

F&C Investment Trust PLC

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F&C INVESTMENT TRUST PLC
Unaudited Results for the half-year ended 30 June 2020**LEI: 213800W6B18ZHTNG7371**

27 July 2020

F&C Investment Trust PLC ('**FCIT**' / '**Company**') today announces its results for the six months ended 30 June 2020.

- FCIT's share price total return was minus 10.0% largely attributable to the move from a small premium to a discount of 7.7% in a period of extreme volatility for markets.
- FCIT's Net Asset Value ("NAV") total return was minus 0.9% which compares with a 0.4% gain from its benchmark, the FTSE All-World Index.
- The investment portfolio modestly outperformed, but the repricing of the fair value of debt detracted 0.9% from returns.
- Having started the year at 9.9% gearing, this was modestly reduced as markets rallied strongly from their lows and ended the period at 8.1%.
- The private equity portfolio posted positive returns of 7.1%, helped by weakness in sterling over the period. A feature of these unlisted holdings is the timing lag in the receipt of underlying valuation reports. The Board has scrutinised valuations as at the end of June and any adjustments in pricing, as a result of economic disruption going forward, are not expected to be material to this part of the portfolio.
- The revenue reserve alone exceeds one year's worth of dividends leaving plenty of scope to deliver yet another increased dividend this year. The first interim dividend of 2.9 pence for 2020 will be paid on 3 August.

The Chairman, Beatrice Hollond, said:

"Shareholders can expect an increased dividend for 2020 that will not only mark 50 consecutive years of increases, but also 152 years of annual dividend payments."

Commenting on the markets, Paul Niven, Fund Manager of FCIT, said:

"Markets have recovered strongly from their recent lows, driven by the expectation of a return to growth and aided by unprecedented levels of policy stimulus. Looking forward, we expect that the economic and corporate earnings recovery will continue and that, while short term risks remain

and volatility is to be expected, equities still contain many attractive opportunities for the patient investor.”

The full results statement is attached.

Past performance should not be seen as an indication of future performance. The value of investments and income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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About FCIT:

- Founded in 1868 – the oldest collective investment trust
- A diversified portfolio provides exposure to most of the world's stock markets, with exposure to over 500 individual companies across the globe
- Its aim is to generate long-term growth in capital and income by investing primarily in an international portfolio of listed equities

Chairman's Statement

Markets and performance

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

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

Our private equity holdings represented 8.4% of the portfolio as at 30 June 2020 and posted positive returns. A feature of these unlisted holdings is the timing lag in the receipt of underlying valuation reports. The Board has scrutinised valuations as at the end of June and any adjustments in pricing, as a result of economic disruption going forward, are not expected to be material to this part of the portfolio.

Buyback policy

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

Income and Dividends

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

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

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

Outlook

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

Beatrice Hollond

Chairman

24 July 2020

Fund Manager's Review

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

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

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

As markets grappled with the severity of the economic collapse and contemplated the prospect of widespread corporate failures as a result of the ensuing recession, share prices fell sharply with declines of 30-40% in many major indices. The pace of the sell-off, which occurred in a little over four weeks, was extraordinary, reflecting both tremendous uncertainty and the challenge facing the global economy. Apart from the impact of Covid-19, separately the collapse of the oil price and increased tensions between the US and China added to the volatility.

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

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

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

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

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

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

Within our Global Strategies (-3.3%), our Global Smaller Companies exposure and Global Income Strategy, which invests into cheaper and higher yielding stocks, both lagged global market returns. In contrast, our allocation to a new Sustainable Opportunities strategy, focusing on high quality and sustainable business models, produced strong returns against a challenging backdrop.

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

Contributors to total returns in first half of 2020

%

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

*Debt at market value

Source: BMO GAM

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

Current Market Perspective

Having seen one of the sharpest downturns in history we have now witnessed the fastest and steepest recovery in equity markets. These events correspond to the deepest recession of modern times and the largest stimulus packages ever deployed by governments and central banks across the world. Over the near-term there will undoubtedly be testing times in terms of economic, corporate and Covid-related newsflow. Longer term, markets are looking forward to better growth with recent data suggesting a decent upturn in activity that should accelerate into 2021.

