

FINSBURY GROWTH & INCOME TRUST

July 2005

All data as at 31st July 2005

Fund Objective

Finsbury Growth & Income Trust invests in UK company shares with the objective of achieving capital and income growth and providing a total return in excess of that of the FTSE All-Share Index.

Fund Breakdown

Top 10 Holdings	% Gross	% NAV	Industry Breakdown	% Gross	% NAV
HBOS (Ord & Pref)	14.7	17.3	Consumer Branded Goods	33.5	39.3
Cadbury Schweppes	7.8	9.1	Financial Services	24.3	28.5
Diageo	7.6	8.9	Technology/Media	19.6	23.0
Wolverhampton & Dudley	6.9	8.2	Preference Shares	16.0	18.9
AG Barr	6.8	8.0	Energy	4.9	5.8
Lloyds TSB	5.9	6.9	Industrials	1.2	1.4
Royal Dutch Shell	4.9	5.8	Other	0.5	0.6
Sage Group	4.9	5.7	Total	100.0	117.5
Reed Elsevier	4.6	5.4			
Reuters	4.4	5.1			
					£
			Total Investments	a	127.8mn
			Net Cash	b	(1.5mn)
			Borrowings	c	(17.5mn)
			Net Assets (a+b+c)	d	108.8
			Gearing ((a-d)/d)		17.5%

Fund Exposure	Bonds	Prefs	Equity	Funds	Cash	Total
UK %	2.7	16.2	97.5	1.2	-	117.5
Other %	-	-	-	-	-	-
Total %	2.7	16.2	97.5	1.2	-	117.5

Fund Performance

Past performance is not a guide to future performance. The price of units and the income from them may go down as well as up. Investors may not get back what they invested.

5 Year History (Jan-Dec)	2001	2002	2003	2004	YTD 2005
FGT NAV %	-10.9	-22.0	+23.7	+33.2	+9.8
FGT Price %	-9.7	-23.9	+28.5	+46.8	+14.7
FTSE All Share %	-13.3	-23.2	+22.0	+14.1	+11.9

Source: S&P Micropal. Based in GBP with dividends reinvested, unadjusted. LTL was appointed to FG&IT in Dec 2000.

2004	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YE 2004
NAV %	+3.4	+3.1	-1.4	+1.9	+0.2	+2.3	-3.8	+2.8	+5.0	+3.3	+1.3	+9.8	+33.2
Price %	+7.5	+3.5	-0.3	+3.5	+0.1	+3.3	-4.5	+3.9	+6.8	+2.6	+2.7	+8.3	+46.8
Since Appointment NAV %	-11.4	-8.7	-10.0	-8.2	-8.1	-6.0	-9.5	-7.0	-2.4	+0.9	+2.2	+12.2	
Since Appointment Price %	-5.4	-2.1	-2.4	+1.1	+1.2	+4.5	-0.2	+3.7	+10.7	+13.6	+16.6	+26.2	
2005	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2005
NAV %	+1.3	+2.2	+1.4	-2.7	+4.1	+3.3	+0.0						+9.8
Price %	+5.8	+3.6	-2.3	+0.3	+3.7	+3.6	-0.7						+14.7
Since Appointment NAV %	+13.7	+16.2	+17.8	+14.6	+19.2	+23.2	+23.2						
Since Appointment Price %	+33.6	+38.4	+35.3	+35.7	+40.7	+45.8	+44.8						

Source: S&P Micropal. Based in GBP with dividends reinvested, unadjusted. LTL was appointed to FG&IT in Dec 2000.

Market Capitalisation	£ 111.0mn
Net Asset Value[^]	£ 2.4772
Share Price[^]	£ 2.5150
Premium (Discount)	1.5%
Gross Yield	1.9%

Source: Bloomberg and [^]Close Finsbury AM

Fund Manager:	Nick Train
Launch Date:	1926
Denominated Currency:	Sterling
Year End:	30th September
Dividend:	
<i>Interim:</i>	Ex-Date - June Payable - June
<i>Final:</i>	Ex-Date - November Payable - January
Benchmark:	FTSE All Share Index (net dividends reinvested)
Investment Trust Sector:	UK Growth & Income
Annual Mgmt Fee:	0.65% of average market capitalisation
Performance Fees:	15% of any increase in Trust's mkt capitalisation in any year, subject to an absolute return hurdle being the sum of the increase in the Retail Price Index in the year plus 6%. Total fee payable capped 1.25% of average market capitalisation.
The Board:	MAF Reeve JP Allard VE Renwick GWB Warman
ISIN:	GB0007816068
Bloomberg:	FGT LN
Listing:	London Stock Exchange

Fund Manager's Comments

July was a poor month for your Trust, relative to the FT All-Share Index. Although the NAV made a modest advance, the Index was up over 3.0%, making for a marked shortfall. The primary reason for the underperformance was the Trust's low exposure to the Oil and Mining sectors, where, with the exception of a 6.0% holding in Shell, there is no representation. We do not like Oil and Mining for two reasons. First, we try to avoid investing in companies whose profits are dependent on commodity prices, the trends in which we do not believe we nor anyone else, can predict correctly. Second, the dividend yields available from Resource shares are now significantly below the FT All-Share average (partly, we must admit, because of their strong share price performance in recent months) and are thus unattractive to your Company, with its requirement for higher starting income. Even Shell's dividend yield is falling toward the market average, which we think is getting expensive, relative to the well-known problems that company has in replacing its oil reserves. These "investment principle-based" objections to investing in Oil and Mining are all well and good, but of little comfort to shareholders if they result in underperformance. We believe it important, though, to remind shareholders of the investment implications, both good and ill, that can arise from our portfolio structure, which is unlikely to change radically in the near future.

There were two other unhelpful events in July. Diageo issued a regular trading statement, which disappointed investors, because it contained no better guidance than the company had offered earlier in the year. As a result, Diageo's underlying profit growth for 2005 is likely to be no more than 6.0%. This looks boring, we acknowledge, relative to the current boom in, say, steel company profits, or the promise of riches from successful oil prospecting, however, we regard it as attractive enough and attractively predictable for future years and we have added to the holding, on a dividend yield 20.0% higher than the market average. Next, Reuters fell after its interim results, which revealed better profits than forecast, but also outlined a more expensive plan for future growth than hoped. We think Reuters' growth ambitions are credible and, if delivered on, likely to be highly accretive to shareholders. More to the point, if the current stock market and corporate finance boom continues, whether or not led by Resource shares, then Reuters should, in the end, be a beneficiary of the improving volumes and investment banking activity. We

hope that our holdings in "market proxies", such as Reuters, whose shares should do well in a bull market and which include Euromoney, Pearson, royalblue, Lloyds Bank, London Stock Exchange, Schroders and Rathbone Brothers, amounting to c27.0% of your Company's assets, allow us to make up this month's lost ground.

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All data as at 31st July 2005

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