

# BMO Global Smaller Companies PLC



September 2020

Manager Commentary  
Peter Ewins



August was another strong month for equity markets globally, with investors continuing to take comfort from the actions of central banks and governments to address the problems created by COVID-19. Our UK and Japanese portfolios performed well. Local markets did better than other parts of the world, having been laggards over the early part of summer. The US dollar was generally weaker again over the month, moderating the returns in sterling terms from North America. The US Federal Reserve announced that it was likely to be more patient before lifting US interest rates in the event of a rise in inflation. The net asset value (NAV) beat the benchmark over the month, though the share price lagged as the discount widened again.

The UK portfolio outperformed, with the biggest help coming as a result of news that language translation services company SDL Group was to merge with RWS Group, driving a big increase

in SDL's share price. There was good news too from Watches of Switzerland, which reported a strong recovery in sales, while Clipper Logistics' management increased guidance for profits, with the company benefiting from the switch to greater online fulfilment in the retail sector. Team 17 Group, IMmobile, Knights Group, XP Power, OneSavings Bank, Arrow Global and Tyman Group were also strong performers in the month. One weaker holding was Resolute Mining, whose shares fell following news of a coup in Mali, where the company's key mine is situated.

Our North American and European holdings rose in value, but by less than the regional smaller company indices in August. In the former case, our gold holdings gave back some ground as investors took profits, and shares in tyre and automotive repair business Monroe fell as the company's chief executive departed. Ollies Bargain Outlet's shares also pulled back after previous strong performance, while shares in speakers business Sonos dropped as sales numbers failed to impress the market, hindered by stock availability issues. On the upside, our holding in automotive technology business Cerence continued to be buoyed by optimism and news of stronger sales, while shares in Boot Barn recovered strongly on hopes of a sales rebound. The Ensign Group also posted much better than expected numbers early in the month, leading to a strong jump in its shares.

In Europe, the markets continued to move higher and our holdings in Storebrand and Sparebank in the financials sector were lifted as a result. Elekta, the leading producer of radiotherapy equipment, did well following encouraging results. Other strong performance came from Dometic, a supplier of products for caravans, which is benefiting from the growing interest in 'staycations'; Fjordkraft, the Norwegian utility supplier, which reacted well to an attractive acquisition; and CTS Eventim, the leading online ticketing company. Although we lagged in overall terms over the month in Europe, there were few major fallers. The worst individual performer was CanCom, the German IT services business, as its shares reacted badly to results. The margin performance was particularly disappointing, but can be explained by unusual costs and the decision to maintain a relatively high cost base, in terms of highly qualified staff, in the anticipation that the market will recover.

As stated above, this was a good month for the Japanese portfolio. A return in interest in value stocks helped Eastspring's Japanese small-cap fund to regain some ground, having had a difficult 2020 to date. The market took the news of the resignation of Prime Minister Shinzo Abe in its stride, with the expectation that his most likely successor would look to maintain the process of economic reform, though this is not yet certain. Our Asia-facing funds continued to struggle to keep up with the local market performance, though HSBC's Asia ex Japan smaller companies fund once again did well.

## Key facts as at 31.08.2020

**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 50 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:** £831.4m

