

BMO Global Smaller Companies

Annual General Meeting

Peter Ewins – Lead Manager

Investment risks

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.

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.

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

Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

Agenda

Review of the 2018/19 financial year

Update on portfolio structure and regional strategy

Performance in the new financial year to date

Outlook

2018/19 Results Highlights

- Diluted Net Asset Value total return +3.8%
- Benchmark total return +3.0%
- Share price total return -1.0%
- Dividend per share +14.6%

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

Source: BMO Global Asset Management as at 30-Apr-19. Benchmark: MSCI All Country World ex UK Small Cap Index (70%) / Numis UK Smaller Companies (ex investment companies) Index (30%).

Performance

Discrete performance %, 12 month rolling (GBP, net of fees, total returns)

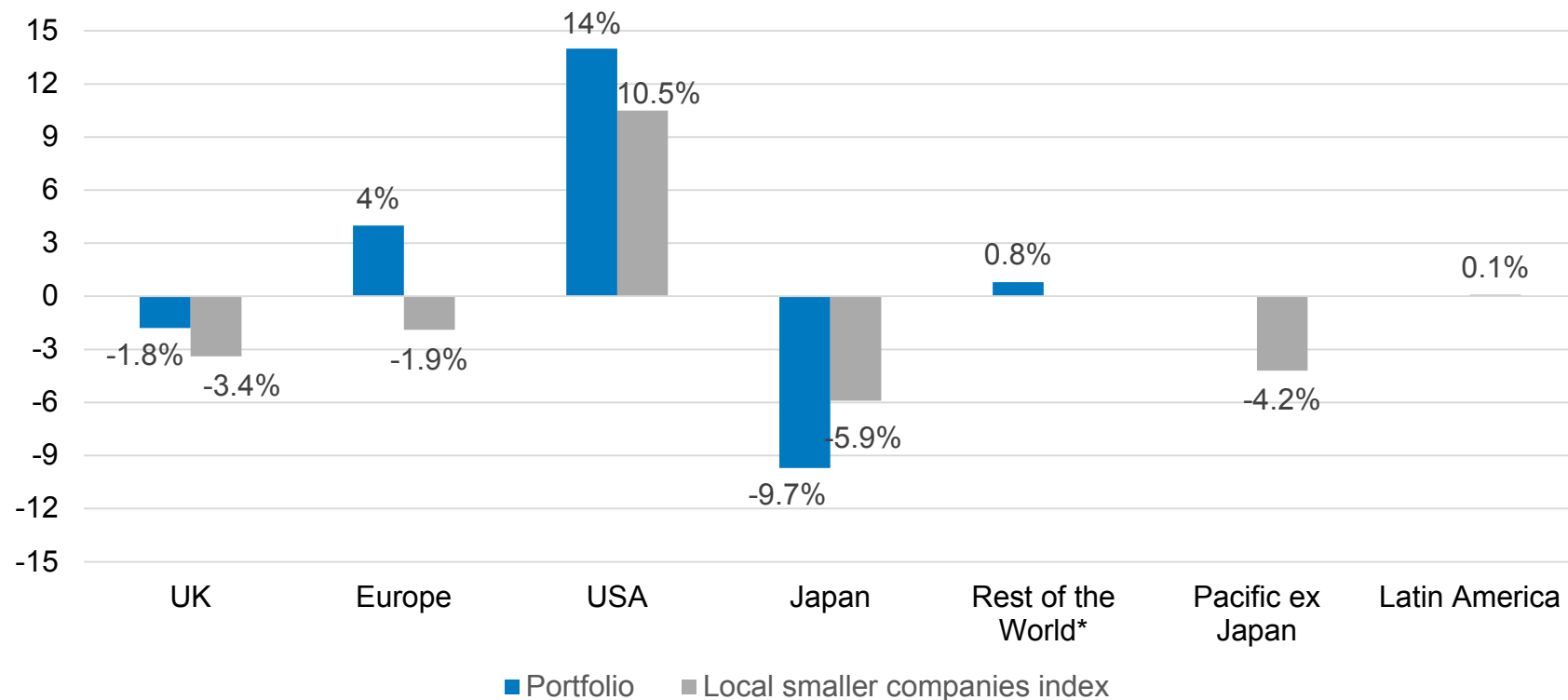
Percentage growth, %	Jun-18/ Jun-19	Jun-17/ Jun-18	Jun-16/ Jun-17	Jun-15/ Jun-16	Jun-14/ Jun-15
NAV	0.6	12.4	25.9	6.6	14.8
Share Price	-3.5	10.7	28.4	4.2	14.8
Benchmark	-0.5	10.9	25.8	7.5	10.5

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

Source: BMO Global Asset Management as at 30-Jun-19. Benchmark: 30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index The discrete annual performance table refers to 12 month periods, ending at the 30 April. Figures subject to rounding.

