

For professional investors only

BMO Capital and Income Investment Trust PLC

Julian Cane
Fund Manager

Investment risk

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.

Objectives

- “To secure long term capital and income growth from a portfolio consisting mainly of FTSE All Share companies”
- Invest in a diversified portfolio focusing on well-established UK companies
- Make quarterly dividend payments
- Maintain firm commitment for share price to trade close to net asset value

Review – our performance over 1 year

- Returns were much more modest after the strength of the previous year

Total return	Year to Sep-18 %	Year to Sep-17 %
Net assets / share	5.5	16.6
Share price	5.3	15.8
All-Share Index	5.9	11.9

- Returns were closer to but below long-term average
- There was a closer split between returns from capital and returns from income

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

Source: BMO Global Asset Management as at 30-Sep-18.

Our performance over 5 years

- Some volatility, but good progress overall

Total return	Year to Sep-18 %
Net assets / share	54.7
Share price	55.3
All-Share Index	43.5

- Conservative approach to stock selection and gearing
- Share price closely tracking to the Net Assets
- Steady dividend growth

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

Source: BMO Global Asset Management as at 30-Sep-18.

Discrete performance

Discrete performance (GBP net of fees)

Percentage growth, %	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
NAV	5.5	16.6	16.7	3.5	3.9
Share price	5.3	15.8	16.6	3.1	6.0
Benchmark	5.9	11.9	16.8	-2.3	6.1

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

Source: BMO Global Asset Management as at 30-Sep-18. The discrete annual performance table refers to 12 month periods, ending at the date shown.

20-year review – reinvesting income

Reinvesting dividends completely transforms returns over long time periods

	Capital only %	Total return with income reinvested %
Net assets / share	98	304
Share price	129	378
All-share Index	76	242

- Not just the value of the dividend, but growth is compounded on the value of the dividend reinvested
- Pound cost averaging effect is also powerful

“ Saving is a very fine thing, especially when your parents have done it for you.”

Winston Churchill

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

Source: Thomson Reuters Datastream as at 30-Sep-18.

