BMO Global Smaller Companies PLC

Report and Accounts
30 April 2020

50 years
continuous dividend growth

BMO

Contents

2020-21 Financial year events	
Annual General Meeting	30 July 2020
Final dividend payable	3 August 2020
Half-yearly results for 2021 announced	December 2020
Interim dividend payable	January 2021
Final Results for 2021 announced	June 2021

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in BMO Global Smaller Companies PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Company Overview

BMO Global Smaller Companies PLC (the **"Company"**) was founded in 1889 with an initial capital of £1m. A sister company to the very first investment trust, in time it developed a policy of investing in smaller companies and the Company's shares had a market capitalisation of £689m as at 30 April 2020.

Our purpose is to provide an investment vehicle which meets the needs of investors, whether large or small, who seek long-term investment returns from global smaller companies in an accessible, cost effective way.

Our objective is to invest in smaller companies worldwide in order to secure a high total return and we remain only one of a few investment trusts to offer investors access to a broadly spread global smaller companies portfolio.

A recognised "AIC Dividend Hero", this will be the Company's 50th consecutive year of dividend growth.

While historically returns have been strong for investors in smaller companies, we do recognise the particular risks inherent in selecting stocks from this part of the market. Our approach is to invest in a wide range of smaller quoted companies and funds to offer a globally diversified portfolio, reducing the risk of overexposure to any one company, market, currency or industry.

The Company is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth over the long-term, and who understand and are willing to accept the risks, as well as the rewards, of exposure to smaller companies.

Visit our website at **bmoglobalsmallers.com**

The Company is registered in England and Wales with
company registration number 28264
Legal Entity Identifier: 2138008RRULYQP8VP386

Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

Financial Highlights

-13.8%

Net Asset Value with debt at market value[1] ("NAV") total return[1] of -13.8% beat the Benchmark[2] return of -14.1%.
The NAV fell to 119.70p from 140.57p.[4]

-16.5%

Share price total return[1] of -16.5%.
The share price ended the year at 111p.

1.70p

Dividend[3] of 1.70 pence 50th consecutive annual increase, up by 3.0%.

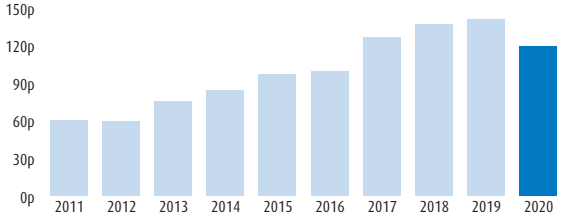
-7.3%

Shares ended the year at a discount[1] to the NAV of 7.3%.

Delivering high total returns over the long term

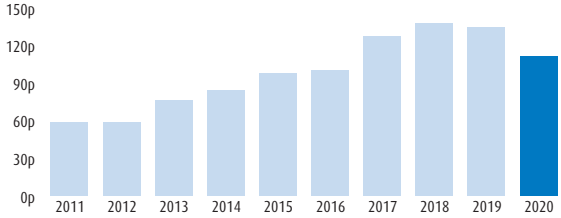
In the last ten years BMO Global Smaller Companies has turned a £1,000 investment, with dividends reinvested, into £2,664 compared with £2,215 from the Company's Benchmark.

NAV[1],[4] per share at 30 April – pence



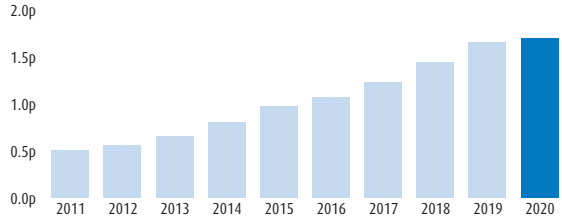
Source: BMO GAM

Mid-market price[4] per share at 30 April – pence



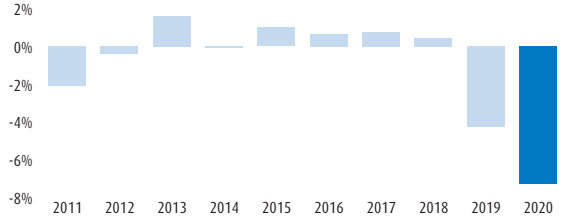
Source: BMO GAM

Dividends[3],[4] – pence per share



Source: BMO GAM

Share price premium/(discount)[1] at 30 April – %



Source: BMO GAM

The dividend has increased every year for the past 50 years and over the last ten years is up 13.0% compound per annum, compared with inflation of 2.8% compound per annum.

Potential investors are reminded that the value of investments and the income from dividends may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

(1) See Alternative Performance Measures on pages 97 and 98.
(2) See Glossary of terms on page 99 for explanation of "Benchmark".
(3) The final dividend for 2020 is subject to shareholder approval at the AGM.
(4) The comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

Chairman's Statement

"This will be the 50th consecutive year of growth in the dividend, a record that few other investment trusts or companies can match. Looking forward, the revenue reserves in hand may be needed to support future dividends, but this, after all, is what they are there for."

Anthony Townsend, Chairman

Dear Shareholder,

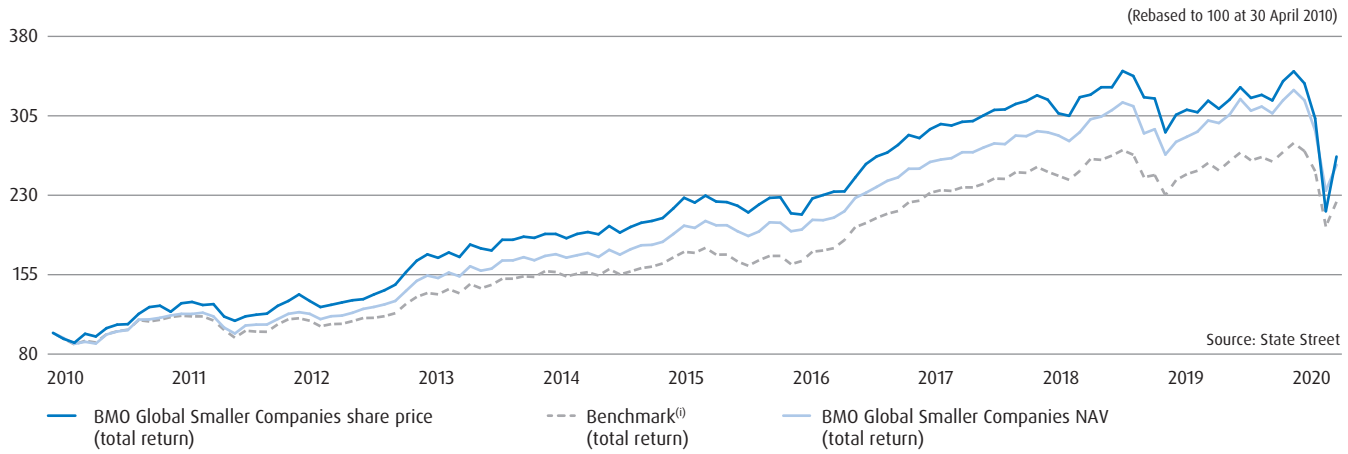
The year under review, my last as your Chairman, has been a highly turbulent one for the financial markets. Following on from a succession of geo-political headwinds, the news that the coronavirus was spreading fast hit stock markets hard in the spring. Although the period since has been distressing and challenging for everyone to say the least, I am pleased to confirm that your Manager, BMO Investment Business Limited, has continued to operate as normal, with the investment and administrative teams all working effectively from home.

While quite rightly the tragic loss of life caused by the virus has been at the forefront of all our minds, the economic ramifications for governments and company management teams swiftly became apparent. Before the pandemic struck, the twists and turns of the US and Chinese trade war, Brexit, an election in the UK, political tensions in the Eurozone and a collapse in the oil price, to name but a few topics, had already created periodic bouts of volatility in the markets.

For most of the year however, equity markets had managed to push higher, helped by further cuts to interest rates, most notably in the US. However, once it became apparent that lockdowns would be required in Europe and the US, equity prices slumped in late February and March, although there was a partial recovery through April on the basis that the sell-off had gone too far.

With smaller company shares historically struggling at times of high market stress and ahead of recessions, it was perhaps not surprising that this turned into a difficult year for performance. The Company's Benchmark, a blended index of the returns from the MSCI All Country World ex UK Small Cap Index and the Numis UK Smaller Companies (excluding investment companies) Index in a 70/30% proportion, produced a -14.1% return for the year. The Net Asset Value (**"NAV"**) taking the Company's long-term liabilities at market value fell by 13.8%.

Net asset value and share price performance vs Benchmark[i] over ten years



[i] See Glossary of terms on page 99 for explanation of "Benchmark"

Investment in equities should always be made taking a long-term perspective and while the fall in NAV this year was disappointing, shareholders should remember that it came after seven years of consecutive positive returns. The healthy long-term performance record of the Company is shown graphically on the previous page and below in the table.

Performance: Total return over the long-term

	1 year %	3 years %	5 years %	10 years %	25 years %
Company NAV total return	-13.8	-2.2	30.2	159.2	929.9
Benchmark total return	-14.1	-4.5	26.1	121.5	776.5
Company share price total return	-16.5	-9.9	19.4	166.4	870.4

Source: BMO GAM

The discount

The share price of an investment trust, like any listed company, is determined by the forces of demand and supply from investors in the stock market. Late in the period in particular, as the market conditions deteriorated, we saw more than the usual number of the Company's shares being sold. As a result, the share price performed worse than the NAV over the year, delivering a -16.5% total return, and the discount therefore ended the period at 7.3% as compared with 4.3% a year earlier.

The Company actively seeks to control the discount via share buybacks, with repurchased shares placed into treasury for potential reissuance in the future. During the year a total of 14.9m shares were bought back, with the Company active on 57 trading days, and since the start of the new financial year a further 4.6m have been acquired. The aim is to get the discount back below 5% in normal market conditions, accepting that when the markets are especially volatile, as was the case in March this year, it may be appropriate to put buybacks on temporary hold.

Costs

Ongoing charges[i] for the year fell to 0.75% due to the lower proportionate costs on the collectives and a slightly higher average assets figure used in the calculation.

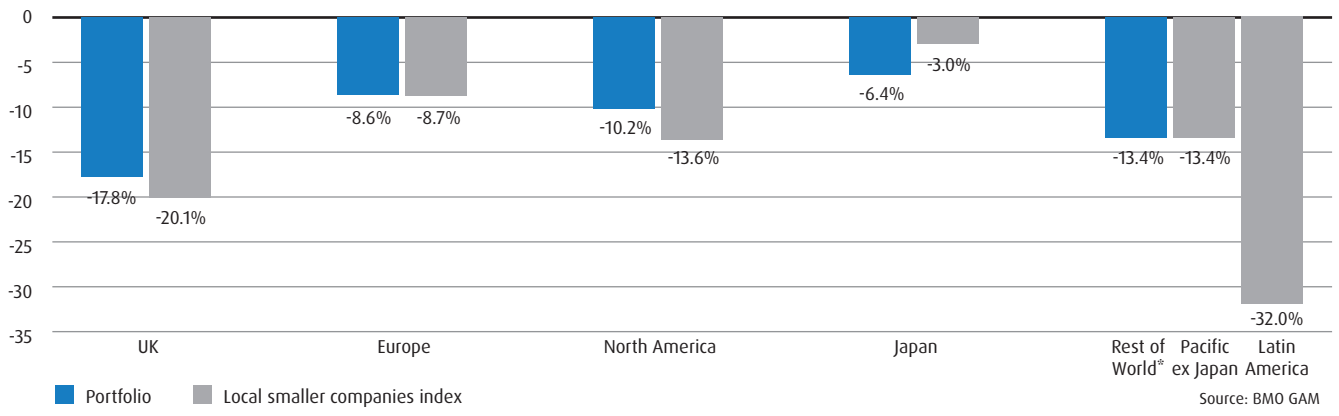
Dividends

There has been much talk about dividends of late, with many companies in the UK and globally cutting or passing dividend payments as their business plans and cash flows have been severely impacted as a result of the lockdowns. Our investment portfolio, particularly the UK holdings, has not been immune and the earlier level of anticipated dividend income failed to materialise in the final quarter. However, for the full 2019/20 year, the Company's revenue return per share was 1.73p, down by just 2.3%.

The outlook for next year's dividend income from the portfolio is hard to predict, not least because the changes the Manager may have to make to the portfolio structure remain uncertain at this stage. The level of uncertainty is higher this year as it is unclear how many companies that have recently passed their dividends, will resume paying out and at what level when the lockdown period ends. At this stage it seems wise to expect a significantly lower revenue return per share in the next financial year.

One of the features of the last few years has been the strength of the Company's Income Statement, and not all dividend income received from holdings over prior years has been paid out, leading to the accumulation of substantial revenue reserves. These are available to support future dividend payments and at the end of April stood at £17.9m. Taking all things into consideration, but most importantly recognising the strength of these revenue reserves (which represent more than 1.7 times the annual

Geographical performance (total return sterling adjusted) for the year ended 30 April 2020



Source: BMO GAM

[i] See Alternative Performance Measures on page 98.
*Performance of the Rest of World portfolio is shown here against both the Asian and Latin American smaller company indices.

dividend payout) the Board has decided to recommend the payment of an unchanged final dividend, so the full payment for the year is 1.7p per share, a 3.0% rise on last year's total.

If approved by shareholders at the AGM, this will be the 50th consecutive year of growth in the dividend, a record that few other trusts or companies can match. Looking forward, the revenue reserves in hand may be needed to support future dividends, but this, after all, is what they are there for.

Market and portfolio performance

A long-standing cause for investor concern has been the fractious relationship between the US and China. The imposition of an escalating series of tariffs on each other's goods, led to a general weakening of global industrial demand through the second half of 2019. While a "phase one" agreement in January between the countries defused some of the tensions, risks of further confrontation remain in what is an election year in the US. The US economy was slowing ahead of the arrival of the coronavirus. As elsewhere, the equity market here fell sharply in the spring and more than 30 million jobs have been cut already in the country. As in most other parts of the world, the Federal Reserve as Central Bank is making massive interventions in the financial markets and the government is stepping up direct cash support to those members of the population and companies impacted most by the crisis.

The UK political scene was far from becalmed too, with the Conservative party changing leadership and subsequently winning the general election in December which allowed Brexit to be voted through parliament early in 2020. European political tensions were also in evidence over the last year and the current crisis again risks more division between the south and north of the continent. European small caps held up better than their UK peers over the year, with the UK market enduring a particularly tough time in the last quarter.

Some of the key Asian markets performed better than those in the West, with Chinese stocks doing well so far in 2020 following the trade deal. Virus case numbers fell faster than we have yet seen in Europe, allowing for a more significant reopening of the economy. Japanese stocks proved resilient over the year, with generally low levels of corporate leverage supportive at this time, and the yen was strong, along with the US dollar.

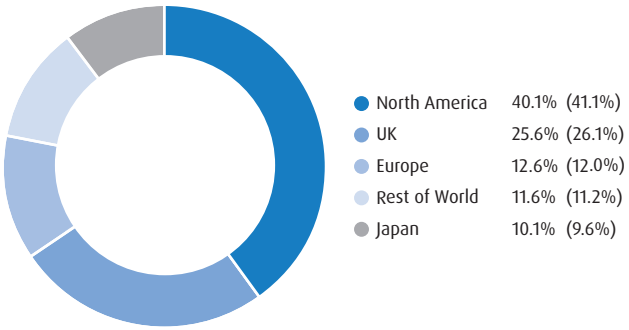
In terms of sector performance, it was once again a good year for Technology and Health care stocks. Collapsing demand for oil as transportation market demand slumped, meant the opposite was the case for Energy stocks, and Industrial companies also tended to struggle. The market shake-out in February and March was particularly felt by companies with cyclical earnings and high borrowings. Investors moved into safer, more defensive stocks and those less impacted by the virus.

The Lead Manager's report on pages 12 to 22 covers the background for the performance of the investment portfolio but the regional returns and those from the local smaller companies indices are shown on page 5. Pleasingly these show that only in Japan were we behind the local market's performance.

Asset Allocation

With so many uncertainties pertaining to the trade war and Brexit in particular, the Manager continued to take a cautious stance as regards asset allocation exposures. We were underweight the UK through the whole period, which given that it lagged other markets proved to be the right decision. We also benefited from being overweight to Japan, which provided a partial offset to the weak relative performance of our fund holdings there. With good performance towards the end of the financial year in Europe, we ended the year most overweight there, having taken some money more latterly out of Japan.

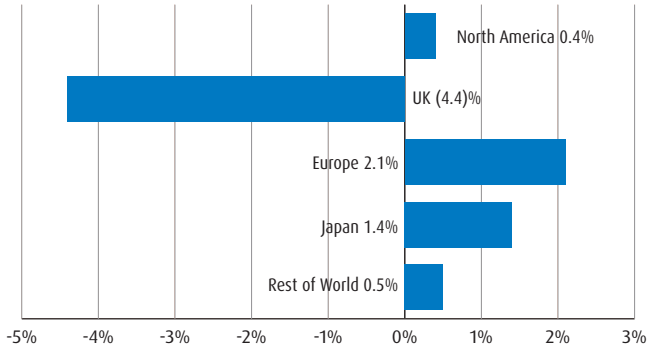
Geographical distribution of the investment portfolio as at 30 April 2020



The percentages in brackets are as at 30 April 2019

Source: BMO GAM

Geographical weightings against Benchmark as at 30 April 2020



Source: BMO GAM & MSCI

Gearing

As reported previously, in August 2019, the Company issued £35m private placing notes at a rate of 2.26%, providing long-term borrowings at a historically low rate. Through much of the year, the Manager made use of drawings under the Company's revolving credit facility to maintain a gearing level of around 5%. In March and April, in consultation with the Board, the drawings were repaid given the rapid deterioration in the outlook. The Manager and Board continue to assess when gearing should be re-established but at the end of April, the Company was effectively not geared, with cash in hand of some £41m.

The Board

As reported last year, Jane Tozer, our Senior Independent Director, and I will be retiring immediately following the AGM on 30 July 2020. I would like to thank Jane for her support and valuable contribution over the years. Jane and I can assure you that we leave shareholders in very safe hands. Anja Balfour, who has been a Director for five years, will succeed me as Chairman while Jo Dixon will take over as Senior Independent Director. Two new appointments have been made; Nick Bannerman and Graham Oldroyd, both of whom joined on 1 October 2019.

It has been an honour and privilege to chair the Company since 30 July 2007 and I have taken great pleasure in watching it grow from net assets of £240 million to £726 million at 30 April 2020 with the Company having attained FTSE 250 status in 2017. I have been lucky enough to work with a talented and very likeable group of fellow Directors throughout my tenure and had the pleasure of an excellent relationship with the ever-professional team at BMO. There have been several changes to that team, both personal and corporate, over the years but the one constant has been our Lead Manager, Peter Ewins. I count myself very fortunate to have worked so closely with him and, having learnt a lot, hold him in great esteem. It has also been a great pleasure to work with our very capable Company Secretary, Jan Baker, over many years. She has had a pivotal role that she has handled so well and now, like Jane and me, she has decided to retire after our AGM. She has served the Company and all its stakeholders well, so I know I speak for all the directors who have worked with her, both present and past, in wishing her a long and happy retirement.

Not only will I miss my colleagues and the BMO team greatly, but also you as shareholders and I am saddened that the restrictions on public gatherings mean that I will be unable to say farewell in person. Resolutions proposing the election of the two new Directors and the re-election of the longer serving Directors will be put to shareholders at the meeting. Further biographic details about them can be found on pages 38 and 39.

AGM

The AGM of the Company is currently scheduled to be held on Thursday 30 July 2020 at 125 High Street, Tonbridge TN9 1DD at 2.00 p.m. In view of the current restrictions on travel and social distancing the meeting will not be held in the usual format. It will be restricted, in accordance with the Company's articles of association, to the formal business of the meeting as set out in the Notice of the AGM on pages 86 to 87 and as explained in more detail on pages 45 to 47 and will follow the minimum legal requirements for an AGM. The Lead Manager's presentation will be pre-recorded and made available on the Company's website.

In light of the Government's current restrictions and social distancing measures, shareholders are strongly discouraged from attending the meeting and entry will be restricted and/or refused in accordance with the articles of association, the law and/or Government guidance.

It should be noted that, in the light of these current circumstances, arrangements are being made for only sufficient Directors or their proxies to attend the AGM such that the meeting will be quorate and the formal business of the AGM may be transacted as quickly/efficiently as possible.

We would strongly encourage all shareholders to make use of the proxy form or form of direction provided in order that you can lodge your votes. Voting on all resolutions will be held on a poll, the results of which will be announced and posted on the Company's website following the meeting. In view of the revised format this year, should shareholders have any questions or comments in advance of the AGM these can be raised with the Company Secretary (GlobalSmallersCoSec@bmogam.com). These will be relayed to the Board and we will respond in due course.

The Board will keep the situation under review and any changes to the meeting or the location will be notified through the Company's website and announcements to the London Stock Exchange.

Outlook

Giving an outlook for market performance at this stage with any degree of conviction is very tough. A large number of companies held in the portfolio have withdrawn earnings guidance for 2020, rendering near term valuation metrics redundant. The harsh reality is that profits will be sharply down for many companies this year. Against this, the dramatic scale of Central Bank and government intervention is providing a great support to financial markets and seems set to stay. With the lockdowns being eased back, share prices have enjoyed a bounce at the start of the new financial year.

There will certainly be opportunities for valuation anomalies to be taken advantage of in the coming period. The Board takes comfort from the stable and experienced investment team in place at BMO, who will navigate the portfolio through these difficult times.

Anthony Townsend
Chairman
19 June 2020

Strategic Report

Our purpose is to provide an investment vehicle which meets the needs of investors, whether large or small, who seek long-term investment returns from global smaller companies in an accessible, cost effective way. Our investment objective is to secure a high total return for our shareholders over the longer term.

Purpose, values and culture

In order to achieve our purpose we are steadfast in holding to our core values that centre around the merits of diversification, integrity and a longer term perspective while working within parameters that can deliver strong and sustainable investment returns.

