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For retail investors

BMO UK High Income Trust plc

Philip Webster CFA, Portfolio Manager

BMO Global Asset Management

July 2020

Investment 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.

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.

A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries.

If markets fall, gearing can magnify the negative impact on performance.

BMO UK High Income Trust plc

Annual Report Key Financial Data

Total Return

	Year to 31 March 2020	Year to 31 March 2019
Net asset value per Ordinary share, B share and unit*	-21.4%	3.5%
Ordinary share price	-22.8%	3.7%
B share price	-25.0%	4.5%
Unit price*	-22.7%	-1.0%
Benchmark[2]	-18.5%	6.0%

Revenue and Distributions	Year to 31 March 2020	Year to 31 March 2019	% change
Distributions per Ordinary share and B share	5.21p	5.04p	+3.4%
Distributions per unit*	20.84p	20.16p	+3.4%
Yield[1] – Ordinary share	7.5%	5.3%	
Yield[1] – B share	7.7%	5.3%	
Revenue reserve – per Ordinary share[3]	5.68p	6.16p	

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

Sources: BMO UK High Income Trust PLC Annual Report and Financial Statements 31 March 2020
* A unit consists of three Ordinary shares and one B share
(1) Total return – the theoretical return calculated on a per share basis taking into account dividends paid in the period and the increase or decrease in the share price or NAV in the period.
(2) Benchmark – FTSE All-Share Index
(3) Calculated after deducting the fourth interim dividend (which wad paid after the year end) from the revenue reserve at 31 March.

Strategy and relevance

- Active vs Passive management – ongoing shift to passive and very active mandates
- Asset allocators have already bought into this polarised view
- The Equity Income peer group performance (-12% to -39%) disparity is a clear reminder of the importance of stock picking
- This crisis has again highlighted the importance of owning strong business models. We have delivered outperformance over the short term (3 months >8% and over the last year) – protecting capital in downcycles is a key focus for clients.
- We have built a differentiated and focused strategy that allows us to take a unique position in the market
- Our strong revenue reserves place us in a good position to maintain our dividend through this very tough environment (Yield of 6.7%).

The performance and the message are gaining traction but this will take time as we build the Trust's awareness

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

Source: BMO Global Asset Management as at 30-Jun-20.

UK High Income

What do you get when you invest in the Fund

- High conviction c35 stock concentrated portfolio
- Top 10 holdings represent 49% of the fund
- Quality, but not at any price
- Transitioning away from a traditional mega-cap heavy portfolio - allocating capital to structural rather than cyclical growth with a mid-cap bias
- We are benchmark agnostic and happy to be contrarian, we look to buy the best quality business models (these may well be out-of-favour at initiation)

Key characteristics

- We own 4 of the top 20 index constituents in our top 10 – BATS, GSK, Rio and RELX
- We have **No** high-street banks, **N**o telecoms, **No** retail and **One** real estate name
- We are in the process of exiting our Oil & Gas holdings – only 2.7% of the fund today
- Europe is now 7% of the portfolio and gives us scope to own business models that complement the fund
- We are building our weight in technology – ASOS (3.6%), Just Eat Takeaway (2.5%) and recent initiation Amadeus (2.4%)

Source: BMO Global Asset Management as at 30-Jun-20.

Phase 1 of Covid – what have we been doing?

- We have conducted calls with management/investor relations of all names in the portfolio
- Our initial work was focused on balance sheet strength (cash/liquidity, debt and covenants)
- There are clearly differing degrees of revenue risk in the portfolio (we stress tested some very negative scenarios across these names)
- Revenue risk is more evident in those names in the direct firing line; including Wizz Air, Compass Group, Cairn Homes and Amadeus
- Wizz Air has one of the strongest balance sheets and liquidity – they can survive >12 months with the fleet grounded. They will come out the other side as one of the strongest operators
- Compass Group raised additional capital to put the balance sheet beyond doubt. Parts of their business have been impacted hard; Sport leisure (100% closed), Education (75% closed) and Business & Industry (75% closed) – these will recover as economies open
- Cairn Homes has central costs of €20m and €100m of liquidity, they will come out of this stronger than they went in – supporting sub-contractors, no staff furloughed, sites have reopened, strong orderbook
- Amadeus (GDS and Passengers Boarded) raised €750m of equity and put in place some longer term funding – they have raised enough capital to deal with the transactional business being down 80% until the year-end. This is a recent initiation post a c50% collapse in the share price

While we have no line of sight on what will happen we are comfortable that the businesses in which we invest can survive to the year-end in some very extreme circumstances

Source: BMO Global Asset Management as at 30-Jun-20.

