

# BMO Managed Portfolio Trust PLC

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## AGM Presentation

Peter Hewitt

Director, Global Equities and Fund Manager

# Investment Risks

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- The value of investments and any income from them can go down as well as up 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.
- Gearing is used for investment purposes to obtain, increase or reduce exposure to an asset, index or investment. The use of gearing can enhance returns to investors in a rising market, but if the market falls the losses may be greater.

# BMO Managed Portfolio Trust

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- At launch in April 2008 95% Rollover £42m assets, 2,300 shareholders (approx)
- Active Share Repurchase and Issuance Programme kept rating close to net asset value
- BMO Retail Plans, significant source of demand
- Since Feb 2015 Income Portfolio has issued shares to the value of £23.1m and Growth Portfolio has issued shares to the value of £16.1m In total raising nearly £40m.
- Appointed as rollover vehicle for Cayenne Trust which was liquidated in December 2015. £13m of assets moved to the F&C Managed Portfolio Trust
- Assets currently are around £143m with over 15,000 shareholders

# What is the BMO Managed Portfolio Trust – key attributes

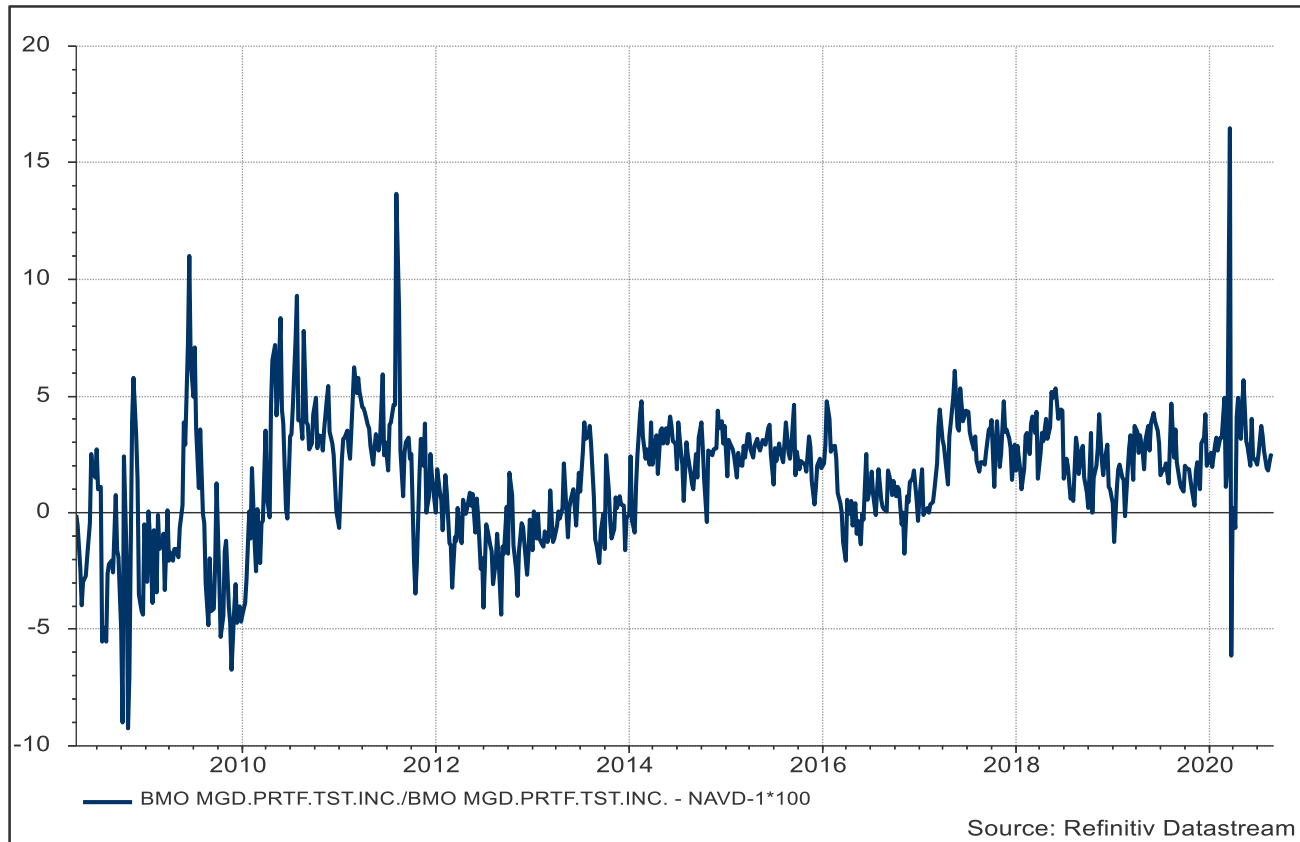
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## Aim to be a Long Term Savings Vehicle for private individuals and trusts

