

# F&C Investment Trust 2022 Results

# Investment risk

The value of investments is dependent on the supply and demand for the shares of the Investment Trust rather than its underlying assets. The value of your investment will not be the same as the value of the Investment Trust's underlying assets.

Gearing is used for investment purposes to obtain, increase or reduce exposure to an asset, index or investment. The use of gearing can enhance returns to investors in a rising market, but if the market falls the losses may be greater.

# Discrete performance

Percentage growth 12m to December	2022	2021	2020	2019	2018
F&C Investment Trust Share Price TR	-0.9	19.4	4.6	22.9	-0.6
F&C Investment Trust NAV	-5.3	21.7	12.3	19.1	-3.3
Benchmark	-7.7	19.5	12.4	21.6	-3.9



## Past performance should not be seen as an indication of future performance.

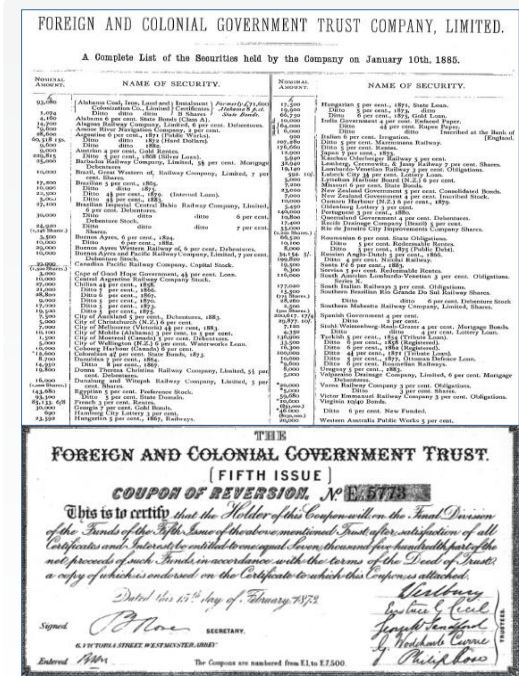
Source: Columbia Threadneedle Investments as at 31 December 2022. The discrete annual performance table refers to 12-month periods, ending at the date shown. Performance shown is net of fees. Benchmark: FTSE All World Total Return Index.

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# Over 150 years of innovation



- World's oldest investment trust
- A dividend paid every year since 1868
- 52 years of consecutive dividend rises
- 11 managers in 150 years, three since 1969
- Started investing in bonds, 95% equity by 1965
- First equity investments in 1925 (Shell)
- Investing in private markets since 1942
- £4.9bn market cap, net assets £5.0bn
- FTSE 100 constituent

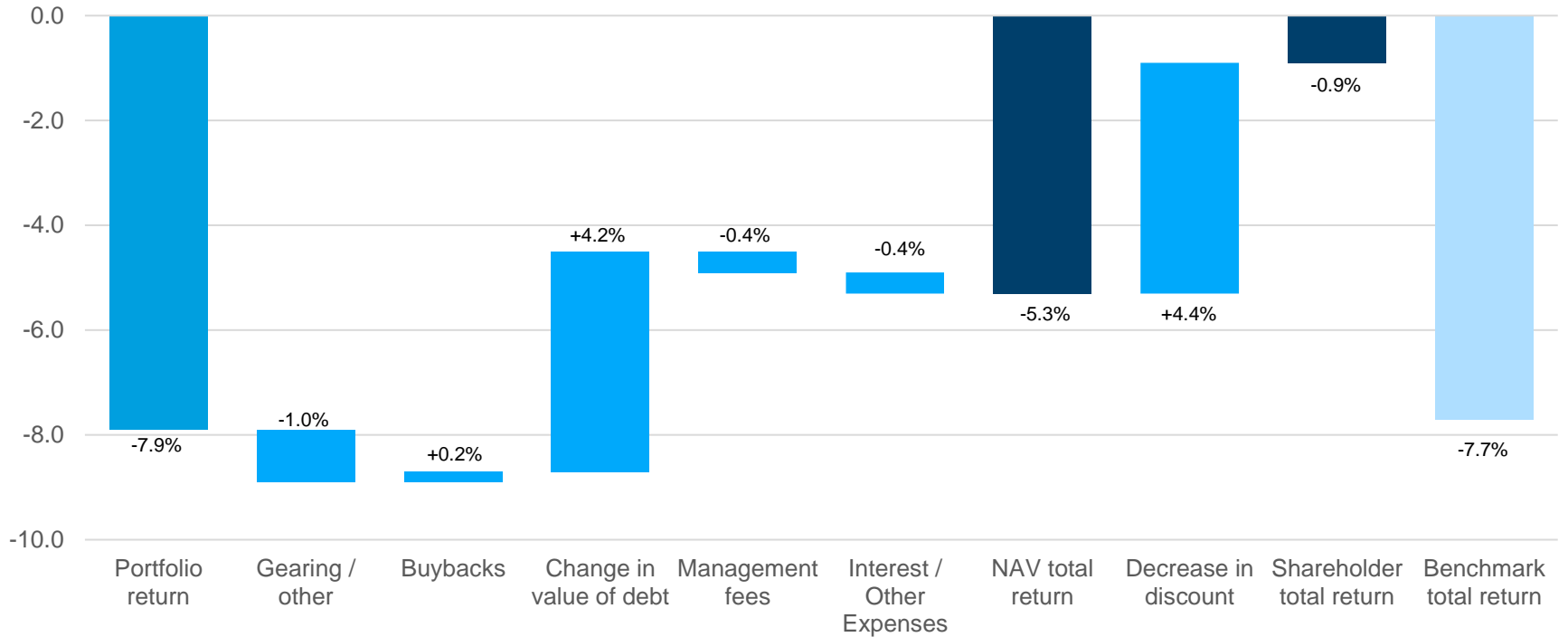


Source: Columbia Threadneedle Investments as at 31 January 2023. For illustrative purposes only

