

Manager Commentary Philip Webster



July was dominated by the earnings season, with several of the Trust's holdings delivering very solid results. As we said last month, there isn't one theme driving markets; movements are very stock-specific. That said, we would expect to see volatility pick up over the coming months as we head towards Brexit, especially among those stocks that have predominantly UK earnings.

Compass delivered a very strong set of results, fuelled by growth in its North American business. The company is continuing to take market share, while seeing high levels of customer retention.

This is driving guidance to the top end of the organic growth range. In a tough aviation market, low-cost carrier Wizz Air delivered another stellar set of figures, driven by solid revenue growth and better delivery on its unit costs. Wizz Air carried 10.1 million passengers in the first quarter, up 20% from the previous year, with an increase in its load-factor to 94%. The only weak set of results was Asos, which has had issues ramping up its European and US warehouses. Investors have become exasperated by these operational issues, but we see them as fixable. We also derive confidence from the fact that these issues are operational rather than consumer-driven, although investors don't seem to care.

Just Eat, a company we have been adding to on share-price weakness, received an approach from European peer Takeaway.com. It is currently working on a 'proposed deal' that would see Takeaway.com pay £7.31 pence per share to acquire the group, which is a 15% premium to the previous day's close. While this

doesn't fully reward Just Eat shareholders for the value we see being released over the medium term, the proposal is a share offer where Just Eat shareholders will own 52% of the combined group, and therefore a significant stake in any future value creation. This deal creates a European champion that would dominate the UK, Netherlands and Germany as well as Canada (where they are market leader) and Brazil. There is a lot of value to be unlocked from Just Eat, which was reinforced by a recovery in UK trading in the second quarter of the year.

In terms of activity, we made a very timely exit from Sage Group prior to a profit warning. The stock has had a very strong run since the end of 2018, and we saw a limited 'margin of safety' in the valuation. We haven't deployed all the funds raised from the disposal, although we did add to Close Brothers, because its share price was weakened after what was a solid, if unspectacular, set of results.

Key facts as at 31.07.2019

Trust aims: To provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth. In pursuit of this objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

Benchmark: FTSE All-Share Index (Pre 05/07/2018 FTSE All-Share Capped 5% Index).

Fund type: Investment Trust

Launch date: 1 March 2007

Total assets: £131.2 million

Share price: 98.00p

NAV: 105.49p

Discount/Premium(-/+): -7.1%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield¹: 5.32%

Net gearing/Net cash²: 2.49%

Management fee rate³: 0.65%

Ongoing charges⁴: 0.98%

Year end: 31 March

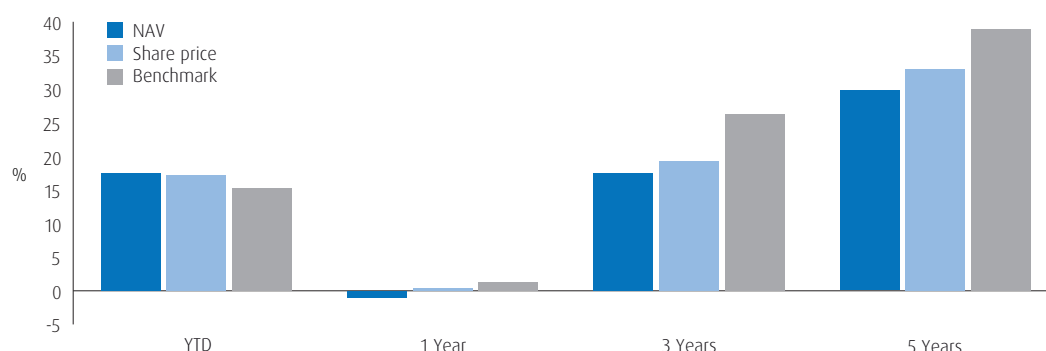
Sector: UK Equity Income

Currency: Sterling

Website: bmoukhighincome.com

¹ Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

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	2.38	17.50	-1.04	17.44	29.73
Share price	5.14	17.11	0.44	19.19	32.96
Benchmark	2.00	15.23	1.27	26.21	38.87

Discrete annual performance (%) as at 31.07.2019

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
NAV	-1.04	6.08	11.87	5.88	4.33
Share price	0.44	3.96	14.15	5.83	5.40
Benchmark	1.27	8.56	14.79	3.74	6.06

Key risks

Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. 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 discrete performance table refers to 12 month periods, ending at the date shown.



Trust codes		
Stock exchange code	Sedol	
BMO UK High Income	BHI	B1N4G29
BMO UK High Income B	BHIB	B1N4H59
BMO UK High Income Units	BHIU	B1N4H93

Top 10 holdings (%)*				
	Portfolio Weight %	Benchmark Weight %	Difference %	Sector
GlaxoSmithKline	6.72	3.55	3.17	Health Care
British American Tobacco	6.45	2.87	3.58	Consumer Goods
RELX	5.85	1.56	4.29	Consumer Services
Prudential	4.59	1.88	2.71	Financials
Compass Group	4.20	1.40	2.79	Consumer Services
Royal Dutch Shell	4.14	8.98	-4.84	Oil & Gas
Close Brothers Group	3.88	0.09	3.79	Financials
Kerry Group	3.48	--	3.48	Consumer Goods
Intermediate Capital Group	3.34	0.16	3.17	Financials
Cairn Homes	3.29	--	3.29	Consumer Goods

All figures are subject to rounding. Not all holdings are in the FTSE All-Share Index.

Net dividend distributions pence per share (paid)/(declared)					
	2015	2016	2017	2018	2019
February	1.11	1.14	1.17	1.21	1.25
May	1.15	1.18	1.21	1.25	1.29
August	1.14	1.17	1.21	1.25	1.29
November	1.14	1.17	1.21	1.25	
Total	4.54	4.66	4.80	4.96	3.83

All figures are subject to rounding.

Total summary		% assets
FTSE 100		48.00
FTSE 250		34.10
Non-Index		6.54
Overseas		5.20
AIM		2.80
Cash		3.36

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.

All data as at 31.07.2019 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets, unless stated otherwise. † The yield is calculated using the intended distributions for the company's financial year to 31 March 2020 and the closing share price and exchange rate as at the end of the relevant month. In the absence of unforeseen circumstances, the company intends that the aggregate distributions for the financial year to 31 March 2020 will be 5.21 pence per share. *Net gearing is total assets less cash and cash equivalents divided by shareholders' funds and expressed as a percentage. Net cash is net exposure to cash and cash equivalents expressed as a percentage of shareholders funds after any offset against gearing. **Ongoing charges and management fee as at the end of 31 March 2019. Please refer to the latest annual report as to how the fee is structured. Ongoing charges are calculated in accordance with AIC recommendations. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. 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 funds that may be mentioned. The factsheet is issued and approved by BMO, a trading name of BMO Asset Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England No 517895. (08/19).