Regional performance in 2018/19

Geographical performance (total return, GBP)



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

Source: BMO Global Asset Management as at 30-Apr-19. Fee costs are not attributed to the regional portfolios.

*Performance of the Rest of World portfolio is measured against both the Asian and Latin American smaller company indices. Local Smaller Companies Indices are: UK – Numis UK Smaller Companies (excluding investment companies) Index; US – Russell 2000 Index; Europe – Euromoney Smaller Europe ex UK Index; Japan – MSCI Japan Small Cap Index; Pacific ex Japan – MSCI AC Asia ex Japan Small Cap Index; Latin America – MSCI EM Latin American Small Cap Index. Figures subject to rounding.

Market background

- Global economy still growing, labour market trends encouraging, but slowdown from mid 2018
- Increased US interest rates, pull-back from quantitative easing in Europe, combined with tariff developments undermined equity markets through Q4 2018
- Stronger dollar and the trade news impacted sentiment towards emerging markets
- Brexit plus European political developments created additional uncertainty for investors
- More cyclical sectors and stocks affected by trade war underperformed, larger stocks did better
- Markets now anticipating policy easing once more from Central Banks leading to a better start to calendar 2019

Our reaction to market developments

- A tough year to navigate with corporate earnings under pressure and political influences impacting markets
- Portfolio positioning evolved towards a more defensive bias as the economic news deteriorated
- Remained underweight in UK, overweight in Europe and Japan
- Held overweight position in the US for much of the year given superior domestic economic momentum
- Asian exposure increased early in the year, but held back as trade tensions mounted
- Gearing maintained at around 5% through the year, and reviewed options for replacing maturing Convertible Unsecured Loan Stock

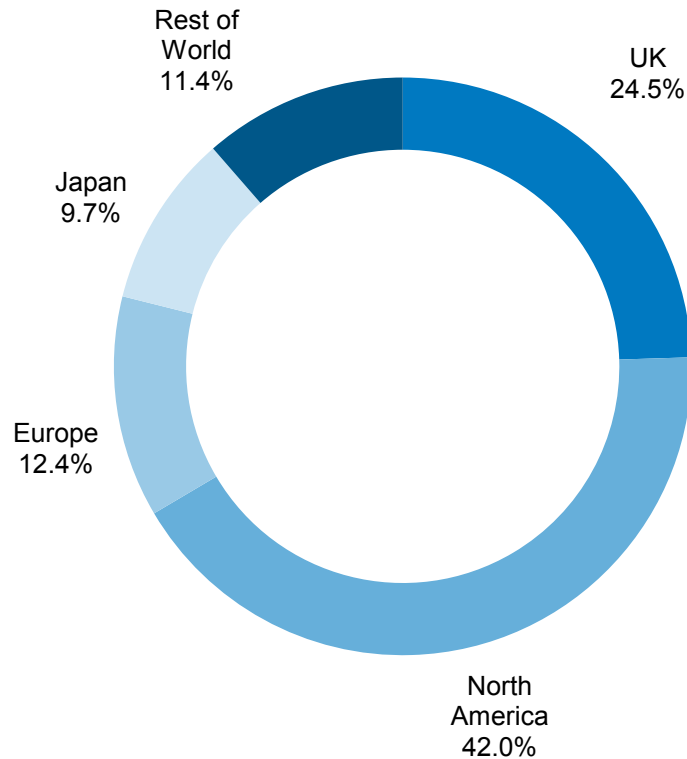
Some of the largest positive contributors in 2018/19