Phase 2 - what have we been buying?

Focus of the buying has been around balance sheet support to provide strength to invest and grow. We have also used weakness to improve the quality of the portfolio (competitive dynamics stronger)

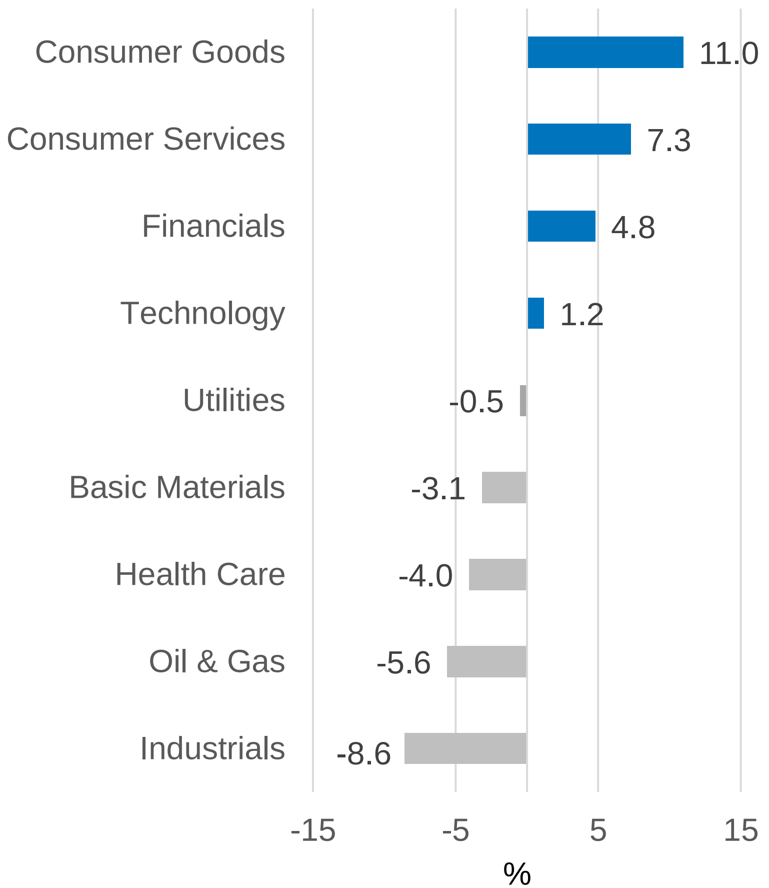
BUY

- **Beazley –** we supported the capital raising to allow them to underwrite into a strong pricing environment
- **Asos –** again we supported a capital raising at £15 (£35 today). Third quarter profit was strong as is the FY outlook despite major disruption to their distribution capabilities
- **Compass –** as noted above we took part in the capital raising. While Business (working from home) and social distancing will change volumes in the short-term there are also opportunities
- **Richemont –** has been hit by declining luxury sales due to store closures and the collapse of global travel

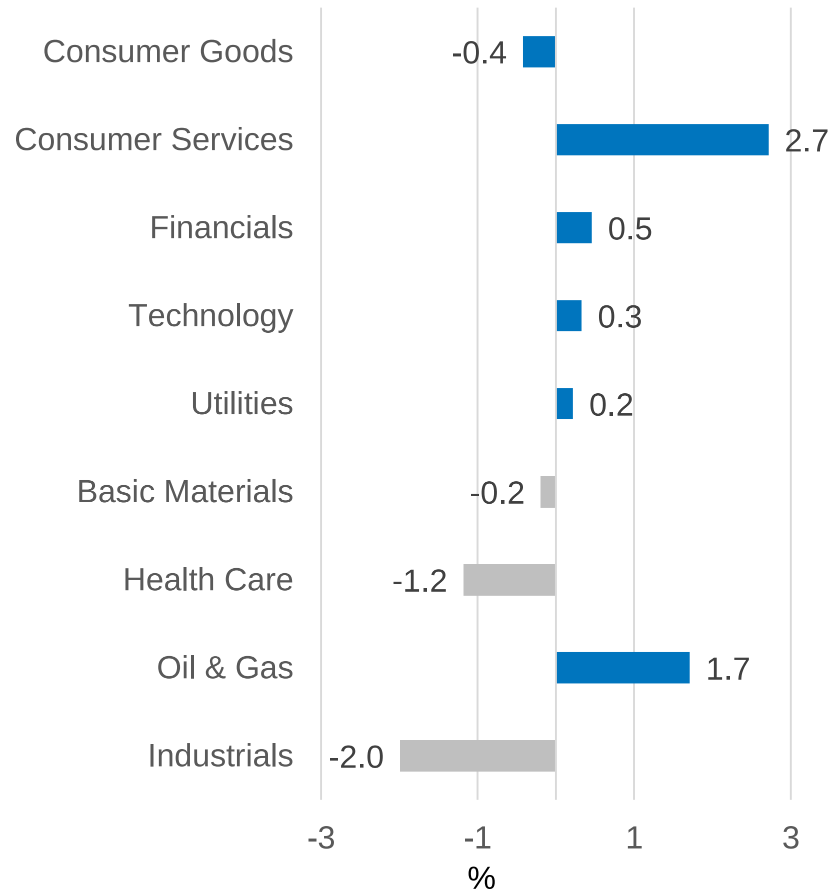
Source: BMO Global Asset Management as at 30-Jun-20.
For the purpose of illustration only and should not be construed as a recommendation to buy or sell the mentioned security. Note: Portfolio holdings are subject to change.

