

Manager Commentary Philip Webster



In February, markets sold off as they came to terms with the spread of coronavirus. The virus is now global, but it's impossible to tell how much worse this will get, or how long it's going to last. While the UK has been relatively unaffected to date, we have no visibility on the potential impact, and what it will do to earnings.

We have spoken with a large proportion of our holdings to try and gauge the impact, but due to the fluid nature of the outbreak, this information is obsolete within a matter of days. It will come as no surprise that we have witnessed the sharpest sell-off in travel (Wizz Air), luxury (Richemont) and Jupiter Fund Management (with the fall in markets). While this may well get worse, trying to mitigate the downside, or time the market, is in my opinion a fool's game. This will come to an end – we don't know when, but sales will recover eventually. I'm reminded of the great Buffett quote: 'be greedy while others are fearful'.

This isn't a time to panic; if anything, I see this as a great opportunity, although my feeling is that it's too early to be chasing the stocks in the firing line.

As mentioned above, I don't see this as a time to try and be clever. I have not yet made any changes to the portfolio, but we are monitoring the weaker stocks, so it's only a matter of when. There is also considerable polarisation in the portfolio, with Pennon up in the year to date, and companies like Kerry Group, RELX and British American Tobacco holding firm. There is, therefore, capital available to add to the weaker stocks when we can get a better handle on the earnings impact.

Key facts as at 29.02.2020

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: £121.7 million

Share price: 88.00p

NAV: 97.77p

Discount/Premium(-/+): -10.0%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield †: 5.92%

Net gearing/Net cash*: 4.12%

Management fee rate:** 0.65%

Ongoing charges:** 0.98%

Year end: 31 March

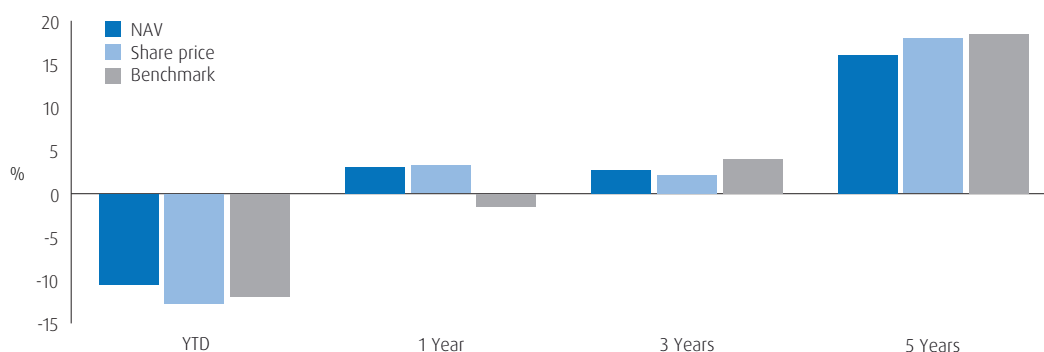
Sector: UK Equity Income

Currency: Sterling

Website: bmo.ukhighincome.com

** 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 29.02.2020



Cumulative performance (%) as at 29.02.2020

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-9.04	-10.43	3.06	2.72	16.00
Share price	-12.00	-12.62	3.20	2.11	17.88
Benchmark	-8.89	-11.85	-1.43	3.99	18.43

Discrete annual performance (%) as at 29.02.2020

	2020/2019	2019/2018	2018/2017	2017/2016	2016/2015
NAV	3.06	-1.75	1.45	20.23	-6.08
Share price	3.20	-5.19	4.36	23.38	-6.43
Benchmark	-1.43	1.46	3.98	22.63	-7.13

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
British American Tobacco	7.13	3.37	3.77	Consumer Goods
GlaxoSmithKline	6.58	3.69	2.89	Health Care
RELX	5.97	1.69	4.28	Consumer Services
Cairn Homes	4.32	0.00	4.32	Consumer Goods
Compass Group	4.14	1.31	2.84	Consumer Services
Intermediate Capital Group	4.08	0.21	3.86	Financials
Close Brothers Group	3.98	0.09	3.89	Financials
Rio Tinto	3.91	1.91	2.00	Basic Materials
Kerry Group	3.82	0.00	3.82	Consumer Goods
Prudential	3.65	1.59	2.06	Financials

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	2020
February	1.11	1.14	1.17	1.21	1.25	1.29
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	1.29	
Total	4.54	4.66	4.80	4.96	5.12	1.29

All figures are subject to rounding.

Total summary		% assets
FTSE 100		45.18
FTSE 250		34.71
Non-Index		8.17
Overseas		6.03
AIM		3.61
Cash		2.30

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 29.02.2020 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. (03/20).