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

Paul Niven
Fund Manager
24 July 2020

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

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

Source: BMO GAM

*Represents the geographic exposure of the portfolio, including underlying exposures in private equity and fund holdings

UNAUDITED CONDENSED INCOME STATEMENT

Note	6 months to 30 June 2020			6 months to 30 June 2019		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
	-	(21,955)	(21,955)	-	482,028	482,028
(Losses)/gains on investments and derivatives	302	(8,717)	(8,415)	444	(3,521)	(3,077)
Exchange gains/(losses)						
3 Income	39,815	-	39,815	53,306	-	53,306
4 Fees and other expenses	(3,681)	(6,214)	(9,895)	(4,190)	(6,264)	(10,454)
Net return before finance costs and taxation	36,436	(36,886)	(450)	49,560	472,243	521,803
Interest payable and similar charges	(1,201)	(3,602)	(4,803)	(1,096)	(3,289)	(4,385)
Net return on ordinary activities before taxation	35,235	(40,488)	(5,253)	48,464	468,954	517,418
Taxation on ordinary activities	(4,106)	-	(4,106)	(4,535)	-	(4,535)
Net return attributable to shareholders	31,129	(40,488)	(9,359)	43,929	468,954	512,883
Net return per share - basic (pence)	5.74	(7.46)	(1.72)	8.08	86.30	94.38

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

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

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

		Share capital	Capital redemption reserve	Capital reserves	Revenue reserve	Total shareholders' funds
Notes	Half-year ended 30 June 2020	£'000s	£'000s	£'000s	£'000s	£'000s
	Balance brought forward 31 December 2019	140,455	122,307	3,735,063	111,224	4,109,049
	Movements during the half-year ended 30 June 2020					
	Shares repurchased by the Company and held in Treasury	-	-	(4,515)	-	(4,515)
7	Dividends paid	-	-	-	(31,461)	(31,461)
	Return attributable to shareholders	-	-	(40,488)	31,129	(9,359)
	Balance carried forward 30 June 2020	140,455	122,307	3,690,060	110,892	4,063,714

		Share capital	Capital redemption reserve	Capital reserves	Revenue reserve	Total shareholders' funds
Notes	Half-year ended 30 June 2019	£'000s	£'000s	£'000s	£'000s	£'000s
	Balance brought forward 31 December 2018	140,455	122,307	3,126,949	102,202	3,491,913
	Movements during the half-year ended 30 June 2019					
	Shares issued by the Company from treasury	-	-	9,325	-	9,325
	Shares repurchased by the Company and held in Treasury	-	-	(297)	-	(297)
7	Dividends paid	-	-	-	(30,407)	(30,407)
	Return attributable to shareholders	-	-	468,954	43,929	512,883
	Balance carried forward 30 June 2019	140,455	122,307	3,604,931	115,724	3,983,417

		Share capital	Capital redemption on	Capital reserves	Revenue reserve	Total shareholders' funds
Notes		£'000s		£'000s		£'000s

Year ended 31 December 2019		reserve £'000s		£'000s		
Balance brought forward 31 December 2018		140,455	122,307	3,126,949	102,202	3,491,913
Movements during the year ended 31 December 2019						
Shares issued by the Company from treasury		-	-	11,251	-	11,251
Shares repurchased by the Company and held in Treasury		-	-	(9,276)	-	(9,276)
7	Dividends paid	-	-	-	(61,915)	(61,915)
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

UNAUDITED CONDENSED BALANCE SHEET

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

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

Note s		Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s	Year ended 31 December 2019 £'000s
13	Cash flows from operating activities before dividends received and interest paid	(17,094)	(14,026)	(28,991)
	Dividends received	39,096	52,384	90,240
	Interest paid	(4,849)	(5,125)	(9,585)
	Cash flows from operating activities	17,153	33,233	51,664
	Investing activities			
	Purchases of Investments	(1,562,212)	(683,510)	(1,609,187)
	Sales of Investments	1,670,481	631,944	1,437,402
	Other capital charges and credits	(43)	(18)	(42)
	Cash flows from investing activities	108,226	(51,584)	(171,827)
	Cash flows before financing activities	125,379	(18,351)	(120,163)
	Financing activities			
	Equity dividends paid	(31,461)	(30,407)	(61,915)
14	Repayment of loans	(75,000)	(103,435)	(208,884)
14	Drawdown of loans	-	151,666	325,090
	Cash flows from share issues	1,931	9,325	9,321
	Cash flows from share buybacks for treasury shares	(3,877)	-	(9,276)
	Cash flows from financing activities	(108,407)	27,149	(54,336)
14	Net increase in cash and cash equivalents	16,972	8,798	(65,827)
	Cash and cash equivalents at the beginning of the period	28,196	96,439	96,439
14	Effect of movement in foreign exchange	(1,385)	(7,665)	(2,416)
	Cash and cash equivalents at the end of the period	46,783	97,572	28,196
Represented by:				
	Cash at bank	17,699	38,042	14,727
	Short term deposits	26,084	59,530	13,469

