

Manager Commentary Philip Webster



The UK market remained very volatile in October, selling off sharply before recovering some poise in the final week. This should be the perfect stock-pickers' market – it is for the long-term investor – but, for the time being, share prices are decoupling from reality. This shouldn't be a surprise – behavioural biases have always been part of day-to-day market movements; they just become more skewed during risk-off markets.

This is clear to see in the performance of large-cap names, including Unilever and AstraZeneca, neither of which I own. Investors are seeking the relative

'safe haven' of these names at the expense of other areas of the market, such as UK domestic plays or technology. We have made it clear that we have exposure to a select number of the larger capitalised names but we are very underweight oil & gas and the pharmaceutical sectors, which we have no intention of changing because of the backdrop. Likewise, our view of technology was never about chasing a theme or trend. We believe in the long-term structural growth of these businesses, and will continue to hold and opportunistically add to these on weakness.

Over the month, we added to Wizz Air. We have been following this sector for several years and the recent sell-off finally gave us the opportunity to build a position. Wizz is a low-cost carrier in Central and Eastern Europe with a market-leading position and one of the lowest cost bases in the industry, which keeps competitive threats at bay. There has been a lot of negativity around the rising fuel price, which is adding

to its cost base. However, what isn't being written about is how this is affecting the less efficient carriers who are going bust almost monthly, which is reducing capacity and allowing Wizz to grab share and grow yields (fares) to mitigate the cost pressures.

Aside from Wizz, we do not believe the current market environment is a good time to be too clever, so activity elsewhere has been very light. While we see a lot of value in the trust, we believe it's important to take a measured approach to adding to parts of the market where sentiment is negative.

Key facts as at 31.10.2018

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: £125.3 million

Share price: 93.00p

NAV: 99.88p

Discount/Premium(-/+): -6.9%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield †: 5.25%

Net gearing/Net cash*: 6.35%

Management fee rate:** 0.65%

Ongoing charges:** 0.93%

Year end: 31 March

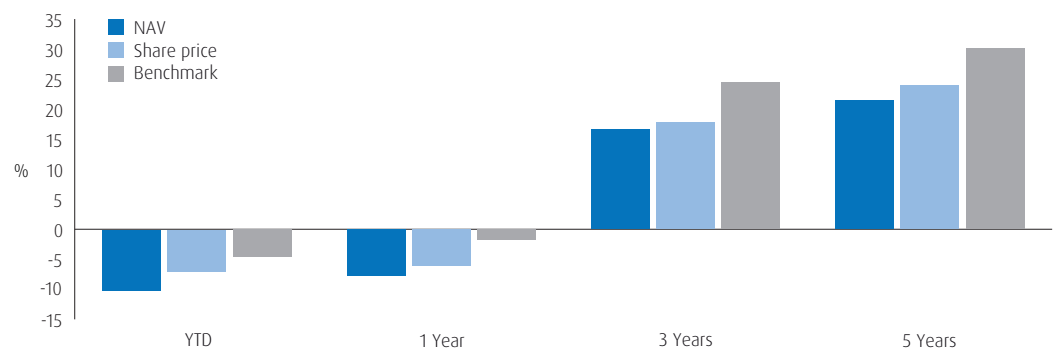
Sector: UK Equity Income

Currency: Sterling

Website: bmoukhighincome.com

** Ongoing charges and management fee as at the end of 31 March 2018. Please refer to the latest annual report as to how the fee is structured. Ongoing charges are calculated in accordance with AIC recommendations.

Fund performance as at 31.10.2018



Cumulative performance (%) as at 31.10.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-6.28	-10.12	-7.66	16.61	21.40
Share price	-6.77	-6.96	-6.07	17.69	23.94
Benchmark	-5.19	-4.58	-1.77	24.41	30.05

Discrete annual performance (%) as at 31.10.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV	-7.66	13.07	11.69	2.14	1.93
Share price	-6.07	12.36	11.51	6.13	-0.77
Benchmark	-1.77	13.13	11.95	3.58	0.92

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	6.05	3.23	2.82	Health Care
British American Tobacco	6.04	3.39	2.64	Consumer Goods
HSBC Holdings	5.43	5.68	-0.25	Financials
Royal Dutch Shell	5.40	9.25	-3.85	Oil & Gas
RELX	4.71	1.30	3.41	Consumer Services
Rio Tinto	4.45	1.92	2.53	Basic Materials
Prudential	4.30	1.78	2.51	Financials
National Grid	3.69	1.23	2.46	Utilities
Close Brothers Group	3.67	0.10	3.57	Financials
BP	3.52	4.85	-1.34	Oil & Gas

All figures are subject to rounding.

Net dividend distributions pence per share (paid)					
	2014	2015	2016	2017	2018
February	1.08	1.11	1.14	1.17	1.21
May	1.12	1.15	1.18	1.21	1.25
August	1.11	1.14	1.17	1.21	1.25
November	1.11	1.14	1.17	1.21	
Total	4.43	4.54	4.66	4.80	3.71

All figures are subject to rounding.

Total summary		% assets
FTSE 100		55.96
FTSE 250		30.52
AIM		4.27
Non-Index		5.16
Overseas		4.07
Cash		0.02

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 31.10.2018 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 actual dividends declared for the company's current financial year and the closing share price and exchange rate 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. **Ongoing charges and management fee as at the end of 31 March 2018. 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. 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. (11/18).