choices; and how might diversity and inclusion continue to impact society. This competition is important to us as learning financial skills from a young age can really help set people up for life. At a more junior level and by working with primary schools, we have been introducing basic savings concepts to much younger children. We plan to continue and build on these initiatives.

Two years ago we sponsored a lecture at the Guildhall in London which not only celebrated our past as we marked 150 years, but also looked to the future. With BMO GAM we are well placed to encourage awareness and dialogue on ESG issues amongst the wider community and our second lecture, held recently, took responsible investment and sustainability as its theme. The lecture was given by keynote speakers and included coverage of our own ESG approach recognising the responsibilities we all have for both current and future generations. As tickets were limited, they were made available to shareholders and the public via a ballot and successful applicants selected at random. Shareholders who had specifically engaged with us with questions on responsible investment were invited. All shareholders can view video clips from the lecture on our website at fcitlecture.com.

Key Performance Indicators

We assess the efficacy of our strategy by comparing FCIT's long-term performance against the following five key measures (Performance, Dividend, Discount, Efficiency and Marketing). Detailed commentary on these measures can be found in the Chairman's Statement and Fund Manager's Review.

Performance: Total returns

	1 Year %	3 Years %	5 Years %	10 Years %	Our policy is to secure long-term growth in capital and income
FCIT share price(1)	22.9	47.9	99.5	248.7	This compares the Company's share price and NAV total return against those produced by the constituents of the benchmark and our peer group, and against inflation.
FCIT NAV (with debt at market value)(1)	19.1	34.6	79.4	197.8	
Benchmark – Gross basis(2)	22.3	34.4	81.2	200.9	The ten year figures for the benchmark take into account the change in January 2013 from a composite benchmark (40% FTSE All-Share/60% FTSE WI World Index ex UK) to the FTSE All-World Index.
Benchmark – Net basis(2)	21.6	32.0	76.1	186.1	
AIC Global Sector Median share price (investment companies)(3)	24.3	40.4	92.1	226.9	
AIC Global Sector Median NAV (investment companies)(3)	24.6	37.7	77.8	193.5	
IA Global Sector Median (open-ended funds)(3)	21.3	27.6	64.5	153.1	
Consumer Price Index	1.3	6.5	8.4	23.4	

Source: BMO GAM, Morningstar UK Limited and Refinitiv Eikon

Dividend: Dividend Growth per annum

	1 Year %	3 Years %	5 Years %	10 Years %	Our long-term policy is to deliver a rising dividend stream in real terms
FCIT dividend(1)	5.5	5.6	4.5	5.7	This shows the Company's compound annual dividend growth rate and compares it to the Consumer Price Index.
Consumer Price Index	1.3	2.1	1.6	2.1	

Source: BMO GAM and Refinitiv Eikon

Premium/(discount): Share price premium/(discount) to NAV

	2019 %	2018 %	2017 %	2016 %	2015 %	Our policy aspiration is to see the shares trading at or close to NAV per share
Premium/(discount) at 31 December(1)	1.5	(1.5)	(4.3)	(7.4)	(7.0)	This is the difference between the share price and the NAV per share. It is an indicator of excess supply over demand for FCIT's shares in the case of a discount and the excess demand over supply in the case of a premium.
Average discount in year	(2.2)	(1.3)	(6.7)	(9.7)	(7.3)	

Source: BMO GAM

Efficiency: Costs

Year to:	2019 %	2018 %	2017 %	2016 %	2015 %	Our policy is to control the costs of running the Company
Ongoing charges(1)	0.63	0.65	0.79	0.79	0.80	This data measures the running costs as a percentage of the average net assets in the year. Total Costs are inclusive of interest expense and transaction charges.
Total costs(1)	1.05	1.01	1.06	n/a	n/a	

Source: BMO GAM

Marketing

Year ended 31 Dec:	2019 %	2018 %	2017 %	2016 %	2015 %	Our aim is to promote access to FCIT's shares through all available distribution channels and to be on as many platforms as possible.
Platforms	64.97	64.94	63.23	61.96	60.35	This shows how the percentage of shares held through platforms, including BMO Savings Plans, has been increasing.
Others	35.03	35.06	36.77	38.04	39.65	

Source: BMO GAM

(1) See Alternative Performance Measures on page 95 for explanation.
(2) See Glossary of terms on page 96 for explanation of "benchmark".
(3) These are considered by the Board to be the most relevant and reliable industry-standard peer group performance measures.

Fund Manager's Review

"We will continue to adapt and innovate...as indeed we have throughout our long history in delivering sustainable returns for our shareholders."

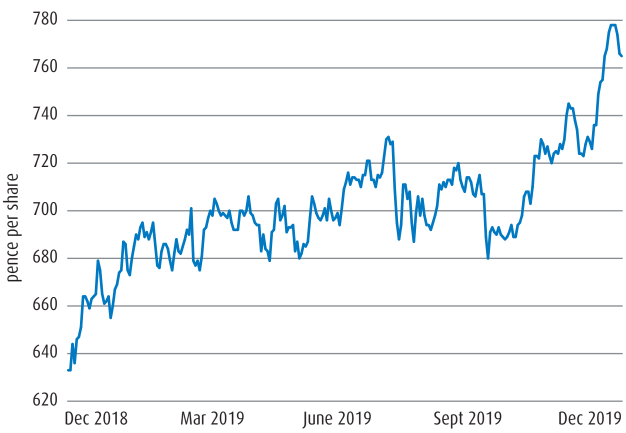
Paul Niven, Fund Manager

Market backdrop

2019 capped a decade of extraordinary returns for equity markets with all major global developed market indices posting double digit positive returns over the year and ending close to record highs. Investors enjoyed one of the best annual returns since the Global Financial Crisis. The year also mirrored some of the themes of the past decade, with the US continuing to lead global equities and developed market returns outstripping those from Emerging Markets. The UK was, once again, a laggard amongst global peers in sterling terms. Furthermore, returns from 'growth stocks' exceeded those with 'value' characteristics by a considerable margin.

Much of the gains in equity markets came early on as markets recovered from the sharp setbacks of 2018. Indeed, at the start of the year, following declines in equities which pushed many indices into bear market territory, investor confidence was fragile. There was a dramatic pivot by the US Federal Reserve, who had been steadily raising interest rates since late 2016, when they dropped their bias towards hiking rates. This led the market to expect easing in policy with three cuts totalling 0.75% subsequently delivered. Global central banks, led by the European Central Bank, followed this dovish shift which provided early cheer for investors and pushed global interest rates and bond yields back down to historic lows.

FCIT share price 2019

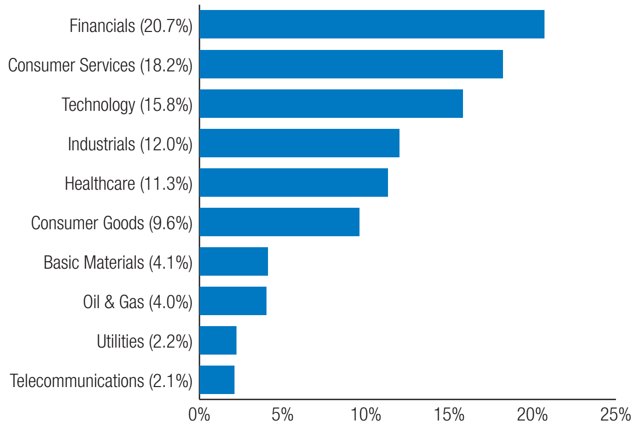


Source: BMO GAM

Contributors to total returns in 2019	
	%
Portfolio return	18.4
Management fees	(0.4)
Interest and other expenses	(0.3)
Buy-backs	0.0
Change of value of debt	(0.5)
Gearing/other	1.9
NAV total return	**19.1**
Change from discount to a premium	3.8
Share price total return	**22.9**
FTSE All-World total return (gross basis)	22.3

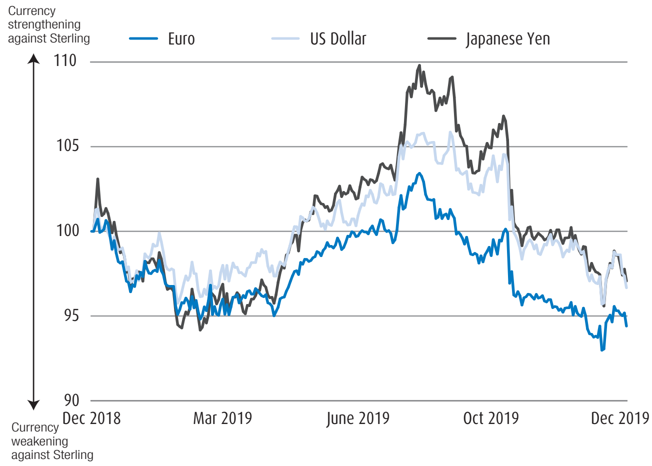
Source: BMO GAM

Underlying Sector Classification of Listed Investment Portfolio as at 31 December 2019



Source: BMO GAM

Currency movements relative to sterling for the year ended 31 December 2019



Source: BMO GAM

Declining interest rates and supportive central banks helped investor sentiment. In addition, severe downside risk for the global economy and for corporate earnings reduced as a number of prominent threats receded. Concerns over US recession abated, as did investor worries over a no-deal Brexit and, following the escalation of trade tensions initiated by President Trump, a deal of sorts was agreed with China towards the end of the year.

In contrast to 2018, almost all the returns from listed equities were driven by rerating and multiple expansion as earnings growth ground to a halt, or declined modestly, across all major markets. Furthermore, for UK based investors with overseas holdings, strength in sterling was detrimental to returns. Sterling rose by almost 4% against the US dollar in 2019. A large portion of these gains came after Prime Minister Johnson agreed a new deal with the EU in October. Nonetheless, the UK continued to lag global markets in common currency terms, in part because of a widening valuation discount as global investors shunned UK assets due to Brexit uncertainty.

Investment strategy and performance

As explained on page 8, our investment strategy remains one of managing the Company's assets across a range of diversified investment portfolios, each with their own individual strategies. Each individual portfolio invests on a global or a regional basis using a wide range of skills and resources available from the Manager or, in the case of the majority of our US exposure, from external third-party managers. We invest into both public and private equity opportunities from across the world and seek to diversify across different areas to

Weighting, stock selection and performance over one year in each investment portfolio strategy and underlying geographic exposure versus Index at 31 December 2019

Investment Portfolio Strategy	Our portfolio strategy weighting %	Underlying geographic exposure[1] %	Benchmark weighting %	Our strategy performance in Sterling %	Gross index performance in Sterling %
North America	43.9	54.3	57.2	22.8	26.5
Europe inc UK	15.0	24.2	19.0	24.0	20.0
Japan	7.4	8.7	7.7	11.3	14.8
Emerging Markets	9.5	11.1	12.3	9.3	14.3
Developed Pacific	–	1.7	3.8	–	–
Global Strategies[2]	16.5	–	–	20.5	22.3
Private Equity	7.7	–	–	0.2	–

(1) Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings.
(2) The Global Strategies allocation consisted of Global Income and Global Smaller Companies as at 31 December but performance also includes the historic allocation to Global Multi-Manager.

Source: BMO GAM

smooth returns for investors. We typically hold large capitalisation, liquid securities in our listed portfolio though, through our allocation to our Smaller Companies strategy, we will also initiate positions in stocks which have a market capitalisation of as low as $500m. We have calculated that the entire listed portfolio, including these positions, could be liquidated within 30 days. Our private equity holdings are unlisted and are not readily realisable.

The supportive market backdrop helped all of our individual investment portfolios to deliver positive absolute returns for the year. Nonetheless, our overall portfolio of investments did not match the exceptional 22.3% return of the benchmark, delivering a return of 18.4%.

Our overall portfolio returns were held back, in part, by our Private Equity exposure which gained by only 0.2%. By comparison, our listed equity holdings gained by 19.9% on the year with our exposure to North America producing 22.8%. Europe, a laggard in recent years against the US, did even better returning 24.0%. Elsewhere, Japan and Emerging Markets produced returns of 11.3% and 9.3% respectively which would have been regarded as strong in most years, but materially lagged western markets on this occasion. Allocations and underlying geographic exposures as at the year end are shown in the table on page 13.

Private Equity investments have a tendency to lag strong listed equity markets over shorter time periods but our relatively new commitments, which are facilitated by BMO GAM, nevertheless produced a strong gain of 14.6%. These commitments are made either through fund investments or co-investments. Gains were largely driven by valuation uplifts on a number of our co-investments, which are held within the PE Investments Holdings LP. The value of holdings in this vehicle rose from £62m to £107.9m over the year, reflecting a draw on commitments as well as a valuation uplift on our holdings of £10.8m. Our investments in Legalshield, a legal services provider, Sigma, a precision manufacturer of components for the low voltage electrical product market and Pet Network, a Southern European retailer of large format pet stores helped to drive gains on this part of the portfolio.

The underperformance of the Private Equity exposure as a whole was driven by a 3.9% decline in value from the residual mature funds of funds holdings, which still managed to return cash to us of £34m. The decline in value reflected write-downs of several underlying investments due to operational difficulties in individual businesses, failure to attract buying interest on holdings or declining market values of recently listed businesses. It should be remembered that over the longer term we have enjoyed returns from this part of our private equity allocations in excess of listed equity allocations. We continue to work closely with the managers, Pantheon and HarbourVest, to ensure that the maximum residual values are realised from these funds of funds as they continue to wind down. At 2.6%, they represented only around a third of our Private Equity exposure at the end of the year.

Our investment in Syncona, which forms part of our Private Equity allocation, was also a detractor. This holding has provided strong returns since investment in 2016 but an erosion in its premium rating and weak performance from one of its few listed holdings, Autolus, led to a 17.4% decline in value on the year.

Our North American exposure provided disappointing relative returns. The 25.5% gain from T Rowe Price, our growth-oriented manager, was the highest returning portfolio strategy but still materially lagged returns from growth indices. Stock selection within the IT sector and financials, and an overweight position on healthcare led to the underperformance. Some of the largest holdings in this part of the portfolio, including Microsoft, Facebook and Alibaba, produced returns of between 50 and 60%. Nonetheless, large positions in Amazon and Alphabet (which gained 'only' 20 to 30%) and the decision to hold only a small position in Apple, which gained by almost 90% on the year, accounted for a large part of the underperformance from this portfolio strategy. Lack of exposure to some of the highly performing banks, such as JP Morgan and Bank of America which gained between 40 and 50%, also detracted from returns.

Our primary exposure to value stocks in the US, managed by Barrow Hanley, delivered returns of 20.8% broadly keeping pace with value based indices. It was another year of underperformance from value, however, with rate cuts and an anaemic economic backdrop leading to further repricing of stocks with stronger growth prospects. Air Products & Chemicals, one of the largest providers of industrial gases, produced strong returns (up by almost 50% on the year) helped by a favourable pricing backdrop and the acceleration of project backlogs while Dollar General, a discount retailer, also performed well against a challenging environment for the sector. Offsetting these positives were challenges in the healthcare sector affecting stock performance. Policy concerns relating to branded drug pricing and Medicare hindered performance in a number of our positions including UnitedHealth and Anthem, both of which produced respectable returns of between 15 and 20%, but lower than the returns from the sector generally.

We enjoyed good performance from our European strategy, which gained by 24.0%. Some of the excess return against the benchmark represented a recovery in performance from 2018. One example of this was Delivery Hero, a food delivery platform business which more than doubled over the year. Similarly, Sophos, which provides data protection services, and semiconductor producer ASML, gained 48% and 84% respectively, adding to our relative returns. Elsewhere, strong stock selection and limited exposure to banks were positive for our returns

Investment portfolio strategies attribution in Sterling						
		1 year %		3 years %		5 years %
Region	Return	Index return	Return	Index return	Return	Index return
North America	22.8	26.5	47.6	41.8	111.4	100.3
Europe inc UK(1)	24.0	20.0	25.6	26.7	56.3	60.8
Japan	11.3	14.8	15.9	21.4	78.6	75.2
Emerging Markets	9.3	14.3	30.0	31.0	53.6	57.6
Global Strategies(2)	20.5	22.3	34.0	34.4	–	–
Private Equity	0.2	–	27.0	–	80.3	–

The Company's benchmark is the FTSE All-World Index whereas for the purposes of this table the relevant regional sub-indices are used for comparison, except in the case of Emerging Markets where the MSCI Emerging Markets Index is used.
(1) Performance prior to 30 June 2018 represents Europe ex UK.
(2) The Global Strategies consist of Global Income and Global Smaller Companies and have been in existence for less than five years.
Source: BMO GAM

Private Equity portfolio			
		Commitment outstanding 31 December 2019 £'000s	Value of holding 31 December 2019 £'000s
Total Private Equity portfolio(1)	Brought forward	202,541	266,564
Committed in 2019(2)		46,328	-
Cash drawn in 2019(2)		(90,909)	90,909
Cash returned in 2019(2)		-	(40,934)
Valuation movements(3)		-	11,728
Exchange movements		(2,247)	(2,434)
Total Private Equity portfolio(3)	Carried forward	155,713	325,833

(1) Exchange rates ruling at 31 December 2018
(2) At actual exchange rates in 2019
(3) Exchange rates ruling at 31 December 2019
Source: BMO GAM

as was limited exposure to the oil sector, through Shell, which just managed to post a positive return for the year in total return terms.

Despite good performance overall, one of the challenges to our European performance came from our holding in Burford Capital. This is the largest player in the fledgling legal finance market and whose share price was hit by a 'short specialist' who, despite publicising largely known issues with regard to the company, profited as the stock fell in response. Burford declined by more than 50% on the year.

The Japanese market underperformed against global markets generally while the performance of our holdings, at 11.3%, lagged the local index return of 14.8%. We had some highly performing stocks, including Hoya, a global IT and healthcare company, which gained almost 60% and Keyence, a key facilitator of factory automation, which posted returns approaching 40%. Conversely, the strategy suffered because of some poor stock selection in consumer goods, with holdings in Personal & Household Goods and Automobiles & Parts. Our position in Pigeon, in the baby products arena, detracted as the company saw fewer inbound Chinese tourists purchasing its products. An underweight position in Communication Services and poor stock selection were detrimental in cases like SoftBank Group and Nintendo, which are both large stocks in the benchmark.

Our Emerging Markets strategy gained 9.3% over the year, notably behind the 14.3% from the benchmark index. It was an eventful year for Emerging Markets, with elections, popular protests and, of course, trade policy all in focus. A material de-escalation in tensions between the US and China provided a strong tailwind into the year end. Chinese equities ended the year with gains of over 23% though Russia topped the table of Emerging Market performers, boosted by strength in the Rouble. Conversely, following the currency crisis of 2018, Argentina again performed poorly, falling by over 20% on the year. Our own performance was impacted by underexposure to Taiwan, which gained 31% on the year, and specifically by not owning index heavyweight TSMC. In addition, our positive stance on India proved misplaced, as this area only produced subdued returns. More positively, standout performers included Anta Sports, the Chinese sportswear company, which gained 95% on the year.

Our global strategies delivered a return slightly behind the global benchmark, at 20.5%. This area contains exposure to Global Smaller Companies and an Income Strategy. Smaller Companies performed well on the year, delivering a return of 24.3%. Income stocks, however, lagged with a gain of 18.5%.

Benchmark

In 2013, FCIT's index benchmark changed from a composite to a global equity-based index. The comparator chosen was the FTSE All-World Total Return index on a gross basis, consistent with the basis that had historically been used. The gross basis reflects movements in the constituent valuations and assumes that 100% of the gross dividends are reinvested to form a total return that takes no account of underlying transaction costs or, more significantly, withholding tax. Other widely used indices do account for the impact of withholding tax and therefore the choice of index is important in representing relative performance. In future we will therefore be reporting against the FTSE All-World Index net of withholding tax, as this is a more realistic comparator for benchmarking our performance given the negative effect of these taxes on returns as an investor in overseas equities. This will also bring us into line with most of our peer group. The total return of the FTSE All-World Index net of withholding tax for 2019 was 21.6%. For the purpose of comparison, we are showing total returns on a gross and net basis as part of our Key Performance Indicators on page 11 but henceforth our past performance reporting will reflect the net basis only.

Portfolio activity

We made relatively small changes on the portfolio over the year. We allocated £82m into new investment opportunities within Private Equity. While it remains very early in their life cycle, our new investments are performing well and we are seeing interesting opportunities across a range of different sectors. We made co-investments into other opportunities, including Amethyst Radiotherapy, a leading pan-european operator of radiotherapy clinics and Rope Partner, a specialist in maintenance of wind turbines. Significantly, towards the end of the year we also took the opportunity to invest £40m in Inflexion Strategic Partners, acquiring interests in the cashflows arising from Inflexion funds. Inflexion is a leading UK mid market Private Equity firm which can lay claim to a track record amongst the best in the world. This strategic investment will give us exposure to the cashflows of an outstanding private equity manager at an exciting point in its business development.

As reported on previous occasions, the total portfolio has a relatively low allocation to UK assets and this has been beneficial for our returns in recent years from a currency exposure perspective. In absolute terms, a rise in sterling is detrimental to the valuations of our overseas investments and ultimately to our returns. We bought £100m of sterling in late 2018 as a partial hedge on our overseas exposure to mitigate this risk. With the issues around Brexit continuing to develop in the year, we removed this position on the basis that significant upside to sterling was unlikely for the foreseeable future.

Revenue returns

It was another good year for our revenue, with gross income rising by 1.7% over the year and our net income per share rose by 2.0% from 12.81 pence per share to 13.06 pence per share. Although sterling was higher at the year end, average sterling exchange rate levels were lower over the year and this is estimated to have made a positive benefit of £2.3m compared to a £1.1m negative impact in the previous year. Special dividends declined marginally from £3.9m in 2018 to £3.7m in 2019.

Since 2016 our revenue return per share has exceeded our dividend per share which means that our revenue reserve has been increasing. This now stands at £111.2m, which is equivalent to 20.5 pence per share, and provides us with a significant cushion should our revenue returns decline below our desired dividend payment level. From an investment perspective, this strong position means that we do not have to compromise on achieving capital growth at the expense of delivering income growth to our shareholders. We are confident that rises in dividends can continue to be delivered for shareholders and we will continue to focus on total returns in meeting shareholder expectations.

Gearing

Our gearing was 9.9% at the end of the year, up from 6.6%. Gearing was a net positive to our NAV returns over the year, adding 1.9%, as we increased our market exposure to strongly rising assets. Partly offsetting this positive impact, however, was an increase in the fair value of our debt. This adjustment to the nominal value of our longer dated debt, reflecting declining interest rates, detracted 0.5% from NAV.

As noted in the Chairman's Statement we took advantage of attractive borrowing rates to issue a further £150m of long-term debt during the year. This increased the gross amount of debt outstanding

"We are confident that rises in dividends can continue to be delivered..."

replacing more expensive debt that matured during the year. In aggregate, our total borrowings at the end of 2019 were £436m and we paid an average blended rate of 2.2% across all our debt which is exceptionally low by historic standards.

Current market perspective

The extraordinary gains for equity investors in 2019 came despite weak underlying growth in corporate earnings. Longer term, of course, corporate cashflows are the driver of long-term returns for equity holders and much of the gain seen over 2019 reflected a repricing of risk – where investors worried less about negative outcomes in such areas as trade and Brexit – and looked forward to future growth prospects. The move also reflected the impact of easy policy from central banks and a move back, once again, to looser monetary policy.

Entering 2020, we seek to balance optimism over the future, with realism over some of the near-term risks. The global economy had been in reasonable shape with the US continuing to lead and inflation globally still quiescent. In recent weeks, however, this benign backdrop has been threatened by the rise and spread of coronavirus. This is threatening widespread economic disruption and is increasing the probability of global recession. Investors are concerned over the outlook for corporate earnings and, increasingly, the risks of both a demand and supply shock, which may prove difficult for policymakers to manage. If the situation does deteriorate then we would expect substantial monetary and fiscal easing in response and, at the present time, foresee a sharp but relatively brief economic downturn.

There are numerous other market risks, including the trade tensions that are ongoing and symptomatic of secular challenges to perceived wisdom on globalisation as well as the role of the US globally. These factors, plus numerous others such as the increasing concentration of gains amongst corporates and society are driving a rethink from politicians and policymakers. The next decade will be shaped by their response.

In addition, there is increasing recognition of the importance of sustainable business practices in driving shareholder returns. The debate is moving rapidly and the climate emergency is serving to provide focus for action. Our policy remains one of engagement with companies in which we invest and to use our vote, as shareholders, to effect change where required.

Shareholders can be assured that we will continue to adapt and innovate as we move forward, as indeed we have throughout our long history, in delivering sustainable returns for our shareholders.

