F&C Investment Trust PLC

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F&C INVESTMENT TRUST PLC

Unaudited Results for the half-year ended 30 June 2021

Legal Entity Identifier: 213800W6B18ZHTNG7371

Information disclosed in accordance with Disclosure Guidance and Transparency Rule 4.2

26 July 2021

F&C Investment Trust PLC (**'FCIT'** /the **'Company'**) today announces its results for the six months ended 30 June 2021.

- The share price was 846.0 pence representing a total return of 8.3% while also reflecting a widening of the discount during the period.

- The Net Asset Value ("NAV") per share was 927.41 pence representing a NAV total return of 12.3%; ahead of the 11.1% return of its benchmark, the FTSE All-World Index.

- Our private equity exposure, which is a strong differentiator for FCIT, posted a gain of 14.2%; ahead of the returns from listed markets.

- Gearing and adjustments to the fair value of debt added to the strong performance from the investment portfolio overall. Gearing was 8.8% at the end of the period.

- Making use of our investment trust structure and ability to borrow to enhance returns, advantage has again been taken of low interest rates to fix £140m of borrowings through long-term private placement loans in tranches of maturities ranging between 15 to 35 years. The average rate on structural borrowings is now below 2.4%.

- Over one year's worth of dividends is held in revenue reserves and the Board is committed to a further increase in the total dividend this year. The first interim dividend of 3.0 pence for 2021 will be paid on 2 August.

The Chairman, Beatrice Hollond, said:

"Our revenue reserves have enabled us to withstand both the Global Financial Crisis and recent pandemic-induced restrictions on dividend pay-outs. Increases in our dividend income can be expected in the years ahead as corporates recover from the pandemic. The Board is therefore committed to a further rise in our dividend this year, which will be the 51st consecutive rise in dividends for shareholders."

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

"Growth rates in the global economy and in corporate earnings are likely to exceed many of the most optimistic forecasts in 2021, as the recovery accelerates following one of the sharpest downturns in history. Growth momentum is broadening globally and, while there remain risks, the backdrop should remain favourable. The recovery in earnings growth will result, with a lag, in an upturn in corporate dividends which should help our revenue account.

Beyond the near term, it seems likely that the balance of risks has shifted in favour of somewhat higher inflation. This will present challenges but modest rises in inflation, slightly higher interest rates, but still good rates of growth, present a favourable backdrop for our portfolio. In addition, while markets have been narrowly focused in terms of geographic, sectoral and stock leadership, the recovery should deliver more balanced performance."

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 450 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

Optimism over vaccine efficacy and the speed of its deployment during the first six months of the year led to a positive reassessment of the prospects for the global economy and corporate sector. Disappointing growth in emerging markets, including China, was in sharp contrast to the developed economies however, where positive sentiment buoyed equity markets. Against that background, we delivered a Net Asset Value ('NAV') total return of 12.3%, which was ahead of the 11.1% return of our benchmark, the FTSE All World Index. A widening in the Company's discount from 5.4% to 8.8% however, resulted in a lower share price total return of 8.3%.

The NAV per share closed at 927.41 pence by comparison with 831.78 pence at the end of 2020. Our underlying investment portfolio delivered a strong return of 10.7%, though this slightly lagged the market benchmark. A strong feature of our investment trust structure is the ability to use borrowings to enhance returns and it is pleasing to report that the impact of our gearing and adjustments to the fair value of our debt were accretive; adding 1.2% and 0.6% respectively.

We had started the year with a gearing level of 8.0% and ended the first half at 8.8% having once again taken advantage of historically low interest rates to fix an additional £140m of borrowings through long-term private placement loans. These have maturities ranging between 15 and 35 years and were drawn down in late June. The blended rate of this latest issue of debt is 2.2% and it takes the average rate on our borrowings below 2.4%.

Our private equity holdings posted strongly positive returns, gaining by 14.2%, exceeding returns from our listed assets. This exposure offers differentiated investments into unlisted opportunities and, having continued to make selective commitments, our allocation to this area was 9.3% at 30 June 2021. Our new programme with Pantheon, focusing on leading growth and venture opportunities globally, is progressing well with over half of the planned $180m commitment now invested.

