

For professional investors only

# BMO Capital and Income Investment Trust PLC

**Julian Cane**  
Fund Manager

# Investment risk

---

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

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

The value of investments and any 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.

Cash may be placed on deposit with approved counterparties, the return of which will be dependent upon their continued solvency.

Changes in rates of exchange may also reduce the value of your investment.

Certain investments may be difficult to sell or buy at a suitable time or at a reasonable price and may adversely affect the value of your investment.

Small movements in the price of the asset to which the warrant relates may result in a disproportionately large movement, up or down, in the price of the warrant.

# Outline of presentation

---

- **Past:** Recap of conditions over the year, stock performance
- **Present:** Positioning by stock and sector, problems in the investment industry
- **Future:** Concerns, valuations

# Review – our performance over 1 year

---

- Returns were very much in line with the previous year

Total return	Year to Sep-19 %	Year to Sep-18 %
Net assets / share	5.3	5.5
Share price	3.1	5.3
All-Share Index	2.7	5.9

- Returns were below long-term average
- Reasonably equal split between capital and income returns

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

Source: BMO Global Asset Management as at 30.09.19.

# Review – our performance over 1 year

---

- Attribution
- Intermediate Capital
- Secure Income REIT
- Retail – very mixed
- Turnover of 10% low compared to many
- Continued our move away from the very largest companies in the market

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

Source: BMO Global Asset Management as at 30.09.19.

# Our performance over 5 years

---

- Some volatility, but good progress overall

Total return	Year to Sep-19 %
Net assets / share	56.9
Share price	51.0
All-Share Index	38.9

- Conservative approach to stock selection and gearing
- Steady dividend growth

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

Source: BMO Global Asset Management as at 30.09.19.

# Discrete performance

---

## Discrete performance (GBP net of fees)

Percentage growth, %	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
NAV	28.02	-10.91	18.90	14.99	6.54
Share price	26.71	-10.10	20.34	13.10	6.03
Benchmark	19.17	-9.47	13.10	16.75	0.98

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

Source: BMO Global Asset Management as at 31.12.19. The discrete annual performance table refers to 12 month periods, ending at the date shown.

---

# Problems in the investment industry

---

- Illiquidity – whether of the underlying assets in the portfolio or in the investment vehicle
- In particular, mis-match of illiquid portfolio assets and daily dealing for investors
- Sometimes exacerbated by inappropriate use of debt
- Our approach – very liquid portfolio assets and only conservative use of leverage
- As an investment trust, our shares are traded on the London Stock Exchange
- Not just daily, but any moment of the trading day



# Problems in the investment industry

---

- We offer more liquidity if / when necessary by issuing or buying-back shares
- We will issue at a small premium to Net Asset Value
- And buy-back shares at a small discount to Net Asset Value
- This Discount Control Mechanism keeps the share price and Net Asset Value closely together
- Terms always favourable to shareholders and will not dilute Net Asset Value

# Closed or open-end investments

---

- Some investment trusts can negate the advantages of open-end funds
- Open-end funds historically seen as offering liquidity – maybe not now
- Investment trusts can address this through share issues and buy-backs
- Open-end funds trade at Net Asset Value – investment trusts can trade at close to NAV through the use of share issues and buy-backs
- Investment trusts have long shown performance advantages
- Low cost
- Extra protection of Board and shareholder votes