Paul Niven
Fund Manager
13 March 2020

Promoting success

Section 172 Statement

The Directors act to promote the success of FCIT for the benefit of its shareholders as a whole. In so doing, the Directors had regard to the matters set out in section 172(1) of the Companies Act 2006 (the **"Act"**). This includes the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account.

As noted on page 9, we have no employees, premises, assets or operations. Details of our key stakeholders are noted on page 10. Our main working relationship is with BMO GAM through the Manager. Recognising that sustainability is fundamental to achieving longer term success, we have continued to work closely with our Manager to further develop our investment strategy and underlying policies. This is not simply to achieve FCIT's investment objective but to make sure it is done in an effective, responsible and sustainable way in the interests of shareholders, future investors and society at large. The portfolio activities undertaken by our Manager and the impact of decisions taken are set out in the Fund Manager's Review on pages 12 to 17. On pages 24 to 27 we have once again included information on our approach towards responsible investment. We are very supportive of BMO GAM's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals (**"SDGs"**).

In recent years we have been able to lock in long-term borrowings at historically low rates through private placements and in June we took the decision to consolidate this further. We raised £150m in tranches ranging in maturity between 7 to 40 years taking the average rate on all our borrowings down below 2.5%. At that attractive level our structural gearing leaves us very well placed to continue to enhance investment returns over many years to come.

One of our Key Performance Indicators is cost efficiency given that costs inevitably reduce shareholder returns. At the beginning of the year we put in place a tiered management fee structure which helped bring down our cost ratios.

We have had a long-held aspiration to see the Company's shares trading consistently at a price close to the NAV per share. The shares traded at a small average discount in 2019 and ended the year at a premium. We bought back shares and held them in treasury during a period when the discount widened and, when the shares returned to a premium, sold them back into the market. This helped to moderate share price variances and volatility against the NAV per share, was accretive to NAV per share and provided liquidity for existing and new shareholders alike.

As a long-term investor we always look to the future and to the success of FCIT in that context. We believe that FCIT provides a clear investment choice, not only for investors large or small but also for those starting their investment journey. We therefore continue to promote the Company through marketing and public relations initiatives and, at a wider social level, by supporting broader financial education across schools and universities as explained on page 10. We plan to continue to develop these initiatives and work towards the optimal delivery of the Company's investment proposition and to promote the success of FCIT for the benefit of all shareholders, stakeholders and the community at large.

Simon Fraser, Paul Niven and Marrack Tonkin with Heather Ramsey, winner of the F&C Investment Trust Prize. To win, students at City of Glasgow College were asked to answer one of three questions and share their views on savings and investing. The winner was Heather Ramsey with a video response to the question of what can we expect in the future. She focused on the rising issue of loneliness and explored why the companionship industry will be an emerging investment market.

Principal Risks and Future Prospects

In reviewing the uncertainties that could threaten FCIT's success, the Board has carried out a robust process for the identification of emerging risks and for the assessment of the principal risks. The consequences for its strategy, business model, liquidity, future prospects and viability form an integral part of this review.

The Board's processes for monitoring the principal risks and identifying emerging risks are set out on page 48 and in note 26 to the Accounts. The principal risks are largely unchanged from those reported in the prior year. Those identified as most relevant to the assessment of FCIT's future prospects and viability were those relating to potential investment portfolio under-performance and its effect on share price discount and dividends, as well as threats to security over FCIT's assets. Our risk evaluation forms an inherent part of our strategy determination described on page 8. Through a series of connected stress tests ranging from moderate to

Principal Risks	Mitigation by strategy
Investment proposition and its promotion – **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.** **Unchanged throughout the year.**	Our investment and business strategies aim to position us as a clear and core investment choice through all available channels. **The Company's discount is a KPI measured by the Board on a continual basis and is reported on page 11.**
Investment performance – **Unfavourable markets or inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to investment under-performance as well as impacting capacity to pay dividends to investors. Political risk factors could also impact performance as could near term market shocks such as those experienced in relation to coronavirus (COVID-19).** **Increased during the year.**	Under our Business Model, a manager is appointed with the capability and resource to manage FCIT's assets, asset allocation, gearing, stock and sector selection and risk. To provide a breadth of sources of return, the individual global and regional investment portfolios are managed as a whole to provide diversification, lower volatility and risk. The Manager has the flexibility to delegate the management of investment portfolios externally. **The performance of FCIT relative to its benchmark, its peers and inflation is a KPI measured by the Board on a continual basis and is reported on page 11.**
Chosen Manager – **Failure of BMO GAM to continue to operate effectively through loss of key staff, inadequate investment and support capability, systems or resource.** **Reduced throughout the year.**	The Business Model is based on the premise of an effective and strong working relationship with the appointed Manager while an important responsibility of the Board is the robust annual evaluation of its performance, capabilities and resource, leading to the decision on whether to reappoint. **Internal performance KPIs and Manager errors are monitored by the Board for indications of continuity or other Manager issues.**
Service providers and systems security – **Errors, fraud or control failures at service providers or loss of data through business continuity failure or cyber-attacks could damage reputation or investors' interests or result in loss. Cyber risks remain heightened.** **Unchanged throughout the year.**	The ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager. **The Board monitors effectiveness and efficiency of service providers' processes through internal efficiency KPIs.**

extreme scenarios including the impact of market shocks and based on historical information, but forward-looking over the ten years commencing 1 January 2020, the Board assessed the effects of:

- Potential illiquidity of the Company's portfolio during substantial market falls when needing to fund Private Equity commitments.
- Substantial falls in investment values on the ability to maintain loan covenants and to repay and re-negotiate funding.
- Significant falls in income on the ability to continue paying steadily-rising dividends and maintaining adequate revenue reserves.
- The impact of substantial fluctuations in exchange rates on asset values and dividend income.

In concluding that ten years is a reasonable period over which to assess future prospects of the Company, the Board considers that this approximates the periods relating to:

- its private equity commitments;
- its borrowings, repayable beyond ten years; and
- the corporate governance principles relating to the Directors' tenure.

The Board also took into consideration the perceived viability of its principal service providers, potential effects of anticipated regulatory changes and the potential threat from competition.

The Board's conclusions are set out under the Ten-Year Horizon.

Actions taken on Principal Risks in the year

BMO GAM has been retained as Manager and continues to deliver on FCIT's objective and operates within a responsible investment culture under a corporate commitment to four key Sustainability Principles: Social Change, Financial Resilience, Community Building and Environmental Impact. With BMO GAM, FCIT has the flexibility to innovate, adapt and evolve as ESG necessities and expectations change. Marketing and investor relations campaigns continued throughout the year, including presentations by the Fund Manager to wealth managers across the country. BMO GAM invested in the enhancement of its savings platform and its ability to communicate directly with investors at a time when other investment trust houses have relinquished theirs to generic platforms. As such, this risk is categorised as unchanged.

The portfolio remains diversified while FCIT's structure enables it to continue to take a long-term view. Detailed reports provided by the Fund Manager have been reviewed by the Board at each of its meetings. BMO GAM's Performance and Risk Oversight team provided independent oversight on investment risk management for the directly managed portfolios. As outlined in the Fund Manager's Review starting on page 12 and reported in the Key Performance Indicators on page 11, long-term performance remains in line with expectations and the dividend for the year is fully covered. The sum of £9.0m was transferred to Revenue Reserve, which exceeds one year's worth of dividends. Nevertheless, the overall level of uncertainty indicates that this risk has increased.

The Board met senior management as part of its annual evaluation described on page 41 and has reviewed BMO GAM's controls and risk management structure. The viability, systems and staffing capabilities of the Manager were fully reviewed by the Board and the decision was taken to continue with its services. Thorough review and challenge of the Manager were provided through the Audit Committee, the Management Engagement Committee and the Board. Succession planning around any potential significant management changes have been shared with the Board. A business continuity plan remains in place. As such, this risk is reduced.

The Audit Committee and the Board have regularly reviewed FCIT's risk management framework with the assistance of the Manager. Regular control reports from the Manager covering risk, compliance and oversight of third-party service providers, including IT security and cyber-threats, have also been reviewed. Reports from the Depositary, which is liable for loss of any of FCIT's securities and cash held in custody unless resulting from an external event beyond its reasonable control, were reviewed. A presentation was also given to the Audit Committee by the Depositary on its oversight of custody of investments and cash and there were no matters of concern. As such, this risk is unchanged.

Ten Year Horizon

Based on its assessment and evaluation of FCIT's future prospects, the Board has a reasonable expectation that FCIT will be able to continue in operation and meet its liabilities as they fall due over the coming ten years; FCIT's business model, strategy and the embedded characteristics listed below have helped define and maintain the stability of FCIT over many decades. The Board expects this to continue over many more years to come.

- FCIT has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities and which restricts the level of borrowings.
- FCIT's business model and strategy are not time limited and, as a global investment trust, are unlikely to be adversely impacted as a direct result of Brexit and other political uncertainties.
- FCIT is inherently structured for long-term outperformance, rather than short-term opportunities, with ten years considered as a sensible time-frame for measuring and assessing long-term investment performance.
- FCIT is able to take advantage of its closed-ended investment trust structure such as securing long-term borrowings and has the ability to secure additional finance in excess of ten years.
- FCIT has the ability to hold a proportion of long-term less liquid private equity investments with ten years typically being the period over which commitments are made and realisations are expected to be received.
- There is rigid monitoring of the headroom under FCIT's bank borrowing financial covenants.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- FCIT retains title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.
- FCIT maintains a business continuity plan including increased awareness on preventing cyber attacks.

Overview
Chairman's Statement
Strategic Report
Governance Report
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Financial Report
Notice of Meeting
Other Information

Twenty Largest Listed Equity Holdings

1. Amazon.com (1)

US listed e-commerce and cloud computing company. Largest listed internet retailer in the world based on market capitalisation.

1.94% Total investments
£87.4m Value

2. Microsoft (2)

US listed technology company focused on software products and cloud computing. The company also designs and sells hardware devices.

1.61% Total investments
£72.7m Value

3. Alphabet (3)

US listed parent company of Google. Google's primary business is focused on internet related services and products, including its internet search engine and its Android smartphone operating system.

1.52% Total investments
£68.6m Value

4. Facebook (12)

US listed operator of social media sites and social networking services.

1.47% Total investments
£66.4m Value

5. Apple (17)

US listed technology company predominantly involved in design, development and sale of consumer electronics and software worldwide.

1.08% Total investments
£48.9m Value

6. UnitedHealth (4)

US listed company offering healthcare products and insurance services. One of the largest healthcare companies in the world by revenue.

0.94% Total investments
£42.6m Value

7. Alibaba (27)

US listed Chinese company whose business predominantly covers e-commerce, retail, internet and technology services.

0.89% Total investments
£40.0m Value

8. JPMorgan Chase (8)

US listed banking and financial services company with a significant asset management and custody business

0.84% Total investments
£37.8m Value

9. Dollar General (14)

US listed operator of discount retail stores across primarily the southern, southwestern, midwestern and eastern US. It offers a broad range of merchandise including both consumables and non-consumables.

0.83% Total investments
£37.2m Value

10. Visa (10)

US listed financial services company operating a worldwide retail electronic payments network as well as offering credit and debit cards and internet payment systems.

0.82% Total investments
£36.8m Value

The value of the twenty largest listed equity holdings represents 18.73% (2018: 18.70%) of the Company's total investments.
The figures in brackets denote the position within the portfolio at the previous year end.
There were no convertible securities in the total portfolio at 31 December 2019 (2018: nil).
These are the largest listed equity holdings excluding collective investment schemes. If the whole portfolio was considered then PE Investment Holdings 2018 LP (£107.9m), Inflexion Strategic Partners (£40.0m) and Utilico Emerging Markets (£29.1m) would have been included in the list.
The Company's full list of investments exceeds 450 and is published monthly on the website at fandcit.com. Copies are also available on request from the Secretary.

11. Mastercard (16)

US listed financial services company providing financial transaction procession services worldwide as well as offering credit and debit cards and internet payment systems.

0.79% Total investments
£35.7m Value

16. AstraZeneca (–)

UK listed multinational pharmaceutical and biopharmaceutical company.

0.68% Total investments
£30.7m Value

12. Comcast (13)

US listed provider of media and television broadcasting services. The company also offers video streaming, television programming, internet and communication services to customers worldwide.

0.74% Total investments
£33.3m Value

17. Anthem (5)

US listed health benefits and insurance company providing health, dental, vision and pharmacy services across employer, individual and Medicaid/Medicare markets in the US.

0.66% Total investments
£29.8m Value

13. Chevron (15)

US listed integrated energy company producing and transporting crude oil and natural gas worldwide. The company also has interests in chemical and mining operations, fuel refining and distribution and other power and energy services.

0.72% Total investments
£32.4m Value

18. Royal Dutch Shell (56)

UK (and Dutch) listed oil and gas company operating in all areas of the oil and gas industry including exploration and production and refining activities.

0.62% Total investments
£27.9m Value

14. Broadcom (74)

US designer and supplier of semiconductor and infrastructure software solutions.

0.71% Total investments
£32.2m Value

19. GlaxoSmithKline (19)

UK listed pharmaceutical company with a focus on research. The company is one of the largest pharmaceutical firms worldwide and develops, produces and markets a broad range of medicines including vaccines, prescription and over-the-counter products to a global market.

0.61% Total investments **£27.3m** Value

15. Novo Nordisk (9)

Denmark listed pharmaceutical company operating worldwide. Develops, produces and markets healthcare products and educational and training materials with a focus on diabetes related medicines and devices.

0.70% Total investments
£31.6m Value

20. Air Products & Chemicals (34)

US listed provider of industrial gases and related equipment.

0.56% Total investments
£25.2m Value

Sustainability and our ESG policies

As stewards of over £4.5 billion of assets, we have a duty through our Manager to influence and support positive change.

Our approach

Environmental, social and governance issues can present both opportunities and threats to the long-term investment performance we aim to deliver to our shareholders. We take a responsible approach to ESG matters and have appointed a manager that applies the highest standards of ESG practice in managing the investments on behalf of shareholders. Our approach covers our own governance responsibilities on matters such as the composition of the Board. It also covers the impacts we have via the investments made on our behalf by our Manager and its sub-managers, which we recognise is the most material impact we have.

As responsible investment and sustainability are integral to the longer term delivery of growth in capital and income, we believe that our disclosures should go beyond minimum standards. In setting and reporting on our ESG policies, we have considered the impacts of our activities and followed the relevant regulatory guidance including the requirements of section 172(1) of the Act and, in so far as they apply, the non-financial reporting requirements[1] in sections 414CA and 414CB of the Act. Although FCIT does not fall within the scope of these two sections, we believe that these disclosures will provide shareholders and stakeholders with a greater level of insight and transparency. We have also reported under the UK Code.

Responsible ownership

We support BMO GAM in its belief that good governance and sustainability practices create value. BMO GAM is a signatory to the UNPRI under which signatories contribute to the development of a more sustainable global financial system. BMO GAM aims to systematically incorporate ESG factors into its investment processes. The Manager believes that companies with strong management focus on these areas have the potential to reduce risks facing their business and deliver sustainable performance over the longer term. Investee company boards are expected to disclose to shareholders that they are applying appropriate oversight on material issues such as labour standards, environmental management and tax policies.

BMO GAM believes that engaging with companies is best in the first instance rather than simply divesting or excluding investment opportunities. Engagement with companies on significant ESG matters, so as to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms an important part of BMO GAM's approach towards responsible investment.

BMO GAM's approach encompasses a whole range of ESG issues, but recognises the need for an intensified level of focus on climate change given its scale and irreversibility, and the potential systemic nature of risks. On page 27 we publish for the second year the portfolio-weighted carbon intensity[2] of FCIT as well as examples of corporate engagement undertaken on our behalf by BMO GAM on pages 25 and 26.

Voting on portfolio investments

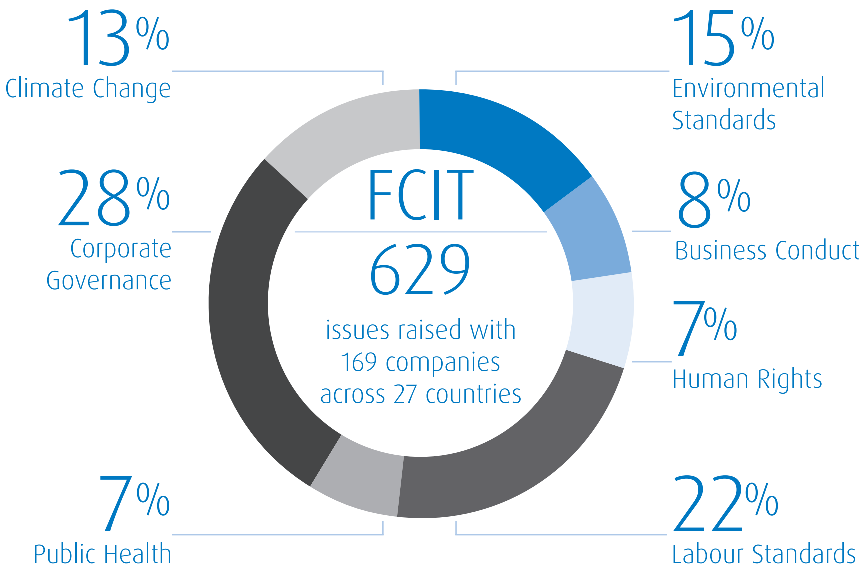
In the absence of explicit instructions from the Board, our Manager and sub-managers have been empowered to exercise discretion in the use of FCIT's voting rights. All shareholdings were voted at all listed company meetings worldwide where practicable in accordance with their own corporate governance policies.

In October 2019, the UK Financial Reporting Council launched the UK Stewardship Code 2020 (**"Stewardship Code"**) which took effect on 1 January 2020. This sets out an ambitious standard for effective stewardship in the UK, defining stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'.

BMO GAM is committed to becoming a signatory of the new Stewardship Code and, as required by the FRC, will report on how they have applied the provisions in their annual Responsible Investment Review in early 2021. Because BMO GAM believes that their approach to stewardship is already substantially aligned with many of the expectations of the Stewardship Code, relevant information will already be incorporated in the Responsible Investment Review covering stewardship activities for 2019, which is available at bmogam.com.

[1] See Glossary of terms on page 98 for an explanation of the Non-Financial Information Statement and where the information is referenced within the Strategic Report.
[2] See Glossary of terms for on page 96 for an explanation of Carbon Intensity.

Engagement



2019 saw BMO GAM contacting 169 companies in the FCIT portfolio to encourage stronger policies and disclosure on a range of environmental, social and governance issues. One key area for engagement was labour standards, where they entered into dialogue with a number of companies across the retail, technology and financial sectors to encourage stronger policies, and to ask them to respond to the Workforce Disclosure Initiative (**"WDI"**), an investor-backed initiative aimed at encouraging consistent reporting of labour standards issues.

Corporate governance remained a priority area for engagement, including continuing to press for greater board-level diversity, particularly in markets such as Japan which are lagging global best practice. As well as addressing material risks, their engagement also aims to support social and environmental progress, and in particular the achievement of the SDGs, a set of 17 goals for a more sustainable future by 2030.

Engagement examples in 2019

Topic	Engagement
Gender diversity	Dialogue with companies in Germany's DAX30 index, including **Deutsche Telekom, Deutsche Boerse, Lufthansa, Fresenius** and **SAP**, to understand diversity policies and press for improvements in areas such as hiring and flexible working policies.
Sustainability in food production	Discussion with KFC and Pizza Hut owner **Yum! Brands** on meat sourcing and antibiotic use, and food ingredients firm **Kerry Group** on water use.
Lending practices of South East Asian banks	In-person meetings with **Bank Mandiri** in Jakarta and **Kasikornbank** in Bangkok to call for stronger environmental and social lending standards. Bank Mandiri published a new sustainable lending strategy in late 2019.
Climate change	Collaborative dialogue through the Climate Action 100+ initiative with globally significant greenhouse gas emitters including **Anglo American, Chevron, Royal Dutch Shell** and **Vistra Energy**. Vistra, the highest-emitting US electric utility, set new 2050 emissions goals at the end of 2019.
Workforce policies	Encouraged a number of companies to improve their disclosure on workforce policies and performance, including **Amazon.com, Mastercard** and **Wells Fargo & Co**.
Japanese corporate governance	Engagement with several Japanese companies to encourage stronger board structure and refreshment, including **Softbank, Keyence, Japan Exchange Group** and **Hoya Corp**.

BMO GAM's strategic approach to engagement helps to achieve positive outcomes, or 'milestones', relating to the targets that have been set under each of the sustainable development goals. These are instances of change in company practice which they rank from one to three stars, three being the highest, based on their assessment of the importance of the change. Two examples of milestones achieved in 2019 are set out below.

Amazon.com

8 DECENT WORK AND ECONOMIC GROWTH

Milestone: ★★★

Target: 8.8

Issue: Labour standards

amazon.com

Published human rights principles

Social

Amazon published its Global Human Rights Principles, in which it committed to embedding respect for human rights within its business, particularly in relation to workplace safety, diversity and inclusion, equal opportunity, forced labour and freedom of association. Over the last few years we have been encouraging Amazon to publish a human capital management strategy, with a focus on its workplace practices.

Bank Mandiri Pesero

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Milestone: ★★

Target: 12.6

Issue: Corporate governance

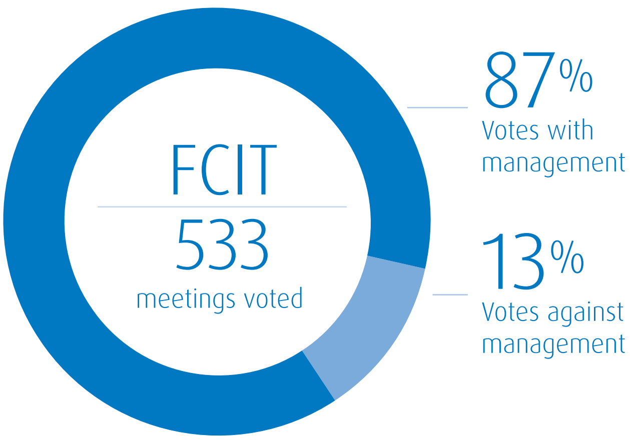
mandiri

Developed ESG risk management framework

Governance

Developed a five-year Sustainable Action Plan, focusing on improving the approach to addressing ESG risks in lending transactions to companies in four industries with high sustainability risks, including palm oil and energy. This plan will strengthen credit risk management practices and, therefore, protect the quality of the loan portfolio. BMO GAM's engagement with the bank on this issue has included a meeting with the CEO at their headquarters.

Voting

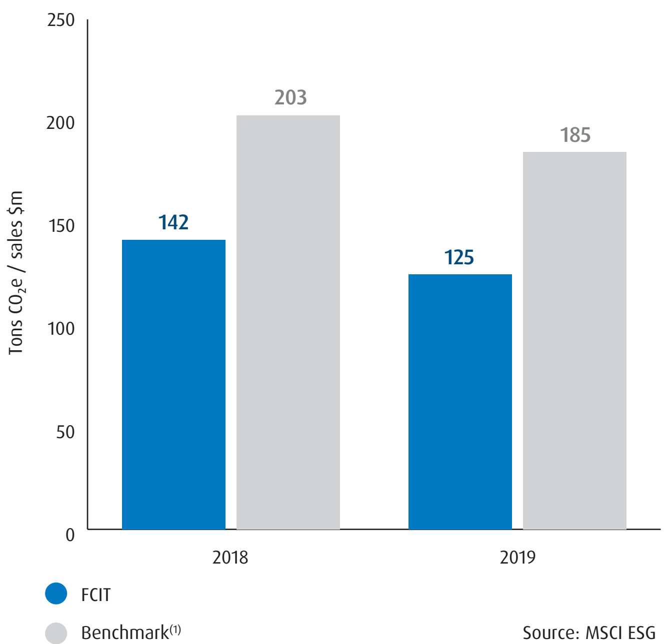


Voting

We expect our shares to be voted on all holdings where possible. In 2019 BMO GAM and the US sub-managers in total voted in favour of 87% of resolutions at 533 shareholder meetings. For 2020 onwards, BMO GAM will have sole responsibility for voting across the entire portfolio, including the US holdings.

One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, BMO GAM did not support 40% (2018: 35%) of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance. In the case of concerns relating to decision-making on company boards, lack of genuinely independent directors or directors overcommitted through other directorships, BMO GAM cast votes against 18% (2018: 17%) of those standing for election.

Climate change



(1) See Glossary of terms on page 96 for explanation of "benchmark"

Climate change

Of all the ESG issues, climate change is one of the most important both in terms of the scale of potential impact and in how widespread this impact could be across sectors and regions. We expect considerations around climate change risks and opportunities to be incorporated into the investment management process.