Income and Dividends

We paid a third interim dividend of 2.9 pence per share for the year ended 31 December 2020 in February 2021, and a final dividend of 3.4 pence in May. In helping to fund the full-year dividend payment of 12.1p, we drew down 2.4 pence per share from our Revenue Reserve.

We envisage increases in our dividend income in the years ahead as companies recover from the pandemic and have already seen some recovery in our revenue. Indeed, for the first six months of the year our net revenue return rose by 2.1% to 5.86p in comparison to 5.74p over the same period last year; despite the detrimental impact of £2.2m from the rise in sterling in the period (half year to 30 June 2020: positive impact of £0.5m). Special dividends were £0.6m; down from £0.7m. While we expect our income to rise over the year as a whole, there is still significant uncertainty over the timing and magnitude of recovery in corporate dividend payments and, as in 2020, it is unlikely that our income will cover the full annual dividend payment to the shareholders. For 2021, we therefore expect to fund a portion of the annual payment from our Revenue Reserve which holds over one full year's worth of annual dividends. This reserve has enabled us to withstand many an economic downturn, including the Global Financial Crisis, and holds us in very good stead in continuing to deliver growth in dividends for our shareholders. It is a unique advantage, amongst others, which investment trust companies hold over open ended funds. The Board is therefore committed to a further rise in our dividend this year, which will be the 51st consecutive rise in total dividend for shareholders.

Responsible Investing

Earlier in the year we announced our commitment to transition our portfolio to net zero carbon emissions by 2050 and recognise the need to deliver on this even earlier, where we can, by way of stretching but realistic targets. We are currently working with our Manager on a roadmap that will incorporate shorter term metrics to ensure that, over the medium term, the Company makes measurable progress towards its objective. As a general rule, we believe that engaging with companies is best in the first instance rather than simply divesting or excluding investment opportunities, not least as withdrawal of capital may simply transfer underlying challenges to investors who are less willing, or able, to engage effectively with companies. Our Manager will therefore continue to carry out strong engagement with investee companies and hold them to account for commitments they make and press them on having clear and credible pathways to meet their interim and longer term targets. Thus far, we have imposed only limited investment exclusions but will keep this under review in cases where engagement does not produce the outcomes that meet with our own net zero expectations quickly enough. Shareholders can expect an even greater focus from us on responsible investment in all aspects of the portfolio as we move forward.

The Board
Sir Roger Bone retired at the conclusion of this year's AGM. I would like to thank him for the significant contribution that he made throughout his time on the Board and we wish him well. Roger was replaced by Rain Newton-Smith and this change continues our planned Board refreshment, reflecting our continuing focus on maintaining the highest level of skills and knowledge on the Board.

BMO/Columbia Threadneedle
You may be aware that the Bank of Montreal, the ultimate parent company of your Company's Manager, BMO Investment Business Limited, has announced an intention to sell its asset management business covering Europe, the Middle East and Africa to Ameriprise Financial Inc., the parent company of Columbia Threadneedle. Details have not yet been finalised and published but both companies have confirmed that they expect little change for most clients. The Board welcomes that assurance of continuity and will, of course, ensure that shareholders are kept informed as further details become available.

Outlook
Despite ongoing disruption to daily life and to many segments of the economy, a strong recovery is now underway, with many of the major developed economies expected to recoup lost output by the end of this year. With hopes for a return to normality growth rates should settle to a more sedate level next year.

While equity markets and the global economy have recovered quickly from the effects of the global pandemic, there will be longer lasting implications for investors. Thus far, increasing inflationary pressures have been largely attributed to bottlenecks, a number of which relate to disruptions in the global supply chain. The prospect of higher inflation and interest rates present both risks to equity market valuations and opportunities through a broadening of performance within the market.

As ever, our flexible and diversified approach and our long term perspective leaves us well placed to continue to deliver growth in both capital and income for shareholders.

Beatrice Hollond

Chairman

26 July 2021

Fund Manager's Review

We entered the year with optimism that the strong positive momentum in the economy and corporate earnings would persist. Over the first six months, growth expectations continued to rise and stock analysts upgraded their earnings outlook at a record pace. This exceptional earnings momentum, along with the continued supportive policy measures, helped to propel equity markets to new record highs.

The expectation of a resurgent global economy, driven by global progress on the rollout of vaccinations and the reopening of developed economies, led to a sharp rise in commodity prices as investors backed the theme of reflation. Indeed, supply shortages and a sharp increase in demand drove a greater than 50% rise in the price of oil. Rising commodity prices, combined with easy monetary policy and rapidly recovering economic activity, stoked inflationary concerns. Indeed, inflation in the US rose sharply, increasing 5% over the year.

Expectations of a buoyant global economy and rising inflation led to a rise in longer dated interest rates, though absolute levels remain exceptionally low. Indeed, a key debate relates to the outlook for inflation. Thus far, rises in inflationary pressures have been largely attributed to supply pressures, a number of which relate to disruptions in the global supply chain. Policymakers, and most investors, are assuming that current rises in inflation are likely to be transitory and that pricing pressures will dissipate in coming quarters. But the extent of monetary largesse and the enthusiasm with which deficit spending has been embraced by policymakers may have tilted the balance of risks on a structural basis towards modest rises in inflation, albeit within an environment of continued low interest rates.

Our investment portfolio delivered a return of 10.7%, slightly behind the market benchmark (11.1%). In terms of regional exposure, our North American holdings produced the strongest returns over the period, with a gain of 14.0%. In contrast to recent periods, it was 'value' oriented stocks which outperformed 'growth' exposure. Indeed, over the early months of the year cheaper stocks which are geared towards the economic reopening performed very strongly, while more highly rated growth stocks delivered more subdued returns. This trend reversed sharply as the period progressed due to renewed concerns over the transmission of new variants of coronavirus, some moderation in inflationary concerns and the resultant easing in interest rate expectations.

Early in the year, in anticipation of an ongoing improvement in growth expectations, we reduced portfolio exposure further to previously highly performing growth stocks in the US. We had started this move in the second half of 2020 and a sale out of T Rowe Price, our US growth manager, funded purchases of more lowly rated US value stocks, managed by Barrow Hanley, as well as increases in our exposure to higher yielding Global Income stocks.

Within our US exposure, energy, financials and industrial stocks delivered some of the strongest returns in our portfolio. Energy company Hess (64.7%), Goldman Sachs (+43.4%), Wells Fargo (+49.2%) and Deere (+30.3%) were amongst our top performers. While one of our larger holdings Amazon (4.5%) lagged over the period, other holdings such as Microsoft (21%) and Facebook (+25.9%) delivered strong returns, with the latter company joining the '$1trn club' after antitrust complaints from the US Federal Trade Commission were dismissed.

Within our Global Strategies (11.1% return), our Global Income strategy, which holds exposure to stocks with attractive yield characteristics, delivered the strongest returns, with a gain of 18.7%. Indeed, the gain on this component of the portfolio exceeded those of all others, benefiting from exposure towards cheaper, more cyclical companies which performed well over the period. Elsewhere, our Sustainable Opportunities strategy (9.3%) slightly lagged the global benchmark after a strong period last year, while our Small Cap (7.0%) and Quality Income (10.3%) strategies also slightly lagged global indices.
European equities delivered strong returns in absolute terms (7.0%) but our holdings lagged the market index return. ASML, the semiconductor manufacturer, was one of our highest performing holdings, gaining 40.1%. A number of our holdings, however, such as JustEat (-19.0%) and Ubisoft (-28.2%), had previously performed extremely strongly during lockdown, but a turn to more cyclical leadership, including strong performance from energy stocks, meant that we trailed benchmark returns.

Our emerging markets exposure (3.9%) lagged developed market returns over the period as economies there underperformed expectations. Consumer related stocks, such as Anta Sports (47.4%) and WalMart Mexico (14.9%) contributed positively, while financials exposure and materials detracted from returns. Our underweight to the highly performing Taiwanese market resulted in underperformance, as Taiwanese equities gained 18% driven, in part, by demand for semi-conductor exposure.