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises Directors with a breadth of relevant skills and experience acting with professional integrity who contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

Investment and business strategy

Our investment strategy is designed to produce outperformance and increases in dividends over the longer term as reported on page 11. We do this by investing in a large number of stocks across sectors globally and by seeking attractively valued investments wherever they may be, without constraint to specific sector or geographical exposure limits. We select well-managed publicly listed smaller companies with growth potential and market capitalisations that fall into the generally accepted local definition of a smaller company.

Business model

The Directors have a duty to promote the success of the Company. As an investment company with no employees, we believe that the best way to do this and to achieve our objective is to have an effective and strong working relationship with our appointed manager, BMO Investment Business Limited (the **"Manager"**). Within policies set and overseen by the Board of Directors, our Manager has been given overall responsibility for the management of the Company's assets, including asset allocation, gearing, stock and sector selection as well as risk management. Engagement on environmental, social and governance matters are undertaken through the Manager's sister company, BMO Global Asset Management Limited. Both BMO Investment Business Limited and BMO Global Asset Management Limited (together **"BMO GAM"**), are owned by Bank of Montreal (**"BMO"**). The Board remains responsible for the matters listed on page 40.

In most parts of the world, smaller company equities have historically delivered strong longer term returns to investors ahead of overall equity market returns. As an investment trust, the Company is particularly well suited to long-term investment in these smaller, less liquid companies.

Our Manager places particular focus on fundamental analysis of the opportunities in the North American, UK and European stock markets. The emphasis is on meeting individual companies and understanding the quality of their management, their position in their targeted market and their strategy for growth. Importantly, assessment is made on each individual company's financial strength and cash flow dynamics. The aim is to invest in high quality companies at attractive prices with the potential to deliver strong returns. We use funds to gain exposure to companies in areas where our Manager has historically lacked dedicated smaller company investment management resource, such as in Japan, Asia, Latin America and Africa. Exposure to the different geographic markets is adjusted within specific ranges in light of the attraction of local valuations and the outlook for currencies, but stock selection is generally the main driver of the Company's overall returns. A full list of investments appears on pages 28 to 30.

Furthermore, as a closed-ended listed investment company we are not constrained by asset sales to meet redemptions. Our share capital structure gives us the flexibility to take a longer term view and stay invested while taking advantage of illiquidity throughout normal and volatile market conditions. Having the ability to borrow to invest gives us a significant advantage over a number of other investment fund structures.

Alignment of values

It is important that the values, expectations and aspirations of those charged with managing the assets align with those of our own. The

"Having the ability to borrow to invest gives us a significant advantage over a number of other investment fund structures."

Board has reviewed the Manager's culture and values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. BMO is an organisation committed to helping establish a more sustainable financial system. A founding signatory to the United Nations Principles for Responsible Investment (**"UNPRI"**), it has achieved the maximum rating of A+ for key areas of its responsible investment approach, including strategy and governance, and ESG incorporation and active ownership in listed equities. BMO has a culture of diversity and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs.

Environmental, Social and Governance ("ESG") impact

Our ESG policies are set out on page 31 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of the Company's activities is minimal as it has no employees, premises, physical assets or operations either as a producer or a provider of goods or services, while its shareholders are effectively its customers. In consequence, it does not directly generate any greenhouse gas or other emissions or pollution. The Company's indirect impact occurs through the investments that it makes and this is mitigated by BMO GAM's Responsible Investment Approach as explained on pages 31 to 34.

Manager evaluation

Investment performance and responsible ownership are fundamental to delivering a sustainable high total return for our shareholders over the longer term and therefore an important responsibility of the Directors is exercising a robust annual evaluation of our Manager's performance capabilities and resource. This is an essential element in the mitigation of risk, as outlined under Principal Risks on page 24, and the strong governance that is carried out by the Board of Directors, all of whom are independent and non-executive.

The process for the evaluation of our Manager for the year under review and the basis on which the reappointment decision was made are set out on page 45. The management fee is based on the net assets of the Company, thus aligning the Manager's interests with shareholders.

Managing risks and opportunities

We look to make good use of our corporate structure and the investment opportunities that lead to a high total return for our shareholders over the longer term. Like all businesses, these opportunities do not come without risks and so the performance of our Manager is monitored at each Board meeting on a number of levels. In addition to managing the investments, the ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager. It reports on the investment portfolios; the wider portfolio structure; risks; compliance with borrowing covenants; income, dividend and expense forecasts; errors; internal control procedures; marketing; shareholder and other stakeholder issues, including the Company's share price discount or premium to NAV; and accounting and regulatory updates.

Shareholders can assess our financial performance from the Key Performance Indicators that are set out on page 11 and, on page 24, can see what the Directors consider to be the Principal Risks that we face. The risk of not achieving the Company's objective of delivering a high total return for our shareholders over the longer term, or of consistently under-performing its Benchmark or competitors, may arise from any or all of poor stock selection, inappropriate asset allocation, weak market conditions, ineffective or expensive gearing, poor cost control, loss of assets and service provider governance issues. In addition to monitoring our Manager's performance, commitment, available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include the Custodian and Depositary in their duties towards the safeguarding of the assets.

The principal policies that support our investment and business strategy are set out on page 35, whilst the Lead Manager's review of activity in the year can be found on page 12. In the light of the Company's strategy, investment processes and control environment (relating to both the oversight of its service providers and the effectiveness of the risk mitigation activities), we have set out on page 25 our reasonable expectation that the Company will continue in operation for at least the next five years.

Lead Manager and the management of the assets

As Lead Manager on behalf of our Manager, Peter Ewins is responsible for the allocation of the assets on a regional basis and for the construction of the investment portfolio including the selection of any smaller company investment funds utilised. Our Manager has a team of smaller company investment managers that support the Lead Manager in the selection of stocks for the North American, UK and European stock markets. The Lead Manager is also assisted by other colleagues within BMO GAM in relation to the selection of managed funds used to gain exposure to other global markets.

Marketing

With a large proportion of our shareholders being retail investors and savings or execution-only platforms representing a significant and growing element of the shareholder base, we remain focused with our Manager on the optimal delivery of the Company's investment proposition. Reflecting changes in the market, an increasing proportion hold their investment via third party platforms, as well as the BMO Savings Plans, which continue to be a cost effective and flexible way to invest.

Key stakeholders

Our shareholders are our customers and key stakeholders. As a long-established and long-term focussed investment vehicle we have a role in the community at large and, whilst we hold our Manager to account in managing the Company's assets, we recognise that as a key relationship too. We engage with our shareholders by reporting the Company's activities and performance through the publication of its financial statements. The vast majority of shareholders and BMO Savings Plan investors prefer not to receive such detailed information. To avoid losing this essential line of communication, we instead make available a short notification summary of the main highlights of our half-yearly and annual results. Shareholders and savings plan investors are able to locate the full information on our website, bmoglobalsmallers.com. Under normal circumstances the annual general meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Lead Manager. However, in light of the impact of COVID-19 the Board has made different arrangements for the forthcoming AGM and these are explained in the Chairman's Statement on page 7. Through BMO GAM, we also make sure the savings plan investors are encouraged to attend and vote at annual general meetings in addition to those who hold their shares as members on the main shareholder register. Details of the proxy voting results on each resolution are published on the website where there is also a link to the daily publication of our NAV and our monthly factsheet.

BMO GAM also has in place a programme of visits designed to foster good relations with wealth managers and underlying investors in promoting the Company's investment proposition. These visits are reported regularly to the Board. The Chairman and Senior Independent Director are always available to meet with major shareholders although no meetings were held in the year under review.

Key Performance Indicators

The Board assesses its performance in meeting the Company's objective against four key measures; Performance, Premium/Discount, Ongoing Charges and Dividend Growth, as well as regional performance against local benchmarks set out on page 12. Detailed commentary on these measures can be found in the Chairman's Statement and Lead Manager's Review. A 25 year historical record of these indicators (excluding ongoing charges) is shown on pages 95 and 96.

Performance: Total return[1]

	1 Year %	3 Years %	5 Years %	The Board's policy is to secure a high total return
NAV total return	(13.8)	(2.2)	30.2	This measures the Company's NAV and share price total returns, which assume dividends paid by the Company have been reinvested, relative to the Company's Benchmark.
Benchmark[2] total return	(14.1)	(4.5)	26.1	
Share price total return	(16.5)	(9.9)	19.4	

Source: BMO GAM and Refinitiv Eikon

Premium/(discount)[1] (including current period income)

At 30 April	%	The Board's premium/discount policies are to moderate the level of share price premium/discount and related volatility
2020	(7.3)	This is a measure of the divergence between the share price and the NAV per share. The Company issues shares whilst the share price is at a premium and buys back shares when it is at a discount, in the latter case with the aim that it does not exceed 5% in normal market conditions.
2019	(4.3)	
2018	0.5	
2017	0.8	
2016	0.7	

Source: BMO GAM and Refinitiv Eikon

Ongoing charges[1] (as a percentage of average net assets)

At 30 April	% (excluding performance fees)	% (including performance fees)	The Board's policy is to control the costs of running the Company
2020	0.75	0.75	This measures the running costs of the Company (including where applicable the performance fees incurred in underlying funds) as a percentage of the average net assets.
2019	0.79	0.79	
2018	0.83	0.83	
2017	0.84	0.86	
2016	0.85	0.85	

Source: BMO GAM

Dividend growth

	1 Year %	3 Years %	5 Years %	The Board aims to continue its progressive dividend policy
Dividends	3.0	38.8	76.2	This compares the Company's dividend growth rate to the rate of inflation.
Retail Prices Index	1.5	8.1	13.4	

Source: BMO GAM and Refinitiv Eikon

(1) See Alternative Performance Measures on pages 97 and 98
(2) See Glossary of terms on page 99 for explanation of Benchmark

Lead Manager's Review

"Even before the virus struck, the equity markets had to contend with weakening macro-economic growth, at least partly as a result of the US/Chinese trade war. Financial market participants have the comfort of knowing that the kitchen sink is being thrown into fiscal expansion in a globally synchronised fashion to support the recovery."

Peter Ewins, Lead Manager

I would like to start this year's review by just passing on my thanks to the Chairman and Jane Tozer for all their support and wise counsel over their period on the Board. Having their and the wider Board's backing over the years has certainly been a comfort to myself and the whole BMO team. We wish them both well in the future. I also must say a very fond farewell on behalf of everyone at BMO and the Board to your Company Secretary, Jan Baker, who is retiring after the AGM.

Last year in the Report and Accounts, I talked about how political developments had been a big factor in how the markets had moved and the same could certainly be said this time around. At the end of the year however, the bottom line was that share prices retreated on a global basis with the impact from COVID-19, or the coronavirus, more than wiping out tentative gains from earlier on. Smaller companies lagged larger stocks as was the case in the previous year and we are disappointed to report a first fall in the NAV in eight years. While of little consolation, our NAV total return of -13.8% managed to outperform the Benchmark which lost 14.1%.

Even before the virus struck, the equity markets had to contend with weakening macro-economic growth, at least partly as a result of the US/Chinese trade war. We had also been in a very extended period of economic expansion which was running out of steam and labour shortages were starting to be felt in many developed economies. More cyclical stocks, especially those in the Industrial or Energy sectors dependent on global trade flows, were under pressure in the second half of 2019 and with the hard to read and unconventional diplomacy of the Trump administration creating much uncertainty about the eventual outcome to the trade discussions, it was difficult to know how to position the portfolio. Cyclical stocks and the markets as a whole staged a partial rally as a rapprochement of sorts between the US and China culminated in an agreement signed in January. Equities as a whole were also lifted by a succession of interest rate cuts in the US, and a loosening of monetary policy in other parts of the world, with quantitative easing in Europe effectively being resumed from last November. Low and in some cases negative yields on government bond markets made the dividend yields expected from equities look relatively more attractive.

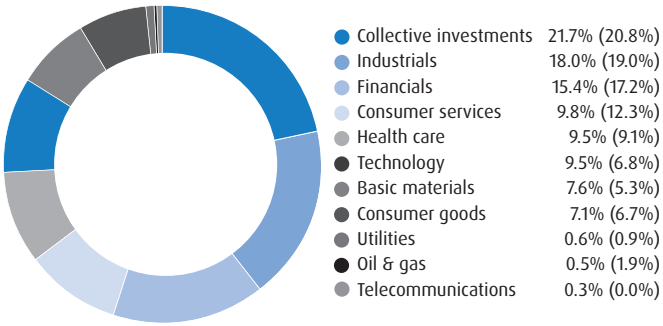
Table of total returns (sterling)

	1 year		3 years		5 years	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK	-17.8%	-20.1%	-4.1%	-17.3%	28.1%	2.7%
Europe	-8.6%	-8.7%	-1.2%	-0.1%	29.4%	40.1%
North America	-10.2%	-13.6%	8.3%	0.1%	52.7%	40.4%
Japan	-6.4%	-3.0%	-2.2%	6.3%	34.3%	53.9%
Rest of World*	-13.4%	-13.4%	-7.0%	-8.4%	7.9%	4.8%

Source BMO GAM

*Rest of World performance is compared against the MSCI All Country Asia Pacific ex Japan Small Cap Index

Industrial classification of the investment portfolio as at 30 April 2020



The percentages in brackets are as at 30 April 2019
Source: BMO GAM

Defensive stocks and those regarded as high quality or reliable growth stories, were in favour throughout the year, and the ratings of some of the most highly regarded stocks reached new peaks despite the general global slowdown. Large cap Technology and Health care stocks led the way once again, while in Basic materials, gold producers rose strongly. The markets took the view that the rapid expansion of money supply implicit in the extraordinary response of the main Central Banks to COVID-19, had further increased the attractions of this traditional store of wealth.

With coronavirus case numbers and deaths rising rapidly in Italy and Spain in late February, the markets suddenly became much more conscious of the potential consequences, and there was a period of panic selling. Investors turned against the most impacted companies, such as those involved in travel or hospitality, together with those having high levels of debt. The scale of the collapse in markets was truly shocking, as was the pace at which companies across a broad spectrum of the sectors slashed or withdrew earnings guidance for 2020 and cancelled dividends. The increased use of technology in the working from home push however, meant that that sector received a further boost, with companies well placed to serve online ordering also gaining at the expense of shut-down bricks and mortar only operators.

Our portfolio has always been diversified and we have been consistently conscious of leverage risk within companies. Given the unprecedented nature of the situation however, we needed to reassess almost the whole portfolio due to the deterioration in the profits outlook. In a small number of cases, we felt that the fundamental outlook had been undermined to such an extent that we should sell out; the reality was that what looked like a sensible balance sheet structure pre COVID-19, might no longer be the case.

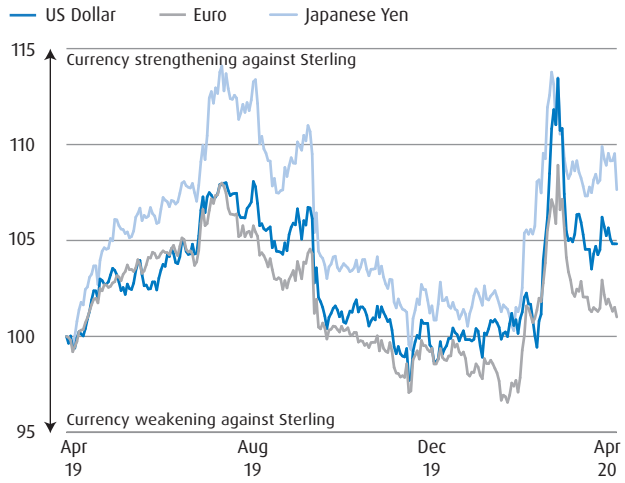
Over the year our exposure to Technology and Health care rose, while we reduced the weighting to Financials and Energy stocks.

Given the substantial change to the outlook, we decided in discussion with the Board to remove the gearing on the trust in early March. This essentially reflected the extent of the risk that we could see for the corporate earnings outlook of the portfolio and the likelihood of a significant recession ahead. Subsequently, however we took advantage of some share price retreats to buy into stocks which we had previously felt were too expensive. We also increased exposure to some more defensive holdings where we felt the valuations had not become too extended.

When we look at the returns from the different parts of the portfolio for the full year shown in the table on the previous page, we can see that losses were recorded across the board. We managed to beat the local smaller company index return by decent margins in North America and the UK, the markets to which the fund is most exposed and were also marginally ahead in Europe after outperformance in the final quarter. For Japan and the Rest of World, we use third party managed funds. The year proved disappointing in Japan for one particular fund holding, while our Rest of World collectives which principally invest in Asian and global emerging market countries matched the Asian smaller company index return but did much better than Latin American smaller companies.

It was a particularly poor year for UK small companies, hampered for much of the time by the Brexit saga, and while there was a post general election rally, the market fell away badly again late on as the coronavirus took hold. There is a relatively high exposure in the UK

Currency movements relative to sterling in the year ended 30 April 2020



Source: BMO GAM

small cap sphere to areas like travel, leisure and financials which were hard-hit as the lockdown took effect. A tendency for UK companies to borrow more on a short-term basis meant that plenty of companies need to raise new equity at depressed share price levels to shore their balance sheets up. Sterling lost value against other currencies, undermining the returns from UK investments compared to the other markets. The Company's overall relative performance was helped by the fact that we were underweight the UK throughout the whole year compared to the Benchmark. Also helpful was an overweight position in Japan, notwithstanding the fact that our portfolio here lagged the MSCI Japan Small Cap Index.

In terms of sectors, the pie chart on page 13 shows that we ended the year with a higher exposure to the popular Technology and Health care sectors, while we reduced the weighting in Financials and Energy. Oil stocks had been doing badly even before the breakdown of the OPEC production quota arrangements in early 2020 led to a collapse in the oil price. Having a high exposure to gold stocks (within Basic materials) in North America helped and two of the largest holdings on the trust as shown on page 26 are now mainly plays on the performance of the metal (**Wheaton Precious Metals** and **SSR Mining**).

In the regional reviews that follow, the performance data used is shown in sterling total return terms, although individual share price moves are capital only, local currency moves.

UK Review	One year
Portfolio Performance	-17.8%
Numis UK Smaller Companies (excluding investment companies) Index	-20.1%
FTSE All-Share Index	-15.0%

This was undoubtedly a tough year for UK smaller companies and our comparative index as shown above lagged the large cap orientated FTSE All-Share. After underperformimg in the first six months, our portfolio managed to claw back the deficit in early 2020 and as a result this is the tenth year in a row that we have outperformed the Numis Index.

The economy proved relatively resilient to the political paralysis caused by Brexit and a steadily rising number of people in employment continued to support consumer spending. The eventual election victory by Boris Johnson and subsequent ratification of Brexit appeared to have set the stage for a better start to 2020 for small caps, but the arrival of the virus put paid to this. The government's response to help employers retain jobs through a furlough scheme and the establishment of loan schemes for companies with cash flow issues were a rational if expensive response to the situation, but at this stage it seems likely that many jobs will eventually be lost in sectors most directly impacted by the lockdown and social distancing policies.

Despite the challenging background, a number of stocks delivered outstanding results for us. The best contribution came from video games publishing business **Team17 Group**, whose shares rose by 114.3%. The company's business model of both creating its own games and partnering with smaller developers elsewhere in the world has allowed it to build up an impressive catalogue of premium games. Team17 has also benefited from the lockdowns, with more time available for customers to play their games. Legal services business **Knights Group** was another gainer, with the business delivering better than expected results and successfully assimilating acquisitions of smaller peers. Shares in Egyptian gold miner **Centamin** rose by 76.1% over the year after management fought off a takeover from a rival, increased dividend payments and benefited from the surge in the gold price.

The Communications Services sector saw a lot of activity in the year, with three of our holdings becoming subject to takeover offers; **Entertainment One** (best known for Peppa Pig), exhibitions business **Tarsus Group** and most recently marketing agency business **Huntsworth** were all acquired. Another successful sector on the portfolio was Technology, with **Computacenter** once again delivering a positive return as the company's international businesses returns improved and demand for IT equipment and services remained robust. **Imimobile**, a customer engagement technology company, gained as its clients increased investments in more efficient tools to manage relationships with their own customers and the company expanded via an acquisition in the US.

An overweight stance to Health care stocks helped performance, with the most significant contribution coming from animal genetics business **Genus**. Its shares gained ground as its global leadership position in a structural growth market were rewarded by a re-rating in the market despite a shrinking Chinese pig population as a result of Asian swine fever. Being underweight to Energy stocks through the period of slumping oil prices also proved to be the right call. The takeover of **Eland Oil and Gas** was timely, coming just before the commodity price crashed.

Other winners over the year included **Breedon Group**, **Sirius Real Estate** and **Gresham House**. Aggregates supplier Breedon's shares had been depressed by forced selling from a fund suffering outflows, presenting an opportunity for us. Hopes for a post-election infrastructure spending boost led to a subsequent rise in the shares. While the Real Estate sector was under pressure as the reliability of rental income came under scrutiny post the lockdown, Sirius Real Estate, the business parks operator in Germany was an exception. The shares were up 11.0% as management continued to add value to

Treatt is a supplier of ingredients to flavour, fragrance and consumer goods companies around the world. It has particular expertise in helping companies to reduce the level of sugar in their products, thereby helping in the fight to reduce obesity.