# Final results to 31 December 2022

- Strongest shareholder returns in the sector in 2022. Re-joined the FTSE100
- Shareholder return of -0.9%, NAV total return of -5.3%. Benchmark return of -7.7%
- Discount of 3.0% at end 2022 – narrowing from 7.3%. 8.4m shares purchased in buybacks
- Net revenue return per share increased by 26.7% year on year to 13.92p, a new high
- Proposed 5.5% dividend increase for 2022 to 13.5p – dividend will be covered once again. 155<sup>th</sup> annual dividend and the 52<sup>nd</sup> consecutive annual rise)
- Private equity returns exceeded listed market returns with recent commitments delivering strong gains
- Sharply rising market interest rates led to repricing of fair value of debt, adding 4.2% on the year
- OCF of 0.54%, with revised management fee arrangement of 0.3% to market cap of £4bn and 0.25% thereafter

# 2022 total shareholder return of -0.9%



**Past performance should not be seen as an indication of future performance.**

Source: Columbia Threadneedle Investments as at 31 December 2022. NAV = Net Asset Value

# Performance in 2022

- Weak equity markets in response to higher inflation and interest rates, leading to lower market multiples
- NAV total return of -5.3%, ahead of the 7.7% loss from the FTSE All World. Investment portfolio returned -7.9%
- Private equity delivered total returns of 3.6%, well ahead of listed equity returns. We continue to enjoy long term excess returns over public markets
- All main geographic regions on our listed portfolio lost value over year with Europe (-7.2%) and Global Strategies (-7.3%) the best performing areas. North America lost 9.2% in the year while Japan (-13.5%) and Emerging Markets (-13.8%) lagged in absolute terms
- Our Global Strategies slightly outperformed benchmark while North American exposure was in line. Europe, Japan and Emerging Markets exposure lagged benchmark returns
- Performance within Global Strategies ranged from 3.0% (Pyrford Quality Income) to -13.8% (Sustainable Opportunities). Global Income produced relatively good returns, though still declined by 2.5%.
- 'Value' again led 'growth' over the period, with Barrow Hanley exceeding both the market and value index, with a return of 8.4%, while T Rowe Price delivered weak returns against growth comparators, at -29.6%. The CT US Core strategy produced outperformance with a return of -5.8%

Source: Columbia Threadneedle Investments as at 31 December 2022.

# Underlying performance in 2022

	Allocation to strategy %	Underlying allocation %	Benchmark weighting %	Portfolio performance %	Index performance %
North America	39.6	59.0	61.5	-9.2	-9.2
Europe inc UK	11.4	22.7	16.6	-7.2	-5.1
Japan	4.6	7.3	6.4	-13.5	-5.2
Emerging Markets	6.9	8.2	10.6	-13.8	-10.0
Developed Pacific		2.8	4.9		-1.6
Global Strategies	25.2			-7.3	-7.7
Private Equity	12.3			3.6	

**Past performance should not be seen as an indication of future performance.**

Source: Columbia Threadneedle Investments as at 31 December 2022.



# Underlying performance over 1,3 and 5 years

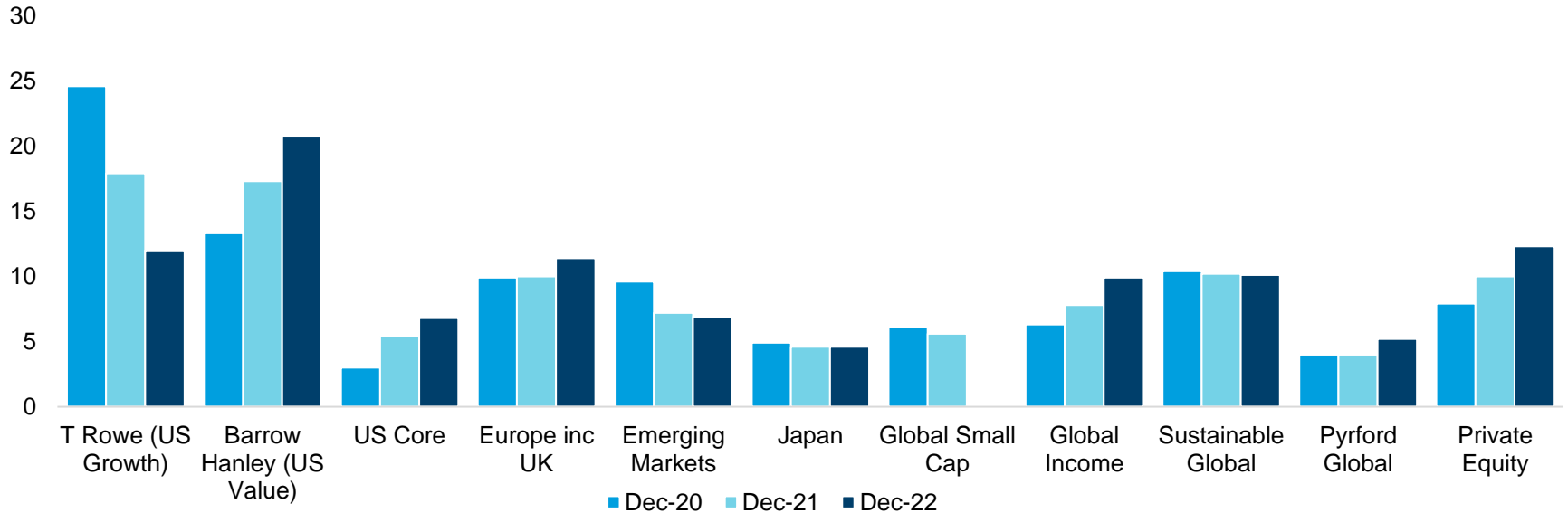
	1 Year, %		3 Year, %		5 Year, %	
	Return	Index	Return	Index	Return	Index
North America	-9.2	-9.2	30.2	34.1	67.2	69.9
Europe inc UK	-7.2	-5.1	14.9	14.2	21.0	22.7
Japan	-13.5	-5.2	7.3	7.2	7.5	13.3
Emerging Markets	-13.8	-10.0	-3.2	1.5	0.2	4.8
Global Strategies	-7.3	-7.7	19.2	23.9	37.8	45.6
Private Equity	3.6		53.1		83.4	