Contributors to total returns in first half of 2021	%
Portfolio return	10.7
Management fees	(0.2)
Interest and other expenses	(0.1)
Buybacks	0.1
Change in value of debt	0.6
Gearing/other	1.2
Net asset value total return*	**12.3**
Change in rating	(4.0)
Share price total return	**8.3**
FTSE All-World total return	11.1

*Debt at market value

Source: BMO GAM

Japan (-3.2%) was a disappointing area of performance for our portfolio, losing capital in absolute terms despite what had appeared to be a relatively supportive external environment. There was a pull back in many of 2020's strongest performers, as capital rotated from lockdown winners to value and more cyclical exposure. Automation leader Keyence (-11.3%) and semi-conductor business Hoya (-5.1%), two of the strongest performers last year, both detracted from returns while online fashion business Zozo gained (36.7%), as it accumulated large numbers of new users during lockdown and continued to capitalise on the shift towards e-commerce.

Our private equity exposure posted a gain of 14.2% during the first half with uplifts in valuation for a number of our recent commitments, including Inflexion Strategic Partners. Our older holdings, held in fund of funds and managed by Pantheon and Harbourvest also produced healthy gains, rising by 18.0%. In addition, our commitment to Schiehallion, an investment trust focused on unlisted private market opportunities delivered a gain of 25.3% since investment, while Syncona, the life sciences investment trust, declined in value by 20.3%.

Our NAV return was enhanced by the impact of gearing, with leverage to a rising market helping returns, while a rise in bond yields also helped due to the repricing of the fair value of our debt. We started the year with 8.0% gearing and ended the first half at 8.8%.

Current Market Perspective
Growth rates in the global economy and in corporate earnings are likely to exceed many of the most optimistic forecasts in 2021, as the recovery accelerates following one of the sharpest downturns in history. Unprecedented stimulus and pent-up demand are driving gains and this combination of exceptional growth and easy policy have fuelled gains in equity markets. Growth momentum is broadening globally and, while there remain risks with respect to the future direction of the pandemic, the backdrop should remain favourable. The recovery in earnings growth will result, with a lag, in an upturn in corporate dividends which should help our revenue account.

Beyond the near term, however, investors are contemplating the ramifications of monetary and fiscal largesse and a change in priorities from policymakers. It seems likely that the balance of risks has shifted in favour of somewhat higher inflation, compared to previously, in the years ahead. This will present challenges in the form of higher interest rates, but current concerns need to be put into perspective. Modest rises in inflation, slightly higher interest rates, but still good rates of growth present a favourable backdrop for our portfolio. In addition, while markets have been narrowly focused in terms of geographic, sectoral and stock leadership, the recovery should deliver more balanced performance.

Paul Niven
Fund Manager
26 July 2021

Weightings, stock selection and performance in each investment portfolio strategy and underlying geographic exposure versus index as at 30 June 2021					
Investment portfolio strategy	Our portfolio strategy weighting	Underlying geographic exposure*	Benchmark weighting	Our strategy performance in sterling	Index performance in sterling
	%	%	%	%	%
North America	40.5	56.8	60.0	14.0	13.7
Europe inc UK	10.0	23.3	16.9	7.0	10.5
Japan	4.7	7.0	6.6	(3.2)	0.5
Emerging Markets	7.8	10.2	11.4	3.9	7.2
Developed Pacific	-	2.7	5.1	-	8.5
Global Strategies	27.7	-	-	11.1	11.1
Private Equity	9.3	-	-	14.2	-

Source: BMO GAM

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

UNAUDITED CONDENSED INCOME STATEMENT

Notes		6 months to 30 June 2021			6 months to 30 June 2020		
		Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
	Gains/(losses) on investments and derivatives	**-**	**487,969**	**487,969**	-	(21,955)	(21,955)
	Exchange (losses)/gains	**(216)**	**7,922**	**7,706**	302	(8,717)	(8,415)
3	Income	**40,396**	**-**	**40,396**	39,815	-	39,815
4	Fees and other expenses	**(3,975)**	**(7,206)**	**(11,181)**	(3,681)	(6,214)	(9,895)
	Net return before finance costs and taxation	**36,205**	**488,685**	**524,890**	36,436	(36,886)	(450)
4	Interest payable and similar charges	**(1,221)**	**(3,663)**	**(4,884)**	(1,201)	(3,602)	(4,803)
	Net return on ordinary activities before taxation	**34,984**	**485,022**	**520,006**	35,235	(40,488)	(5,253)
5	Taxation on ordinary activities	**(3,630)**	**(138)**	**(3,768)**	(4,106)	-	(4,106)
6	**Net return attributable to shareholders**	**31,354**	**484,884**	**516,238**	31,129	(40,488)	(9,359)
6	**Net return per share - basic (pence)**	**5.86**	**90.69**	**96.55**	5.74	(7.46)	(1.72)