# Share Price and Net Asset Value – the practice

---

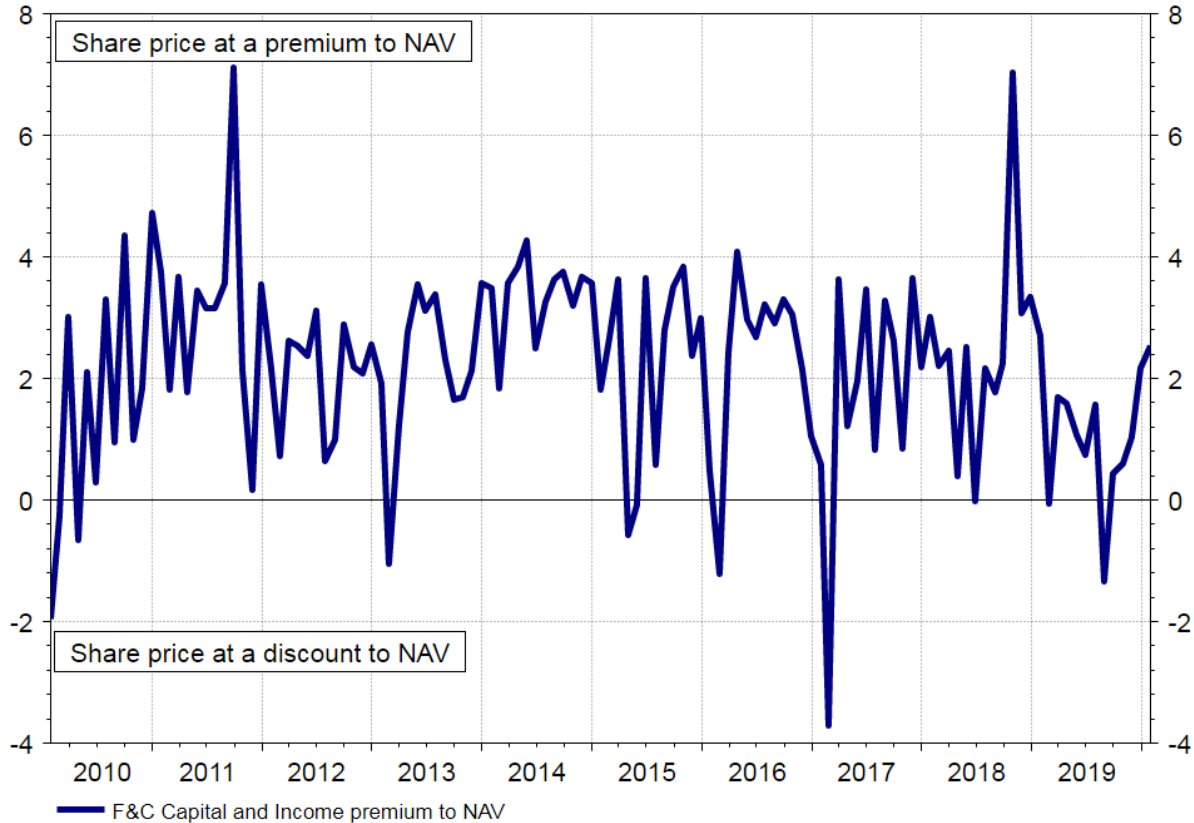


- Issued **1,725,000** shares last year
- Mostly to fulfil demand from shareholders reinvesting their dividends
- All issued at a small premium to Net Asset Value
- Last buy-back was in December 2007
- Commitment remains to ensure there is no material discount

Source: BMO Global Asset Management. As at 30.09.19.

# Discount to Net Asset Value – 10 years

## Share Price Premium to Net Asset Value



Source: Refinitiv Datastream

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

Source: Thomson Reuters Datastream 10 years to 03.02.2020

# Dividend record

---



- An increase in total dividends for the year of **+4.1%**
- Compared to CPI of **1.8%**
- Over 20 years, dividends **+137.5%**, **4.4%** compound rate of growth
- More than twice the rate of inflation **+50.1%** or **2.1%** compound over 20 years
- **26<sup>th</sup>** consecutive year of dividend growth
- Revenue Reserve has been increased to **£15.1m**
- Compares well to **£11.5m** cost of dividends over the previous year

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

Source: BMO Global Asset Management. As at 30.09.19.

# Portfolio positioning



- Our largest investments are increasingly distant to the FTSE All-Share benchmark
- Dividend and dividend growth considerations -