Cash and cash equivalents at the end of the period	43,783	97,572	28,196
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UNAUDITED NOTES ON THE CONDENSED ACCOUNTS

1 Results

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

2 Accounting policies

(a) Basis of preparation

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

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

(b) Use of judgements, estimates and assumptions

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

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

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

3 Income

	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s
Income comprises:		
UK dividends	3,932	5,198
Overseas dividends	35,775	47,592
Rebate on management fees	6	167
Interest on short-term deposits and withholding tax reclaims	102	349
Income	39,815	53,306

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

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

4 Fees and other expenses and interest payable and similar charges

	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 £'000s
Fees and other expenses	9,895	10,454
Interest payable and similar charges	4,803	4,385
Total	14,698	14,839

Fees and other expenses comprise:

Allocated to Revenue Account		
- Management fees payable directly to the Manager*	2,057	2,082
- Other expenses	1,624	2,108
	3,681	4,190
Allocated to Capital Account		
- Management fees payable directly to the Manager*	6,172	6,244
- Other expenses	42	20
	6,214	6,264

Interest payable and similar charges comprise:

Allocated to Revenue Account	1,201	1,096
Allocated to Capital Account	3,602	3,289

* Including reimbursement in respect of services provided by sub-managers

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

5 Taxation

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

6 Net return per share

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

	Half-year ended 30 June 2020 pence	Half-year ended 30 June 2020 £'000s	Half-year ended 30 June 2019 pence	Half-year ended 30 June 2019 £'000s
Revenue return	5.74	31,129	8.08	43,929

Capital return	(7.46)	(40,488)	86.30	468,954
Total return	(1.72)	(9,359)	94.38	512,883
Weighted average ordinary shares in issue excluding treasury shares (see note 11)		542,406,495		543,437,152

7 Dividends

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

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

8 Investments

Fair value hierarchy

The Company's Investments as disclosed in the balance sheet are valued at fair value. The fair value as at the reporting date has been estimated using the following fair value hierarchy:

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

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

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

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

	As at 30 June 2020 £'000s	As at 30 June 2019 £'000s	As at 31 December 2019 £'000s
Level 1	4,041,181	3,984,269	4,186,253
Level 3	344,675	270,143	326,068

Total valuation of investments	4,385,856	4,254,412	4,512,321
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With respect specifically to investments in Private Equity, whether through funds or partnerships, the Directors rely on the latest available unaudited quarterly valuations of the underlying unlisted investments as supplied by the investment advisers or managers of those funds or partnerships. The Directors regularly review the principles applied by the managers to those valuations to ensure they are in compliance with the principal accounting policies as stated in the year end report and accounts.

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

9 Loans and Debenture

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

10 Other creditors falling due within one year

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

11 Share capital

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

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

12 Net asset value per ordinary share

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

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

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

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

14 Analysis of changes in net debt

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

15 Going concern

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

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

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

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

Based on this information the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of

approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

16 Report and accounts

The half-yearly report and accounts will be posted to shareholders and made available on the internet at www.fandcit.com shortly. Copies may be obtained during normal business hours from the Company's Registered Office, Exchange House, Primrose Street, London EC2A 2NY.

Legal Entity Identifier: 213800W6B18ZHTNG7371

By order of the Board

BMO Investment Business Limited, Secretary
Exchange House, Primrose Street, London EC2A 2NY
24 July 2020

Directors' Statement of Principal Risks

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

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

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

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

It is noted that:

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

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

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

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

On behalf of the Board
Beatrice Hollond
Chairman
24 July 2020