For the second year, we are disclosing the portfolio-weighted carbon intensity* of FCIT's investments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (**"TCFD"**). This is based on the greenhouse gas emissions produced by each investee company, per US$1m of revenue, and aggregated for FCIT as a whole. We use it as a tool for analysis and disclosure, but do not set targets based on it.

In 2019 FCIT's portfolio-weighted carbon intensity* was 32% below that of the constituents of its benchmark, a similar ratio to 2018. The main reason for this was that compared with the benchmark, FCIT has a relatively smaller share of its overall holdings in two sectors which have a high emissions intensity – energy and utilities.

This data does not provide a full picture of climate risks since it does not, for instance, capture the innovation that companies may be undertaking to find solutions. As an example, the most significant contributors to portfolio emissions include some of FCIT's investments in companies in the chemicals sector, such as **Air Products and Chemicals**. However many of these companies, whilst high emitters themselves, also offer climate solutions, such as Air Products which produces hydrogen as a substitute for oil.

Company engagement is another key pillar of BMO GAM's approach, which sets a clear expectation for companies to align their business strategies with the Paris agreement. BMO GAM is also actively working on scenario analysis methodologies, which would provide an understanding on the alignment of investments with the Paris goals.

Investing in sustainability leaders

ESG issues present opportunities as well as risks. FCIT has investments in a number of companies which BMO GAM has identified as being leaders in providing sustainable solutions, through the products and services they provide.

One key area is finance. The achievement of the SDGs will require the large-scale reallocation of capital towards more sustainable solutions in areas such as low-carbon technologies, water and sustainable agriculture. Access to financial services is also a critical enabling factor for individuals and small businesses to develop and escape poverty. FCIT invests in a number of emerging market financial businesses whose services are helping to meet these objectives.

ICICI Bank: This Indian bank has one of the largest financial inclusion programmes in the country, mostly targeting underbanked customers in rural and semi-urban areas. Beyond traditional micro-lending activities and recognising the need for convenient savings facilities, ICICI has partnered with specialist non-governmental organisations to launch pioneering micro-savings products that are accessible, secure and easy to use.

Bank Rakyat Indonesia: Bank Rakyat issued its first sustainability bond (and one of the first by an ASEAN bank) in 2019, successfully placed in the market with an oversubscription of more than eight times. The proceeds from the $500 million bond, which fully meets international sustainability bond standards, will finance environmental and/or social projects in Indonesia targeting eight of the SDGs.

Discovery: Through its Vitality programme, which incentivises people to be healthier, this South African 'shared value insurance' company pioneered the use of behavioural sciences and wellness linked to health insurance. Discovery also manages the largest open medical scheme in the country, covering almost three million beneficiaries.

* See Glossary of terms on page 96 for explanation of carbon intensity.

Principal policies

The Board has overall responsibility for FCIT's principal policies, which support its investment and business strategies towards the attainment of long-term sustainable growth for our shareholders.

Investment

Our publicly stated Investment Policy is designed to help shareholders, prospective investors and stakeholders understand the scope of our investment remit and the constraints imposed under it. Any material changes to the stated policy can only be made with shareholder approval.

Our remit is global. Risk diversification is achieved through geographic asset allocation and industry sector and stock selection across a wide range of markets. Within the general policy of maintaining a diversified portfolio, there are no specific geographic or industry sector exposure limits for the publicly listed equities. A limit of 5% of the value of the total portfolio has been placed on unlisted securities, at the time of acquisition and excluding private equity investments. Any unlisted investment requires specific Board approval with the exception of new private equity investments, responsibility for which has been delegated to our Manager. Shareholder approval would be sought in the event that it is considered that the long-term exposure to Private Equity investments should exceed a figure of 20%.

Under the articles of association, with limited exceptions, no single investment may be made which exceeds 10% of the value of the total portfolio at the time of acquisition. Under the Listing Rules, no more than 10% of the total assets may be invested in other listed closed-ended investment companies, unless such investment companies have themselves published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%. A limit of 5% of the value of the total portfolio has been placed on investment funds managed by BMO GAM at the time of acquisition, and any such investment requires specific Board approval.

We will typically remain fully invested in equities, but are not prohibited from investing in other types of securities or assets. Derivatives may be used for the purpose of income enhancement and portfolio management covering tactical asset allocation and risk mitigation including protection against currency risks within strict limits.

Due diligence with regard to the Investment Policy and underlying policies is carried out at each Board meeting with regular reporting from the Fund Manager. Confirmation of adherence to the investment restrictions and limitations set by the Board are required at each meeting.

The Fund Manager's Review on pages 12 to 17 provides an overview of the outcome from the application of the Investment Policy and the underlying policies during the course of the year.

Borrowing

Using our closed-ended investment company structure, we have a long record of successfully using gearing to enhance shareholder returns. Gearing was accretive to returns in 2019. Our policy is to borrow in sterling or foreign currency over short, medium or long-term periods and normally within a range of 0 – 20% of shareholders' funds. Borrowing levels and covenant headroom are monitored at each Board meeting.

Dividend

Our revenue account is managed with a view to delivering a rising income stream in real terms for shareholders. Prudent use of revenue reserves established over many decades is made whenever necessary to help meet any revenue shortfall. Dividends can also be paid from capital reserves although we have no current need or intention of doing so.

The Board applies due diligence and determines payments by taking account of timely income forecasts, brought forward distributable reserves, prevailing inflation rates, the dividend payment record and Corporation Tax rules governing investment trust status. Risks to the dividend policy have been considered as part of the Principal Risks and Future Prospects reviews noted on page 20. They include: worldwide financial and political instability leading to significant deterioration in the level of income we receive; and unforeseen and significant changes to our regulatory environment. We have sufficient liquid resources to fund any envisaged level of dividend payment.

The consistent application of this policy has enabled the payment of an increased dividend every year for the past 49 years and the total proposed payment for 2019 is fully covered by earnings.

Discount/premium

Over many years we have consistently applied a discount control, or "buyback", policy. Under this policy FCIT buys back shares for the benefit of shareholders where we see value and, importantly, in pursuit of a sustainably low deviation between the share price and NAV per share in normal market conditions. The policy and the levels within which it has operated have continually been reviewed with the aim of achieving the long-held aspiration of FCIT's shares trading at or close to NAV. Shares held in treasury can be sold, or new shares issued, in order to satisfy shareholder demand and, conversely, to moderate the premium to which the share price can rise in relation to the NAV per share. The Board reviews the discount and premium levels at each meeting. Information on the outcomes from this policy can be found on page 5 and page 11.

Board diversity

Our policy towards the appointment of non-executive directors to the Board is based on our belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender and contributions from an international perspective. The policy is always to appoint the best person for the job and, by way of this policy statement, we confirm that there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or disabilities.

The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring the delivery of investment performance for shareholders over the longer term in the form of sustainable growth in both capital and income. We apply the policy for the purpose of appointing individuals that, together as a board, will continue to achieve that aim as well as ensuring optimal promotion of the Company's investment proposition in the marketplace. In terms of progress in achieving diversity, the gender balance of five men and three women Directors exceeds the target of 33% of women on FTSE 350 company boards by 2020 set under The Hampton-Alexander Review.[1] We also note the recommendations of the Parker Review Committee.[2]

Taxation

As an investment trust, it is essential that FCIT retains its tax status by complying at all times with Section 1158 of the Corporation Tax Act 2010 (**"Section 1158"**) such that UK Corporation Tax is not suffered on its capital gains. It also ensures that correct taxation returns are submitted annually and any taxation due is settled promptly. Where possible, all taxes suffered in excess of taxation treaty rates on non-UK dividend receipts are claimed back in a timely manner. The Board's policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines. In applying due diligence towards the retention of Section 1158 status and adhering to its tax policies, the Board receives regular reports from the Manager. FCIT has received approval from HMRC as an investment trust under Section 1158 and has since continued to comply with the eligibility conditions.

Modern Slavery Act 2015

The values that we hold, our culture and the rationale for the appointment of BMO GAM are explained on page 8. BMO GAM is an organisation committed to respecting human rights and stands against all forms of slavery and human trafficking. It is recognised as a leading pioneer in responsible investment and works with policymakers worldwide to deliver market-wide improvements in standards and regulations. In 2019 approximately 29% of its engagement across the companies in which BMO GAM invests for its clients was on social themes with extensive work on labour practices. BMO GAM is an investor signatory to the WDI which aims at enhancing relevant and material workforce related disclosure on a wide range of workforce issues, covering companies' direct operations and supply chains. As part of its commitment to the WDI, BMO GAM held 22 engagements with 21 companies seeking improved transparency of workforce management. We are very supportive of BMO GAM's approach and whose formal statement can be found on its website at bmogam.com.

Our own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated. We therefore believe that the potential for acts of modern slavery or human trafficking in our own environment is extremely low.

Integrity and business ethics

We apply a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of BMO GAM or of any other organisation with which we conduct business. The Board ensures that adequate procedures are in place and followed in respect of third-party appointments, acceptance of gifts and hospitality and similar matters.

On behalf of the Board
Beatrice Hollond
Chairman
13 March 2020

[1] [2] See Glossary on pages 97 and 98

Chairman's statement
on corporate governance

Dear Shareholder,

On the next two pages you will find short details of the Directors responsible for the governance of your Company, including mine as your new Chairman. Details are also available at fandcit.com. FCIT invests in a wide range of companies and, as a board, we believe that good governance creates value and expect the companies in which we invest to apply high standards. In maintaining the confidence and trust of our own investors, we set out to adhere to the very highest standards of corporate governance, business and ethics transparency. We remain committed to doing so.

Governance overview

The Board has established an Audit Committee, Management Engagement Committee and Nomination Committee. The role and responsibilities of these committees are set out in their respective reports, which follow, and their terms of reference are also available on the Company's website. As the Board has no executive Directors and no employees, and is composed solely of non-executives, it does not have a Remuneration Committee. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Remuneration Report on pages 44 to 46 and in note 5 to the Accounts.

The Company has appointed the Manager to manage the investment portfolios as well as to carry out the day to day management and administrative functions. An explanation of the reporting arrangements from the Manager is set out in the Strategic Report on page 10 and in the Report of the Audit Committee in respect of internal controls on page 48. Explanations concerning the Board's appointment of the Manager including reference to the strength of their resources, measurement of performance and alignment with the values of the Board can be found on page 8.

The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded by the Company Secretary in the minutes. The Board has the power to appoint or remove the Company Secretary in accordance with the terms of the investment management agreement.

Composition of the committees

Committee membership is noted under each Director's biography on the following two pages while the respective terms of reference can be found on the website at fandcit.com. Further detail is given in respect of the composition of the Audit Committee on page 48.

Compliance with the UK Code

We have considered and support the principles and recommendations of the UK Code published in 2018. We believe that we have applied the principles and complied with its provisions during the period under review and up to the date of this report except as set out below. The UK Code includes provisions relating to:

- the role of the Chief Executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- workforce engagement

We consider these provisions as not being relevant to the position of the Company, being an externally managed investment company. Therefore, with the exception of the need for an internal audit function, which is addressed on pages 48 and 49, we have not reported further in respect of these provisions.

We are also adhering to the principles and recommendations of the AIC Code of Corporate Governance (the **"AIC Code"**) published in 2019. The AIC Code includes a significant departure from that of the UK Code, namely the removal of the nine year limit on chair tenure. Simon Fraser had served over ten years in total since appointment to the Board in September 2009. It was reported to shareholders at last year's annual general meeting that he would retire from the Board after a period of transition and this took place on 31 December 2019. The tenure policy relating to the Directors, including the Chairmanship, is set out on page 43. Copies of the UK Code and AIC Code can be found on their respective websites: www.frc.org.uk and www.theaic.co.uk.

Beatrice Hollond
Chairman
13 March 2020

Directors

Beatrice Hollond(2)
Chairman
Appointed to the Board on 1 September 2017 and as Chairman of the Board and the Management Engagement Committee on 1 January 2020. She was appointed Chairman of the Nomination Committee on 1 September 2019.
Experience and contribution:
Beatrice brings to the Board investment knowledge and expertise in regard to both equities and global fixed income. She also brings leadership skills from her time as a Managing Director of Credit Suisse Asset Management, LLC where she spent 16 years in global fixed income.
Other appointments:
Beatrice is a member of the Board of Brown Advisory in the United States and chairs its international advisory board. She also holds non-executive directorships at Telecom Plus PLC, M&G Group Limited and Templeton Emerging Markets Investment Trust PLC.

Sarah Arkle(1)
Appointed to the Board on 2 March 2011.
Experience and contribution:
Sarah brings to the Board investment knowledge and expertise in investment management. She was Vice Chairman of Threadneedle where she was Chief Investment Officer for ten years until her retirement at the end of December 2010. Sarah was previously a Far East Equity Manager and a director at Allied Dunbar Asset Management.
Other appointments:
Sarah is Chairman and non-executive director of JPMorgan Emerging Markets Investment Trust PLC.

Sir Roger Bone KCMG(1) (2),
Senior Independent Director
Appointed to the Board on 6 March 2008.
Experience and contribution:
Roger had a distinguished career as a diplomat and brings a wider business perspective to the Board both from his current and recent business roles. He was president of Boeing UK from 2005 to 2014 and was one of the Prime Minister's honorary ambassadors for British business from 2010 to 2015. His diplomatic career included serving as British Ambassador to Brazil from 1999 to 2004 and to Sweden from 1995 to 1999.
Other appointments:
Roger is Chairman of ITM Power plc and Over-c-ltd, a small high-tech company in the telecoms sector.

Francesca Ecsery(2)
Joined the Board on 1 August 2013.
Experience and contribution:
Francesca brings special expertise in omnichannel consumer marketing, branding and commercial strategies and provides guidance for the effective promotion of FCIT's investment proposition and access to its shares. Francesca previously held the role of Global Business Development Director at Cheapflights Media and held senior executive roles with STA travel, the Thomas Cook Group and Thorn EMI plc.
Other appointments:
Francesca is currently a non-executive director of the AIC, Share plc, Marshall Motors Holding plc and Air France.

(1) Member of the Audit Committee
(2) Member of the Nomination Committee
All the Directors are members of the Management Engagement Committee. No Director has a shared directorship elsewhere with other Directors.

Jeffrey Hewitt(1)

Chairman of the Audit Committee

Appointed on 15 September 2010 and as Chairman of the Audit Committee in November 2011.

Experience and contribution:

A chartered accountant, Jeff has a strong financial background. He held a number of senior roles and is an advocate of continuous improvement in the quality of corporate reporting. Until recently he was Acting Chairman of Cenkos Securities plc. He was the Group Finance Director of Electrocomponents plc from 1996 to 2005 and Deputy Chairman from 2000 to 2005. Prior to that, he was the Finance Director of Unitech plc from 1991 to 1996. Between 1981 and 1991 he held directorships successively with Carrington Viyella, Vantona Viyella and Coats Viyella (where he was Group Strategy Director).

Other appointments:

Jeffrey is Chairman of Electrocomponents Pension Trustees.

Edward Knapp(1)

Appointed to the Board on 25 July 2016.

Experience and contribution:

Edward brings a combination of investment, operational and general management experience worldwide, with expertise in the digital transformation of large-scale organisations, Portfolio Management, Risk, Strategy and Technology. He is a member of the Board and Investment Committee for the £1.5bn investment portfolio of Trinity College, Cambridge, and has extensive Board and advisory experience, including for leading global Financial Technology companies. Edward was previously a Chief Operating Officer and Global Head of Business Management within the Technology function at HSBC, and prior to that he was a Chief Operating Officer at Barclays Bank. Until 2012 he was at McKinsey & Company, providing extensive board and executive-level advisory services to clients worldwide, focusing on asset management, banking, strategy, value creation, risk management and technology.

Other appointments:

Edward is on the Board of Trustees of Asia House, a centre of expertise on trade, investment and public policy.

Nicholas Moakes(2)

Appointed to the Board on 2 March 2011.

Experience and contribution:

Nicholas is a Managing Partner and Chief Investment Officer of the Investment Division at The Wellcome Trust with extensive investment knowledge, expertise and experience in global equity markets and private equity. He was Head of the Asia Pacific investment team and Co-Head of Emerging Markets at BlackRock Investment Management until 2007. He has 25 years' experience of global equity markets and extensive experience of investing in private equity. A chinese speaker, he started his career in the Diplomatic Service where he specialised in Hong Kong and China.

Other appointments:

In addition to his role at the Wellcome Trust, Nicholas is a non-executive director of Jupiter Emerging & Frontier Income Trust PLC.

Quintin Price

Appointed to the Board on 10 March 2020.

Experience and contribution:

Quintin brings investment banking and investment management knowledge and expertise to the Board from a 30 year career working at a senior level for a number of leading companies. From 2005 to 2015 he was at BlackRock where he was global head of alpha strategies and a member of the global executive committee.

Other appointments:

Quintin is a senior adviser at Actis, a privately-owned private equity, real estate and energy & infrastructure company. He is also a non-executive director of Aperture Investors, a New York based fund manager.

(1) Member of the Audit Committee
(2) Member of the Nomination Committee
All the Directors are members of the Management Engagement Committee. No Director has a shared directorship elsewhere with other Directors.

Applying the principles of the UK code

Company purpose

Information relating to the Company's purpose, values and culture can be found on pages 7 and 8.

Board leadership

The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which are reviewed periodically. These are categorised and reviewed under strategy, policy, finance, risk, investment restrictions, performance, marketing, appointments, the Board and public documents. It has responsibility for all corporate strategic issues, principal policies (set out on pages 24, 28 and 29) and corporate governance matters which are all reviewed regularly.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Fund Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager. The Board has the right of veto over the appointment of sub-managers recommended by the Fund Manager. The Board has responsibility for the approval of all investments in in-house funds managed or advised by BMO GAM and any unlisted investments with the exception of new private equity investments, responsibility for which has been delegated to BMO GAM.

Division of Board responsibilities

As an externally managed investment company, there are no executive Directors; all the Directors are non-executive. The Chairman is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. The Chairman sets the agenda for all Board meetings under a regular programme of items in conjunction with the Company Secretary. The Company made significant progress under the Chairmanship of Simon Fraser, who retired on 31 December 2019. This was engendered under his direction through constructive and open debate within the Board at its meetings and, where relevant, through individual discussion.

Similarly, building on the strong working relationship with the management company, the Fund Manager and other management company personnel attended and reported to the Board. Discussions at all levels were held in a constructive and supportive manner with appropriate challenge and strategic guidance and advice from the Board whenever necessary consistent with the culture and values.

Sir Roger Bone, as Senior Independent Director, acts as an experienced sounding board for the Chairman and an intermediary for other Directors and shareholders. He has been instrumental in leading the Nomination Committee in the transition of the chairmanship as well as the formulation and implementation of the succession plan now in place. He leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such advice was taken during the year under review.

Composition and succession

The Report of the Nomination Committee sets out on page 43 the appointment process undertaken in respect of the change of Chairmanship at the year end and for the recent appointment of Quintin Price as a Director of the Company. A sequence of changes planned in respect of the longer serving Directors following the successful transition of the Chairmanship has commenced. The initial phase of the plan is focused on ensuring the continuity of investment knowledge and expertise amongst the Board members. The composition of the Board and Committee members is set out in the Directors' details on pages 31 and 32. The Company's diversity policy is set out on page 29.

Board evaluation and effectiveness

Every three years the appraisal process is carried out with the support of an independent external facilitator and in 2019 this was undertaken by Board Level Partners. The process covered the Board, committees and individual Directors and included confidential unattributable one-to-one interviews between the facilitator and each Director. The Fund Manager, Head of Investment Trusts at BMO GAM and the Company Secretary also participated to provide all-round feedback to the Board.

The appraisal of Beatrice Hollond was covered as part of the process and led separately by the Senior Independent Director. The findings of the external evaluation were discussed with the Chairman and were reviewed by the Board.

Progress in achieving the 2019 objectives and those relating to the critical success factors identified and considered in previous annual appraisals were reviewed as part of the process. Since the last external evaluation in 2016, the Board has successfully addressed several major strategic issues and, partly reflecting this, the Company has benefited from the narrowing of the range of its discount to NAV. The appraisal concluded that the Board oversees the management of the Company effectively and has the skills and expertise to safeguard shareholders' interests. Its Directors offer a wealth of diverse yet complementary skills and experience gained in the UK and overseas, and challenge the Manager constructively. All Directors make an effective contribution to the Board commensurate with their experience and skills. Whilst the appraisal did not highlight any material weaknesses or concerns, it identified some areas for focus going forward, including the successful implementation of the succession plan that is in train and the continuing development of the Company's ESG policies, investment and marketing strategies.

The activities of the Management Engagement, Nomination and Audit committees were considered as part of the Board appraisal process. The conclusion from the process was that the committees were operating effectively, with the right balance of membership, experience and skills.

Audit, risk and internal control

The Board has established an audit committee the report of which is set out on pages 47 to 51. The report includes the rationale for the Company not having established its own internal audit function; how the independence and effectiveness of the external auditor is assessed; and how the Board satisfies itself on the integrity of financial statements. The report covers the process under which the Board satisfied itself that the Report and Accounts presents a fair balanced and understandable assessment of the Company's position and prospects. There is an explanation of the procedures under which risk is managed and how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Further information on the Company's risk and control framework can be found on page 48.

Relations with shareholders and stakeholders

The Company's key stakeholders are the shareholders as explained on page 10. Further information on its role in the community is also explained.

Remuneration

The remuneration policy is explained on page 44 and that, as non-executive Directors, their fees are set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the contribution towards the delivery of the investment objective. While there are no executive Directors and no employees, shareholders should expect that the fees paid to the Manager are aligned with the Company's purpose, values and the successful delivery of its long-term strategy. This is achieved, as described on page 41, through alignment of the fee rate with the Company's market capitalisation under a tiered structure. This helps to bring down the cost ratios as the Company grows, with the benefits of scale being passed on to shareholders.

By order of the Board
BMO Investment Business Limited
Secretary
13 March 2020

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2019. The Chairman's Statement on corporate governance, Directors' biographies, Applying the principles of the UK Code, the Reports of the Management Engagement, Nomination and Audit Committees, and the Remuneration Report all form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that, following advice from the Audit Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee had reviewed the draft Report and Accounts for the purpose of this assessment having also put in place, as explained on page 50, an arm's length process to provide additional comfort to the Directors in making this statement. The market outlook for the Company can be found on page 17. Principal Risks can be found on page 20 with further information in note 26 to the Accounts. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R other than in respect of Listing Rule 9.8.4(7)R concerning the issue of shares which is on page 36.

Results and dividends

The results for the year are set out in the attached accounts. The three interim dividends totalling 8.70 pence per share, together with the final dividend of 2.90 pence per share, which will be paid on 13 May 2020 to shareholders registered on 17 April 2020 subject to approval at the AGM (**Resolution 4**), will bring the total dividend for the year to 11.60 pence per share. This represents an increase of 5.5% over the comparable 11.00 pence per share paid in respect of the previous year.

Company status

The Company is a public limited company and an investment company as defined by section 833 of the Act. The Company is registered in England and Wales with company registration number 12901 and is subject to the Financial Conduct Authority's (**"FCA"**) Listing Rules, Disclosure Guidance and Transparency Rules (**"DTRs"**) and other applicable legislation and regulations including company law, financial reporting standards, taxation law and its own articles of association.

Taxation

As set out on page 29 and in note 7 to the Accounts, the Company is exempt from UK Corporation Tax on its worldwide dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with Section 1158. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

Prevention of the facilitation of tax evasion

The Board is committed to compliance with the Criminal Finances Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates. The policy is based on a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

Accounting and going concern

The Financial Statements, starting on page 60, comply with current UK Financial Reporting Standards, supplemented by the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (**"SORP"**). The significant accounting policies of the Company are set out in note 2 to the Accounts. The unqualified auditors' opinion on the Financial Statements appears on page 53. Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM (**Resolution 1**).

As discussed in note 25 to the Accounts, the Directors believe that, in light of the controls and monitoring processes that are in place, the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. Accordingly, it is reasonable for the financial statements to continue to be prepared on a going concern basis. The Company's longer term viability is considered in the "Ten Year Horizon" Statement on page 21.

Statement as to disclosure of information to the auditors

Each of the Directors confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which Ernst & Young LLP (**"EY"** or the **"auditors"**) is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that EY is aware of that information.

Reappointment of auditors

EY have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their reappointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be put to shareholders at the AGM (**Resolutions 13 and 14**). Further information in relation to the reappointment can be found on page 50.

Capital structure

As at 31 December 2019 there were 561,819,016 ordinary shares of 25 pence each (**"ordinary shares"**) in issue of which 19,197,772 were held in treasury. As at 6 March 2020 (being the latest practicable date before publication of this report) the number of shares in issue remained as 561,819,016 and the number held in treasury as 19,197,772.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 17 to the Accounts. The revenue profits of the Company (including accumulated revenue reserves), together with the realised capital profits of the Company, are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares. Full details are set out in the Company's articles of association.