- Use the capital structure of an investment company to customise returns for shareholders
- Conventional Investment Company structure with two separate portfolios – Income and Growth
- Clear objectives for both portfolios :
  - growth – capital returns only
  - income – income growth/total return
- Listed on LSE in April 2008, focussed portfolios with around 40 holdings in each
- Performance
- Very low portfolio turnover
- Transfer of Income between portfolios
- Tight control of rating/discount, good liquidity of shares
- Conversion Facility

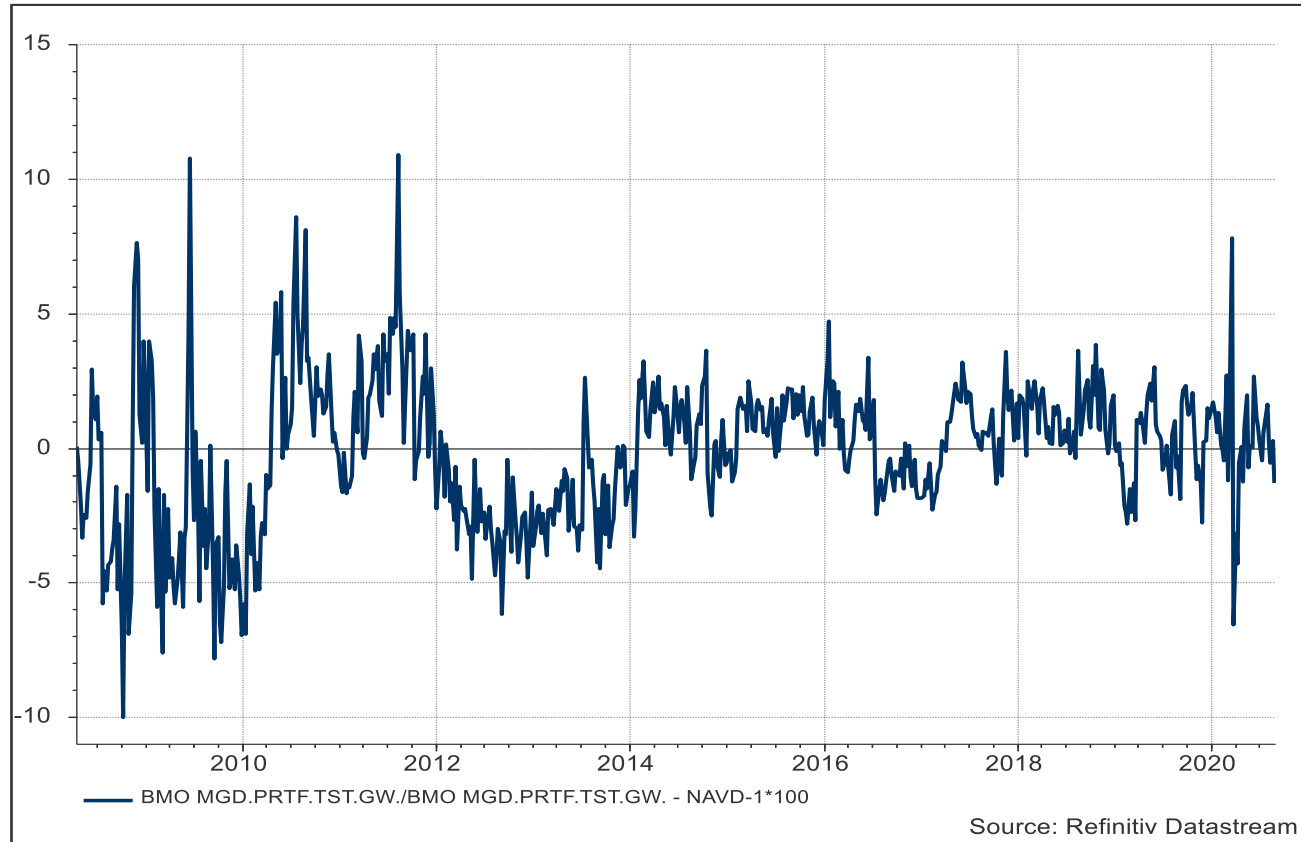
# Income Portfolio – Discount to Launch

As at 26 August 2020



# Growth Portfolio – Discount to Launch

As at 26 August 2020



# BMO Managed Portfolio Trust Performance to 31<sup>st</sup> May 2020

Performance against Benchmark	1 Yr %	3 Yrs %	5 Yrs %	Since Launch 16 April 08 %
Income Portfolio NAV	-7.3	-2.1	+16.0	+106.9
Growth Portfolio NAV	+1.5	+12.1	+35.4	+112.6
FTSE All Share Index	-11.2	-8.4	+6.9	+70.2