Benchmark agnostic…

Sector allocation % (relative to benchmark)



Sector performance YTD % (relative to benchmark)



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

Source: BMO Global Asset Management as at 30-Jun-20. Benchmark is FTSE All Share TR Index. Sector allocation excludes Cash. Note: Portfolio holdings are subject to change.

Top 10 Relative Equity positions

Company	Relative weight %
RELX	4.6
Kerry Group	4.1
British American Tobacco	4.0
Cairn Homes	3.6
Close Brothers Group	3.6
ASOS	3.6
Intermediate Capital Group	3.3
GlaxoSmithKline	3.2
Phoenix Group Holdings	3.0
Pennon Group	2.8
Total	**35.9**

Source: BMO Global Asset Management as at 30-Jun-20. Benchmark: FTSE ALL-Share Index. For the purpose of illustration only and should not be construed as a recommendation to buy or sell the mentioned security. Note: Portfolio holdings are subject to change. Figures may not exactly total owing to rounding.

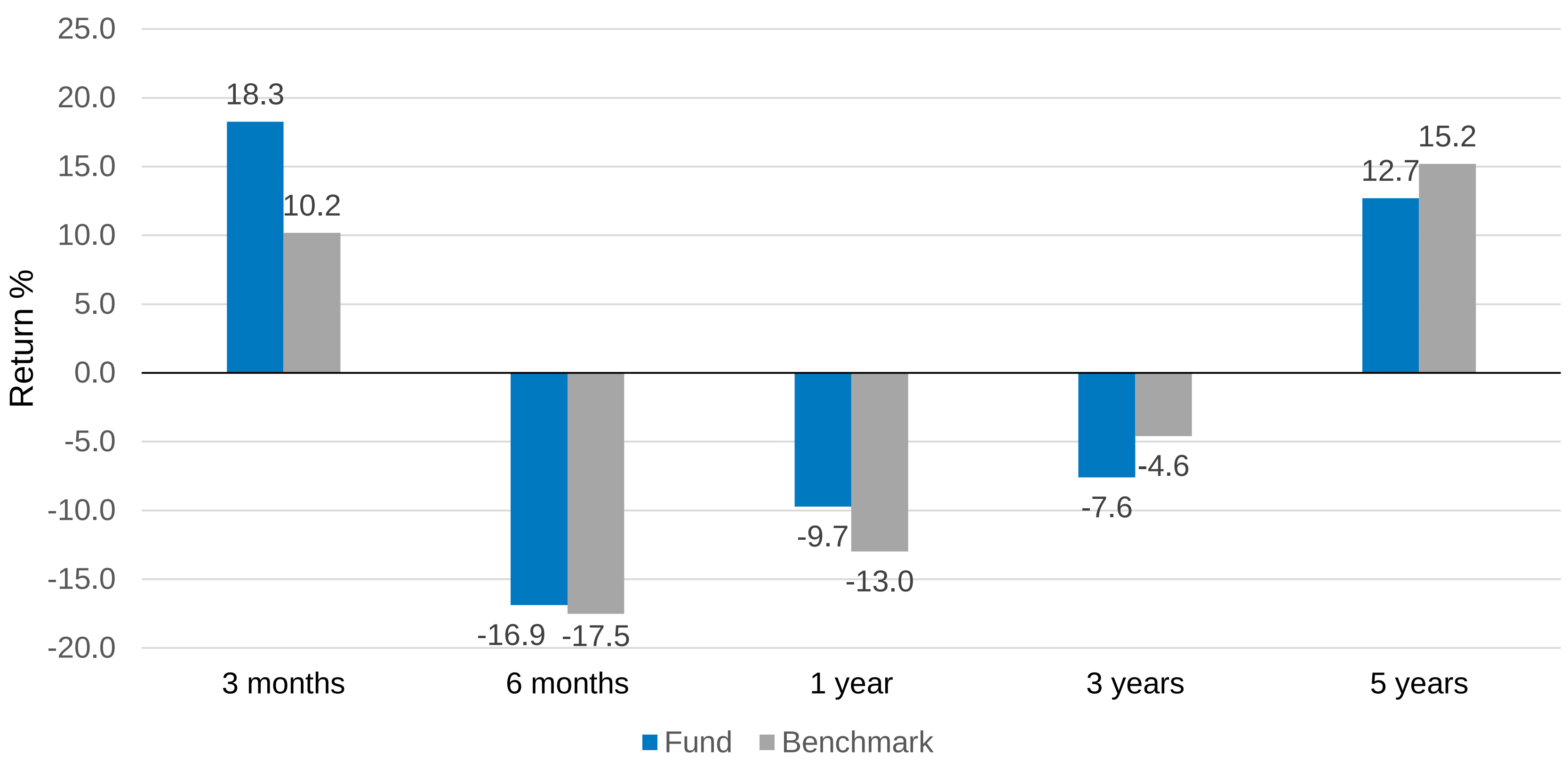
Dividend

- We are in unprecedented times when it comes to dividend cuts across the UK market
- UK Dividend Monitor data saw 45% of UK companies cancel dividends
- They see a best case scenario of a 27% fall to £71.9bn, and a worst case 51% to £48bn
- This data was collated in the first quarter. Since then we have seen more cuts, most notably Royal Dutch Shell which cut by 66%, the first cut since WWII