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

Notes	Half-year ended 30 June 2021	Share capital £'000s	Capital redemption reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance brought forward 31 December 2020	140,455	122,307	4,147,868	100,930	4,511,560
	Movements during the half-year ended 30 June 2021					
11	Shares repurchased by the Company and held in Treasury	-	-	(34,059)	-	(434,059)
7	Dividends paid	-	-	-	(33,709)	(33,709)
	Return attributable to shareholders	-	-	484,884	31,354	516,238
	Balance carried forward 30 June 2021	**140,455**	**122,307**	**4,598,693**	**98,575**	**4,960,030**

Notes	Half-year ended 30 June 2020	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
	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

Notes	Year ended 31 December 2020	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
	Movements during the year ended 31 December 2020					
	Shares repurchased by the Company and held in Treasury	-	-	(41,821)	-	(41,821)
7	Dividends paid	-	-	-	(62,774)	(62,774)
	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

UNAUDITED CONDENSED BALANCE SHEET

Notes		**30 June 2021 £'000s**	30 June 2020 £'000s	31 December 2020 £'000s
	Fixed assets			
8	Investments	**5,397,368**	4,385,856	4,856,368
	Current assets			
	Debtors	**55,875**	14,614	23,675
14	Cash and cash equivalents	**54,903**	43,783	46,654
	Total current assets	**110,778**	58,397	70,329
	Creditors: amounts falling due within one year			
9, 14	Loans	**-**	-	(40,000)
10	Other	**(45,678)**	(12,339)	(8,521)
	Total current liabilities	**(45,678)**	(12,339)	(48,521)
	Net current assets	**65,100**	46,058	21,808
	Total assets less current liabilities	**5,462,468**	4,431,914	4,878,176
	Creditors: amounts falling due after more than one year			
9, 14	Loans	**(501,863)**	(367,625)	(366,041)
9, 14	Debenture	**(575)**	(575)	(575)
		(502,438)	(368,200)	(366,616)
	Net assets	**4,960,030**	4,063,714	4,511,560
	Capital and reserves			
11	Share capital	**140,455**	140,455	140,455
	Capital redemption reserve	**122,307**	122,307	122,307
	Capital reserves	**4,598,693**	3,690,060	4,147,868
	Revenue reserve	**98,575**	110,892	100,930
12	**Total shareholders' funds**	**4,960,030**	4,063,714	4,511,560
12	**Net asset value per ordinary share – prior charges at nominal value (pence)**	**931.59**	749.93	840.69

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

Notes		Half-year ended 30 June 2021 £'000s	Half-year ended 30 June 2020 £'000s	Year ended 31 December 2020 £'000s
13	**Cash flows from operating activities before dividends received and interest paid**	**(11,756)**	(17,094)	(32,127)
	Dividends received	**39,477**	39,096	70,055
	Interest paid	**(4,843)**	(4,849)	(9,429)
	Cash flows from operating activities	**22,878**	17,153	28,499
	Investing activities			
	Purchases of Investments	**(1,322,861)**	(1,562,212)	(2,548,873)
	Sales of Investments	**1,259,446**	1,670,481	2,681,183
	Other capital charges and credits	**(26)**	(43)	(76)
	Cash flows from investing activities	**(63,441)**	108,226	132,234
	Cash flows before financing activities	**(40,563)**	125,379	160,733
	Financing activities			
	Equity dividends paid	**(33,709)**	(31,461)	(62,774)
14	Repayment of loans	**(100,000)**	(75,000)	(75,000)
14	Drawdown of loans	**200,000**	-	40,000
	Cash flows from share issues	**-**	1,931	1,931
	Cash flows from share buybacks for treasury shares	**(31,273)**	(3,877)	(41,401)
	Cash flows from financing activities	**35,018**	(108,407)	(137,244)
14	Net (decrease)/increase in cash and cash equivalents	**(5,545)**	16,972	23,489
	Cash and cash equivalents at the beginning of the period	**46,654**	28,196	28,196
14	Effect of movement in foreign exchange	**13,794**	(1,385)	(5,031)
	Cash and cash equivalents at the end of the period	**54,903**	46,783	46,654