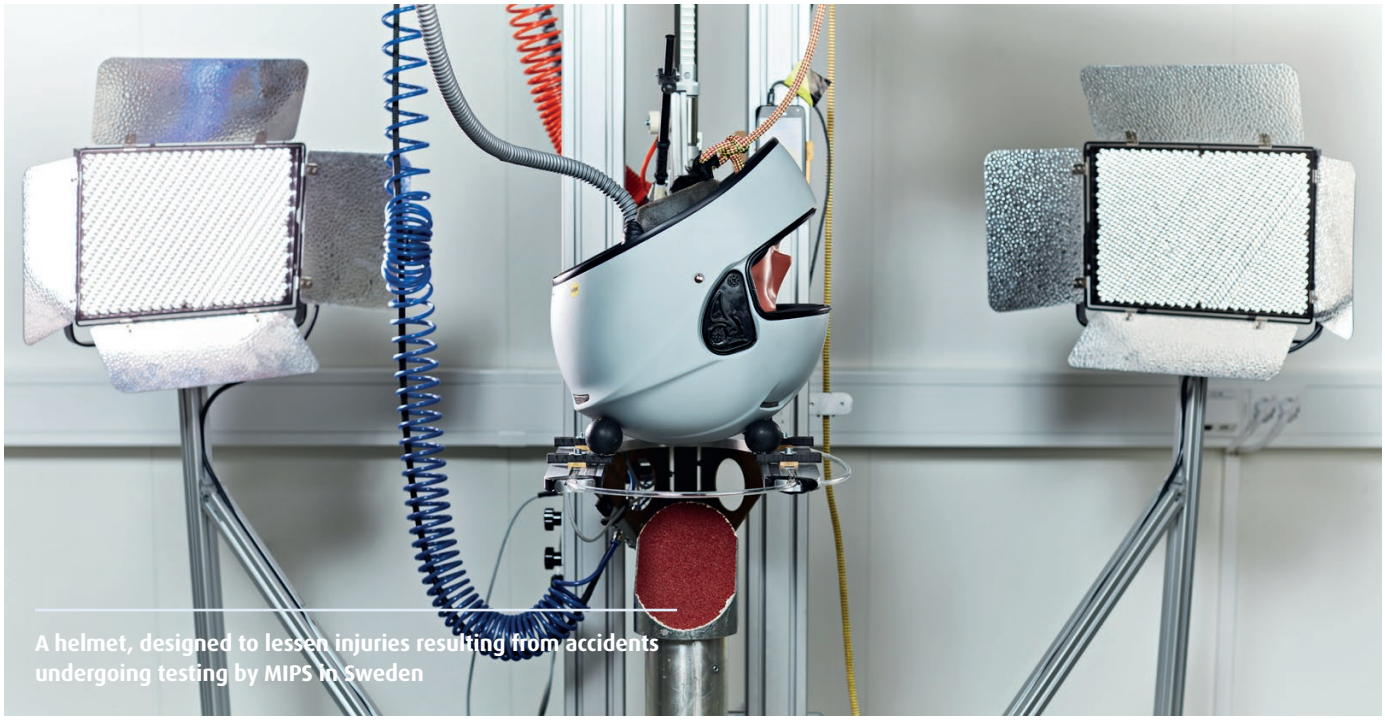
properties by signing new tenants and established a new JV with AXA, with rent collection also remaining solid. Asset management shares were mainly weak as equity markets sold off, but Gresham House bucked the trend as its focus on alternative investment areas such as forestry, housing, infrastructure and green energy proved increasingly popular with investors, leading to good net inflows.

Among the weaker performers on the portfolio, Industrial companies were hit by the weakening global backdrop and our holdings in fastenings specialist **Trifast**, chemicals supplier **Elementis** and foams business **Zotefoams** were all casualties as earnings forecasts suffered from lower product demand. Aerospace supplier **Senior** was hard hit as Boeing's woes with its 737 MAX plane caused production plans to be scaled materially back even before COVID-19 arrived to make things much worse. In the Consumer sectors, shares in carpets and floorings business **Victoria** fell out of favour as trading weakened and we decided to sell when the lockdown led to further scrutiny of the company's balance sheet. We also sold **Ted Baker** after a calamitous run of news for the retailer.

Shares in consultancy business **RPS Group** and property developer **U&I Group** fell, as both companies' results significantly under-shot expectations. **City Pub Group**, café/bars operator **Loungers** and **Dalata Hotels** have all essentially been shut down by the lockdown, with the former two needing to issue more equity, and all these holdings were negative contributors. Air leasing company **Avation**, which had earlier received a bid approach, slid lower as planes were grounded and Virgin Australia, a major customer, fell into administration. Buy to let lending business **OneSavings Bank** was also weak. We think the shares have fallen too far given the conservative nature of its lending approach.

It's always important to find new ideas. **Stock Spirits** is a Central European supplier of a range of branded spirits, with its largest market being Poland. Management have impressed us with their stewardship of the brand portfolio in the last few years after a difficult initial phase post IPO under a different team. Current trading has remained solid in lockdown as home consumption has gone up. **Augean**, is a specialist operator involved in the treatment and disposal of hazardous waste materials. The company has a strong position processing waste streams from the energy, biomass, construction and nuclear sectors. With high barriers to entry given the specialist nature of the service, it should continue to generate strong cash flow in the future. **Vesuvius** is a supplier of critical consumable products into the steel and foundry markets. Its shares have suffered in the last year as demand has slowed, but we think the business is well managed, with a good record in terms of product pricing in recent times indicative of a strong market position. We also purchased a holding in technology business **Quixant**, which serves global gaming equipment manufacturers and control systems and displays customers across the broadcast, medical and wider industrial markets. The shares have been hit by the impact of lockdown in the global casinos market and with a solid balance sheet have the scope for recovery in time.

Looking forward, some of the portfolio will undoubtedly have a tough 2020 and uncertainty around the still to be formalised post Brexit



A helmet, designed to lessen injuries resulting from accidents undergoing testing by MIPS in Sweden

trade deal with the EU may also create volatility. We think the UK smaller companies market remains an attractive investment universe on a medium-term basis.

European Review	One year
Portfolio Performance	-8.6%
Euromoney Smaller Europe Ex UK Index	-8.7%
FTSE All-World Developed Europe ex UK Index	-5.7%

As with the other regions, European equity returns were undermined by the pandemic induced market sell-off near the financial year end. That said, Europe's return for the year fared better than much of the world and our portfolio slightly outperformed.

Politically this was a busy year with the EU preoccupied by the Brexit negotiations. An unstable coalition in Italy collapsed as the country faced an economic slowdown and sought greater flexibility from the EU to end fiscal austerity, while Spain and Ireland also saw political change. The important automotive sector in Germany suffered from slower demand from China as the trade war with the US took effect, and the European Central Bank eventually moved to reinstate quantitative easing, while maintaining negative interest rates in an attempt to lift growth across the region.

Our European portfolio's return was dominated by Health care where our decision to be significantly overweight proved correct, but more powerfully our stocks within the sector performed strongly. **Diasorin** was our best contributor rising 81.8%. Listed in Italy, the company operates in the diagnostics industry, providing the broadest range of specialist tests in the market. Diagnostics is an industry that is outgrowing a positive Health care market as medicine becomes more personalised as we understand effective methods of treatment better. The company is taking share and more recently the shares got another boost from their announcement that they had developed a coronavirus antibody test. Swiss listed company **Tecan**, another strong performer within Health care provides equipment that helps automate diagnostic testing within clinical settings. Similar to Diasorin they benefit from the strong underlying trend of growing diagnostic testing and will see additional demand for their equipment during this crisis.

Our holdings in Industrials also contributed well to performance. Despite being overweight to a sector that had a difficult year, our holdings in aggregate did well. One of our largest holdings, **Vidrala**, shone. The Spanish listed bottle producer managed to outgrow a stable end market whilst improving profitability.

Our Technology holdings also served us well. Of particular note was **ASM International**, the Dutch listed semiconductor equipment business, that managed to deliver strong operational improvements in the face of a challenging environment for the industry. A recent addition, **Scout24**, also performed well. Scout24 operates the leading estate agent and auto-trading online platforms in Germany. The company delivered a good operating performance and the decision to sell the auto-trading platform for an excellent price was well received by the shares.

The most disappointing aspect of last year's performance came from Financials. We suffered because our stocks performed badly in aggregate and we also had a very limited exposure to Real Estate which outperformed. Looking at our holdings, the bulk of the negative performance came during the market fall precipitated by the pandemic. It didn't help that two of these holdings, **Sparebank** and **Storebrand**, the life insurer, are listed in Norway, a country that was hit hard by the oil crash. We had reduced our exposure to these stocks ahead of the crisis, but now feel that valuations are assuming such a negative scenario that we have decided to hold onto the positions. In contrast we have decided to sell German based **Aareal Bank**, with the outlook for returns from lending in the Real Estate sector deteriorating. In the second half of the year we started new holdings in real estate asset manager **Patrizia**, and **CA Immoblien Anlagen**; both are well managed companies mainly exposed to Germany where asset values look more firmly based.

It was also disappointing to see some of our consumer holdings perform badly. We would normally expect these stocks to show stability and resilience, but two stock specific disappointments hit us hard. **Sligro Foods**, a Dutch listed food distributor warned that sales and profits would fall short of expectations following challenges in integrating a large contract. **Origin Enterprises**, the Irish based agronomy business, also warned that profits would fall as a result of lower plantings in the UK due to the wet winter. We decided to sell both positions.

Another, normally stable consumer holding, **Marr**, also had a torrid time. Marr is Italy's leading food distributor that has suffered particularly badly during the recent pandemic. We would usually expect the characteristics of this company to be resilient during economic shocks, however with the closure of Italian restaurants, the peculiar nature of this crisis has meant that the company has lost about 80% of their sales. Whilst this is of course painful, we believe that competition is suffering worse and that Marr will leave this crisis in a better competitive position.

Turning to portfolio activity we have had a busy start to this calendar year. At the beginning of the year we decided to take some risk out of the portfolio, cutting our exposure to banks and insurance and reducing overall our cyclical exposure. Subsequently, the pandemic, whilst clearly a hugely unsettling time, has provided the opportunity to invest in some world class smaller companies at more attractive valuations.

MIPS is a Swedish innovator that has patented the Brain Protection System (BPS), a thin materials layer that can easily be integrated in helmets to reduce rotational motion during crashes. Rotational motion can be a significant cause of brain injury and helmets integrated with the MIPS BPS improve injury outcomes. With a good position in the cycling and skiing industry we expect the system to become more widely adopted whilst penetrating other industries such as construction as safety awareness increases. We first met the company towards the end of 2019 but felt that the valuation was too rich at that stage. The aggressive market fall in March this year meant that the share price reached a more reasonable level and we built a position. The shares have since performed well.

Another company that had been on our watch list was **Remy Cointreau**, the French listed owner of some of the best cognac brands in the world. The shares had performed poorly prior to the crisis but the sell-off took the shares a further leg down. At that stage we felt that the value of the business could be accounted for entirely by its stock of inventories. These inventories are attractive in that, like whisky, cognac increases in value as it ages. Whilst we are still expecting a challenging operational performance from the company we felt that we were investing with a substantial margin of safety in the valuation.

HelloFresh is the leading provider of meal kits to the home globally. In most geographies that they operate, they are the dominant player. Meal kits are becoming a more established part of family life as they offer convenience at an attractive cost. They are also environmentally superior to supermarket shopping as they lead to less food and packaging waste, the latter because of the short supply chain, and lower energy consumption. The current restrictions have of course helped drive more in-home consumption and, while we would expect this to decline once the lockdown is over, this has been an incredible marketing opportunity for the company, accelerating their growth plans at an attractively low cost. Other recent new additions include the Italian industrial, **Interpump**, the Swedish savings and investment innovator, **Avanza**, the Nordic electricity retailer, **Fjordkraft**, and the leading blue tooth chip designer, **Nordic Semiconductor**.

The outlook at this stage is of course uncertain. The rally since the depths of the crisis has been rapid and we would not be surprised to see a return to volatility. We would however embrace this as it could provide a further opportunity to add some more great companies at good prices. After all this is how to create good long-term returns.

North American Review	One year
Portfolio Performance	-10.2%
Russell 2000 Index	-13.6%
S&P 500 Index	+4.6%

The Russell 2000 smaller companies Index fell and significantly lagged the large cap S&P 500 Index. Smaller company underperformance was constant throughout the year and reflected a slowdown in global growth that was further exacerbated by the spread of COVID-19 and

In a joint venture with STV Inc., WSP Global is helping Los Angeles County Metropolitan Transportation Authority (Metro) develop a Zero Emission Master Plan and program for transitioning its entire bus fleet from compressed natural gas to zero emission technology by 2030.

the economic and financial impact that this entailed. Good stock selection meant that we outperformed the Russell 2000.

The first half of the financial year was characterised by a range bound market that saw falling bond yields as monetary policy was loosened in the face of uncertainty from the trade war between the US and China. From the beginning of October towards the end of February the market rallied as the Federal Reserve injected liquidity into the US fixed Income markets, manufacturing started to show signs of stabilisation and progress was made on a trade deal. As February ended the spread of COVID-19 intensified and governments initiated shutdowns of vast parts of economies, investors became anxious about the knock on effect on corporate earnings and the market plummeted as a result.

The US treasury yield curve inverted in the year (the yield on long-term treasuries fell below the yield on short-term treasuries) and based on previous periods, this stoked recession fears amongst investors. The Federal Reserve cut interest rates five times during the financial year and the government also announced several stimulus packages worth nearly $3 trillion to try and overcome the negative impacts of the virus. The scale of these interventions was monumental, in common with actions in other countries. Over the year the best performing sectors within the market were Health care, Technology and Utilities, while the laggards were Energy, Consumer discretionary and Financial services.

Our stock selection in the Materials, Financial services and Producer durables sectors made significant contributions to outperformance. The two largest individual stock contributors were both gold focused investments, **Wheaton Precious Metals** and **SSR Mining**. These positions were initiated when it became apparent that the US interest rate cycle had turned with demand for gold benefiting from its wealth preservation status at a time of extraordinary growth in the money supply. In Financials, insurance broking business **Brown & Brown** was strong as organic growth picked up, the insurance rate cycle showed signs of improvement and the company continued to make sensible acquisitions. Data centers REIT **CyrusOne** was also strong, attracting takeover interest at a time of consolidation in the sector. The increased use of technology following the lockdown is driving additional demand for data storage, supporting the leasing outlook for the company. In Producer durables, consultancy business **WSP Global** rose as the company's increasingly globally spread business benefited from increased investment in transportation infrastructure and environmental projects, while the takeover of railroads business **Genesee & Wyoming** by private equity was timely for us given that railroad shipments fell sharply post the deal.

A number of Health care stocks did well for us. **Catalent** is a provider of drug delivery technologies. In the year it delivered good earnings growth and during the COVID-19 crisis investors have been drawn to the company's resilient product set and potential for activity related to treatments and vaccines for the virus. **ICON**, a provider of clinical research services to the global pharmaceutical industry, had a good

year too. It is a key player in an industry that has been seeing good growth trends with increasingly complex drug trials, and more outsourcing. Sterilisation products and services company **STERIS** consistently outperformed earnings expectations in the year and the shares saw a further re-rating as a result. Over the last two years management of **Molina Healthcare**, a managed care organisation, have made significant operational improvements and in the period the shares responded. In addition, in the aftermath of the coronavirus, the company is likely to see increased demand for its services. In the same area, **Wellcare Health Plans** was taken over early in the period by a larger peer.

As ever not everything worked out as planned. The oil price slumped in the year as demand fell and as Russia and Saudi Arabia disagreed over the need to reduce production. Two holdings were especially impacted by this: oil services company **Core Laboratories**, where falling activity levels in on-shore North America hammered profits (we decided to sell) and **WEX**, a provider of payment services for the vehicle fleet, travel and healthcare industries. WEX was hit by a fall in miles driven and a decline in business travel. **Performance Food Group** a food distributor, suffered from the closure of restaurants, cinemas and shopping malls in a bid to slow the spread of the virus. Travel software company **Sabre** was hurt by the impact of the virus on its hotel and airline customers and its balance sheet became stretched because of a large investment in technology. We decided to sell both Performance Foods and Sabre as financial risks became too elevated for comfort.

Banks were weak as the yield curve inverted and our holding in **Sterling Bancorp** suffered, with the company facing the prospect of lower profitability as a result of the interest rate cuts and likely higher impairments. While Utilities were generally strong natural gas business **UGI** failed to keep up as the gas price tumbled and demand fell. Shares in insurer **Hallmark Financial Services** dropped sharply near the period end, after reporting a large increase in its claims reserves related to historic commercial automotive policies.

Purchases in the year included several 'compounders'. These are high quality businesses with strong competitive advantages that offer reliable long-term growth. **Genpact** is a specialist offshore Business Processing Outsourcing company that has a diversified customer base. Long-term growth should come from continued client adoption of outsourcing, new client wins and margin expansion as investment costs subside. **Sonos** is a market leader in premium home audio electronics. Management's strategy of introducing new products to a large and growing installed base should lead to increasing shareholder value over time. The consumer sector is under intense attack from technological disruption, particularly from Amazon. Despite this we managed to find opportunities in this area that we think are lower risk. **Columbia Sportswear** is a well-recognised, family run, outdoor apparel brand. The company can continue its strong record of growth through direct to consumer initiatives, re-invigoration of the footwear offering, international expansion and an ongoing margin improvement program. **Ollie's Bargain Outlet** is a discount store that offers substantial reductions on branded goods. Management have a good track record in both merchandising and delivering strong returns from new stores and the company has a long potential runway of growth ahead of it. **Nomad Foods** produces branded frozen foods in Europe, owning the Birds Eye brand among others. The business uses its strong and stable free cash flow to sensibly invest in growth initiatives, including building up a plant-based range. Frozen food has been a defensive category in economic downturns previously.

We also identified three new quality cyclicals in the year. **GrafTech International** is a manufacturer of high performance graphite electrodes that are used in the production of steel. Earnings can improve over the long-term as graphite electrode prices and volumes cyclically recover and as margins expand from operating leverage. **Arrow Electronics** is a distributor of technology products which we have owned previously. We went back in when the company's shares became very attractively valued, largely because of concerns over what we believe to be a temporary slowdown at its customers. **NETGEAR** produces communications equipment and earnings growth should accelerate as the company's product cycle matures.

The shape and timing of the recovery will likely depend, as in other markets, on how quickly and successfully the economy can come out of lockdown without creating a second wave of the virus. An additional complication is the upcoming US presidential election and how that impacts various policies. In this highly uncertain current environment, we want to continue to own better quality businesses that have a high probability of surviving or even thriving amidst adversity, but only when prospective returns are attractive. The longer term outlook for smaller companies in the US is good as the sector has many attractive businesses that are led by entrepreneurial management teams and the sector tends to lead performance when economic recovery eventually takes place.

Japanese Review	One year
Portfolio Performance	-6.4%
MSCI Japan Small Cap Index	-3.0%
Topix Index	-0.4%

The Japanese small cap market like others, was unable to avoid a fall over the year and as elsewhere small caps lagged the larger stocks in the market. Our portfolio performance was disappointing with a difficult second half of the year after outperforming in the first half. Despite this, the overall return was still better than in the other parts of the portfolio as Japanese shares held up well.

Japan's superior market performance owed something to a lower starting point for valuations compared to the other markets. The fact that Japanese companies have tended to be more cautious in terms of their use of debt, also worked in its favour over the course of the year, as concerns built around the global slowdown even before the coronavirus arrived. In addition, Japan appears to have thus far been spared a high level of virus cases and deaths, certainly by comparison with Europe and the US, perhaps as a consequence of the widespread general use of masks even in normal times and a cultural focus on hygiene.

Corporate earnings however, have certainly not been spared a hit, indeed the high dependence on export business into China for Japanese companies and on cyclical areas like capital equipment and the automotive sector, meant that the economy saw an earlier slowdown than some other parts of the world. The cancellation of the 2020 Tokyo Olympics and Paralympics after the successful hosting of the Rugby World Cup was a pity and will clearly impact the hospitality sector with inbound tourism suffering, but hopefully the events will take place in 2021. A fall in GDP in Q4 of 2019 and a further one in Q1 2020 meant that the country in fact entered formal technical recession before most other countries, though the rest are catching up now.

The Bank of Japan and government as elsewhere have announced a series of measures to support the financial markets and the economy. The previous limits on government bond purchases have been removed, corporate bond buying is being expanded, infrastructure spending is to be ramped up and direct cash payments to the population are also being made. In total the Japanese stimulus adds up to more than in most other countries, though it is hard to truly compare the effectiveness of the different stimulus approaches at this stage.

Looking at the performance of the stock market, here as elsewhere cyclical stocks generally struggled over the year, with stocks offering a combination of steady growth or defensiveness being re-rated. This was a positive backdrop for the Aberdeen managed fund that we own, which performed better than the MSCI Japan Small Cap Index in the year, helped by good exposure to the popular Technology, Health care and Consumer staples areas. The Aberdeen team also appear to have become more active in making changes to their portfolio than in recent years, a move which appears to be aiding performance.

Early in the year we started a holding in the **Baillie Gifford Japan Smaller Companies Fund**. This fund focuses on companies offering dynamic longer term growth prospects, run by more agile, entrepreneurial management teams from "New Japan" and it has performed very well over the long-term. For the first few months after our purchase however it underperformed as a number of its holdings missed their short-term targets amid the global slowdown. Late in the year it rallied strongly, with some of the disruptive online business models that it is backing benefiting from the lockdown and as Technology stocks received another boost.

The third fund that we own is managed by Eastspring. Their investment process focuses on companies which have fallen out of favour with investors, offering scope for recovery perhaps as the business cycle turns. In the last couple of years the fund has struggled as areas like automotive supplies companies and regional banks have consistently lagged. There is relatively less exposure to better performing areas like Technology and to defensive stocks, which has been a big headwind for performance. The managers are sticking to their investment process and we hope the fund can recover if the global outlook starts to improve, though reflecting somewhat diminished confidence, this is no longer our largest holding.

The future outlook in Japan as elsewhere will depend to a large extent on the global situation pertaining to trade and the virus. Having seen strong performance from Japan despite the headwinds it faced in 2019/20, we enter the new year a little less optimistic and the scale of our overweight position has been trimmed back. It will be interesting to see whether the uptick in shareholder activism that the market saw last year persists. There is much still to be done in the country to enhance governance but it is possible that pressure on companies sitting on excessive cash-piles could ease at least for a time given the greater focus on balance sheet risk.

Rest of World Review	One year
Portfolio Performance	-13.4%
MSCI All Country Asia Pacific ex Japan Small Cap Index	-13.4%
MSCI EM Latin American Small Cap Index	-32.0%

Over the last year, the returns from our portfolio matched Asian small cap returns. Latin American small caps had been doing well until near the end of the period, when weakness in energy prices, the coronavirus and political problems in Brazil led to a major reverse. Smaller company performance in these parts of the word lagged larger companies in common with the other markets.

Asian markets were under pressure early in the year from the escalating trade war between China and the US, with the demonstrations in Hong Kong also undermining sentiment. A number of Asian countries have become more dependent in recent years on exporting into China and indeed acting as part of the supply chain for Chinese goods sold into the West. The eventual trade deal signed in January by China and the US was welcomed by global investors though by then the lockdowns in Wuhan and elsewhere in China had become more the focus. While data from the country is hard to verify, it does seem as though the imposition of a rigidly enforced hard lockdown

suppressed the virus and has allowed a measured reopening of the economy in the Spring without giving rise to a second wave as yet.