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Source: Columbia Threadneedle Investments as at 31 December 2022.

# Strategy Allocations

## % Allocation to Strategy



**Past performance should not be seen as an indication of future performance.**

Source: Columbia Threadneedle Investments as at 31 December 2022. NAV = Net Asset Value

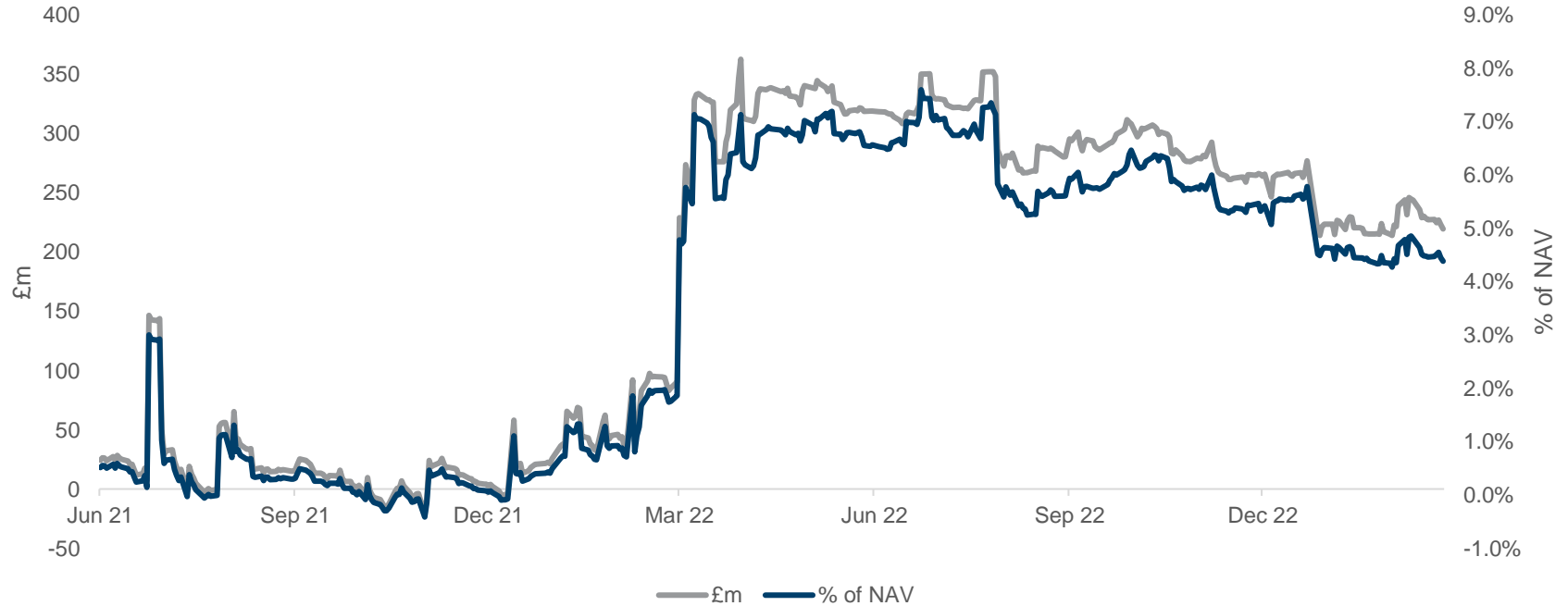
# Activity

- Portfolio activity
  - Further reduction in allocation to T Rowe Price US growth
  - Increased allocation to income stocks and value
  - Complete sale of Global Small cap strategy
  - Significant raise of cash in the early part of the year (including £140m debt raise)
- Reduction in strategic currency hedge in the early part of the year from around £200m to £20m
- Reduction in gearing levels from 9.4% to 7.3% (debt at par\*) and from 9.8% to 3.5% (debt at fair value\*\*)
- £140m of further long term debt issued out to 40 year tenor
- Further progress in Private Equity weighting, with \$180m commitments to a further Pantheon programme agreed
- 8.4m share buybacks undertaken after widening of our discount
- Transition to JP Morgan for our US Growth portfolio, from T Rowe Price, after year end

\*Debt at par – reflects debt of the Trust priced at face value. \*\*Debt at fair value – reflects an adjustment in the price of the debt to account for estimated market value of the debt

# Cash weighting

£m of cash held on the portfolio (lhs) since June 2021 along with cash as a % of Net Assets



Source: Columbia Threadneedle Investments as at 27 February 2023.

