F&C Investment Trust PLC

Report and Accounts
31 December 2020

F&C Investment Trust
ESTABLISHED 1868

Contents

2021-22 Financial year events	
Virtual meeting of shareholders	26 April 2021
Annual General Meeting	10 May 2021
Final dividend payable for 2020	13 May 2021
Interim Results for 2021 announced	end July 2021
First interim dividend for 2021	August 2021
Second interim dividend for 2021	November 2021
Third interim dividend for 2021	February 2022
Final Results for 2021 announced	March 2022
Final dividend for 2021	May 2022

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 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; it 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. A commitment has been made to transition the portfolio to net zero carbon emissions by 2050 at the latest. 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

Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are up to date as at the date of this report and are based on the Directors' current view and on information available to them as at that date. There is no obligation to update the statements and nothing should be construed as a profit forecast.

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

Financial Highlights

4.6%
4.6% share price total return*

12.3%
Net Asset Value total return* of 12.3%, with debt at market value

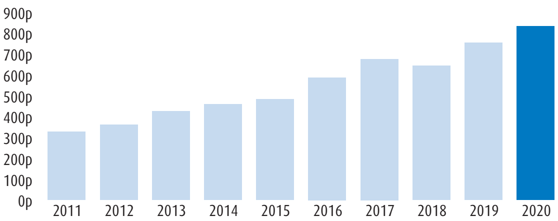
50th
Annual dividend†* per share up by 4.3% to 12.1p, our 50th consecutive annual increase

-5.4%
Our rating moved from a 1.5% premium to a 5.4% discount* to NAV

Delivering long-term growth in capital and income

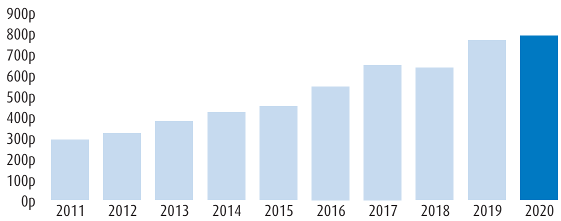
In the last ten years FCIT has grown a £1,000 investment, with dividends reinvested, to £3,130.

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



Source: BMO GAM

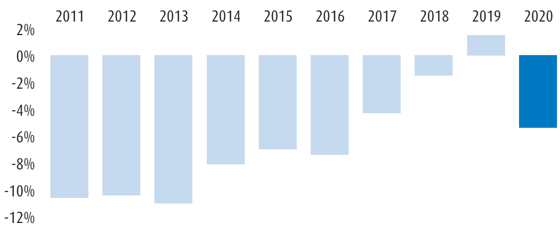
Mid-market price per share at 31 December – pence



Source: BMO GAM

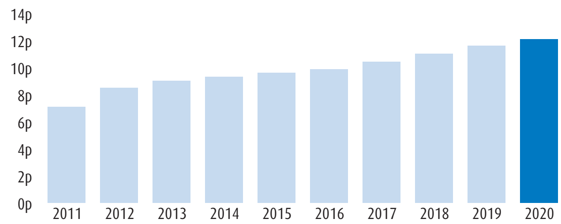
The dividend has increased every year for the past 50 years and over the last ten years is up 79.3% (6.0% compound per annum), compared with inflation of 19.7% (1.8% compound per annum).

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



Source: BMO GAM

Dividends†* per share – pence



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 pages 101 to 103.
† The final dividend for 2020 is subject to shareholder approval at the Annual General Meeting.

Chairman's Statement

"We are pleased to announce our commitment to transition our portfolio to net zero carbon emissions by 2050 at the latest."

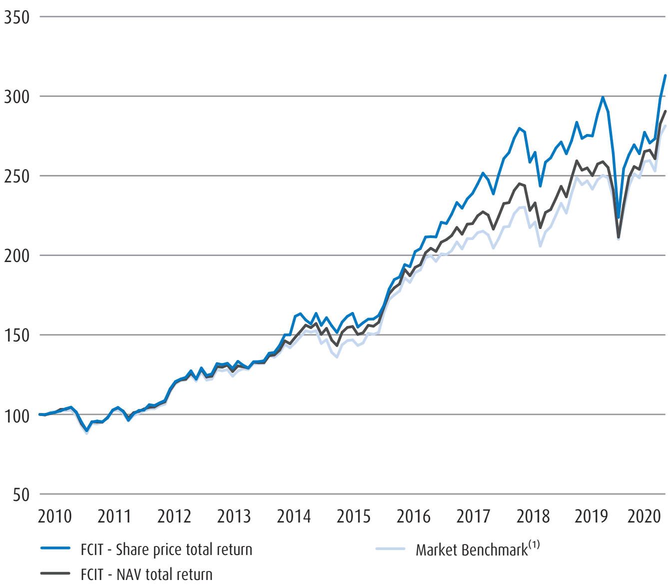
Beatrice Hollond, Chairman

Dear Shareholder,
2020 was a tumultuous year, with the impact of Covid-19 leading to a sharp downturn in the global economy, an abrupt end to the longest equity bull market in history, and extreme levels of volatility in financial markets. Nevertheless, our share price total return was 4.6% for the year and our Net Asset Value (**"NAV"**) total return, taking debt at market value, was 12.3%, just slightly behind the 12.4% total return from the Company's benchmark index. The shares had started the year trading on a premium rating but by the year end had moved to a discount of 5.4%, which is reflected in the difference between the strong NAV total return and relatively lower share price total return.

Our NAV per share with debt at market value rose from 753.90p to 831.78p and our share price rose from 765.0p to 787.0p, ending the year close to a record high.

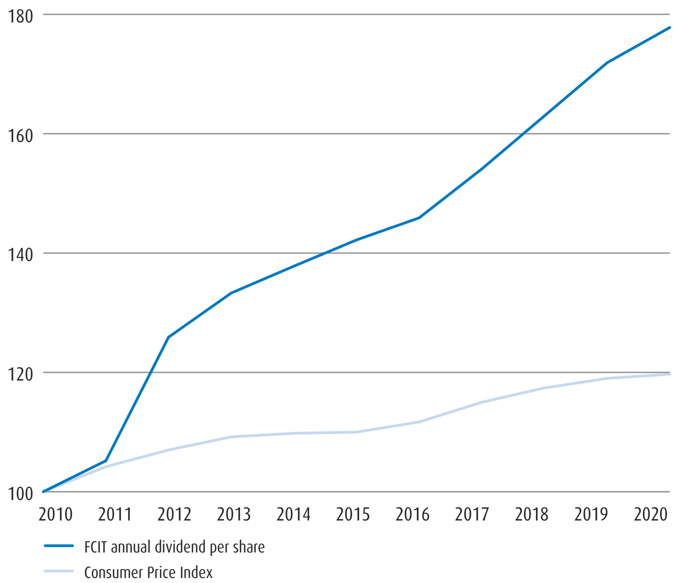
Our portfolio of investments delivered returns in line with the benchmark. Our listed equity market holdings posted good absolute

FCIT NAV and share price performance vs Market Benchmark[1] over 10 years



Source: BMO GAM & Refinitiv Eikon

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



Source: BMO GAM & Refinitiv Eikon

[1] See Glossary of terms on page 104 for explanation of "benchmark"

gains and our private equity holdings performed better still. We enjoyed favourable returns from our listed North American holdings, where our exposure to growth and technology stocks delivered exceptional returns. Our Japanese and European strategies also provided good absolute and relative levels of return. Elsewhere, there was underperformance from several of our listed Global Strategies and our Emerging Markets holdings which, together with a rise in the fair value of our outstanding debt, contributed to the overall in-line NAV return.

Purpose and resilience

Our purpose has remained relevant and essentially unchanged throughout our long history, while our structure and ethos as an investment trust is once again showing resilience in the face of global turmoil. During 2020, and into 2021, the Covid-19 global pandemic has led to multiple lockdowns across the globe causing disruption to business operations and restricting domestic and international travel. The Board now holds its meetings online and our management company has proven it can continue to operate effectively under its contingency work-from-home arrangements, as do our other third-party service providers. The investment, support and compliance monitoring teams all continue to perform their roles effectively.

It is best practice for boards of directors to test the magnitude of events that could potentially force their companies to cease operating. As part of our annual robust review of risks and controls, we have carried out this test and further tests that help assess the Company's short to medium-term resilience and its longer term viability. I am very pleased to report that the results confirm that the Company continues to be well positioned to withstand further impacts from events such as significant market shocks, potential short-term liquidity issues and substantial falls in dividend income.

Meeting longer term investment needs

While short-term results are important, our aim is to meet the longer term needs of shareholders with the overriding objective of delivering long-term growth in capital and income.

Despite periodic volatility, and indeed the market shock triggered by Covid-19, investors in equities have enjoyed a period of extraordinary returns over recent decades. Our results continue to show the importance of taking a long-term perspective and how compounding of returns leads to wealth creation for investors.

Over the ten-year period to the end of 2020 your Company delivered a total shareholder return of 213.0%, equivalent to a total return of 12.1% per annum. Over the past twenty years, our total shareholder return was 350.3%, equivalent to a total return of 7.8% per annum. These figures highlight the significance of dividend reinvestment and the effect of compounding over time. Our capital returns over the past twenty years amounted to 194.2%, which with dividends reinvested resulted in the twenty year total return of 350.3%. Dividends paid to shareholders have risen by 6.0% per annum over the past decade and by 7.0% per annum over the past twenty years.

As ever, we remain resolutely focused on meeting our purpose and extending our strong record of delivering long-term growth in both capital and income for shareholders.

Fiftieth consecutive annual dividend increase

Our net revenue fell in the year to £52.5m which included special dividends of £1.2m (2019: £3.7m). The impact of currency movements was estimated to be modestly detrimental, detracting £0.4m (2019: positive effect of £2.3m). Our net revenue return per share fell to 9.71 pence per share from 13.06 pence per share in 2019, which was the largest annual decline since 2009. Nevertheless, and subject to approval at the forthcoming Annual General Meeting (**"AGM"**), shareholders will receive a final dividend of 3.4 pence per share on 13 May 2021, bringing the total dividend for the year to 12.1 pence. This rise of 4.3% compares with the 0.6% rise in inflation, as measured by the Consumer Price Index. Furthermore, it adds to our long record of rises in real terms and we are delighted to pay our fiftieth consecutive increased annual dividend. It will also be our one hundred and fifty third annual dividend payment.

In years where our income exceeds dividend payments, we are able to take advantage of our structure as an investment trust and be prudent by transferring some of that income to our Revenue Reserve. This in turn gives us the capacity to draw on our Revenue Reserve to help fund this year's dividend payment; it will continue to exceed one year's worth of annual dividends after that payment. Furthermore, our capital reserves, which stood at over £4.0 billion at year end, provide considerable flexibility for us to continue to deliver future rises in dividends. It remains our aspiration to continue to deliver real rises in dividends to shareholders over the long-term.

Company rating and efficiency

Your Company issued shares in both 2018 and 2019 and started the year at a premium rating of 1.5%. Our rating deteriorated in the first half of the year in the face of the pandemic and we moved to a discount as demand for our shares diminished and equity markets dropped sharply. We bought back a total of 6m shares into treasury during the year as part of our commitment towards a sustainably low deviation between the share price and NAV. The discount averaged 6.1% over 2020 and ended the year at 5.4%.

We regard costs as critical and have always taken a very conservative view of both how we manage and report on them as they can have a significant impact on long-term returns to investors. Our Ongoing Charges[1] figure reduced from 0.63% to 0.59%, continuing the desired downward trend of recent years. This measure takes account of costs expected to be regularly incurred and does not include those incurred in buying and selling investments. Our transaction costs rose as a result of a higher level of portfolio activity in the year and therefore our Total Costs[(1)] ratio, which does include transaction costs, moved from 1.05% to 1.19%. Our Ten-Year Record shows the extent to which we have kept costs under control, which has made a considerable difference to our results over multiple years. The Board remains focused on delivering value for money for shareholders as part of its performance objectives.

Impact of borrowings

Over recent years we have taken the opportunity to take out long-term borrowings at historically low interest rates. Of our £407m borrowings as at the end of 2020, £366m were structural and mostly in the form of private placement loan notes at interest rates ranging from 0.93% to 3.16% with repayment dates falling between 2026 and 2059. Our blended borrowing rate of around 2.3% is very low by historic standards and the borrowings that we have taken out will therefore enhance NAV returns, provided our assets can deliver returns above that level over the terms of the loans.

Interest rates have generally fallen even further since we took out these longer dated loans and, although we do not anticipate their early redemption, we are required to make an adjustment to our NAV that reflects such an eventuality. This adjustment, or 'marking to market', of the fair value of our debt involves a calculation based on prevailing interest rates in government bond markets and, as at the end of 2020, amounted to a £47.9m 'fair value' reduction in our NAV. As market interest rates fell, the impact on our NAV increased over the course of the year, detracting £29.7m from our NAV total return. We do not anticipate the early redemption of these long-dated loans and indeed it is our expectation that our investment returns will exceed our current borrowing rates and that these loans will add value for shareholders in the long-term as a consequence.

Currency exposure

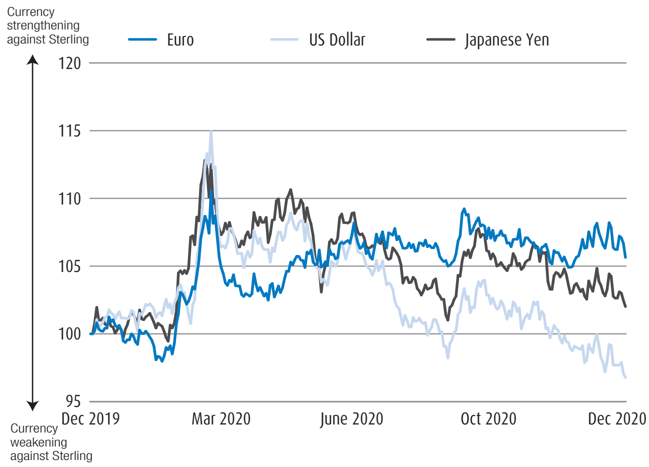
At the end of 2012, your Company adopted a global equity benchmark for performance comparison purposes. At that time, the Board took the decision that shareholders' best interests would be served by a move away from an approach which strategically favoured UK assets against global equities. This decision was well timed and, while UK equity investments have provided strong returns, non-UK equity market returns have been significantly higher.

A consistent feature of the global equity market in recent years has been the significant outperformance of US equities led, in large part, by 'growth' and technology stocks. Your Company has been a significant beneficiary of these trends and, as at the end of 2020, we held over 50% of our assets in listed US equities and less than 5% in UK listed assets.

[(1)] See Alternative Performance Measures on page 102

While the impact of currency exposure on our returns is complex given the international operations of multi-national companies which we hold, the Board is mindful of the fact that we have issued sterling debt which may be regarded as funding overseas investments, effectively reducing our limited sterling exposure further still. Recognising the extent of US dollar exposure on our investment portfolio and the fact that we are funding a portion of this through sterling borrowings, we considered it prudent to hedge a portion of our US dollar exposure during the year and have therefore purchased a series of forward currency contracts to the value of £300m. As at the end of 2020, this position showed an unrealised capital gain of £9.1m.

Currency movements relative to sterling for the year ended 31 December 2020



Source: BMO GAM

Environmental social and governance factors ('ESG')

We take a responsible investment approach and through BMO Global Asset Management have a manager that has been at the forefront in developing and applying the highest standards of ESG practice for many years. We have therefore been able to build a leading position in terms of voting and engagement and have substantially improved and expanded our ESG-related disclosures, as can be seen later in this report.

In delivering on our objective it is increasingly important to consider and manage the wider social and environmental impact of our investments. Many of our investee companies are already engaged in activities which are positively aligned to the United Nations Sustainable Development Goals (**"SDGs"**) and we are engaging with laggards to deliver better outcomes. Through our voting and engagement programme, and the wider activities of our manager, we are committed to influencing positive change. We believe that this is in the best interests of our shareholders and we will be giving greater attention to companies that are not sufficiently progressive in their consideration of key stakeholders.

Now, more than ever, your Board is focused on ensuring that ESG is integrated and embedded within all aspects of our investment process. Crucially, the issue of climate change is the defining challenge of modern times and we are pleased to announce our commitment to transition our portfolio to net zero carbon emissions by 2050 at the latest. We will closely monitor and report to you on our progress and move forward more quickly if we can.

Board Composition

In addition to the appointment of Quintin Price in March 2020, Tom Joy joined the Board on 1 January 2021. Their appointments are part of our planned sequence of Board changes and reflect our continuing focus on maintaining the highest level of investment skills and knowledge on the Board.

Nicholas Moakes retired on 31 December 2020 and Sir Roger Bone will retire immediately following the forthcoming AGM, when Quintin Price will succeed him as Senior Independent Director. I would like to thank both Nicholas and Roger for their wise counsel, hard work and significant contribution throughout their time as Directors.

Online Shareholder Meeting and Annual General Meeting

Under normal circumstances we like to see and talk to as many shareholders as possible in person at the AGM. Sadly, it is likely that under the government's roadmap of steps out of lockdown no indoor public gathering will be permitted by the time of the meeting and that travel will still be minimised. The Company's Articles of Association currently do not allow the formalities of the AGM to be held online and, regrettably, the meeting will again be functional in format, with access restricted. However, the less formal aspects can be held online, and we are therefore inviting you to an online event on 26 April 2021 at which there will be a presentation by the Fund Manager. This will be followed by a question and answer session with the Board and the Fund Manager. To help the event run smoothly, we request that questions are sent in advance to fcitagm@bmogam.com.

The formal AGM will be held two weeks later on 10 May 2021. By holding the separate online event in advance of this there will be time for you to lodge your proxy votes having had the opportunity to engage with the Board and hear the Fund Manager's presentation. As currently permitted we are proposing to hold the AGM with three members only present in person, sufficient to form a quorum, and voting will be conducted by way of a poll. It is strongly recommended that shareholders do not attend. Nevertheless, shareholders can be represented by the chairman of the meeting acting as their proxy. We therefore urge you to lodge your votes to arrive by the deadline stated in the notice of meeting, appointing the chairman of the meeting as your proxy. Any updates to the AGM arrangements will be announced via a regulatory announcement and will be included on the Company's website. One of the resolutions will be for shareholder approval of new Articles of Association which, along with other best practice updates, will allow us to hold formal shareholder meetings in person while at the same time enable attendance and participation online for those who prefer. These "hybrid meetings" will allow us to reach out to many more of our shareholders in future, which we very much look forward to.

Outlook

Coming years are likely to provide further challenges. Covid-19 remains a significant threat to near-term growth prospects and while the news on vaccine effectiveness and deployment presents the prospect of a return to normality, risks to the outlook are numerous.

While we do expect better growth as this year progresses, and a consequent improvement in corporate earnings, equity markets have already discounted much of the good news. Valuations are being buoyed by unprecedented monetary and fiscal stimulus and, while we should expect support for some time to come, disappointment on earnings delivery or, critically, on inflation, could give rise to volatility and even a sharp setback in equity markets.

Despite near-term risks to navigate, we remain focused on the longer term. Your Company has once again proven robust to the extremities of market stress and volatility. It has been resilient, responsible and prosperous for over 150 years. Looking forward, there will indeed be risks but also tremendous opportunities. Our focus has always been on delivering sustainable growth in capital and income over the longer term. Shareholders can be assured that it will remain so.

Beatrice Hollond
9 March 2021

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. Our long-term strategy now incorporates a commitment to achieving net zero carbon emissions by 2050 at the latest.

Purpose and values

Our purpose is essentially unchanged since inception as The Foreign & Colonial Government Trust back in 1868. At the outset our purpose 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 broadly. We now invest in global equities, both listed and private, and continue to provide a diversified, convenient and cost-effective global investment choice that meets the longer term investment needs of large or small investors. Our values centre around integrity, innovation, adaptation and diversification and are integral to and inherent in our long-term strategy, which now incorporates a commitment to achieving net zero carbon emissions by 2050 at the latest with a greater focus on investing sustainably.

Investment and business strategy

Our overriding strategic objective is simply to secure long-term growth in capital and income for our shareholders. Our investment strategy is therefore designed to produce outperformance and real rises in dividends over the longer term as reported on page 12. 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 an ever 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 us as a core investment choice through all available channels.

Business model

As an investment company with no employees, we believe that the best way 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 listed equities portfolios and some of the long-established Private Equity holdings that are held in funds of funds. Engagement on ESG matters is 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 37.

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

* Further to the provisions of the Companies Act 2006 relating to the preparation of a Strategic Report and concerning 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 106, together with a guide to the location of the embedded information.

"...a resilient and adaptable business model that is helping us to weather the impact of Covid-19....."

fund structures. These features combine to form a resilient and adaptable business model that is helping us to weather the impact of Covid-19, as it has during many a world crisis before.

Alignment of values and culture

In addition to strong investment performance from our Manager, we expect it to adhere to the very highest standards of ESG practice and that its values, culture, expectations and aspirations align with our own. The Board considers the Manager's culture and values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. BMO GAM has a culture of diversity, collaboration and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs. 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. In alignment with this culture and the values that we share with BMO GAM, we aim to pursue our strategy and objective through the consistent application of the very highest standards of transparency, corporate governance and business ethics.

ESG impact

Our ESG policies are set out on page 22 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of our activities is minimal as we have no employees, premises, physical assets or operations either as a producer or a provider of goods or services, and we do not have customers in the traditional sense. The Company is therefore exempt from reporting on its energy and carbon emissions under the Streamlined Energy and Carbon Reporting requirements. Our indirect impact is made by way of the companies in which we invest and is mitigated through BMO GAM's Responsible Investment Approach as explained on pages 22 to 27.