The Chinese equity market perhaps counter-intuitively was relatively strong in the year as a whole and other North Asian markets like Taiwan and Korea held up well, helped by significant exposure to Technology. With risk aversion becoming the dominant feature again, countries with high current account or fiscal deficits reversed, with Indonesia and the Philippines performing poorly. Thailand with a greater exposure to tourism trade was also down more than the region as a whole.

Reducing interest rates following the lead from the US did provide some help to Asian markets however, with inflation remaining low in most places, helped by falling oil prices. India as a major importer of energy was a particular beneficiary of this and here the re-elected Modi administration reduced the corporation tax rate for manufacturing companies, which hopefully helps the medium term outlook for some of the companies indirectly held in some of our collectives.

Latin American markets have had a very poor start to 2020, Argentina is back in a debt restructuring stand-off with creditors with inflation in the country out of control. Brazil, the dominant economy in South America is also feeling the impact of the global slowdown, and the President has sacked a succession of his ministers as the country has become the new epicentre of COVID-19.

When looking at our portfolio, returns from the seven holdings were mixed which is not unusual given their geographic and style divergences. The best performing one was the Pinebridge managed Asia ex Japan Smaller Companies Fund. The manager here has a long record of outstanding stock selection and managed it yet again with a high exposure to Technology and to China/Hong Kong working well. The fund was also long of cash heading into the market sell-off of late. Also doing well this year was our position in Aberdeen Standard's Asian fund, which did well despite its historic tendency to favour South East Asian markets. As with the same house's Japanese small cap fund, it appears that a change in the investment process to a more active approach is leading to a more dynamic, better performing portfolio and we are encouraged by this. The weakest two contributors were our investment trust holdings; **The Scottish Oriental Smaller Companies Trust** and **Utilico Emerging Markets**. The common factor was a widening discount. Scottish Oriental took a hit from currency impacts on some of its Indonesian/Philippines holdings, relatively weak returns from its overweight Indian stance and a low exposure to China. Utilico Emerging Markets had done well early in the year but suffered as the sell-off in Latin America, to which it has a high exposure, took hold.

We added a new holding in the second half. The **Schroder ISF Global Emerging Markets Smaller Companies Fund** gives us exposure to a portfolio holding some 80 stocks in Asian, Latin American, Middle Eastern and Eastern European emerging market countries. The managers have a good record to date with this fund and have a quality, returns based approach to investing, which makes sense particularly in emerging markets. Performance to date since purchase has been good despite the challenging backdrop in Brazil and post COVID-19.

As usual we remain conscious that we need to closely monitor the performance of the Rest of World collectives and keep an eye out for potential new funds for the portfolio which could replace existing positions. We will be closely following the ongoing state of political discord between the US and China, and of course the status of the coronavirus outbreak in the key markets.

Outlook

When we look to the next year as has already been stated in the earlier reports, much will depend on the success of the re-opening phase for economies in terms of not triggering a second surge in infection. Progress on a vaccine could come sooner than presently expected. It is impossible at this stage to make a call on this with any great degree of confidence, We can confidently however predict that 2020 is going to be a shocking year for corporate earnings, and sadly that many millions of people around the world will lose their jobs. Weaker economic conditions are likely to lead to some of the "zombie" companies which have been limping along for years, failing to survive. Others more directly impacted by an extended period of social distancing may choose to not reopen given the undermined economics of their businesses.

With near term earnings nigh impossible to predict, alongside looking for companies which are likely to perform well in a recessionary period, we are spending more time considering the potential structural medium-term impacts of the pandemic. It seems relatively clear that the shift to online purchasing will accelerate, most especially in countries where historically the bricks and mortar retail channel has dominated. Companies which have been ahead of their peers in online service evolution are likely to be well placed to make further gains in market share. More working from home looks very likely with repercussions for business travel and office demand. It's unclear at this stage whether the psychological effects of the virus are likely to deter people from returning to previous spending patterns in relation to entertainment and leisure pursuits – we hope and expect that some of our companies involved in these areas will be able to re-build profitability to prior levels and eventually beyond by taking a bigger share of a smaller near-term market.

Financial market participants have the comfort of knowing that the kitchen sink is being thrown into fiscal expansion in a globally synchronised fashion to support the recovery. We should expect different priorities in each country for this (local job creation will be an important consideration), but investment in infrastructure projects seems likely to be a common feature, potentially accelerating the energy transition. At some stage, though probably not for a while, the extent of the resulting fiscal deficits could lead to bond market turbulence, though probably not for a good while, as Central Bank support for credit markets is unlikely to be wound down any time soon.

Heading closer to the US election, given recent events in Hong Kong, it looks like the future relationship with China is going to be much talked about in the campaign. This plus the result of the Brexit trade negotiations are further considerations to ponder. We will keep the gearing status of the fund under review as events unfold. Given the extent of the rally in the markets at the start of the new financial year and the uncertainties around the length and depth of the economic downturn, a cautious approach for now appears merited. As always our aim will be to keep up to date with the fundamental trends in the companies we hold and to seek out new opportunities in the broad global smaller companies universe.

Peter Ewins
19 June 2020

Promoting Success

Section 172 Statement

The Directors act to promote the success of the Company for the benefit of its shareholders as a whole. In so doing, the Directors had regard to the matters set out in section 172(1) of the Companies Act 2006 (the **"Act"**). This includes the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account.

As noted on page 9, we have no employees, premises, assets or operations. Details of our key stakeholders are noted on page 10. Our main working relationship is with BMO GAM through the Manager. Recognising that sustainability is fundamental to achieving longer term success, we have continued to work closely with our Manager to further develop our investment strategy and underlying policies. This is not simply to achieve the Company's investment objective but to make sure it is done in an effective, responsible and sustainable way in the interests of shareholders, future investors and society at large. The portfolio activities undertaken by our Manager and the impact of decisions taken are set out in the Lead Manager's Review on pages 12 to 22. On pages 31 to 34 we have once again included information on our approach towards responsible investment. We are very supportive of BMO GAM's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals (**"SDGs"**).

As reported on page 13, towards the end of the year the advance of COVID-19 dictated a complete reassessment of the portfolio due to the deterioration in the profits outlook. The fundamental outlook had been undermined to such an extent for some companies that we decided to sell. We also took advantage of some share price reverses to buy into stocks which we had previously considered too expensive. Over the year as a whole we increased our exposure to Technology and Health care while reducing Financials and Energy stocks.

We use gearing to enhance returns but at times of market shocks it will have a negative impact. As reported on page 7, we repaid the drawings under our existing revolving credit facility given the rapid deterioration in the outlook. Earlier in the year, we issued £35m of fixed rate 20-year unsecured private placement notes at a coupon of 2.26%. This locked in long-term borrowing at a historically low rate and leaves us very well placed to enhance investment returns over the longer term.

One of our Key Performance Indicators is dividend growth and we are pleased that our investment resilience has seen us deliver a growing dividend every year for the past 50 years. The Company has strong revenue reserves from which it can continue to pay dividends even if there should be a shortfall in the income from our portfolio in any year.

We bought back shares when the discount to NAV widened with a view to holding them in treasury with the potential to reissue if the shares return to a premium. This policy is not only accretive to the NAV per share but also helps moderate share price volatility and provide liquidity in the shares.

As long-term investors we always look to the future and to the success of the Company in that context. We believe that the Company provides a clear investment choice, not only for investors large or small but also for those starting their investment journey. We continue to promote the Company through marketing and work towards the optimal delivery of the Company's investment proposition and to promote the success of the Company for the benefit of all shareholders, stakeholders and, through its valuable role as an investment vehicle, the community at large.

"Our investment resilience has seen us deliver a growing dividend every year for the past 50 years."

Principal Risks and Future Prospects

In reviewing the uncertainties that could threaten the Company's success, the Board has carried out a robust process for the identification of emerging risks and for the assessment of the principal risks. The consequences for its strategy, business model, liquidity, future prospects and viability form an integral part of this review.

The Board's processes for monitoring the principal risks and identifying emerging risks are set out on page 53 and in note 26 to the Accounts. Any emerging risks that are identified and that are considered to be of significance would be included on the Company's risk radar with any mitigations. These significant risks, emerging risks and other risks, including Brexit are regularly reviewed by the Audit and Management Engagement Committee and the Board. Most recently, consideration has been given to the potential impact from COVID-19 and this is referred to in the Chairman's Statement and the Lead Manager's Review and in the table below. The principal risks are largely unchanged from those reported in the prior year. Those identified as most relevant to the assessment of the Company's future prospects and viability were those relating to the potential impact from COVID-19, inappropriate business strategy, potential investment portfolio under-performance and its effect on share price discount/premium

Principal Risks	Mitigation by strategy
Service providers and systems security – **Errors, fraud or control failures at service providers or loss of data through business continuity failure or cyber attacks could damage reputation or investors' interests or result in loss. Cyber risks remain heightened.** **Unchanged throughout the year.**	The ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager. **The Board monitors effectiveness and efficiency of service providers' processes through internal efficiency KPIs.**
Investment performance – **Inappropriate business strategy or policy, or ineffective implementation, could result in poor returns for shareholders. Failure to access the targeted market or meet investor needs or expectations, including ESG and climate change in particular, leading to significant pressure on the share price. Political risk factors could also impact performance as could market shocks such as those experienced in relation to COVID-19.** **Increased during the year.**	Under our Business Model, a manager is appointed with the capability and resource to manage the Company's assets, asset allocation, gearing, stock and sector selection and risk. The individual regional investment portfolios are managed to provide in combination a well-diversified, lower volatility and lower risk overall portfolio structure. The Board holds a separate strategy meeting each year and considers investment policy review reports from the Manager at each Board meeting. **The performance of the Company relative to its Benchmark, its peers and inflation is a KPI measured by the Board on a continual basis and is reported on page 11.**
Discount/premium – **A significant share price discount or premium to the Company's NAV per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence. Increased uncertainty in markets due to the effect of COVID-19 could lead to further falls and volatility in the Company's NAV.** **Increased during the year.**	The Board has established share buyback and share issue policies, together with a dividend policy, in order to moderate the level of share price discount or premium to the NAV per share and related volatility and seeks shareholder approval each year for the necessary powers to implement these policies. **The Company's discount/premium is a KPI measured by the Board on a continual basis and is reported on page 11.**

and dividends, as well as threats to security over the Company's assets. Our risk evaluation forms an inherent part of our strategy determination described on page 8.

Through a series of connected stress tests ranging from moderate to extreme scenarios including the impact of market shocks and based on historical information, but forward looking over the five years commencing 1 May 2020, the Board assessed the risks of:

- The potential impact of COVID-19
- Potential illiquidity of the Company's portfolio.
- Substantial falls in investment values on the ability to maintain loan covenants and to repay and re-negotiate funding.
- Significant falls in income on the ability to continue paying steadily-rising dividends and maintaining adequate revenue reserves.

The Board also took into consideration the operational robustness of its principal service providers and the effectiveness of business continuity plans in place in particular given the current impact of COVID-19, potential effects of anticipated regulatory changes and the potential threat from competition.

The Board's conclusions are set out under the Five Year Horizon.

Actions taken on Principal Risks in the year

The Audit and Management Engagement Committee and the Board have regularly reviewed the Company's risk management framework with the assistance of the Manager. Regular control reports from the Manager covering risk, compliance and oversight of third-party service providers, including IT security and cyber-threats. Reports from the Depositary, which is liable for loss of any of the Company's securities and cash held in custody unless resulting from an external event beyond its reasonable control, were reviewed. The Board is satisfied that the continuity arrangements of all key suppliers including the registrar, depositary, custodian and auditor are working well despite the current lockdowns. As such, this risk is unchanged.

BMO GAM has been retained as Manager and continues to deliver on the Company's objective and operates within a responsible investment culture under a corporate commitment to four key Sustainability Principles: Social Change, Financial Resilience, Community Building and Environmental Impact. With BMO GAM, the Company has the flexibility to innovate, adapt and evolve as ESG necessities and expectations change. Marketing and investor relations campaigns continued throughout the year, including presentations by the Lead Manager to wealth managers across the country. Detailed reports provided by the Lead Manager have been reviewed by the Board at each of its meetings. As reported in the Key Performance Indicators on page 11, long-term performance remains in line with expectations and the dividend for the year is fully covered. As a result of COVID-19, the Board has had an update from the Manager on a fortnightly basis. Nevertheless, the overall level of uncertainty around COVID-19 indicates that this risk has increased.

The discount widened during the year and a total of 14,924,799 shares were bought back in line with the Company's buyback policy. Economic and market uncertainty remains with this risk categorised as increased.

Five Year Horizon

Based on its assessment and evaluation of the Company's future prospects, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming five years. This period is consistent with advice, provided by many investment advisers, that investors should invest in equities for a minimum of five years. The Company's business model, strategy and the embedded characteristics listed below have helped define and maintain the stability of the Company over many decades. The Board expects this to continue and will assess viability over subsequent five year rolling periods.

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities and which restricts the level of borrowings.
- The Company's business model and strategy are not time limited and, as a global investment trust, are unlikely to be adversely impacted as a direct result of Brexit and other political uncertainties.
- The Company is inherently structured for long-term outperformance, rather than short-term opportunities, with five years considered as a sensible time-frame for measuring and assessing long-term investment performance.
- The Company is able to take advantage of its closed-end investment trust structure such as having borrowing arrangements in place and the ability to secure additional finance in excess of five years.
- There is rigid monitoring of the headroom under the Company's bank borrowing financial covenants.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- The Company retains title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.

Thirty Largest Holdings

30 April 2020	30 April 2019		% of total investments	Value £m
1	2	**Aberdeen Standard SICAV I Japanese Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	4.4	31.5
2	1	**Eastspring Investments Japan Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	4.3	30.7
3	3	**Pinebridge Asia ex Japan Small Cap Fund** Rest of World Fund providing exposure to Asian smaller companies.	3.9	27.9
4	4	**The Scottish Oriental Smaller Companies Trust** Rest of World Investment company providing exposure to Asian smaller companies.	2.7	19.6
5	5	**Utilico Emerging Markets** Rest of World Investment company focusing on utility and infrastructure companies in emerging markets.	2.1	15.1
6	26	**Wheaton Precious Metals** United States A precious metals royalty company.	1.8	13.4
7	-	**Baillie Gifford Japanese Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	1.5	10.7
8	11	**ICON** United States Clinical research provider to the global pharmaceutical industry.	1.4	10.3
9	7	**STERIS** United States Global supplier of surgical and sterilisation products and services.	1.2	9.0
10	6	**Alleghany** United States Specialist commercial insurer.	1.2	8.9
11	-	**SSR Mining** Canada Precious metals miner focused on North America.	1.2	8.7
12	9	**Martin Marietta Materials** United States Aggregates and cement producer serving the construction industry.	1.1	8.0
13	39	**Molina Healthcare** United States A managed care business providing health insurance in the US under government programs.	1.1	7.7
14	14	**LKQ Corp** United States A distributor of alternative car parts.	1.0	7.1
15	42	**Brown & Brown** United States Insurance broker to SMEs.	0.9	6.6

30 April 2020	30 April 2019		% of total investments	Value £m
16	28	**Graphic Packaging** United States A vertically integrated producer of printed paperboard cartons for food and beverage products.	0.9	6.5
17	74	**Catalent** United States Contract developer and manufacturer serving the pharma sector with a fast growing biologics and gene therapy division.	0.9	6.5
18	33	**Encompass Health** United States Provider of post acute care through inpatient rehabilitation facilities, home health and hospices.	0.9	6.5
19	31	**Amdocs** United States Outsourced IT services provider to telecommunications sector.	0.9	6.4
20	18	**Aberdeen Standard SICAV I Asian Smaller Companies Fund** Rest of World Fund providing exposure to Asian smaller companies.	0.9	6.4
21	32	**Dolby Laboratories** United States Sound and vision technology company. Provides technology solutions for mobile devices, television and cinemas.	0.9	6.3
22	40	**Healthcare Trust of America** United States US medical office buildings Real Estate Investment Trust (REIT).	0.9	6.2
23	10	**WEX** United States An operator of a fuel card payment network.	0.8	6.1
24	8	**HSBC GIF Asia ex Japan Equity Smaller Companies Fund** Rest of World Fund providing exposure to Asian smaller companies.	0.8	6.0
25	-	**Schroder ISF Global Emerging Markets Smaller Companies Fund** Rest of World Fund providing exposure to Emerging Markets smaller companies.	0.8	6.0
26	43	**CyrusOne** United States Data centers Real Estate Investment Trust (REIT) operating in the US and European markets.	0.8	6.0
27	79	**Viavi Solutions** United States Wireless network testing business and optical component supplier.	0.8	5.8
28	20	**World Fuel Services** United States Aviation and marine fuel distribution and marketing business.	0.8	5.7
29	143	**Team17 Group** United Kingdom Video games developer and publisher.	0.8	5.7
30	17	**Jefferies Financial** United States Diversified financial services business.	0.8	5.6

The value of the thirty largest holdings represents 42.5% (30 April 2019: 41.2%) of the Company's total investments.

List of Investments

Quoted investments	Holding	30 April 2020 Value £'000s
UNITED KINGDOM		
4Imprint Group	133,618	2,509
AFH Financial Group	1,281,507	3,691
Alfa Financial Software	2,788,731	2,170
Alliance Pharma	3,536,268	2,663
Anpario	684,582	2,464
Arrow Global Group	1,421,863	1,436
Ascential	967,165	2,447
Augean	965,160	1,428
Avation	949,432	1,282
Biffa	1,576,074	3,467
Breedon Group	5,437,541	4,655
Brewin Dolphin	1,231,267	3,368
Cairn Energy	1,223,547	1,369
Centamin	2,163,549	3,369
City Pub Group	1,458,342	1,240
Clinigen Group	518,858	3,746
Clipper Logistics	844,226	1,794
CLS Holdings	2,558,455	5,258
Computacenter	264,707	3,851
Countryside Properties	820,250	3,320
Dalata Hotel Group	610,601	1,545
Draper Esprit	659,924	2,448
Elementis	2,485,035	1,738
Energean Oil & Gas	383,166	2,514
Essentra	625,167	1,742
Euromoney Instl Investor	261,284	2,153
FDM Group	230,598	1,723
Future	189,301	1,927
Go Ahead Group	256,646	3,431
Gresham House	359,321	1,940
Hollywood Bowl Group	1,373,580	2,218
Hyve Group	2,618,246	592
Ibstock	750,402	1,508
Imimobile	519,340	1,610
Iomart	810,650	2,586
James Fisher and Sons	219,870	2,973
Keller Group	330,732	2,024
Knights Group	1,348,116	4,718
Loungers	1,451,203	1,277
McKay Securities	1,160,467	2,141
Next Fifteen Communications	785,595	2,844
On The Beach Group	704,758	1,959
OneSavings Bank	1,090,225	2,654
Orchard Funding Group	1,777,151	1,333
Palace Capital	832,250	1,619
Pebble Group	1,913,523	1,914
Pets At Home	848,522	2,174
Polypipe Group	869,956	4,341
Quixant	1,217,317	1,096
Resolute Mining	2,773,948	1,318
Restore	580,049	2,175
RPS Group	1,349,554	699
Sanne Group	638,385	4,137
Savills	175,143	1,688
SDL	769,028	3,791
Senior	1,525,352	989
Sirius Real Estate	5,355,248	3,775
Spirent Communications	803,715	1,937
Stock Spirits Group	1,242,934	2,337
Team17 Group	1,002,613	5,675
Telecom Plus	173,343	2,288
The Gym Group	1,554,415	2,590
TI Fluid Systems	1,029,645	1,629
Tracsis	322,434	1,902
Treatt	835,241	3,917
Trifast	1,785,675	2,089
Tyman	1,400,414	2,355
U&I Group	2,134,327	2,130
Ultra Electronics Holdings	98,876	1,948
Vectura Group	2,849,500	2,419
Vesuvius	478,877	1,917
Vivo Energy	1,689,875	1,320
Warehouse	2,200,184	2,143
Watches of Switzerland	716,600	1,792
XP Power	115,674	3,667
XPS Pensions Group	2,176,176	2,394
Zotefoams	563,205	1,487
TOTAL UNITED KINGDOM		184,777
EUROPE		
AUSTRIA		
CA Immobilien Anlagen	79,049	1,991
Lenzing	13,293	606
Total Austria		2,597

Quoted investments	Holding	30 April 2020 Value £'000s
DENMARK		
Ringkjoebing Landbobank	70,529	3,506
Royal Unibrew	33,508	2,061
Simcorp	44,227	3,243
Total Denmark		8,810
FRANCE		
Lectra	136,323	1,657
Remy Cointreau	17,856	1,578
Total France		3,235
GERMANY		
CTS Eventim	57,075	1,874
Gerresheimer	62,586	3,959
HelloFresh	45,235	1,273
Norma Group	66,901	1,333
Patrizia	52,926	931
Rational	4,487	1,701
Rocket Internet	147,415	2,459
Scout24	54,440	2,813
Symrise	41,197	3,286
Total Germany		19,629
IRELAND		
Irish Continental	454,532	1,350
Total Ireland		1,350
ITALY		
Azimut Holding	88,186	1,190
Cerved Group	462,287	2,487
Diasorin	19,111	2,562
Interpump	57,970	1,336
Marr	195,553	2,027
Total Italy		9,602
NETHERLANDS		
ASM International	19,446	1,695
IMCD Group	49,146	3,444
Just Eat Takeaway	39,977	3,224
Marel	785,872	2,641
Total Netherlands		11,004
NORWAY		
Fjordkraft	241,393	1,290
Nordic Semiconductor	316,735	1,484
Sparebank	178,349	901
Storebrand	314,476	1,253
Tomra Systems	110,468	2,917
Total Norway		7,845