Issue and buyback of shares

At the annual general meeting held on 2 May 2019, shareholders authorised the Board to issue further ordinary shares or sell from treasury up to 5% of the number then in issue. To satisfy demand, the Company sold shares from treasury on three occasions during the year to JPMorgan Cazenove. The total number sold was 1,650,000, with a nominal value of £412,500, at an average price of 682.6 pence. The total consideration was £11,262,550 before the deduction of issue costs. No further sales have taken place between the date of the year end and 6 March 2020 (being the latest practicable date before publication of this report).

Shareholders also renewed the Board's authority to purchase up to 14.99% of its own issued ordinary shares, (excluding any shares held in treasury) at a discount to NAV per share. The shares bought back can either be cancelled or held in treasury to be sold as and when the share price is at a premium.

A total of 1,309,468 shares were bought back all of which were placed in treasury. The shares bought back represented 0.2% of the shares in issue (calculated exclusive of any shares held in treasury) at 31 December 2018. This enhanced the net asset value per share by 0.1 pence. The purchases were made at prices ranging between 686.3 pence and 731.2 pence and the aggregate consideration paid for the shares, including stamp duty and commissions, was £9,276,000. As at 31 December 2019 there were 561,819,016 ordinary shares in issue of which 19,197,772 were held in treasury. Therefore the total number of voting rights in the Company at that date was 542,621,244.

Voting rights and proportional voting

At 6 March 2020 the Company's 561,819,016 ordinary shares in issue less the 19,197,772 shares held in treasury represented a total of 542,621,244 voting rights. As at 31 December 2019 and since that date no notifications of significant voting rights have been received under the FCA's DTRs.

Approximately 45% of the Company's share capital is held on behalf of non-discretionary clients through the BMO Savings Plans. For those planholders who do not return their voting directions, the nominee company will vote their shares in proportion to those who do (**"proportional voting"**). Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in these plans being voted. A maximum limit of 604,000 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, also applies. Any shares voted by an investor in excess of the maximum limit remain valid, but do not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Borrowings

The Company has a number of borrowing facilities and has in issue fixed rate senior unsecured private placement notes (the **"Notes"**). These include the following Notes issued on 27 June 2019: -

(i) €42 million principal under a 7-year tenor at a coupon of 0.93%;
(ii) £57m principal under a 23-year tenor at a coupon of 2.59%;
(iii) £37m principal under a 30-year tenor at a coupon of 2.69%; and
(iv) £20m principal under a 40-year tenor at a coupon of 2.72%.

Overview | Chairman's Statement | Strategic Report | Governance Report | Auditor's Report | Financial Report | Notice of Meeting | Other Information

There is also a multi-currency overdraft facility with JPMorgan Chase Bank and the Company also has a perpetual debenture stock. Further reference is made on page 16 and in notes 13, 15 and 16 to the Accounts.

Remuneration report

The Directors' Remuneration Report, which can be found on pages 44 to 46 provides detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Policy at the forthcoming AGM, which has no material changes to that last approved by shareholders in 2017. Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. It is intended that this policy will continue for the three year period ending at the AGM in 2023. Shareholders will also be asked to approve the Remuneration Report (**Resolutions 2 and 3**).

Appointments to the Board

Under the articles of association of the Company, the number of Directors on the Board may be no more than fifteen. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments require prior Board approval and are subject to election by shareholders at the next annual general meeting and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of their term of office and may by ordinary resolution appoint another person who is willing to act to be a Director in their place. The provisions under which a Director would automatically cease to be a Director are set out in the articles of association.

Contribution and independence of Directors

The Board is composed solely of independent non-executive Directors. The Nomination Committee has considered each Director and the Board has concurred with its assessment that each Director continues to make a valuable and effective contribution and remains committed in their respective roles. Furthermore, no Director has a past or current connection with BMO GAM and each remains independent in character and judgement with no relationships or circumstances relating to the Company that are likely to affect that judgement. The Board has therefore concurred with the Nomination Committee's assessment that all the Directors are independent of BMO GAM and of the Company itself. For these reasons and those set out on page 43, Sir Roger Bone's tenure of 12 years and Jeffrey Hewitt's tenure of nearly ten years are not considered to compromise their independence.

The following table sets out the Directors' meeting attendance in 2019. The Board held a separate meeting in September 2019 to consider strategic issues and also met regularly in private session during the year, without any representation from the Manager.

Directors' attendance in 2019

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
No. of meetings	8	4	3	1
Simon Fraser*†	8	4	2	1
Sarah Arkle	8	4	n/a	1
Sir Roger Bone	8	4	3	1
Francesca Ecsery	8	n/a	3	1
Jeffrey Hewitt	8	4	n/a	1
Beatrice Hollond†	8	3	1	1
Edward Knapp	8	4	n/a	1
Nicholas Moakes	8	n/a	3	1

*Attended but was not a member of the Audit Committee
† Beatrice Hollond replaced Simon Fraser as Chairman of the Nomination Committee on 1 September 2019.

Director re-elections

The biographies of the Directors are set out on pages 31 and 32 and are incorporated into this report by reference. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are also set out. With the exception of Quintin Price, who was appointed on 10 March 2020, all the Directors held office throughout the year under review and will stand for re-election by shareholders at the meeting in accordance with the requirements of the UK Code. Mr Price will stand for election by shareholders. Simon Fraser retired from the Board on 31 December 2019. **(Resolutions 5 to 12)**

Directors' interests and indemnification

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year. There are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company has granted a deed of indemnity to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. This deed of indemnity is a qualifying third-party provision (as defined by section 234 of the Act) and has been in force throughout the period under review and remains in place as at the date of this report. It is available for inspection at the Company's registered office during normal business hours and at the AGM. The Company also maintains directors' and officers' liability insurance.

Conflicts of interest

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the company (a **"situational conflict"**). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Directors. Limits can be imposed as appropriate.

Other than the formal authorisation of the Directors' other directorships as situational conflicts, no authorisations have been sought. These authorisations were reviewed in January 2020, and each Director abstained from voting in respect of their own directorships. Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

Safe custody of assets

The Company's listed investments are held in safe custody by JPMorgan Chase Bank (the **"Custodian"**). Operational matters with the Custodian are carried out on the Company's behalf by the Manager via BMO GAM in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held.

Depositary

JPMorgan Europe Limited (the **"Depositary"**) acts as the Company's Depositary in accordance with the Alternative Investment Fund Managers Directive (**"AIFMD"**). The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the Custodian; and monitoring the Company's compliance with investment and leverage limits requirements. The Depositary receives for its services a fee of one basis point per annum on the first £1 billion of the Company's net assets and 0.25 basis points per annum on net assets in excess of that amount, payable monthly in arrears.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

Management fees

Information on the management fees payable by the Company is set out in the Report of the Management Engagement Committee on page 41.

AGM

The Company is legally obliged to hold its AGM by 30 June 2020 and the meeting is therefore scheduled to take place at the usual venue, the Merchant Taylors Hall, 30 Threadneedle Street, London EC2 on Thursday 7 May 2020 at 12 noon. This may change if restrictions on social gatherings become necessary as a result of the current situation with COVID-19 (also known as coronavirus), in which case shareholders will be notified accordingly. The health and safety of shareholders is uppermost in our minds and we would urge you all to pay heed to public health warnings before deciding whether or not to attend.

The Notice of Meeting appears on pages 88 to 89 and includes a map of the venue. It is currently intended that the Fund Manager will give a presentation and that there will be an opportunity to ask questions during the meeting. Shareholders will be able to meet the Directors informally over refreshments afterwards but, as mentioned above, circumstances may change. We therefore encourage the completion of a form of proxy, or form of direction, appointing the Chairman or another Director as proxy as the votes of those who are not able or wishing to attend can still be counted in that way.

Authority to allot shares and sell shares from treasury (Resolutions 15 and 16)

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash or selling shares out of treasury, without first offering them to existing shareholders in proportion to their holdings.

Resolution 15 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £6.7m, (27.1m ordinary shares), being equivalent to approximately 5% of the Company's current issued share capital (calculated exclusive of any shares held by the Company in treasury) as at 6 March 2020, being the latest practicable date before the publication of the notice of the AGM. The authority and power expires at the conclusion of the annual general meeting in 2021 or on 30 June 2021, whichever is the earlier.

Resolution 16 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro rata basis and also to sell treasury shares without first offering them to existing shareholders in proportion to their holdings up to an aggregate nominal amount also of £6.7m (representing approximately 5% of the issued ordinary share capital of the Company at 6 March 2020, calculated exclusive of any shares held in treasury).

These authorities provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on pages

28 and 29 or should any other favourable opportunities arise to the advantage of shareholders.

The Directors anticipate that they will mainly use them to satisfy demand from participants in the BMO Savings Plans when they believe it is advantageous to such participants and the Company's shareholders to do so. Under no circumstances would the Directors use them to issue shares or sell treasury shares at a price which would result in a dilution of NAV per ordinary share.

Authority for the Company to purchase its own shares (Resolution 17)

At the annual general meeting held in 2019 the Company was authorised to purchase approximately 14.99% of its own shares for cancellation or to be held in treasury. The number of shares remaining under that authority as at 31 December 2019 was 79,960,532 shares or 14.74% of the issued share capital exclusive of the number of shares held in treasury. Resolution 17 will authorise the renewal of such authority enabling the Company to purchase in the market up to a maximum of 81,300,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital exclusive of treasury shares) and the minimum and maximum prices at which they may be bought exclusive of expenses, reflecting requirements of the Act and the Listing Rules.

The Directors will continue to use this authority in accordance with the policy set out on pages 28 and 29. Under the Act, the Company is allowed to hold its own shares in treasury following a buyback, instead of having to cancel them. This gives the Company the ability to reissue treasury shares quickly and cost-effectively (including pursuant to the authority under Resolution 16, see above) and provides the Company with additional flexibility in the management of its capital base. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are in the treasury. If the Board exercises the authority conferred by Resolution 17, the Company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue. Purchases of ordinary shares under the authority will be financed out of realised revenue and/or capital reserves and funded from the Company's own cash resources or, if appropriate, from short-term borrowings. The authority to purchase ordinary shares will continue until the annual general meeting in 2021 or on 30 June 2021, whichever is the earlier. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Form of proxy for AGM voting

If you are a registered shareholder you will find enclosed a form of proxy for use at the AGM. You will also have the option of lodging your proxy vote using the Internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system.

Please either complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions or, alternatively, lodge your proxy vote via the Internet or the CREST proxy voting system, whether or not you intend to be present at the AGM. This will not preclude you from attending and voting in person if you so wish.

All proxy appointments should in any event be returned or lodged so as to be received not later than 48 hours before the time appointed for holding the AGM.

Form of direction and proportional voting

If you are an investor in any of the BMO Savings Plans, you will have received a form of direction for use at the AGM and you will also have the option of lodging your voting directions using the Internet. BMO operates a proportional voting arrangement, which is explained on page 36.

All voting directions should be made as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 12 noon on 30 April 2020, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Voting recommendation

Your Board considers that the resolutions to be proposed at the AGM are in the best interests of shareholders as a whole. The Board therefore recommends that shareholders vote in favour of each resolution, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board
BMO Investment Business Limited
Secretary
13 March 2020

Management and Advisers

The Management Company

F&C Investment Trust PLC, or "FCIT", is managed by BMO Investment Business Limited, a wholly-owned subsidiary of BMO Asset Management (Holdings) PLC which is ultimately owned by Bank of Montreal. BMO Investment Business Limited is appointed under an investment management agreement with FCIT, setting out its responsibilities for investment management, administration and marketing. The Manager undertakes ESG matters through BMO Asset Management Limited, which together are defined as BMO Global Asset Management (**"BMO GAM"**). They are both authorised and regulated by the Financial Conduct Authority.

The Manager also acts as the Alternative Investment Fund Manager.

Paul Niven Fund Manager and Head of Multi-Asset Investment and chair of BMO GAM's asset allocation committee. He has extensive experience in managing large diversified investment funds and has managed FCIT since July 2014. He joined in 1996.

Hugh Potter Represents the Manager as Company Secretary and is responsible for FCIT's statutory compliance. He joined in 1982.

Marrack Tonkin Head of Investment Trusts with responsibility for BMO GAM's relationship with FCIT. He joined in 1989.

Sub-managers (North America large and medium cap portfolio)

Barrow, Hanley, Mewhinney & Strauss, LLC – appointed 2005
T. Rowe Price International Ltd – appointed 2006

Private Equity funds of funds Managers

HarbourVest Partners LLC – appointed 2003
Pantheon Ventures Limited – appointed 2003

Secretary and Company's Registered Office

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Report of the Management Engagement Committee

Role of the Committee

The primary role of the Management Engagement Committee is to review the investment management agreement and monitor the performance of the Manager for the investment, secretarial, financial, administration, marketing and support services that it provides under that agreement. It also reviews the terms of the agreement including the level and structure of fees payable, the length of notice period and best practice provisions generally. All of the Committee's responsibilities have been carried out over the course of 2019 and 2020 to date.

Manager evaluation process

The Committee met once during the year and again in January 2020 for the purpose of the formal evaluation of the Manager's performance (including the contribution from BMO GAM more widely). Its performance is considered by the Board at every meeting, with a formal evaluation by the Committee each year. For the purposes of its ongoing monitoring, the Board receives detailed reports and views from the Fund Manager on investment policy, asset allocation, gearing and risk, together with quarterly presentations on the BMO GAM managed portfolio strategies. Quarterly updates are received from the US sub-managers. The Board also receives comprehensive performance measurement schedules, provided by BMO GAM and also Morningstar UK Limited and Refinitiv Eikon, which are leading data suppliers. These enable it to assess: the success or failure of the management of the total portfolio against the performance objectives set by the Board; the sources of positive and negative contribution to the portfolio returns in terms of gearing, asset allocation and stock selection; and the performance of each investment portfolio against its local index, where applicable, and the risk/return characteristics. Portfolio performance information, which is relevant in monitoring BMO GAM, the sub-managers and the Private Equity funds of funds managers, is set out on pages 12 to 17.

Manager reappointment

The annual evaluation that took place in January 2020 included presentations from the Fund Manager and BMO GAM's Head of Investment Trusts. This focused primarily on the objectives set by the Board and BMO GAM's contribution towards achieving those objectives particularly in regard to investment strategy and marketing. As part of the evaluation, their Head of Distribution presented to the Board on the strength of its business and the resources and opportunities for BMO GAM as part of the wider Bank of Montreal group of companies and their continued support for its investment trust business. With regard to performance, the share price total return outperformed the benchmark over one, three, five and ten years. The Committee met in closed session following the presentations and concluded that in its opinion the continuing appointment of the Manager on the terms agreed was in the interests of shareholders as a whole. The Board ratified this recommendation.

The Manager's fee

An important responsibility of the Committee is that relating to the management fee. The Manager receives an annual fee, which for the year under review was equal to 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. The fee is calculated and paid monthly in arrears and is subject to a reimbursement for amounts earned from investments in other investment vehicles managed by BMO GAM. The amount paid was £13.0m, a decrease of 3.0% from £13.4m last year reflecting the effect of the tiered management fee, introduced at the beginning of the year, as the market capitalisation of the Company continued to rise. Note 4 to the Accounts provides detailed information in relation to the management fee.

No additional fees (beyond the annual fee detailed above) are paid to the Manager for any future commitments made to Private Equity that fall within its remit. The Manager and certain individuals employed by the Manager are, however, entitled to participate in a performance fee arrangement in the form of carried interest over secondary or co-investments made within the Private Equity programme.

Review of the Manager's fee

The fee paid to the Manager is reviewed by the Committee every three years and was last reviewed in December 2018. At that time, presentations were given by both BMO GAM and JPMorgan Cazenove, FCIT's stockbroker, which had provided an in-depth analysis of fees prevailing in the market place and trends both within the investment trust industry and more widely. The review also considered the effect of the ad valorem structure and hence the impact of exchange rate movements and share buybacks. The findings of the Committee were that while the then existing structure and fee level were both sensible and aligned in the key areas there was scope to put in place a tiered structure. The Committee recommended the fee basis outlined above. The Board subsequently endorsed the recommendation and the change took effect from 1 January 2019.

Third-Party Managers' fees

BMO GAM incurs investment management fees from the sub-managers appointed to manage the North America portfolio. The Company reimburses these fees, which in 2019 amounted to £4.2m (2018: £3.7m) (see note 4 to the Accounts). There were no changes in the year to the fee structures.

Private equity funds of funds managers' fees

The fees paid to Private Equity managers in respect of the Private Equity funds of funds amounted to £3.6m for 2019 (2018: £4.6m) (see note 4 to the accounts) all of which was incurred indirectly through the funds. Some of the funds have arrangements whereby these Private Equity managers share in the profits once certain "hurdle" rates of return to investors have been achieved. These arrangements are varied and complex, but are on normal commercial terms within the private equity funds of funds industry. Fees payable by the underlying funds are negotiated by each manager. The arrangements also vary from fund to fund, but management fees of 2% per annum and a 20% carried interest, once an agreed hurdle rate of return for investors has been achieved, would be normal.

Use of the "F&C" name

The Company was previously named Foreign & Colonial Investment Trust PLC and continues to own the name "Foreign & Colonial" while BMO GAM owns the name "F&C". The terms under which the Company can use the "F&C" name are set out in a separate trade mark licence agreement with BMO GAM dated 1 March 2018. The licence agreement is royalty free subject to there being no material change to the Company's management arrangements with BMO GAM within the next 13 years.

Committee evaluation

The activities of the Management Engagement Committee were considered as part of the externally facilitated Board appraisal process completed in accordance with standard governance arrangements as summarised on page 33. The conclusion from the process was that the Committee was operating effectively, with the right balance of membership and skills.

Beatrice Hollond
Management Engagement Committee Chairman
13 March 2020

Report of the Nomination Committee

Role of the Committee

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy. All of the Committee's responsibilities have been carried out over the course of 2019 and 2020 to date. The Committee met on three occasions during the year and specifically considered, monitored and reviewed the following matters:

- the structure and size of the Board and its composition particularly in terms of succession planning and the experience and skills of the individual Directors and diversity across the Board as a whole;
- tenure policy;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment;
- the selection and appointment of the new Chairman and the reappointment of those Directors standing for re-election at annual general meetings;
- the need for any changes in membership of the committees;
- the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;
- each Director's independence;
- the authorisation of each Director's situational conflicts of interests in accordance with the provisions of the Act and the policy and procedures established by the Board in relation to these provisions; and
- the fees of the Directors for the financial year ahead with a recommendation to the Board.

Diversity and tenure

The Board's diversity policy, objective and progress in achieving it are set out on page 29. Director searches are undertaken in accordance with this objective and policy with the recruitment process open to a diverse range of candidates.

The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company or, indeed, its chairman. This is because continuity and experience can add significantly to the strength of investment trust boards where the characteristics and relationships tend to differ from those of other companies. While the Chairman and Directors are normally expected to serve for a nine-year term, this may be adjusted for reasons of flexibility and continuity.

Appointment of new Chairman

As previously reported, the Committee initiated a search in 2018 for a new Chairman under the leadership of the Senior Independent Director. The process included the use of an independent search company, Nurole Limited. The search took place under clearly defined candidate criteria produced by the Committee based on merit and objective criteria. The selection process was thorough and took into consideration the applications that came via the Nurole platform and a series of interviews with a number of shortlisted candidates. Mrs Hollond's application and interview was considered and undertaken alongside these candidates and assessed under the same strict criteria. It became clear from the process that Mrs Hollond was the most suitable candidate for the role and, after confirmation from individual interviews with each of the other Board members, the Committee recommended that she be appointed as Chairman on the retirement of Mr Fraser based on merit and objective criteria. The Board approved the recommendation.

Succession planning

While no new appointments were made to the Board during the course of the year, the Committee had put in place a succession plan in respect of the longer serving Directors. The Committee met and considered three search firms in November 2019 for the first of these searches, which would focus on maintaining the level of investment skills and knowledge on the Board following Mr Fraser's retirement. Nurole Limited was chosen again and a similar process to that undertaken in respect of the chairmanship was carried out leading to the recent appointment of Mr Price.

The services provided by Nurole Limited on both occasions were for the sole purpose of recruiting the eventual appointees and there were no other business relationships in place with that company. The final decision on appointing new Directors always rests with the Board.

Committee evaluation

The activities of the Nomination Committee were considered as part of the externally facilitated Board appraisal process completed in accordance with standard governance arrangements as reported on page 33.

Beatrice Hollond
Nomination Committee Chairman
13 March 2020

Remuneration Report

Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the Company objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Senior Independent Director, Directors and the chairmen and members of the various committees of the Board and their retention are taken into account. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. This includes provision for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and committee meetings, including those treated as a benefit in kind subject to tax and national insurance. This policy was last approved by shareholders in April 2017 with 93.26% voting in favour, 6.50 % voting against while 0.24% abstained. The Board has not subsequently received any views from shareholders in respect of the levels of Directors' remuneration. The policy will be put to shareholders for renewal at the AGM with the intention that it will continue for the three-year period ending at the annual general meeting in 2023.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £500,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in her case, from the Senior Independent Director. The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Board considers the level of Directors' fees annually. Towards the end of the year the Chairman carried out a review of fee rates in accordance with the policy. The Board agreed with her recommendation that commencing 1 January 2020, the base fee should be £37,500 representing an increase of 1.3% since the last increase on 1 January 2019. The Board also agreed to the Senior Independent Director's recommendation that an increase be made to the Chairman's fee commensurate with the increase in the base fee; an increase to £75,000. The fee in respect of the chairman of the Audit Committee was increased to £13,500 and to £5,250 for the members.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed. Each Director has signed a terms of appointment letter with the Company, in each case including one month's notice of termination by either party. There is no provision for compensation for loss of office. The letters of appointment are available for inspection at the Company's registered office during business hours and will be available for 15 minutes before and throughout the forthcoming AGM.

The dates on which each Director was appointed to the Board are set out under their biographies on pages 31 and 32. Under the terms of their respective letters of appointment, each Director's appointment is subject to election at the first annual general meeting following that appointment and thereafter will continue subject to re-election at each subsequent annual general meeting in accordance with the provisions of the UK Code. With the exception of Mr Price, all the Directors were last re-elected at the annual general meeting held on 2 May 2019 and will stand for re-election at the AGM on 7 May 2020, while Mr Price will stand for election.

The fees for specific responsibilities are set out in the table below. No fees are payable for membership of the Management Engagement Committee.

Annual fees for Board Responsibilities

	2020 £'000s	2019 £'000s
Board		
Chairman	75.0	74.0
Senior Independent Director	43.8	43.3
Director	37.5	37.0
Audit Committee		
Chairman	13.5	13.0
Members	5.3	5.0
Nomination Committee		
Chairman	3.0	3.0
Members	3.0	3.0

Directors' shareholdings

The interests of the Directors in the Company's ordinary shares at the beginning and end of the financial year are shown below:

Directors' share interests (audited)

At 31 December	2019	2018
Simon Fraser	37,208	37,104
Sarah Arkle	10,000	10,000
Sir Roger Bone	66,855	64,106
Francesca Ecsery	19,134	10,066
Jeffrey Hewitt	24,769	23,577
Beatrice Hollond	3,500	3,500
Edward Knapp	8,002	7,788
Nicholas Moakes	79,892	78,624

The Company's register of Directors' interests contains full details of Directors' shareholdings.

Since the year end, and up to 6 March 2020 (being the latest practicable date before the publication of the Report and Accounts), the following Directors have acquired further ordinary shares: Edward Knapp 40, Sir Roger Bone 513, Jeffrey Hewitt 224, Francesca Ecsery 46 and Nicholas Moakes 290. There have been no changes in any of the other Directors' shareholdings detailed above. No Director held any interests in the issued stock or shares of the Company other than as stated above. There is no requirement for the Directors to hold shares in the Company.

As at 6 March 2020 the Fund Manager held 164,184 ordinary shares in the Company.

Policy implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to shareholders at the forthcoming AGM. At the last meeting, shareholders approved the Remuneration Report in respect of the year ended 31 December 2018 with 93.23% of votes cast in favour of the resolution, 6.58% were against while 0.19% abstained.

Directors' emoluments for the year

The Directors who served during the year received the following amounts for services as non-executive Directors and can expect to receive the fees indicated for 2020 as well as reimbursement for expenses necessarily incurred.