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# Private equity

- Return of 3.6% from Private Equity overall in 2022 continuing long term excess returns against public market equivalents
- Proportion in private equity rose (to 12.3%) as returns exceeded listed markets and selective new commitments were made
- Good returns from recent commitments, sourced and managed by CTI, with a gain of 11.5%
- Legacy holdings posted returns of -3.6% (Pantheon and HarbourVest)
- Syncona declined by -15% while Schiehallion returned -56%
- Pantheon made good progress on their Future Growth programme, with the first programme becoming fully committed and agreement for a further \$180m Future Growth programme. End of year NAV of £78.6m in these programmes

# Private equity

- 2022 was another encouraging year for our newer investments undertaken by CT. This area of the portfolio was self financing, with £40.3m drawn and £40.5m distributed\*
- End December valuation of £436.2m (vs £380.1m end Dec 21), 1.7x cost and 21.1% IRR\*\*, reflecting continued robust performance of the investment programme
- Year to date highlights include;
  - Further progress in Inflexion Strategic Partners, where our holding was written up from £77m to £79.6m
  - Further £180m commitment to a new programme of investments, managed by CT
  - A further \$180m commitment to Pantheon to invest into leading growth and venture managers

\*£40.3m was paid by the Trust into new private equity investments managed by Columbia Threadneedle while the Trust received distributions of £40.5m

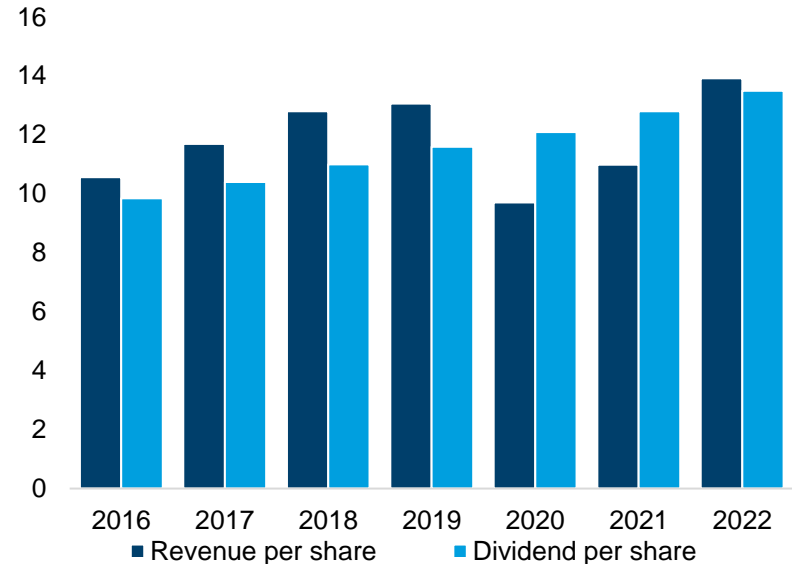
\*\*At end of December 2021 holdings in our private equity programme had seen an uplift of 1.7x the cost of the original investments. They also showed a 21.1% internal rate of return (IRR) which is a measure of the annual rate of growth in the private equity investments

Source: Columbia Threadneedle Investments as at 31 December 2022.

# Revenue and dividends

- Proposed final dividend of 3.9p, leading to 13.5p annual payment; an increase of 5.5%. Dividend covered after two years of drawing from reserves
- 52<sup>nd</sup> consecutive rise in annual dividends and 155<sup>th</sup> dividend payment
- 26.7% increase in net revenue return per share in 2022 to 13.92p, a new high
- Special dividends contribution to revenue increased slightly from £1.4m to £1.6m
- Positive impact of exchange rate movements estimated at £4.9m (vs £4.0m negative impact in 2021)
- Revenue reserve of 18.8p per share as at 31 December 2022 (£97.5m) before payment of third and final dividends
- The Board are committed to raising dividends for shareholders over the long term