Quoted investments	Holding	30 April 2020 Value £'000s
PORTUGAL		
Corticeira Amorim	243,523	2,034
Total Portugal		2,034
SPAIN		
Fluidra	144,816	1,278
Vidrala	50,414	3,568
Total Spain		4,846
SWEDEN		
Alimak	88,991	756
Avanza	129,010	1,245
Coor Service Management	450,547	2,352
Dometic Group	201,826	1,071
Elekta	290,814	2,121
Indutrade	48,254	1,224
Karnov Group	619,935	2,622
MIPS	56,648	1,137
Total Sweden		12,528
SWITZERLAND		
Forbo Holdings	2,591	2,754
Metall Zug	911	1,366
Tecan	15,002	3,835
Total Switzerland		7,955
TOTAL EUROPE		91,435
NORTH AMERICA		
CANADA		
SSR Mining	626,073	8,669
Waste Connections	45,026	3,067
WSP Global	92,600	4,899
Total Canada		16,635
UNITED STATES		
Alleghany	20,870	8,876
Amdocs	125,036	6,388
America's Car-Mart	53,793	2,812
American Vanguard	470,517	4,663
Arrow Electronics	103,457	5,161
Boot Barn Holdings	128,795	1,885
Brown & Brown	231,451	6,580
C.H. Robinson Worldwide	96,577	5,424
Catalent	118,520	6,499
Catchmark Timber Trust	576,340	3,587
CDW	54,153	4,757
Cerence	304,354	5,079
Columbia Sportswear	49,924	2,885

List of Investments (continued)

Quoted investments	Holding	30 April 2020 Value £'000s
Commvault Systems	102,024	3,453
CyrusOne	107,231	5,956
Dolby Laboratories	133,001	6,331
Eagle Materials	86,695	4,195
Encompass Health	123,122	6,476
Era Group	476,862	1,939
Fireeye	309,907	2,828
Franklin Financial Network	197,413	3,712
Genpact	183,902	5,020
GrafTech International	737,397	4,747
Grand Canyon Education	62,340	4,250
Graphic Packaging	614,315	6,502
Hallmark Financial Services	504,428	1,728
Haynes International	235,259	4,109
Healthcare Trust of America	317,688	6,199
ICON	81,317	10,345
Jefferies Financial	511,494	5,560
Kirby	115,316	4,884
LKQ Corp	340,310	7,058
Martin Marietta Materials	53,259	8,032
Molina Healthcare	58,499	7,669
Monro	69,859	3,062
NETGEAR	156,756	2,980
Nomad Foods	235,000	3,842
Nuance Communications	339,030	5,427
Ollie's Bargain Outlet	62,524	3,363
PRA Group	227,723	5,008
Sonos	449,866	3,641
Spectrum Brands	154,718	5,269
STERIS	79,703	9,002
Sterling Bancorp	467,006	4,565
The Andersons	277,640	3,735
The Ensign Group	158,813	4,709
UGI	120,395	2,878
United Bankshares	182,213	4,335
Vail Resorts	34,304	4,651
Viavi Solutions	609,492	5,837
WEX	58,130	6,065
Wheaton Precious Metals	446,336	13,362
World Fuel Services	290,363	5,739
TOTAL UNITED STATES		273,059
TOTAL NORTH AMERICA		289,694

Quoted investments	Holding	30 April 2020 Value £'000s
JAPAN		
Aberdeen Standard SICAV I Japanese Smaller Companies Fund	2,904,698	31,549
Baillie Gifford Japanese Smaller Companies Fund	251,300	10,748
Eastspring Investments Japan Smaller Companies Fund	2,551,397	30,719
TOTAL JAPAN		73,016
REST OF WORLD		
Aberdeen Standard SICAV I Asian Smaller Companies Fund	199,457	6,354
HSBC GIF Asia ex Japan Equity Smaller Companies Fund	852,000	6,005
Pinebridge Asia ex Japan Small Cap Fund	54,195	27,936
Schroder ISF Global Emerging Markets Smaller Companies Fund	67,600	5,998
The Scottish Oriental Smaller Companies Trust	2,618,586	19,639
Utilico Emerging Markets	9,081,596	15,121
TOTAL REST OF WORLD		81,053
TOTAL QUOTED INVESTMENTS		**719,975**
Unquoted investments		
AUSTRALIA		
Australian New Horizons Fund	2,650,017	2,602
TOTAL UNQUOTED INVESTMENTS		**2,602**
TOTAL INVESTMENTS		**722,577**

The number of investments in the portfolio is 188 (2019: 184).

Sustainability and our ESG policies

As stewards of over £726 million of net assets, we have a duty through our Manager to influence and support positive change.

Our approach

Environmental, social and governance issues can present both opportunities and threats to the long-term investment performance we aim to deliver to our shareholders. We take a responsible approach to ESG matters and have appointed a manager that applies the highest standards of ESG practice in managing the investments on behalf of shareholders. Our approach covers our own governance responsibilities on matters such as the composition of the Board. It also covers the impacts we have via the investments made on our behalf by our Manager which we recognise is the most material impact we have.

In setting and reporting on our ESG policies, we have considered the impacts of our activities and followed the relevant regulatory guidance including the requirements of section 172(1) of the Act.

Responsible ownership and ESG Integration

We support BMO GAM in its belief that good governance and sustainability practices create value. BMO GAM is a signatory to the UNPRI under which signatories contribute to the development of a more sustainable global financial system. BMO GAM aims to systematically incorporate ESG factors into its investment processes. The Manager believes that companies with strong management focus on these areas have the potential to reduce risks facing their business and deliver sustainable performance over the longer term. Investee company boards are expected to disclose to shareholders that they are applying appropriate oversight, on material issues such as labour standards environmental management and tax policies.

The Manager also believes that engaging with investee companies is best in the first instance rather than simply divesting or excluding investment opportunities. Engagement with companies on significant ESG matters, so as to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms an important part of BMO GAM's approach towards responsible investment.

BMO GAM has one of the largest and most experienced Responsible Investment teams based in London focusing on ESG, with regular interaction with colleagues in the investment management teams. Over the course of the last year, the level of interaction has stepped up with a series of seminars and workshops on ESG topics that are helping to better inform the investment teams in relation to assessing the ESG attributes of current and prospective investments, and therefore enhancing the integration of ESG into the investment process. It is also leading to more informed discussions about these topics with the management teams of investee companies. Meetings or calls with managements covering specific ESG topics are arranged regularly by the Responsible Investment team with the opportunity for members of the investment management teams to attend where necessary. Investment teams also have access to information on all engagement activity undertaken by the Responsible Investment team and to an ESG tool developed by BMO GAM using MSCI data which identifies areas of ESG risk in their portfolios.

BMO GAM's approach encompasses a whole range of ESG issues but recognises the need for an intensified level of focus on climate change given its scale and irreversibility, and the potential systemic nature of risks. On page 34 we show the results of the analysis of the portfolio for carbon intensity[1] as well as examples of corporate engagement undertaken on our behalf by BMO GAM on pages 32 and 33.

Voting on portfolio investments

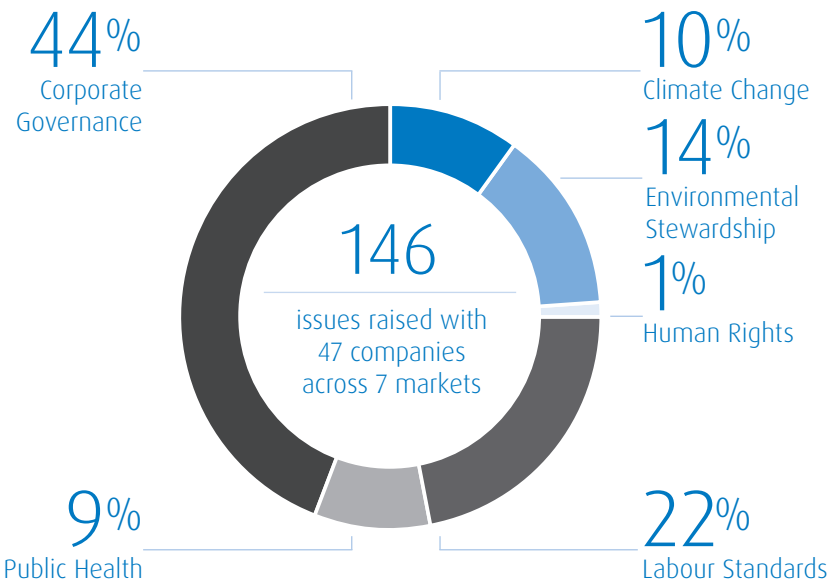
In the absence of explicit instructions from the Board, our Manager has been empowered to exercise discretion in the use of the Company's voting rights. All shareholdings were voted at all listed company meetings worldwide where practicable.

In October 2019, the UK Financial Reporting Council launched the UK Stewardship Code 2020 (**"Stewardship Code"**) which took effect on 1 January 2020. This sets out an ambitious standard for effective stewardship in the UK, defining stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'.

BMO GAM is committed to becoming a signatory of the new Stewardship Code and, as required by the FRC, will report on how the provisions have been applied in their annual Responsible Investment Review in early 2021. BMO GAM believes that their approach to stewardship is already substantially aligned with many of the expectations of the Stewardship Code, and relevant information will therefore already be incorporated in the Responsible Investment Review covering stewardship activities for 2019, which is available at bmogam.com.

[1] See Glossary of terms for on page 99 for an explanation of Carbon Intensity.

Engagement



The year to 30 April 2020 saw BMO GAM holding 95 engagements on 146 issues with 47 companies in the portfolio to encourage stronger policies and disclosure on a range of environmental, social and governance issues.

Corporate governance remained a priority area for engagement, including continuing to press for improved remuneration practices globally and improved board refreshment processes and diversity, particularly in markets such as Germany which are lagging global best practice. Other key areas for engagement were labour standards and environmental stewardship, where BMO GAM entered into dialogue with a number of companies across the health care, materials, as well as financial, industrials and information technology sectors to encourage stronger policies. As well as addressing material risks, engagement also aims to support social and environmental progress, and in particular the achievement of the SDGs, a set of 17 goals for a more sustainable future by 2030.

Engagement examples in 2019/2020

Topic	Engagement
Climate Change	Meetings were held with the management of **Breedon Group, Elementis** and **Alleghany** to discuss climate change initiatives within the individual businesses. Breedon has made a commitment to the Global Cement and Concrete Association Sustainability Charter. This includes guidelines that require monitoring and reporting of carbon emissions along the value chain.
Diversity and Inclusion	Gender diversity at board and senior management level was discussed with **Encompass Health, Tecan, STERIS** and **Waste Connections**. BMO GAM also engaged to better understand how diversity within the wider workforce was being achieved.
Executive Pay	With 2020 being a significant year for executive pay resolutions in the UK and continental Europe, pay practices were discussed with many companies including **Gerresheimer, Aareal Bank** and **Computacenter.**

BMO GAM's strategic approach to engagement helps to achieve positive outcomes, or 'milestones', relating to the targets that have been set under each of the sustainable development goals. These are instances of change in company practice which they rank from one to three stars, three being the highest, based on their assessment of the importance of the change. An example of a milestone achieved in relation to a target is set out below with another in respect of core governance matters for which no specific targets are linked to the SDGs.

Waste Connections

Milestone: ★

Target: 8.8

Issue: Labour standards

Improved Safety Metric Disclosure

● Social

The company improved its disclosure by reporting relevant ESG data against the Sustainability Accounting Standards Board ('SASB') framework whose sustainability accounting standards help public corporations disclose material, decision-useful information to investors. New metrics were disclosed on safety and diversity within the business. The company had been encouraged to pursue regular reporting of these metrics as an important step in monitoring performance and enhancing accountability.

Sirius Real Estate

Milestone: ★★

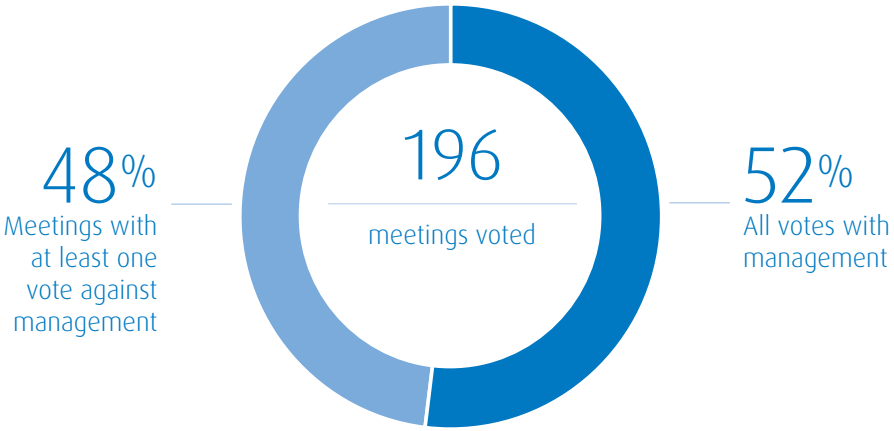
Issue: Director Effectiveness

Reduction in Number of Directorships Held by Chairman

● Corporate Governance

BMO GAM pays attention to the number of directorships an individual director holds, and seeks to be satisfied that directors have sufficient time and energy to perform the role, particularly during occasions requiring exceptional time commitment. Factors that determine the appropriate number of directorships are the size of the company, its complexity, its circumstances, other commitments that a director has and the results of board evaluation, among others. The decision of the chairman to significantly reduce his board commitments during the year was welcomed.

Voting



We expect our shares to be voted on all holdings where possible. In the year under review BMO GAM voted at 196 shareholder meetings and supported management on all resolutions at 52% of these meetings. BMO GAM voted with management on 87% of all resolutions.

One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, BMO GAM did not support 28.5% of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance. In the case of concerns relating to decision-making on company boards, lack of genuinely independent directors or directors overcommitted through other directorships, BMO GAM cast votes against 11% of board and director-related resolutions.

Climate change

Of all the ESG issues, climate change is one of the most important both in terms of the scale of potential impact and in how widespread this could be across sectors and regions. It is important that considerations around climate change risks and opportunities are incorporated into the investment management process.

For the first year, we are disclosing, as best we can, the portfolio-weighted carbon intensity[1] of the Company's investments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (**"TCFD"**). This is based on the greenhouse gas emissions produced by each investee company, per US$1m of revenue and aggregated for the Company as a whole. We aim to use the information for analysis and for benchmark comparisons, but do not set targets based on it.

There are constraints on the analysis of the carbon intensity[1] of the total portfolio as data sources are limited especially for smaller companies. MSCI provide the data for individual companies but not all the stocks held on the UK, North American and European portfolios are covered or assessed by that source. Neither are many that are held within our collective investment fund holdings. As such we are not able to provide a single carbon intensity figure that is representative of the total portfolio. Nevertheless, it is possible to look at the UK, North American and European companies that are held and covered by MSCI and compare the overall carbon intensity of these stocks versus the regional small cap benchmark stocks which are also researched by MSCI. For each of these regions, the carbon intensity of the holdings was 11% less, 10% more and 65% less respectively against the relevant benchmark. The variation across region is influenced to a degree by the stocks excluded by the analysis, but also by the nature of the holdings and sector positioning. The Company has a relatively smaller share of its overall holdings in two sectors which have a high emissions intensity – Energy and Utilities. However, the North American portfolio's carbon intensity is increased by some large positions in the Basic materials sector. We hope to see better coverage of smaller companies in the future in carbon intensity analysis, so that we can provide a fuller picture of the Company's total portfolio in relation to climate change in future years.

Another reason why the data does not provide a full picture of climate risks is that it does not capture the innovation that companies may be undertaking to find solutions and to enhance their future emissions. As an example, the most significant contributors to portfolio emissions include some of the Company's investments in the Industrials sector. However, many of these companies, whilst high emitters themselves, also offer climate solutions. **Biffa**, for example, has a significant focus on recycling waste products. It recently achieved a quadrupling of its plastic recycling. In addition, Biffa has started to trial electric collection vehicles and has set a target that it will cease buying fossil-fuelled vehicles by 2030 and have none in the operational fleet by 2040.

Another example is **Breedon Group**, which is a leading construction materials company in the UK and Ireland. We engaged with the group during the year, particularly on its cement production facilities; nearly 10% of the world's CO_2 emissions come from the production of cement. Breedon was responsive to our expectation for improved sustainability disclosure. It has recently appointed a Head of Sustainability to oversee the group's activities and has become a full member of the Global Concrete and Cement Association (**"GCCA"**). Breedon has announced that it will comply with the GCCA Sustainability Charter which will require it to develop sustainability KPIs, increase disclosure and encourage implementation of the charter across the value chain.

Company engagement is a key pillar of BMO GAM's approach, which sets a clear expectation for companies to align their business strategies with the Paris Agreement. BMO GAM is also actively working on scenario analysis methodologies, which would provide an understanding on the alignment of investments with the Paris goals.

[1] See Glossary of terms for on page 99 for an explanation of Carbon Intensity.

Principal Policies

The Board has overall responsibility for the Company's principal policies, which support its investment and business strategies in securing a high total return for our shareholders.

Investment

Our publicly stated Investment Policy is designed to help shareholders, prospective investors and stakeholders understand the scope of our investment remit and constraints imposed under it. Any material changes to the stated policy can only be made with shareholder approval.

Our remit is global. Risk diversification is achieved through geographic asset allocation and industry sector and stock selection across a wide range of markets. Within the general policy of maintaining a diversified portfolio, there are no specific geographic or industry sector exposure limits for the publicly listed equities.

Investment is made mainly in publicly listed equities including those on the Alternative Investment Market. Investment can also be made in other types of securities or assets including collective investment funds. Under the Listing Rules, no more than 10% of the total assets may be invested in other listed closed-ended investment companies, unless such investment companies have themselves published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%. Investments in unlisted securities require prior Board approval. No transaction can be made which would increase the value of any holding of the Company to exceed 10% of the value of the total portfolio.

Derivative instruments, such as futures, options, and warrants, may be used for efficient portfolio management up to a maximum of 10% of the NAV at any one time. The Board, with advice from the Manager, considers the foreign exchange outlook, as this can affect both the asset allocation and borrowing strategy, and can hedge the portfolio against currency movements. No such hedging has been undertaken in the period under review.

Due diligence with regard to the Investment Policy and underlying policies is carried out at each Board meeting with regular reporting from the Lead Manager. Confirmation of adherence to the investment restrictions and limitations set by the Board are required at each meeting. The Lead Manager's Review on pages 12 to 22 provides an overview of the outcome from the application of the Investment Policy and the underlying policies during the course of the year under review.

Borrowing

The Company has the flexibility to borrow over the longer term and to use short-term borrowings by way of loans. Borrowings, which can be taken out in either sterling or foreign currency, would normally be expected to fall within a range of 0-20% of shareholders' funds. In normal circumstances, the Board believes that structural gearing through the investment cycle is appropriate for the enhancement of shareholder returns. Borrowing levels and covenant headroom are monitored at each Board meeting.

Dividend

Our revenue account is managed with a view to delivering a rising income stream in real terms for shareholders. Prudent use of revenue reserves established over many decades is made whenever necessary to help meet any revenue shortfall.

The Board applies due diligence and determines payments by taking account of timely income forecasts, brought forward distributable reserves, prevailing inflation rates, the dividend payment record and Corporation Tax rules governing investment trust status. Risks to the dividend policy have been considered as part of the Principal Risks and Future Prospects reviews noted on page 24. They include: worldwide financial and political instability leading to significant deterioration in the level of income we receive; and unforeseen and significant changes to our regulatory environment. We have sufficient liquid resources to fund any envisaged level of dividend payment.

The consistent application of this policy has enabled the payment of an increased dividend every year for the past 50 years and the total proposed payment for the year ended 30 April 2020 is fully covered by earnings.

Discount/Premium

The Board operates a discount control, or "buyback" policy under an authority given by shareholders. Under this policy the Company buys back shares for the benefit of shareholders where it sees value and, importantly, with a view to keeping the discount at no more than 5% in normal market conditions. Shares are bought back at a discount to the NAV per share and are either cancelled or held in treasury, the

effect of which is an accretion to NAV per share. The levels within which the policy operates are kept under constant review.

Shareholders have also authorised the Board to issue shares when trading at a premium to the NAV per share helping to moderate the premium and any associated volatility. As with share buybacks, such issues are only made when accretive to the NAV.

As part of the shareholder authority, the Board has also been given power to resell shares held in treasury at a narrower discount than the weighted average discount at which they had been bought back. As the Board has no intention of issuing shares at a discount at any level, it will not seek renewal of this aspect of its authority at the forthcoming AGM. Any resale of shares held in treasury will always be at a premium and therefore accretive to the NAV per share.

The Board reviews the premium and discount levels at each meeting. Information on the outcomes from this policy can be found on pages 5 and 11.

Board diversity

Our policy towards the appointment of non-executive directors to the Board is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender and contributions from an international perspective. The policy is always to appoint the best person for the job and, by way of this policy statement, we confirm that there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or disabilities.

The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for securing a high total return for shareholders. We apply the policy for the purpose of appointing individuals that, together as a board, will continue to achieve that aim as well as ensuring optimal promotion of the Company's investment proposition in the marketplace. In terms of progress in achieving diversity, the gender balance of four men and three women Directors exceeds the target of 33% of women on FTSE 350 company boards by 2020 set under The Hampton-Alexander Review[1]. We also note the recommendations of the Parker Review Committee[2].

Taxation

As an investment trust, it is essential that the Company retains its tax status by complying at all times with Section 1158 of the Corporation Tax Act 2010 (**"Section 1158"**) such that UK Corporation Tax is not suffered on its capital gains. It also ensures that correct taxation returns are submitted annually and any taxation due is settled promptly. Where possible, all taxes suffered in excess of taxation treaty rates on non-UK dividend receipts are claimed back in a timely manner. The Board's policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines. In applying due diligence towards the retention of Section 1158 status and adhering to its tax policies, the Board receives regular reports from the Manager. The Company has received approval from HMRC as an investment trust under Section 1158 and has since continued to comply with the eligibility conditions.

Modern Slavery Act 2015

Our own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated. We therefore believe that the potential for acts of modern slavery or human trafficking in our own working environment is extremely low.

The values that we hold, our culture and the rationale for the appointment of BMO GAM are explained on page 8. BMO GAM is an organisation committed to respecting human rights and stands against all forms of slavery and human trafficking. It is recognised as a leading pioneer in responsible investment and works with policymakers worldwide to deliver market-wide improvements in standards and regulations. In the year under review, over 30% of engagements across the companies in which BMO GAM invests for its clients raised social themes, including human rights, public health and labour standards. There was a particular focus on labour standards in the supply chain as well as on inclusion and diversity in the workforce. BMO GAM is an investor signatory to the WDI which aims at enhancing relevant and material workforce related disclosure on a wide range of workforce issues, covering companies' direct operations and supply chains. We are very supportive of BMO GAM's approach and whose formal statement can be found on its website at bmogam.com.