Represented by:

	Half-year ended 30 June 2021 £'000s	Half-year ended 30 June 2020 £'000s	Year ended 31 December 2020 £'000s
Cash at bank	**24,711**	17,699	16,177
Short term deposits	**30,192**	26,084	30,477
Cash and cash equivalents at the end of the period	**54,903**	43,783	46,654

UNAUDITED NOTES ON THE CONDENSED ACCOUNTS

1 Results

The results for the six months to 30 June 2021 and 30 June 2020 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 2020; 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 2020 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 2020.

(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 2020. Material judgements were applied to the valuation of the Company's direct investment, Inflexion Strategic Partners. This investment was valued using the earnings method multipled by a comparable quoted company multiple (where the judgement of which comparable companies to select and what discounts to apply are subjective). This resulted in an uplift of £14.3m. The fair value of unquoted (Level 3) investments, as disclosed in note 8, represented 8.3% of total investments at 30 June 2021. 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 £111m or 2.2% of net assets and a similar percentage rise should be construed accordingly.

3 Income

	Half-year ended 30 June 2021 £'000s	Half-year ended 30 June 2020 £'000s
Income comprises:		
UK dividends	**4,135**	3,932
Overseas dividends	**36,119**	35,775
Rebate on management fees	**-**	6
Interest on short-term deposits and withholding tax reclaims	**142**	102
Income	**40,396**	39,815

Included within income is £0.6m (30 June 2020: £0.7m; 31 December 2020: £1.2m) of special dividends classified as revenue in nature.

The value of special dividends treated as capital in nature is £0.0m (30 June 2020: £0.0m; 31 December 2020: £0.0m).

4 Fees and other expenses and interest payable and similar charges

	Half-year ended 30 June 2021 £'000s	Half-year ended 30 June 2020 £'000s
Fees and other expenses	**11,181**	9,895
Interest payable and similar charges	**4,884**	4,803
Total	**16,065**	14,698
Fees and other expenses comprise:		
Allocated to Revenue Account		
- Management fees payable directly to the Manager*	**2,391**	2,057
- Other expenses	**1,584**	1,624
	3,975	3,681
Allocated to Capital Account		
- Management fees payable directly to the Manager*	**7,172**	6,172
- Other expenses	**34**	42
	7,206	6,214
Interest payable and similar charges comprise:		
Allocated to Revenue Account	**1,221**	1,201
Allocated to Capital Account	**3,663**	3,602

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

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. 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 2020. 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 £3,768,000 (30 June 2020: £4,106,000) 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 2021 pence	**Half-year ended 30 June 2021 £'000s**	Half-year ended 30 June 2020 pence	Half-year ended 30 June 2020 £'000s
Revenue return	**5.86**	**31,354**	5.74	31,129
Capital return	**90.69**	**484,884**	(7.46)	(40,488)
Total return	**96.55**	**516,238**	(1.72)	(9,359)
Weighted average ordinary shares in issue excluding treasury shares (see note 11)		**534,639,847**		542,406,495

7 Dividends

Dividends paid and payable on ordinary shares	Register date	Payment date	**Half-year ended 30 June 2021 £'000s**	Half-year ended 30 June 2020 £'000s	Year ended 31 December 2020 £'000s
2019 Third interim of 2.90p	3-Jan-2020	31-Jan-2020	**–**	15,736	15,736
2019 Final of 2.90p	17-Apr-2020	13-May-2020	**–**	15,725	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
2020 Third interim of 2.90p	3-Jan-2021	1-Feb-2021	**15,563**	–	–
2020 Final of 3.40p	16-Apr-2021	13-May-2021	**18,146**	–	–
			33,709	31,461	62,774

The Directors have declared a first interim dividend in respect of the year ending 31 December 2021 of 3.00p per share, payable on 2 August 2021 to all shareholders on the register at close of business on 16 July 2021. The amount of this dividend will be £15,967,000 based on 532,237,938 shares in issue at 15 July 2021. This amount has not been accrued in the results for the half-year ended 30 June 2021.