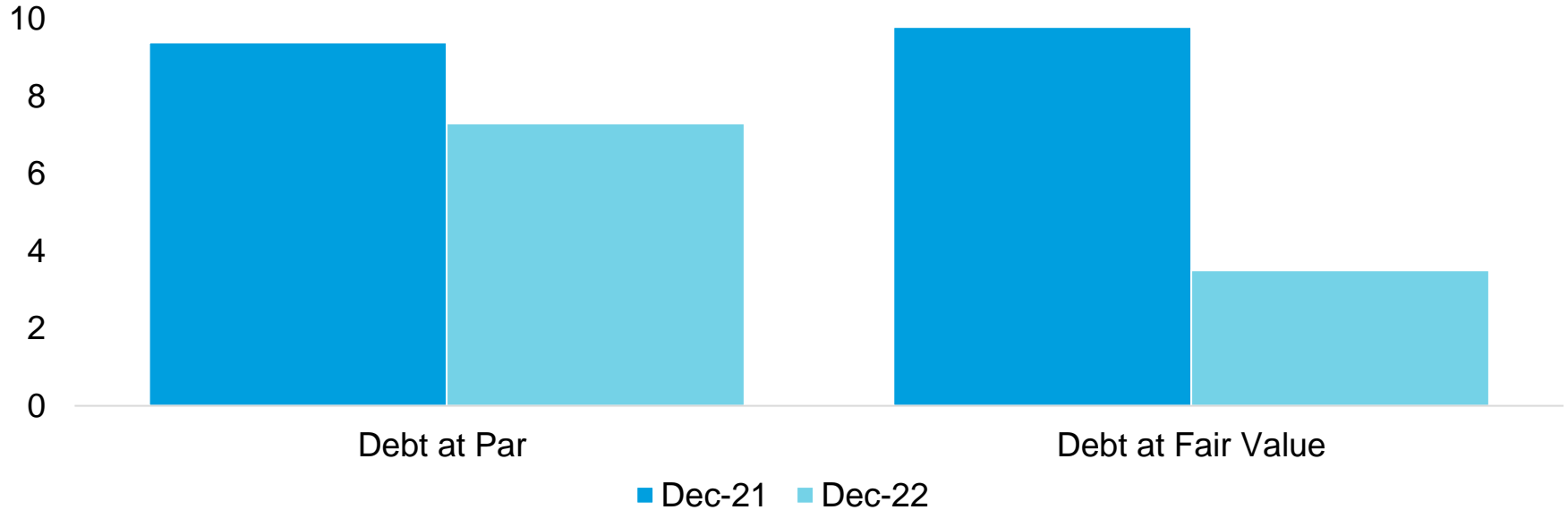
Revenue and dividends per share (p)



Source: Columbia Threadneedle Investments as at 31 December 2022

# Gearing

## Gearing as % NAV

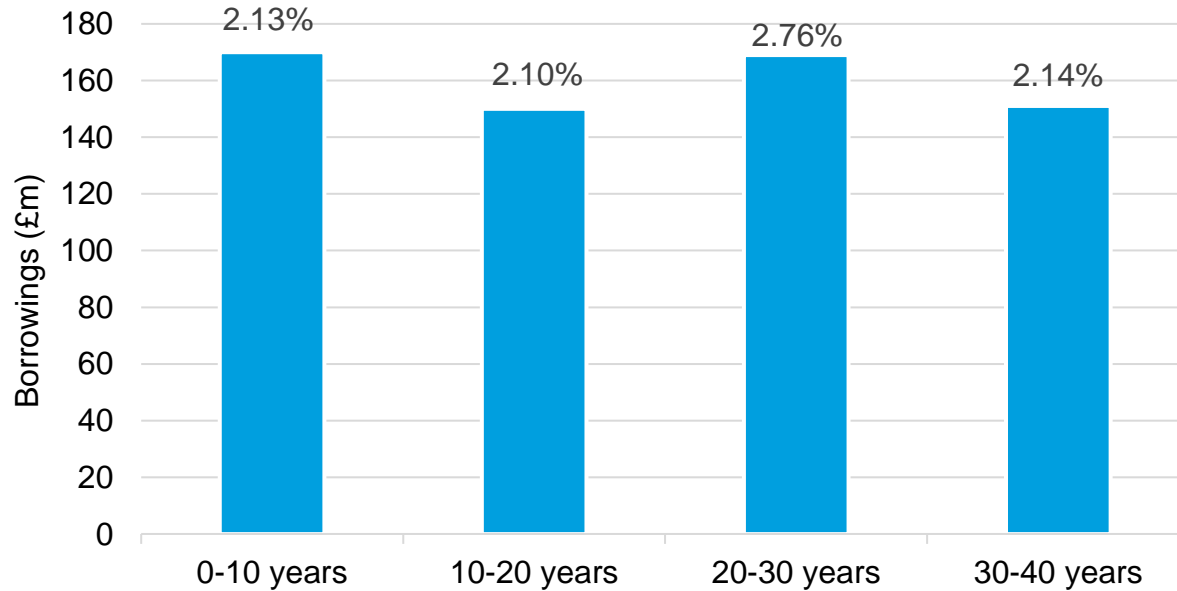


\*Debt at par – reflects debt of the Trust priced at face value. \*\*Debt at fair value – reflects an adjustment in the price of the debt to account for estimated market value of the debt

Source: Columbia Threadneedle Investments as at 31 December 2022. NAV = Net Asset Value