Integrity and business ethics

We apply a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of BMO GAM or of any other organisation with which we conduct business. The Board ensures that adequate procedures are in place and followed in respect of third-party appointments, acceptance of gifts and hospitality and similar matters.

On behalf of the Board
Anthony Townsend
Chairman
19 June 2020

[1] [2] See Glossary on pages 100 and 101

Chairman's Statement
on corporate governance

Dear Shareholder,
On the next two pages you will find short details of the Directors responsible for the governance of your Company, including mine as your Chairman. Details are also available at bmoglobalsmallers.com. The Company invests in a wide range of companies and, as a board, we believe that good governance creates value and expect the companies in which we invest to apply high standards. In maintaining the confidence and trust of our own investors, we set out to adhere to the very highest standards of corporate governance, business and ethics transparency. We remain committed to doing so.

Governance overview

The Board has established an Audit and Management Engagement Committee and Nomination Committee. The role and responsibilities of these committees are set out in their respective reports which follow. As the Board has no executive Directors and no employees, and is composed solely of non-executives, it does not have a Remuneration Committee. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Remuneration Report on pages 49 to 51 and in note 5 to the Accounts.

The Company has appointed the Manager to manage the investment portfolios as well as to carry out the day to day management and administrative functions. An explanation of the reporting arrangements from the Manager is set out in the Strategic Report on page 9 and in the Report of the Audit and Management Engagement Committee in respect of internal controls on page 53. Explanations concerning the Board's appointment of the Manager including reference to the strength of their resources, measurement of performance and alignment with the values of the Board can be found on page 8.

The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded by the Company Secretary in the minutes. The Board has the power to appoint or remove the Company Secretary in accordance with the terms of the investment management agreement.

Composition of the committees

All Directors are members of the Audit and Management Engagement Committee and the Nomination Committee and this is noted under the Directors' biographies on the following two pages while the respective terms of reference can be found on the website at bmoglobalsmallers.com. Further detail is given in respect of the composition of the Audit and Management Engagement Committee on page 53.

Compliance with the AIC Code of Corporate Governance (the "AIC Code")

We have considered and support the principles and recommendations of the AIC Code published in 2019. The AIC code mirrors the UK Corporate Governance Code (the **"UK Code"**) apart from two significant departures, namely the removal of the nine year limit on chair tenure and the restriction on the chairman of the board being a member of the audit committee. I was appointed to the Board in September 2004 and as reported previously will retire immediately following the AGM. Anja Balfour will succeed me as Chairman. The tenure policy relating to the Directors, including the Chairmanship, is set out on page 48.

We believe that the Company has complied with the current recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions of the UK Code set out below, has thereby complied with the relevant provisions of that Code:

- the role of the Chief Executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- workforce engagement

For the reasons set out in the AIC Code, the Board considers these provisions as not being relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day to day management and administrative functions have been delegated to the Manager. As a result, the Company has no executive directors, employees or internal operations. Therefore, with the exception of the need for an internal audit function, which is addressed on pages 53 and 54, we have not reported further in respect of these provisions. Copies of the UK Code and AIC Code can be found on their respective websites: www.frc.org.uk and www.theaic.co.uk.

Anthony Townsend
Chairman
19 June 2020

Directors

Anthony Townsend
Chairman
Appointed to the Board on 24 September 2004, and as Chairman on 30 July 2007. He is also chairman of the Nomination Committee.
Experience and contribution:
Anthony brings extensive experience and much in-depth knowledge and expertise in the investment trust sector as well as leadership skills. He has spent over 45 years working in the City of London and was chairman of the AIC from 2001 to 2003. Anthony will be retiring from the Board immediately following the AGM on 30 July 2020.
Other appointments:
Anthony is chairman of Finsbury Growth & Income Trust PLC and Gresham House PLC and a non-executive director of Baronsmead Second Venture Trust PLC.

Anja Balfour
Appointed to the Board on 1 June 2015.
Experience and contribution:
Anja brings in-depth investment knowledge, expertise and experience in international investment management as well as leadership skills, most notably from her other non-executive director and chairmanship roles. Previously she spent over 20 years as a fund manager, running Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and latterly, Axa Framlington. Anja will succeed Anthony as Chairman of the Board following the AGM on 30 July 2020.
Other appointments:
Anja is chairman of Schroder Japan Growth Fund PLC and a non-executive director of AVI Global Trust PLC. She also sits on the board of mutual Scottish Friendly Assurance.

Nick Bannerman
Appointed to the Board on 1 October 2019.
Experience and contribution:
Nick brings a combination of investment, operational and management experience as well as a wider business perspective from his current and past business roles across multiple geographies. He was chairman of Baillie Gifford Japan Trust plc until December 2019.
Other appointments:
Nick is an executive director of James Johnston & Co of Elgin Ltd and Johnston GmBH.

Josephine (Jo) Dixon
Chairman of the Audit and Management Engagement Committee.
Appointed to the Board on 11 February 2015.
Experience and contribution:
Jo is a qualified accountant and has a strong accounting and financial background. She also brings leadership skills from her other non-executive director and chairmanship roles. Jo will take over as Senior Independent Director following Jane Tozer's retirement on 30 July 2020.
Other Appointments:
Jo is chairman of JPMorgan European Investment Trust PLC and a non-executive director of Strategic Equity Capital PLC, Alliance Trust PLC, BB Healthcare Trust PLC and Ventus VCT PLC.

Graham Oldroyd
Appointed to the Board on 1 October 2019.
Experience and contribution:
Graham brings to the Board in-depth investment knowledge, expertise and experience in international investment management from his listed and unlisted European businesses across multiple sectors and geographies.

Other Appointments:
Graham is chairman of MCF Limited and vice chairman of Ideal Standard International NV (Belgium) and a non-executive director of Henderson Alternative Strategies Trust Plc, and Nobina AB (Sweden).

David Stileman
Appointed to the Board on 1 June 2015.
Experience and contribution:
David brings a wider business perspective to the Board both from his current and past business and advisory roles as well as his extensive knowledge in international banking and specialty finance.

Other Appointments:
David is an operating partner of Corsair Capital LLP and an executive director of Stileman Consulting Limited and Honorary Trustee of the Royal Academy of Arts.

Jane Tozer
Senior Independent Director
Appointed to the Board on 13 June 2005.
Experience and contribution:
Jane has a wealth of experience in business management, marketing, finance, risk, strategy, cyber security and information technology. She also has wide-ranging board experience having been a non-executive director in the technology, finance, retail and public sectors. She previously worked at IBM and then as CEO of a software development company. Jane will be retiring from the Board immediately following the AGM on 30 July 2020.
Other Appointments:
Jane is senior independent director at Nominet UK and Ventus 2 VCT plc and a trustee of Citizens Advice in Three Rivers Ltd and Galapagos Conservation Trust.

All the Directors are members of the Audit and Management Engagement Committee and the Nomination Committee. No Director has a shared directorship elsewhere with other Directors.

Applying the principles of the AIC code

Company purpose

Information relating to the Company's purpose, values and culture can be found on page 8.

Board leadership

The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which are reviewed periodically. These are categorised and reviewed under strategy, policy, finance, risk, investment restrictions, performance, marketing, appointments, the Board and public documents. It has responsibility for all corporate strategic issues, principal policies (set out on pages 31, 35 and 36) and corporate governance matters which are all reviewed regularly.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Lead Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager. The Board has responsibility for the approval of any unlisted investments.

Division of Board responsibilities

As an externally managed investment company, there are no executive Directors; all the Directors are non-executive. The Chairman is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. The Chairman sets the agenda for all Board meetings under a regular programme of items in conjunction with the Company Secretary. The Company has made significant progress under the Chairmanship of Anthony Townsend. This has been engendered under his direction through constructive and open debate within the Board at its meetings and, where relevant, through individual discussion.

Similarly, building on the strong working relationship with the management company, the Lead Manager and other management company personnel attended and reported to the Board. Discussions at all levels were held in a constructive and supportive manner with appropriate challenge and strategic guidance and advice from the Board whenever necessary consistent with the culture and values.

Jane Tozer, as Senior Independent Director, acts as an experienced sounding board for the Chairman and an intermediary for other Directors and shareholders. She leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such advice was taken during the year under review.

Composition and succession

The Report of the Nomination Committee sets out on page 48 the appointment process undertaken in respect of the change of Chairmanship with effect from 31 July 2020 and for the appointments of Nick Bannerman and Graham Oldroyd as Directors of the Company in October 2019. The succession plan has been focused on ensuring the continuity of investment knowledge and expertise amongst the Board members. The composition of the Board and Committee members is set out in the Directors' details on pages 38 and 39. The Company's diversity policy is set out on page 36.

Board evaluation and effectiveness

Each year the Board undertakes an evaluation of the effectiveness of individual Directors, the Board and its Committees. The Board and Committee evaluation for the year under review was carried out with the support of the corporate advisory firm, Lintstock Limited. The process included confidential unattributable one-to-one interviews between the facilitator and each Director. The Lead Manager, Head of Investment Trusts at BMO GAM and the Company Secretary also participated to provide all-round feedback to the Board. The performance of the Chairman was covered as part of the process and led separately by the Senior Independent Director. The findings of the external evaluation were discussed with the Chairman and reviewed by the Board.

There were no significant issues arising from the evaluation process and it was agreed that the Board and its Committees were functioning effectively. All Directors make an effective contribution to the Board commensurate with their experience and skills. The main priorities for the Board over the coming year will be the integration of the new appointments and transitioning to a new Chairman and Senior

Independent Director following the retirement of Anthony Townsend and Jane Tozer. The continuing development of the Company's ESG policies, investment and marketing strategies will also be a key focus and the Board will consider whether a further appointment is required to add to its current range of skills.

Audit, risk and internal control

The Board has established an audit and management engagement committee the report of which is set out on pages 52 to 55. The report includes the rationale for the Company not having established its own internal audit function; how the independence and effectiveness of the external auditor is assessed; and how the Board satisfies itself on the integrity of financial statements. The report covers the process under which the Board satisfied itself that the Report and Accounts presents a fair, balanced and understandable assessment of the Company's position and prospects. There is an explanation of the procedures under which risk is managed and how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Further information on the Company's risk and control framework can be found on page 53.

Relations with shareholders and stakeholders

The Company's key stakeholders are the shareholders as explained on page 10.

Remuneration

The remuneration policy is explained on page 49 and that, as non-executive Directors, their fees are set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the contribution towards the delivery of the investment objective. While there are no executive Directors and no employees, shareholders should expect that the fees paid to the Manager are aligned with the Company's purpose, values and the successful delivery of its long-term strategy. This is achieved through alignment of the fee rate with the Company's net asset value.

By order of the Board
BMO Investment Business Limited
Secretary
19 June 2020

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 30 April 2020. The Chairman's Statement on corporate governance, Directors' biographies, Applying the principles of the AIC Code, the Reports of Nomination and Audit and Management Engagement Committees, and the Remuneration Report all form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that, following advice from the Audit and Management Engagement Committee, the Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit and Management Engagement Committee has reviewed the draft Report and Accounts for the purposes of this assessment. The market outlook for the Company can be found on pages 7, 21 and 22. Principal risks can be found on page 24 with further information on financial risks in note 26 to the Accounts. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R other than in respect of Listing Rule 9.8.4(7)R concerning the issue of shares which is on page 43.

Results and dividends

The results for the year are set out in the attached accounts. The recommended final dividend of 1.15 pence per share is payable on 3 August 2020 to shareholders registered on 10 July 2020 subject to approval at the AGM **(Resolution 4)**. This, together with the interim dividend of 0.55 pence per share, makes a total dividend of 1.70 pence per share and represents an increase of 3% over the comparable 1.65 pence per share paid in respect of the previous year.* See note 9 to the Accounts.

Company status

The Company is registered as a public limited company and an investment company as defined by Section 833 of the Act. The Company is registered in England and Wales with company registration number 28264 and is subject to the Financial Conduct Authority's (**"FCA"**) Listing Rules, Disclosure Guidance and Transparency Rules (**"DTRs"**) and other applicable legislation and regulations including company law, financial reporting standards, taxation law and its own articles of association.

Taxation

As set out on page 36 and in note 7 to the Accounts, the Company is exempt from UK Corporation Tax on its worldwide dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with Section 1158. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

Prevention of the facilitation of tax evasion

The Board is committed to compliance with the UK's Criminal Finance Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates. The policy is based on a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

Accounting and going concern

The financial statements, starting on page 62, comply with current UK Financial Reporting Standards, supplemented by the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (**"SORP"**). The significant accounting policies of the Company are set out in note 2 to the Accounts. The unqualified auditors' opinion on the Financial Statements appears on page 57. Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM (**Resolution 1**).

As discussed in note 25 to the Accounts, the Directors believe that, in light of the controls and monitoring processes that are in place, the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term

* The comparative figure has been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. The Directors have also considered the risks and consequences of the COVID-19 pandemic on the Company and have concluded that it has the ability to continue in operation and meet its objectives in the year ahead. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. The Board's actions in response to COVID-19 are developed further in the "Five Year Horizon" Statement on page 25.

Statement as to disclosure of information to the auditors

Each of the Directors confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which BDO LLP (**"BDO"** or the **"auditors"**) is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that BDO is aware of that information.

Reappointment of auditors

BDO have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their reappointment and authorising the Audit and Management Engagement Committee to determine their remuneration for the ensuing year will be put to shareholders at the AGM. **(Resolutions 10 and 11).** Further information in relation to the reappointment can be found on page 55.

Capital structure

Following a ten for one share split on 31 October 2019, each ordinary share of 25p was replaced with ten new ordinary shares of 2.5p each. As at 30 April 2020 there were 620,533,770 ordinary shares of 2.5p each (**"ordinary shares"**) in issue of which 16,425,239 were held in treasury. As at 16 June 2020 (being the latest practicable date before publication of this report) the number of ordinary shares in issue was 620,533,770 while the number held in treasury was 21,045,454.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 16 to the Accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares. Full details are set out in the Company's articles of association.

Convertible Unsecured Loan Stock (CULS)

The Company's convertible unsecured loan stock matured on 31 July 2019. Under the terms of the CULS, stockholders had been entitled to convert their holdings, in whole or in part, into ordinary shares on 31 January and 31 July each year up to 31 July 2019 at a fixed price per Ordinary Share of 977.6970p. A total of 1,579,002 new Ordinary shares of 25p each were issued following the final conversion of £15.4m nominal of CULS.

Issue and buyback of shares

At the annual general meeting held on 25 July 2019, shareholders authorised the Board to issue further ordinary shares or sell from treasury up to 10% of the number then in issue. Shareholders also renewed the Board's authority to purchase up to 14.99% of its own issued ordinary shares (excluding any shares held in treasury) at a discount to NAV per share.

Other than the shares issued in respect of the conversion of the CULS reported above, no shares were issued during the year under review or have been issued between 30 April 2020 and 16 June 2020 being the latest practicable date before the publication of this report. In accordance with the policy of aiming to keep the discount at no more than 5% in normal market conditions, the Company bought back shares on 57 separate occasions in the period under review. A total of 14,924,799 shares with a nominal value of £373,119 were bought back from Stifel Nicolaus Europe and placed into treasury in a price range of between 89.68 pence and 147.50 pence and at an average price of 132.30 pence for a total consideration, including stamp duty and commissions, of £19,745,000. The shares bought back represented 2.47% of the shares in issue (calculated exclusive of any shares held in treasury) at 30 April 2019. The share buybacks enhanced the NAV per share by 0.17 pence. A further 4,620,215 were bought back and placed into treasury between 30 April 2020 and 16 June 2020.

Voting rights and proportional voting

As at 16 June 2020 the Company's 620,533,770 ordinary shares in issue less the 21,045,454 shares held in treasury represented a total of 599,488,316 voting rights.

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held.

Approximately 51% of the Company's share capital is held on behalf of non-discretionary clients through the BMO Savings Plans. For those planholders who do not return their voting directions, the nominee company will vote their shares in proportion to the directions of those who do (**"proportional voting"**). Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in the savings plans being voted. A maximum limit of 769,000 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, also applies. Any shares voted by an investor in excess of the

maximum limit remain valid, but do not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Substantial interests in the Company's share capital

As at 30 April 2020 and since that date no notifications of significant voting rights have been received under the FCA's DTRs.

Borrowings

The Company has a one-year £35 million multi-currency revolving credit facility with The Royal Bank of Scotland International Limited (with an option to take on an additional £15 million if required.) This was not drawn down at the year-end. The Company also issued £35 million fixed rate 20-year unsecured private placement notes at a coupon of 2.26% in August 2019. An overdraft arrangement is available from the Custodian for settlement of investment trades if necessary. Further reference is made on page 7 and in notes 12 and 15 to the Accounts.

Remuneration Report

The Directors' Remuneration Report, which can be found on pages 49 to 51 provides detailed information on the remuneration arrangements for Directors of the Company. Shareholders are asked to approve the Remuneration Policy and Annual Report on Remuneration annually. The Remuneration Policy has no material changes since last approved by shareholders in 2019. Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective (**Resolutions 2 and 3**).

Appointments to the Board

Under the articles of association of the Company, the number of Directors on the Board may be no more than twelve. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments require prior Board approval and are subject to election by shareholders at the next annual general meeting and institutional shareholders are given the opportunity to meet any newly appointed Director if they wish. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of their term of office and may by ordinary resolution appoint another person who is willing to act to be a Director in their place. The provisions under which a Director would automatically cease to be a Director are set out in the articles of association.

Contribution and independence of Directors

The Board is composed solely of independent non-executive Directors. The Nomination Committee has considered each Director and the Board has concurred with its assessment that each Director continues to make a valuable and effective contribution and remains committed in their respective roles. Furthermore, no Director has a past or current connection with BMO GAM and each remains independent in character and judgement with no relationships or circumstances relating to the Company that are likely to affect that judgement. The Board has therefore concurred with the Nomination Committee's assessment that all the Directors are independent of BMO GAM and of the Company itself. As already stated, Anthony Townsend and Jane Tozer will be retiring immediately after the forthcoming AGM.

The following table sets out the Directors' meeting attendance in the year under review. The Board held a separate meeting in February 2020 to consider strategic issues and also met once in private session during the year under review without any representation from the Manager.

Directors' attendance

	Board	Audit and Management Engagement Committee	Nomination Committee
No. of meetings	6	2	2
Anthony Townsend	6	2	2
Anja Balfour	6	2	2
Nick Bannerman *	3	0	0
Jo Dixon	6	2	2
Graham Oldroyd *	4	1	0
David Stileman	6	2	2
Jane Tozer	6	2	2

*Appointed on 1 October 2019

In addition to the scheduled meetings detailed above, a number of other meetings were held to discuss the impact of COVID-19.

Directors' re-elections

The names of the Directors of the Company, along with their biographical details, are set out on pages 38 and 39 and are incorporated into this report by reference. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are also set out. With the exception of Nick Bannerman and Graham Oldroyd, who were appointed on 1 October 2019, all the Directors held office throughout the year under review and will stand for re-election by shareholders at the meeting in accordance with the requirements of the AIC Code other than Anthony Townsend and Jane Tozer who will both be retiring immediately following the AGM. Nick Bannerman and Graham Oldroyd will both stand for election (**Resolutions 5 to 9**).

Directors' interests and indemnification

There were no contracts to which the Company was a party and in which a Director is, or was, materially interested during the year. There

are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company has granted a deed of indemnity to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. This deed of indemnity is a qualifying third-party provision (as defined by section 234 of the Act) and has been in force throughout the period under review and remains in place as at the date of this report. It is available for inspection at the Company's registered office during normal business hours and at the AGM. The Company also maintains directors' and officers' liability insurance.

Safe custody of assets

The Company's listed investments are held in safe custody by JPMorgan Chase Bank (the **"Custodian"**). Operational matters with the Custodian are carried out on the Company's behalf by the Manager via BMO GAM in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held. The investment in Australian New Horizons Fund is not held by the Custodian but the Board has satisfied itself that adequate custodial arrangements exist.

Depositary

JPMorgan Europe Limited (the **"Depositary"**) acts as the Company's Depositary in accordance with the Alternative Investment Fund Manager's Directive (**"AIFMD"**). The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the Custodian; and monitoring the Company's compliance with investment and leverage limits requirements. The Depositary receives for its services a fee of one basis point per annum, based on the Company's net assets, payable monthly in arrears.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Manager's fee

The Manager earns a management fee of 0.55% per annum of the Company's net asset value, which is reduced to 0.275% in respect of the market value of investments held in third party collective funds. The fee is calculated and paid monthly in arrears. The amount payable was £4,157,000, an increase of 0.5% from £4,137,000 last year reflecting the increase of the Company's average net assets during the year. Note 4 to the Accounts provides detailed information in relation to the management fee.

Manager evaluation process

The Manager's performance is considered by the Board at every meeting with a formal evaluation by the Audit and Management Engagement Committee each year. For the purposes of its ongoing monitoring, the Board receives detailed reports and views from the Lead Manager on investment policy, asset allocation, gearing and risk including presentations on the North American, UK, European, Japanese and Rest of World portfolios at least annually. In evaluating the Manager's performance, the Board considers a range of factors including the investment performance of the portfolio as a whole, performance of the various regional sub-portfolios and the skills, experience and depth of the team involved in managing the Company's assets. The Board measures the overall relative success of the Company against the Benchmark, with each regional sub-portfolio being measured against relevant local small capitalisation indices. It also considers the resources and commitment of the Manager in all areas of its responsibility, including the marketing and administrative services provided to the Company. Portfolio performance, which is relevant in monitoring BMO GAM, is set out on pages 12 to 22.

Manager reappointment

The annual evaluation that took place in June 2020 included presentations from the Lead Manager and BMO GAM's Head of Investment Trusts. This focused primarily on investment performance and the services provided to the Company more generally. With regard to performance, the shareholder return remained comfortably ahead of the Benchmark over the last decade.