Performance against Benchmark	3 mths to 31 Aug 2020 %
Income Portfolio NAV	+5.0%
Growth Portfolio NAV	+8.5%
FTSE All Share Index	+0.3%

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

Source: AIC, BMO, All Figs are net total return

# Table of Returns

Year to 31 May	Income NAV	Growth NAV	FTSE All-Share
2009*	-22.4%	-29.9%	-23.2%
2010	23.9%	24.2%	22.9%
2011	24.4%	24.0%	20.4%
2012	-6.6%	-12.6%	-8.0%
2013	34.2%	32.8%	30.1%
2014	6.0%	9.3%	8.9%
2015	10.0%	12.8%	7.5%
2016	-4.8%	-4.5%	-6.3%
2017	24.5%	26.4%	24.5%
2018	3.0%	11.0%	6.5%
2019	2.6%	-0.5%	-3.2%
2020	-7.3%	1.5%	-11.2%
Since Inception (16/4/08 to 31/08/20)	118.1%	130.6%	70.7%

Past performance should not be seen as an indication of future performance. \* Net Total return figures



# BMO MPT Income Yield Comparison and Dividend Record

	Dividend/Income Yield
FTSE All Share Index (UK Equities)	4.42%
FTSE All Stocks Index (UK Govt Bonds)	0.60%
BMO Managed Portfolio Trust Income Portfolio	5.02%

## 10 Year Dividend Record

2008-11 4.4p  
2012 - 4.5p  
2013 - 4.6p  
2014 - 4.8p  
2015 - 5.0p  
2016 - 5.2p  
2017 - 5.45p  
2018 - 5.70p  
2019 - 5.95p  
2020 - 6.10p

+2.5%

Q1 FY2021 – 1.40p v 1.40p flat

Special Dividend of 0.8p paid with Q4 2018 div

Source: Financial Times 25th Aug 2020 and Bloomberg

# Top Ten Holdings Growth Portfolio

Name	Portfolio %	Sector	Yield %
Monks Investment Trust	4.9	Global	0.2
Allianz Technology Trust	4.8	Technology & Media	0.0
Polar Capital Technology Trust	4.2	Technology & Media	0.0
Scottish Mortgage Investment Trust	4.0	Global	0.4
BH Macro	3.5	Hedge Funds	0.0
Worldwide Healthcare Trust	3.4	Biotechnology & Healthcare	0.7
HG Capital Trust	3.3	Private Equity	1.7
Mid Wynd International	3.0	Global	1.0
Impax Environmental Markets	2.9	Environmental	0.7
Herald Investment Trust	2.9	Global Smaller Companies	0.0

Source: BMO, 25<sup>th</sup> Aug 2020 Bloomberg

# Top Ten Holdings Income Portfolio

Name	Portfolio %	Sector	Yield %
BB Healthcare	3.9	Biotechnology & Healthcare	3.1
HBM Healthcare Investments	3.8	Biotechnology & Healthcare	2.9
BB Biotech	3.6	Biotechnology & Healthcare	4.9
Scottish American Investment Company	3.4	Global Equity Income	2.9
JPMorgan Global & Income	3.3	Global Equity Income	3.7
Hipgnosis Songs	3.3	Royalties	4.1
3i Infrastructure	3.0	Infrastructure	3.4
Law Debenture	3.1	UK Equity Income	4.8
Bankers Investment Trust	2.9	Global	2.3
Princess Private Equity	2.8	Private Equity	3.5

Source: BMO, 25<sup>th</sup> Aug 2020 Bloomberg

# Recent Sales – Growth Portfolio

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- Blackrock Frontiers Trust (Global Emerging)

As at 21<sup>st</sup> Oct 2019

# Recent Purchases – Growth Portfolio

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- Hipgnosis Songs Fund (Royalties)
- Baillie Gifford European Growth (Europe)
- Artemis Alpha (UK All Companies)
- Merian Chrysalis (Addition) (Growth Capital)
- Henderson Smaller Companies (Addition) (UK Smaller Companies)
- Baillie Gifford UK Growth (Addition) (UK All Companies)

As at 25<sup>th</sup> Aug 2020

# Recent Sales – Income Portfolio

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- Majedie Investment Trust (Global)
- Temple Bar (UK Equity Income)
- Aberforth Split Income (UK Smaller Companies)
- Perpetual Income & Growth (Top Slice) (UK Equity Income)
- Assura REIT (Top Slice) (Specialist Healthcare Property)

As at 26th Aug 2020

# Recent Purchases - Income Portfolio

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- Supermarket Income REIT (Property)
- Biopharma Credit (Direct Lending)
- Mercantile Investment Trust (UK All Companies)
- Hipgnosis Songs Fund (Addition) (Royalties)
- Jupiter Emerging & Frontier Income (Addition) (Global Emerging)
- Impact Healthcare REIT (Addition) (Specialist Healthcare Property)