- I have long said that the oil and gas majors (BP/Shell) are weak business models and this is testament to the fact. We insulated ourselves well by only having 2.7% exposure in the fund as we work to exit these positions
- The banking sector has been the biggest impact with all the UK High Street banks being forced into £13.6bn of dividend cuts. We own NO high street banks as again I see weak business models selling commoditised products
- While we have been impacted, our sector positioning and the quality business models we own place us on firmer ground as we look into the second half of 2020

Source: BMO Global Asset Management. As at 30-Jun-20.

Performance as at 30 June 2020

Cumulative performance (NAV) vs benchmark (GBP net of fees)



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

Source: BMO Global Asset Management as at 30-Jun-20. Benchmark is FTSE All-Share Index. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling.

Performance

Discrete performance (GBP net of fees)

Percentage growth %	June 19- June 20	June 18- June 19	June 17- June 18	June 16 – June 17	June 15 – June 16
NAV	-9.73	-2.21	4.59	16.28	4.83
Share price	-9.73	-2.34	-0.02	23.38	0.80
FTSE All Share	-12.99	0.58	8.27	18.41	1.93

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

Source: BMO Global Asset Management as at 30-Jun-20. The discrete annual performance table refers to 12 month periods, ending at the date shown. Benchmark = FTSE All Share.