Manager evaluation and alignment of shareholder interests

An important responsibility of our wholly independent non-executive Board of Directors is the robust annual evaluation of our Manager's performance capabilities and resources, given that investment performance and responsible ownership are fundamental to delivering sustainable long-term growth in capital and income for our shareholders. This evaluation is an essential element in the strong governance and mitigation of risk, as outlined under Principal Risks on page 28. 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 47. 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. 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 13 and, on page 28, 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 and service

On page 28 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

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 32, whilst the Fund Manager's review of activity in the year can be found on pages 14 to 19. In light of FCIT's strategy, 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 31 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 beyond all recognition since FCIT first set out to provide investment opportunities to investors of more moderate means but, with the majority of the shares now in the hands of tens of thousands of retail investors, FCIT continues to serve its purpose well. Reflecting changes in the market in more recent years, an increasing proportion hold their investments via third-party platforms, as well as through the BMO Savings Plans which remain a cost effective and flexible way to invest. Recognising the changes in how our key target market is choosing 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 increase, the proportion of shares held via third-party platforms and the BMO Savings Plans. This has been on an upward trend in recent years, but reduced slightly in 2020 as shown in the Key Performance Indicator on page 13.

Section 172 statement

Against the backdrop of Covid-19, the Directors had regard to the matters set out in section 172(1) of the Companies Act 2006 (the **"Act"**) and continued to act to promote the success of FCIT for the benefit of its shareholders as a whole. This included 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 and the engagement undertaken in 2020 are set out below. Our main working relationship is with BMO GAM, through our Manager, and we have continued to work closely together in the development of our investment strategy and underlying policies recognising that sustainability is fundamental to achieving longer term success. Our aim is to achieve FCIT's investment objective 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 on matters such as gearing and discount management are set out in the Fund Manager's Review on pages 14 to 19. There is also reference to the decision to continue our allocation towards private equity, which is a key element and differentiator in our investment strategy.

On pages 22 to 27 we have once again reported in greater detail on our ESG disclosures and our approach towards responsible investment which includes some case studies. 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 SDGs. An important decision was to commit to transition the portfolio to net zero carbon emissions by 2050 at the very latest. As a first step, we have invested in a Sustainable Opportunities portfolio managed by BMO GAM which focuses on growth stocks and sustainable business practices.
As previously reported, a decision was taken in 2019 to ensure that a stronger, more consistent approach is being applied to proxy voting across our entire portfolio. In 2020, our Manager therefore took responsibility for voting on all of our holdings whereas, previously, the sub-managers had voted in accordance with their own policies.

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. As reported above, 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 below. Despite the constraints imposed by Covid-19 restrictions we have continued to work on these initiatives and 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.

Key stakeholder and shareholder engagement

Whilst we hold our Manager to account in the management of our assets, we also recognise that relationship as being fundamental from a stakeholder perspective and as a working partnership in forming and developing our strategy. Our own engagement with our Manager is continuous, particularly through our regular Board meetings and not least the annual meeting that we dedicate to the review of strategic matters. The debate at our strategy meeting in September led us to review, clarify and fine-tune the considerations we regard as critical in terms of FCIT's approach in the face of market and commercial trends and, crucially, climate change. The discussions helped us clarify various aspects of our approach, the most significant outcome of which was the decision to transition our investments to net zero carbon emissions as reported above.

It follows that the relationships that we and our Manager have with the companies in which we invest are also of key importance and we outline our approach on pages 22 to 27. However, our remit goes wider and with BMO GAM we are also well placed to encourage awareness and dialogue on ESG issues amongst the wider community. In March 2020, just before lockdown, we sponsored a lecture at the Guildhall in London which 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. Video clips were made available to everyone on our website.

Albeit not in the traditional sense, we see our shareholders as customers who we hope will stay with us and reap the benefits of investing over the longer term. Many of our underlying shareholders are young and hold their shares through their parents in BMO's Child Trust Funds and Junior ISAs. September 2020 saw the maturity of the first set of Child Trust Funds meaning that, as each child turns 18, they will have full control over their holdings. With around 650 accounts set to mature each month, our hope is that these young investors will remain with us either by switching into other BMO savings products or retaining their shares on other platforms. For that purpose, BMO has been writing to parents ahead of their account maturity dates explaining the options and opportunities available to them by continuing their investment journey with us. It is clearly too soon to report on the outcome of this exercise, but we will report on this in the future as to how successful this has been.

With regard to our shareholders more generally, we engage by reporting our activities and performance through the publication of our financial statements. Most 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 covering the main highlights of our half-yearly and annual results. Shareholders and savings plan investors can access the full information on our website, fandcit.com. Through BMO GAM, we also make sure the savings plan investors are encouraged to fully participate at shareholder 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.

BMO GAM has a team dedicated to fostering good relations with wealth managers and Independent Financial Advisers and keeping underlying investors informed with the aim to promote the Company's investment proposition and improve the share price. The activities this team organises include client meetings as well as webinars, interviews, newsletters and videos shared via several media channels. The team gathers feedback and answers questions in relation to FCIT and its investment strategy. In 2020 the team conducted a two-part educational series for Independent Financial Advisers via BMO's 'adviser edge' webinars covering the broader topic of investment trusts. These activities and feedback 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 engage with shareholders.

Our lenders are important stakeholders who we keep informed through our monthly covenant compliance reporting in the first instance. Despite the substantial falls in the markets in March 2020, none of the financial covenants were threatened and we had no issues over liquidity or cause to engage with the lenders in this regard. We did engage later in the year as part of the routine annual renewal of the revolving credit facility.

From a social perspective, we constantly remind ourselves of our heritage and foundation on the strong values that centred around the democratisation of capital markets. At launch in 1868 FCIT was new and innovative and recognised as meeting a public need. Today it perhaps has even greater relevance, while the same social values and recognition of the wider community continue 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 were restricted in our ability to go on the road in 2020 due to Covid-19, but nevertheless looked to build on partnerships with 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 diversity and inclusion might continue to impact society. This competition is important to us as learning financial skills from a young age can really help people throughout life. We also continued to work with primary school aged children by introducing basic savings, spending and investing concepts across digital channels. We produced worksheets to enable learning to take place at home during lockdown. We plan to continue and build on these initiatives and reinstate the Primary School Roadshow once life returns to an acceptable level of normality.

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.

Our Key Performance Indicators have been set to help us achieve our overriding strategic objective of delivering long-term growth in capital and income for our shareholders. Whilst the NAV per share is an important indicator of our portfolio performance, we recognise that the share price total return, which combines a measure of the two, is ultimately what shareholders look to. While income is important and we aspire to a rising dividend in real terms over the long run, this is not done at the expense of risking capital growth potential. A balance is struck between income and capital needs, which may result in periods when the dividend is uncovered in pursuit of superior total returns. Nevertheless, with strong revenue reserves and the flexibility to use capital reserves, we are in the enviable position of being able to continue our long track record of dividend increases even in years such as 2020 when many companies were passing or cutting their payments. Indeed, 2020 marked the 50th consecutive increased annual dividend and the one hundred and fifty third annual dividend payment.

Share price discount volatility can be regarded by many as an investment opportunity but can be very unsettling for shareholders. We therefore show the discount as a KPI and have set a policy aspiration to see the shares trading at or close to the NAV per share. Careful discount management over many years has seen the discount narrow significantly, even taking the share price to a small premium at the end of 2019. It moved back to a discount in 2020.

We are also very focused on costs. The recognised method of cost measurement within the investment trust industry is Ongoing Charges[(1)] and this has continued its downward trend. Our transaction costs rose as a result of a higher level of portfolio activity in 2020 and therefore our Total Costs[(1)] ratio, which includes transaction costs, moved higher. Many competing products in the financial services industry are not required to disclose this measure and like-for-like comparisons against investment trusts are therefore not possible. Our Ten Year Record on page 93 shows the extent to which we have kept costs under control, which has made a considerable difference to our results over multiple years.

One of our KPIs is a marketing performance measure that tracks the percentage of FCIT shares held on retail platforms as we recognise that this is an important source of demand. A healthy level of demand will show the extent to which we are continuing to meet our purpose and should help support the share price and a consistently narrow discount. The percentage of shares held had been on an upward trend in recent years but was set back slightly in 2020 following the market shock and uncertainty.

While no new KPIs were added in 2020, the Board has made the decision to commit to transition the portfolio to net zero carbon emissions by 2050 at the latest. We will therefore develop a KPI to measure our performance against this commitment and report on it in the future.

"2020 marked the 50th consecutive increased annual dividend and the one hundred and fifty third annual dividend payment"

(1) See Alternative Performance Measures on page 102

Performance: Total returns (Cumulative)	1 Year %	3 Years %	5 Years %	10 Years %	We aim to secure long-term growth in capital and income
FCIT share price[1]	4.6	27.8	91.4	213.0	This compares our 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]	12.3	29.2	87.1	190.5	
Benchmark[2]	12.4	31.4	91.6	181.4	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.
AIC Global Sector Median share price (investment companies)[3]	13.5	29.5	96.9	202.2	
AIC Global Sector Median NAV (investment companies)[3]	12.6	28.6	92.4	161.8	
IA Global Sector Median (open-ended funds)[3]	11.8	27.4	79.6	143.9	
Consumer Price Index	0.6	4.0	8.8	19.7	

Source: BMO GAM, Morningstar UK Limited and Refinitiv Eikon

Dividend: Dividend Growth per annum (Annualised)	1 Year %	3 Years %	5 Years %	10 Years %	We aim to deliver a rising dividend stream in real terms over the longer term
FCIT dividend[1]	4.3	5.2	4.7	6.0	This shows the Company's compound annual dividend growth rate and compares it to the Consumer Price Index.
Consumer Price Index	0.6	1.3	1.7	1.8	

Source: BMO GAM and Refinitiv Eikon

(Discount)/premium: Share price (discount)/premium to NAV	2020 %	2019 %	2018 %	2017 %	2016 %	We aspire to seeing the shares trading at or close to NAV per share
(Discount)/premium at 31 December[1]	(5.4)	1.5	(1.5)	(4.3)	(7.4)	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	(6.1)	(2.2)	(1.3)	(6.7)	(9.7)	

Source: BMO GAM

Efficiency: Costs Year to:	2020 %	2019 %	2018 %	2017 %	2016 %	Our policy is to control the costs of running the Company
Ongoing charges[1]	0.59	0.63	0.65	0.79	0.79	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]	1.19	1.05	1.01	1.06	n/a	

Source: BMO GAM

Marketing: Platforms Year ended 31 Dec:	2020 %	2019 %	2018 %	2017 %	2016 %	We promote access to FCIT's shares through all available distribution channels with the aspiration of being on as many platforms as possible.
Platforms	64.86	64.97	64.94	63.23	61.96	This shows how the percentage of shares held through platforms, including BMO Savings Plans, has been changing over time.
Others	35.14	35.03	35.06	36.77	38.04	

Source: BMO GAM

(1) See Alternative Performance Measures on pages 101 to 103 for explanation.
(2) See Glossary of terms on page 104 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 see attractive long-term opportunities for shareholder returns to be enhanced through a focus on companies engaging in sustainable business practices."

Paul Niven, Fund Manager

Market backdrop

Remarkably, 2020 was another strong year for equity markets with our share price close to all-time highs. This was an extraordinary period with the global economy suffering the largest exogenous shock in decades caused by Covid-19. 2020 saw the end of the longest equity bull market in history, falls in equities unseen for over a decade, and a sharp recovery in markets on hopes that 2021 would see a swift return to growth, fuelled by widespread deployment of vaccines.

While the scale of the global economic and corporate challenge was as great as any seen in modern times, there was also an unprecedented policy response. The scale and speed of monetary and fiscal stimulus unleashed by central banks and governments significantly surpassed that seen in the Global Financial Crisis. As markets tumbled during March and panic intensified, policymakers acted to underwrite both wage and credit risk on an economy-wide basis. While government lockdowns were turning the pandemic into an economic catastrophe, the clear aim was to prevent an ensuing financial collapse which would lead to further, and more lasting, economic damage.

The US, where we have significant exposure, was the best performing major developed market, propelled by outperformance of growth and technology related stocks. Despite this, the bellwether S&P 500 dropped by 30% and then recovered dramatically to end the year up by over 18%. The global recession accelerated many pre-existing trends and favoured companies with a dominant market position and strong financials. Outperformance of growth stocks, led by many of our top listed holdings, such as Amazon, Microsoft and Alphabet, extended further and the technology-heavy US Nasdaq index gained by over 40% on the year.

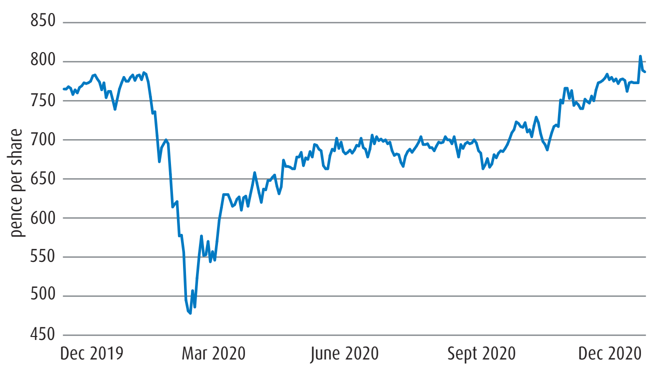
Aside from the pervasive impact of Covid-19, investors also had to contend with a fractious US Presidential election. Brexit was the other major political event culminating in a last-gasp agreement as expected by markets and greeted with relief by investors. Over the year, sterling gained by 3.1% against the US dollar but fell by 5.4% against the euro. The UK market, however, was again a laggard in global terms, with the FTSE All Share falling by 9.8% on the year.

Investment performance

Against this exceptional backdrop, our share price total return was 4.6% while the share price, whilst displaying periods of volatility, ended the year up 2.9%. Our NAV total return for the year was 12.3% which was in line with the benchmark's 12.4%, while the portfolio of investments delivered a return of 12.5%.

As explained in 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 listed and private equity opportunities from across the world and seek to diversify across different areas to smooth returns for investors.

FCIT share price 2020



Source: BMO GAM

Contributors to total returns in 2020	
	%
Portfolio return	12.5
Management fees	(0.4)
Interest and other expenses	(0.3)
Buy-backs	0.1
Change of value of debt	(0.8)
Gearing/other	1.2
NAV total return	**12.3**
Change in rating	(7.7)
Share price total return	**4.6**
FTSE All-World total return	12.4

Source: BMO GAM

Year-end allocations and underlying geographic exposures are shown on the following pages.

Underlying Classification of Listed Investment Portfolio as at 31 December 2020	
Technology	22.3
Financials	18.3
Consumer Services	15.3
Industrials	14.7
Healthcare	11.3
Consumer Goods	9.9
Basic Materials	3.4
Oil & Gas	2.0
Telecommunications	1.6
Utilities	1.2
	100.0

Source: BMO GAM

Listed Equities

Our listed portfolio assets delivered overall returns in line with the global benchmark with our exposure to Japanese equities producing the strongest absolute returns, at 20.9%. While North America delivered a gain of 16.0%, Europe with 8.6% was again a laggard in absolute terms while our Emerging Markets portfolio was just behind, with a gain of 8.2%.

Our exposure to North America delivered returns ahead of the benchmark, driven by our holdings in US growth stocks, which beat value related holdings by the largest annual amount for at least twenty years. The 30.1% gain from T. Rowe Price, our growth-oriented manager, was the highest of any of our portfolio strategies and some of the largest holdings, including Alphabet, Microsoft and Facebook, produced excellent returns of 27-38% in sterling terms. Amazon delivered a return of over 71% while other holdings, including Paypal and Nvidia, more than doubled on the year.

Despite strong absolute gains, T. Rowe Price failed to match the exceptional returns from growth indices, in part due to a lack of exposure to the high-profile electric car manufacturer Tesla, which gained by over 720% on the year. In addition, the decision to hold only a small position in Apple, the largest company in the world and which gained over 80% on the year, detracted from relative returns.

Barrow Hanley, our US value manager, beat value-based indices despite only managing a small positive absolute return on the year of 0.4%. Although the gap in performance between growth and value stocks reached historic extremes, this partly reversed in the last months of the year on positive news of the efficacy of vaccines and related optimism on a reopening of the global economy.

It was again technology related holdings in our Barrow Hanley value allocation, such as Broadcom (+41%) and Qualcomm (+72%) which provided particularly strong returns while Dollar General (+32%), the discount retailer was also a highly performing holding. Countering these positives, however, several holdings such as Royal Caribbean and Spirit AeroSystems, the aerospace manufacturer, were heavily impacted by the impact of Covid and were sold during the year.

Europe was an area of strong excess returns for us, with our strategy posting gains of 8.6% against the benchmark return of 2.8%. The year again showed the benefit of continuing to back 'winners' with our holding in Delivery Hero (+90%), a food delivery platform, again the biggest single positive contributor to performance. Their business model was already delivering strong growth and proved to be a beneficiary of the pandemic as global lockdowns led to increases in food deliveries ordered via their platform. ASML, the Dutch semi-conductor equipment company was again a strong contributor as their business proved to be Covid-19 resilient. The single biggest sector contributor came from limited exposure to the poorly performing European bank sector. DnB, the only bank holding in the strategy produced a small positive return.

Elsewhere, the Austrian viscose producer Lenzing was one of the big detractors from performance with the share price being hit by the combination of falling commodity viscose prices and the commencement of a huge capital investment programme. While we continued to see the merits of this stock, the position was exited during the year due to discomfort over big increases in debt at a time of falling profitability.

Our Japanese holdings also produced strong absolute and relative returns for the portfolio, gaining by 20.9% on the year. Keyence, a world leader in industrial automation and inspection equipment, rose more than 50% in 2020, partly due to thematic enthusiasm around Covid driving further

Weighting, stock selection and performance over one year in each investment portfolio strategy and underlying geographic exposure versus Index at 31 December 2020					
Investment Portfolio Strategy	**Our portfolio strategy weighting %**	**Underlying geographic exposure[1] %**	**Benchmark weighting %**	**Our strategy performance in Sterling %**	**Net index performance in Sterling %**
North America	40.7	54.5	58.3	16.0	15.8
Europe inc UK	9.9	23.1	17.2	8.6	2.8
Japan	4.9	7.2	7.4	20.9	10.7
Emerging Markets	9.6	12.6	11.8	8.2	14.7
Developed Pacific	–	2.6	5.3	–	14.9
Global Strategies[2]	26.6	–	–	8.0	12.4
Private Equity	8.3	–	–	13.6	–

(1) Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings.
(2) The Global Strategies allocation consists of Global Income, Global Smaller Companies, Global Value and Global Sustainable Opportunities.
Source: BMO GAM

automation of supply chains to reduce human health risk exposure. Keyence has positioned itself strongly to be a key player in any future automation, Artificial Intelligence and machine learning boom. Other strong performers were frequently integral players in the technology and electronics space this year; Hoya rose by almost 40%, driven by its key role in the miniaturisation of semi-conductors, whilst electronic component business Murata rose over 40%, with investors seeing it highly aligned with secular growth areas in 5G and car electrification. This has been a year when technology underlined and increased its centrality to almost every part of the economy. Less positively, performance was hurt by our holding in Orix, which faced a number of Covid-related headwinds, including operating and selling hotels, and managing Kansai Airport as a concession.

Our Emerging Markets strategy gained 8.2% over the year, lagging the 14.7% rise from the benchmark index. Our listed equity holdings gained by 9.6% but our longstanding position in Utilico Emerging Markets, which declined in value and was sold in entirety during the year, detracted further from returns.

Within the Emerging Markets universe, there was significant divergence in returns with China, Taiwan and South Korea driving market indices higher while most other major constituents lagged meaningfully. Our portfolio performance was supported by strong performance from holdings including TSMC, the Taiwanese semiconductor manufacturer, ANTA Sports (Chinese sporting goods retailer), Ping An Healthcare (Chinese online healthcare provider) and Yili (Chinese dairy products producer). Our holding in Wizz Air, the Eastern European low-cost airline was also a large contributor to performance, with their significant cash reserves supporting operations through the pandemic putting the company in a strong position as we enter 2021.

Our lack of exposure to South Korea, a market which gained by over 40%, hurt relative performance in Emerging Markets as did our investments in Indian and Indonesia banks. The best performers were technology stocks such as Tencent (technology conglomerate, China), Samsung Electronics (electronics company, South Korea), Alibaba (e-commerce, China) as well as TSMC.

For our Global Strategies it was a poor year in relative terms, with this combined area producing returns of 8.0%. We started the year with two allocations here, covering Small Cap and Income stocks, both of which lagged the broader market over the year with returns of 7.2% and 4.6% respectively. The Income strategy is helpful for our revenue account and has continued to deliver returns which are strong against higher yielding index comparators but, along with value stocks, this part of the market has been an area of material underperformance in recent years.

In the early part of the year we added a Sustainable Opportunities portfolio, managed by BMO GAM, that focuses on growth stocks with sustainable business practices. This allocation accounted for 10.3% at year end. We also invested in a portfolio that focuses on quality global value stocks which is managed by Pyrford International, a BMO affiliate. Performance diverged between these two components with Sustainable Opportunities delivering excellent returns, around 10% ahead of the market since funding, while the smaller allocation to global value (4.0% at year-end) struggled due to its value-oriented approach.

Private Equity

Over long periods of time, our private equity programme has generally delivered good levels of historic returns over listed market equivalents. In 2020, our Private Equity returns of 13.6% exceeded the returns from our listed holdings. Our long-held funds of funds, managed by Pantheon and Harbourvest, now account for 2.0% of our portfolio and gained by 8.0%

Investment portfolio strategies attribution in Sterling						
		1 year %		3 years %		5 years %
Region	Return	Index return	Return	Index return	Return	Index return
North America	16.0	15.8	48.9	46.7	121.2	119.0
Europe inc UK(1)	8.6	2.8	14.4	10.4	55.7	55.0
Japan	20.9	10.7	21.1	17.0	76.7	64.3
Emerging Markets	8.2	14.7	12.0	18.3	78.3	96.5
Global Strategies(2)	8.0	12.4	24.9	32.1	86.3	94.8
Private Equity	13.6	–	36.1	–	79.6	–

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 allocation consisted of Global Income, Global Smaller Companies, Global Value and Global Sustainable Opportunities as at 31 December but performance also includes the historic allocation to Global Multi-Manager.
Source: BMO GAM

Private Equity portfolio		Commitment outstanding 31 December 2020 £'000s	Value of holding 31 December 2020 £'000s
Total Private Equity portfolio(1)	Brought forward	155,713	325,833
Committed in 2020(2)		155,737	–
Cash drawn in 2020(2)		(47,229)	47,229
Cash returned in 2020(2)		–	(35,123)
Valuation movements(3)		–	36,705
Exchange movements(3)		(7,392)	(214)
Total Private Equity portfolio(3)	Carried forward	256,829	374,430

(1) Exchange rates ruling at 31 December 2019
(2) At actual exchange rates in 2020
(3) Exchange rates ruling at 31 December 2020
Source: BMO GAM

on the year. We continue to work with the managers to maximise value from these funds of funds as they come to closure.