As at 26th Aug 2020

# Prospects for 2021

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- Recovery from recession across most regions to continue though pace of growth will moderate into 2021. Pre-pandemic size of economies not achieved until 2022.
- Principal risk is a second wave of infections during the winter before a vaccination is available.
- To support growth much higher fiscal spending from Governments is anticipated over the next few years
- Interest rates to remain very low though inflation may start to rise later in 2021. Bond yields to stay low.
- On balance a Brexit deal is expected however a “ no deal Brexit” is a negative risk for UK assets
- Central Banks to continue with policy of Quantitative Easing which is supportive of financial assets
- Strong corporate earnings rebound likely in 2021 though only the US to exceed 2019 eps level
- Valuations have moved above long run historic averages (in part due to the fall in 2020 eps) with the most extreme a forward p/e of 22x in US. UK one of the most attractive equity markets at a forward p/e of 14x.
- Still favour investment companies exposed to secular growth, especially in BMPG and where possible in BMPI
- Outlook for income remains challenging. BMPI working hard to at least maintain fiscal 2021 dividend



# BMO Managed Portfolio Trust - Summary

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- London listed investment trust which employs a global investment strategy using investment companies
- Long term investment approach
- Unconstrained by benchmark, flexibility key
- Income Portfolio, equity based portfolio with 5.0% dividend yield. Strong performance since launch
- Growth Portfolio, global portfolio positioned to benefit when markets recover, returns are capital only
- Designed as a long term savings vehicle for private clients/retail investors
- Potentially ideal for Trusts and Trustee Investment

# Appendix

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# Income Transfer Example

Income Pool	Growth Pool	Total
Investments of Income Pool 100	Investments of Growth Pool 100	Opening Investments 200
Dividends received 4	Dividends received 1	Dividends received 5
	Pool Transfers:	
	Dividends on growth pool to Income pool	
1	-1	
-1	1	
	Capital transfer to Growth pool	
Dividend paid to Income shareholders-5	Dividend paid to Growth shareholders 0	Dividends paid -5
NAV of Income Pool share class 99	NAV of Growth Pool share class 101	Closing Investments 200

# Investment Trusts - Performance

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- Sector tends to do better in relative terms in rising markets. Reverse also true

## *Factors that influence performance*

- Gearing
- Currency
- Discounts
- Performance of Big Companies (FTSE 100) relative to Mid/Small Companies (FTSE 250/Small Cap index)

# Investment Philosophy & Process

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**Seeks long term total returns, aim for quality and consistency**

**Reliance on proprietary research**

**Absolute return mentality, protect clients capital in difficult markets**

**Look for performance of assets over time**

**Discount whilst an important element in the decision to invest it is not the dominant factor**

**Regular manager meetings**

- Identify managers who out perform consistently
- Understand investment process and style

**Good relationships with analyst and sell side brokers**

# Investment Philosophy

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## Long term investment perspective

### Focus on listed Investment Companies

- Manager access
- Liquidity
- Regulation

### Absolute return mentality

- Cash/gearing decision
- Capital protection/growth
- Freedom to invest globally without reference to a benchmark

### Take advantage of development of new and existing sectors

- Technology, biotechnology,
- Boutique flagship funds
- Emerging markets

# Investment Process?

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## Asset Allocation

- Portfolio will have a global/overseas bias
- Regular macro input from global strategy team

## Key drivers – ideas and stock selection

- Prospects for relevant market or sector company invests in
- Asset performance over long run, quality and consistency
- Identify fund managers who can outperform
- Regular meetings with managers is a key factor in decision to buy
- Discount whilst an important element as decision to invest is not the dominant factor

# Investment Process

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## Lack of quality research

- Leads to significant proprietary research work

## What to look for in managers

- Process
- Experience
- Resources
- Focus
- Performance

## Regular meetings with investee/target managers

## Understand investment process and style



# Investment Process

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**Objective**

**Benchmark**

**Portfolio turnover**

**Buyback/issuance policy**

- Is there a Discount Control Mechanism?
- DCM Track record

**Use of derivatives**

**Investment outside of universe**

- Style drift

**Nature of shareholders**

**Board**

# Investment Process

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## Gearing

- Who takes the decision, stated range of guidelines
- Magnitude, duration, fixed or variable, cost

## Allocation of costs

- Capital or income

## Fees

- Annual Management Charge, total expenses, nature of performance fees

## Dividend policy

- Appropriate level of revenue reserves
- Payment from capital reserve

# Contact us

## BMO Global Asset Management (EMEA) – Head Office

Exchange House

Primrose Street

London EC2A 2NY

Tel: +44 (0) 20 7628 8000

Calls may be recorded.

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