Fees for services to the Company (audited)

	Fees £'000s (audited)		Taxable Benefits(1) £'000s (audited)		Total £'000s (audited)		Anticipated Fees(2) £'000s
Director	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2020**
Simon Fraser(3)	77.0	75.0	0.0	0.0	77.0	75.0	n/a
Sarah Arkle	42.0	41.0	0.0	0.0	42.0	41.0	42.8
Sir Roger Bone	51.3	50.3	0.0	0.0	51.3	50.3	52.0
Francesca Ecsery	40.0	39.0	0.0	0.0	40.0	39.0	40.5
Jeffrey Hewitt	50.0	48.0	0.6	0.9	50.6	48.9	51.0
Beatrice Hollond(4)	43.1	41.0	0.0	0.0	43.1	41.0	78.0
Edward Knapp	42.0	41.0	0.1	0.1	42.1	41.1	42.8
Nicholas Moakes	40.0	39.0	0.0	0.0	40.0	39.0	40.5
Quintin Price(5)	n/a	n/a	n/a	n/a	n/a	n/a	30.2
Total	385.4	374.3	0.7	1.0	386.1	375.3	377.8

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.
(2) Fees expected to be payable to the Directors during the course of the year ending 31 December 2020. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Highest paid Director. Mr Fraser retired on 31 December 2019.
(4) Appointed to the Nomination Committee on 1 September 2019 and Chairman of the Board on 1 January 2020. Resigned from the Audit Committee on 31 December 2019.
(5) Appointed to the Board on 10 March 2020.

The information in the table above for the years 2018 and 2019 has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

The table below is shown to enable shareholders to assess the relative importance of spend on remuneration. It compares the remuneration, excluding taxable benefits, against the shareholder distributions of dividends and share buybacks.

Actual expenditure	2019 £'000s	2018 £'000s	% Change
Aggregate Directors' Remuneration	385.4	374.3	3.0
Aggregate Dividends paid to shareholders	61,915	58,556	5.7
Aggregate cost of ordinary shares repurchased*	9,276	0	N/A

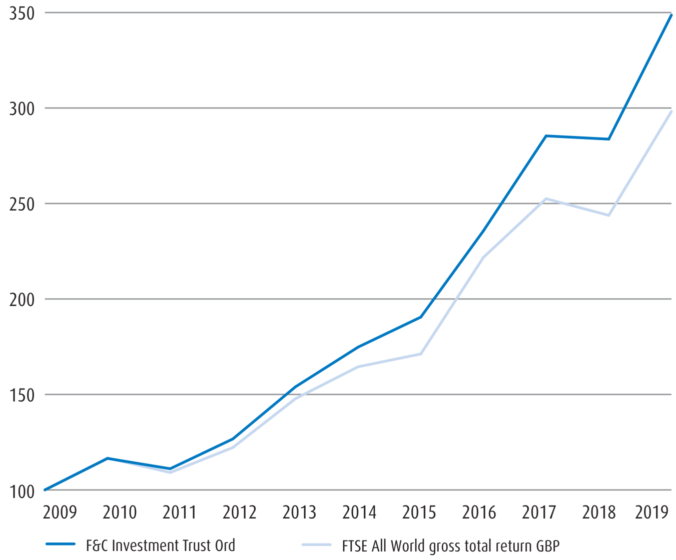
*No shares were repurchased in the previous year.

Company performance

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Manager. An explanation of the performance of the Company for the year ended 31 December 2019 is given in the Chairman's Statement and Fund Manager's Review.

A comparison of the Company's performance over the required ten-year period is set out on the graph opposite. This shows the total return (assuming all dividends are reinvested) to ordinary shareholders against the Company's benchmark.

Shareholder total return vs benchmark total return over ten years



Source: BMO GAM & Refinitiv Eikon

Annual statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 31 December 2019:

- The major decisions on Directors' remuneration;
- Any substantial changes relating to Directors' remuneration made during the year; and
- The context in which the changes occurred and decisions have been taken.

On behalf of the Board
Beatrice Hollond
Chairman
13 March 2020

Report of the Audit Committee

I am pleased to present to you the Report of the Audit Committee for the year ended 31 December 2019. The Report and Accounts have been reviewed particularly in respect of the further requirements relating to the Strategic Report and to the UK Code of Corporate Governance. The Committee has continued to test and challenge the Private Equity managers over their valuation processes and controls to ensure the highest levels of scrutiny and oversight are applied.

Role of the Committee

The primary responsibilities of the Audit Committee are to ensure the integrity of the financial reporting and statements of the Company, and to oversee: the preparation and audit of the annual accounts; preparation of the half yearly accounts and the internal control and risk management processes. The Committee met four times during the year with BMO GAM's Trust Accountant, Head of Investment Trusts, Risk Managers of BMO GAM and the Fund Manager in attendance. EY attended three of the meetings and have met in private session with the Committee. The Board Chairman was invited to, and regularly attended, Committee meetings.

Specifically, the Committee considered, monitored and reviewed the following matters:

- The audited annual results statement and annual report and accounts and the unaudited half-yearly report and accounts, including advice to the Board as to whether the annual report and accounts taken as a whole are fair, balanced and understandable;
- The accounting policies of the Company;
- The Principal Risks and emerging risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's "Ten Year Horizon" statement on viability;
- How the Company has applied the principals and complied with the provisions of the UK Code;
- The effectiveness of the external audit process and the current independence and objectivity of EY;
- The appointment, remuneration and terms of engagement of the auditor;
- The policy on the engagement of the external auditor to supply non-audit services and approval of any such services;
- Whether to change the Company's current policy by establishing its own Internal Audit function;
- The ISAE/AAF and SSAE16 reports or their equivalent from BMO GAM, the Custodian, Depositary, the Private Equity managers and the sub-managers and a due diligence report from the Company's Share Registrars;
- The performance of the Company's third-party service providers and administrators, other than BMO GAM, and the fees charged in respect of those services;
- Bank counterparties and BMO GAM's dealing efficiency and associated costs;
- The Company's trademarks and intellectual property rights; and
- The Committee's terms of reference for approval by the Board.

Comprehensive papers relating to each of these matters were prepared for discussion. These were debated by the Committee and any recommendations were fully considered if there was a judgement to be applied in arriving at conclusions. Recommendations were then made to the Board as appropriate.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 52. On broader control policy issues, the Committee has reviewed, and is satisfied with BMO's Code of Conduct and to the Anti-Bribery and Anti-Corruption Operating Directive (the **"Directive"**) to which BMO GAM and its employees are subject. The Board is responsible for ensuring appropriate procedures and processes are in place to enable issues of concern to be raised. Mindful of this, the Committee has reviewed BMO GAM's Whistleblowing Policy that has been put in place under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for communication by BMO

GAM to this Committee where matters might impact the Company with appropriate follow-up action. In 2019 there were no such concerns raised with the Committee and this was reported to the Board.

Composition of the Committee

The Board recognises the requirement for the Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience. Following Beatrice Hollond having stepped down from the Committee on 31 December 2019, the Committee comprises four independent non-executive Directors. I, Jeffrey Hewitt, am Chairman of the Committee and a Chartered Accountant and was for many years Group Finance Director of Electrocomponents plc, as well as currently or having recently been audit committee chairman of other listed companies. The other members of the Committee have a combination of financial, investment and business experience through the senior posts held throughout their careers. Several have wide experience of the investment trust sector. Details of the members can be found on pages 31 and 32 and the Committee's terms of reference can be found on the website at fandcit.com.

Management of risk

BMO GAM's Business Risk Department provides regular control report updates to the Committee covering risk and compliance whilst any significant issues of direct relevance to the Company are required to be reported to the Committee and Board immediately.

A key risk "radar" summary is produced by BMO GAM in consultation with the Board to identify the risks to which the Company is exposed, the controls in place and the actions being taken to mitigate them. The Board has a robust process for considering the resulting risk matrix at regular meetings and dynamically reviews the significance of the risks and the reasons for any changes.

The Board carried out a separate exercise in October 2019 during which each Director, the Fund Manager, Head of Investment Trusts and Company Secretary independently listed what they consider to be the greatest risks that could impact the sustainable success of the Company. The purpose of the exercise was to identify any new emerging risks and take any necessary action to mitigate their potential impact. Given increasing emphasis on ESG issues and climate change in particular, the implications of these issues were highlighted and had previously been considered and discussed at the Strategy meeting in September with the Manager's Responsible Investment team. The combined list was then reconciled with the risks previously identified within the existing key risk "radar" and reviewed as part of the robust assessment of the Company's risks and controls described below.

The Company's Principal Risks and Future Prospects are set out on page 20 with additional information given in note 26 to the Accounts. The Committee noted the robustness of the Board's review of principal risks, and the identification of emerging risks, and participated as Board members themselves. The integration of these risks into the analyses underpinning the "Ten Year Horizon" Statement on viability on page 21 was fully considered and the Committee concluded that the Board's statement was soundly based. The period of ten years was also agreed as remaining appropriate for the reasons given in the statement, whilst recognising that the period remains longer than that used by many other companies.

Internal controls

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations, which are managed by BMO GAM. The Committee has reviewed and reported to the Board on these controls, which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Committee through regular reports provided by BMO GAM. The reports cover investment performance, performance attribution, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third-party administrators of the BMO Savings Plans and on other relevant management issues.

The systems of internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, or loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the Company's internal controls. The assessment included a review of the BMO GAM risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2019 (the **"ISAE/AAF Report"**) and subsequent confirmation from BMO that there had been no material changes to the control environment in the period to 27 February 2020. This had been prepared by BMO GAM for all its investment trust clients to the International Standard on Assurance Engagement (ISAE) No. 3402 and to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). The ISAE/AAF Report from independent reporting accountants KPMG sets out BMO GAM's control policies and procedures with respect to the management of clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Committee and Board meeting by BMO GAM, including those relating to the administration of their savings plans and related complaint levels. No failings or weaknesses material to the overall control environment and financial statements were identified in the year. The Committee also reviewed the control reports of the Custodian, the Depositary, T. Rowe Price and Barrow, Hanley, Private Equity funds of funds managers and the Share Registrar's due diligence report and were satisfied that there were no material exceptions.

Through the reviews noted above and by direct enquiry of BMO GAM and other relevant parties, the Committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year nor to the date of this Report.

Based on the processes and controls in place within BMO GAM, the Committee has concluded and the Board has concurred that there is no current need for the Company to have a separate internal audit function.

External audit process and significant issues considered by the Committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the external audit for 2019. The table below describes the significant judgements and issues considered by the Committee in conjunction with EY in relation to the financial statements for the year and how these issues were addressed. The Committee also included in their review the areas of judgements, estimates and assumptions referred to in note 2(c)(xii) to the Accounts and welcomes this increase in transparency on such issues. Likewise, the Committee reviewed the disclosure and description of Alternative Performance Measures provided on page 95 and is satisfied that the disclosure is fair and relevant.

Significant Judgements and Issues considered by the Committee in 2019

Matter	Action
Investment Portfolio Valuation	
As noted on page 14 the Company's portfolio of investments comprises large cap, liquid securities quoted on recognised stock exchanges, together with illiquid Private Equity funds of funds. The Private Equity vehicles, which are subject to signed agreements covering long-term commitments and funding, hold a diversity of unquoted investments whose values are subjective.	The Committee reviewed annual audited internal control reports from BMO GAM, the sub-managers and Private Equity funds of funds managers. These reports indicated that the relevant systems and controls surrounding daily pricing, cash and holdings reconciliations, security valuation and Private Equity funding had operated satisfactorily. In addition, with regard to Private Equity vehicles, the Committee: discussed controls directly with the managers; reviewed the managers' estimated valuations in detail at six monthly intervals; and performed a thorough review and comparison of each Private Equity fund's 31 December 2018 or most recent audited value versus the managers' estimated valuation adopted by the Company in its own reporting. The review indicated that the Private Equity funds of funds managers' estimated valuations could continue to be relied upon as being at fair value in accordance with the Company's accounting policy. The process for valuing the more recent direct private equity valuations was reviewed and agreed by the Committee.
Misappropriation of Assets	
Misappropriation of the Company's investments or cash balances could have a material impact on its NAV.	The Committee reviewed the annual audited internal control reports of BMO GAM and the Custodian. Neither of these reports indicated any failures of controls over the existence and safe custody of the Company's investments and cash balances. The Committee reviews regularly the list of banks which the Manager and sub-managers are authorised to place cash and deposits with. The Company's Depositary reported quarterly on the safe custody of the Company's investments and the operation of controls over the movement of cash in settlement of investment transactions. Through these reports the Committee is satisfied that the assets remained protected throughout the year.
Income Recognition	
Incomplete controls over, or inaccurate recognition of, income could result in the Company misstating its revenue receipts and associated tax, with consequences for overall performance, payment of dividends to shareholders, and compliance with taxation rules.	The Committee's review of BMO GAM's annual audited controls report indicated that there were no control failures in the year. The Committee reviewed that special dividends had been correctly treated in accordance with the Company's accounting policy. Investment income was tested and reported on by BMO GAM and agreed by the Committee.

Procedures for investment valuation and recognition of income were the main areas of audit focus and testing. For the long-held Pantheon and HarbourVest unlisted Private Equity investments in particular, the Committee questioned the funds of funds managers on their processes in meetings during the year. The year-end valuation is an estimate based on the September valuations extrapolated to the year-end by adjusting for cash flows and any known events (as described in notes 2(c)(ii) and 26(d) to the Accounts). The Committee reviewed prior year experience on the validity of this estimation process by comparing the estimated value with the actual audited values (which become known in May/June of the following year). In testing and challenging underlying adjustments made by the Private Equity Managers the Committee ensures that the highest levels of oversight and scrutiny are applied. The variances were not significant. Given their high growth and increased complexity, the process for valuing the more recent direct private equity valuations was reviewed and agreed by the Committee as being appropriate.

The Committee met in March 2020 to discuss the final draft of the Report and Accounts, with representatives of EY and BMO GAM in attendance. EY submitted their Year-End Report and confirmed that they had no reason not to issue an unqualified audit opinion in respect of the Report and Accounts. The Committee established that there were no material issues or findings arising which needed to be brought to the attention of the Board.

The increased focus on the Strategic Report by investors and regulators is welcomed by the Committee. The Committee has carefully considered the disclosures made in the Report and Accounts particularly in relation to the disclosures under section 172(1) of the Act including how wider stakeholder interests have been taken into account by the Directors while performing their duties and related disclosures with regard to ESG issues. The Committee has also had regard to the Non-Financial Reporting requirements in the Act. It is aware that this area of Non-Financial Reporting matters will evolve further in coming years.

The Committee also noted that an independent, objective and skilled third-party had read the Report and Accounts and commented on fairness, balance and comprehension. The Committee recommended to the Board that the Report and Accounts were in its view, fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice.

The Independent Auditor's Report which sets out the unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 53 to 59.

Auditor assessment, independence and appointment

The Committee reviews the reappointment of the auditor every year and has been satisfied with the effectiveness of EY's performance on this, their fourth audit of the Company's accounts. EY have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating EY, the Committee has taken into consideration the standing skills and experience of the firm and the audit team. From direct observation and indirect enquiry of management, the Committee is satisfied that EY will continue to provide effective independent challenge in carrying out their responsibilities.

The Committee also considered the evaluation of EY's audit performance through: the FRC's Audit Quality Inspection Report for 2018/19; EY's UK Audit Quality Report dated November 2019; and EY's UK 2019 Transparency Report. The FRC's Audit Quality Inspection Report for 2018/19 on EY showed an increase in both the overall percentage of all audits and the FTSE 350 audits inspected by the FRC graded as good or requiring no more than limited improvements. 89% of EY's FTSE 350 audits were assessed as achieving this standard against the FRC's target of 90%.

The level of the audit fee of £98,000, excluding VAT, represents a substantial increase over the £85,000 fee for 2018. The increase is an indicator of significant upward pressure on statutory audit fees generally with audit firms incurring substantial costs as part of the FRC's drive towards higher quality auditing standards. The FRC's ethical standards now expect audit firms to demonstrate that they are economically sustainable. The Committee has a duty to carefully consider the audit for value and effectiveness and, as part of its annual review, considers the need for putting the audit out to tender for reasons of quality, independence or value. The Company is required to carry out a tender every ten years with the next due no later than 2026. In view of the substantial increase in the fee for 2019 and the potential for more increases in future years, the Committee will give the matter further consideration during the year when taking market soundings on audit quality and fees.

The Committee confirms that the Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of the policy on the provision of non-audit services.

Non-audit services

The Committee regards the continued independence of the external auditor to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;

- the auditors are not considered to be expert providers of the non-audit services;
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; and
- the services are considered to be likely to inhibit the auditor's independence or objectivity as auditors.

In particular, the Committee has a policy that the accumulated costs of all non-audit services sought from the auditors in any one year should not exceed 30% of the likely audit fees for that year and not exceed 70% cumulatively over three years and any individual service likely to exceed £5,000 is agreed by the Committee prior to the commencement of the services and are accompanied by terms regarding liability, cost and responsibilities. There were no non-audit services for the year ended 31 December 2019 (2018: £8,000 excluding VAT).

Committee evaluation

The activities of the Audit Committee were considered as part of the externally facilitated Board appraisal process completed in accordance with standard governance arrangements as noted on page 33. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Committee in accordance with the Financial Reporting Council's current guidance. The evaluation found that the Committee functioned well, with the right balance of membership and skills.

Jeffrey Hewitt
Audit Committee Chairman
13 March 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. Further details can be found in notes 2 and 25 to the Accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Report and Accounts is published on the **fandcit.com** website, which is maintained by BMO GAM. The Directors are responsible for the maintenance and integrity of the Company's website. The work undertaken by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors listed on pages 31 and 32 confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- in the opinion of the Directors the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Beatrice Hollond
Chairman
13 March 2020

Independent Auditor's Report

Opinion

We have audited the financial statements of F&C Investment Trust PLC ('the Company') for the year ended 31 December 2019 which comprise Income Statement, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the related Notes to the Accounts 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 20 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 20 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 35 in the Annual Report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 21 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Incorrect valuation or defective title of the unquoted investment portfolio and resulting impact on the Income Statement.
- Incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital.
- Incorrect valuation or defective title of the quoted investment portfolio.
- Overall materiality of £41.1m which represents 1% of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Overview
Chairman's Statement
Strategic Report
Governance Report
Auditor's Report
Financial Report
Notice of Meeting
Other Information

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or defective title of the unquoted investment portfolio and resulting impact on the Income Statement (2019: £326.1m, 2018: £267.8m) Refer to the Audit Committee Report (page 49); Accounting policies (page 65); and Note 10 to the Financial Statements (page 73) The Company holds investments in Private Equity ('PE') through funds or partnerships which are selected by BMO Investment Business Limited ('BMOIB' or 'the Manager') and managed by various specialist PE managers ('the PE Managers'). Primary PE fund investments are held through the Company, while secondary or co-investment opportunities are held through PE Investment Holdings 2018 LP ('PE LP'). Our procedures made no distinction as to whether investments are held directly by the Company or indirectly by PE LP. The net asset value ('NAV') of the PE funds is based on estimates and unaudited NAV statements produced by the PE Managers. The Manager applies various controls to the valuation process which are subject to oversight by the Board. Controls over the valuation process include: significant investor due diligence over new investments being presented to the BMOIB investment committee, review of audited financial statements, and reconciliation of cash movements to the NAV statements received, amongst others. We focus on the valuation of unquoted investments because there is the risk that inaccurate judgments made in the assessment of fair value could materially misstate the value of the investment portfolio in the Balance Sheet, the unrealised gains or losses in the Income Statement and the NAV per share. For the unquoted investments, realised profits are calculated as the difference between distribution proceeds less return of capital. Specifically in relation to our procedures on management override, we considered the risk that the Manager or the Board may influence the unquoted investment valuations in order to meet market expectations of the overall NAV of the Company.	We obtained an understanding of the Company's and the Manager's processes and controls for the valuation of the unquoted investments by performing walkthrough procedures and inspecting the Manager's internal control reports. We obtained an understanding of the governance structure and protocols surrounding the valuation process from the Investment Trust Accounting team at BMOIB. This included the primary controls of reconciling cash movements in monthly reported NAVs to underlying notices of calls and distributions and bank statements. We observed the oversight at Board level through reading minutes and board packs from Audit Committee and Board meetings throughout the year. We reviewed the controls reports for HarbourVest Partners LLC, and Pantheon Ventures (UK) LLP given that these two PE Managers are responsible for the largest concentration of mature funds. We agreed the total committed capital directly to the Limited Partnership Agreements ('LPAs') of the PE funds and the 'drawn-down capital' to independent confirmations received directly from the PE Managers in order to confirm existence at the year-end. We performed a back-testing exercise to assess the historical accuracy of a sample of unquoted investments' estimated 2018 investment valuations. We compared the Company's investment values per the 2018 audited Company financial statements, which were at the time estimates, to the unquoted investment values subsequently reported by the respective PE Manager for the same period. We agreed the NAV of each unquoted investment per the Company to the estimated 31 December 2019 NAV statements whether held directly by the Company or indirectly through PE LP. Where estimated 31 December NAV statements were not available, we obtained the 30 September 2019 NAV statements from the underlying PE managers and performed a roll forward exercise to adjust for 'quarter 4' cash flows and foreign exchange movements. We held meetings with HarbourVest Partners LLC, Pantheon Ventures (UK) LLP and BMOIB to discuss and challenge: • The annual performance of the funds in which the Company held an investment at 31 December 2019. • The reasons for the variances noted between estimated and actual NAVs for the year ended 31 December 2018. • Whether, based on any recently available information, there should be any adjustments required to the estimated 31 December 2019 NAVs. We recalculated the valuation of all unquoted investments in foreign currencies using third party exchange rates to gain assurance over the reasonableness of currency rates used. We recalculated the unrealised profits on the revaluation of all unquoted investments. For a sample of unquoted investments, we confirmed the realised gains or losses to the notices received from the relevant PE Manager. We compared the Company's valuation methodology to the requirements of United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'). We audited any balances within the trial balance of PE LP that are material to the PE LP NAV as this is taken by the Company for its valuation of PE LP. We reviewed the disclosures related to the investment in PE LP against FRS 102 requirements. To test for the risk of management override, we tested a sample of manual journal entries posted in relation to unquoted investments during the year to relevant support.	The results of our procedures identified no material misstatement in relation to incorrect valuation or defective title of the unquoted investment portfolio and resulting impact on the Income Statement. Based on the work performed we had no matters to report to the Audit Committee.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital (2019: £4.1m, 2018: £4.5m) Refer to the Audit Committee Report (page 49); Accounting policies (page 66); and Note 3 to the Financial Statements (page 67) Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that Company. In accordance with the SORP, special dividends can be included within either the revenue or capital columns of the Income Statement, depending on the commercial circumstances behind the payments. As such, there is a manual and judgmental element in allocating special dividends between revenue and capital leading to a risk of incorrect allocation. The revenue column of the Income Statement is the most significant input to the minimum dividend calculation. There is therefore a risk that an incorrect classification could potentially result in an under distribution of revenue and put the Company's Investment Trust status at risk. There is also a risk that the revenue column is overstated to increase the dividend paid to shareholders.	We obtained an understanding of the Manager's processes and controls for the recognition of investment income by performing walkthrough procedures and reading their internal control reports to understand the design effectiveness of controls. We agreed a sample of special dividends from the income received report to bank statements and to an external source to verify occurrence and measurement. We tested the completeness of special dividends by taking a sample of items from the dividend income report and confirming if these are classed as special dividends per an external source. Where identified as special, we checked to ensure they were correctly recorded in the special dividends received report. Additionally, we examined the transaction report to confirm if any items are classed as special by reviewing if transactions are coded as dividends, and we confirmed these were correctly recorded in the special dividends received report. We tested the recognition basis for key items and a sample of special dividends below our testing threshold selected from the State Street Bank and Trust ('the Administrator') special dividend report to confirm that they were appropriately allocated between revenue and capital within the Income Statement. For the samples we tested, we recalculated income received from overseas investments to gain assurance over the measurement and recognition of income in foreign currencies. To test for the risk of management override, we tested a sample of manual journal entries posted to the dividend income account and corroborated their business purpose.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition through incorrect allocation of special dividends. Based on the work performed we had no matters to report to the Audit Committee.
Incorrect valuation or defective title of the quoted investment portfolio (2019: 4,186.3m, 2018: £3,449.9m) Refer to the Audit Committee Report (page 49); Accounting policies (page 65); and Note 10 to the Financial Statements (page 73). The Company holds a portfolio of quoted investments both in the UK and overseas. The quoted portfolio is managed by the Manager who in turn sub-delegates the role of investment management for a proportion of the portfolio to T.Rowe Price International Ltd and Barrow, Hanley, Mewhinney and Strauss LLC (together 'the Sub-Managers') for their experience in the United States equities market. The fair value of investments within the portfolio is based on the quoted bid value at the Balance Sheet date. There is a risk of incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements and assessment of stock liquidity, which could result in the Balance Sheet and Income Statement being materially misstated. The Directors are responsible for implementing systems and controls to ensure that the assets of the Company are not susceptible to misappropriation through fraud or error. Certificates of investment ownership are held by JP Morgan Chase ('the Custodian') and not directly by the Company. JP Morgan Europe Limited ('the Depositary') has a regulatory obligation to oversee the investment holdings stated by the Administrator and the Custodian. There is a risk of assets being misappropriated and the ownership of investments being unsecured.	We obtained an understanding of the Manager's and the Administrator's processes and controls for the valuation of the quoted investments by performing walkthrough procedures and reviewing the Manager's and the Administrator's internal control reports. We agreed all of the quoted investment holding prices to relevant independent sources using a range of third-party pricing vendors. We reviewed the stale pricing reports and subsequently investigated the trading volume for a sample of prices identified as stale in order to assess liquidity. We recalculated the value of all quoted investments in foreign currencies to verify the accuracy of the corresponding Sterling balances. We obtained an understanding of the Administrator's, Depositary's and the Custodian's processes and controls for asset recognition by inspecting their internal control reports. We inspected the year-end reconciliation of the Company's investment holdings stated in the accounting records to the Custodian's investment holdings report and corroborated any variances. We obtained confirmation from the Custodian and Depositary of all securities held at the period end and agreed these to the Company's records.	The results of our procedures identified no material misstatement in relation to incorrect valuation or defective title of the quoted investment portfolio. Based on the work performed we had no matters to report to the Audit Committee.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £41.1m (2018: £34.9m), which is 1% (2018: 1%) of net assets. We believe that net assets is the most appropriate measure as it is the primary measure that investors use to assess the performance of the Company.