As we have explained previously, we have been making new commitments in recent years into unlisted Private Equity holdings either through fund investments or through co-investments. These investments, which have been facilitated by BMO Global Asset Management, produced strong returns over the year, with a gain of 16.6%. As part of this allocation, our holding in Inflexion Strategic Partners, acquired at the end of 2019, was written up in value by £13.7m to £53.2m. This holding provides interests in the cashflows arising from the funds of Inflexion, which is a leading UK mid-market Private Equity firm.

Syncona, a listed company, forms part of our Private Equity allocation as many of its component investments are private entities. It also performed well, delivering a gain of 19.2% on the year as a result of underlying asset growth, driven by the life sciences portfolio, and a rerating of the Company.

Investment Activity

We made a number of changes to the portfolio over the course of the year. In advance of the market sell-off, in the first quarter, we reduced exposure to Global Income and allocated capital to two new Global Strategies; Sustainable Opportunities and Pyrford. We also reduced exposure to Europe and Japan, focusing the latter strategy down to a more concentrated list of holdings.

Investing in sustainability leaders

ESG issues present opportunities as well as risks. We have 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.

2020 also saw us make an allocation to a Sustainable Opportunities global equity portfolio, which targets investments in companies contributing to solutions in areas including healthcare, access to technology and natural resources.

- **Thermo Fisher Scientific:** Global provider of high-quality life sciences equipment and services, serving pharmaceuticals and biotechnology companies, academic and government institutions, industrial applications and testing initiatives, and diagnostics and healthcare organisations. Its innovative products enhance the accuracy and safety of healthcare processes and research, ultimately enabling improved care and well-being for patients.
- **HDFC Bank:** As the largest private bank by assets in India, HDFC Bank places a strong emphasis on the underbanked rural population, believing that financial awareness is the first step towards financial inclusion. Supplemented by education programmes, HDFC Bank is helping to empower communities and families across India who were previously denied access to finance.
- **Xylem:** Xylem's mission statement simply reads "to solve water", based on the inherent linkage between water, climate change and sustainability. With one in nine people across the globe lacking access to clean, safe water, Xylem is at the forefront of advancing intelligent, sustainable technologies in water infrastructure to improve both demand and supply challenges.
- **Linde:** As one of the world's leading industrial gas companies, at the heart of Linde's business model is the transformation of air and other process gases into products and applications that help customers become more energy and resource efficient. Its target is for end users to avoid more than twice the greenhouse gas emissions that Linde incurs in its processes.
- **ComfortDelGro:** As a multinational land transport provider, ComfortDelGro is instrumental in enabling more sustainable public transport solutions in certain geographies around the world. As well as already operating hybrid buses and taxis, it is working with manufacturers and regulators on electric vehicle trials in order to minimise impact on the environment.
- **Mastercard:** Mastercard's technology is at the forefront of expanding connectivity, driving and supporting a well-functioning financial ecosystem that enables financial service providers to offer a full range of affordable and convenient services that meet the needs of a diverse set of consumers. Mastercard makes transactions faster, easier, more convenient and more secure.

Similarly, early in the year, T. Rowe Price refocused our exposure to US growth stocks into fewer holdings. In the final months of the year, we sold out of our BMO managed US growth strategy, reducing exposure to this area which has performed particularly strongly in absolute terms in recent years but which had lagged growth comparators. Proceeds from this sale were partly reinvested into Emerging Markets and our Small Cap portfolio.

It remains early days, but our recent programme of Private Equity investments is performing well. We continued to build on our exposure over the year, making £16.6m of new commitments into new investment opportunities, and have now reached our targeted level of commitment to be sourced through BMO. We also made selective co-investments into other opportunities via PE Investment Holdings 2018 LP, which is the vehicle through which hold our more recent secondary fund and co-investments selected by BMO GAM. Investments included €11m investment into Optimapharm, a European provider of clinical trials and €8m into Polyplus, a leading manufacturer and developer of gene therapy solutions.

The Board reviewed the private equity strategy and updated its analysis of the potential benefits. The Board has determined to continue investing into Private Equity opportunities and we have made a commitment of $180m to a bespoke programme to be managed by Pantheon. Pantheon will invest, in consultation with us and on our behalf, in a select number of venture and growth managers globally.

As outlined in the Chairman's statement, the portfolio has a low allocation to UK assets. This has helped investment returns in recent years and reflects, in part, the reduced significance of UK equities in a global context. Nonetheless, in absolute terms, we now have material US dollar exposure on our portfolio and, furthermore, have sterling denominated borrowing which may be regarded as funding overseas investments. A rise in sterling would be detrimental for our returns and so, in the fourth quarter, we purchased a series of forward currency contracts to the value of £300m as a strategic, and partial hedge, against the US dollar. This position showed an unrealised capital gain of £9.1m at the end of the year.

ESG related activities for 2020 are outlined on pages 22 to 27. We have been actively engaging with investee companies for many years and, in addition to using our vote at shareholder meetings, we seek to effect positive change through effective engagement. It is our belief that this reduces risk and improves investment outcomes for shareholders.

In addition to our voting and engagement activity, our allocation to the Global Sustainable Opportunities portfolio provides exposure to a number of leading companies which are providing sustainability solutions as well as making a positive contribution to society or the environment. Holdings in stocks such as Schneider Electric, which is helping to facilitate energy transition to a lower carbon economy, and Paypal, which is providing sustainable finance solutions, form part of this allocation and are consistent with our objective of providing strong investment returns while delivering wider positive outcomes.

Revenue returns

In a year in which many companies cut or passed on their dividend payments, our revenue declined with gross income falling by 21.5% and our net income per share by 25.7% from 13.06 pence per share to 9.71 pence per share. Special dividends declined from £3.7m in 2019 to £1.2m in 2020. In addition to this, sterling's rise was estimated to be modestly detrimental (-£0.4m (2019: positive effect of £2.3m)) to our revenue return as most of our income is generated from overseas holdings.

Our revenue return per share has exceeded our dividend per share in each of the prior four years, enabling us to add £32.9m to an already healthy level of revenue reserves. These reserves stood at £100.9m, equivalent to more than one year's dividend at the end of 2020. Therefore, despite an uncovered payment for 2020 we are well placed to make good use of our revenue reserves in helping to pay our fiftieth consecutive annual increased dividend for shareholders in May of this year.

Gearing

Our gearing stood at 8.0% at the end of the year, below our starting year levels of 9.9%. Gearing was a net positive to our NAV returns over the year, adding 1.2%, as we increased our market exposure to strongly rising assets. Largely offsetting this positive impact, however, was an increase in the fair value of our debt and the interest costs. The adjustment to the nominal value of our longer dated debt, reflecting declining interest rates, detracted 0.8% from NAV.

In aggregate, our total borrowings at the end of 2020 were £407m inclusive of our short-term bank borrowings. We paid an average blended rate of 2.3% across all our debt which remains exceptionally low by historic standards. Over the long run, we expect that the returns from our investments will exceed the cost of debt and that, therefore, the net effect of borrowing to increase our investment exposure will be accretive to returns.

Current market perspective

The impact of Covid-19 will be long-lasting. Numerous challenges remain in the deployment of vaccines and the virus presents near term risks that may yet confound the optimistic consensus of a swift recouping of lost global output. Fiscal and monetary largesse will have an enduring impact for many years to come. Although inflation, a potential enemy of equity markets, currently remains quiescent there are lessons from history which suggest that a long period of financial repression, with interest rates below inflation, lies ahead. High government debt levels will not diminish through taxation alone and there appears little prospect of sustained material rises in real interest rates for some time to come, with negative real yields helping governments to manage their debt burden.

Despite this, 2021 is likely to be a year of recovery in the global economy and, after the sharp downturn last year, a rapid return to earnings growth for the corporate sector. This, in combination with record low interest rates, and the promise of more fiscal stimulus, is buoying equity market valuations, which remain elevated against historical averages. In a world awash with liquidity and, with negative interest rates, real assets including equities command a premium rating. For investors, the risk of "excessive exuberance" deflating the premium valuations on equity markets may be more immediate than that of rising inflation or a renewed economic downturn. Nonetheless, despite this backdrop, for investors, strong growth momentum is pushing up bond yields in the near-term, presenting some risk to equity market valuations.

We are well positioned to benefit from the many existing and pervasive trends that Covid-19 has served to accelerate. As with all recessions, the benefits tend to accrue to the dominant companies in their respective sectors. These trends have pushed the performance of quality growth businesses even further from traditional value stocks. Furthermore, 2020 may come to be regarded as the year in which sustainable investing came of age. We see great opportunity for shareholder returns to be enhanced through a focus on companies that engage in sustainable business practices. We have, for many years, engaged with our investee companies and used our vote to support and influence change and will be placing even greater attention towards this as we move forward.

Paul Niven
Fund Manager
9 March 2021

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.

2.97% Total investments
£144.4m Value

2. Microsoft (2)

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

2.11% Total investments
£102.4m 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.

1.85% Total investments
£89.8m Value

4. Facebook (4)

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

1.69% Total investments
£81.9m Value

5. Apple (5)

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

1.52% Total investments
£73.9m Value

6. Paypal (55)

US listed technology company enabling digital and mobile payments.

1.08% Total investments
£52.4m Value

7. Taiwan Semiconductor Manufacturing (TSMC) (–)

Taiwanese listed manufacturer and designer of semiconductors.

1.00% Total investments
£48.7m Value

8. UnitedHealth (6)

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

0.99% Total investments
£48.2m Value

9. Mastercard (11)

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

0.93% Total investments
£45.1m 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.

0.79% Total investments
£38.3m Value

The value of the twenty largest listed equity holdings represents 21.62% (2019: 18.73%) 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 2020 (2019: nil).
These are the largest listed equity holdings excluding collective investment schemes. If the whole portfolio was considered then PE Investment Holdings 2018 LP (£145.6m) and Inflexion Strategic Partners (£53.2m) would have been included in the list.
The Company's full list of investments exceeds 400 and is published monthly on the website at fandcit.com. Copies are also available on request from the Secretary.

11. Alibaba (7)

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

0.76% Total investments
£36.8m Value

12. Broadcom (14)

US designer and supplier of semiconductor and infrastructure software solutions.

0.75% Total investments
£36.5m Value

13. Hoya (119)

Japanese listed manufacturer of optical products including semiconductor components, contact lenses and eyeglass lenses.

0.69% Total investments
£33.7m Value

14. ServiceNow (65)

US listed provider of a cloud based computing platform for companies enterprise operations.

0.67% Total investments
£32.7m Value

15. Tencent (40)

US listed Chinese holding company whose business includes social networking, music, e-commerce, mobile gaming and internet services.

0.66% Total investments
£32.0m Value

16. Schneider Electric (56)

French listed manufacturer of electrical power products.

0.66% Total investments
£32.0m Value

17. Keyence (91)

Japanese listed manufacturer of factory automation equipment.

0.64% Total investments
£31.0m Value

18. Netflix (118)

US listed provider of internet subscription services for television shows and movies.

0.62% Total investments
£30.3m Value

19. SAP (25)

German listed software company that develops enterprise software to manage business operations and customer relations.

0.62% Total investments
£30.2m Value

20. Intuit (66)

US listed software provider that develops and sells financial, accounting and tax preparation software.

0.62% Total investments
£30.1m Value

Sustainability and our ESG policies

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

Our approach

ESG issues can present both opportunities and threats to the long-term investment performance we aim to deliver to our shareholders. We believe in the power of engaged, long-term ownership as a force for positive change. We take a responsible approach and have a manager that applies the highest standards of ESG practice in managing the investments on behalf of our shareholders.

Our approach covers our own governance responsibilities on matters such as the composition of the Board. Most importantly, our portfolio of investments represents the greatest impact we can 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 Corporate Governance Code (**"UK Code"**).

Responsible ownership

We and our Manager believe 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 their shareholders that they are applying appropriate oversight on material issues such as labour standards, environmental management and tax policies.

We also believe 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. These activities currently centre on the listed investments but increasing ESG challenge on private equity investments can be expected.

Voting on portfolio investments

In the absence of explicit instructions from the Board, our Manager has been empowered to exercise discretion in the use of FCIT's voting rights. Where practicable, all shareholdings were voted at all listed company meetings worldwide in 2020 in accordance with BMO GAM's own corporate governance policies. As reported last year, from January 2020 we transferred the voting rights from our sub-Managers to our Manager, so that BMO GAM's voting policies apply across the entirety of the portfolio, wherever these assets are managed. The Board took this decision in order to ensure that a strong, consistent approach is taken to proxy voting, which backs up and reinforces engagement; takes a robust line on key governance issues such as executive pay; and integrates sustainability issues into the voting process, particularly climate change and Board-level gender diversity.

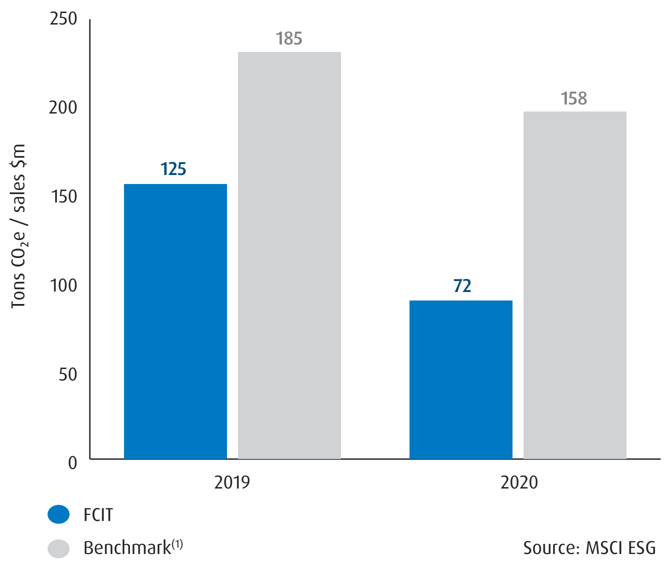
BMO GAM's forthcoming Responsible Investment Annual Review will provide more information on its firm-level stewardship policies, as well as how these comply with the expectations of the UK Stewardship Code 2020. This will be available at bmogam.com.

"We believe in the power of engaged, long-term ownership as a force for positive change"

[1] See Glossary of terms on page 106 for an explanation of the Non-Financial Information Statement and where the information is referenced within the Strategic Report.

Climate change

Portfolio-weighted carbon intensity



(1) See Glossary of terms on page 104 for explanation of "benchmark"

Climate change is one of the defining challenges of modern times. Our Manager has a track record of engaging investee companies to press for strong policies, and has integrated climate change into its voting policies, but we believe with the urgency of the issue ever more apparent we now need to go further. The Board has therefore agreed to transition the portfolio investments to net zero carbon emissions by 2050, at the latest. It is our intention to regularly review our progress towards this goal and, if possible, accelerate our ambitions towards an earlier point. Our Manager will work with us to define a methodology and an implementation strategy.

For the past two years, we have disclosed the portfolio-weighted carbon intensity* of FCIT's listed investments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (**"TCFD"**). Portfolio-weighted carbon intensity is based on the greenhouse gas emissions produced by each investee company, per US$1m of revenue, and aggregated for the portfolio as a whole. As can be seen in the chart above, in 2020 our portfolio-weighted carbon intensity* was over 50% below that of the constituents of our benchmark, having dropped significantly since 2019. The shift follows some of the changes in the portfolio investments, including the allocation to a sustainable global equity strategy. Some high-emitting companies, such as chemicals firm **Air Products and Chemicals**, are no longer in the portfolio.

*See Glossary of terms on page 104 for an explanation of Carbon Intensity

Carbon intensity data tells us which companies have high emissions now, but to understand climate risk, we also want to assess which companies have a robust decarbonisation strategy for the future. We have used data from two third-party sources, the Transition Pathway Initiative and Science-based Targets Initiative, to check which of the companies in the portfolio have set strategies which are aligned with a future trajectory to limit the global temperature rise to 2 degrees C, or below 2 degrees C, as governments agreed in the Paris climate agreement.

Coverage of these initiatives is so far limited, with many companies not yet having been assessed. However, we can report that companies representing just under one-quarter of the total carbon intensity of the listed portfolio have been analysed. So far 30 companies have set strategies judged to be consistent with a below two degrees trajectory – these include **Unilever**, **Microsoft**, **SAP** and **Ørsted**.

Nine companies, which collectively contributed 14% of the portfolio's carbon intensity, have been assessed by the Transition Pathway Initiative to fall short of 2 degree alignment. We have engaged with seven of these companies on climate change directly, including intensive engagement with **Vistra Corporation**, **BP** and **Royal Dutch Shell**, all of which now have net zero targets and we believe are moving in the direction of a more aligned strategy.

It is pleasing to report that our portfolio has a lower carbon intensity than that of the benchmark and that we have seen significant annual reductions in the carbon intensity of our investments in recent years. Nonetheless, while we are planning the route to net zero carbon emissions for our investments, it is important to recognise that there may well be periods, in coming years, where sequential annual improvements are neither possible nor desirable for shareholders. Recent equity market performance has seen underperformance from carbon intensive sectors, reducing their weight in benchmarks and we have benefited from our limited portfolio exposure to these areas. As we seek to deliver on our objective of growth in capital and income for shareholders, we will seek to balance these shorter term considerations with our longer term trajectory towards net zero emissions.

Supporting sustainable development

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*, highlighted below, 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.

The SDG Alignment chart opposite shows how the listed companies that we hold support the achievement of the SDGs through their products and services. This has been analysed by looking at the revenues that companies generate from their different product lines, and assessing how these relate to the 169 individual SDG targets that underlie the goals. We also show negative links where some of the activities of our investee companies potentially conflict with the SDGs.

The analysis does not capture all the ways the companies contribute to the SDGs and is not an indicator of conduct or how well the company is managing a certain issue, but an assessment of whether the product or service produced or provided contribute positively, neutrally or negatively to achieving the SDG targets.

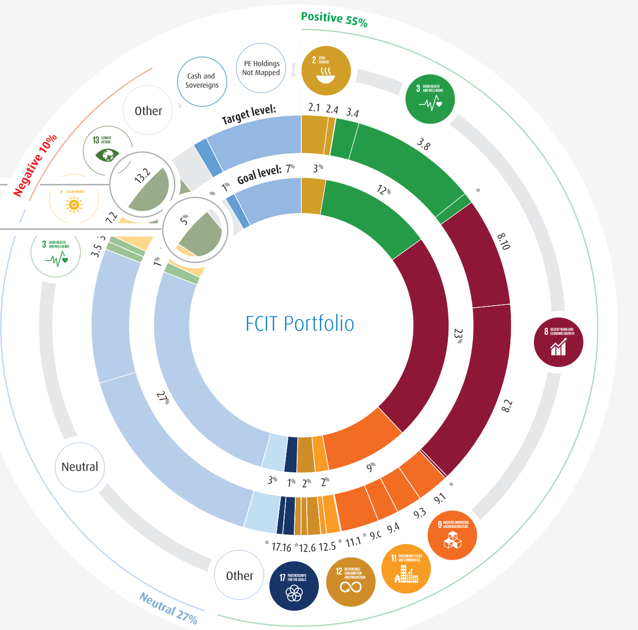
The goal most represented is SDG 8 – Decent Work and Economic Growth. This reflects holdings in technology companies such as **Taiwan Semiconductor Manufacturing Co** and **Microsoft**, which support Target 8.2 calling for boosting economic productivity through technological upgrading and innovation; and in financial companies including Indian bank **HDFC** and insurers **Prudential** and **Zurich**, which we map to Target 8.10, focusing on access to financial services.

SDG 3 – Good Health and Well-being also has a significant weight. Our holdings in this area include pharmaceutical firms such as Covid-19 vaccine provider **AstraZeneca**, diabetes treatment specialist **Novo Nordisk**, and pharmacy store **CVS Pharmacy**. Within SDG 9 – Industry, Innovation and Infrastructure, we include companies providing access to internet and telecommunications services, such as **Telenor**, which has a significant presence in many emerging Asian countries.

Our analysis identified a 55% positive mapping and 10% negative. The negative mapping represents business activities that could be detrimental to sustainable development. These mostly relate to climate change (SDG 7 on clean energy, and SDG 13 on climate change), and health (SDG 3). On climate change, while below benchmark weight, we have holdings in several companies in the oil & gas and mining sectors. Many of these are subject to engagement, with the aim of mitigating environmental risks. In healthcare, the negative linkage comes through holdings in tobacco and alcohol firms.