# Low cost fixed rate debt



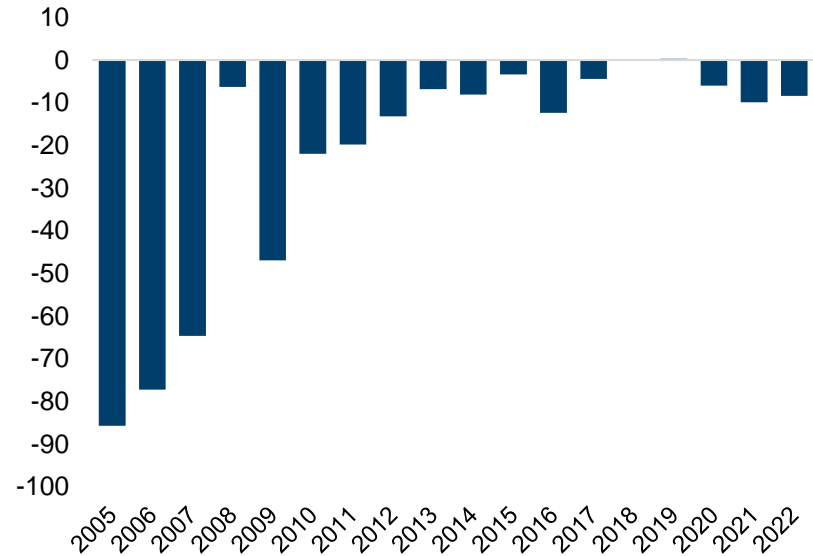
- Average cost of debt down from 7.1% at end 2013 to 2.4%
- £280m of debt drawn down since 2021 (£140m in 2021 and £140m in Q1 2022) with rates as low as 1.87% for 2061 borrowings

Source: Columbia Threadneedle Investments as at 31 December 2022.

# Company rating, buybacks and issuance

- 8.4m shares bought back in 2022
- Discount narrowed from 7.3% to 3.0%
- Board committed to use buybacks to enhance shareholder value and in pursuit of a sustainably low discount in normal market conditions

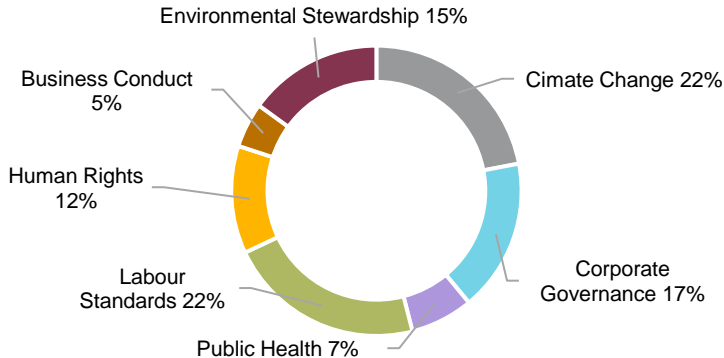
Net buybacks/issuance (millions of shares)



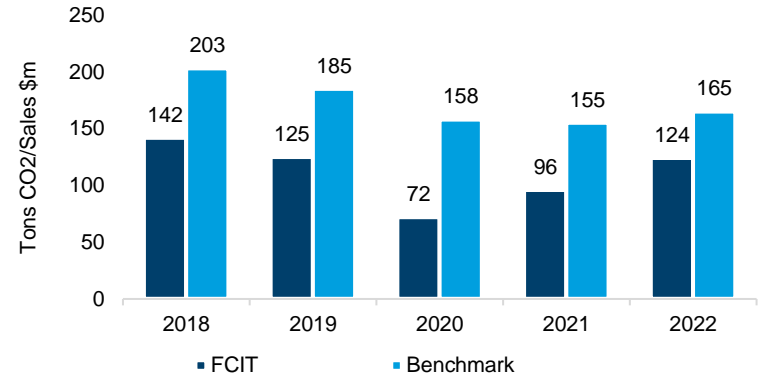
# Sustainability and ESG

- All underlying managers of listed assets are signatories of UN PRI, of which we were one of the founder signatories
- We have continued to enhance our reporting in recent years and have comprehensive reporting of our policies alongside the carbon intensity of our investments (started in 2018), voting and engagement
- All stock voting now undertaken by Columbia Threadneedle Investments – 356 meetings voted in 2022 with 21% of votes against management
- Exclusions on cluster bombs and landmines, thermal coal and tobacco

## Engagement – 895 issues raised with 166 companies across 28 countries



## Climate Change

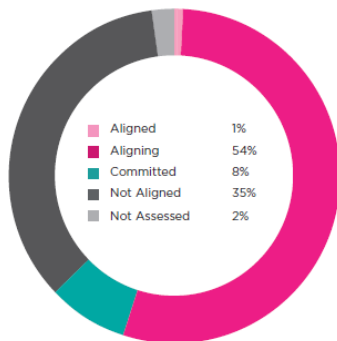


Source: Columbia Threadneedle Investments as at 31 December 2022.

# Sustainability and ESG

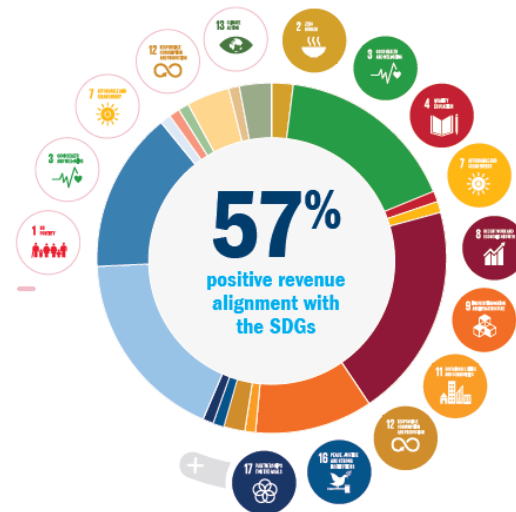
- The Trust has made a clear commitment to net zero carbon by 2050 at the latest and are now assessing companies emissions management strategies to assign an alignment rating
- We are also now measuring and reporting on how our listed holdings support the UN Sustainable Development Goals