During the course of our audit, we reassessed initial materiality and made no changes to the basis of calculation from our original assessment at the planning stage.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £30.8m (2018: £26.2m).

We have set performance materiality at this level based on our understanding of the control environment that indicates a lower risk of material misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts we have also applied a separate testing threshold of £3.9m (2018: £3.9m) for the revenue column of the Income Statement, being 5% of the net return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.1m (2018: £1.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 100, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 52 –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on page 47 –** the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 30 –** the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies Statement of Recommended Practice 2019 and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary in combination with a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud and management override risk relating to the journal entries applied to the income account including for the categorisation of special dividends. We also identified the risk of management override with relation to journals used in the valuation of unquoted investments. Our audit procedures stated above for 'Incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital' are tailored to address this risk.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to confirm compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 26 April 2016 to audit the financial statements for the year-ending 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 31 December 2016 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julian Young (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
13 March 2020

1. The maintenance and integrity of the F&C Investment Trust PLC page of the Bank of Montreal web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

Notes	for the year ended 31 December	Revenue £'000s	Capital £'000s	2019 Total £'000s	Revenue £'000s	Capital £'000s	2018 Total £'000s
10	Gains/(losses) on investments	–	622,989	622,989	–	(162,535)	(162,535)
19,22	Exchange movements on foreign currency loans and cash balances	50	2,817	2,867	199	(5,557)	(5,358)
3	Income	89,376	–	89,376	87,898	–	87,898
4	Management fees	(4,294)	(12,882)	(17,176)	(4,277)	(12,830)	(17,107)
5	Other expenses	(3,926)	(49)	(3,975)	(4,146)	(44)	(4,190)
	Net return before finance costs and taxation	81,206	612,875	694,081	79,674	(180,966)	(101,292)
6	Finance costs	(2,245)	(6,736)	(8,981)	(2,221)	(6,664)	(8,885)
	Net return on ordinary activities before taxation	78,961	606,139	685,100	77,453	(187,630)	(110,177)
7	Taxation on ordinary activities	(8,024)	–	(8,024)	(8,015)	(29)	(8,044)
8	**Net return attributable to shareholders**	70,937	606,139	677,076	69,438	(187,659)	(118,221)
8	**Net return per share – basic (pence)**	13.06	111.61	124.67	12.81	(34.61)	(21.80)

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

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

The net return attributable to shareholders is also the total comprehensive income.

The notes on pages 64 to 85 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

Notes		Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance brought forward 31 December 2018	140,455	122,307	3,126,949	102,202	3,491,913
9	Dividends paid	–	–	–	(61,915)	(61,915)
17	Shares issued by the Company from treasury	–	–	11,251	–	11,251
17	Shares repurchased by the Company and held in treasury	–	–	(9,276)	–	(9,276)
	Net return attributable to shareholders	–	–	606,139	70,937	677,076
	Balance carried forward 31 December 2019	140,455	122,307	3,735,063	111,224	4,109,049

for the year ended 31 December 2018

Notes		Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance brought forward 31 December 2017	140,455	122,307	3,313,941	91,320	3,668,023
9	Dividends paid	–	–	–	(58,556)	(58,556)
17	Shares issued by the Company from treasury	–	–	667	–	667
	Net return attributable to shareholders	–	–	(187,659)	69,438	(118,221)
	Balance carried forward 31 December 2018	140,455	122,307	3,126,949	102,202	3,491,913

The notes on pages 64 to 85 form an integral part of the financial statements.

Balance Sheet

Notes	at 31 December	£'000s	2019 £'000s	£'000s	2018 £'000s
	Fixed assets				
10	Investments		**4,512,321**		3,717,610
	Current assets				
12	Debtors	**20,563**		38,698	
22	Cash and cash equivalents	**28,196**		96,439	
		48,759		135,137	
	Creditors: amounts falling due within one year				
13,22	Loans	**(75,000)**		(110,047)	
14	Other	**(15,861)**		(35,587)	
		(90,861)		(145,634)	
	Net current liabilities		**(42,102)**		(10,497)
	Total assets less current liabilities		**4,470,219**		3,707,113
	Creditors: amounts falling due after more than one year				
15,22	Loans	**(360,595)**		(214,625)	
16,22	Debenture	**(575)**		(575)	
			(361,170)		(215,200)
	Net assets		**4,109,049**		3,491,913
	Capital and reserves				
17	Share capital		**140,455**		140,455
18	Capital redemption reserve		**122,307**		122,307
19	Capital reserves		**3,735,063**		3,126,949
19	Revenue reserve		**111,224**		102,202
	Total shareholders' funds		**4,109,049**		3,491,913
20	**Net asset value per share – prior charges at nominal value (pence)**		**757.26**		643.93

The notes on pages 64 to 85 form an integral part of the financial statements.

The Financial Statements were approved by the Board on 13 March 2020 and signed on its behalf by

Beatrice Hollond, Chairman **Jeffrey Hewitt, Director**

Statement of Cash Flows

Notes	for the year ended 31 December	2019 £'000s	2018 £'000s
21	**Cash flows from operating activities before dividends received and interest paid**	(28,991)	(27,695)
	Dividends received	90,240	84,873
	Interest paid	(9,585)	(8,521)
	Cash flows from operating activities	51,664	48,657
	Investing activities		
	Purchases of investments	(1,609,187)	(1,840,994)
	Sales of investments and derivatives	1,437,402	1,886,950
	Other capital charges and credits	(42)	(57)
	Cash flows from investing activities	(171,827)	45,899
	Cash flows before financing activities	(120,163)	94,556
	Financing activities		
	Equity dividends paid	(61,915)	(58,556)
22	Repayment of loans	(208,884)	(50,000)
22	Drawdown of loans	325,090	75,000
	Cash flows from share issues	9,321	667
	Cash flows from share buybacks for treasury shares	(9,276)	(194)
	Cash flows from financing activities	54,336	(33,083)
22	Net (decrease)/increase in cash and cash equivalents	(65,827)	61,473
	Cash and cash equivalents at the beginning of the year	96,439	31,136
22	Effect of movement in foreign exchange	(2,416)	3,830
	Cash and cash equivalents at the end of the year	28,196	96,439
	Represented by:		
	Cash at bank	14,727	27,875
	Short-term deposits	13,469	68,564
	Cash and cash equivalents at the end of the year	28,196	96,439

The notes on pages 64 to 85 form an integral part of the financial statements.

Notes to the Accounts

1. General information

F&C Investment Trust PLC is an Investment Company, incorporated in the United Kingdom with a premium listing on the London Stock Exchange. The Company Registration number is 12901, and the Registered office is Exchange House, Primrose Street, London, EC2A 2NY, England. The Company has conducted its affairs so as to qualify as an Investment Trust under the provisions of Section 1158 of the Corporation Tax Act 2010. Approval of the Company under Section 1158 has been received. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements of Section 1158. Such approval exempts the Company from UK Corporation Tax on gains realised in the relevant year on its portfolio of fixed asset investments and derivatives.

There have been no significant changes to the Company's accounting policies during the year ended 31 December 2019, as set out in note 2 below.

2. Significant accounting policies

(a) Going concern

As referred to in note 25 and the Statement of Directors' Responsibilities, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) Basis of accounting

The accounts of the Company have been prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments and derivatives at fair value, and in accordance with the Act, Financial Reporting Standard (FRS) 102 applicable in the United Kingdom and with the revised SORP issued in October 2019. There has been no impact on the basis of accounting as a result of this update.

The functional and presentational currency of the Company is pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

All of the Company's operations are of a continuing nature.

The Company had no operating subsidiaries at any time during the years ended 31 December 2019 and 31 December 2018. Consequently, consolidated accounts have not been prepared.

The Directors are of the opinion that the Company's activities comprise a single operating segment, which is investing internationally in equities to secure long-term growth in income and capital.

In accordance with the SORP, the Income Statement has been analysed between a Revenue Account (dealing with items of a revenue nature) and a Capital Account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described in notes 2(c)(vii) and 2(c)(viii)). Net revenue returns are allocated via the revenue account to the Revenue Reserve, out of which interim and final dividend payments are made. The amounts paid by way of dividend are shown in the Statement of Changes in Equity. Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and derivatives and currency profits and losses on cash and borrowings. The Company may distribute net capital returns by way of dividend. It is the Board's current stated intention to continue paying dividends to equity shareholders out of the Revenue Reserve.

2. Significant accounting policies (continued)

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year ended 31 December 2019 and the prior year.

(i) Financial instruments

Financial instruments include fixed asset investments, derivative assets and liabilities, long-term debt instruments, cash and short-term deposits, debtors and creditors. FRS102 recognises a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on the AIM Market in the UK.

Level 2 – Quoted prices for similar assets or liabilities or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be forward exchange contracts and certain other derivative instruments.

Level 3 – Where no active market exists and recent transactions for identical instruments do not provide a good estimate of fair value, the value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles, (see notes 10 and 26(d) for further information).

(ii) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at fair value through profit or loss and treats all transactions on the realisation and revaluation of investments held as fixed assets, as transactions on the Capital Account. Purchases are recognised on the relevant trade date, less expenses which are incidental to the acquisition of the investments. Sales are also recognised on the trade date, after deducting expenses incidental to the sales. Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments. Where no reliable fair value can be estimated, investments are carried at cost less any provision for impairment.

With respect specifically to investments in Private Equity, whether through funds or partnerships, the Directors rely on unaudited 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 above policies. Distributions from Private Equity funds are recognised when the right to distributions is established.

(iii) Derivative Instruments

Derivatives including forward exchange contracts, futures and options are classified as fair value through profit or loss and accounted for as financial assets or liabilities. Where it can be demonstrated that the derivative is connected to the maintenance of the Company's investments, the change in fair value is recognised as capital and shown in the Capital column of the Income Statement. Where an option is written in the expectation that it will not be exercised, or that any losses on exercise will be outweighed by the value of the premiums received, the premiums are recognised in the Revenue column of the Income Statement. The value of the premium is usually the option's initial fair value and is recognised evenly over the life of the option. Subsequent changes to fair value are adjusted in the Capital column of the Income Statement such that the total amounts recognised within Revenue and Capital represent the change in fair value of the option.

2. Significant accounting policies (continued)

(iv) Debt Instruments

The Company's debt instruments include the 4.25% perpetual debenture stock included in the Balance Sheet at proceeds received, net of issue costs, and bank borrowings and overdrafts, initially measured at the amount of cash received less direct issue costs and subsequently measured at amortised cost using the effective interest rate method. No debt instruments held during the year required hierarchical classification.

The fair market value of the bank borrowings and perpetual debenture stock are set out in notes 13, 15 and 16 to the accounts respectively. Finance charges, including interest, are accrued using the effective interest rate method. See 2(c)(vii) below for allocation of finance charges within the Income Statement.

(v) Foreign currency

Foreign currency monetary assets and liabilities are expressed in Sterling at rates of exchange ruling at the Balance Sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions. Exchange profits and losses on fixed assets investments are included within the changes in fair value in the Capital Account. Exchange profits and losses on other currency balances are separately credited or charged to the Capital Account except where they relate to revenue items.

(vi) Income

Income from equity shares is brought into the Revenue Account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the Capital Account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment. Dividends are accounted for on the basis of income actually receivable, without adjustment for any tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the Capital Account. Rebates on investee funds management fees are accounted for on a receipts basis.

(vii) Expenses, including finance charges

Expenses inclusive of associated value added tax (VAT) are charged to the Revenue Account of the Income Statement, except as noted below:

- expenses incidental to the acquisition or disposal of fixed assets investments are charged to Capital Reserves via the Capital Account;

- costs of professional advice relating to the capital structure of the Company are charged to Capital Reserves (see note 2(c)(xi));

- 100% of management fees, invoiced to the Company in respect of certain Private Equity investments, are allocated to Capital Reserves, via the Capital Account, in accordance with the Board's long-term expected split of returns from those investments;

- 75% of other management fees and finance costs are allocated to Capital Reserves via the Capital Account, in accordance with the Board's long-term expected split of returns from the investment portfolio (excluding Private Equity investments) of the Company.

All expenses are accounted for on an accruals basis.

(viii) Taxation

Taxation currently payable is calculated using tax rules and rates in force at the year end, based on taxable profit for the period which differs from the net return before tax. Note 7(b) sets out those items which are not subject to UK Corporation Tax.

Deferred tax is provided for in accordance with FRS102 on all timing differences that have been enacted by the Balance Sheet date and are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the Revenue Account, then no tax relief is transferred to the Capital Account.

(ix) Dividends payable

Dividends are included in the financial statements on the date on which they are paid or, in the case of final dividends, when they are approved by shareholders.

(x) Capital Redemption Reserve

This is a non-distributable reserve. The nominal value of ordinary share capital repurchased for cancellation is transferred out of Share Capital and into the Capital Redemption Reserve, on a trade date basis. Where shares are repurchased into treasury, the transfer of nominal value to the Capital Redemption Reserve is made if and when the shares are cancelled.

(xi) Capital Reserves

These are distributable reserves which may be utilised for the repurchase of share capital and for distributions to shareholders by way of dividend.

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of fixed asset investments and derivatives;
- realised exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
  costs of repurchasing ordinary share capital into treasury or for cancellation, including related stamp duty, are recognised on a trade date basis.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed asset investments and derivatives held at the year end; and
- unrealised exchange differences of a capital nature.

(xii) 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 areas requiring the most significant judgement and estimation in the preparation of the financial statements are: accounting for the value of unquoted investments; and recognising and classifying unusual or special dividends received as either revenue or capital in nature.

The policy for valuation of unquoted securities is set out in note 2(c)(ii) and further information on Board procedures is contained in the Report of the Audit Committee and note 26(d). The fair value of unquoted (Level 3) investments, as disclosed in note 10 to the accounts, represented 7.2% of total investments at 31 December 2019. 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 year-end would equate to £82m or 2.0% of net assets and a similar percentage rise should be construed accordingly.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Account. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Account. Investee company dividends which appear to be paid in excess of current year profits will still be considered as revenue in nature unless evidence suggests otherwise. The value of dividends received in the year treated as capital in nature, as disclosed in note 19, was not material in relation to capital reserves or the revenue account. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies and funds without prior reference to the Company.

3. Income

	2019 £'000s	2018 £'000s
Income from investments:		
UK dividends	**9,415**	10,868
Overseas dividends	**79,331**	75,825
	88,746	86,693
Other Income:		
Rebates relating to investee funds management fees	**137**	656
Interest on cash and short-term deposits	**493**	536
Underwriting commission	**–**	13
	630	1,205
Total income	**89,376**	87,898
Income from investments comprises:		
Quoted UK	**9,398**	10,841
Quoted overseas	**79,331**	75,825
Unquoted	**17**	27
	88,746	86,693

Included within income from investments is £3,650,000 (2018: £3,880,000) of special dividends classified as revenue in nature in accordance with note 2(c)(xii).

4. Management fees

		2019 £'000s	2018 £'000s
Payable directly to BMO GAM:			
– in respect of management services provided by the Manager	(i)	**12,984**	13,411
– reimbursement in respect of services provided by sub-managers	(i)	**4,192**	3,696
Total directly incurred management fees		**17,176**	17,107
Incurred indirectly within funds managed by Private Equity managers	(ii)	**3,596**	4,614
Total direct and indirect management fees		**20,772**	21,721

(i) 75% of these fees allocated to capital reserve arising on investments sold. See note 2(c)(vii).
(ii) Indirectly incurred fees included within the value of the respective funds.

Directly incurred fees are analysed as follows:

Management fees	2019 £'000s	2018 £'000s
– payable directly to BMO GAM	**17,176**	17,107
Less: allocated to capital reserves (see note 19)	**(12,882)**	(12,830)
Allocated to revenue account	**4,294**	4,277

(a) Management fees payable to BMO GAM

The Manager provides investment management, company secretarial, financial, marketing and general administrative services to the Company under the terms of an agreement which may be terminated upon six months' notice given by either party. In the event of a change of control of the Manager, the Company may give three months' notice of termination.

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 on a pro rata basis (2018: 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 or other members of the BMO Group. Variable fees payable in respect of third-party sub-managers are also reimbursed.

(b) Management fees payable to the Private Equity funds of funds managers

At 31 December 2019 the Company had outstanding commitments in 36 Private Equity funds (2018: 36) (see note 23). Fees in respect of Private Equity funds are based on capital commitments and are charged quarterly against the underlying investments in those funds. The fees are not directly incurred by the Company and are disclosed for information purposes only. The fee rates applying during 2019 varied from 0.10% per annum to 2.50% per annum (2018: 0.10% to 2.50%).

PE Investment Holdings 2018 LP pays an annual fee of £1,000 to the General Partner. This is not directly incurred by the Company but included in the underlying value of the investment.

5. Other expenses

	2019 £'000s	2018 £'000s
Other revenue expenses		
Auditors' remuneration:		
for audit and audit-related assurance services(1)	109	94
for other services(2)	–	9
Custody fees	518	502
Depositary fees	190	201
Directors' emoluments (see Remuneration Report on pages 44 to 46):		
Fees for services to the Company	385	374
Subscriptions	22	21
Directors' and officers' liability insurance	32	38
Marketing	1,338	1,722
Loan commitment and arrangement fees(3)	458	346
Registrars fees	153	150
Professional charges	245	256
Printing and postage	164	142
Sundry	312	291
Total other revenue expenses	3,926	4,146
Capital expenses (see note 19)	49	44
Total other expenses	3,975	4,190

All expenses are stated gross of irrecoverable VAT, where applicable.

(1) Total auditors' remuneration for audit services, exclusive of VAT, amounted to £98,000 (2018: £85,000 exclusive of VAT).

(2) There were no non-audit services paid to EY in the year (2018: £8,000 excluding VAT which related to the testing of the Company's contingency planning arrangements).

(3) Under loan facility agreements (see notes 13 and 15) the Company pays commitment fees on any undrawn portions of the facilities.

6. Finance costs

	2019 £'000s	2018 £'000s
Debenture stock	24	24
Loans	8,840	8,749
Overdrafts	117	112
	8,981	8,885
Less: allocated to capital reserves (see note 2(c)(vii) and note 19)	(6,736)	(6,664)
	2,245	2,221

The interest on the debenture stock, loans and overdrafts is further analysed as follows:		
Loans and overdrafts repayable within one year, not by instalments (see note 13)	1,654	4,266
Debenture and loans repayable after more than one year, not by instalments (see notes 15 and 16)	7,327	4,619
	8,981	8,885

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2019 Total £'000s	Revenue £'000s	Capital £'000s	2018 Total £'000s
Corporation Tax at 19.00% (2018: 19.00%)	–	–	–	–	–	–
Relief for overseas taxation	–	–	–	–	–	–
	–	–	–	–	–	–
Overseas taxation	8,024	–	8,024	8,015	–	8,015
Indian tax on capital gains	–	–	–	–	29	29
Total taxation (see note 7(b))	8,024	-	8,024	8,015	29	8,044

The tax assessed for the year is lower (2018: lower) than the standard rate of Corporation Tax in the UK.

(b) Factors affecting the current tax charge for the year

	Revenue £'000s	Capital £'000s	2019 Total £'000s	Revenue £'000s	Capital £'000s	2018 Total £'000s
Net return on ordinary activities before taxation	78,961	606,139	685,100	77,453	(187,630)	(110,177)
Net return on ordinary activities multiplied by the standard rate of UK Corporation Tax of 19.00% (2018: 19.00%)	15,003	115,166	130,169	14,716	(35,650)	(20,934)
Effects of:						
Dividends[1]	(16,862)	–	(16,862)	(16,472)	–	(16,472)
Exchange profits[1]	(10)	–	(10)	(38)	–	(38)
Capital returns[1]	–	(118,903)	(118,903)	–	31,937	31,937
Expenses not deductible for tax purposes	115	9	124	149	8	157
Expenses not utilised in the year	1,754	3,728	5,482	1,645	3,705	5,350
Overseas tax in excess of double taxation relief	8,024	–	8,024	8,015	–	8,015
Indian tax on capital gains[2]	–	–	–	–	29	29
Total taxation (see note 7(a))	8,024	–	8,024	8,015	29	8,044

(1) These items are not subject to Corporation Tax within an investment trust company.

(2) The Company is liable to taxation in India on gains realised on the sale of securities within 12 months of purchase. The tax is allocated to Capital Reserve as it relates to capital transactions.

The Company has an unrecognised deferred tax asset of £64.5 million (2018: £59.5 million) in respect of unutilised expenses at 31 December 2019 which has not been recognised in the financial statements as it is unlikely to be utilised in the foreseeable future. Of this amount £23.8 million (2018: £22.2 million) relates to revenue expenses and £40.7 million (2018: £37.3 million) to capital expenses.

8. Net return per share

	2019 pence	2019 £'000s	2018 pence	2018 £'000s
Total return	124.67	677,076	(21.80)	(118,221)
Revenue return	13.06	70,937	12.81	69,438
Capital return	111.61	606,139	(34.61)	(187,659)
Weighted average ordinary shares in issue, excluding shares held in treasury – number		543,106,069		542,191,397

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2019 £'000s	2018 £'000s
2017 Third interim of 2.70p	5-Jan-2018	1-Feb-2018	-	14,639
2017 Final of 2.70p	3-Apr-2018	1-May-2018	-	14,639
2018 First interim of 2.70p	6-Jul-2018	1-Aug-2018	-	14,639
2018 Second interim of 2.70p	5-Oct-2018	1-Nov-2018	-	14,639
2018 Third interim of 2.80p	4-Jan-2019	1-Feb-2019	**15,184**	-
2018 Final of 2.80p	5-Apr-2019	8-May-2019	**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**	-
			61,915	58,556

A third interim dividend of 2.90p was paid on 31 January 2020 to all shareholders on the register on 3 January 2020.

The Directors have proposed a final dividend in respect of the year ended 31 December 2019 of 2.90p payable on 13 May 2020 to all shareholders on the register at close of business on 17 April 2020. The total dividends paid and payable in respect of the financial year for the purposes of the income retention test for Section 1159 of the Corporation Tax Act 2010 are set out below.

