

Manager Commentary Philip Webster



April was another good month for the Trust following a positive first quarter. The focus was very much on first-quarter earnings rather than the overall backdrop of Brexit, which provided welcome respite for investors. There hasn't been one theme driving performance through earnings season, but holdings that were sold most heavily in the weak fourth quarter have been the strongest performers in the year to date. Asos is the Trust's top performer, although we still see considerable medium-term value in the stock. Irish housebuilder Cairn Homes, and in a similar vein UK builder Bovis, both performed well. We also saw BBA, Intermediate Capital and Wizz Air rise over 20% in the current year.

The shape of the portfolio and any changes are more evolution than revolution. Income is at the heart of everything we do, but as every manager knows, there is always a balance to be struck (between capital and income). Raising the holdings where we see the best possible value and capital return, must be balanced with the underlying dividend yield. A large part of the transition, already delivered, was moving away from high-yield, low-growth mega-cap stocks that have weak business models, or where we have no informational advantage. This is an ongoing process, but one we will continue to deliver as and when the opportunities arise.

Activity this month has been minimal. We reduced Rio Tinto after a very strong year-to-date run. Given the importance of China and therefore the iron ore price, it's very tough to get a real picture of underlying demand and the effects of any Chinese stimulus. What we do know is that Rio has also been buoyed by supply disruptions at Vale, adding to an already imbalanced supply/demand dynamic. The stock has risen around 25% this year, so we felt this was a good opportunity to lock in some profits.

We used the proceeds to add to our holding in Lenzing, raising the weight to 2.5%. Lenzing is one of a handful of European companies in the Trust and is one where we see significant medium-term earnings growth. Lenzing is a manufacturer of speciality fibre for the textile industry, and is in a unique position given the sustainability of its products and its provenance. The company continues to face challenges in its commodity viscose product, but we feel it is near its price floor given, that industry peers are mostly losing money at the current prices.

Key facts as at 30.04.19

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: £129.8 million

Share price: 96.00p

NAV: 104.29p

Discount/Premium(-/+): -7.9%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield †: 5.25%

Net gearing/Net cash:** 5.18%

Management fee rate:** 0.65%

Ongoing charges:** 0.93%

Year end: 31 March

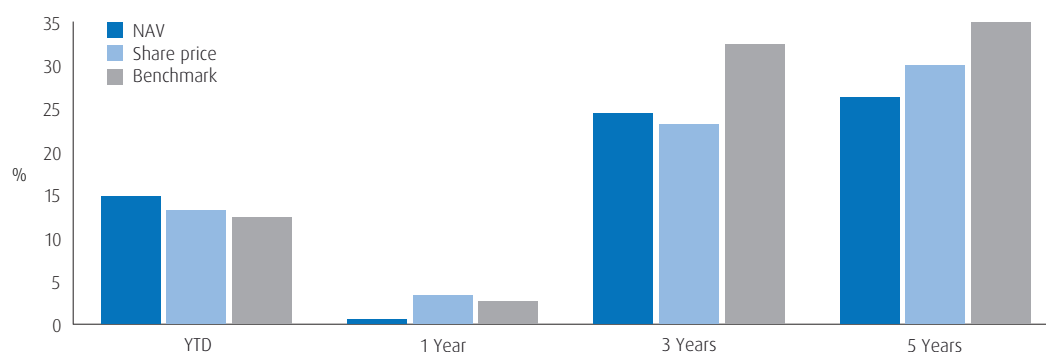
Sector: UK Equity Income

Currency: Sterling

Website: bmoukhighincome.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 30.04.19



Cumulative performance (%) as at 30.04.19

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	3.12	14.76	0.54	24.31	26.20
Share price	2.44	13.15	3.26	23.06	29.94
Benchmark	2.68	12.35	2.55	32.38	34.87

Discrete annual performance (%) as at 30.04.19

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
NAV	0.54	3.90	19.01	-3.95	5.69
Share price	3.26	-0.69	20.01	-3.31	9.20
Benchmark	2.55	7.34	20.26	-5.60	7.92

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
British American Tobacco	6.44	2.95	3.49	Consumer Goods
GlaxoSmithKline	6.13	3.32	2.81	Health Care
RELX	5.20	1.44	3.76	Consumer Services
Royal Dutch Shell	5.05	8.71	-3.66	Oil & Gas
Prudential	4.62	1.94	2.68	Financials
Close Brothers Group	3.77	0.10	3.67	Financials
Compass Group	3.46	1.19	2.27	Consumer Services
Sage Group	3.27	0.34	2.93	Technology
Phoenix Group Holdings	3.08	0.16	2.91	Financials
Kerry Group	3.07	--	3.07	Consumer Goods

All figures are subject to rounding.

Net dividend distributions pence per share (paid)/(declared)					
	2015	2016	2017	2018	2019
February	1.11	1.14	1.17	1.21	1.25
May	1.15	1.18	1.21	1.25	1.29
August	1.14	1.17	1.21	1.25	
November	1.14	1.17	1.21	1.25	
Total	4.54	4.66	4.80	4.96	2.54

All figures are subject to rounding.

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.

Total summary	% assets
FTSE 100	51.53
FTSE 250	33.90
Non-Index	5.58
Overseas	4.59
AIM	3.50
Cash	0.90

All data as at 30.04.19 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. 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. (05/19).