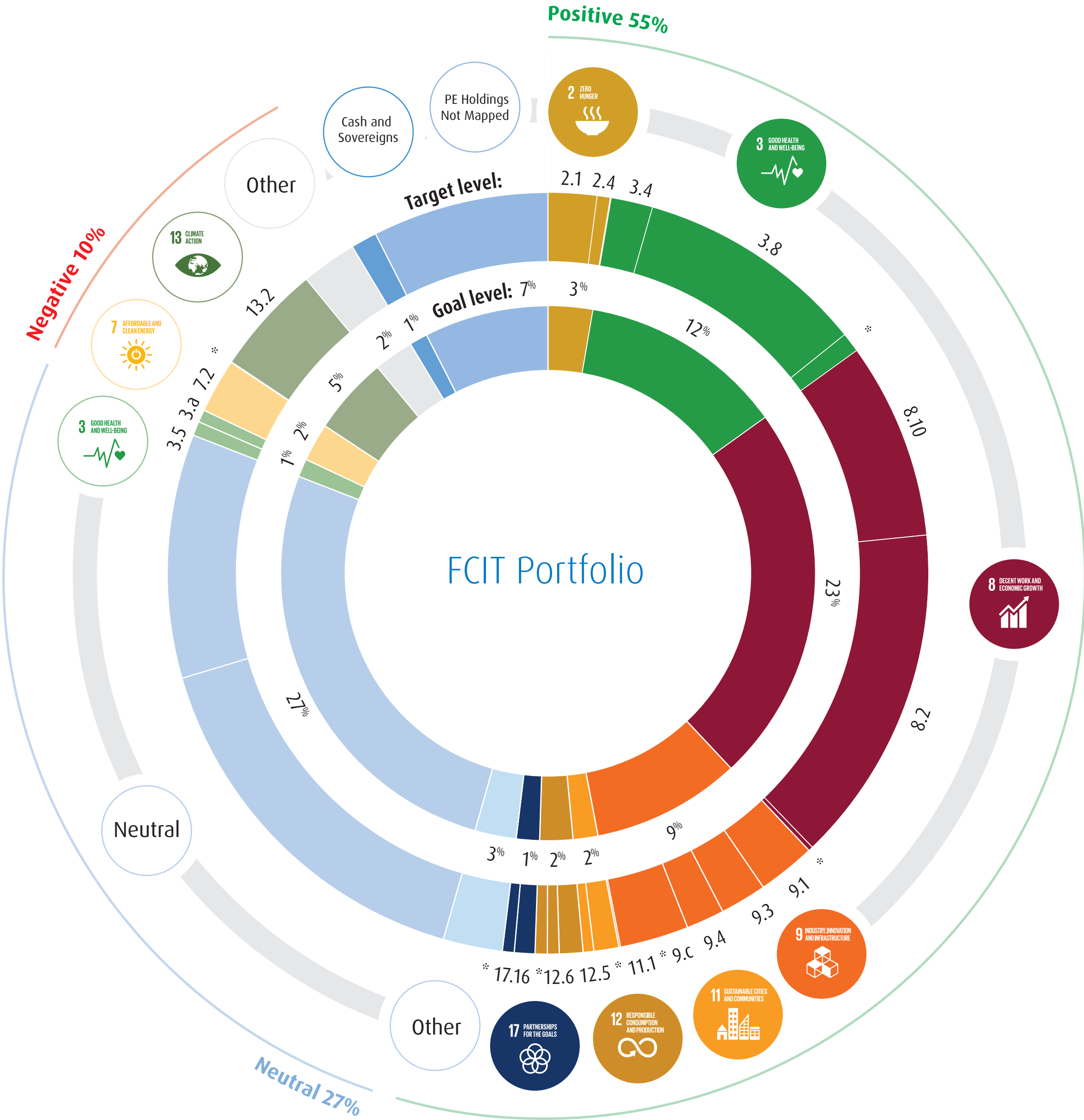
Just over a quarter of the listed portfolio is judged as neutral in relation to the SDGs – meaning that our analysis revealed no strong links to the goals, either positive or negative. Examples include holdings in clothing and footwear companies, general retailers and companies in the leisure sector.

1. Aligning companies we invest in, and their underlying business segments, to specific SDG targets (set out on page 25)
2. Aligning companies we invest in, and their underlying business segments, to their SDG goal detailed above



*For information on SDGs, visit sdgs.un.org/goals

SDG alignment chart



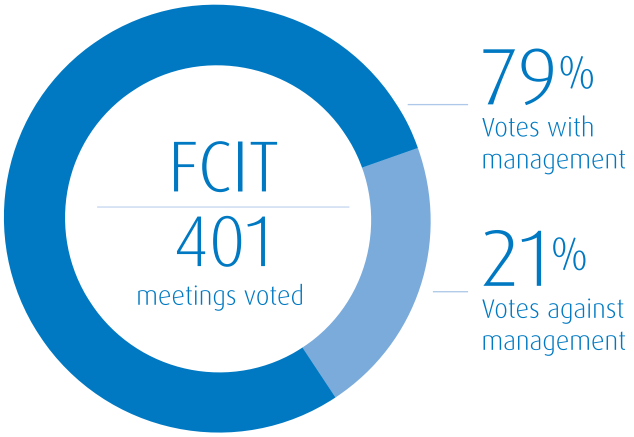
Source: BMO Global Asset Management, as at 31st December 2020, designed for illustrative purposes, subject to change.

Other = SDGs less than 1%, * = SDG targets within the denoted goal that are less than 0.5%.

SDG Targets

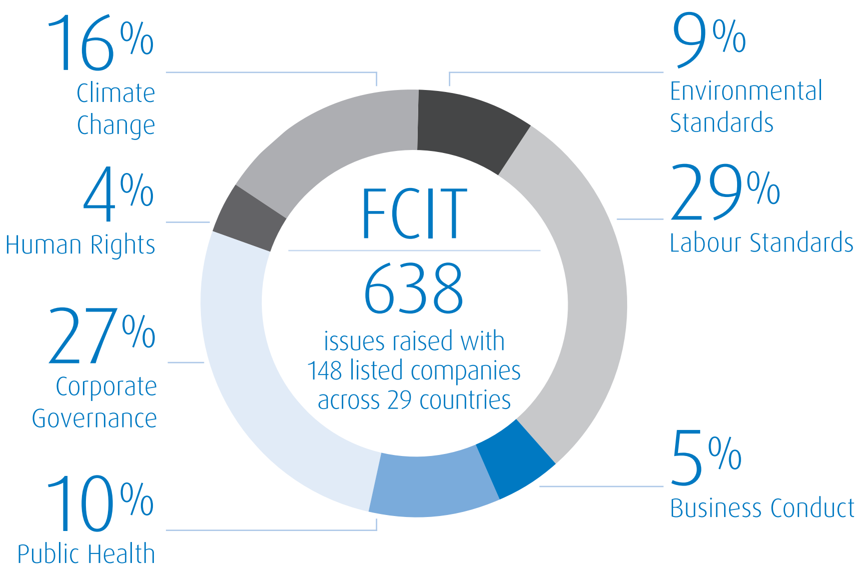
2.1 End hunger and ensure access to safe and nutritious food; **2.4** Implement climate-resilient and sustainable food production; **3.a** Strengthen the WHO's framework convention on Tobacco Control; **3.4** Reduce mortality from non-communicable diseases and promote mental health; **3.5** Increase the prevention and treatment of substance abuse; **3.8** Access to medicines and health-care; **3.9** Reduce deaths and illnesses from pollution and contamination; **7.2** Substantially increase the global share of renewable energy; **8.2** Achieve greater productivity through innovation; **8.10** Increase access to finance; **9.1** Develop resilient and sustainable infrastructure; **9.3** Increase access to finance for SME's; **9.4** Upgrade and retrofit industries to increase sustainability; **9.c** Ensure universal and affordable access to ICT; **11.1** Ensure universal access to safe and affordable housing; **12.5** Reduce waste through prevention, reduction, recycling and reuse; **12.6** Encourage companies to adopt sustainable practices and enhance ESG reporting; **13.2** Integrate climate change plans into policies and strategies; **17.16** Leverage multi-stakeholder partnerships to share resources.

Voting



The application of BMO GAM's voting policy across the whole of the listed portfolio has led to a significant year on year increase in votes against management. During 2020, we voted against at least one management proposal at 21% of shareholder meetings. This compared to 13% of meetings in 2019. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, BMO GAM did not support 43% (2019: 40%) 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% (2019: 18%) of those standing for election.

Engagement



2020 saw BMO GAM contacting 148 listed companies in our portfolio to encourage stronger policies and disclosure on a range of ESG issues. This represented over half of the portfolio by value.

Company responses to the Covid-19 pandemic were a particular focus area. The engagement sought to ensure that staff were supported through measures such as sick pay, in countries where this was not a mandatory requirement; the provision of personal protective equipment; and supporting employees with caring responsibilities.

Climate change was also a high priority, accounting for 16% of total engagement undertaken. Through both one-to-one dialogue, and collaborative work – particularly with the Climate Action 100+ initiative – BMO GAM called on companies to align their businesses with a global goal of net zero emissions by 2050, and to put in place robust implementation strategies to achieve this, including shorter-term targets, capital expenditure plans, and aligning executive pay to climate goals.

Engagement case studies

Amazon.com

Target: 8.8

Issue: Labour standards

BMO GAM's ongoing engagement with Amazon.com on its labour management practices continued into 2020. Last year we reported on progress achieved as the company published its Global Human Rights Principles, which set out policies in areas including health and safety and equal opportunity. In 2020 we particularly focused on how the company was protecting its staff during the Covid-19 pandemic.

Through multiple calls with the company, BMO GAM had detailed discussions on the procedures in place, particularly in the light of media allegations of poor practice. It called for full disclosure of the number of Covid-19 cases, which the company later published.

BMO GAM also attempted to co-file a shareholder resolution calling for stronger human rights management, on the basis that whilst the publication of the policies was a step forward, it is still lacking in disclosure or implementation. However, the Securities Exchange Commission supported the company in not allowing this onto the meeting agenda.

Schneider Electric

Target: 7.2

Issue: Climate change

As a provider of natural resource and energy efficiency solutions, Schneider Electric is naturally orientated toward sustainability. However, as a large industrial company it has wider environmental and social impacts and BMO GAM wanted to ensure these were being properly managed. It became clear from the engagement with the Lead Independent Director that there was a strong CEO-level commitment to sustainability. The targets and measures in place to monitor progress were discussed and how these are integrated into pay policies. Particular focus was given to climate change, where the company was encouraged to manage its own emissions, monitor and reduce emissions arising in its supply chain and to quantify how it is enabling its customers to cut their emissions. It has adopted a science-based target, consistent with limiting the global temperature rise to 1.5 degrees Celsius.

GlaxoSmithKline

No SDG goal

Target: Not applicable

Issue: Executive pay

GlaxoSmithKline plc (**"GSK"**) has received negative attention on its approach to executive remuneration, mainly due to the alignment of executive pay to that of GSK's global peers, most of which are large US pharmaceutical companies that are used to setting high pay levels.

The company reached out to its shareholders as it was preparing to renew its policy.

BMO GAM met the company, and provided detailed feedback to the remuneration committee. It encouraged pension contributions for serving executives to be reduced to a maximum of 15% of salary, which is more closely aligned to the contribution level of the wider workforce. Following the consultation process, the company announced that the pension contribution level had been reconsidered. By 2023, it will be brought down to 7% of salary; the same as the company offers to its employees generally.

In 2021 BMO GAM will continue its engagement on climate change and step up its efforts on social issues in light of Covid-19 and the inequalities in society that the pandemic has highlighted. Ethnic diversity and inclusion will be another focus area for engagement, alongside ongoing emphasis on corporate governance matters, including board accountability and executive remuneration.

Principal Risks and Future Prospects

The Board has carried out a robust review and assessment of FCIT's principal and emerging risks and the uncertainties that could threaten its future success. This includes risks posed by Covid-19 in the near-term and climate change over the longer term. The consequences for its strategy, business model, liquidity, resilience, future prospects, viability and consideration of the decision to target net zero carbon emissions for the portfolio by 2050, at the latest, form an integral part of this review.

Economic and market shocks in one form or another, and their fallout, are risks that have long been on our radar. The duration and the impact of the pandemic worldwide remains unknown and there can never be any complacency. Nevertheless, FCIT's purpose, strategy, investment policy and innate characteristics, most notably portfolio diversification and an embedded long-term outlook, are again demonstrating its strong resilience in the face of a global crisis. Our risk evaluation forms an inherent part of our strategy determination, described on page 9, which looks to mitigate risks and to pursue the opportunities that arise not least at times of great turmoil.

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. **Our discount is a KPI measured by the Board on a continual basis and is reported on page 13.**
Investment performance – **Inappropriate asset allocation, sector and stock selection, currency exposure and use of gearing and derivatives may give rise to under-performance and impact dividend paying capacity. Political risk factors, including the potential emergence of restrictive government controls, could also impact performance as could market shocks such as those experienced as a result of Covid-19.** **Increased during the year.**	Under our Business Model, a manager is appointed with the capability and resources to manage FCIT's assets, asset allocation, gearing, stock and sector selection and risk and can delegate the management of investment portfolios externally. The individual global and regional investment portfolios are managed as a whole to provide diversification, lower volatility and risk. **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 13.**
Chosen Manager – **Failure of BMO GAM to continue to operate effectively resulting from inadequate systems or resources, or through the loss of key staff.** **Increased during 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 resources, leading to the decision on whether to reappoint. Succession planning around any potential significant management changes is shared with the Board. **Internal performance KPIs and Manager errors are monitored by the Board for indications of continuity or other Manager issues.**
Service providers and systems security – **Covid-19 and the implementation of working from home and increased sophistication of cyber threats have heightened risks of loss through errors, fraud or control failures at service providers or loss of data through business continuity failure.** **Increased during 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.**

The pandemic has not changed the coverage of each of the principal risks and the Board has therefore managed the crisis by articulating its impact and resulting actions within each of those risks rather than on a stand-alone basis. The principal risks are therefore largely unchanged from those reported last year, although most have inevitably increased. The Board has continued to work with BMO GAM in managing our risks. 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 December 2020 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 reassess the key risks and identify any new emerging risks and take any necessary action to mitigate their potential impact. The implications of ESG issues and climate change were uppermost once again and had been a major topic at the Strategy meeting held in September with the Manager's Responsible Investment team. Another concern identified as an emerging risk is the extent and impact of the eventual response from governments to meet the costs of Covid-19 and the potential for the imposition of controls and taxes that could be detrimental to the savings industry and investors themselves. The greatest risks listed by the participants in the exercise were assimilated and reconciled with those in the existing key risk "radar" and reviewed as part of the robust assessment of the Company's risks and controls. This assessment is described on page 54 and there is further information in note 26 to the Accounts. We recognise that the pandemic has yet to run its course with many uncertainties along the way. We will continue to review and challenge the risks that we face, including whether those more directly associated with the pandemic should continue to be managed as an integral part of that framework.

Mitigating activities
The Manager has been retained 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. BMO GAM continued to enhance its savings platform and its ability to communicate directly and more effectively with investors reinforcing its direct to consumer approach rather than following the trend of investment trust houses relinquishing their savings plans 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 14 and reported in the Key Performance Indicators on page 13, long-term performance remains in line with expectations. During the year the Company purchased a series of forward currency contracts to the value of £300m as a partial hedge against the US dollar, which showed a net unrealised capital gain as at 31 December 2020. Prudent management of Revenue Reserves means that, although the dividend for 2020 is not fully covered by 2020 net revenue returns, FCIT's dividend capacity remains strong. Nevertheless, the overall level of economic and market uncertainty indicates that this risk has increased.
BMO GAM moved to a Work from Home arrangement in March 2020 in compliance with government restrictions around Covid-19 and in accordance with contingency plans designed to safeguard their employees, continue serving customers and keep operations running effectively and in compliance with regulatory obligations. The arrangements have operated without incident or interruption. The investment teams continued to perform their roles effectively and monitoring activities and mandate compliance checks also continued. BMO GAM closely monitored the performance of its technology platform which operated within acceptable control levels. The Board met senior management of BMO GAM in a virtual setting as part of its annual evaluation described on page 47 and has reviewed BMO GAM's controls and risk management structure. The viability, systems and staffing capabilities of the Manager were 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. Nevertheless, fully Working-From-Home arrangements are in relative infancy and as such this risk is increased.
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 its own third-party service providers, including IT security and cyber-threats, have also been reviewed. The Manager has maintained regular contact with its key outsourced service providers throughout the pandemic and received assurances regarding the continuity of their operations. Service levels are monitored by the Manager with any deviations from the service level agreements escalated immediately, both internally and with the relevant third party. The Board has 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. Vigilance will remain heightened with this risk categorised as increased.

As noted on page 54, we are conscious of the various reviews covering UK corporate governance and audit reforms and that the Department for Business, Energy & Industrial Strategy (**"BEIS"**) is expected to publish a cohesive package of measures and proposals for consultation. This will take forward the independent reviews and regulatory recommendations for the purpose of determining which will work best together to drive positive change. We note in particular Sir Donald Brydon's independent report (the **"Brydon Report"**), published in 2019, into the quality and effectiveness of audit and a key recommendation that companies provide more information and assurance about the resilience of a company. A clear framework has yet to be developed for users in preparing such a statement and we will be working to develop and introduce our disclosures in line with the framework as it evolves. We welcome the recommendations of the Brydon Report and its message that companies need to go beyond the existing level of disclosures in order to provide more information about their ability to withstand risks arising over different periods of time. In the spirit of that report, and to provide some reassurance in the midst of Covid-19, we are providing more information below on the basis of our confirmation as a going concern and on our short to medium term resilience as well as our longer term viability.

Going concern

The Directors confirm their reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements being the period to 31 March 2022. This confirmation is based on a review of assumptions that took into account the outlook for global stockmarkets and economies; 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. The Directors also took account of the Company's resilience in withstanding the impact of the substantial fall in the stockmarkets in March 2020 triggered by Covid-19, and carried out stress tests covering the period from 9 March 2021 to 31 March 2022 that enabled them to assess the impact of varying degrees of:

- falls in the value of the publicly listed investments;
- widening discount and increased buyback levels;
- illiquidity and early calls on private equity commitments;
- adverse fluctuations in exchange rates; and
- adverse fluctuations in annual revenue.

In addition to the stress tests, a reverse stress test was carried out commencing January 2021 to establish the extent to which markets and revenue would need to fall and exchange rates move such that the Company would breach its most onerous financial loan covenants. These covenants stipulate that the net assets of the Company must not fall below £750m and that gearing must not exceed 35% of the adjusted portfolio value[1]. The results of the test illustrated that a 71% fall in the values of the public and private equity portfolios alongside a 60% fall in revenue and adverse exchange rate movements of 20% would take the gearing position to over 35% of the adjusted portfolio value[1] and therefore in breach. The test was illustrative only and undertaken without any assumptions of intervention that would mitigate their effect. Such an event is therefore highly unlikely. Under any scenario of prolonged severe market falls that could threaten the Company's going concern status, the Board would work with the Manager in taking mitigating action that could include portfolio restructuring, reduced dividend payments and the cutting of costs.

Based on their assessment of the magnitude of the events that would be needed to put the Company in breach of its financial loan covenants, and their knowledge and experience of the Company's portfolio and stockmarkets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 December 2020. See also note 25 to the Accounts.

Medium-term resilience

The Directors continued their assessments over the short to medium-term by carrying out a series of stress tests which measure our resilience over the five-year period to December 2025. The tests commenced with a base case scenario that covered a range of assumptions to which sensitivity analysis was then applied in order to assess the impact of more extreme scenarios. Key assumptions in each scenario included no changes to the Company's dividend policy and that no cost mitigation would be applied although, as noted above, there would be opportunities to do so.

The worst-case scenario tested by the Directors addressed the potential impact of falls of 50% in the value of the listed investments; 20% for the private equity investments; 30% of income; and adverse exchange rate movements of 20% all occurring in 2021 with further significant falls compounding the impact in subsequent years. Under the scenario the early payment of the private equity commitments would increase the proportion of that portfolio as a percentage of the total value of the investments as a whole. All loans were assumed to have been repaid at the beginning of the year. The results of this scenario showed that under such adverse conditions, dividend payments could continue to be paid with the support of Revenue Reserves into 2023. Capital Reserves would then be used, despite the severity of the falls, the net assets could be expected to be at or around £1 billion at 31 December 2025, having fallen slightly below that level in the preceding year.

Another test simply applied the movements in income; inflation and valuations that occurred over the five-year period that followed the financial crisis of 2008. Under this scenario, with dividend payments to shareholders continuing to increase in line with inflation, Revenue Reserves would be depleted before the end of 2025 from which point Capital Reserves would be used to support payments. However, at 31 December 2025 the net assets would have risen to £6 billion.

[1] See Glossary of terms on page 104 for an explanation of adjusted portfolio value.

Longer term viability

The Directors extended their testing even further to consider the Company's longer term viability across a period of ten years to 31 December 2030. This built on the same worst-case scenario assumptions used for the five year resilience testing reported above, with relatively flat listed equity markets thereafter and less severe but nevertheless declining income levels. Private equity valuations were assumed to make a modest recovery while exchange rate movements would fluctuate from year to year. The results from the worst-case scenario showed that under such highly adverse conditions the net assets would fall further in the intervening years but no lower than £900m and would be back to around the £1 billion level by 31 December 2030. Dividend payments to shareholders could continue to be paid through the support of capital reserves.

Under another scenario based simply on the movements in income, inflation and valuations over the ten-year period that followed the financial crisis of 2008, net assets would have risen to £8 billion at 31 December 2030.

The assumptions used for these tests purposefully did not take into account that under such severe conditions the Board and Manager would have taken action to mitigate the risks and offset the impact. Furthermore, the tests were a theoretical and illustrative scenario exercise the assumptions for which are extreme and highly unlikely. Their purpose was to help inform the Directors of the Company's short to medium-term resilience under conditions so severe that they would impact global economies, markets, companies and businesses alike. The tests help to support the Board's assessment of the Company's longer term viability. The results do not represent their views or give an indication of the likely outcome.

Future prospects and viability statement

FCIT has been resilient, responsible and prosperous for over 150 years. There will inevitably be risks but we see the future continuing to present tremendous opportunities for investors and for shareholder returns to be enhanced through a focus on companies that engage in sustainable business practices. Shareholders can be assured that our focus on delivering sustainable growth in capital and income over the longer term will be maintained. Based on its assessment of the future prospects of the Company, and having applied stringent tests under worst-case scenarios that would severely impact global economies and markets alike, the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming ten years to 31 December 2030. In concluding that ten years is a reasonable period for this assessment, the Board considers that this approximates to:

- a suitable period over which its longer term investment performance is measurable and comparable;
- the periods over which it would typically commit to and benefit from its private equity investments; and
- the tenure of the Directors from a corporate governance perspective.