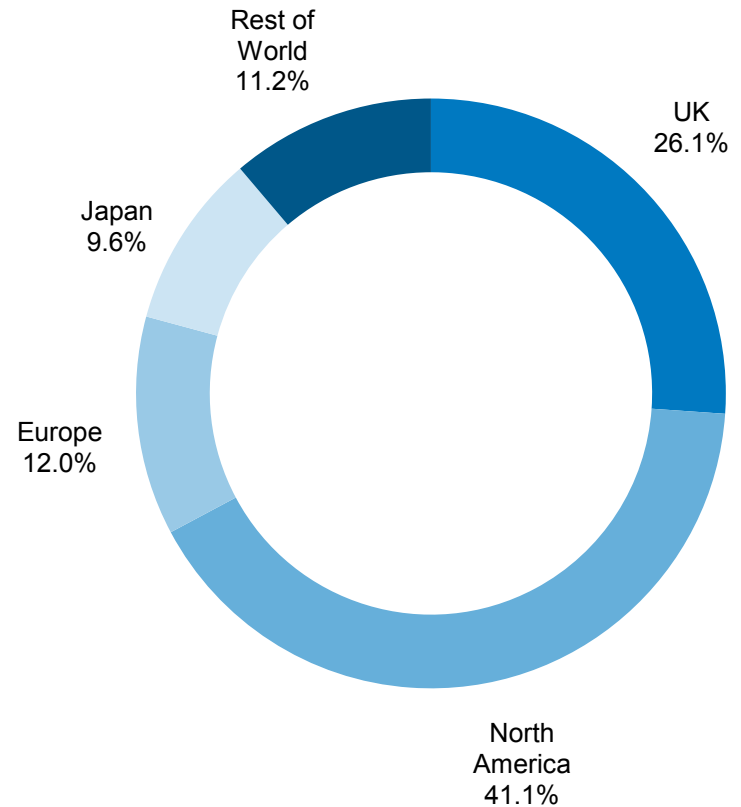
Source: Google.com as at 20.07.2018. This does not constitute a recommendation to buy or sell any particular security.

Geographic split of the portfolio

30 June 2019



30 April 2019



Source: BMO Global Asset Management, MSCI as at 30-Jun-19. Benchmark: MSCI All Country World ex UK Small Cap Index (70%) / Numis UK Smaller Companies (excluding investment companies) Index (30%).

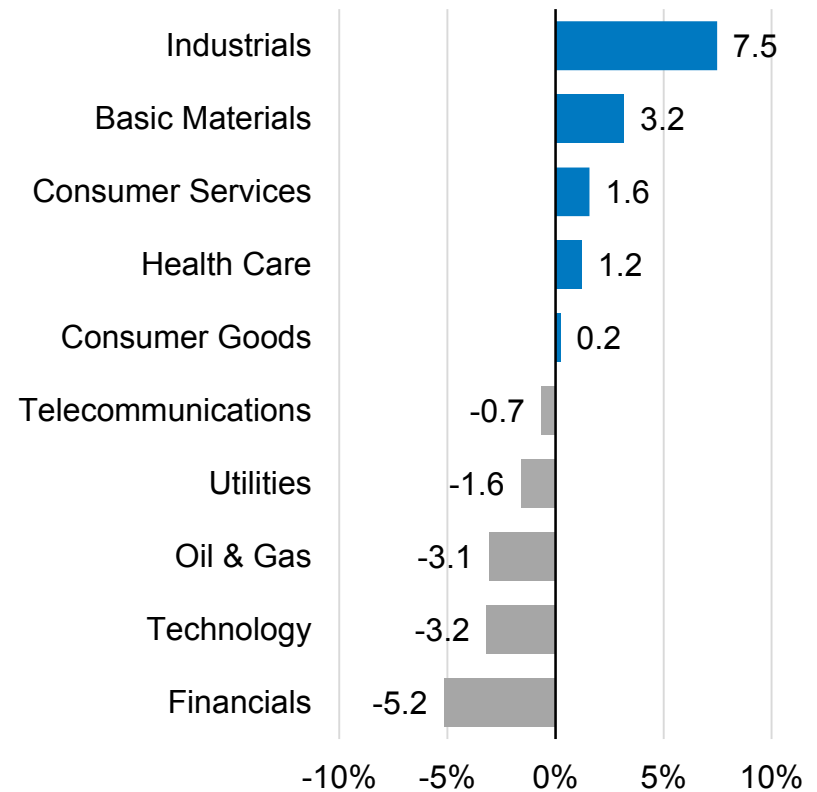
Key stock positions

North American portfolio

Top 10 absolute Holdings

	Portfolio weight %*
Alleghany	3.5
STERIS	3.4
Martin Marietta Materials	2.8
ICON	2.7
WEX	2.6
World Fuel Services	2.4
CDW	2.3
Genesee & Wyoming	2.2
Wheaton Precious Metals	2.2
Parkland Fuel	2.2
Total	26.4

Sector allocation (relative to benchmark* %)



Source: BMO Global Asset Management as at 30-Jun-19. *Portfolio weights refer to North American portfolio. This does not constitute a recommendation to buy or sell the mentioned security. Figures subject to rounding. Benchmark: Russell 2000.