The Audit and Management Engagement Committee met in closed session following the presentation and, in light of the long-term investment performance of the Manager and the quality of the overall service provided, it concluded that in its opinion the continuing appointment of the Manager on the terms agreed was in the interests of shareholders as a whole. The Board ratified this recommendation.

AGM

The Company is legally obliged to hold its AGM by 30 October 2020 and the meeting is therefore scheduled to take place at 125 High Street, Tonbridge TN9 1DD on Thursday 30 July 2020 at 2.00 p.m.

The Notice of Meeting is set out on pages 86 to 87. Following the "Stay Alert" guidance received from the Government, the current restrictions on travel and public gatherings, the Board has been carefully considering the arrangements for the upcoming AGM in conjunction with the

health, wellbeing and safety of shareholders and other attendees. It is not expecting shareholders to attend the AGM. The Company may in accordance with its articles of association and following such Government guidance impose entry restrictions on persons wishing to attend the AGM. All shareholders are strongly encouraged to exercise their votes in respect of the AGM in advance to ensure that their votes are registered and count at the AGM. Furthermore, the Board always welcomes questions from its shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance. The answers to these questions will be posted on our website after the AGM. Shareholders should submit any questions they may have to GlobalSmallersCoSec@bmogam.com before 27 July 2020.

Authority to allot shares and sell shares from treasury (Resolutions 12 and 13)

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash or selling shares out of treasury without first offering them to existing shareholders in proportion to their holdings.

Resolution 12 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £1,498,725 (59,949,000 ordinary shares), being equivalent to approximately 10% of the Company's issued share capital (calculated exclusive of any treasury shares being held by the Company) as at 16 June 2020, being the latest practicable date before the publication of the Notice of AGM. The authority and power expires at the conclusion of the annual general meeting in 2021 or, if earlier, 15 months from the passing of the resolution.

Resolution 13 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing shareholders in proportion to their holdings up to an aggregate nominal amount also of £1,498,725 (representing approximately 10% of the issued ordinary share capital of the Company at 16 June 2020, calculated exclusive of any shares held in treasury).

These authorities provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on pages 35 and 36 or should any other favourable opportunities arise to the advantage of shareholders.

The Directors anticipate that they will mainly use them to satisfy demand from participants in the BMO Savings Plans when they believe it is advantageous to such participants and the Company's shareholders to do so. Under no circumstances would the Directors use them to issue shares or sell treasury shares at a price which would result in a dilution of NAV per ordinary share.

Authority for the Company to purchase its own shares (Resolution 14)

At the annual general meeting held in 2019 the Company was authorised to purchase approximately 14.99% of its own shares for cancellation or to be held in treasury. The number of shares remaining under that authority as at 30 April 2020 was 80,376,201 shares or 13.30% of the issued share capital exclusive of the number of shares held in treasury. Resolution 14 will authorise the renewal of such authority enabling the Company to purchase in the market up to a maximum of 89,863,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital exclusive of treasury shares) and the minimum and maximum prices at which they may be bought exclusive of expenses, reflecting requirements of the Act and the Listing Rules.

The Directors will continue to use this authority in accordance with the policy set out on pages 35 and 36. Under the Act, the Company is allowed to hold its own shares in treasury following a buyback, instead of having to cancel them. This gives the Company the ability to reissue treasury shares quickly and cost-effectively (including pursuant to the authority under Resolution 13, see above) and provides the Company with additional flexibility in the management of its capital base. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are in the treasury. If the Board exercises the authority conferred by Resolution 14, the Company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue. Purchases of ordinary shares under the authority will be financed out of realised revenue and/or capital reserves and funded from the Company's own cash resources or, if appropriate, from short-term borrowings. The authority to purchase ordinary shares will continue until the annual general meeting in 2021 or on 30 October 2021, whichever is the earlier. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Amendments to the articles of association (Resolution 15)

Resolution 15, which will be proposed as a special resolution, seeks shareholder approval to adopt revised Articles of Association (the **'New Articles'**) in order to update the Company's current Articles of Association (the **'Existing Articles'**). The changes introduced in the New Articles are primarily to reflect changes in law and regulation, and developments in market practice and include:

i. enabling the Company to hold physical, virtual only or hybrid annual general meetings in the future;

ii. changes in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU) (**"AIFMD"**);
iii. changes in response to the introduction of international tax regimes requiring the exchange of information; and
iv. removing the prohibition on the Company from distributing any surplus arising from the realisation of its investments and providing the Board with the ability to establish a capital reserve which may be used for any of the purposes to which sums standing to any revenue reserve may be applied (including to fund dividend payments and share buy backs if the Board believes it is in the best interests of the Company to do so).

We have summarised in the Appendix to the AGM Notice (pages 90 to 91 of this document), those changes introduced in the New Articles which we consider will be of most interest to shareholders. Other changes, which are of a minor, technical or clarifying nature, have not been noted in the Appendix but include, for example, the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company.

It should be noted that, while the New Articles will allow for meetings to be held and conducted in such a way that persons who are not present together at the same physical location may attend, speak and vote at the meeting by electronic means, the Directors have no present intention of holding a wholly electronic meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a virtual or hybrid meeting to be held. Nothing in the New Articles will prevent the Company from holding physical general meetings.

The New Articles, showing all the changes to the Existing Articles, are available for inspection on the Company's website, bmoglobalsmallers.com and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm from the date of the AGM Notice until the close of the AGM and will also be available for inspection from 15 minutes before and at the AGM.

Notice period for meetings (Resolution 16)

The Act and the Company's articles of association provide that all general meetings (other than annual general meetings) can be convened on 14 days' notice. However, one of the requirements of the Shareholder Rights Directive is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. The Board is of the view that it is in the Company's interests to have a shorter notice period which complies with the provisions of the Act and the Company's articles allow all general meetings (other than an annual general meeting) to be called on 14 clear days' notice. The passing of resolution 16 would constitute shareholders' agreement for the purposes of the Shareholder Rights Directive (which agreement is required annually) and would therefore preserve the Company's ability to call general meetings (other than an annual general meeting) on 14 clear days' notice. The Board would utilise this authority to provide flexibility when merited and would not use it as a matter of routine. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Form of proxy for AGM voting

If you are a registered shareholder you will find enclosed a form of proxy for use at the AGM. You will also have the option of lodging your proxy vote electronically at eproxyappointment.com. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Please either complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions or, alternatively, lodge your proxy vote via the Internet or the CREST proxy voting system, whether or not you intend to be present at the AGM. This will not preclude you from attending and voting in person if you so wish.

All shareholders are strongly encouraged to vote in advance of the AGM and, to do so, all proxy appointments must be returned not later than 48 hours before the time appointed for holding the AGM.

Form of direction and proportional voting

If you are an investor in any of the BMO Savings Plans you will have received a form of direction for use at the AGM and you will also have the option of lodging your voting directions using the Internet. BMO operates a proportional voting arrangement, which is explained on page 43.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 12 noon on 23 July 2020, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Voting recommendation

Your Board considers that the resolutions to be proposed at the AGM are in the best interests of the shareholders as a whole. The Board therefore recommends that shareholders vote in favour of each resolution, as is the intention of the Directors in respect of their own beneficial holdings.

By order of the Board
BMO Investment Business Limited
Secretary
19 June 2020

Report of the Nomination Committee

Role of the Committee

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy. All of the Committee's responsibilities have been carried out in the period under review and to date. The Committee met on two occasions during the year and specifically considered, monitored and reviewed the following matters:

- the structure and size of the Board and its composition particularly in terms of succession planning and the experience and skills of the individual Directors and diversity across the Board as a whole;
- tenure policy;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment;
- the appointment of new Directors and the reappointment of those Directors standing for re-election at annual general meetings;
- the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;
- each Director's independence; and
- the authorisation of each Director's situational conflicts of interests in accordance with the provisions of the Act and the policy and procedures established by the Board in relation to these provisions.

Composition of the Committee

All the Directors are members of the Committee the terms of reference of which can be found on the website at bmoglobalsmallers.com.

Diversity and tenure

The Board's diversity policy, objective and progress in achieving it are set out on page 36. Director searches are undertaken in accordance with this objective and policy with the recruitment process open to a diverse range of candidates.

The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company or, indeed, its chairman. This is because continuity and experience can add significantly to the strength of investment trust boards where the characteristics and relationships tend to differ from those of other companies. While the Chairman and Directors are normally expected to serve for a nine-year term, this may be adjusted for reasons of flexibility and continuity.

Appointment of new Chairman

As previously reported, I will be retiring immediately following the Company's AGM this year and Anja Balfour will succeed me as Chairman. Anja's in-depth investment knowledge, expertise and experience in international investment management and her directorship and chairmanship skills make her very well suited to leading the Company forward in the years ahead.

Succession planning

Jane Tozer will also be retiring immediately following the company's forthcoming AGM. Two new non-executive Director appointments were made during the course of the year, Nick Bannerman and Graham Oldroyd. These appointments were made using Cornforth Consulting Ltd (**"Cornforth"**). The search took place under clearly defined candidate criteria produced by the Committee based on merit and objective criteria. The selection process was thorough and took into consideration the applications that came via Cornforth and a series of interviews with a number of shortlisted candidates. The services provided by Cornforth were for the sole purpose of recruiting the eventual appointees and there were no other business relationships in place with that company. Consideration has also been given as to which of the Directors will replace Jane Tozer as Senior Independent Director following her retirement from the Board on 30 July 2020. The Board approved a recommendation from the Committee in June 2020 that Jo Dixon take on the role with effect from 31 July 2020. The final decision on appointing new Directors always rests with the Board.

Committee evaluation

The activities of the Nomination Committee were considered as part of the externally facilitated Board appraisal process completed in accordance with standard governance arrangements as reported on page 40.

Anthony Townsend
Nomination Committee Chairman
19 June 2020

Remuneration Report

Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Senior Independent Director, Chairman of the Audit and Management Engagement Committee and the Directors and their retention are taken into account. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. This includes provision for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and committee meetings, including those treated as a benefit in kind subject to tax and national insurance. This policy was approved by shareholders at the Company's annual general meeting in 2019 when 93.31% of votes were cast in favour of the resolution, 6.62% against and 0.07% withheld. The Board has not subsequently received any views from shareholders in respect of the level of Directors' remuneration. The Board seeks approval of the policy annually and it will therefore be put to shareholders for renewal at the forthcoming AGM.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £300,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in his case, from the Senior Independent Director. The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options or long-term incentive schemes or other benefits. The Directors' fees were last increased with effect from 1 May 2018. The fees are usually reviewed annually in line with the remuneration policy however, the Directors agreed with the Chairman that this year's review be deferred until next year in light of the COVID-19 pandemic.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed. Each Director has signed a terms of appointment letter with the Company, in each case including one month's notice of termination by either party. There is no provision for compensation for loss of office. The letters of appointment are available for inspection at the Company's registered office during business hours and will be available for 15 minutes before and throughout the forthcoming AGM.

The dates on which each Director was appointed to the Board are set out under their biographies on pages 38 and 39. Under the terms of their respective letters of appointment, each Director's appointment is subject to election at the first annual general meeting following that appointment and thereafter will continue subject to re-election at each subsequent annual general meeting in accordance with the provisions of the AIC Code. With the exception of Nick Bannerman and Graham Oldroyd, all the Directors were last re-elected at the annual general meeting held on 25 July 2019 and will stand for re-election at the AGM on 30 July 2020 other than Anthony Townsend and Jane Tozer. Nick Bannerman and Graham Oldroyd will stand for election.

The fees for specific responsibilities are set out in the table below. No fees are payable for membership of the Nomination Committee.

Annual fees for Board Responsibilities

Year ended 30 April	2021 £'s	2020 £'s
Board		
Chairman*	44,000	44,000
Senior Independent Director	26,500	26,500
Director	25,000	25,000
Audit and Management Engagement Committee		
Chairman	6,500	6,500
Members	2,000	2,000

* Includes membership of the Audit and Management Engagement Committee

Directors' interests in the Company

The interests of the Directors at the beginning and end of the financial year are shown below:

Directors' share interests (audited)			
Year ended 30 April	2020		2019
	Ordinary shares	Ordinary shares [1]	CULS [2]
Anthony Townsend	**180,000**	180,000	–
Anja Balfour	**51,426**	40,000	–
Nick Bannerman [3]	**21,000**	n/a	n/a
Jo Dixon	**20,000**	20,000	–
Graham Oldroyd [3]	**14,670**	n/a	n/a
David Stileman	**30,000**	10,000	–
Jane Tozer	**43,750**	37,220	6,389

(1) Restated following the 10 for 1 share split on 31 October 2019
(2) The CULS matured on 31 July 2019
(3) Appointed to the Board on 1 October 2019

The Company's register of Directors' interests contains full details of Directors' shareholdings.

There have been no changes in any of the Directors' interests detailed above since the year end. No Director held any interests in the Company's ordinary shares other than stated above. There is no requirement for the Directors to hold shares in the Company.

As at 16 June 2020 the Lead Manager held 262,891 ordinary shares in the Company.

Policy implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to shareholders at the forthcoming AGM. At the last meeting, shareholders approved the Remuneration Report in respect of the year ended 30 April 2019. 94.08% of votes were cast in favour of the resolution, 5.85% against and 0.07% withheld.

Directors' emoluments for the year

The Directors who served during the year received the following amounts for services as non-executive Directors and can expect to receive the fees indicated for 2021 as well as reimbursement for expenses necessarily incurred:

Fees for services to the Company							
	Fees £'000s (audited)		Taxable Benefits[1] £'000s (audited)		Total £'000s (audited)		Anticipated Fees[2] £'000s (unaudited)
Year ended 30 April	2020	2019	2020	2019	2020	2019	2021
Director							
Anthony Townsend [3] [4]	44.0	44.0	0.5	0.3	44.5	44.3	11.0
Andrew Adcock (deceased)	n/a	20.0	n/a	0.2	n/a	20.2	n/a
Anja Balfour [5] [6]	27.0	29.2	3.5	2.9	30.5	32.1	39.8
Nick Bannerman [7]	15.8	n/a	2.2	n/a	18.0	n/a	27.0
Jo Dixon [5] [8]	31.5	29.2	2.6	3.9	34.1	33.1	32.6
Graham Oldroyd [7]	15.8	n/a	1.0	n/a	16.8	n/a	27.0
David Stileman	27.0	27.0	0.7	0.3	27.7	27.3	27.0
Jane Tozer [4]	28.5	28.5	1.3	0.7	29.8	29.2	7.1
Total	189.6	177.9	11.8	8.3	201.4	186.2	171.5

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.
(2) Fees expected to be payable to the Directors during the course of the year ending 30 April 2021. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Highest paid Director.
(4) Retiring with effect from 30 July 2020.
(5) Audit and Management Engagement Committee Chairman's additional fee for 2019 was split between Anja Balfour and Jo Dixon.
(6) Chairman of the Board with effect from 31 July 2020.
(7) Appointed to the Board, Audit and Management Engagement Committee and Nomination Committee with effect from 1 October 2019.
(8) Senior Independent Director with effect from 31 July 2020.

The information in the table above for the years ended 30 April 2020 and 2019 has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

The table below is shown to enable shareholders to assess the relative importance of spend on remuneration. It compares the remuneration, excluding taxable benefits, against the shareholder distributions of dividends and share buybacks.

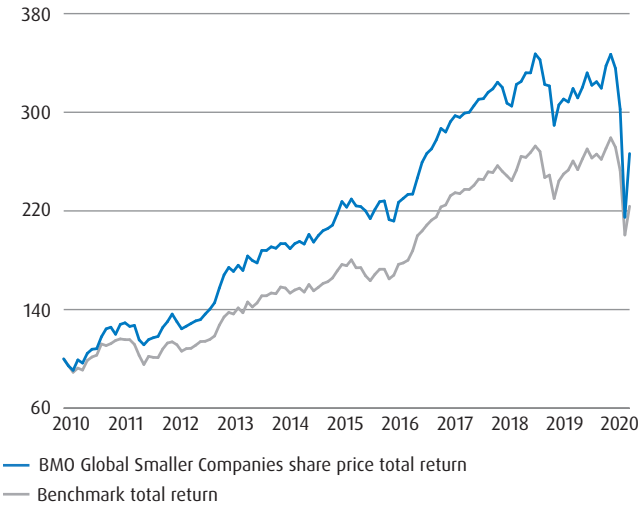
Actual expenditure			
Year ended 30 April	2020 £'000s	2019 £'000s	% Change
Aggregate Directors' Remuneration	189.6	177.9	6.6
Aggregate Dividends paid to shareholders	10,234.0	8,982.0	13.9
Aggregate cost of ordinary shares repurchased	19,745.0	2,001.0	886.8

Company performance

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Manager. An explanation of the performance of the Company for the year ended 30 April 2020 is given in the Chairman's Statement and Lead Manager's Review.

A comparison of the Company's performance over the required ten-year period is set out in the following graph. This shows the total return (assuming all dividends are reinvested) to ordinary shareholders against the Company's Benchmark.[1]

Shareholder total return vs Benchmark total return over ten years



Source: BMO GAM & Refinitiv Eikon

On behalf of the Board
Anthony Townsend
Chairman
19 June 2020

(1) See Glossary of terms on page 99 for explanation of "Benchmark".

Report of the Audit and Management Engagement Committee

At the annual general meeting on 25 July 2019 shareholders approved the appointment of BDO as auditors for the year ended 30 April 2020 audit following the retirement of PwC. The reasons for the change were reported last year. The Report and Accounts have been reviewed particularly in respect of the further requirements relating to the Strategic Report and to the AIC Code.

Role of the Committee

The primary responsibilities of the Committee are to ensure the integrity of the financial reporting and statements of the Company; to oversee the preparation and audit of the annual accounts, preparation of the half-yearly accounts and the internal control and risk management processes; and to assess the performance of the Manager and review the fees charged. The Committee met twice during the year with BMO GAM's Trust Accountant, Head of Investment Trusts, Risk Managers of BMO GAM and the Lead Manager in attendance. BDO attended both meetings and met in private session with the Committee.

Specifically, the Committee considered, monitored and reviewed the following matters:

- The audited annual results statement and annual report and accounts and the unaudited half-yearly report and accounts, including advice to the Board as to whether the annual report and accounts taken as a whole are fair, balanced and understandable;
- The accounting policies of the Company;
- The Principal Risks and emerging risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's "Five Year Horizon" statement on viability;
- How the Company has applied the principals and complied with the provisions of the AIC Code;
- The effectiveness of the external audit process and the current independence and objectivity of BDO;
- The appointment, remuneration and terms of engagement of the auditor and the transition from the previous incumbent;
- The policy on the engagement of the external auditor to supply non-audit services and approval of any such services;
- Whether to change the Company's current policy by establishing its own Internal Audit function;
- The ISAE/AAF and SSAE16 reports or their equivalent from BMO GAM, the Custodian, Depositary and a due diligence report from the Company's Share Registrars;
- The performance of the Company's third party service providers and administrators, other than BMO GAM, and the fees charged in respect of those services;
- The performance of the Manager and their fees; and
- The Committee's terms of reference for approval by the Board.

Comprehensive papers relating to each of these matters were prepared for discussion. These were debated by the Committee and any recommendations were fully considered if there was a judgement to be applied in arriving at conclusions. Recommendations were then made to the Board as appropriate.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 56. On broader control policy issues, the Committee has reviewed, and is satisfied with BMO's Code of Conduct and to the Anti-Bribery and Anti-Corruption Operating Directive (the **"Directive"**) to which BMO GAM and its employees are subject. The Committee has also reviewed BMO GAM's Whistleblowing Policy that has been put in place under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for communication by BMO GAM to this Committee where matters might impact the Company with appropriate follow-up action. In the year under review there were no such concerns raised with the Committee.

Composition of the Committee

The Board recognises the requirement for the Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience. All of the Directors of the Company are members of the Committee, including the Chairman of the Board. In accordance with the AIC Code and given the size of the Board it is considered appropriate for the Chairman of the Board to be a member of the Committee. All the Committee members are independent non-executive Directors. Jo Dixon, Chairman of the Committee, is a Chartered Accountant and she is currently audit committee chairman of other listed companies. The other members of the Committee have a combination of financial, investment and business experience through the senior posts held throughout their careers. The majority have a wide experience of the investment trust sector. Details of the members can be found on pages 38 and 39 and the Committee's terms of reference can be found on the website at bmoglobalsmallers.com.

Management of risk

BMO GAM's Business Risk department provides regular control report updates to the Committee covering risk and compliance whilst any significant issues of direct relevance to the Company are required to be reported to the Committee and Board immediately.

A key risk "radar" summary is produced by BMO GAM in consultation with the Board to identify the risks to which the Company is exposed, the controls in place and the actions being taken to mitigate them. The Board has a robust process for considering the resulting risk matrix at each of its meetings and dynamically reviews the significance of the risks and the reasons for any changes.

The Board carried out a separate exercise in April 2020, to identify any new emerging risks and take any necessary action to mitigate their potential impact. The implications around the COVID-19 pandemic were highlighted. Given increasing emphasis on ESG issues and climate change in particular, the implications of these issues were also highlighted and had previously been considered and discussed at the Strategy meeting in February with the Manager's Responsible Investment Team. These risks were then reconciled with the risks previously identified within the existing key risk "radar" and reviewed by the Board as part of the robust assessment of the Company's risk and controls described below.

The Company's Principal Risks and Future Prospects are set out on page 24 with additional information given in note 26 to the Accounts. The Committee noted the robustness of the Board's review of principal risks, and the identification of emerging risks, and participated as Board members themselves. The integration of these risks into the analyses underpinning the "Five Year Horizon" Statement on viability on page 25 was fully considered and the Committee concluded that the Board's statement was soundly based. The period of five years was also agreed as remaining appropriate for the reasons given in the Statement.

Internal controls

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations, which are managed by BMO GAM. The Committee has reviewed and reported to the Board on these controls, which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Committee through regular reports provided by BMO GAM. The reports cover investment performance, performance attribution, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third-party administrators of the BMO Savings Plans and other relevant management issues.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, or loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the Company's internal controls. The assessment included a review of the BMO GAM risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2019 (the **"ISAE/AAF Report"**) and subsequent confirmation from BMO that there had been no material changes to the control environment in the period to 8 June 2020. This had been prepared by BMO GAM for all its investment trust clients to the International Standard on Assurance Engagement (ISAE) No. 3402 and to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). The ISAE/AAF Report from independent reporting accountants KPMG sets out BMO GAM's control policies and procedures with respect to the management of clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Committee and Board meeting by BMO GAM, including those relating to the administration of their savings plans and related complaint levels. No failings or weaknesses material to the overall control environment and financial statements were identified in the period under review. The Committee also reviewed the control reports of the Custodian, the Depositary and the Share Registrar's due diligence report and were satisfied that there were no material exceptions.