The Board also took into consideration the perceived viability of the principal service providers, potential effects of anticipated regulatory changes and the potential threat from competition. FCIT's business model, strategy and the embedded characteristics listed below have helped define and maintain its stability over many decades. The Board expects this to continue over many more years to come.

Resilient, responsible and prosperous for over 150 years

- We have set a target to transition our portfolio to net zero carbon emissions by 2050 at the latest.
- We have a strong record of taking advantage of investment opportunities that arise from market shocks and volatility.
- We have substantial headroom under our bank borrowing financial covenants which is rigidly monitored.
- We have a long-term investment strategy under which we invest mainly in readily realisable, publicly listed securities and which restricts the level of borrowings.
- We are able to take advantage of our closed-ended investment trust structure and have secured borrowings well in excess of ten years at advantageous rates.
- We are inherently structured to deliver on our objective over the longer term.
- Our business model and strategy are not time limited and, as a global investment trust, we are unlikely to be adversely impacted as a direct result of developments such as Brexit.
- We can hold a proportion of our long-term less liquid private equity investments over very many years without pressure to realise them ahead of time.
- Our revenue and expenditure forecasts are subject to regular and robust review throughout the year against a backdrop of large revenue and capital reserves.
- We retain title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.

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. No immediate changes are necessary as a result of the decision to transition our investments to net zero carbon emissions by 2050.

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 could 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 efficient 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 14 to 19 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 and this was marginally accretive to returns in 2020. 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. We explain the impact and longer term performance potential for our returns as a result of our borrowings under Gearing on page 19.

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 and to weather periods of crisis, such as 2020 due to the current Covid-19 pandemic. Worldwide economic and financial instability continues, but the Revenue Reserves mean that we have the capacity to pay an increased dividend for 2020. 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 have been considered as part of the Principal Risks and Future Prospects reviews noted on page 28. They include worldwide economic, 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. Information on the dividend for 2020 is reported on page 5.

Discount/premium

Over many years we have consistently applied a share "buyback" policy. Under this policy we buy back FCIT 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 the 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 or premium levels at each meeting. Information on the outcome from this policy can be found on page 5.

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 is not and will not be any 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 our 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 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 we retain our 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. 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 our tax policies, the Board receives regular reports from the Manager. We have received approval from HMRC as an investment trust under Section 1158 and have 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 9. 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 2020 approximately 43% 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 Workforce Disclosure Initiative (**"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 in 2020, BMO GAM held 40 engagements with 20 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 employees 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
9 March 2021

(1) (2) See Glossary on pages 105 and 106

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 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 and will retire on 10 May 2021.
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 Association of Investment Companies (**"AIC"**), 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 and MBA, 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 2020 he was Acting Chairman of Cenkos Securities plc. He was the Group Finance Director of Electrocomponents plc (1996 to 2005), Deputy Chairman (2000 to 2005) and Chair of the Pension Scheme (1996 to 2020). Prior to that, he was the Finance Director of Unitech plc (1991 to 1996). He has also Chaired the Audit Committees of several listed and private companies including Vesuvius plc (previously Cookson Group plc) and John Lewis Partnership plc.

Other appointments:

None.

Tom Joy[2]

Appointed to the Board on 1 January 2021.

Experience and contribution:

Tom has extensive investment knowledge, expertise and experience in global equity markets. He is Chief Investment Officer of the Church Commissioners for England which is responsible for managing the endowment portfolio of the Church of England. He began his career at Royal Sun Alliance Investment Management and later joined Schroders holding a variety of different roles ultimately becoming Head of Investment – Multi-Manager. He then joined RMB Asset Management where he was Chief Investment Officer until his appointment at the Church Commissioners for England in October 2009.

Other appointments:

Tom is a non-executive director of Guy's and St Thomas' Charity and chairs its Investment Committee.

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 Chairman of the Board Risk and Compliance Committee of the £10.6bn Mattioli Woods PLC, where he also serves as a non-executive director, and is a member of the Board and Investment Committee for the £1.5bn investment portfolio of Trinity College, Cambridge. 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 board and advisory services to clients worldwide, focusing on asset management, banking, strategy, risk management and technology.

Other appointments:

Edward is a Member of the Board of Trustees of Asia House, a centre of expertise on trade, investment and public policy, and is also a non-executive director of Redwood Bank.

Quintin Price[1]

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.

Chairman's statement
on corporate governance

Dear Shareholder,

On the previous two pages you will find short details of the Directors responsible for the governance of your Company, including mine as 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. 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 50 to 52 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 55. Explanations concerning the Board's appointment of the Manager including reference to the strength of its 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 laws and regulations are complied with. The proceedings at all Board and committee 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 previous 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 54.

Compliance with the UK Code

We have considered and support the principles and recommendations of the UK Code and 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 trust company. Therefore, with the exception of the need for an internal audit function, which is addressed on page 55, we have not reported in respect of these provisions. Three of the Directors have served in excess of nine years and we explain our tenure policy on page 49 and why we consider them as independent on page 41.

We are also adhering to the principles and recommendations of the AIC Code of Corporate Governance (the **"AIC Code"**). 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
9 March 2021

Applying the principles of the UK code

Company purpose
Information relating to the Company's purpose, values and culture can be found on pages 8 and 9.

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 annually. 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 22, 32 and 33) 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. Building on the strong working relationship with the management company, the Fund Manager and other management company personnel attended the meetings throughout the year and reported to the Board. These meetings have been held online since the first lockdown in March 2020. 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, has acted as an experienced sounding board for the Chairman and an intermediary for other Directors and shareholders. He has recently led the annual evaluation of the Chairman and played a leading role in the succession plan developed in recent years, which has seen the appointment of two new Directors since the beginning of the year under review. He will retire immediately following the AGM and Quintin Price will take on the role of Senior Independent Director in his place.

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 2020.

Composition and succession
The Report of the Nomination Committee sets out on page 49 the process undertaken in respect of the retirement of Nicholas Moakes at the year end and the appointment of his replacement, Tom Joy. Tom's appointment, together with that of Quintin Price in March 2020, has helped to ensure the continuity of investment knowledge and expertise amongst the Board members. Attention is now focused on replacing Sir Roger Bone, whose particular skill set contributes a wide level of perspective, challenge, judgement and input to Board discussions. The composition of the Board and Committee members is set out in the Directors' details on pages 34 and 35. The Company's diversity policy is set out on page 33.

Board evaluation and effectiveness
The 2020 annual appraisal of the Board, its committees and the individual Directors has been carried out by the Chairman. This built on the objectives identified from the external appraisal for 2019 for which the Chairman was supported by independent consultants, Board Level Partners. The process included the completion of a tailored questionnaire by each Director followed up by confidential unattributable one-to-one interviews with the Chairman. Progress in achieving the 2020 objectives were reviewed as part of the process as was feedback on upholding the culture and values of the Board. As noted above, the appraisal of the Chairman was covered as part

of the process and led separately by the Senior Independent Director. The Chairman's report on progress in 2020 was considered by the Board in March 2021 and the objectives proposed for the current year were reviewed. 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. The appraisal did not highlight any material weaknesses or concerns, but did identify some areas for focus going forward, which have been incorporated into the objectives for the year ahead. Of highest priority will be the development of a roadmap that will enable us to transition our investment portfolio to net zero carbon emissions by 2050, at the latest.

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 the Audit Committee, the report of which is set out on pages 53 to 57. The report sets out how the Committee engaged with the Manager to assess the operational risks posed by Covid-19 and the implementation of its contingency plans. There is an explanation on the assessment of the Company's going concern status and how the Board oversees the internal control framework and the procedures under which risk is managed. It also covers short to medium-term resilience, longer term viability and the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives as well as identifying emerging risks. The rationale for the Company not having established its own internal audit function is explained while further information on the Company's risk and control framework can be found on page 54. The Committee has noted the recent reviews covering UK corporate governance and audit reforms and the consultation paper expected to be published by BEIS and will continue to monitor the results of the consultation process as they emerge during the year.

The report provides an overview of how the Board satisfies itself on the integrity of financial statements and how the independence and effectiveness of the external auditor is assessed. An explanation is also given on 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.

Relations with shareholders and stakeholders

The Company's key stakeholders are the shareholders as explained on pages 10 and 11, while information on its role in the community is also explained.

Remuneration

The remuneration policy is explained on page 50 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 47, 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
9 March 2021

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2020. 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 56, an arm's length process to provide additional comfort to the Directors in making this statement. The Outlook for the Company can be found on page 7. Principal Risks can be found on page 28 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.

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 3.40 pence per share, which will be paid on 13 May 2021 to shareholders registered on 16 April 2021 subject to approval at the AGM (**Resolution 3**), will bring the total dividend for the year to 12.10 pence per share. This represents an increase of 4.3% over the comparable 11.60 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 33 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 66, 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 59. Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM (**Resolution 1**).

As discussed on page 30 and 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 outlook for global stockmarkets and economies; 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. The Directors also took account of the Company's resilience in withstanding the impact of the substantial fall in the stockmarkets in March 2020 triggered by Covid-19, and carried out stress tests including a reverse stress test. Accordingly, it is reasonable for the financial statements to continue to be prepared on a going concern basis. The Company's short to medium-term resilience and longer term viability are considered on pages 30 and 31.

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 11 and 12**). Further information in relation to the reappointment can be found on page 57.

Capital structure

As at 31 December 2020 there were 561,819,016 ordinary shares of 25 pence each (**"ordinary shares"**) in issue of which 25,172,380 were held in treasury. As at 4 March 2021 (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 26,331,303.

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.

Buyback and issue of shares

At the annual general meeting held on 7 May 2020, shareholders 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. Shareholders also authorised the Board to issue new ordinary shares or sell shares from treasury up to 5% of the number then in issue.

A total of 5,974,608 shares were bought back all of which were placed in treasury. The shares bought back represented 1.1% of the shares in issue (calculated exclusive of any shares held in treasury) at 31 December 2019. The purchases were made at prices ranging between 478.9 pence and 803.1 pence and the aggregate consideration paid for the shares, including stamp duty and commissions, was £41,821,000. As at 31 December 2020 there were 561,819,016 ordinary shares in issue of which 25,172,380 were held in treasury. Therefore, the total number of voting rights in the Company at that date was 536,646,636. A further 1,158,923 ordinary shares were bought back and placed into treasury between 31 December 2020 and 4 March 2021.

Voting rights and proportional voting

At 4 March 2021 the Company's 561,819,016 ordinary shares in issue less the 26,331,303 shares held in treasury represented a total of 535,487,713 voting rights. As at 31 December 2020 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 598,000 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"**). 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 19 and in notes 13, 15 and 16 to the Accounts.

Remuneration report

At the annual general meeting held on 7 May 2020, shareholders approved the Directors' remuneration policy. It is intended that this policy will continue for the three-year period ending at the AGM in 2023, when shareholders will next be asked for their approval. The Directors' Remuneration Report, which includes the policy and can be found on pages 50 to 52 provides detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the report at the AGM (**Resolution 2**).

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. In view of the Covid-19 restrictions, our normal induction programme was restricted but both Quintin Price and Tom Joy have had separate online discussions with the Fund Manager concerning strategy and investment policy. Mr Price has also been given a separate session on BMO GAM's ESG approach. Similar sessions are available to all Directors either on an individual or group basis as and when needed.

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's performance and the Board has concurred with its assessment that each Director continues to make a valuable and effective contribution and remains committed in the role. 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 49, Jeffrey Hewitt's and Sarah Arkle's ten-year tenure are not considered to compromise their independence. This is also the case for Sir Roger Bone who has served 13 years and will retire immediately after the AGM.

The following table sets out the Directors' meeting attendance in 2020. The Board held a separate meeting in September 2020 to consider strategic issues and also met regularly in private sessions during the year, without any representation from the Manager.

Directors' attendance in 2020

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
No. of meetings	8	4	3	1
Beatrice Hollond*	8	4	3	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
Edward Knapp	8	4	n/a	1
Nicholas Moakes	8	n/a	3	1
Quintin Price**	6	3	n/a	n/a

*Attended but was not a member of the Audit Committee

**Appointed to the Board on 10 March 2020 and the Audit Committee on 7 May 2020.

Director re-elections

The biographies of the Directors are set out on pages 34 and 35 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 and Tom Joy, who were appointed on 10 March 2020 and 1 January 2021 respectively, all the Directors held office throughout the year under review. Nicholas Moakes retired from the Board on 31 December 2020 and Sir Roger Bone will retire immediately following the forthcoming AGM. Mr Joy will stand for election by shareholders while the remaining Directors will stand for re-election by shareholders at the meeting in accordance with the requirements of the UK Code. **(Resolutions 4 to 10)**

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 February 2021, 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 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 47.

AGM and online shareholder meeting

The Company is legally obliged to hold its AGM by 30 June 2021 and the meeting is therefore scheduled to take place at The Vine, Sevenoaks, Kent TN13 3SY on 10 May 2021 at 12 noon. According to the government's roadmap of steps, at the date of the AGM, social distancing measures will continue as will restrictions on public gatherings indoors and travel. Regrettably shareholders should not, therefore, attend this year's AGM in person. However, shareholders will be able to engage with the Board on the business of the meeting at a separate virtual meeting that will take place on 26 April 2021 at 12.00 noon. Access details for the virtual meeting can be requested by emailing fcitagm@bmogam.com. You are requested to direct any questions you may have with regard to the resolutions proposed at the AGM or the performance of the Company, in advance of the virtual meeting to that email address. The Fund Manager's presentation will also be available on the Company's website www.fandcit.com accompanied with a regularly updated Questions and Answers Schedule.

The AGM is currently proposed to be purely functional in format with access limited to three members only, this being the minimum number sufficient to form a quorum. Voting on all resolutions will be conducted by way of a poll. You are therefore urged to lodge your votes either through the online portal or by completing and returning your Form of Proxy or Form of Direction, appointing the chairman of the meeting as your proxy, in accordance with the guidance set out on pages 44 and 45. The results of the poll will be announced via a regulatory announcement and posted on the Company's website at fandcit.com immediately after the meeting. The Notice of Meeting appears on pages 94 to 95. Any updates to the AGM arrangements will be announced via a regulatory announcement and will be included on the Company's website.

Authority to allot shares and sell shares from treasury (Resolutions 13 and 14)

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 13 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £6.6m, (26.4m 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 4 March 2021, 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 2022 or on 30 June 2022, whichever is the earlier.

Resolution 14 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 £6.6m (representing approximately 5% of the issued ordinary share capital of the Company at 4 March 2021 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 page 33 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 15)

At the annual general meeting held in 2020 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 2020 was 75,681,589 shares or 14.10% of the issued share capital exclusive of the number of shares held in treasury. Resolution 15 will authorise the renewal of such authority enabling the Company to purchase in the market up to a maximum of 80,250,000 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 page 33. 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 14, 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. When the Board exercises the authority conferred by Resolution 15, it has the option of the Company 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 2022 or on 30 June 2022, whichever is the earlier. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Proposed adoption of new articles of association (Resolution 16)

Covid-19 has highlighted the need for companies to facilitate general meetings that give shareholders the choice of attending either physically or electronically. The Company's Articles of Association (**"Existing Articles"**) do not currently permit online shareholder meetings and therefore need to be updated to enable the facilitation of "hybrid" AGMs; a combined physical and electronic meeting. Such a meeting includes an annual general meeting and is held at a physical venue with additional facilities for shareholders to attend by electronic means. New Articles of Association (**"New Articles"**) will give the Company flexibility to embrace new technology as it develops and to make additional arrangements for shareholders to participate electronically online. When holding a "hybrid" meeting in future, shareholders will have the option of physically attending and voting in person or participating and casting their votes at the meeting online. Importantly, in either case shareholders will have the opportunity to ask the Board and the Fund Manager questions. A resolution to adopt New Articles will be put to shareholders at the AGM.

The Existing Articles were last updated for minor amendments in 2018. The New Articles are proposed with a view of updating the Existing Articles. The principal changes to the Existing Articles are summarised below. As a result of the proposed amendments the numbering of provisions in the New Articles does not always correspond to the Existing Articles.

The changes include:

- Allowing general meetings to be held partly through electronic facilities, to provide more flexibility to align with technological advances and changes in investor sentiment and in line with emerging market practice. The New Articles provide that for general meetings held at a physical venue, simultaneous attendance and participation will be allowed through electronic means. The ability to do this will make participation at general meetings easier for shareholders. For the avoidance of doubt, the amendments being proposed to the Existing Articles do not permit wholly virtual general meetings, a physical meeting will still be required. The New Articles also contain consequential changes to allow for physical, satellite and electronic participation in meetings so that the Company can continue to operate and comply with its legal and regulatory obligations.
- Permitting the Board to move or postpone a general meeting or change an electronic facility if the Board considers that it is impractical, undesirable or unreasonable to hold a general meeting as originally planned in the notice calling the general meeting. The purpose of this article is to afford the Company with

greater flexibility to change arrangements, something that has been shown to be particularly useful in the current environment due to the impact of the Covid-19 pandemic.

- Allowing the Board to make such arrangements as it considers to be appropriate for the purpose of ensuring the safety and proper orderly conduct of those attending general meetings and ensuring the security of the meetings. Any person attending or participating electronically in a general meeting will be responsible for maintaining adequate facilities to enable them to do so.
- Allowing for a reduction to the quorum at general meetings from three members to two members present in person or by proxy and entitled to vote, in line with customary practice.
- Following the recommendations in the UK Code and to reflect the Company's established practice, the New Articles incorporate amendments to provide for automatic retirement of all of the Company's Directors at each annual general meeting and that they will be subject to annual re-election by shareholders. The requirement for retirement by rotation has been deleted. The New Articles also contain necessary related changes (to allow additional appointments or automatic re-election) so that the Company can continue to operate, and comply with its legal and regulatory obligations in the event that not enough Directors are able to act because the resolutions for re-election put to the annual general meeting have not been passed.
- Permitting the Company to pay dividends in a more convenient manner for shareholders. The New Articles reflect guidance published by the ICSA's Registrars' Group in 2014 by allowing the Directors to determine how dividends are paid to shareholders, which method shall be the default method for paying dividends and that shareholders may make an election for a distribution channel other than the default. The New Articles will allow the Company flexibility for the payment of dividends by using different distribution channels, including electronic means, and will permit the Board to decide which method is to be used on any particular occasion. This is in line with market practice.
- Permitting use of treasury shares for the payment of scrip dividends in addition to new shares.
- Reflecting changes to the Companies Act 2006 that mean a Company is no longer required to prepare a summary financial statement. Instead, if a shareholder agrees not to receive the full annual report and accounts, the Company may provide a copy of the strategic report together with supplementary materials. However, shareholders can always view the full annual report and accounts on the Company's website or request a hard copy.
- Deletion of the article on share warrants since it is unlawful to issue bearer shares following the amendment to the Companies Act 2006 by the Small Business, Enterprise and Employment Act 2015 that prohibited the creation of bearer shares and required existing bearer shares to be converted into registered shares or cancelled.
- Simplifying the procedure in relation to untraced shareholders. Rather than requiring the Company to take out two newspaper advertisements, the New Articles require the Company to use reasonable efforts to trace the shareholder, including, if considered appropriate, the Company engaging a professional asset reunification company or other tracing agent to search for a shareholder who has not kept their shareholder details up to date. There are related changes in respect of unclaimed dividends or other money payable on shares of untraced shareholders which are sold. The New Articles also provide that the sale proceeds will be forfeited to the Company after a period of two years from sale and the former shareholder will have no further rights to reclaim the proceeds.
- Amending the language to generally include clarificatory amendments in other parts of the New Articles to update them in line with common market practice. By way of example, ensuring terminology is gender balanced by replacing "he" with "he or she" and "him" with "him or her". Other such minor, technical and clarifying changes have not been noted.

A copy of the proposed New Articles, together with a marked-up version detailing all amendments, will be available on the Company's website at fandcit.com from the date of the Notice of AGM until the end of the AGM and will be available for inspection at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London, SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and UK public holidays excepted) up to and including the date of the AGM and at the place of the AGM from 15 minutes prior to its commencement until its conclusion.

Form of proxy for AGM voting

If you are a registered shareholder you will have received 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.

All proxy appointments should in any event be returned or lodged so as to be received not later than 12 noon on 6 May 2021.

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.

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 2021, so that the nominee company can submit a form of proxy within the required period.

Voting recommendation

The 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
9 March 2021

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.

US Sub-managers

Barrow, Hanley, Mewhinney & Strauss, LLC (North America) – appointed 2005
T. Rowe Price International Ltd (North America) – 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 2020 and 2021 to date.

Manager evaluation process

The Committee met once during the year and again in February 2021 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 14 to 19.

Manager reappointment

The annual evaluation that took place in February 2021 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 CEO and 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 BMO 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 a ten year horizon meeting the Company's objective of delivering long-term growth in capital and income. 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

The Manager receives an annual fee 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 £12.6m, a decrease of 3.1% from £13.0m last year reflecting the lower average market capitalisation of the Company over the year. Note 4 to the Accounts provides detailed information in relation to the management fee.

The Manager delegates the management of the US portfolios to T. Rowe Price International and Barrow, Hanley, Mewhinney and Strauss for which it incurs fees. The Company reimburses the Manager for these fees, which in 2020 amounted to £4.6m (2019: £4.2m) (see note 4 to the Accounts). There were no changes in the year to the fee structures.

Review of the Manager's fee

An important responsibility of the Committee is the regular review of the Manager's fee. This is carried out by the Committee every three years and is next due in December 2021.

Private equity management fees

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.

The fees paid to the Private Equity managers in respect of the Private Equity funds of funds amounted to £3.0m for 2020 (2019: £3.6m) (see note 4 to the accounts) all of which was incurred indirectly through the funds. Some of the funds have arrangements whereby the 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.

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 is reflected in the underlying value of the investment. The investment in Inflexion Strategic Partners is a direct investment in that business and therefore no fees are incurred in relation to it.

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 12 years.

Committee evaluation

The activities of the Management Engagement Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 37. The conclusion from the process was that the Committee was operating effectively, with an appropriate balance of membership and skills.

Beatrice Hollond
Management Engagement Committee Chairman
9 March 2021

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 2020 and 2021 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 new Directors, including Quintin Price and Tom Joy, 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 33. 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 in succession planning and to ensure continuity.

Succession planning

The Committee has in place a succession plan for the Directors. The initial emphasis of the programme is on maintaining the highest level of investment skills and knowledge of the Board. As previously reported, consideration of three search firms in November 2019 led to the appointment of Nurole Limited and the implementation of a recruitment and selection process for potential candidates. The appointment of Quintin Price in March 2020 followed the retirement of Simon Fraser at the end of the last financial year, while the appointment of Tom Joy on 1 January 2021 follows the retirement of Nicholas Moakes on 31 December 2020. Consideration is also being given to Sir Roger Bone's successor following his retirement immediately following the 2021 AGM. Sir Roger brings a wide level of perspective, input and challenge to the Board and the Committee has therefore reconsidered which recruitment firm would be best suited for this role and has once again chosen Nurole Limited.

The services provided by Nurole Limited on all occasions have been for the sole purpose of recruiting the eventual appointees and there were no other business relationships in place with that company, nor does it provide any other services to the 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 Board appraisal process completed in accordance with standard governance arrangements summarised on page 37.

Beatrice Hollond
Nomination Committee Chairman
9 March 2021

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 May 2020 with 90.31% voting in favour, 5.51% voting against while 4.18% abstained. The Board has not subsequently received any views from shareholders in respect of the levels of Directors' remuneration. It is intended that the policy 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 no changes would be made for 2021.

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 by emailing the Company Secretary at FCITCoSec@bmogam.com.

The dates on which each Director was appointed to the Board are set out under their biographies on pages 34 and 35. 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 Joy, all the Directors were either last re-elected or elected at the annual general meeting held on 7 May 2020 and will stand for re-election at the AGM on 10 May 2021, while Mr Joy 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

	2021 £'000s	2020 £'000s
Board		
Chairman	75.0	75.0
Senior Independent Director	43.8	43.8
Director	37.5	37.5
Audit Committee		
Chairman	13.5	13.5
Members	5.3	5.3
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	2020	2019
Beatrice Hollond	3,500	3,500
Sarah Arkle	10,000	10,000
Sir Roger Bone	69,689	66,855
Francesca Ecsery	20,744	19,134
Jeffrey Hewitt	25,998	24,769
Edward Knapp	8,219	8,002
Nicholas Moakes	87,010	79,892
Quintin Price*	7,215	n/a

*Joined 10 March 2020
The Company's register of Directors' interests contains full details of Directors' shareholdings.

Since the year end, and up to 4 March 2021 (being the latest practicable date before the publication of the Report and Accounts), the following Directors have acquired further ordinary shares: Edward Knapp 39, Sir Roger Bone 501, Jeffrey Hewitt 219 and Francesca Ecsery 51. 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 4 March 2021 the Fund Manager held 172,345 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 2019 with 90.96% of votes cast in favour of the resolution, 5.09% were against while 3.95% 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 2021 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	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**	**2021**
Beatrice Hollond(3)	78.0	43.1	80.1	0.1	0.0	100.0	78.1	43.1	81.2	78.0
Sarah Arkle	42.8	42.0	1.9	0.0	0.0	0.0	42.8	42.0	1.9	42.8
Sir Roger Bone(4)	52.0	51.3	1.4	0.0	0.0	0.0	52.0	51.3	1.4	18.7
Francesca Ecsery	40.5	40.0	1.3	0.0	0.0	0.0	40.5	40.0	1.3	40.5
Simon Fraser	n/a	77.0	n/a	n/a	0.0	n/a	n/a	77.0	n/a	n/a
Jeffrey Hewitt	51.0	50.0	2.0	1.1	0.6	83.3	52.1	50.6	3.0	51.0
Tom Joy(5)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	40.2
Edward Knapp	42.8	42.0	1.9	0.0	0.1	(100.0)	42.8	42.1	1.7	42.8
Nicholas Moakes(6)	40.5	40.0	1.3	0.0	0.0	0.0	40.5	40.0	1.3	n/a
Quintin Price(7)	33.7	n/a	n/a	0.0	n/a	n/a	33.7	n/a	n/a	46.7
Total	381.3	385.4	(1.1)	1.2	0.7	71.4	382.5	386.1	(0.9)	360.7

(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 2021. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Highest paid Director. 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.
(4) Retires immediately following the AGM on 10 May 2021.
(5) Appointed to the Board on 1 January 2021 and the Nomination Committee on 9 February 2021.
(6) Retired from the Board and Nomination Committee on 31 December 2020.
(7) Appointed to the Board on 10 March 2020, the Audit Committee on 7 May 2020 and will become Senior Independent Director on 11 May 2021.

The information in the table above for the years 2019 and 2020 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.

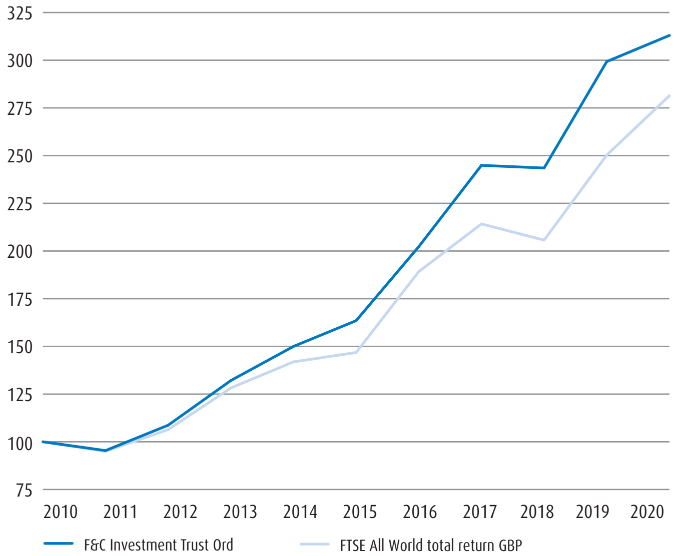
Actual expenditure	2020 £'000s	2019 £'000s	% Change
Aggregate Directors' Remuneration	381.3	385.4	-1.1
Aggregate Dividends paid to shareholders	62,774	61,915	1.4
Aggregate cost of ordinary shares repurchased	41,821	9,276	350.9

Company performance

An explanation of the performance of the Company for the year ended 31 December 2020 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 2020:

- 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
9 March 2021

Report of the Audit Committee

I am pleased to present to you the Report of the Audit Committee for the year ended 31 December 2020. The Report and Accounts have been reviewed particularly in respect of the risks and implications associated with the impact of Covid-19. 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 on each occasion 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 operational performance of the Manager and third-party service providers in terms of business continuity against the backdrop of Covid-19.
- 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;
- Received a report setting out the review of going concern undertaken by the Manager and reviewed and assessed the basis and results of its associated reverse stress test;
- The Principal Risks and emerging risks faced by the Company and the effectiveness of the Company's internal control and risk management environment;
- Reviewed the assumptions and results of the scenario testing of both the short to medium and longer term resilience and viability of the Company and the basis of the Future prospects and viability statement;
- How the Company has applied the principles 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 Registrar;
- Bank counterparties;
- 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 58. 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 2020 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. The Committee comprises five 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 34 and 35 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 while any significant issues of direct relevance to the Company are required to be reported to the Committee and Board immediately. Of key importance during the year was the Company's ability to continue to operate effectively, which came under scrutiny from the Committee as it became increasingly clear in February 2020 that staff at BMO GAM would have to move to home working. Although already comfortable with BMO GAM's contingency planning, given as part of regular risk and control reporting, the Committee nevertheless sought and received reassurance that the key personnel working for the Company would be properly accommodated. It was confirmed that the necessary arrangements were well established with the staff in question already having the facilities to operate effectively and were experienced in working from home. Whilst there was some dependency on third parties, reassurance around their contingency arrangements had been received and appeared robust. BMO GAM and their third parties monitored the well-being of staff throughout the year and provided equipment in response to their feedback. Health and safety training and risk assessment surveys were also instituted as a means of providing staff with the necessary health and safety best practice information in a home working environment. Daily online meetings ensured regular communication amongst teams whilst staff meetings and updates ensured regular engagement by senior management.

BMO GAM was therefore able to continue to serve the Company without interruption or incident and its Business Risk Department continued to provide regular control report updates to the Committee covering risk and compliance. Any significant issues of direct relevance to the Company are required to be reported to the Committee and Board immediately. There were no such reports.

For the management of risk, and as explained on page 29, 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 Company's Principal Risks and Future Prospects, and the process for the identification of emerging risks, are set out on pages 28 to 31 with additional information given in note 26 to the Accounts.

There is also more information on how the Directors have assessed the Company's position as a going concern including recognition that the repercussions of Covid-19 in 2020 represented a stress test on the Company's resilience in the face of extreme market turmoil. Also the magnitude of events that could potentially force it to discontinue its operations or impact its resilience over the short to medium-term. The work in relation to this was based on reverse stress tests in respect of going concern and scenario testing that spanned a period of ten years encapsulating both the short to medium term resilience and longer term viability of the Company. The Committee noted the extent and robustness of the Board's review and its assessment of the principal risks and identification of emerging risks and participated in the process as Board members themselves. The integration of the risks identified into the analyses underpinning the Future prospects and viability statement on page 31 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.

The work carried out was partly in response to the recommendation of the Brydon Report that companies should go beyond their existing disclosure levels by providing more information about their ability to withstand risks over different time periods. We welcome this development and note the recent reviews covering UK corporate governance and audit reforms and the consultation paper expected to be published by BEIS. The Committee will continue to monitor the debate and the results of the consultation process as they emerge during the year.

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 2020 and subsequent confirmation from BMO that there had been no material changes to the control environment in the period to 4 March 2021. 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"**). 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 BMO's Corporate 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. Material issues would be reported earlier to the Chairman. 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. This conclusion was supported by a presentation to the Committee given by BMO GAM's Head of Internal Audit which provided greater insight into BMO GAM's arrangements. This set out BMO GAM's internal audit structure, resources and methodology and included BMO's Corporate Audit 2020 strategic objectives and an overview of the comprehensive quality assurance framework designed to support continued high-quality audit work. The methodology and processes used were summarised and the measures to ensure the maintenance of the high standards applied by the auditing teams. Not only were audit staff subject to annual self-assessment against the IIA Internal Professional Practices Framework, but Corporate Audit as a whole is also subject to external third-party assessment every five years.

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 2020. The table on page 56 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. Specifically, the most significant judgement for the year concerned the private equity investment, Inflexion Strategic Partners, which was written up in value. The Committee also included in their review the areas of judgements, estimates and assumptions referred to in note 2(c)(xii) to the Accounts. Likewise, the Committee reviewed the disclosure and description of Alternative Performance Measures provided on pages 101 to 103 and is satisfied that the disclosure is fair and relevant.

With the increasing complexity of the BMO GAM managed Private Equity investments, the Committee applied greater challenge to the valuation of these investments. The Committee questioned all the Private Equity 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 variances in the estimated value with the actual audited values (which become known in May/June of the following year). The variances were not significant. In testing and challenging underlying adjustments made by the Private Equity Managers the Committee

Significant Judgements and Issues considered by the Committee in 2020	
Matter	**Action**
Investment Portfolio Valuation	
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 2019 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 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 including the write-up of the value of Inflexion Strategic Partners, as explained on page 17, 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.

ensures that the highest levels of oversight and scrutiny are applied. 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 February 2021 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 Committee recognises the importance of continually improving non-financial reporting and the increased focus on the Strategic Report by investors and regulators. 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 had regard to the non-financial reporting requirements in the Act, which is an area of reporting that 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 59 to 65.

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. Following professional guidelines, the audit partner rotates after five years. Julian Young, the current senior statutory auditor was engaged for the first time during the year ended 31 December 2016 on the commencement of EY's appointment as auditor and will therefore rotate off this role following the audit for 2020. EY have nominated a replacement partner for consideration by the Committee. 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 2019/20. The FRC had inspected 14 of EY's audits, of which 71% were graded as requiring no more than limited improvements. Included within the overall sample were nine FTSE 350 audits, of which 78% met the equivalent standard. In common with all the other Big Four audit firms, EY's overall results were lower than the previous year but nevertheless demonstrated that overall they perform high quality audits.

The FRC's ethical standards are pressing for ever higher quality auditing standards which means that audit firms are incurring substantial costs. The FRC also expects audit firms to demonstrate that they are economically sustainable. This upward pressure on costs is reflected in the audit fee of £120,000, excluding VAT, which represents another substantial increase over that of 2019: £106,000 (Note 5 to the accounts). 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 increases in the fee over the last two years and the potential for more increases in future years, the Committee will continue to monitor developments and take market soundings on audit quality and fees as appropriate.

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 2020 (2019: nil).

Committee evaluation

The activities of the Audit Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 37. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Committee in accordance with the FRC's current guidance. The evaluation found that the Committee functioned well, with an appropriate balance of membership and skills.

Jeffrey Hewitt
Audit Committee Chairman
9 March 2021

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 return 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 34 and 35 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
9 March 2021

Independent Auditor's Report
to The Members of F&C Investment Trust PLC

Opinion
We have audited the financial statements of F&C Investment Trust PLC ('the Company') for the year ended 31 December 2020 which comprise Income Statement, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the related Notes to the Accounts 1 to 27, 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 2020 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. 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 going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:
- We confirmed our understanding of the Directors' going concern assessment process and engaged with BMO Investment Business Limited ('BMOIB' or 'the Manager').
- We obtained the Directors' going concern assessment and ascertained that this covers a period of at least twelve months from the date of approval of the financial statements.
- We discussed this assessment with the Manager and the Directors and reviewed board minutes for risks, events or contrary evidence that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.
- We reviewed the assumptions used in the cash-flow, stress and reverse stress tests prepared by the Manager, including in response to the Covid-19 pandemic, and challenged the assumptions made by them in the preparation of these tests. We also considered the likelihood of the occurrence of the reverse stress test scenario and any potential mitigating actions that could be taken.
- We reviewed the Directors' assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and compared them to our understanding of the Company's risks.
- We challenged whether the Directors' statements in relation to going concern required under the Listing Rules of the UK Listing Authority are consistent with our own knowledge and understanding of the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the directors, being the period to 31 March 2022, which is at least 12 months from the date the financial statements were authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Overview of our audit approach

- Incorrect valuation or ownership of unquoted investments and the resulting impact on the Income Statement.
- Incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital.
- Incorrect valuation or ownership of the quoted investment portfolio.
- Overall materiality of £45.1m which represents 1% of net assets.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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.

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.

Risk	Our response to the risk
Incorrect valuation or ownership of unquoted investments and the resulting impact on the Income Statement (2020: £374.7m, 2019: £326.1m) Refer to the Audit Committee Report (page 56); Accounting policies (page 71); and Note 10 of the Financial Statements (page 79) The Company holds £321.5m (2019: £286.0m) of investments in Private Equity 'PE' through unquoted, third party funds which are selected by BMOIB and managed by various specialist PE managers ('the PE Managers').	We understood the Company's and the Manager's processes and controls for the valuation and ownership of the unquoted investments by performing walkthrough procedures and reviewing the BMOIB internal controls report. We understood the governance structure and controls surrounding the valuation and ownership of the unquoted investments from the Investment Trust Accounting team at BMOIB. This included the primary control 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. 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.

Risk	Our response to the risk
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'), an investment vehicle into which the Company is the sole Limited Partner. At the year end, £145.6m (2019: £107.9m) was invested into PE LP. Our procedures make no distinction as to whether investments are held directly by the Company or indirectly through PE LP. The net asset value ('NAV') of the PE funds is based on estimates and unaudited NAV statements produced by the PE Managers. BMOIB applies various controls to the valuation process which are subject to oversight by the Board. Controls over the valuation process include: investor due diligence over new investments which is presented to the BMOIB investment committee, review of audited financial statements and reconciliation of cash movements to the NAV statements received. The Company also holds a direct investment of £53.2m (2019: £40.0m) in Inflexion Strategic Partners which is valued by BMOIB. This investment has been fair valued by taking the results of the average of two methods; a discounted cash flow prepared by Inflexion Strategic Partners and an earnings multiple method. During the year the Company made a commitment into a Pantheon managed SICAV for $180m. This commitment was undrawn at the year end. 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/(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 may influence the unquoted investment valuations in order to meet market expectations of the overall NAV of the Company. We also identify ownership of unquoted investments as part of this key audit matter as the unquoted investments are held directly by BMOIB on behalf of the Company rather than by a Custodian.	**Fund investments** 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, to confirm our understanding of the control environment and identify whether there were any control exceptions or deficiencies that may impact our audit. We reviewed, for all investments, the signed Limited Partnership Agreements ('LPAs'), which set out the commitment to the PE funds, to confirm ownership of the investments. We agreed, for all investments, confirmations obtained independently of management from the underlying managers to the Company's records to confirm the total committed capital and the amount drawn down at the year end as a test of existence. We performed a back-testing exercise to assess the historical accuracy of a sample of unquoted investments' estimated 2019 investment valuations. We compared the Company's investment values per the 2019 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. For this sample, we also confirmed that the PE Managers are following fair value accounting principles by reviewing the valuation policies disclosed in their latest audited accounts or quarterly valuation report. We agreed the NAV of all unquoted investment on the investment report to the estimated 31 December 2020 NAV statements provided directly by the underlying PE fund's manager whether held directly by the Company or indirectly through PE LP. Where estimated 31 December 2020 NAV statements were not available, we obtained the 30 September 2020 NAV statements from the underlying PE managers and performed a roll forward exercise to adjust for cash flows and foreign exchange movements in the period to 31 December 2020. 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 holds an investment at 31 December 2020. • The reasons for any material variances noted between estimated and actual NAVs for the year ended 31 December 2019. • Whether any post balance sheet information is available that would require adjustments to be made to the estimated 31 December 2020 NAVs. • The impact of Covid-19 to the valuations process. 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/(losses) to the notices received from the relevant PE Manager. We checked that the Company's valuation methodology was in line with FRS 102. We reviewed the disclosures related to the investment in PE LP against FRS 102 requirements. **Direct Investment** The audit team reviewed the Inflexion Strategic Partners valuation model, checked the inputs to third-party data (earnings, net debt, comparable quoted company multiples), and challenged the assumptions made; the primary assumptions being the choice of model, the choice of comparable quoted companies and the discount applied for Inflexion Strategic Partners compared to this comparable quoted company multiple. We engaged our specialist valuation team who understood the investment thesis, reviewed the BMOIB model and subsequently performed their own detailed analysis to derive an EY reasonable valuation range. The Company's valuation was within the EY valuation range.

Key observations communicated to the Audit Committee

The results of our procedures identified no material misstatement in relation to Incorrect valuation or ownership of unquoted investments and the resulting impact on the Income Statement. We determined that the Inflexion Strategic Partners direct investment valuation was within the EY reasonable valuation range.

Based on the work performed, we have no other matters to report to the Audit Committee.

Risk	Our response to the risk
Incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital (2020: £1.3m, 2019: £4.1m) Refer to the Audit Committee Report (page 56); Accounting policies (page 72); and Note 3 of the Financial Statements (page 74) 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 main driver of 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 understood State Street Bank and Trust's ('the Administrator') processes and controls for the recognition of investment income by performing walkthrough procedures and reading their internal control reports to confirm our understanding of the control environment and identified whether there have been any control exceptions or deficiencies that may impact our audit. We tested the recognition basis for a sample of special dividends taken from the special dividend report, to ensure that they were appropriately allocated between revenue and capital within the Income Statement. We tested the completeness of the special dividends report by taking a sample of items from the dividend income report and confirmed if these were classed as special dividends per an external source. Where identified as special, we checked to ensure they were correctly allocated as revenue or capital in the special dividends report. Additionally, we reviewed the transaction report to confirm whether there were any items that should be classed as special by reviewing if transactions were coded as dividends and again checked to ensure these were correctly recorded in the special dividends report. For the sample of special dividends, we agreed the holding from the special dividends report to the broker statements and agreed the special dividend rate to an external source to verify occurrence and measurement. 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.

Key observations communicated to the Audit Committee

The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital. Based on the work performed we had no matters to report to the Audit Committee.

Risk	Our response to the risk
Incorrect valuation or ownership of the quoted investment portfolio (2020: £4,481.6m, 2019: £4,186.3m) Refer to the Audit Committee Report (page 56); Accounting policies (page 71); and Note 10 of the Financial Statements (page 79) 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'). 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 over the ownership of these investments.	We understood the Manager's and the Administrator's processes and controls for the valuation of the quoted investments by performing walkthrough procedures and reviewed the Manager's and the Administrator's internal control reports. **Valuation Procedures** 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. **Ownership procedures** We understood the Administrator's, Depositary's and the Custodian's processes and controls for asset recognition by inspecting their internal control reports. We agreed the independently obtained confirmation from the Custodian and Depositary of all securities held at the period end to the Company's records and corroborated any material variances for items such as unsettled trades.

Key observations communicated to the Audit Committee

The results of our procedures identified no material misstatement in relation to Incorrect valuation or ownership of the quoted investment portfolio. Based on the work performed we had no matters to report to the Audit Committee.

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 £45.1 million (2019: £41.1 million), which is 1% (2019: 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% (2019: 75%) of our planning materiality, namely £33.8m (2019: £30.8 m). 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 £3.0m (2019: £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 £2.3m (2019: £2.1m), 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 page 1 to 108, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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.

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 course of 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 themselves. 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.