Company-level alignment status, as a % of total portfolio financed emissions



## Portfolio Holdings Support for UN SDGs

SDG alignment as at 31 December 2022

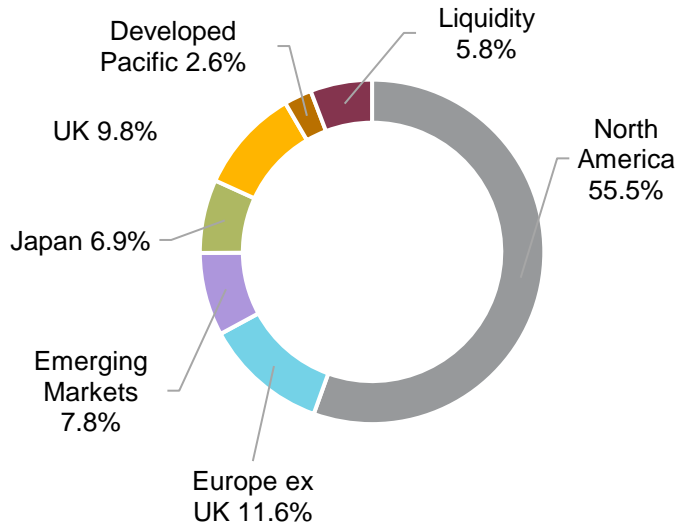


Revenue alignment breakdown

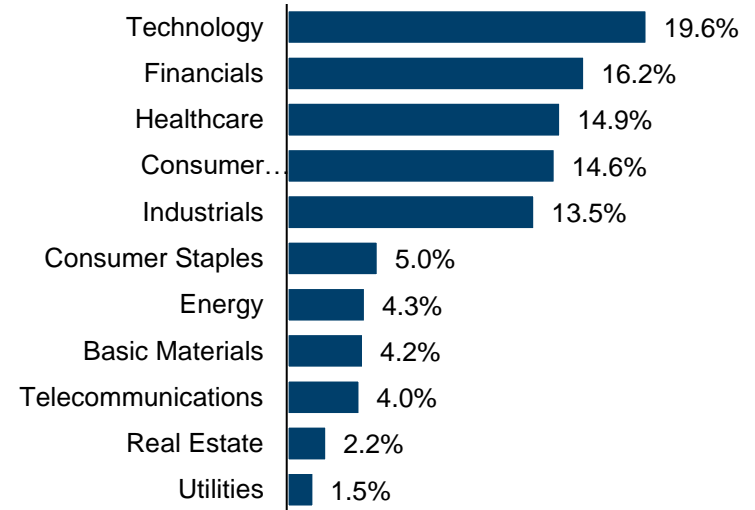
Source: Columbia Threadneedle Investments as at 31 December 2022.

# Look-through exposure

## Fund weight by region (inc. Private Equity)

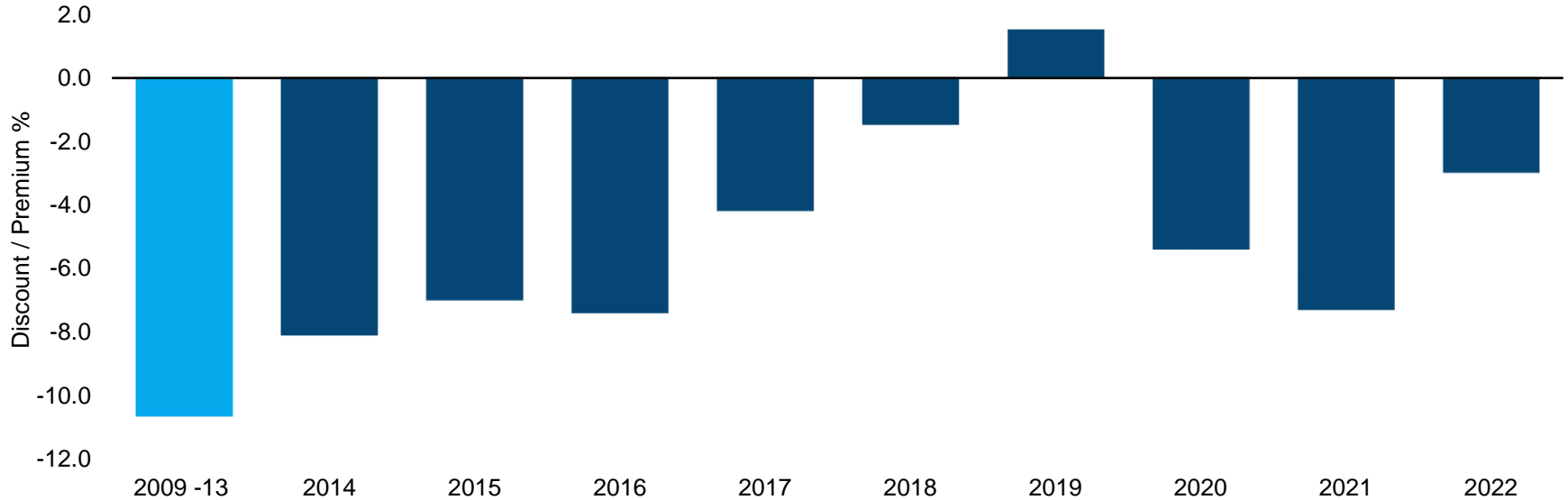


## Listed equity sector exposure



Source: Columbia Threadneedle Investments as at 31 December 2022.