	2019 £'000s	2018 £'000s
Revenue available for distribution by way of dividends for the year	**70,937**	69,438
First interim dividend for the year ended 31 December 2019 – 2.90p per share (2018: 2.70p)	**(15,767)**	(14,639)
Second interim dividend for the year ended 31 December 2019 – 2.90p per share (2018: 2.70p)	**(15,741)**	(14,639)
Third interim dividend for the year ended 31 December 2019 – 2.90p per share (2018: 2.80p)	**(15,736)**	(15,184)
Proposed final dividend for the year ended 31 December 2019 – 2.90p per share (2018: 2.80p)	**(15,736)**	(15,223)
(estimated cost based on 542,621,244 shares in issue at 6 March 2020, excluding shares held in treasury)		
Estimated amount transferred to revenue reserve for Section 1159 purposes[1]	**7,957**	9,753

[1] Represents 8.9% of total income as stated in note 3 (2018: 11.1%)

10. Investments and derivative financial instruments

	Level 1(1) £'000s	Level 3(1) £'000s	2019 Total £'000s	Level 1(1) £'000s	Level 3(1) £'000s	2018 Total £'000s
Cost at 1 January	**2,944,206**	**282,196**	**3,226,402**	2,642,652	233,213	2,875,865
Unrealised gains/(losses) at 1 January	**505,674**	**(14,466)**	**491,208**	1,057,220	(6,527)	1,050,693
Fair value of investments at 1 January	**3,449,880**	**267,730**	**3,717,610**	3,699,872	226,686	3,926,558
Purchases at cost	**1,499,382**	**91,398**	**1,590,780**	1,796,538	68,392	1,864,930
Sales proceeds	**(1,378,124)**	**(40,934)**	**(1,419,058)**	(1,842,255)	(69,088)	(1,911,343)
Gains on investments sold	**170,833**	**27,877**	**198,710**	347,271	49,679	396,950
Gains/(losses) on investments held	**444,282**	**(20,003)**	**424,279**	(551,546)	(7,939)	(559,485)
Fair value of investments at 31 December	**4,186,253**	**326,068**	**4,512,321**	3,449,880	267,730	3,717,610
Analysed at 31 December						
Cost	**3,236,297**	**360,537**	**3,596,834**	2,944,206	282,196	3,226,402
Unrealised gains/(losses)	**949,956**	**(34,469)**	**915,487**	505,674	(14,466)	491,208
Fair value of investments at 31 December	**4,186,253**	**326,068**	**4,512,321**	3,449,880	267,730	3,717,610

Gains/(losses) on investments held at fair value	2019 £'000s	2018 £'000s
Gains on investments sold during the year	**198,710**	396,950
Gains/(losses) on investments held at year end	**424,279**	(559,485)
Total gains/(losses) on investments	**622,989**	(162,535)

Investments sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gain or loss was included in the fair value of investments.
(1) The hierarchy of investments and derivative instruments is described in note 2(c)(i) and below.
No investments held in 2019 or 2018 were valued in accordance with Level 2.
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.

Investments managed or advised by BMO GAM

The portfolio of investments did not include at any time during the year any funds or investments managed or advised by BMO GAM (2018: none). Under the terms of the Company's Management Agreement with the Manager set out in note 4, the management fee is adjusted for fees earned by the Manager on all such holdings.

Unquoted investments

Unquoted investments include £325.9 million (2018: £266.5 million) of investments described as Private Equity, together with £0.2 million (2018: £1.2 million) of other partnerships, the underlying portfolios of which principally comprise unlisted investments. These are valued in accordance with the policies set out in note 2(c)(ii).

It is in the nature of Private Equity and similar unquoted investments that they may be loss making, with no certainty of survival, and that they may prove difficult to realise. The concept of "fair value" as applied to such investments is not precise and their ultimate realisation may be at a value materially different from that reflected in the accounts. Further details on the valuation process in respect of Private Equity investments can be found in note 26(d).

Derivative instruments

Derivative instruments included forward exchange contracts with a net exposure of £nil (2018: £878,000) which were valued in accordance with level 2. See notes 14 and 26(c).

11. Substantial interests

At 31 December 2019 the Company held more than 3% of one class of the capital of the following undertakings held as investments, none of which, in the opinion of the Directors, provide the Company with significant influence.

Investment and share class	Country of registration, incorporation and operation	Number and class of shares held	Holding[1] %
Private Equity Funds			
Dover Street VI LP	USA	–	11.12
HarbourVest Partners VII – Buyout Partnership Fund LP	USA	–	3.86
HIPEP V – Direct Fund LP	USA	–	15.66
HarbourVest Partners V – Asia Pacific and Rest of World LP	USA	–	4.74
HIPEP VI – Emerging Markets Fund	USA	–	12.06
HIPEP VI – Asia Pacific Fund LP	USA	–	4.93
Pantheon Europe Fund III LP	USA	–	44.41
Pantheon Europe Fund V LP	Scotland	–	9.29
Pantheon Asia Fund IV LP	Channel Islands	–	8.40
Pantheon Asia Fund V LP	Channel Islands	–	6.19
Pantheon Global Secondary Fund III LP	Scotland	–	3.50
Graycliff	USA	–	4.80
Volpi Capital	Europe	–	4.30
Maison Capital	China	–	4.80
MVM	USA/Europe	–	4.30
PE Investment Holdings 2018 LP*	Scotland	–	100.00
Other Investments			
Esprit Capital Fund 1 LP	England	–	10.80
Utilico Emerging Markets Trust plc ord 1p	Bermuda	12,450,000	5.33

(1) The Company neither has a controlling interest nor significant influence in the management of any of these undertakings.

The Company had no subsidiaries at any time during the year.

*During the prior year the Company signed a Limited Partnership agreement in which it holds 100% of the Limited Partner share in PE Investment Holdings 2018 LP and BMO GAM holds the General Partner interest. The Partnership was set up to partake in Private Equity investments. The registered address of PE Investment Holdings 2018 LP is 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

During 2018 10 investments previously held directly by the Company were transferred into this LP at a value of £52m with no gain, no loss to the LP.

The profit for the year ended 31 December 2019 in the LP was £9.4m and the Capital and Reserves was £107.9m.

The outstanding commitment is shown in note 23.

12. Debtors

	2019 £'000s	2018 £'000s
Investment debtors	**11,489**	29,833
Share issue proceeds	**1,931**	–
Prepayments and accrued income	**3,884**	5,232
Overseas taxation recoverable	**3,259**	3,633
	20,563	38,698

13. Creditors: amounts falling due within one year

Loans Non-instalment debt payable on demand or within one year	2019 £'000s	2018 £'000s
Sterling loan £75 million repayable January 2020	**75,000**	-
$80 million repayable April 2019	**-**	62,814
¥6,600 million repayable April 2019	**-**	47,233
	75,000	110,047

In April 2012 the Company entered into a loan arrangement facility drawing loans in Yen and US dollars, equivalent at that date to £100 million, at commercial fixed interest rates. These were repaid in full in April 2019.

At 31 December 2019 there was £75 million drawn down under the unsecured revolving credit facility. The facility is for £100 million with the option to extend the commitment by a further £100 million and expires in December 2020. Interest rate margins on the amounts drawn down are dependent upon commercial terms agreed with each bank. Commitment fees are payable on undrawn amounts at commercial rates. The Directors consider that the carrying value of the loan is equivalent to its fair value.

14. Creditors: amounts falling due within one year

Other	2019 £'000s	2018 £'000s
Investment creditors	**12,349**	30,757
Management fees payable to the Manager	**1,983**	1,858
Foreign exchange contracts	**-**	878
Other accrued expenses	**1,529**	2,094
	15,861	35,587

15. Creditors: amounts falling due after more than one year

Loans Non-instalment debt payable after more than one year	2019 £'000s	2018 £'000s
€72 million repayable July 2022	**61,007**	64,625
2.80% Loan notes £25 million repayable June 2028	**25,000**	25,000
3.16% Loan notes £50 million repayable June 2031	**50,000**	50,000
2.92% Loan notes £75 million repayable May 2048	**75,000**	75,000
0.93% Loan notes €42 million repayable June 2026	**35,588**	-
2.59% Loan notes £57 million repayable June 2042	**57,000**	-
2.69% Loan notes £37 million repayable June 2049	**37,000**	-
2.72% Loan notes £20 million repayable June 2059	**20,000**	-
	360,595	214,625

In July 2015 the Company entered into a loan arrangement facility drawing loans in Euros, equivalent at that date to £50 million, at commercial fixed interest rates, expiring July 2022. Early redemption penalties apply. In June 2016 the Company issued fixed rate senior unsecured notes in tranches of £25 million and £50 million sterling denominated loan notes expiring in June 2028 and June 2031 respectively. In May 2018 the Company issued fixed rate senior unsecured notes of £75 million sterling denominated loan notes expiring in May 2048. In June 2019 the Company issued fixed rate senior unsecured notes in tranches of EUR42 million, £57 million, £37 million and £20 million expiring in June 2026, June 2042, June 2049 and June 2059 respectively. Interest rates applying to the notes are commercially competitive and fixed until the expiry dates.

At 6 March 2020, long-term borrowings comprised €72 million, £264 million loan notes and €42 million loan notes (£362.9 million).

The market value of the long-term loans at 31 December 2019 was £378,969,000 based on the equivalent benchmark gilts or relevant commercially available current debt (2018: £220,534,000).

16. Creditors: amounts falling due after more than one year

Debenture	2019 £'000s	2018 £'000s
4.25% perpetual debenture stock – secured	**575**	575

The 4.25% perpetual debenture stock, which was issued in 1960, is listed on the London Stock Exchange and secured by floating charges over the assets of the Company. The market value of the debenture stock at 31 December 2019 was £429,000 (31 December 2018: £429,000).

17. Share capital

2019	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid nominal £'000s
Ordinary shares of 25p each				
Balance brought forward	**19,538,304**	**542,280,712**	**561,819,016**	**140,455**
Shares repurchased by the Company and held in treasury	**1,309,468**	**(1,309,468)**	**–**	**–**
Shares sold from treasury	**(1,650,000)**	**1,650,000**	**–**	**–**
Balance carried forward	**19,197,772**	**542,621,244**	**561,819,016**	**140,455**

2018	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid Nominal £'000s
Ordinary shares of 25p each				
Balance brought forward	19,638,304	542,180,712	561,819,016	140,455
Shares sold from treasury	(100,000)	100,000	–	–
Balance carried forward	19,538,304	542,280,712	561,819,016	140,455

During the year the Company bought back 1,309,468 ordinary shares at a total cost of £9,276,000, all of which were placed in treasury. The Company also issued 1,650,000 ordinary shares out of treasury raising proceeds of £11,251,000. The full proceeds of all shares issued is dealt with in Capital Reserve arising on investments sold (see note 19).

Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

18. Capital redemption reserve

	2019 £'000s	2018 £'000s
Balance brought forward and carried forward	**122,307**	122,307

19. Other reserves

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Gains and losses transferred in current year:				
Gains on investments and derivatives sold (see note 10)	198,710	–	198,710	–
Gains on investments held at year end (see note 10)	–	424,279	424,279	–
Exchange movements on foreign currency loans and cash balances	(5,301)	8,118	2,817	–
Management fees (see note 4)	(12,882)	–	(12,882)	–
Finance costs (see note 6)	(6,736)	–	(6,736)	–
Other capital charges (see note 5)	(49)	–	(49)	–
Net revenue return attributable to shareholders	–	–	–	70,937
Total gains and losses transferred in current year	173,742	432,397	606,139	70,937
Proceeds from ordinary shares issued in year (see note 17)	11,251	–	11,251	–
Cost of ordinary shares repurchased in year (see note 17)	(9,276)	–	(9,276)	–
Dividends paid in year (see note 9)	–	–	–	(61,915)
Balance brought forward	2,634,592	492,357	3,126,949	102,202
Balance carried forward	2,810,309	924,754	3,735,063	111,224

Included within the capital reserve movement for the year is £424,000 (2018: £635,000) of dividend receipts recognised as capital in nature. £1,097,000 of transaction costs on purchases of investments are included within the capital reserve movements disclosed above (2018: £2,191,000). £503,000 of transaction costs on sales of investments are similarly included (2018: £685,000).

20. Net asset value per ordinary share

	2019	2018
Net asset value per share – pence	757.26	643.93
Net assets attributable at end of period – £'000s	4,109,049	3,491,913
Ordinary shares of 25p in issue at end of year, excluding shares held in treasury – number	542,621,244	542,280,712

Net asset value per share (with the debenture stock and long term loans at market value – see notes 15 and 16) was 753.90p (31 December 2018: 642.87p).

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

	2019 £'000s	2018 £'000s
Net return on ordinary activities before taxation	**685,100**	(110,177)
Adjust for non-cash flow items, dividend income and interest expense:		
(Gains)/losses on investments	**(622,989)**	162,535
Exchange (profits)/losses	**(2,867)**	5,358
Non-operating expenses of a capital nature	**49**	44
(Increase)/decrease in debtors	**(8)**	782
(Decrease)/increase in creditors	**(688)**	324
Dividends receivable	**(88,746)**	(86,692)
Interest payable	**8,981**	8,885
Tax on overseas income and Indian Capital Gains Tax	**(7,823)**	(8,754)
	(714,091)	82,482
Cash flows from operating activities before dividends received and interest paid	**(28,991)**	(27,695)

22. 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 2018	**96,439**	**(110,047)**	**(214,625)**	**(575)**	**(228,808)**
Cash-flows:					
Drawdown of loans	–	**(173,424)**	**(151,666)**	–	**(325,090)**
Repayment of loans	–	**208,884**	–	–	**208,884**
Net movement in cash and cash equivalents	**(65,827)**	–	–	–	**(65,827)**
Non-cash:					
Effect of Foreign Exchange movements	**(2,416)**	**(413)**	**5,696**	–	**2,867**
Closing net debt as at 31 December 2019	**28,196**	**(75,000)**	**(360,595)**	**(575)**	**(407,974)**

23. Capital commitments

The Company had the following outstanding capital commitments at the year end:

	2019 Currency	2018 Currency	2019 £'000s	2018 £'000s
Managed by Harbourvest:				
HarbourVest Partners VII:				
– Buyout Partnership Fund LP	US$4.3m	US$4.3m	3,238	3,368
– Venture Partnership Fund LP	US$0.5m	US$0.5m	396	412
– Mezzanine Fund LP	US$0.7m	US$0.7m	543	565
Dover Street VI LP	US$3.1m	US$3.1m	2,346	2,440
Dover Street VII LP	US$3.2m	US$3.2m	2,406	2,503
HarbourVest Partners V – Asia Pacific and Rest of World LP	US$1.5m	US$1.5m	1,132	1,178
HarbourVest Partners VIII:				
– Buyout Partnership Fund LP	US$2.7m	US$2.7m	2,038	2,120
– Venture Partnership Fund LP	US$0.8m	US$0.8m	604	628
HIPEP V – Direct Fund LP	€2.1m	€3.0m	1,748	2,693
HIPEP VI – Asia Pacific Fund LP	US$1.5m	US$1.5m	1,132	1,178
HIPEP VI – Emerging Markets Fund	–	US$0.6m	–	491
Managed by Pantheon:				
Pantheon Europe Fund III LP	€5.4m	€5.4m	4,542	4,811
Pantheon Europe Fund V LP	€5.3m	€6.3m	4,491	5,655
Pantheon Asia Fund IV LP	US$2.7m	US$2.7m	2,000	2,081
Pantheon Asia Fund V LP	US$3.9m	US$4.1m	2,963	3,239
Pantheon Global Secondary Fund III LP	US$2.4m	US$2.4m	1,849	1,924
Selected by BMO GAM:				
Esprit Capital Fund I LP	£0.27m	£0.27m	265	265
Astorg VI(1)	€1.1m	€2.8m	949	2,513
Inflexion Supplemental IV(1)	£0.5m	£0.5m	495	515
August Equity IV(1)	£2.3m	£3.8m	2,281	3,779
DBAG Fund VII(1)	€1.8m	€4.0m	1,487	3,573
DBAG Fund VII B(1)	€0.7m	€0.9m	591	820
Procuritas VI(1)	€4.9m	€5.6m	4,144	4,996
Warburg Pincus China Fund(1)	US$0.5m	US$2.2m	411	1,715
Stellex Capital(1)	US$1.2m	US$2.2m	946	1,744
Centana(1)	US$1.8m	US$2.6m	1,370	2,031
Graycliff(1)	US$1.7m	US$2.8m	1,275	2,196
NEM Imprese III(1)	–	€3.0m	–	2,698
Volpi Capital(1)	€0.3m	€0.4m	246	384
MidOcean(1)	US$7.2m	US$8.6m	5,403	6,753
Maison Capital(1)	US$3.6m	US$6.1m	2,742	4,827
Inflexion Partnership Capital II(1)	£3.2m	£3.5m	3,185	3,491
Inflexion Buyout Fund V(1)	£2.6m	£3.8m	2,561	3,781
PE Investment Holdings 2018 LP(1)	£71.7m	£104.1m	71,668	104,147
Verdane Edda(1)	SEK 50.7m	SEK 80.0m	4,085	7,085
MVM(1)	US$12.9m	US$13m	9,724	10,207
Inflexion Supplemental V(1)	£6.9m	–	6,948	–
Centana II(1)	US$5.0m	–	3,774	–
			155,978	202,806

(1) BMO GAM is responsible for the selection and oversight of these funds, within the terms of its management agreement with the Company.

24. Related party transactions

The following are considered related parties: the Board of Directors and the Manager (including fellow members of BMO).

There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Remuneration Report on page 45 and as set out in note 5. There were no outstanding balances with the Board at the year end. There were no transactions with the BMO group other than those detailed: in note 4 on management fees; in note 10, where investments managed or advised by BMO GAM are disclosed; in note 14 in relation to fees owed to the Manager at the Balance Sheet date; and in the Report of the Management Engagement Committee on page 41 regarding the Management agreement in respect of Private Equity fees and a trademark licence agreements in respect of the "F&C" name.

25. Going Concern

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, publicly listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager and the Board.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a robust regulatory environment; and the Company has sufficient resources to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern.

26. Financial Risk Management

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the UK as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure 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, with the use of gearing. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board of Directors, together with the Manager, is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) on the following pages.

The significant accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 to the accounts. The policies are in compliance with UK Accounting Standards and best practice, and include the valuation of financial assets and liabilities at fair value except as noted in (d) on page 85 and in notes 15 and 16 in respect of loans and the perpetual debenture stock. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities, including any derivatives, held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies, interest rates and other macroeconomic, market and financial issues, including the market perception of future risks. The Board's policies for managing these risks within the Company's objective are set out on page 9. The Board meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

The Company's other assets and liabilities may be denominated in currencies other than Sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in foreign exchange rates. The debenture deed and loan contracts are agreed and signed by the Board and compliance with the agreements is monitored by the Board at each meeting. Gearing may be short- or long-term in Sterling and foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

26. Financial Risk Management (continued)

Currency Exposure

The carrying value of the Company's assets and liabilities at 31 December, by currency, are shown below:

2019	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	**2,602**	**(5,226)**	**(575)**	**(339,000)**	**(2,652)**	**(344,851)**	**494,928**	**150,077**
US Dollar	**13,929**	**29,152**	**–**	**–**	**(10,969)**	**32,112**	**2,566,017**	**2,598,129**
Euro	**1,728**	**48**	**–**	**(96,595)**	**(536)**	**(95,355)**	**519,439**	**424,084**
Yen	**757**	**2,875**	**–**	**–**	**–**	**3,632**	**390,687**	**394,319**
Other	**1,547**	**1,347**	**–**	**–**	**(1,704)**	**1,190**	**541,250**	**542,440**
Total	**20,563**	**28,196**	**(575)**	**(435,595)**	**(15,861)**	**(403,272)**	**4,512,321**	**4,109,049**

2018	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,010	26,956	(575)	(150,000)	(2,254)	(124,863)	352,259	227,396
US Dollar	15,072	50,668	–	(62,814)	(14,050)	(11,124)	2,097,488	2,086,364
Euro	1,696	17,057	–	(64,625)	(403)	(46,275)	437,294	391,019
Yen	1,050	1,750	–	(47,233)	(4,407)	(48,840)	367,832	318,992
Other	19,870	8	–	–	(14,473)	5,405	462,737	468,142
Total	38,698	96,439	(575)	(324,672)	(35,587)	(225,697)	3,717,610	3,491,913

The principal currencies to which the Company was exposed were the US Dollar, Euro and Yen. The exchange rates applying against Sterling at 31 December, and the average rates during the year, were as follows:

	2019	Average	2018
US Dollar	**1.3248**	**1.2804**	1.2736
Euro	**1.1802**	**1.1423**	1.1141
Yen	**143.9673**	**139.6347**	139.7330

Based on the financial assets and liabilities held, and exchange rates applying at each Balance Sheet date, a weakening or strengthening of Sterling against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on NAV per share:

			2019			2018
Weakening of Sterling	US$ £'000s	€ £'000s	¥ £'000s	US$ £'000s	€ £'000s	¥ £'000s
Income Statement Return after tax						
Revenue return	**3,026**	**1,210**	**895**	2,485	1,496	814
Capital return	**259,813**	**42,408**	**39,432**	208,636	39,102	31,899
Total return	**262,839**	**43,618**	**40,327**	211,121	40,598	32,713
NAV per share – pence	**48.44**	**8.04**	**7.43**	38.93	7.49	6.03

26. Financial Risk Management (continued)

Strengthening of Sterling	US$ £'000s	€ £'000s	2019 ¥ £'000s	US$ £'000s	€ £'000s	2018 ¥ £'000s
Income statement return after tax						
Revenue return	(3,026)	(1,210)	(895)	(2,485)	(1,496)	(814)
Capital return	(259,813)	(42,408)	(39,432)	(208,636)	(39,102)	(31,899)
Total return	(262,839)	(43,618)	(40,327)	(211,121)	(40,598)	(32,713)
NAV per share – pence	(48.44)	(8.04)	(7.43)	(38.93)	(7.49)	(6.03)

These analyses are broadly representative of the Company's activities during the current and prior years as a whole, although the level of the Company's exposure to currencies fluctuates in accordance with the investment and risk management processes.

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate risks at 31 December is shown below:

	Within one year £'000s	More than one year £'000s	2019 Total £'000s	Within one year £'000s	More than one year £'000s	2018 Total £'000s
Exposure to floating rates						
Cash	14,727	–	14,727	27,875	–	27,875
Exposure to fixed rates						
Deposits	13,469	–	13,469	68,564	–	68,564
Debentures	–	(575)	(575)	–	(575)	(575)
Other borrowings	(75,000)	(360,595)	(435,595)	(110,047)	(214,625)	(324,672)
Net exposures						
At year end	(46,804)	(361,170)	(407,974)	(13,608)	(215,200)	(228,808)
Maximum in year	(46,804)	(361,170)	(407,974)	(95,115)	(214,421)	(309,536)
Minimum in year	(38,105)	(212,215)	(250,320)	(13,608)	(215,200)	(228,808)

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates. The interest rate applying on the debenture stock is set out in note 16. There were no material holdings in fixed interest investment securities during the year or at the year end.

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings, except in respect of the debenture and loans (see notes 13, 15 and 16), on which the interest rates are fixed.

26. Financial Risk Management (continued)

Based on the financial assets and liabilities held, and the interest rates pertaining, at each Balance Sheet date, a decrease or increase in interest rates by 2% would have the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV:

	2019 Increase in rate £'000s	2019 Decrease in rate £'000s	2018 Increase in rate £'000s	2018 Decrease in rate £'000s
Revenue return	295	(295)	557	(557)
Capital return	–	–	–	–
Total return	295	(295)	557	(557)
NAV per share – pence	0.05	(0.05)	0.10	(0.10)

Other market risk exposures

Based on the portfolio of investments held at each Balance Sheet date, and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV:

	2019 Increase in value £'000s	2019 Decrease in value £'000s	2018 Increase in value £'000s	2018 Decrease in value £'000s
Income statement capital return	902,464	(902,464)	743,522	(743,522)
NAV per share – pence	166.32	(166.32)	137.11	(137.11)

(b) Liquidity risk exposure

The Company is required to raise funds to meet commitments associated with financial instruments, Private Equity investments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the large number of quoted investments held in the Company's portfolio (over 450 at 31 December 2019); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio and the existence of ongoing overdraft and loan facility agreements. Cash balances are held with approved banks, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has loan facilities of £450 million as set out in notes 13 and 15 together with an option to extend by a further £100 million. The facilities limit the amount which the Company may borrow at any one time as a proportion of the relevant portfolio of investments and cash. The most onerous financial covenant limits total borrowings to 35% of the Company's adjusted net asset value, which at 31 December 2019 was £3,778 million. Actual borrowings at market value at 31 December 2019 were £454.0 million in loans (see notes 13 and 15) and £0.4 million in a debenture at market value (see note 16).

At 31 December 2019 the Company had £156.0 million outstanding commitments to Private Equity investments, payable over more than one year (see note 23).

26. Financial Risk Management (continued)

The contractual maturities of the financial liabilities at each balance sheet date, based on the earliest date on which payment can be required, were as follows:

2019	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Other creditors	**90,901**	**–**	**–**	**90,901**
Long-term liabilities[1] (including interest)	**261**	**8,612**	**530,047**	**538,920**
	91,162	**8,612**	**530,047**	**629,821**

2018	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Forward exchange contracts	878	–	–	878
Other creditors	35,633	110,283	–	145,916
Long-term liabilities[1] (including interest)	273	5,314	305,726	311,313
	36,784	115,597	305,726	458,107

(1) See notes 15 and 16 for maturity dates

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. The Board reviews all counterparties used in such transactions, which must be settled on the basis of delivery against payment (except where local market conditions do not permit).