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.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 30;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 31;
- Directors' statement on fair, balanced and understandable set out on page 58;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 28;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 55; and;
- The section describing the work of the audit committee set out on page 53

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 58, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- 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 these 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 risk with respect to management override in relation to inappropriate journals pertaining to the allocation of special dividends. Further discussion of our approach is set out in the section on the key audit matters above. We also identified the risk of management override with relation to journals used in the valuation of unquoted investments.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a 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.
- The Company operates in the wealth and asset management industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

- Following the recommendation from the audit committee, 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 five years, covering the years ending 31 December 2016 to 31 December 2020.
- 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
9 March 2021

Income Statement

Notes	for the year ended 31 December	Revenue £'000s	Capital £'000s	2020 Total £'000s	Revenue £'000s	Capital £'000s	2019 Total £'000s
10	Gains on investments	–	475,886	475,886	–	622,989	622,989
19,22	Exchange movements on foreign currency loans, cash balances and derivatives	(167)	(1,249)	(1,416)	50	2,817	2,867
3	Income	70,178	–	70,178	89,376	–	89,376
4	Management fees	(4,297)	(12,892)	(17,189)	(4,294)	(12,882)	(17,176)
5	Other expenses	(3,416)	(70)	(3,486)	(3,926)	(49)	(3,975)
	Net return before finance costs and taxation	62,298	461,675	523,973	81,206	612,875	694,081
6	Finance costs	(2,349)	(7,049)	(9,398)	(2,245)	(6,736)	(8,981)
	Net return on ordinary activities before taxation	59,949	454,626	514,575	78,961	606,139	685,100
7	Taxation on ordinary activities	(7,469)	–	(7,469)	(8,024)	–	(8,024)
8	**Net return attributable to shareholders**	52,480	454,626	507,106	70,937	606,139	677,076
8	**Net return per share – basic (pence)**	9.71	84.09	93.80	13.06	111.61	124.67

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 70 to 91 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2020

Notes		Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance brought forward 31 December 2019	140,455	122,307	3,735,063	111,224	4,109,049
9	Dividends paid	–	–	–	(62,774)	(62,774)
17	Shares repurchased by the Company and held in treasury	–	–	(41,821)	–	(41,821)
	Net return attributable to shareholders	–	–	454,626	52,480	507,106
	Balance carried forward 31 December 2020	140,455	122,307	4,147,868	100,930	4,511,560

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)
	Shares issued by the Company from treasury	–	–	11,251	–	11,251
	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

The notes on pages 70 to 91 form an integral part of the financial statements.

Balance Sheet

Notes	at 31 December	£'000s	2020 £'000s	£'000s	2019 £'000s
	Fixed assets				
10	Investments		**4,856,368**		4,512,321
	Current assets				
12	Debtors	**23,675**		20,563	
22	Cash and cash equivalents	**46,654**		28,196	
		70,329		48,759	
	Creditors: amounts falling due within one year				
13,22	Loans	**(40,000)**		(75,000)	
14	Other	**(8,521)**		(15,861)	
		(48,521)		(90,861)	
	Net current assets/(liabilities)		**21,808**		(42,102)
	Total assets less current liabilities		**4,878,176**		4,470,219
	Creditors: amounts falling due after more than one year				
15,22	Loans	**(366,041)**		(360,595)	
16,22	Debenture	**(575)**		(575)	
			(366,616)		(361,170)
	Net assets		**4,511,560**		4,109,049
	Capital and reserves				
17	Share capital		**140,455**		140,455
18	Capital redemption reserve		**122,307**		122,307
19	Capital reserves		**4,147,868**		3,735,063
19	Revenue reserve		**100,930**		111,224
	Total shareholders' funds		**4,511,560**		4,109,049
20	**Net asset value per share – prior charges at nominal value (pence)**		**840.69**		757.26

The notes on pages 70 to 91 form an integral part of the financial statements.

The Financial Statements were approved by the Board on 9 March 2021 and signed on its behalf by

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

Statement of Cash Flows

Notes	for the year ended 31 December	2020 £'000s	2019 £'000s
21	**Cash flows from operating activities before dividends received and interest paid**	**(32,127)**	(28,991)
	Dividends received	**70,055**	90,240
	Interest paid	**(9,429)**	(9,585)
	Cash flows from operating activities	**28,499**	51,664
	Investing activities		
	Purchases of investments	**(2,548,873)**	(1,609,187)
	Sales of investments	**2,681,183**	1,437,402
	Other capital charges and credits	**(76)**	(42)
	Cash flows from investing activities	**132,234**	(171,827)
	Cash flows before financing activities	**160,733**	(120,163)
	Financing activities		
9	Equity dividends paid	**(62,774)**	(61,915)
22	Repayment of loans	**(75,000)**	(208,884)
22	Drawdown of loans	**40,000**	325,090
	Cash flows from share issues	**1,931**	9,321
	Cash flows from share buybacks for treasury shares	**(41,401)**	(9,276)
	Cash flows from financing activities	**(137,244)**	54,336
22	Net increase/(decrease) in cash and cash equivalents	**23,489**	(65,827)
22	Cash and cash equivalents at the beginning of the year	**28,196**	96,439
22	Effect of movement in foreign exchange	**(5,031)**	(2,416)
	Cash and cash equivalents at the end of the year	**46,654**	28,196
	Represented by:		
	Cash at bank	**16,177**	14,727
	Short-term deposits	**30,477**	13,469
	Cash and cash equivalents at the end of the year	**46,654**	28,196

The notes on pages 70 to 91 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 2020, 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 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("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 2020 and 31 December 2019. 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 2020 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 rolled forward for any calls and distributions in the subsequent period. 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. Direct investments are fair valued on initial recognition and are revalued at the balance sheet date at fair value with reference to a price earnings and discounted cash flow model. Changes in fair value are charged to the Income Statement.

(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.

2. Significant accounting policies (continued)

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). Material judgments were applied to the valuation of the Company's direct investment, Inflexion Strategic Partners. This investment was valued using the average of an earnings method multiplied by a comparable quoted company multiple (where the judgement of which comparable companies to select and what discounts to apply are subjective) and a DCF approach for which the discount rate judgement is also subjective. This resulted in an uplift of £13.7m. The fair value of unquoted (Level 3) investments, as disclosed in note 10 to the accounts, represented 7.7% of total investments at 31 December 2020. In the opinion of the Directors, under foreseeable market conditions the collective value of such investments may rise or fall in the short term by more than 25%. A fall of 25% in the value of the unlisted (Level 3) portfolio at the year-end would equate to £94m or 2.1% 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

	2020 £'000s	2019 £'000s
Income from investments:		
UK dividends	**6,876**	9,415
Overseas dividends	**63,181**	79,331
	70,057	88,746
Other Income:		
Rebates relating to investee funds management fees	**6**	137
Interest on cash and short-term deposits	**79**	493
Other income	**36**	–
	121	630
Total income	**70,178**	89,376
Income from investments comprises:		
Quoted UK	**6,876**	9,398
Quoted overseas	**63,181**	79,331
Unquoted	**–**	17
	70,057	88,746

Included within income from investments is £1,248,000 (2019: £3,650,000) of special dividends classified as revenue in nature in accordance with note 2(c)(xii).

4. Management fees

		2020 £'000s	2019 £'000s
Payable directly to BMO GAM:			
– in respect of management services provided by the Manager	(i)	**12,631**	12,984
– reimbursement in respect of services provided by sub-managers	(i)	**4,558**	4,192
Total directly incurred management fees		**17,189**	17,176
Incurred indirectly within funds managed by Private Equity managers	(ii)	**2,971**	3,596
Total direct and indirect management fees		**20,160**	20,772

(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	2020 £'000s	2019 £'000s
– payable directly to BMO GAM	**17,189**	17,176
Less: allocated to capital reserves (see note 19)	**(12,892)**	(12,882)
Allocated to revenue account	**4,297**	4,294

(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 (2019: same); 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 fund of funds managers

At 31 December 2020 the Company had outstanding commitments in 39 Private Equity funds (2019: 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 2020 varied from 0.10% per annum to 2.50% per annum (2019: 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

	2020 £'000s	2019 £'000s
Other revenue expenses		
Auditors' remuneration:		
for audit and audit-related assurance services[1]	130	109
Custody fees	464	518
Depositary fees	180	190
Directors' emoluments (see Remuneration Report on pages 50 to 52):		
Fees for services to the Company	381	385
Subscriptions	21	22
Directors' and officers' liability insurance	39	32
Marketing	1,111	1,338
Loan commitment and arrangement fees[2]	257	458
Registrars fees	132	153
Professional charges	189	245
Printing and postage	243	164
Sundry	269	312
Total other revenue expenses	3,416	3,926
Capital expenses (see note 19)	70	49
Total other expenses	3,486	3,975

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

(1) Total auditors' remuneration for audit services, exclusive of VAT, amounted to £128,000, of which £8,000 relates to prior year (2019: £98,000 exclusive of VAT). Irrecoverable VAT of £2,000 (2019: £11,000) is included within the table above. There were no non-audit services paid to EY in the year (2019: none).

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

6. Finance costs

	2020 £'000s	2019 £'000s
Debenture stock	24	24
Loans	9,228	8,840
Overdrafts	146	117
	9,398	8,981
Less: allocated to capital reserves (see note 2(c)(vii) and note 19)	(7,049)	(6,736)
	2,349	2,245
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)	459	1,654
Debenture and loans repayable after more than one year, not by instalments (see notes 15 and 16)	8,939	7,327
	9,398	8,981

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	2020 Revenue £'000s	2020 Capital £'000s	2020 Total £'000s	2019 Revenue £'000s	2019 Capital £'000s	2019 Total £'000s
Overseas taxation	**7,469**	**–**	**7,469**	8,024	–	8,024
Total taxation (see note 7(b))	**7,469**	**–**	**7,469**	8,024	–	8,024

The tax assessed for the year is lower (2019: lower) than the standard rate of Corporation Tax in the UK.

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

	2020 Revenue £'000s	2020 Capital £'000s	2020 Total £'000s	2019 Revenue £'000s	2019 Capital £'000s	2019 Total £'000s
Net return on ordinary activities before taxation	**59,949**	**454,626**	**514,575**	78,961	606,139	685,100
Net return on ordinary activities multiplied by the standard rate of corporation tax	**11,390**	**86,379**	**97,769**	15,003	115,166	130,169
Effects of:						
Dividends[1]	**(13,311)**	**–**	**(13,311)**	(16,862)	–	(16,862)
Exchange losses/(profits)[1]	**32**	**–**	**32**	(10)	–	(10)
Capital returns[1]	**–**	**(90,181)**	**(90,181)**	–	(118,903)	(118,903)
Expenses not deductible for tax purposes	**103**	**13**	**116**	115	9	124
Expenses not utilised in the year	**1,786**	**3,789**	**5,575**	1,754	3,728	5,482
Overseas tax in excess of double taxation relief	**7,469**	**–**	**7,469**	8,024	–	8,024
Total taxation (see note 7(a))	**7,469**	**–**	**7,469**	8,024	–	8,024

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

The Company has an unrecognised deferred tax asset of £77.6 million (2019: £64.5 million) in respect of unutilised expenses at 31 December 2020 which has not been recognised in the financial statements as it is unlikely to be utilised in the foreseeable future. Of this amount £28.4 million (2019: £23.8 million) relates to revenue expenses and £49.2 million (2019: £40.7 million) to capital expenses.

8. Net return per share

	2020 pence	2020 £'000s	2019 pence	2019 £'000s
Total return	**93.80**	**507,106**	124.67	677,076
Revenue return	**9.71**	**52,480**	13.06	70,937
Capital return	**84.09**	**454,626**	111.61	606,139
Weighted average ordinary shares in issue, excluding shares held in treasury – number		**540,641,336**		543,106,069

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2020 £'000s	2019 £'000s
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
2019 Third interim of 2.90p	3-Jan-2020	31-Jan-2020	**15,736**	–
2019 Final of 2.90p	17-Apr-2020	13-May-2020	**15,725**	–
2020 First interim of 2.90p	17-Jul-2020	3-Aug-2020	**15,707**	–
2020 Second interim of 2.90p	9-Oct-2020	2-Nov-2020	**15,606**	–
			62,774	61,915

A third interim dividend of 2.90p was paid on 1 February 2021 to all shareholders on the register on 3 January 2021.

The Directors have proposed a final dividend in respect of the year ended 31 December 2020 of 3.40p payable on 13 May 2021 to all shareholders on the register at close of business on 16 April 2021. 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.

	2020 £'000s	2019 £'000s
Revenue available for distribution by way of dividends for the year	**52,480**	70,937
First interim dividend for the year ended 31 December 2020 – 2.90p per share (2019: 2.90p)	**(15,707)**	(15,767)
Second interim dividend for the year ended 31 December 2020– 2.90p per share (2019: 2.90p)	**(15,606)**	(15,741)
Third interim dividend for the year ended 31 December 2020 – 2.90p per share (2019: 2.90p)	**(15,563)**	(15,736)
Proposed final dividend for the year ended 31 December 2020 – 3.40p per share (2019: 2.90p)	**(18,207)**	(15,736)
(estimated cost based on 535,487,713 shares in issue at 4 March 2021, excluding shares held in treasury)		
Estimated amount transferred (from)/to revenue reserve for Section 1159 purposes[1]	**(12,603)**	7,957

All dividends are paid from revenue.

[1] Represents minus 18.0% of total income as stated in note 3 (2019: +8.9%)

10. Investments and derivative financial instruments

Investments	Level 1[1] £'000s	Level 3[1] £'000s	2020 Total £'000s	Level 1[1] £'000s	Level 3[1] £'000s	2019 Total £'000s
Cost at 1 January	**3,236,297**	**360,537**	**3,596,834**	2,944,206	282,196	3,226,402
Unrealised gains/(losses) at 1 January	**949,956**	**(34,469)**	**915,487**	505,674	(14,466)	491,208
Fair value of investments at 1 January	**4,186,253**	**326,068**	**4,512,321**	3,449,880	267,730	3,717,610
Purchases at cost	**2,493,782**	**47,229**	**2,541,011**	1,499,382	91,398	1,590,780
Sales proceeds	**(2,635,686)**	**(37,164)**	**(2,672,850)**	(1,378,124)	(40,934)	(1,419,058)
Gains on investments sold	**199,806**	**28,017**	**227,823**	170,833	27,877	198,710
Gains/(losses) on investments held	**237,478**	**10,585**	**248,063**	444,282	(20,003)	424,279
Fair value of investments at 31 December	**4,481,633**	**374,735**	**4,856,368**	4,186,253	326,068	4,512,321
Analysed at 31 December						
Cost	**3,294,199**	**398,619**	**3,692,818**	3,236,297	360,537	3,596,834
Unrealised gains/(losses)	**1,187,434**	**(23,884)**	**1,163,550**	949,956	(34,469)	915,487
Fair value of investments at 31 December	**4,481,633**	**374,735**	**4,856,368**	4,186,253	326,068	4,512,321

Gains on investments held at fair value	2020 £'000s	2019 £'000s
Gains on investments sold during the year	**227,823**	198,710
Gains on investments held at year end	**248,063**	424,279
Total gains on investments	**475,886**	622,989

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 2020 or 2019 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 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, excluding unquoted investments, did not include at any time during the year any funds or investments managed or advised by BMO GAM (2019: 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 £374.4 million (2019: £325.9 million) of investments described as Private Equity, together with £0.3 million (2019: £0.2 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 unrealised capital gain of £9,061,000 (2019: £nil) which were valued in accordance with level 2. See notes 2(c)(i),12 and 26(c).

11. Substantial interests

At 31 December 2020 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	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	4.78
Volpi Capital	Europe	4.28
Maison Capital	China	4.84
MVM	USA/Europe	4.10
PE Investment Holdings 2018 LP*	Scotland	100.00
Other Investments		
Esprit Capital Fund 1 LP	England	10.80

(1) The Company neither has a controlling interest nor significant influence in the management of any of these undertakings.
The valuation of those holdings greater than 10% are: Dover Street VI LP: £2,445,000; HIPEP V – Direct Fund LP: £2,425,000; HIPEP VI – Emerging Markets Fund: £14,909,000; Pantheon Europe Fund III LP: £4,089,000; PE Investment Holdings 2018 LP: £145,607,000; Esprit Capital Fund 1 LP: £305,000.

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

*In 2018 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 Board of FCIT have no participation in the investment decision making process as this lies solely with the General Partner and therefore no consolidated financial statements are prepared. The registered address of PE Investment Holdings 2018 LP is 6th Floor, Quartermile 4,
7a Nightingale Way, Edinburgh, EH3 9EG.

The profit for the year ended 31 December 2020 in the LP was £2.2m and the Capital and Reserves was £144.6m.

The outstanding commitment is shown in note 23.

12. Debtors

	2020 £'000s	2019 £'000s
Investment debtors	**3,156**	11,489
Forward exchange contracts	**9,061**	–
Share issue proceeds	**–**	1,931
Prepayments and accrued income	**3,882**	3,884
Overseas taxation recoverable	**7,576**	3,259
	23,675	20,563

13. Creditors: amounts falling due within one year

Loans Non-instalment debt payable on demand or within one year	2020 £'000s	2019 £'000s
Sterling loan £40 million repayable January 2021	**40,000**	–
Sterling loan £75 million repayable January 2020	**–**	75,000
	40,000	75,000

At 31 December 2020 there was £40 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 September 2021. 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	2020 £'000s	2019 £'000s
Investment creditors	**4,487**	12,349
Management fees payable to the Manager	**2,210**	1,983
Cost of ordinary shares repurchased	**420**	–
Other accrued expenses	**1,404**	1,529
	8,521	15,861

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

Loans Non-instalment debt payable after more than one year	2020 £'000s	2019 £'000s
€72 million repayable July 2022	**64,447**	61,007
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	**37,594**	35,588
2.59% Loan notes £57 million repayable June 2042	**57,000**	57,000
2.69% Loan notes £37 million repayable June 2049	**37,000**	37,000
2.72% Loan notes £20 million repayable June 2059	**20,000**	20,000
	366,041	360,595

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 4 March 2021, long-term borrowings comprised €72 million, £264 million loan notes and €42 million loan notes (£362.1 million).

The market value of the long-term loans at 31 December 2020 was £414,049,000 based on the equivalent benchmark gilts or relevant commercially available current debt (2019: £378,969,000).

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

Debenture	2020 £'000s	2019 £'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 2020 was £429,000 (31 December 2019: £429,000).

17. Share capital

2020	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	**19,197,772**	**542,621,244**	**561,819,016**	**140,455**
Shares repurchased by the Company and held in treasury	**5,974,608**	**(5,974,608)**	**–**	**–**
Balance carried forward	**25,172,380**	**536,646,636**	**561,819,016**	**140,455**

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

During the year the Company bought back 5,974,608 ordinary shares at a total cost of £41,821,000, all of which were placed in treasury. Since the year end, and up to 4 March 2021, 1,158,923 ordinary shares of 25p each have been repurchased and held in treasury.

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

18. Capital redemption reserve

	2020 £'000s	2019 £'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)	227,823	–	227,823	–
Gains on investments held at year end (see note 10)	–	248,063	248,063	–
Exchange movements on foreign currency loans, cash balances and derivatives	7,581	(8,830)	(1,249)	–
Management fees (see note 4)	(12,892)	–	(12,892)	–
Finance costs (see note 6)	(7,049)	–	(7,049)	–
Other capital charges (see note 5)	(70)	–	(70)	–
Net revenue return attributable to shareholders	–	–	–	52,480
Total gains and losses transferred in current year	215,393	239,233	454,626	52,480
Cost of ordinary shares repurchased in year (see note 17)	(41,821)	–	(41,821)	–
Dividends paid in year (see note 9)	–	–	–	(62,774)
Balance brought forward	2,810,309	924,754	3,735,063	111,224
Balance carried forward	2,983,881	1,163,987	4,147,868	100,930

Included within the capital reserve movement for the year is £25,000 (2019: £424,000) of dividend receipts recognised as capital in nature in accordance with note 2(c)(xii). £1,717,000 of transaction costs on purchases of investments are included within the capital reserve movements disclosed above (2019: £1,097,000). £1,020,000 of transaction costs on sales of investments are similarly included (2019: £503,000).

20. Net asset value per ordinary share

	2020	2019
Net asset value per share – pence	840.69	757.26
Net assets attributable at end of period – £'000s	4,511,560	4,109,049
Ordinary shares of 25p in issue at end of year, excluding shares held in treasury – number	536,646,636	542,621,244

Net asset value per share (with the debenture stock and long term loans at market value – see notes 15 and 16) was 831.78p (31 December 2019: 753.90p).