Share price and net asset value – the theory

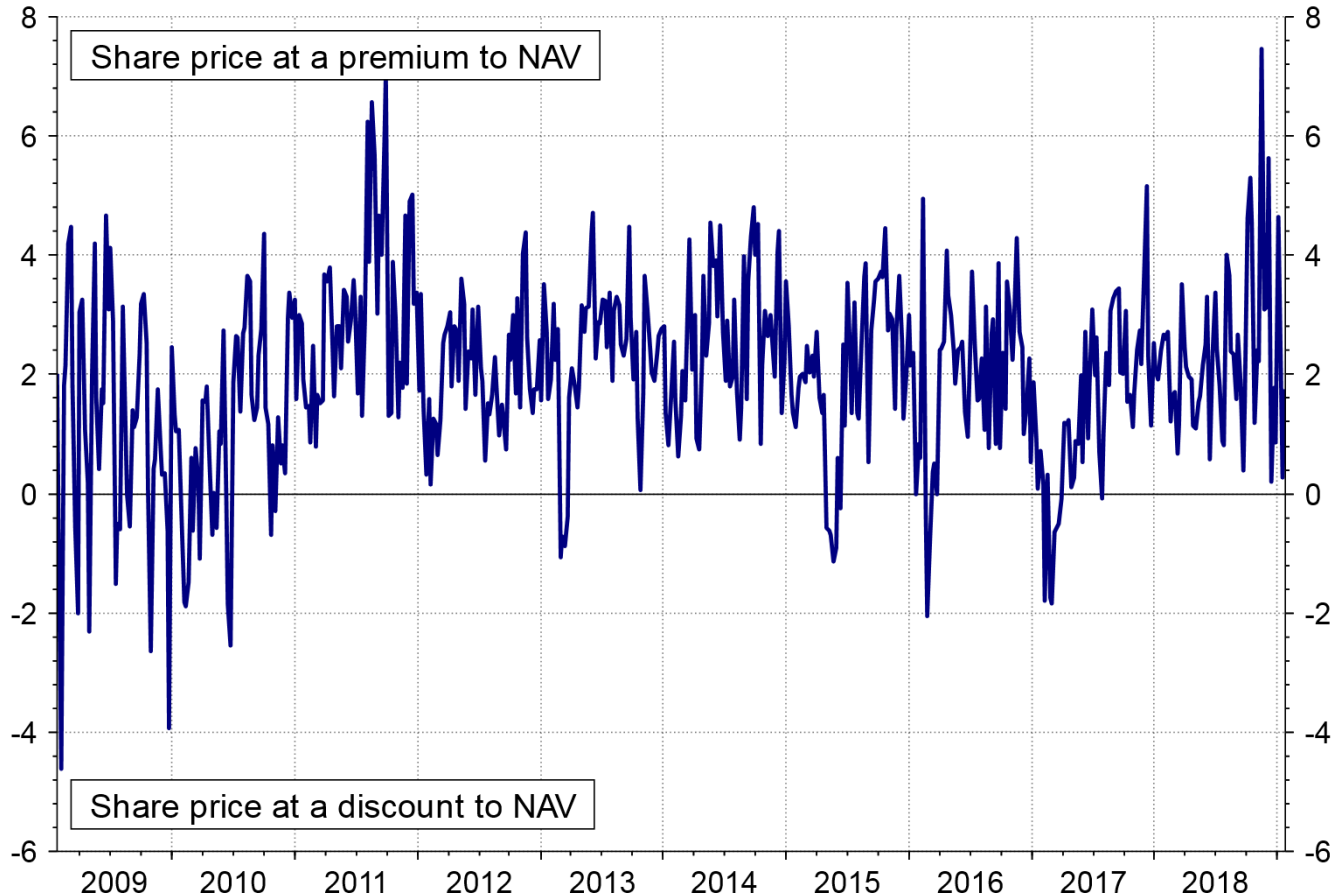
- Investment managers measure performance mostly by Net Asset Value
- Shareholders are more interested in the share price
- Discount Control Mechanism brings these together
- Terms always favourable to shareholders and will not dilute Net Asset Value

Share price and net asset value – the practice

- Issued 2,525,000 shares last year
- In total, issued over 30m shares, more than 50% of the original share count
- Last buy-back was in December 2007
- Commitment remains to ensure there is no material discount

Source: BMO Global Asset Management as at 30-Sep-18.

Discount to net asset value – 10 years



Source: Thomson Reuters Datastream as at 25-Jan-09 to 25-Jan-19.

Managing the portfolio for income

- Over the long-term, much of the real return from stock markets comes from dividend yield
- The returns from dividends are more predictable than capital gains / losses
- Dividends are more driven by cash flows and earnings than by speculation
- Investors like dividends
- Look for equities to provide a balance of dividend income and dividend growth
- For income generated to be spread across the portfolio

**“ Do you know the only thing that gives me
pleasure? It’s to see my dividends coming in. ”**

John D. Rockefeller

Dividend Record



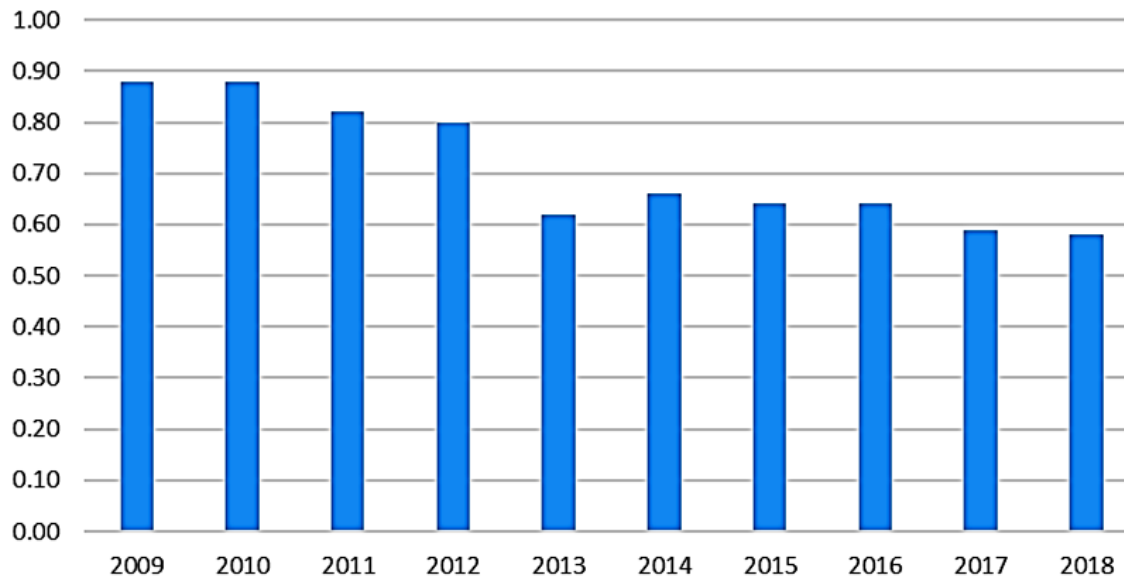
- An increase in total dividends for the year of +2.8%
- Compared to CPI of 2.4%
- Over 20 years, dividends +135.5%, 4.4% compound rate of growth
- This is more than twice the rate of inflation +49.1% or 2.0% compound over 20 years
- 25th consecutive year of dividend growth
- Revenue Reserve has been increased to £13.2m
- Compares well to £10.8m cost of dividends over the previous year

Source: BMO Global Asset Management as at 30-Sep-18.

Costs

- Any cost savings result in better returns for shareholders
- Carefully controlled year after year
- Generally downward trend over the last decade – growing in size helps
- Amongst the most competitive of our peer group

- Ongoing charges as a percentage of average net assets



Source: BMO Capital and Income annual report and accounts 2018.

Update on performance

- From financial year end to February – total return figures

Total return	Year to 07-Feb-19 %
Net assets / share	-4.8
Share price	-4.8
All-Share Index	-6.0

- After a weak fourth quarter, January saw a reasonable rebound
- Volatility has returned

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

Source: BMO Global Asset Management as at 08-Feb-19

Market outlook

- We try to minimise time spent assessing the unknowable – and possibly irrelevant
- We try not to worry too much about macro economics and politics
- Calling these correctly is often about luck
- Turning them into profitable investments is even more difficult when investing in companies
- There will always be uncertainties
- But we are also very aware that from time to time, the impact of political and economic events can be hugely significant

“ Be greedy when others are fearful. ”

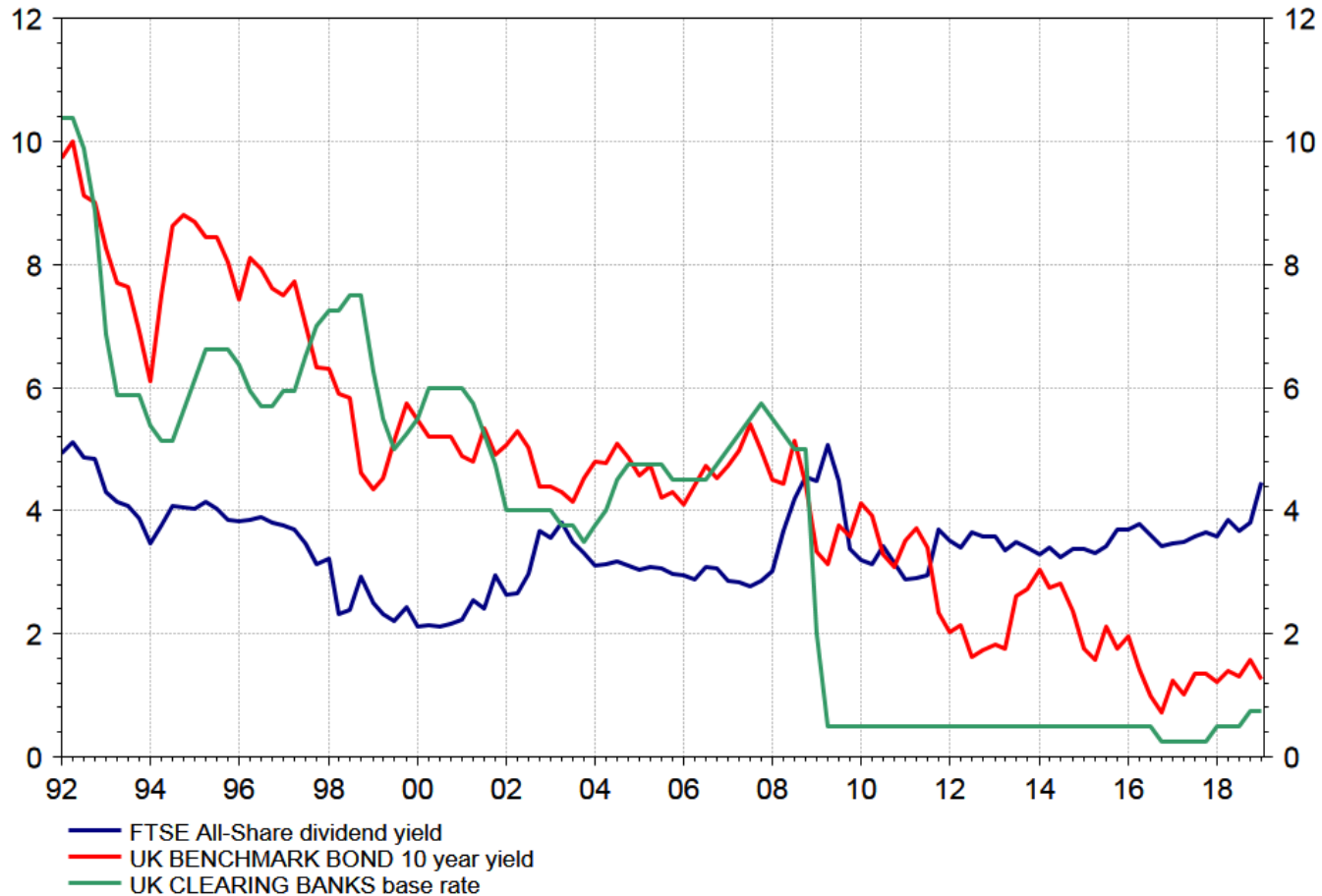
Warren Buffett

Investment outlook

- We focus on businesses with strong operating models and robust balance sheets
- Recognise in an era of lower growth, lower returns are more likely
- Dividend yields could be a larger part of the total return
- Overall valuations do not appear expensive in an historical context

**Our approach remains to identify attractive companies
that can prosper regardless of the economic environment**

Yields on investment assets



Source: Thomson Reuters Datastream from 01-Jan 92 to 25-Jan-19.

Summary

- We will continue to focus on company fundamentals
- Putting macro economic and political concerns to one side – mostly
- Dividends remain a vital part of the total return from share ownership
- Investment performance has been strong with dividend progression ever since launch in 1992
- Our own dividend is well underpinned by a combination of the underlying investments and a healthy revenue reserve

Disclaimer

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned.

Contact us

BMO Global Asset Management (EMEA) – Head Office

Exchange House

Primrose Street

London EC2A 2NY

Tel: +44 (0) 20 7628 8000

Calls may be recorded.

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