A list of pre-approved counterparties is maintained by the Manager. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Payments in respect of Private Equity investments are made only to counterparties with whom a contracted commitment exists. Cash and deposits are held with approved banks.

The Company has an ongoing contract with the Custodian for the provision of custody services. The contract was reviewed and updated in 2017. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Depositary has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of BMO GAM (including the Fund Manager) and with its Risk Management function. In reaching its conclusions, the Board also reviews BMO GAM's annual Audit and Assurance Faculty Report.

The Company had no credit-rated bonds or similar securities in its portfolio at the year end (2018: none) and does not normally invest in them. None of the Company's financial assets are past its due date or impaired.

During the prior year the Company sold EUR 22.5m, USD 89.7m and JPY 1,444.0m for sterling resulting in a net exposure of £878,000 as at 31 December 2018. There was no exposure as at 31 December 2019.

The maximum exposure to credit risk on cash and debtors equates to their carrying amounts as per the balance sheet.

26. Financial Risk Management (continued)

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the balance sheet at fair value, or at a reasonable approximation thereof, except for the long-term loans which are carried at amortised cost and the debenture which is carried at proceeds less costs, in accordance with Accounting Standards.

The fair values of the long-term loans and debenture at 31 December 2019 are set out in notes 15 and 16. Borrowings under overdraft and short-term loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into Sterling at exchange rates ruling at each valuation date.

The fair value of investments quoted on active markets is determined directly by reference to published price quotations in these markets.

Unquoted investments, including Private Equity investments, are valued based on professional advice and assumptions that are not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques including reference to: net assets; industry benchmarks; cost of investment; roll forward of calls and redemptions; and recent arm's length transactions in the same or similar investments. With respect specifically to investments in Private Equity funds or partnerships, the underlying investment advisers and managers provide regular estimated valuations to the Directors, based on the latest information available to the managers. The Directors review these valuations for consistency with the Company's own accounting policies and with fair value principles. The investment advisers' and managers' estimated valuations relating to the Private Equity funds' period ends are compared annually by the Directors to the final audited annual valuations of those funds to ensure that the managers' valuation techniques gave rise to valid estimates. The Directors were satisfied with the results of this annual review, which took place most recently in June 2019, indicating that the Company can, all things being equal, continue to place reliance on the Private Equity advisers' and managers' estimates and valuation techniques.

(e) Capital risk management

The objective of the Company is stated as being to secure long-term growth in capital and income. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to:

- issue and buy back share capital within limits set by the shareholders in general meeting;
- borrow monies in the short and long terms; and
- pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue and capital reserves.

Changes to ordinary share capital are set out in note 17. Dividend payments are set out in note 9. The Directors have no current intention to pay dividends out of capital reserves. Borrowings are set out in notes 13, 15 and 16.

27. AIFMD

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM are required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from BMO on request.

The Company's maximum and actual leverage levels at 31 December 2019 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	111%	111%

The Leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Further information on the AIFMD can be found on page 93.

28. Securities financing transactions ("SFT")

The Company has not, in the year to 31 December 2019 (2018: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

Ten Year Record (unaudited)

All Company data are based on assets, liabilities, earnings and expenses as reported in accordance with the Company's accounting policies and is unaudited but derived from the audited Accounts or specified third-party data providers.

Assets
at 31 December

£m	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assets less current liabilities (excl loans)	2,069	2,425	2,214	2,401	2,657	2,838	3,001	3,461	3,960	3,817	**4,545**
Prior charges	111	282	286	322	227	261	299	248	292	325	**436**
Available for ordinary shares	1,958	2,143	1,928	2,079	2,430	2,577	2,702	3,213	3,668	3,492	**4,109**
Number of ordinary shares (million)(1)	632	610	590	577	570	562	559	547	542	542	**543**

NAV
at 31 December

pence	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV per share – with debt at par	309.8	351.2	326.6	360.2	426.1	458.4	483.4	587.9	676.5	643.9	**757.3**
NAV per share – with debt at market value	304.7	346.1	322.9	357.6	424.8	458.4	483.4	587.2	675.8	642.9	**753.9**
NAV total return % – 5 years(2)											**79.4**
NAV total return % – 10 years(2)											**197.8**

Share Price
at 31 December

pence	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Middle market price per share	272.1	309.6	288.5	320.5	378.0	421.2	449.2	544.0	647.0	633.0	**765.0**
Share price High	275.3	311.0	327.9	321.6	383.0	425.9	465.0	544.0	649.0	741.0	**778.0**
Share price Low	185.8	251.4	261.5	282.5	320.5	363.0	401.6	391.2	542.0	612.0	**636.0**
Share price total return % – 5 years(2)											**99.5**
Share price total return % – 10 years(2)											**248.7**

Revenue
for the year ended 31 December

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Available for ordinary shares – £'000s	35,609	34,654	40,270	40,841	44,037	37,857	47,262(3)	58,393(3)	63,486(3)	69,438(3)	**70,937(3)**
Net revenue return per share – pence	5.31	5.61	6.74	7.02	7.69	6.69	8.42	10.57	11.67	12.81	**13.06**
Dividends per share – pence	6.65	6.75	7.10	8.50	9.00	9.30	9.60	9.85	10.40	11.00	**11.60**

(1) Shares entitled to dividends.
(2) Source: Morningstar UK Limited.
(3) Management fees and finance costs allocated 25% to revenue account (previously 50%).

Cost of running the Company

%	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expressed as a percentage of average net assets:											
Total Expense Ratio(4)	0.63	0.59	0.57	0.55	0.5	0.53	0.53	0.53	0.52	0.56	**0.53**
Ongoing Charges(4)(5)	–	–	0.92	0.90	0.86	0.87	0.80	0.79	0.79	0.65	**0.63**
Total Costs(4)(6)	–	–	–	–	–	–	–	–	1.06	1.01	**1.05**

Gearing(7)

at 31 December %	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net gearing	6.0	13.2	15.8	14.3	8.0	8.9	8.6	6.9	7.2	6.6	**9.9**

(4) See Alternative Performance Measures on page 95 for explanation.
(5) Not calculated for years prior to 2011.
(6) Not calculated for years prior to 2017.
(7) See Glossary of Terms "Gearing", page 97.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and forty first Annual General Meeting of the Company will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2 on Thursday 7 May 2020 at 12 noon for the following purposes:

Ordinary Resolutions:

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 31 December 2019.
2. To approve the Directors' remuneration policy.
3. To approve the Directors' annual report on remuneration (excluding the Directors' remuneration policy).
4. To declare a final dividend for the year ended 31 December 2019 of 2.90 pence per ordinary share.
5. To elect Quintin Price as a Director.
6. To re-elect Sarah Arkle as a Director.
7. To re-elect Sir Roger Bone as a Director.
8. To re-elect Francesca Ecsery as a Director.
9. To re-elect Jeffrey Hewitt as a Director.
10. To re-elect Beatrice Hollond as a Director.
11. To re-elect Edward Knapp as a Director.
12. To re-elect Nicholas Moakes as a Director.
13. To re-appoint Ernst & Young LLP as auditors to the Company.
14. To authorise the Audit Committee to determine the remuneration of the auditors.
15. Authority to allot shares.

THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being "relevant securities") up to an aggregate nominal amount of £6,700,000 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2021 or 30 June 2021 (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "relevant period") save that the Company may, at any time prior to the expiry of this authority, make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special Resolutions:

To consider and, if thought fit, pass the following resolutions as special resolutions:

16. Disapplication of pre-emption rights

THAT, subject to the passing of resolution 15 above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby authorised, pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act"), to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authority conferred by resolution 15 for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment or transfer, provided this authority shall be limited to:

(a) the allotment of equity securities in connection with an offer of equity securities:

  (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

  (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

(b) the allotment (otherwise than under paragraph (a) of this Resolution 16) of equity securities up to an aggregate nominal amount of £6,700,000, and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 30 June 2021 (whichever is the earlier), unless extended by the Company in a general meeting (the "relevant period") save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.

17. Share buyback authority

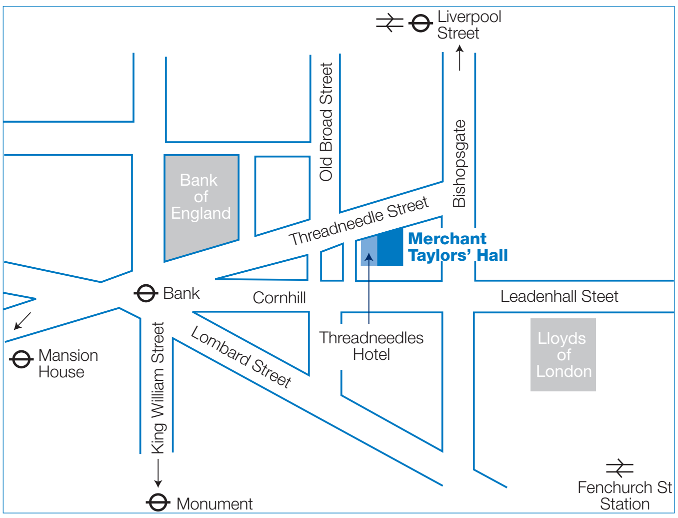
THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased shall be 81,300,000 or, if less, 14.99% of the number of ordinary shares in issue (excluding treasury shares) as at the date of the passing of this resolution;

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 25p;

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of:
   (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased, and
   (ii) an amount equal to the higher of the price of the last independent trade for an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out;

Meeting Location



(d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company after passing of this resolution or on 30 June 2021 (whichever is earlier) unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

(e) the Company may at any time prior to the expiry of such authority enter into a contract or contracts to purchase ordinary shares under such authority which will or may be completed or executed wholly or partly after the expiration of such authority and the Company may purchase ordinary shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

By Order of the Board
BMO Investment Business Limited
Secretary
13 March 2020

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Registered number: 12901

Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.

2. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that she has a notifiable obligation under the Disclosure Guidance and Transparency Rules (DTRs), the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority ("FCA"). As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the DTRs need not make a separate notification to the Company and the FCA.

3. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the DTRs.

4. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional

proxy forms, the member should contact Computershare Investor Services PLC on 0800 923 1506. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's registrars by the deadline for receipt of Forms of Proxy.

5. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0800 923 1506.

6. Investors holding shares in the Company through the BMO Investment Trust ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 12 noon on 30 April 2020. Alternatively, voting directions can be submitted electronically at eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 12 noon on 30 April 2020.

7. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 ("Act") (a "Nominated Person") should note that the provisions in notes 1, 4 and 5 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

8. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps, the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

9. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Companies Act 2006 (the "Act"), the Company has specified that only those members registered on the register of members of the Company at close of business on 5 May 2020 (the "Specified Time") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by close of business on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy

must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 4 and 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (euroclear.com/CREST).

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.

15. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
    (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.

16. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

17. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:

    (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
    (b) if the answer has already been given on a website in the form of an answer to a question; or
    (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

18. As at 6 March 2020, being the latest practicable date prior to the printing of this notice, the Company's issued capital (less the shares held in Treasury) consisted of 542,621,244 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 6 March 2020 are 542,621,244.

19. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 6 March 2020 being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at fandcit.com.

20. Any electronic address provided either in this notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

21. Copies of the letters of appointment between the Company and its Directors; a copy of the articles of association of the Company; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting

and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.

22. No Director has a service agreement with the Company.

23. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company;

    (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
    (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless:

(a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise),
(b) it is defamatory of any person or
(c) it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 25 March 2020, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Additional Information for shareholders

Alternative Investment Fund Managers Directive

FCIT is an 'alternative investment fund' (**"AIF"**) for the purposes of the AIFMD and has appointed its Manager, BMO Investment Business Limited, to act as its Alternative Investment Fund Manager (**"AIFM"**). The Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a 'full scope UK AIFM'.

FCIT is required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within the Investor Disclosure Document (**"IDD"**) which can be found on FCIT's website, fandcit.com. There have not been any material changes to the disclosures contained within the IDD since it was last updated in February 2020.

FCIT and AIFM also wish to make the following disclosures to investors:

- the investment strategy, geographic and sector investment focus and principal stock exposures are included in the strategic report. A list of the twenty largest listed equity holdings is included on pages 22 and 23;
    - none of FCIT's assets is subject to special arrangements arising from their illiquid nature;
- the strategic report and note 26 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of FCIT or any material changes to the liquidity management systems and procedures that it employs;
    - all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code in respect of the AIFM's remuneration. The relevant disclosures required are within the IDD; and
    - information in relation to FCIT's leverage is contained within the IDD.

Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at fandcit.com. This document has been produced in accordance with the EU's PRIIPs Regulations.

Net asset value and share price

The Company's net asset value is released daily, on the working day following the calculation date, to the London and New Zealand Stock Exchanges. The current share price of FCIT is shown in the investment trust section of the stock market page in most leading newspapers. Investors in New Zealand can obtain share prices from leading newspapers in that country.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £12,000 in the tax year ended 5 April 2020 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£37,500 in 2019-20 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The final dividend of 2.9 pence per share is payable on 13 May 2020. Since April 2018 the annual tax-free allowance to UK residents on dividend income received in their entire share portfolios is £2,000. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

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 2019/20 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 £4,368 for the tax year 2019/20 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 £4,368 for the 2019/20 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.

* The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18.
** Calls may be recorded or monitored for training and quality purposes.

BMO

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_04/19_UK

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 instructions £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

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

Existing Plan Holders:
Call: 0345 600 3030**
(9:00am – 5:00pm, weekdays)
Email: 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, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, LLoyds Bank, Selftrade, The Share Centre.**

Alternative Performance Measures

The Company uses the following Alternative Performance Measures ("**APMs**") throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative detailed below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to the shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Discount/Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stockmarket. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above the NAV per share are said to be at a premium, in which case there tend to be more buyers than sellers. The Board's discount policy is set out on page 28.

Dividend growth – the amount by which the Company's annual dividend has increased compared to the previous year, expressed as a percentage of the previous annual dividend.

Net Asset Value (NAV) with Debt at Market Value – the Company's debt (debenture and loans) is valued in the Balance Sheet (on page 62) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as "Debt at Par". The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the "Debt at Market Value" or "Debt at Fair value". This Market Value is spelt out in notes 15 and 16 (pages 75 and 76) to the Accounts. The difference between market and par values of the debt is subtracted from or added to the Balance Sheet NAV on page 62 to derive the NAV with debt at market value. The NAV with debt at market value at 31 December 2019 was £4,090,821,000 (753.90p per share) and the NAV with debt at par was £4,109,049,000 (757.26p per share).

Ongoing Charges – all operating costs expected to be regularly incurred and that are payable by the Company or suffered within underlying investee funds (including Private Equity funds), expressed as a proportion of the average daily NAVs of the Company (valued in accordance with accounting policies) over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

Total Costs – calculated in accordance with EU rules, comprise all operating costs actually incurred by the Company in the period, including transaction costs and interest on borrowings, together with costs suffered in the period within underlying investee funds and estimated implicit costs of dealing[1], expressed as a proportion of the average daily NAVs of the Company over the period. Taxation expense and the costs of buying back or issuing ordinary shares are excluded from the calculation.

The principal reasons for the excess of Total Costs over Ongoing Charges are as follows: Finance costs on loans, debenture and overdrafts which are £9.0m (0.23% of average net assets) and transaction charges and implicit dealing costs which are £7.4m (0.19% of average net assets).

Total Expense Ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company (see note 4 (page 69) and note 5 (page 70) to the Accounts), calculated as a percentage of the average daily net asset values (valued in accordance with accounting policies) in that year (see Ten Year Record). Operating costs exclude costs suffered within investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

Total Return – the 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 NAV (with debt at market value) in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend. Dividends paid and payable are set out in note 9 to the Accounts (on page 72).

(1) the cost differential between the mid-market price of the asset (before the order is placed in the market) and the price at which the deal is struck – as defined by PRIIPs regulations issued by the European Union (see Glossary of Terms, "PRIIPs" on page 99).

Glossary of Terms

AAF Report – Report prepared in accordance with Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

Administrator – The administrator is State Street Bank and Trust Company to which BMO has outsourced trade processing, valuation and middle office tasks and systems.

AGM – annual general meeting of the Company to be held on 7 May 2020.

AIC – Association of Investment Companies, the trade body for closed-ended Investment Companies.

AIFMD – the Alternative Investment Fund Managers Directive that requires investment vehicles in the European Union to appoint a Depositary and an Alternative Investment Fund Manager.

AIFM – the Alternative Investment Fund Manager appointed by the Board of Directors in accordance with the AIFMD is the Company's Manager, as defined below.

BMO – Bank of Montreal, which is the parent company of BMO Asset Management (Holdings) PLC which in turn owns BMO GAM.

BMO GAM – Together, the Manager and it's sister company, BMO Asset Management Limited, which operate under the trading name BMO Global Asset Management.

BMO Savings Plans – previously the F&C savings plans, these comprise the BMO General Investment Account, BMO Junior Investment Account, BMO Investment Trust ISA, BMO Junior ISA and BMO Child Trust Fund operated by BMO Asset Management Limited, a company authorised by the Financial Conduct Authority.

Benchmark – the FTSE All-World (Total Return) Index is the benchmark against which the increase or decrease in the Company's NAV is measured. The Index averages the performance of a defined selection of companies listed in stock markets around the world and gives an indication of how those markets have performed in any period. Divergence between the performance of the Company and the Index is to be expected as: the investments within this Index are not identical to those held by the Company; the Index does not take account of operating costs; and the Company's strategy does not include replicating (tracking) this Index. FCIT is reporting against the total return for the index gross of withholding tax but will in future report against the index net of that tax. Prior to January 2013 the benchmark was a composite of 40% FTSE All-Share (Total Return)/60% FTSE WI World ex UK (Total Return).

Carbon intensity – this is measured in tons of CO2 equivalent (ie including the basket of six Kyoto Protocol gases) of Scope 1 and 2 emissions, divided by $1 million of sales at a company level. This is aggregated to portfolio level using a weighted average (by holding).

Closed-ended company – a company, including an Investment Company, with a fixed issued ordinary share capital, the shares of which are traded on an exchange at a price not necessarily related to the net asset value of the company and which can only be issued or bought back by the company in certain circumstances.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – The Custodian is JPMorgan Chase Bank. The custodian is a financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.

Depositary – The Depositary is JPMorgan Europe Limited. Under AIFMD rules the Company must appoint a depositary whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to oversight of share issues/buybacks, dividend payments and adherence to investment limits.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see notes 2(c)(xi), 17, 18 and 19 to the Accounts). Company Law requires that Share Capital and the Capital Redemption Reserve may not be distributed. The Company's articles of association allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. The cost of all share buybacks is deducted from Capital Reserves.

Dividend Dates – Reference is made in announcements of dividends to three dates. The "record" date is the date after which buyers of the shares will not be recorded on the register of shareholders as qualifying for the pending dividend payment. The "payment" date is the date that dividends are credited to shareholders' bank accounts. The "ex-dividend" date is normally the business day prior to the record date (most ex-dividend dates are on a Thursday).

EY – The Company's auditors, Ernst & Young LLP.

FCIT – F&C Investment Trust PLC or "**the Company**" and previously named Foreign & Colonial Investment Trust PLC.

Fund Manager – Paul Niven, an employee of the Manager with overall management responsibility for the total portfolio.

GAAP – Generally Accepted Accounting Practice. This includes UK Financial Reporting Standards ("**FRS**") and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary shareholders in their entitlement to capital and/or income. They include: preference shares; debentures; loan notes; overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or" effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

Hampton-Alexander Review – The independent review body which aims to increase the number of women on FTSE 350 boards.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year, provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment portfolios – sometimes referred to as strategies, the separate regional, global and Private Equity portfolios that together make up the total investment portfolio of the Company.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 above but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received. The Directors' Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

ISAE Report – Report prepared in accordance with the International Standard on Assurance Engagements.

Leverage – as defined under AIFMD rules, leverage is any method by which the exposure of an AIF (being an investment vehicle under the AIFMD) is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager (AIFM) – BMO Investment Business Limited, a subsidiary of BMO Asset Management (Holdings) PLC, which in turn is wholly owned by Bank of Montreal ("**BMO**"). Its responsibilities and fee are set out in the Business Model, Report of the Management Engagement Committee and note 4 to the accounts.

Market capitalisation – the stockmarket quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV, the market capitalisation will be lower than the NAV or higher in the event of a premium.

Net asset value (NAV) – the assets less liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 to the Accounts) and UK Accounting Standards. The Net Assets correspond to Total Shareholders' Funds, which comprise the share capital account, capital redemption reserve and capital and revenue reserves.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive Directors.

Non-Financial Information Statement (NFIS) – Under sections 414CA and 414CB of the Companies Act 2006 certain large companies within scope are subject to an additional layer of narrative reporting originally introduced under EU Non-Financial Reporting Directive (EU/2014/95) and implemented by amending the strategic report requirements in the Companies Act 2006 by the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. The regulations require those companies to disclose to the extent necessary an understanding of the company's development, performance, position and impact of its activity, information relating to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters. Although F&C Investment Trust PLC does not fall within the scope of these requirements, the Board has opted to comply and has integrated the disclosures into the Strategic Report. F&C Investment Trust PLC's Non-Financial Reporting disclosures that have been made in relation to the requirements are referenced in the following table to indicate in which part of the Strategic Report they appear.

Non-financial information	Section	Page
Business model	Strategic report and business model	8
Key performance Indicators	Key Performance Indicators	11
Principal Risks	Principal risks and future prospects	20
Policies	Principal policies	28

Open-ended Fund – a collective investment scheme which issues shares or units directly to investors, and redeems directly from investors, at a price that is linked to the net asset value of the fund.

Parker Review Committee – The independent review body which recommends each FTSE 250 company to have at least one director from an ethnic minority background by 2024.

Peer group – Investment Trusts and Funds investing in Global markets on behalf of investors, in competition with the Company and included within either the AIC Global Sector or the Investment Association (IA) Global Sector in the UK.

PRIIPs – Packaged Retail and Insurance-based Investment Products regulations that require generic pre-sale disclosure of investment "product" costs, risks and indicative future return scenarios. The Company's ordinary shares are defined as a product for the purposes of the regulations. Costs as calculated under PRIIPs are explained within Alternative Performance Measures on page 95, under "Total Costs".

Private Equity – an asset consisting of shares and debt in operating companies that are not publicly traded on a stock exchange. The holdings in such companies may be collected in a Fund which operates as a limited partnership, with Partners contributing capital to the Fund over a period of years and receiving proportional repayments of capital and income as and when the investments are sold.

Section 172(1) – Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he considers, in good faith, to be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to matters specified in that section. The directors are required to report on this in the Strategic Report section of the Report and Accounts each year.

Sustainable Development Goals (SDGs) – The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 goals, which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all the while tackling climate change and working to preserve our oceans and forests.

SSAE – Statement on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants.

SORP – Statement of Recommended Practice. The accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 2 to the Accounts.

Special Dividends – dividends received from investee companies which have been paid out of capital reconstructions or reorganisations of the investees are sometimes referred to as Special Dividends and may be allocated to Capital Reserves in accordance with the Company's accounting policies and the SORP. Dividends which are unusually large in terms of the investee companies' annual earnings or normal payment pattern are also sometimes referred to as special but are treated as revenue in nature unless evidenced otherwise.

The Task Force on Climate-related Financial Disclosures (TCFD) – This was set up in 2015 by the Financial Stability Board (FSB) to develop voluntary, consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. BMO Financial Group supports the TCFD and both BMO Financial Group and BMO GAM publish reporting in line with TCFD recommendations.

Treasury shares – ordinary shares in issue that have been bought back from shareholders on the open market and kept in treasury by the Company. Such shares may, at a later date, be sold on the open market or cancelled if demand is insufficient. Treasury shares carry no rights to dividends and have no voting rights and hence are not included within calculations of earnings per share or net asset value per share.

UK Code of Corporate Governance (UK Code 2018) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

The United Nations Sustainable Development Goals (SDGs) – These goals are the blueprint to achieve a better and more sustainable future for all. They address global challenges including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected and the aim is to achieve them all by 2030.

The United Nations-supported Principles for Responsible Investment (UNPRI) – The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. In implementing them, signatories contribute to developing a more sustainable global financial system.

Warning to Shareholders – Beware of Share Fraud.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell to you shares that turn out to be worthless or non-existent, or to buy your shares at an inflated price in return for an upfront payment following which the proceeds are never received.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from **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** 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**
- 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** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

F&C Investment Trust PLC
Report and Accounts 31 December 2019

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