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 2021 £'000s	As at 30 June 2020 £'000s	As at 31 December 2020 £'000s
Level 1	**4,951,479**	4,041,181	4,481,633
Level 3	**445,889**	344,675	374,735
Total valuation of investments	**5,397,368**	4,385,856	4,856,368

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.

No investments held at 30 June 2021, 30 June 2020 or 31 December 2020 were valued in accordance with level 2.

Derivative instruments
Derivative instruments included forward exchange contracts with a net unrealised capital loss of £1.2m as at 30 June 2021 (30 June 2020: £nil and 31 December 2020: unrealised capital gain of £9.1m).

9 Loans and Debenture

	30 June 2021 £'000s	30 June 2020 £'000s	31 December 2020 £'000s
Loans falling due within one year	**-**	-	40,000
Loans falling due after more than one year	**501,863**	367,625	366,041
Debenture falling due after more than one year	**575**	575	575
Comprising:			
Sterling denominated loan, falling due within one year	**-**	-	£40m
Sterling denominated loan, falling due after more one year	**£404m**	£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

In June 2021 the Company issued fixed rate senior unsecured notes in tranches of £50 million, £50 million and £40 million expiring in June 2036, June 2038 and June 2056 respectively. Interest rates applying to the notes are commercially competitive and fixed until the expiry dates.

10 Other creditors falling due within one year

	30 June 2021 £'000s	30 June 2020 £'000s	31 December 2020 £'000s
Cost of ordinary shares repurchased	**3,205**	638	420
Investment creditors	**37,955**	8,454	4,487
Management fee payable to the Manager	**2,173**	1,950	2,210
Foreign exchange contracts	**1,205**	-	-
Other accrued expenses	**1,140**	1,297	1,404
	45,678	12,339	8,521

11 Share capital

Equity share capital	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Total shares in issue nominal £'000s
Ordinary shares of 25p each				
Balance at 31 December 2020	**25,172,380**	**536,646,636**	**561,819,016**	**140,455**
Shares repurchased by the Company and held in treasury	**4,218,385**	**(4,218,385)**	**-**	**-**
Balance at 30 June 2021	**29,390,765**	**532,428,251**	**561,819,016**	**140,455**

4,218,385 shares were repurchased during the period at a cost of £34,059,000. 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 2021	30 June 2020	31 December 2020
Net asset value per share -pence	**931,59**	749.93	840.69
Net assets attributable at end of period - £'000s	**4,960,030**	4,063,714	4,511,560
Ordinary shares of 25p in issue at end of period excluding shares held in treasury - number	**532,428,251**	541,879,424	536,646,636

Net asset value per share (with the debenture stock and long-term loans at market value) at 30 June 2021 was 927.41p (30 June 2020: 740.27p and 31 December 2020: 831.78p). The market value of debenture stocks at 30 June 2021 was £429,000 (30 June 2020 and 31 December 2020: £429,000). The market value of the long-term loans at 30 June 2021 was £524,243,000 (30 June 2020: £420,090,000 and 31 December 2020: £414,049,000) 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 2021 £'000s	Half-year ended 30 June 2020 £'000s	Year ended 31 December 2020 £'000s
Net return on ordinary activities before taxation	**520,006**	(5,253)	514,575
Adjust for non-cash flow items, dividend income and interest expense:			
(Gains)/losses on investments	**(487,969)**	21,955	(475,886)
Exchange (gains)/losses	**(7,706)**	8,415	1,416
Non-operating expense of a capital nature	**34**	42	70
Decrease/(increase) in other debtors	**24**	9	(32)
(Decrease)/increase in creditors	**(341)**	(219)	139
Dividends receivable	**(40,254)**	(39,707)	(70,057)
Interest payable	**4,884**	4,803	9,398
Tax on overseas income and Indian Capital Gains Tax	**(434)**	(7,139)	(11,750)
	(531,762)	(11,841)	(546,702)
Cash flows from operating activities (before dividends received and interest paid)	**(11,756)**	(17,094)	(32,127)