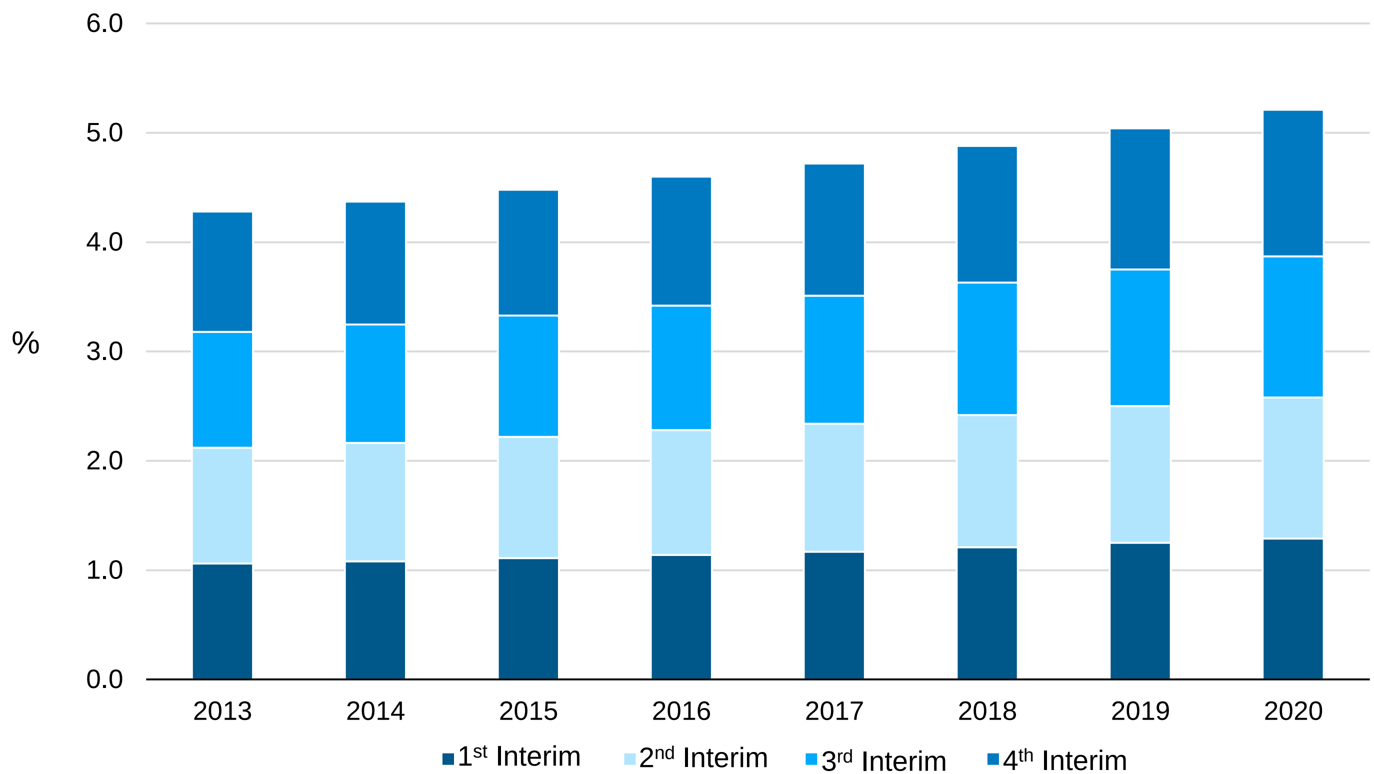
Phase 3 – the recovery?

- The outlook is about as unclear as I have seen it in my career
  - **Phase 1** is behind us and assuming we don't have a very severe second wave the businesses we own have the capital to survive
  - Through this phase we have been allocating capital to businesses we believe will be structural winners over the medium-term, and where valuations are attractive
  - **Phase 2** is around short-term earnings shocks – the market has recovered sharply (in certain areas) but there remains significant volatility that we will look to exploit
  - We have fully invested our structural £7.5m of gearing, and have an additional £7.5m facility undrawn for when we see additional opportunities to invest
  - **Phase 3** is all about the recovery. I have no line-of-sight on this but government and central banks have thrown unprecedented sums of money at the economy to prop it up
  - We also have a number of businesses that have held up exceptionally well where valuations are more stretched. We will use a combination of this capital plus our additional gearing to add to those businesses where we see the most significant upside over the coming quarters.
  - These actions will also be supportive of the revenue account and reducing the level of reserves we use to support our market-leading dividend yield

Source: Global Asset Management as at 30-Jun-20.

Dividend progression

Dividend / Capital repayments – by financial year



FY	Annual rate (p)	Y-O-Y Increase %
2014	4.37	2.1%
2015	4.48	2.5%
2016	4.60	2.7%
2017	4.72	2.6%
2018	4.88	3.4%
2019	5.04	3.3%
2020	5.21	3.4%

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

Source: Global Asset Management as at 30-Jun-20. YOY = year on year.

Glossary

- **Bond:** A form of loan paying a generally agreed rate of interest over a fixed term, with the principal paid at maturity. Bonds may be issued by governments or companies. Bonds can generally be traded on the stock market and therefore may trade above or below their issue price
- **Dividend:** Income paid to shareholders by the company they invest in
- **Equities:** Shares in a company listed on a stock exchange. Shareholders are effectively the owners of the company and typically have the right to vote on company matters
- **Liquidity:** The ability to quickly convert an investment portfolio to cash with little or no loss in value
- **Revenue reserve:** The portion of a business' profits retained by the company for investment in future growth, and are not redistributed to the shareholders through regular or special dividends
- **Yield:** The annual dividend or income on an investment expressed as a percentage of the purchase price

Disclaimer

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BMO UK High Income Trust PLC is an investment trust and its Shares are traded on the main market of the London Stock Exchange.

English language copies of the key information document (KID) can be obtained from BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: client.service@bmogam.com or electronically at www.bmogam.com. Please read before taking any investment decision.

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Contact us

BMO Global Asset Management (EMEA) – Head Office

Exchange House
Primrose Street
London EC2A 2NY
Tel: +44 (0) 20 7628 8000

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