**Share price:** 122.00p

**NAV (debt at market value):** 133.56p

**Discount/Premium (-/+):** -8.66%

**Dividend payment dates:** Aug, Jan

**Net dividend yield†:** 1.39%

**Net gearing/Net cash\*\*:** 0.97%

**Management fee rate\*\*:** 0.55%

**Ongoing charges\*\*:** 0.75%

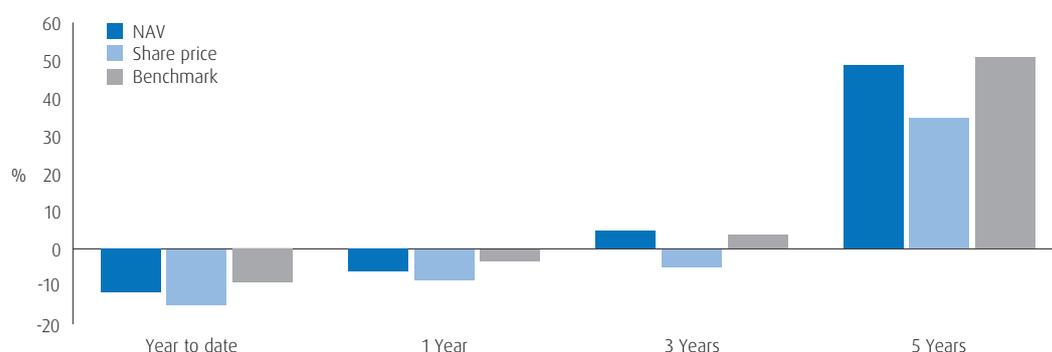
**Year end:** 30 April

**Sector:** Global

**Currency:** Sterling

**Website:** www.bmoglobalsmallers.com

## Fund performance as at 31.08.2020



## Cumulative performance (%) as at 31.08.2020

	1 Month	Year to date	1 Year	3 Years	5 Years
<b>NAV (debt at market value)</b>	4.47	-11.39	-5.87	4.60	48.49
<b>Share price</b>	2.69	-14.78	-8.13	-4.74	34.41
<b>Benchmark</b>	3.96	-8.79	-3.11	3.63	50.57

## Discrete annual performance (%) as at 31.08.2020

	2020/2019	2019/2018	2018/2017	2017/2016	2016/2015
<b>NAV (debt at market value)</b>	-5.87	-2.45	13.90	20.04	18.26
<b>Share price</b>	-8.13	-7.28	11.83	19.70	17.87
<b>Benchmark</b>	-3.11	-3.56	10.90	19.99	21.08

## 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 discrete annual performance table refers to 12 month periods, ending at the date shown.



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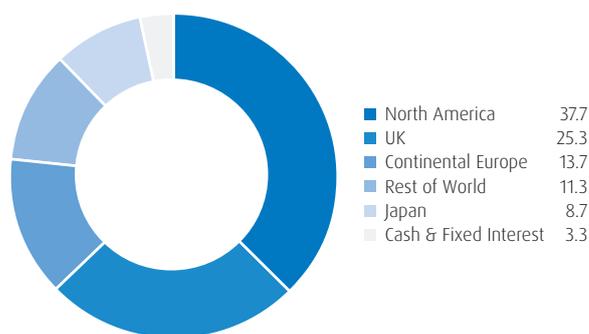
### Trust codes

Stock exchange	BGSC
Sedol	BKLD97
Legal Entity Identifier	2138008RRULYQP8VP386

### Top 10 holdings (%)

	% of net assets	Sector
<b>Aberdeen Standard SICAV I Japanese Smaller Companies</b>	3.9	Collective investments
<b>Pinebridge Asia ex Japan Small Cap Equity</b>	3.8	Collective investments
<b>Eastspring Investments Japan Smaller Companies</b>	3.3	Collective investments
<b>Scottish Oriental Smaller Cos Inv Trust</b>	2.7	Collective investments
<b>Utilico Emerging Markets</b>	1.9	Collective investments
<b>Wheaton Precious Metals</b>	1.5	Basic Materials
<b>Baillie Gifford Japanese Smaller Companies</b>	1.4	Collective investments
<b>ICON</b>	1.4	Healthcare
<b>Alleghany</b>	1.1	Financials
<b>The Ensign Group</b>	1.0	Healthcare

### Geographical breakdown (%)



### Net dividend distributions pence per share

	2015	2016	2017	2018	2019	2020
<b>January</b>	0.27	0.29	0.400	0.44	0.50	0.55
<b>August</b>	0.70	0.78	0.825	1.00	1.15	1.15
<b>Total</b>	0.97	1.07	1.225	1.44	1.65	1.70

Restated for 10 for 1 share split

### Glossary

<b>Bid price</b>	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
<b>Dividend</b>	Income paid to shareholders by the company they invest in.
<b>Net asset value</b>	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 31.08.2020 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. Percentages in the top ten holdings table based on gross assets. † The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year and the closing share price as at the end of the relevant month. \* 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. Please refer to the latest annual report as to how the fee is structured. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Investor Document ("KID") for the relevant product. 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 & Wales No 517895. (09/20)