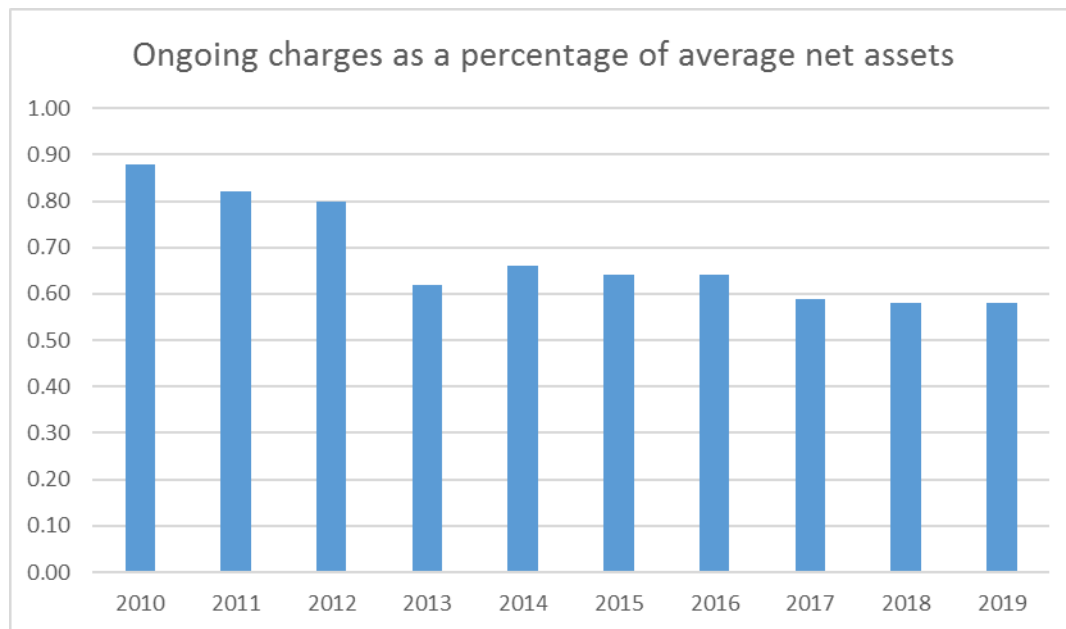
BMO Capital and Income		FTSE All-Share	
Dividend Growth Rates			
Diageo	5.0%	0.0%	Royal Dutch Shell
GlaxoSmithKline	0.0%	0.0%	HSBC
Vistry	19.4%	0.0%	AstraZeneca
Secure Income REIT	17.2%	1.2%	BP
Unilever	6.5%	0.0%	GlaxoSmithKline
Countryside Properties	50.9%	5.0%	Diageo
Legal & General	7.0%	4.0%	British American Tobacco
Rio Tinto	14.6%	14.6%	Rio Tinto
Intermediate Capital	61.3%	6.5%	Unilever
Phoenix	3.6%	4.5%	Lloyds Banking

Source: BMO Global Asset Management  
 Top Ten Holdings as at 31.12.19.  
 Dividend growth rate 2019 / 2018 – in declared currency and excluding special dividends

# 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



Source: BMO Capital and Income annual report and accounts 2019

---

# Update on performance

---

## **From financial year end to 7 February – total return figures:**

- Net Asset Value +7.9%
- Share price +9.2%
- FTSE All-Share +3.1%

## **Q4 of 2019 provided a strong rebound, in complete contrast to Q4 2018**

### **A mixture of -**

- avoiding the worst – UK politics
- some progress – US trade
- muddling through – Brexit

## **UK stock market cheap by comparison to many others**

## **Within that, UK domestically focused companies offered good value**

Source: BMO Global Asset Management and Thomson Reuters Datastream as at 07.02.2019



# 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 attractive
- Overall valuations do not appear expensive in an historical context

We aim to identify attractive companies that can prosper regardless of the economic environment

# Yields on Investment Assets



Source: Refinitiv Datastream

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

Source: Thomson Reuters Datastream from 01.01.1992 to 31.01.2020

# 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

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

# 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.

English language copies of the key information document (KID) can be obtained from BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: [client.service@bmogam.com](mailto:client.service@bmogam.com) or electronically at [www.bmogam.com](http://www.bmogam.com). Please read before taking any investment decision.

The information provided in the marketing material does not constitute, and should not be construed as, investment advice or a recommendation to buy, sell or otherwise transact in the Funds.

FTSE International Limited (“FTSE”) © FTSE 2020. “FTSE®” is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE’s express written consent.

# 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.

[bmogam.com](http://bmogam.com)

### Extensive worldwide investment capabilities

- Total focus on clients
- Comprehensive range of products and solutions
- Defined expertise – including a suite of specialist investment boutiques



© 2020 BMO Global Asset Management. All rights reserved. BMO Global Asset Management is a trading name of BMO Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority.