BMO Global Smaller Companies PLC

BMO

August 2019

Manager Commentary
Peter Ewins

July proved to be an eventful month both politically and economically. Increased odds of the possibility of a 'no deal' Brexit following the UK's change of prime minister led to a sharp fall in sterling. In the US, the first rate cut in more than a decade was announced by the Federal Reserve in an attempt to head off signs of economic slowdown. Meanwhile, the European Central Bank hinted at a resumption of quantitative easing and easier monetary policy later in the year. Trade talks between the US and China appeared to make little progress. The Net Asset Value beat the benchmark as a result of generally positive stock selection.

The North American portfolio was the main contributor to outperformance over the month, comfortably beating the Russell 2000 index. A number of stocks within the financial sectors did well, including Jefferies Financial Group, Hallmark Financial Services and PRA Group, while our gold-focused investments in Wheaton Precious Metals and SSR Mining also outperformed. Shares in Martin Marietta Materials rose after the company announced a solid update, while Healthcare Services Group was the weakest performer after deciding to surrender some business to customers where management believed the credit risk was too high.

The UK portfolio was also ahead of its benchmark in July. While newsflow across the portfolio was mixed, with fund administration business SANNE, for example, warning on profits, we managed to avoid a number of very weak stocks in the wider market. Some of our holdings that had fallen in July recovered ground, including XPS Pensions Group, RPS Group and Ted Baker, while marine services company James Fisher was strong after announcing new offshore renewables contracts. Legal services company Knights Group and debt services business Arrow Global also contributed to performance.

We had a tougher month in Europe, with three companies in particular suffering. Lectra (the French technology provider) struggled, with the company's exposure to a weak current automotive industry working against it. Swiss flooring business Forbo Holding's shares also fell, as the company announced weak first-half sales, while Dutch foodservice company Sligro Food was down as integration costs from acquisitions took their toll on profitability. More positively, semiconductor equipment supplier ASM International's shares rose as sales and orders impressed, while Gerresheimer was also up on strong results. Shares in ticketing business CTS Eventim were up as the company explored the possibility of teaming up with a French player to expand its geographic reach.

Performance across collective fund holdings facing the Asian market was positive over the month, with the Pinebridge managed fund doing best. In Japan, Aberdeen's fund outperformed our other holdings. Asian and Japanese markets are likely to be particularly sensitive to developments on the US-China trade front.

Key facts as at 31.07.2019

Trust aims: To secure a high total return by investing in smaller companies worldwide.

Trust highlights: One of the largest specialist global smaller companies investment trusts. Greater inherent growth potential in smaller companies. Strong dedicated small company investment team. The dividend has risen in each of the last 49 years.

Benchmark: 30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index

Fund type: Investment Trust

Launch date: 1889

Total assets: £940.8m

Share price: 1388.00p

NAV (diluted): 1474.12p

Discount/Premium (-/+): -5.84%

Dividend payment dates: Aug, Jan

Net dividend yield†: 1.19%

Net gearing*: 5.00%

Management fee rate:** 0.55%

Ongoing charges:** 0.79%

Year end: 30 April

Sector: Global

Currency: Sterling

Website: www.bmoglobalsmallers.com

** Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

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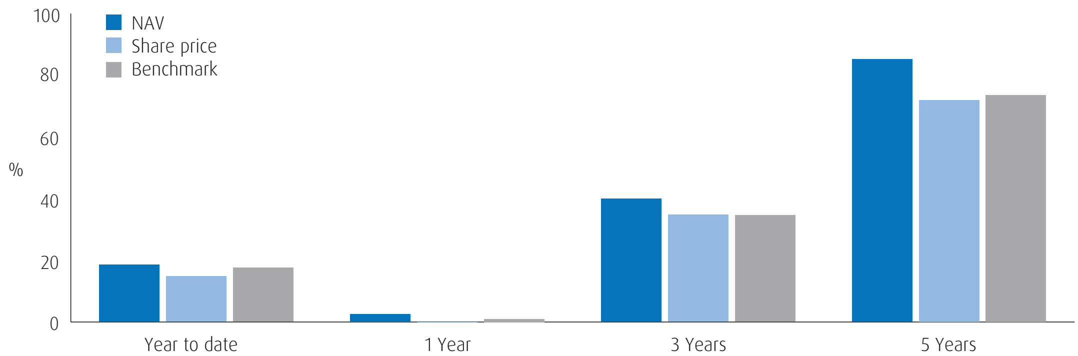
Lines may be recorded

Fund performance as at 31.07.2019



Cumulative performance (%) as at 31.07.2019

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV (diluted)	3.89	18.46	2.44	39.80	85.13
Share price	3.69	14.74	0.04	34.61	71.88
Benchmark	3.09	17.48	1.07	34.47	73.46

Discrete annual performance (%) as at 31.07.2019

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
NAV (diluted)	2.44	12.81	20.97	12.61	17.60
Share price	0.04	8.69	23.80	10.35	15.71
Benchmark	1.07	11.01	19.85	14.32	12.84

Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Where investments are made in emerging markets, or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment. If markets fall, gearing can magnify the negative impact on performance.

Past performance is not a guide to future performance.

Source: Lipper and BMO. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling.
The NAV (diluted) is the Net asset value taking into account the impact of the Convertible Unsecured Loan Stock in issue. The discrete annual performance table refers to 12 month periods, ending at the date shown.

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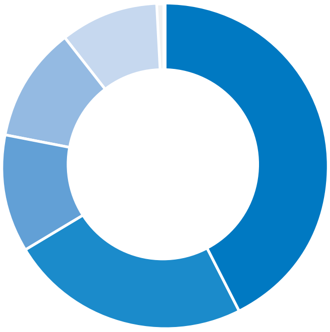
Trust codes

Stock exchange	BGSC / FCSC
Sedol	17505 / BNH7RK3
Legal Entity Identifier	2138008RRULYQP8VP386

Top 10 holdings (%)

	% of net assets	Sector
Eastspring Investments Japan Smaller Companies	4.4	Collective investments
Aberdeen Standard SICAV I Japanese Smaller Companies	3.9	Collective investments
Pinebridge Asia ex Japan Small Cap Equity	3.7	Collective investments
Scottish Oriental Smaller Cos Inv Trust	2.9	Collective investments
Utilico Emerging Markets	2.5	Collective investments
Alleghany	1.5	Financials
Baillie Gifford Japanese Smaller Companies	1.5	Collective investments
STERIS	1.3	Healthcare
Martin Marietta Materials	1.3	Industrials
HSBC GIF Asia ex Japan Equity Smaller Companies	1.1	Collective investments

Geographical breakdown (%)



North America	42.7
UK	23.7
Continental Europe	11.7
Rest of World	11.4
Japan	9.8
Cash & Fixed Interest	0.7

Net dividend distributions pence per share

	2015	2016	2017	2018	2019
January	2.65	2.90	4.00	4.40	5.00
August	7.00	7.80	8.25	10.00	11.50
Total	9.65	10.70	12.25	14.40	16.50

Glossary

Bid price	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
Dividend	Income paid to shareholders by the company they invest in.
Net asset value	A key measure of the value of a company or trust – the total value of assets less liabilities, divided by the number of shares.

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