# Premium/discount\* through time



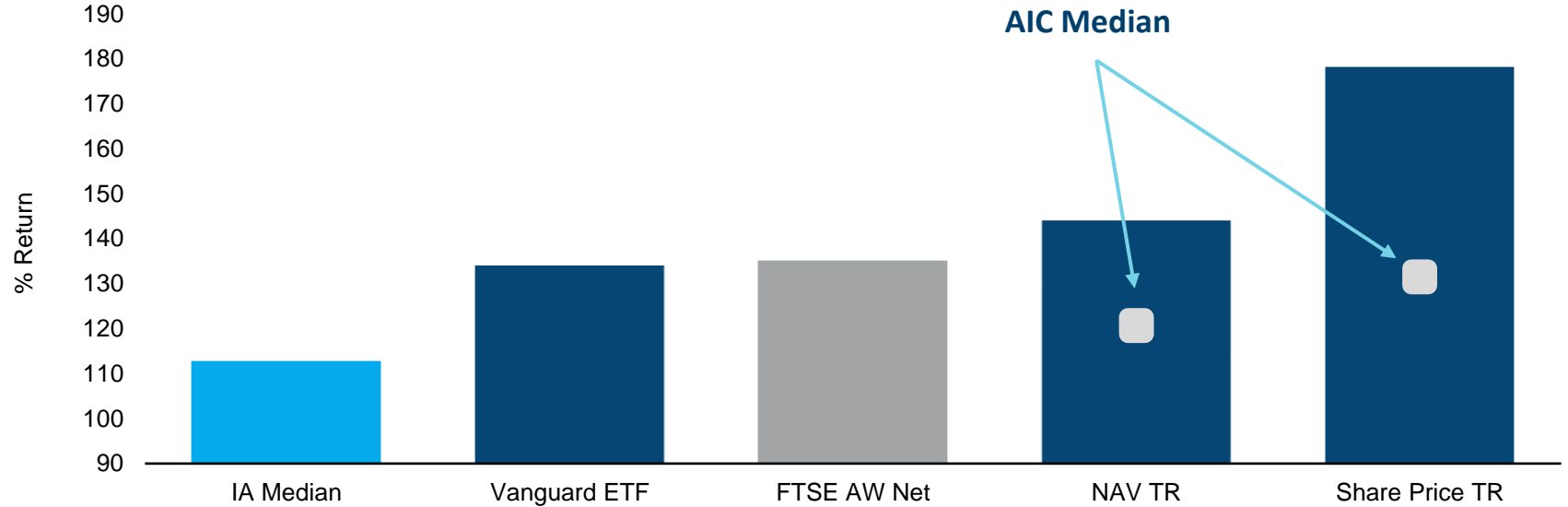
\*Chart shows the year end premium or discount of the FCIT share price to Net Asset Value (NAV). When the share price is trading below NAV, shares are at a discount and when trading above NAV they are trading at a premium

**Past performance should not be seen as an indication of future performance.**

Source: Columbia Threadneedle Investments as at 31 December 2022.

# FCIT since 2014

## Returns vs comparators (from July 2014)



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Source: Columbia Threadneedle Investments as at 31 December 2022.

# Performance overview – end December 2022

	FCIT shareholder return	AIC Quartile*	FCIT NAV return	AIC Quartile*	Open ended funds return	Market benchmark
1 year	-0.9%	1	-5.3%	1	-11.6%	-7.7%
3 years pa	7.4%	1	9.0%	1	6.4%	7.4%
5 years pa	8.6%	1	8.3%	2	6.6%	7.7%
10 years pa	13.0%	1	11.5%	2	10.1%	11.3%

\*AIC Quartile – shows which of the four performance segments (1 being the top quartile and 4 being the bottom quartile in performance terms) that FCIT was in relative to AIC closed ended peers

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Source: Columbia Threadneedle Investments, Datastream, Morningstar, Association of Investment Companies (AIC) as at 31 December 22. © 2022 Morningstar. All Rights Reserved.  
Benchmark: FTSE All World Total Return Index. Peer Group: Association of Investment Companies Global. Net of fees. NAV = Net Asset Value; YTD = Year-to-Date.



# Summary

- Inflation has peaked but more persistent in the US than Europe
- Market interest rate expectations appear plausible
- Still high risk of US recession in 2023
- Prospect of a significant secular shift in the backdrop for financial assets
- Speculative excess has normalised but ‘growth’ equities are only back in historic ranges
- Earnings expectations remain too optimistic
- Better value outside of US equities for long term investors
- Gearing cut, more in value and income stocks (from mid 2020), divested from small caps
- We expect good opportunities in public and private markets for re-entry in coming months

Source: Columbia Threadneedle Investments as at 30 September 2022

# Contact Us



## **Columbia Threadneedle Investments**

Primrose Street

London

EC2A 2NY

Tel: +44 (0) 20 7628 8000

Calls may be recorded

[www.columbiathreadneedle.co.uk](http://www.columbiathreadneedle.co.uk)

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F&C Investment Trust PLC is an investment trust and its Ordinary Shares are traded on the main market of the London Stock Exchange.

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