North American portfolio strategy

- Added to defensive parts of the market, such as Utilities and REITs early in last year
- Bought new holdings involved in energy infrastructure and fuel transportation but remained cautious on oil/gas production companies
- Built up exposure to precious metals later in the year
- Looking for ways to benefit from roll-out of 5G infrastructure
- Taken profits more recently within Health Care, gained from M&A activity, still avoiding biotech
- Cautious towards parts of consumer discretionary area where tariffs and rising costs are a threat to margins

Source: BMO Global Asset Management as at 30-Jun-19. REITS = Real Estate Investment Trusts.

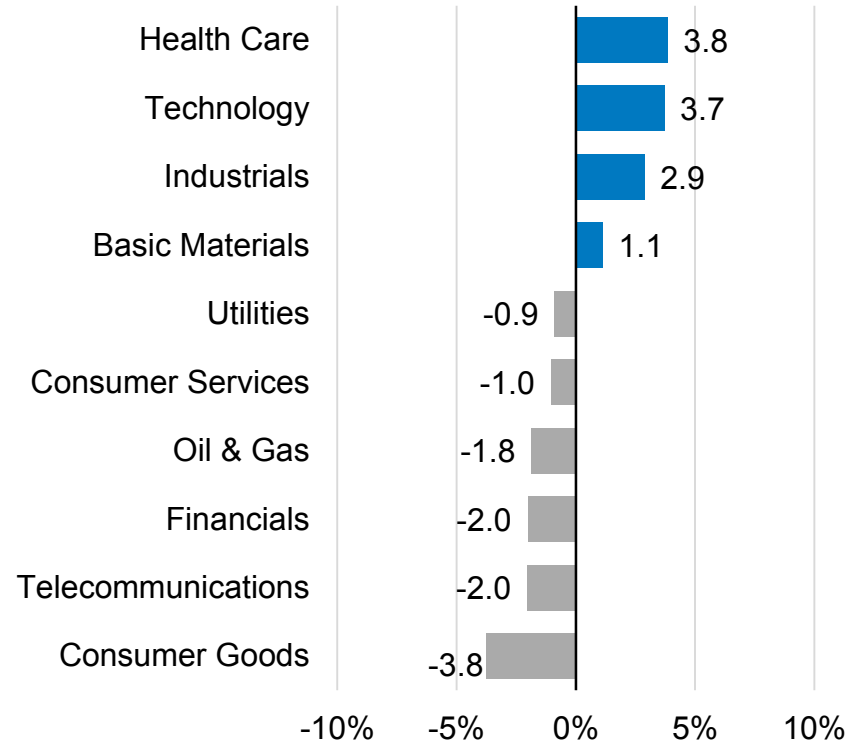
Key stock positions

UK portfolio

Top 10 absolute Holdings

	Portfolio weight %*
CLS Holdings	2.8
AFH Financial Group	2.4
Sirius Real Estate	2.3
Clinigen Group	2.2
Huntsworth	2.2
Sanne Group	2.1
Next Fifteen Communications	2.1
Tarsus Group	2.0
Treatt	1.9
Polypipe Group	1.9
Total	21.9

Sector allocation (relative to benchmark%)



Source: BMO Global Asset Management as at 30-Jun-19. * Portfolio weights refer to UK portfolio. Benchmark: Numis UK Smaller Companies (excluding investment companies) Index. This does not constitute a recommendation to buy or sell the mentioned security. Figures subject to rounding.

UK portfolio strategy

- Activity has involved mainly searching for more defensive and niche businesses given macro-uncertainties
- Stayed overweight to sectors offering quality growth stocks such as Health Care, Media, Financial services and Technology
- Actively looking at opportunities within Resources but need to be very selective given risks
- Remained slightly underweight in REITs with part of exposure to European markets and recent new holding in logistics focused fund
- Very limited exposure to Retail sector on structural basis, other underweight sectors include Insurance, Food Producers on valuation grounds

Source: BMO Global Asset Management as at 30-Jun-19.

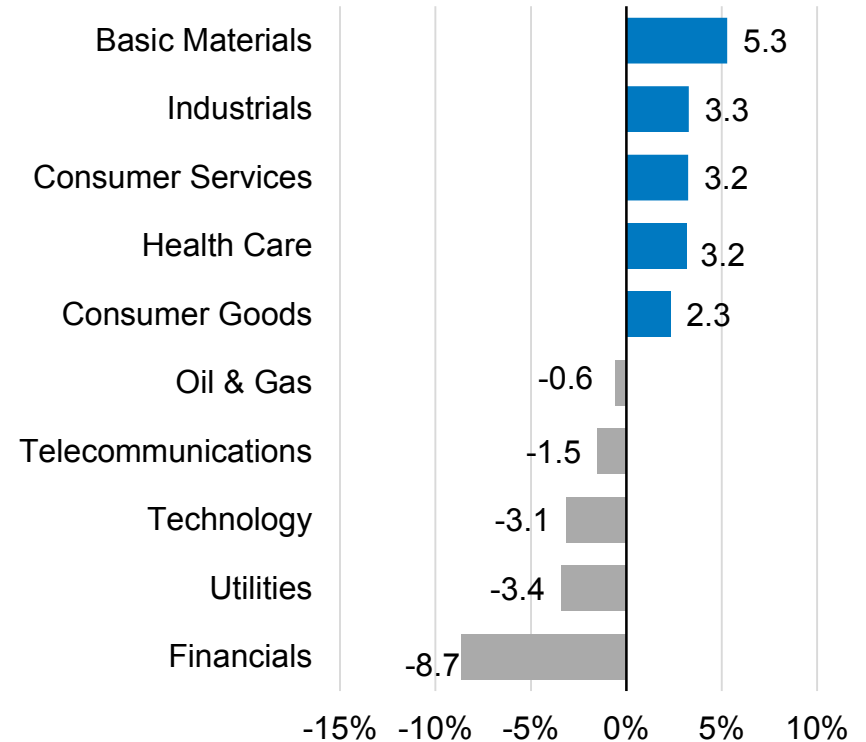
Key stock positions

European portfolio

Top 10 absolute Holdings

	Portfolio weight %*
IMCD	4.6
Coor Service Management	4.6
Vidrala	4.1
Forbo	4.1
Ringkjoebing Landbobank	3.9
Diasorin	3.7
Tecan	3.7
Cerved Group	3.7
CTS Eventim	3.6
Gerresheimer	3.5
Total	39.3

Sector allocation (relative to benchmark %)



Source: BMO Global Asset Management as at 30-Jun-19. *Portfolio weights refer to European portfolio. Benchmark: EMIX ex UK Index. This does not constitute a recommendation to buy or sell the mentioned security. Figures subject to rounding.

European portfolio strategy

- Added in 2018 to medical technology stocks within Health Care
- Still positive on selected Banks and Insurers where local market returns are attractive
- Took profits on a number of cyclical stocks where recovery prospects became priced in
- Underweight in Technology but several stocks held within other sectors are plays on digital growth
- Portfolio holdings lower geared on average than the market with superior return on equity
- Main country overweights in Netherlands, Norway, Ireland, Germany, underweight in France, but stock selection driven

Source: BMO Global Asset Management as at 30-Jun-19.

Collectives for Japan and Rest of World

Holdings	Portfolio weight %*
Eastspring Investments Japan Smaller Companies Fund	4.7%
Aberdeen Standard SICAV 1 Japan Smaller Companies	4.1%
Pinebridge Asia ex Japan Small Cap Fund	3.6%
The Scottish Oriental Smaller Companies Trust	3.0%
Utilico Emerging Markets	2.4%
HSBC GIF Asia ex Japan Equity Smaller Companies	1.2%
Ballie Gifford Japanese Smaller Companies	1.0%
Aberdeen Standard SICAV 1 Asian Smaller Companies	0.9%
Australian New Horizons Fund	0.3%

- Since the financial year end, have started a holding in the Baillie Gifford Japanese Smaller Companies Fund.
- Looking at options in Global Emerging Markets sphere

Source: BMO Global Asset Management as at 30-Jun-19. *Percentage of investment portfolio including cash. This does not constitute a recommendation to buy or sell the mentioned security. Figures subject to rounding.

Performance in the new financial year up to 18 July 2019

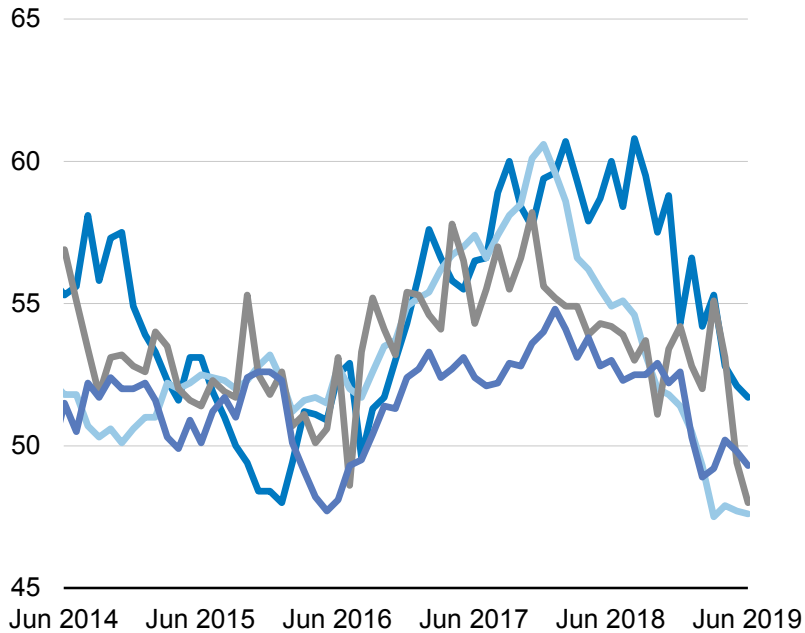
- Diluted Net Asset Value total return +3.4%
- Benchmark total return +2.0%
- Share price total return +1.3%

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

Source: BMO Global Asset Management as at 18-Jul-19. The NAV total return shown is inclusive of all costs.

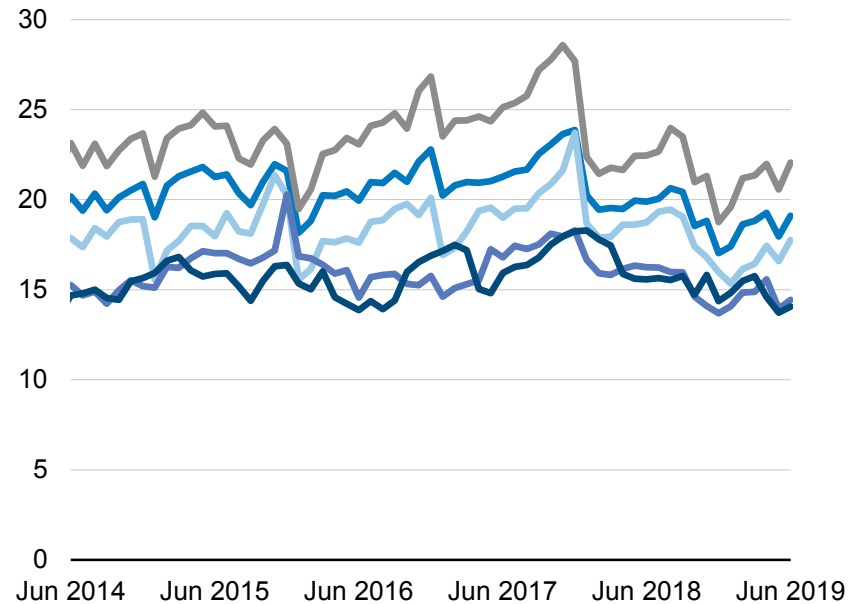
Market backdrop

PMI developed market



— US — Europe Ex UK — UK — Japan

Developed Market Forward P/E



— MSCI World SC — MSCI US SC
 — MSCI Europe ex UK SC — MSCI UK SC
 — MSCI Japan SC

Source: Bloomberg as at 30-Jun-19. PMI: Purchasing Managers' Index. P/E = Price-Earnings

Outlook

- Positive start to new year for investment portfolio
- Recent macro-economic data and profit warnings suggest a tricky end to 2019 in store for company earnings
- Markets likely to remain sensitive to news on trade and US interest rates
- Central Banks appear ready to provide stimulus if necessary
- Brexit situation and the threat of an election keep us cautious on many UK centric stocks
- Scope for over-reactions in share prices to open up opportunities, remains an attractive universe of stocks for our experienced team to select from

Source: BMO Global Asset Management.

Disclaimer

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Calls may be recorded.

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