14 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 2020	**46,654**	**(40,000)**	**(366,041)**	**(575)**	**9,061**	**(350,901)**
Cash-flows:						
Drawdown of loans	-	(60,000)	(140,000)	-	-	(200,000)
Repayment of bank loans	-	100,000	-	-	-	100,000
Net movement in cash and cash equivalents	(5,545)	-	-	-	-	(5,545)
Non-cash:						
Effect of foreign exchange movements	13,794	-	4,178	-	(10,266)	7,706
Closing net debt as at 30 June 2021	**54,903**	**-**	**(501,863)**	**(575)**	**(1,205)**	**(448,740)**

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; current cash position; the availability of loan finance; compliance with all financial loan and private placement covenants; and the operational resilience of the Company and its service providers. It is recognised that the Company is mainly invested in readily realisable, globally listed securities that can be sold, if necessary, to repay indebtedness.

As part of their assessment, the Directors have given careful consideration to the consequences for the Company resulting from the continuing uncertainty and disruptive impact on the global economy created by the COVID-19 pandemic. The primary risk is that of a very substantial decrease in the Net Asset Value of the Company in the short to medium term to the extent that the most onerous financial loan covenants are breached. 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*. The Directors took into account the Company's resilience in withstanding the impact of the substantial fall in the stockmarkets in March 2020 triggered by COVID-19, and stress tests carried out in respect of 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.

As previously reported, a reverse stress test was also 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. The Company's current financial position does not suggest that any of its private placement and banking covenants are at risk of being breached. As at 21 July 2021, the last practicable date before publication of this report, borrowings amounted to £503 million, equivalent to 9.9% of the adjusted portfolio value*. The Net Asset Value was £5,019 million. The tests had indicated that it would take 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% to breach the covenant relating to the 35% adjusted portfolio value*. Such an event is therefore highly unlikely not least as the tests were undertaken without any assumptions of intervention that would mitigate their effect. 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.

The assessment by the Directors also took account of control aspects. The Company operates within a robust regulatory environment and 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 BMO GAM's home working arrangements continue to operate effectively as do those of the Company's key suppliers without any impact upon service delivery and operations.

*Adjusted portfolio value – This comprises the Company's gross assets less the value of all unquoted and private equity investments

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 2020. They include:

- failure to access the targeted market or meet investor needs or expectations, including ESG and climate change considerations in particular, leading to significant pressure on the share price. The Board recognises that climate change is one of the defining risks of modern times and has announced its commitment to transitioning the portfolio to net zero carbon emissions by 2050 at the latest. Reference to the Company's responsible investment approach is set out in the Chairman's Statement.

- 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.

- failure of BMO GAM to continue to operate effectively resulting from inadequate systems or resources, or through the loss of key staff; and

- 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.

The Directors continue to review 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. This is set against the backdrop of increased risk levels within the global economy since the beginning of 2020 as a result of the disruptive impact and continuing uncertainty created by the COVID-19 pandemic.

The Board also recognises that Bank of Montreal's proposed sale of BMO Global Asset Management, referenced in the Chairman's Statement, introduces an added level of uncertainty to the risk of failure of the Manager in continuing to operate effectively. However, the Board considers that this risk has not altered materially following assurances of little change from the proposed new owner. Otherwise, in the view of the Board, there have not been any material changes to the fundamental nature of the risks outlined above since the previous report and these principal risks and uncertainties, as summarised, are as applicable to the remaining six months of the financial year as they were to the six months under review. The Board has considered this in relation to going concern, as set out in note 15.

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
26 July 2021

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

BMO Investment Business Limited,
Company Secretary

ENDS

A copy of the half report will shortly be submitted to the National Storage Mechanism and will be available for inspection at www.fca.org.uk

The half-year report 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.

BMO Investment Business Limited