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

	2020 £'000s	2019 £'000s
Net return on ordinary activities before taxation	**514,575**	685,100
Adjust for non-cash flow items, dividend income and interest expense:		
Gains on investments	**(475,886)**	(622,989)
Exchange losses/(profits)	**1,416**	(2,867)
Non-operating expenses of a capital nature	**70**	49
Increase in debtors	**(32)**	(8)
Increase/(decrease) in creditors	**139**	(688)
Dividends receivable	**(70,057)**	(88,746)
Interest payable	**9,398**	8,981
Tax on overseas income	**(11,750)**	(7,823)
	(546,702)	(714,091)
Cash flows from operating activities (before dividends received and interest paid)	**(32,127)**	(28,991)

22. Analysis of changes in net debt

	Cash £'000s	Short term loans £'000s	Long term loans £'000s	Debenture £'000s	Forward FX £'000s	Total £'000s
Opening net debt as at 31 December 2019	**28,196**	**(75,000)**	**(360,595)**	**(575)**	**–**	**(407,974)**
Cash-flows:						
Drawdown of loans	**–**	**(40,000)**	**–**	**–**	**–**	**(40,000)**
Repayment of loans	**–**	**75,000**	**–**	**–**	**–**	**75,000**
Net movement in cash and cash equivalents	**23,489**	**–**	**–**	**–**	**–**	**23,489**
Non-cash:						
Effect of Foreign Exchange movements	**(5,031)**	**–**	**(5,446)**	**–**	**9,061**	**(1,416)**
Closing net debt as at 31 December 2020	**46,654**	**(40,000)**	**(366,041)**	**(575)**	**9,061**	**(350,901)**

23. Capital commitments

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

	2020 Currency	2019 Currency	2020 £'000s	2019 £'000s
Managed by Harbourvest:				
HarbourVest Partners VII:				
– Buyout Partnership Fund LP	US$4.3m	US$4.3m	3,138	3,238
– Venture Partnership Fund LP	US$0.5m	US$0.5m	384	396
– Mezzanine Fund LP	US$0.7m	US$0.7m	527	543
Dover Street VI LP	US$3.1m	US$3.1m	2,273	2,346
Dover Street VII LP	US$3.2m	US$3.2m	2,332	2,406
HarbourVest Partners V – Asia Pacific and Rest of World LP	US$1.5m	US$1.5m	1,097	1,132
HarbourVest Partners VIII:				
– Buyout Partnership Fund LP	US$1.8m	US$2.7m	1,317	2,038
– Venture Partnership Fund LP	US$0.8m	US$0.8m	585	604
HIPEP V – Direct Fund LP	€2.1m	€2.1m	1,846	1,748
HIPEP VI – Asia Pacific Fund LP	US$1.3m	US$1.5m	914	1,132
Managed by Pantheon:				
Pantheon Europe Fund III LP	€5.4m	€5.4m	4,798	4,542
Pantheon Europe Fund V LP	€5.3m	€5.3m	4,744	4,491
Pantheon Asia Fund IV LP	US$2.7m	US$2.7m	1,937	2,000
Pantheon Asia Fund V LP	US$3.9m	US$3.9m	2,871	2,963
Pantheon Global Secondary Fund III LP	US$2.4m	US$2.4m	1,792	1,849
Pantheon Access SICAV(2)	US$180.0m	–	131,680	–
Selected by BMO GAM:				
Esprit Capital Fund I LP	£0.27m	£0.27m	265	265
Astorg VI(1)	€1.1m	€1.1m	1,003	949
Inflexion Supplemental IV(1)	£0.1m	£0.5m	117	495
August Equity IV(1)	£1.2m	£2.3m	1,175	2,281
DBAG Fund VII(1)	€1.0m	€1.8m	862	1,487
DBAG Fund VII B(1)	€0.3m	€0.7m	273	591
Procuritas VI(1)	€3.9m	€4.9m	3,524	4,144
Warburg Pincus China Fund(1)	US$0.2m	US$0.5m	158	411
Stellex Capital(1)	US$0.3m	US$1.2m	249	946
Centana(1)	US$0.6m	US$1.8m	469	1,370
Graycliff(1)	US$1.3m	US$1.7m	938	1,275
Volpi Capital(1)	€0.3m	€0.3m	219	246
MidOcean(1)	US$4.4m	US$7.2m	3,227	5,403
Maison Capital(1)	US$2.4m	US$3.6m	1,770	2,742
Inflexion Partnership Capital II(1)	£2.8m	£3.2m	2,811	3,185
Inflexion Buyout Fund V(1)	£2.0m	£2.6m	2,014	2,561
PE Investment Holdings 2018 LP(1)	£43.0m	£71.7m	43,018	71,668
Verdane Edda(1)	SEK 25.1m	SEK 50.7m	2,237	4,085
MVM(1)	US$10.4m	US$12.9m	7,629	9,724
Inflexion Supplemental V(1)	£6.5m	£6.9m	6,464	6,948
Graycliff II(1)	US$9.5m	–	6,925	–
Centana II(1)	US$5.0m	US$5.0m	3,636	3,774
MED Platform(1)	€6.6m	–	5,876	–
			257,094	155,978

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

(2) This is a new commitment to a bespoke programme which will be managed by Pantheon but no calls had been made as at year end.

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 50 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 47 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
In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have also considered the Company's objective, strategy and investment policy, the current cash position of the Company, the availability of the loan facility and compliance with its covenants and the operational resilience of the Company and its service providers.

At present the global economy is suffering considerable disruption due to the effects of the Covid-19 pandemic and the Directors have given serious consideration to the consequences for this Company. The Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached. The primary risk is that there is a very substantial decrease in the Net Asset Value of the Company in the short to medium term. The Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 4 March 2021, the last practicable date before publication of this report, borrowings amounted to £428 million. The Company had an undrawn loan facility of £35 million and a cash balance of £52 million. This is in comparison to a Net Asset Value of £4,422 million. In accordance with its investment policy the Company is invested mainly in readily realisable, FTSE All-Share listed securities. These can be realised, if necessary, to repay the loan facility and fund future dividend payments.

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

Based on this information, as well as the scenario testing as detailed on page 30, the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

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 90 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.

Currency Exposure

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

2020	Short-term debtors* £'000s	Cash and deposits £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors £'000s	Net monetary (liabilities)/ assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	715	21,988	(575)	(304,000)	(2,822)	(284,694)	525,944	241,250
US Dollar	18,794	17,833	–	–	(3,966)	32,661	2,809,469	2,842,130
Euro	1,672	5,515	–	(102,041)	(1,259)	(96,113)	506,622	410,509
Yen	603	1,275	–	–	(158)	1,720	348,682	350,402
Other	1,891	43	–	–	(316)	1,618	665,651	667,269
Total	23,675	46,654	(575)	(406,041)	(8,521)	(344,808)	4,856,368	4,511,560

* The net unrealised gain of £9.1m in relation to the £300m forward exchange contract has been included under short term debtors.

2019	Short-term debtors £'000s	Cash and deposits/ (overdrafts) £'000s	Debentures £'000s	Unsecured loans £'000s	Short-term creditors £'000s	Net monetary (liabilities)/ assets £'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

26. Financial Risk Management (continued)

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:

	2020	Average	2019
US Dollar	**1.3669**	**1.2948**	1.3248
Euro	**1.1117**	**1.1308**	1.1802
Yen	**141.1307**	**137.8889**	143.9673

Based on the financial assets and liabilities held adjusted for the underlying gross exposure value of the forward exchange contracts against USD, 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:

Weakening of Sterling	US$ £'000s	€ £'000s	2020 ¥ £'000s	US$ £'000s	€ £'000s	2019 ¥ £'000s
Income Statement Return after tax						
Revenue return	**2,262**	**737**	**603**	3,026	1,210	895
Capital return	**254,213**	**41,051**	**35,040**	259,813	42,408	39,432
Total return	**256,475**	**41,788**	**35,643**	262,839	43,618	40,327
NAV per share – pence	**47.79**	**7.79**	**6.64**	48.44	8.04	7.43

Strengthening of Sterling	US$ £'000s	€ £'000s	2020 ¥ £'000s	US$ £'000s	€ £'000s	2019 ¥ £'000s
Income statement return after tax						
Revenue return	**(2,262)**	**(737)**	**(603)**	(3,026)	(1,210)	(895)
Capital return	**(254,213)**	**(41,051)**	**(35,040)**	(259,813)	(42,408)	(39,432)
Total return	**(256,475)**	**(41,788)**	**(35,643)**	(262,839)	(43,618)	(40,327)
NAV per share – pence	**(47.79)**	**(7.79)**	**(6.64)**	(48.44)	(8.04)	(7.43)

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	2020 Total £'000s	Within one year £'000s	More than one year £'000s	2019 Total £'000s
Exposure to floating rates						
Cash	**16,177**	**–**	**16,177**	14,727	–	14,727
Exposure to fixed rates						
Deposits	**30,477**	**–**	**30,477**	13,469	–	13,469
Debentures	**–**	**(575)**	**(575)**	–	(575)	(575)
Other borrowings	**(40,000)**	**(366,041)**	**(406,041)**	(75,000)	(360,595)	(435,595)
Net exposure at year end	**6,654**	**(366,616)**	**(359,962)**	(46,804)	(361,170)	(407,974)

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.

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:

		2020		2019
	Increase in rate £'000s	Decrease in rate £'000s	Increase in rate £'000s	Decrease in rate £'000s
Revenue return	**324**	**(324)**	295	(295)
Capital return	**–**	**–**	–	–
Total return	**324**	**(324)**	295	(295)
NAV per share – pence	**0.06**	**(0.06)**	0.05	(0.05)

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:

		2020		2019
	Increase in value £'000s	Decrease in value £'000s	Increase in value £'000s	Decrease in value £'000s
Income statement capital return	**971,274**	**(971,274)**	902,464	(902,464)
NAV per share – pence	**180.99**	**(180.99)**	166.32	(166.32)

(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 value of the listed investments held in the Company's portfolio (92% at 31 December 2020); 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 2020 was £4,122 million. Actual borrowings at market value at 31 December 2020 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 2020 the Company had £257.1 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:

2020	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Other creditors	48,687	–	–	48,687
Long-term liabilities[1] (including interest)	272	8,677	526,622	535,571
	48,959	8,677	526,622	584,258

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

(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 (2019: none) and does not normally invest in them. None of the Company's financial assets are past its due date or impaired.

During the year the Company purchased a series of forward currency contracts to the value of £300m for USD resulting in a net unrealised capital gain of £9,061,000 as at 31 December 2020. 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.

(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 2020 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.

Forward currency contracts are valued on the basis of exchange rates for a similar contract for the same residual duration, as provided by the counterparty. The amount of unrealised change in fair value for such forward exchange contracts recognised in the Income Statement for the year was a gain of £9,061,000.

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 2020, indicating that the Company can, all things being equal, continue to place reliance on the Private Equity advisers' and managers' estimates and valuation techniques. FCIT's direct investment is valued with reference to both an earnings multiple and DCF.

(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. Securities financing transactions ("SFT")

The Company has not, in the year to 31 December 2020 (2019: 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 UK regulations on transparency of SFT, issued in November 2015.

28. AIFMD (unaudited)

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 2020 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	108%	109%

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 99.

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets less current liabilities (excl loans)	2,425	2,214	2,401	2,657	2,838	3,001	3,461	3,960	3,817	4,545	**4,919**
Prior charges	282	286	322	227	261	299	248	292	325	436	**407**
Available for ordinary shares	2,143	1,928	2,079	2,430	2,577	2,702	3,213	3,668	3,492	4,109	**4,512**
Number of ordinary shares (million)(1)	610	590	577	570	562	559	547	542	542	543	**537**

NAV
at 31 December

pence	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per share – with debt at par	351.2	326.6	360.2	426.1	458.4	483.4	587.9	676.5	643.9	757.3	**840.7**
NAV per share – with debt at market value	346.1	322.9	357.6	424.8	458.4	483.4	587.2	675.8	642.9	753.9	**831.8**
NAV total return % – 5 years(2)											**87.1**
NAV total return % – 10 years(2)											**190.5**

Share Price
at 31 December

pence	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle market price per share	309.6	288.5	320.5	378.0	421.2	449.2	544.0	647.0	633.0	765.0	**787.0**
(Discount)/premium to NAV with debt at market value %	(7.0)	(10.6)	(10.4)	(11.0)	(8.1)	(7.0)	(7.4)	(4.3)	(1.5)	1.5	**(5.4)**
Share price High	311.0	327.9	321.6	383.0	425.9	465.0	544.0	649.0	741.0	778.0	**807.0**
Share price Low	251.4	261.5	282.5	320.5	363.0	401.6	391.2	542.0	612.0	636.0	**478.0**
Share price total return % – 5 years(2)											**91.4**
Share price total return % – 10 years(2)											**213.0**

Revenue
for the year ended 31 December

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Available for ordinary shares – £'000s	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)	**52,480(3)**
Net revenue return per share – pence	5.61	6.74	7.02	7.69	6.69	8.42	10.57	11.67	12.81	13.06	**9.71**
Dividends per share – pence	6.75	7.10	8.50	9.00	9.30	9.60	9.85	10.40	11.00	11.60	**12.10**

(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

for the year ended 31 December

%	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expressed as a percentage of average net assets:											
Total Expense Ratio(4)	0.59	0.57	0.55	0.5	0.53	0.53	0.53	0.52	0.56	0.53	**0.51**
Ongoing Charges(4)(5)	–	0.92	0.90	0.86	0.87	0.80	0.79	0.79	0.65	0.63	**0.59**
Total Costs(4)(6)	–	–	–	–	–	–	–	1.06	1.01	1.05	**1.19**

Gearing(4)

at 31 December %	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net gearing	13.2	15.8	14.3	8.0	8.9	8.6	6.9	7.2	6.6	9.9	**8.0**

(4) See Alternative Performance Measures on pages 101 to 103 for explanation.
(5) Not calculated for years prior to 2011.
(6) Not calculated for years prior to 2017.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and forty second Annual General Meeting of the Company will be held at The Vine, Sevenoaks, Kent TN13 3SY on 10 May 2021 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 2020.
2. To approve the Directors' annual report on remuneration (excluding the Directors' remuneration policy).
3. To declare a final dividend for the year ended 31 December 2020 of 3.4 pence per ordinary share.
4. To elect Tom Joy as a Director.
5. To re-elect Sarah Arkle as a Director.
6. To re-elect Francesca Ecsery as a Director.
7. To re-elect Jeffrey Hewitt as a Director.
8. To re-elect Beatrice Hollond as a Director.
9. To re-elect Edward Knapp as a Director.
10. To re-elect Quintin Price as a Director.
11. To re-appoint Ernst & Young LLP as auditors to the Company.
12. To authorise the Audit Committee to determine the remuneration of the auditors.
13. 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, 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 £6,600,000 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 2022 or 30 June 2022 (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:

14. Disapplication of pre-emption rights

THAT, subject to the passing of resolution 13 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 13 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 14) of equity securities up to an aggregate nominal amount of £6,600,000, and shall expire at the conclusion of the annual general meeting of the Company in 2022 or on 30 June 2022 (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.

15. 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 80,250,000 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;

(d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company in 2022 or on 30 June 2022 (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.

16. THAT, with effect from the conclusion of the Annual General Meeting, the new Articles of Association of the Company, produced to the Annual General Meeting and initialled by the Chairman of the meeting for the purpose of identification, be adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, the existing Articles of Association.

By Order of the Board
BMO Investment Business Limited
Secretary
9 March 2021

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Registered number: 12901

Notes:

1. Given the current situation in relation to the Covid-19 pandemic and in particular Government guidelines in relation to public gatherings and social distancing, the Board is concerned for the safety and wellbeing of shareholders. **Therefore shareholders are strongly encouraged not to attend the Annual General Meeting ("AGM") on health and safety grounds.** Shareholders will have had the opportunity to hear from the Fund Manager and ask questions of the Board at an online shareholder meeting in advance of the AGM on 26 April 2021. The AGM will, unfortunately, be functional in format this year.

2. 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. **In view of the attendance arrangements at this year's AGM, shareholders must submit their proxy vote in advance of the AGM by appointing the Chairman of the meeting as proxy, with voting instructions to ensure your vote is counted.**

3. 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.

4. 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.

5. 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. Shareholders must submit their proxy vote in advance of the AGM by appointing the Chairman of the meeting as proxy, with voting instructions, to ensure their votes are recognised at the AGM. Other named proxies will not be allowed to attend the AGM.

6. 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.

7. 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 2021. 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 2021.

8. 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 (the "Act") (a "Nominated Person") should note that the provisions in notes 2, 5 and 6 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.

9. 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.

10. 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 6 May 2021 (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. **However, shareholders are strongly encouraged not to attend this year's AGM.**

11. 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.

12. 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 5 and 6 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.

13. 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).

14. 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).

15. 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.

16. 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.

17. 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.

18. 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.

19. As at 4 March 2021, 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 535,487,713 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2021 are 535,487,713.

20. 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 4 March 2021 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.

21. 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.

22. 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. **In view of the ongoing Covid-19 pandemic and the attendance arrangements at this year's AGM, please contact us by email at fcitagm@bmogam.com if you would like to inspect any documents.**

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

24. 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 26 March 2021, 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 FCA 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 2021.

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 20 and 21;
  - 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 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 stockmarket 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 its capital gains. UK resident individuals may realise net capital gains of up to £12,300 in the tax year ended 5 April 2021 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 2020-21 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The final dividend of 3.4 pence per share is payable on 13 May 2021. Since April 2018 the annual tax-free allowance to UK residents on dividend income 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). Dividend income on shares within an Individual Savings Account is not subject to tax.

How to invest

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

BMO Investment Trust ISA

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

BMO Junior ISA (JISA)*

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

BMO Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £9,000 for the 2020/21 tax year, from £100 lump sum or £25 a month, 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. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month. You can also make additional lump sum top-ups at any time from £250.

BMO Junior Investment Account (JIA)

This is a flexible way to save for a child. 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. 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.

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

ANNUAL ACCOUNT CHARGE

ISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

DEALING CHARGES

ISA: 0.2%

GIA/JIA/JISA: postal instructions £12, online instruction £8 per Trust.
Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

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

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

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

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

HOW TO INVEST
To open a new BMO plan, apply online at **bmogam.com/apply**

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 Smart Investor, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre.**

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_04/20_UK

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 shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Discount or 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 NAV per share are said to be at a premium, in which case there tend to be more buyers than sellers. The Board's policy is set out on page 33.

		31 December 2020 pence	31 December 2019 pence
Net Asset Value per share	(a)	**831.78**	753.90
Share price per share	(b)	**787.00**	765.00
(Discount)/Premium (c = (b-a)/a)	(c)	**(5.4%)**	1.5%

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.

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 may include: preference shares; debentures; 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.

		31 December 2020 £'000	31 December 2019 £'000
Loans		**406,041**	435,595
Debenture		**575**	575
	(a)	**406,616**	436,170
Less Cash and cash equivalents		**(46,654)**	(28,196)
Less Investment debtors		**(3,156)**	(11,489)
Add Investment creditors		**4,487**	12,349
Total	(b)	**361,293**	408,834
Net Asset Value	(c)	**4,511,560**	4,109,049
Effective gearing (d= b/c)	(d)	**8.0%**	9.9%
Fully invested gearing (e= a/c)	(e)	**9.0%**	10.6%

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.

	31 December 2020	31 December 2019
Net assets at year end – £'000s	**4,511,560**	4,109,049
Number of ordinary shares in issue at year end (excluding treasury shares)	**536,646,636**	542,621,244
Net asset value (with debt at par) at year end – pence	**840.69**	757.26

Net Asset Value (NAV) with Debt at Market Value – the Company's debt (debenture and loans) is valued in the Balance Sheet (on page 68) 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". The market value is spelt out in notes 15 and 16 (pages 81 and 82) to the Accounts.

	31 December 2020	31 December 2019
Net assets at year end – £'000s	**4,511,560**	4,109,049
Add back: Debt at par – £'000s	**406,616**	436,170
Deduct: Debt at market value – £'000s	**(454,478)**	(454,398)
	4,463,698	4,090,821
Number of ordinary shares in issue at year end (excluding treasury shares)	**536,646,636**	542,621,244
Net asset value (with debt at market value) at year end – pence	**831.78**	753.90

Ongoing Charges – all operating costs expected to be regularly incurred and that are payable by the Company or suffered within underlying investee funds, expressed as a proportion of the average net assets of the Company over the reporting year (see Ten Year Record). 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.

Ongoing Charges calculation		31 December 2020 £'000	31 December 2019 £'000
Management fees		**17,189**	17,176
Other expenses		**3,416**	3,926
Less loan commitment/arrangement fees		**(257)**	(458)
Underlying costs of Private Equity Funds and Collectives		**3,160**	4,046
Total	(a)	**23,508**	24,690
Average daily net assets	(b)	**4,008,798**	3,894,829
Ongoing charges (c= a/b)	(c)	**0.59%**	0.63%

Total Costs – these total 1.19% and comprise all operating costs actually incurred by the Company in the period and costs suffered within underlying funds (0.59% as shown in the Ongoing Charges calculation), together with interest on borrowings (0.23%) and estimated implicit and explicit costs of dealing (0.37%). These are all 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.

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 notes 4 and 5 (pages 75 and 76) to the accounts), calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

TER calculation		31 December 2020 £'000	31 December 2019 £'000
Management fees		17,189	17,176
Other expenses		3,416	3,926
Less loan commitment/arrangement fees		(257)	(458)
Total	(a)	20,348	20,644
Average daily net assets	(b)	4,008,798	3,894,829
TER (c= a/b)	(c)	0.51%	0.53%

Total Return – the theoretical 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 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.

	Net Asset Value	Share price
NAV/Share Price per share at 31 December 2019 (pence)	753.90	765.00
NAV/Share Price per share at 31 December 2020 (pence)	831.78	787.00
Change in the year	10.3%	2.9%
Impact of dividend reinvestments	2.0%	1.7%
Total return for the year to 31 December 2020	12.3%	4.6%

	Net Asset Value	Share price
NAV/Share Price per share at 31 December 2018 (pence)	642.87	633.00
NAV/Share Price per share at 31 December 2019 (pence)	753.90	765.00
Change in the year	17.3%	20.9%
Impact of dividend reinvestments	1.8%	2.0%
Total return for the year to 31 December 2019	19.1%	22.9%

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.

Adjusted portfolio value – This is as defined within our loan covenant tests and comprises the gross assets less the value of all unquoted and private equity investments.

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 10 May 2021.

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

AIFMD – the Alternative Investment Fund Managers Directive that requires investment vehicles 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 stockmarkets 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. 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).

Climate Action 100+ initiative – An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

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)(x), 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 UK).

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 the provisions that apply to investment companies as set out 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 excluding any Treasury shares. 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.

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	12
Principal Risks	Principal risks and future prospects	28
Policies	Principal policies	32

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 102, 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 when the investments are sold.

Public Documents – Financial statements, reports, circulars, press releases, analyst presentations and other documents to be issued publicly.

Science-based Targets Initiative (SBTi) – This is a partnership between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.

Section 172(1) – Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he or she 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. These disclosures are not mandatory for investment companies.

The Transition Pathway Initiative (TPI) – A global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.

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-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 2020

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