Through the reviews noted above and by direct enquiry of BMO GAM and other relevant parties, the Committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year under review nor to the date of this Report.

Based on the processes and controls in place within BMO GAM, the Committee has concluded and the Board has concurred that there is no current need for the Company to have a separate internal audit function.

External audit process and significant issues considered by the Committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the external audit for the year under review. The table below describes the significant judgements and issues considered by the Committee in conjunction with BDO in relation to the financial statements for the year and how these issues were addressed. The Committee also included in their review the areas of judgements, estimates and assumptions referred to in note 2(b)(xi) to the Accounts and welcomes this increase in transparency on such issues. Likewise, the Committee reviewed the disclosure and description of Alternative Performance Measures provided on page 97 and is satisfied that the disclosure is fair and relevant.

Procedures for investment valuation and existence and recognition of income were the main areas of audit focus and testing.

The Committee met in June 2020 to discuss the final draft of the Report and Accounts, with representatives of BDO and BMO GAM in attendance. BDO submitted their Year-End Report and confirmed that they had no reason not to issue an unqualified audit report in respect of the Report and Accounts. The Committee established that there were no material issues or findings arising which needed to be brought to the attention of the Board.

The increased focus on the Strategic Report by investors and regulators is welcomed by the Committee. The Committee has carefully considered the disclosures made in the Report and Accounts particularly in relation to the disclosures under section 172(1) of the Act including how wider stakeholder interests have been taken into account by the Directors while performing their duties and related disclosures with regard to ESG issues. The Committee has also had regard to the Non-Financial Reporting requirements in the Act. It is aware that this area of Non-Financial Reporting matters will evolve further in coming years.

Consequently, the Committee recommended to the Board that the Report and Accounts were in its view, fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice.

Significant Judgements and Issues considered by the Committee for the year ended 30 April 2020

Matter	Action
Investment Portfolio Valuation	
Although the Company's portfolio of investments is predominantly invested in highly liquid securities quoted on recognised stock exchanges, errors in the valuation could have a material impact on the Company's NAV per share.	The Board reviewed the full portfolio valuation twice in the year and the Committee also reviewed the valuation of the unquoted portfolio. The Committee reviewed the annual audited internal control report from BMO GAM. This report indicated that the relevant systems and controls surrounding daily pricing, cash and holdings reconciliations and security valuation had operated satisfactorily.
Misappropriation of Assets	
Misappropriation of the Company's investments or cash balances could have a material impact on its NAV per share.	The Committee reviewed the annual audited internal control reports of BMO GAM and the Custodian. Neither of these reports indicated any failures of controls over the existence and safe custody of the Company's investments and cash balances. The Company's Depositary reported quarterly on the safe custody of the Company's investments and the operation of controls over the movement of cash in settlement of investment transactions. Through these reports the Committee is satisfied that the assets remained protected throughout the year.
Income Recognition	
Incomplete controls over, or inaccurate recognition of, income could result in the Company misstating its revenue receipts and associated tax, with consequences for overall performance, payment of dividends to shareholders, and compliance with taxation rules.	The Committee's review of BMO GAM's annual audited controls report indicated that there were no control failures in the year. The Committee reviewed and approved at the interim and final accounts reporting meetings, all dividend receipts deemed to be capital (special) in nature by virtue of their payment out of investee company restructuring rather than ordinary business operations. In addition, the Committee reviewed that all special dividends had been correctly treated in accordance with the Company's accounting policy.

The Independent Auditors' report, which sets out the unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 57 to 61.

Auditor assessment, independence and appointment

The Committee reviews the reappointment of the auditor every year and has been satisfied with the effectiveness of BDO's performance on this, their first audit of the Company's accounts. BDO have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating BDO, the Committee has taken into consideration the standing skills and experience of the firm and the audit team. From direct observation and indirect enquiry of management, the Committee is satisfied that BDO will continue to provide effective independent challenge in carrying out their responsibilities. Their fee was £26,000 (excluding VAT). This compares with £32,850 (excluding VAT) paid to PwC last year.

The Company has a duty to carefully consider the audit for value and effectiveness and, as part of its annual review, considers the need for putting the audit out to tender for reasons of quality, independence or value. The Company is required to carry out a tender every ten years with the next due no later than 2029.

Non-audit services

The Committee regards the continued independence of the external auditors to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the auditors are not considered to be expert providers of the non-audit services;
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; and
- the services are considered to be likely to inhibit the auditor's independence or objectivity as auditors.

In particular, the Committee has a policy that the accumulated costs of all non-audit services sought from the auditors in any one year should not exceed 30% of the likely audit fees for that year and not exceed 70% cumulatively over three years. There were no non-audit services for the year ended 30 April 2020.

Committee Evaluation

The activities of the Committee were considered as part of the externally facilitated Board appraisal process completed in accordance with standard governance arrangements as noted on page 40. The evaluation found that the Committee functioned well, with the right balance of skills.

Jo Dixon
Chairman
Audit and Management Engagement Committee
19 June 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. Further details can be found in notes 2 and 25 to the Accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations. The Report and Accounts is published on the bmoglobalsmallers.com website, which is maintained by BMO GAM. The Directors are responsible for the maintenance and integrity of the Company's website. The work undertaken by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors listed on pages 38 and 39 confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- in the opinion of the Directors the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Anthony Townsend
Chairman
19 June 2020

Independent Auditor's Report

Opinion

We have audited the financial statements of BMO Global Smaller Companies PLC (the "company") for the year ended 30 April 2020 which comprise the income statement, the statement of changes in equity, the balance sheet and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 **The Financial Reporting Standard applicable in the UK and Republic of Ireland** (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How We Addressed the Key Audit Matter in the Audit
Valuation and ownership of investments (Notes 2 and 10 to the financial statements) We considered the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. We also considered the valuation of investments with respect to realised and unrealised gains/(losses) to be a significant area as the reported performance of the portfolio is a key area of interest for the users of the financial statements. Furthermore, we considered the disclosures related to investments to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: In respect of quoted investment valuations (over 99% of the total portfolio by value) we have: • Confirmed the year-end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date. The gains/(losses) on investments held at fair value comprise realised and unrealised gains/(losses). • For unrealised gains/(losses) we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. • For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and custodian's transaction report and performed the re-calculation of a sample of realised gains/losses. We also considered the completeness, accuracy and clarity of investment-related disclosures against the requirements of the relevant accounting standards. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments or the disclosures thereof.
Revenue Recognition: (Pages 67 and 68 and Note 3 on page 69): Dividend income arises from the investment portfolio and is a key factor in demonstrating the performance of the portfolio. Revenue recognition is considered a significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining the allocation of income to revenue or capital.	We performed the following procedures: • For listed investments, we derived an independent expectation of total expected income based on the investment holding and records of distributions from independent sources. • We cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital. • We analysed the population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represented a particularly high yield and investigated the rationale of those distributions. • We traced a sample of dividend income received through from the nominal ledger to bank **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to the revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£) – 2020
Financial statement materiality. (1% of net assets)	Assessing whether the financial statements as a whole present a true and fair view.	• The significance of gross investments to the financial statements as a whole • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£7,600,000
Performance materiality. (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	£5,700,000
Specific materiality – classes of transactions and balances which impact on net realised returns. (10% of net revenue returns attributable to equity shareholders)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	Level of net revenue • returns to shareholder	£1,130,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £57,000 (2019 – £427,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (**"the SORP"**) issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the company's qualification as a VCT under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the shareholders at the annual general meeting on 25 July 2019 to audit the financial statements for the year ending 30 April 2020. The period of total uninterrupted engagement is one year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
19 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Notes	for the year ended 30 April	Revenue £'000s	Capital £'000s	2020 Total £'000s	Revenue £'000s	Capital £'000s	2019 Total £'000s
10	(Losses)/gains on investments	–	(121,578)	(121,578)	–	24,899	24,899
	Foreign exchange gains/(losses)	14	(33)	(19)	11	(478)	(467)
3	Income	13,795	1,442	15,237	13,824	777	14,601
4	Management fee	(1,039)	(3,118)	(4,157)	(1,034)	(3,103)	(4,137)
5	Other expenses	(1,136)	(23)	(1,159)	(803)	(22)	(825)
	Net return before finance costs and taxation	11,634	(123,310)	(111,676)	11,998	22,073	34,071
6	Finance costs	(326)	(979)	(1,305)	(423)	(1,269)	(1,692)
	Net return on ordinary activities before taxation	11,308	(124,289)	(112,981)	11,575	20,804	32,379
7	Taxation on ordinary activities	(815)	–	(815)	(952)	–	(952)
	Net return attributable to equity shareholders	10,493	(124,289)	(113,796)	10,623	20,804	31,427
8	**Return per share (basic) – pence** [(i)]	1.73	(20.52)	(18.79)	1.77	3.46	5.23
8	**Return per share (diluted) – pence** [(i), (ii)]	n/a	n/a	n/a	1.76	3.46	5.23

(i) Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

(ii) Diluted returns were not calculated for the year ended 30 April 2020 as the CULS matured in July 2019.

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

A statement of total comprehensive income is not required as all income and expenses of the Company have been reflected in the above statement.

The notes on pages 66 to 83 form an integral part of the financial statements.

Statement of Changes in Equity

Notes	for the year ended 30 April 2020	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2019	15,119	196,856	16,158	506	608,316	17,664	854,619
	Movements during the year ended 30 April 2020							
9	Dividends paid	–	–	–	–	–	(10,234)	(10,234)
16	Shares repurchased by the Company and held in treasury	–	–	–	–	(19,745)	–	(19,745)
14	Conversion of Convertible Unsecured Loan Stock ("CULS")	394	15,829	–	(506)	–	–	15,717
	Costs relating to sub-division and broker	–	(46)	–	–	–	–	(46)
	Net return attributable to equity shareholders	–	–	–	–	(124,289)	10,493	(113,796)
	Balance at 30 April 2020	15,513	212,639	16,158	-	464,282	17,923	726,515

Notes	for the year ended 30 April 2019	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2018	14,933	189,476	16,158	728	589,513	16,023	826,831
	Movements during the year ended 30 April 2019							
9	Dividends paid	–	–	–	–	–	(8,982)	(8,982)
	Shares repurchased by the Company and held in treasury	–	–	–	–	(2,001)	–	(2,001)
	Shares issued	13	632	–	–	–	–	645
14	Conversion of Convertible Unsecured Loan Stock ("CULS")	173	6,748	–	(222)	–	–	6,699
	Net return attributable to equity shareholders	–	–	–	–	20,804	10,623	31,427
	Balance at 30 April 2019	15,119	196,856	16,158	506	608,316	17,664	854,619

The notes on pages 66 to 83 form an integral part of the financial statements.

Balance Sheet

Notes	at 30 April	2020 £'000s	2019 £'000s
	Fixed assets		
10	Investments	722,577	893,548
	Current assets		
11	Debtors	1,379	1,631
	Cash and cash equivalents	41,043	12,135
	Total current assets	42,422	13,766
	Creditors: amounts falling due within one year		
12	Bank loans	–	(34,052)
13	Creditors	(3,484)	(3,094)
14	Convertible Unsecured Loan Stock ("CULS")	–	(15,549)
	Total current liabilities	(3,484)	(52,695)
	Net current assets/(liabilities)	38,938	(38,929)
	Total assets less current liabilities	761,515	854,619
	Creditors: amounts falling due after more than one year		
15	Loan notes	(35,000)	–
	Net assets	726,515	854,619
	Capital and reserves		
16	Share capital	15,513	15,119
17	Share premium account	212,639	196,856
18	Capital redemption reserve	16,158	16,158
19	Equity component of CULS	–	506
20	Capital reserves	464,282	608,316
20	Revenue reserve	17,923	17,664
	Total shareholders' funds	726,515	854,619
21	**Net asset value per share (debt at par value) – pence** [(i)]	120.26	141.67
21	**Net asset value per share (diluted) – pence** [(i),(ii)]	n/a	140.57

(i) Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.
(ii) Diluted Net asset values were not calculated for the year ended 30 April 2020 as the CULS matured in July 2019.

The financial statements on pages 62 to 83 were approved by the Board of Directors on 19 June 2020 and signed on its behalf by

Anthony Townsend, Chairman

Statement of Cash Flows

Notes	for the year ended 30 April	2020 £'000s	2019 £'000s
22	**Cash flows from operating activities before dividends received and interest paid**	**(5,804)**	(4,368)
	Dividends received	**14,245**	13,172
	Interest paid	**(1,292)**	(1,754)
	Cash inflows from operating activities	**7,149**	7,050
	Investing activities		
	Purchases of investments	**(215,751)**	(254,831)
	Sales of investments	**266,677**	253,261
	Transaction costs	**(453)**	(440)
	Other capital charges	**(20)**	(24)
	Cash inflows/(outflows) from investing activities	**50,453**	(2,034)
	Cash inflows before financing activities	**57,602**	5,016
	Financing activities		
	Ordinary dividends paid	**(10,234)**	(8,982)
	Proceeds from issue of shares	**–**	645
	Cash flows from share buybacks for treasury shares	**(19,343)**	(1,660)
	Costs relating to sub-division of shares and broker	**(46)**	–
23	Drawdown of loan notes	**35,000**	–
23	Net movement in bank loans	**(34,157)**	10,155
	Cash (outflows)/inflows from financing activities	**(28,780)**	158
23	Net movement in cash and cash equivalents	**28,822**	5,174
	Cash and cash equivalents at the beginning of the year	**12,135**	7,532
23	Effect of movement in foreign exchange	**86**	(571)
	Cash and cash equivalents at the end of the year	**41,043**	12,135
	Represented by:		
	Cash at bank	**3,091**	1,670
	Short-term deposits	**37,952**	10,465
	Cash and cash equivalents at the end of the year	**41,043**	12,135

The notes on pages 62 to 83 form an integral part of the financial statements.

Notes to the Accounts

1. General information

BMO Global Smaller Companies PLC is an investment company incorporated in the United Kingdom with a premium listing on the London Stock Exchange. The Company registration number is 28264 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

The Company has conducted its affairs so as to qualify as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. Approval of the Company under Section 1158 has been received. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements. Such approval exempts the Company from UK Corporation Tax on gains realised in the relevant year on its portfolio of fixed asset investments.

There have been no significant changes to the Company's accounting policies during the year ended 30 April 2020, as set out in note 2 below.

2. Significant accounting policies

(a) Basis of accounting

The accounts of the Company have been prepared on a going concern basis (see Directors report pages 42 and 43) under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, Financial Reporting Standard (FRS) 102 applicable in the United Kingdom and with the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (**"SORP"**) issued in October 2019. There has been no impact on the basis of accounting as a result of this update.

The functional and presentational currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described in note 2(b) below). Net revenue returns are allocated via the revenue account to the revenue reserve, out of which interim and final dividend payments are made. Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and currency profits and losses on cash and borrowings. The Company's Articles prohibit the distribution of net capital returns by way of dividend. Such returns are allocated via the capital account to the capital reserves. Dividends paid to equity shareholders are shown in the Statement of Changes in Equity.

(b) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Financial instruments

Financial instruments include fixed asset investments, long-term debt instruments, cash and short-term deposits, debtors and creditors. Accounting standards recognise a hierarchy of fair value measurements for financial instruments measured at fair value on the Balance Sheet which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the Company can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

(ii) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments as transactions on the capital account. All purchases and sales are accounted for on a trade date basis.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments.

(iii) Debt instruments

Interest-bearing loans and overdrafts are recorded initially at the proceeds received, net of issue costs, irrespective of the duration of the instrument. No debt instruments held during the year required hierarchical classification.

The fair market value of the borrowings are set out in notes 12 and 15.

Finance charges, including interest, are accrued using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See (vi) on next page for allocation of finance charges within the Income Statement.
In July 2014 the Company issued CULS, the accounting policies for which are set out below.

(a) The CULS were regarded as a compound instrument comprising a liability and an equity component. The fair value of the liability component, assessed at the date of issue of the CULS, was estimated based on an equivalent non-convertible security. The fair value of the equity component was derived by deducting the CULS issue proceeds from the fair value of the liability component.
(b) The liability component was subsequently measured at amortised cost using the effective interest rate. The equity component value remained unchanged over the life of the CULS.
(c) Costs incurred directly as a result of the CULS issue were allocated between the liability and equity components in proportion to the split of the proceeds. Expenses allocated to the liability component were amortised over the life of the CULS using the effective interest rate.
(d) Finance costs on the CULS, comprising interest payable and amortised costs, were calculated based on an effective interest rate of 4.7%. Amortised costs were allocated against the CULS liability.
(e) On conversion of the CULS, equity was issued and the relevant liability component was de-recognised.

Further details on the CULS which matured in July 2019 can be found in note 14.

(iv) Foreign currency

Monetary assets, monetary liabilities and equity investments denominated in a foreign currency are expressed in sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

Foreign exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items when they are credited or charged to the revenue account.

(v) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Dividends are accounted for in accordance with FRS 102 on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital account.

Underwriting commission is recognised when the Company's right to receive payment is established. Deposit interest is accounted for on an accruals basis.

(vi) Expenses, including finance charges

Expenses are charged to the revenue account of the Income Statement, except as noted below:

- expenses which are incidental to the acquisition or disposal of fixed asset investments are recognised immediately in the capital return of the income statement and are thus charged to capital reserve – arising on investments sold via the capital account;
- 75% of management fees and 75% of finance costs (including finance costs on CULS) are allocated to capital reserve – arising on investments sold via the capital account, in accordance with the Board's long-term expected split of returns from the investment portfolio of the Company.
- all expenses are accounted for on an accruals basis.

(vii) Taxation

Taxation currently payable is calculated using tax rules and rates in force at the year end, based on taxable profit for the year, which differs from the net return before tax. Note 7(b) sets out those items which are not subject to UK Corporation Tax.

Deferred tax is provided on an undiscounted basis on all timing differences that have originated but not reversed by the balance sheet date, based on the tax rates that have been enacted at the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

(viii) Share premium

The surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares is credited to this account which is non-distributable. The nominal value of the shares issued is recognised in share capital.

(ix) Capital redemption reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve, which is a non-distributable reserve, on the trade date.

(x) Capital reserves

These are distributable reserves which may be utilised for the repurchase of share capital.

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- 75% of management fees and finance costs as set out in note 2(b)(vi);
- gains and losses on the realisation of fixed asset investments and derivative financial instruments;
- foreign exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- costs of purchasing ordinary share capital.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed asset investments held at the year end.

(xi) Use of judgements, estimates and assumptions

The presentation of the financial statements in accordance with accounting standards requires the Board to make judgements, estimates and assumptions that affect the accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. Actual results may differ from these estimates.

The areas requiring the most significant judgement in the preparation of the financial statements are recognising and classifying unusual or special dividends received as either revenue or capital in nature.

There are no significant estimates used in preparation of these financial statements.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, in order to make a judgement to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Reserves. Investee company dividends which appear to be paid in excess of current year profits will still be considered as revenue in nature unless evidence suggests otherwise. The value of dividends received in the year treated as capital in nature, as disclosed in note 20 to the Accounts, was not material in relation to capital reserves or the revenue account. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies and funds without prior reference to the Company.

3. Income

	2020 £'000s	2019 £'000s
Income from investments		
Dividends	**13,672**	13,654
	13,672	13,654
Other Income		
Interest on cash and short-term deposits	**123**	164
Underwriting commission	**–**	6
	123	170
Total income	**13,795**	13,824
Income from investments comprises:		
Quoted	**13,672**	13,654
Unquoted	**–**	–
	13,672	13,654

Included within income from investments is £548,000 (2019: £597,000) of special dividends classified as revenue in nature in accordance with note 2(b)(xi).

4. Management fees

	Revenue £'000s	Capital £'000s	2020 Total £'000s	Revenue £'000s	Capital £'000s	2019 Total £'000s
Management fee	**1,039**	**3,118**	**4,157**	1,034	3,103	4,137

The Manager, BMO Investment Business Limited, provides investment management, marketing and general administrative services to the Company. The management fee is an amount equal to 0.55% per annum, payable monthly in arrears, of net assets managed by the Manager at the calculation date. Investments made by the Company in third party collective investment schemes are subject to a management fee, payable monthly in arrears to the Manager, of 0.275% per annum of the month end market value of those investments. The management agreement may be terminated upon six months' notice given by either party.

The fees have been allocated 75% to capital reserve in accordance with accounting policies.

5. Other expenses

	2020 £'000s	2019 £'000s
Other revenue expenses		
Auditors' remuneration:		
Audit services[1]	29	36
Directors' fees for services to the Company[2]	190	178
Marketing	182	154
Printing and postage	91	85
Custody fees	44	42
Depositary fees	93	95
Professional fees[3]	183	11
Loan commitment and arrangement fees[4]	74	33
Sundry expenses	250	169
Total other revenue expenses	1,136	803
Capital expenses	23	22
Total other expenses	1,159	825

All expenses are stated gross of irrecoverable VAT, where applicable.
(1) Auditors' remuneration payable to BDO for the audit of the Company financial statements, exclusive of VAT, amounts to £26,000 (2019: £32,850 payable to PwC).
(2) See the Directors' Remuneration Report on page 50.
(3) Professional fees includes those costs paid in relation to the Loan notes that were issued in August 2019.
(4) Under loan facility agreements (see note 12) the Company pays commitment fees on any undrawn portions of the facilities.

6. Finance costs

	Revenue £'000s	Capital £'000s	2020 Total £'000s	Revenue £'000s	Capital £'000s	2019 Total £'000s
CULS interest payable and amortised costs	76	228	304	256	769	1,025
Loan interest	250	751	1,001	167	500	667
Total finance costs	326	979	1,305	423	1,269	1,692

Finance costs have been allocated 75% to capital reserve in accordance with accounting policies.

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2020 Total £'000s	Revenue £'000s	Capital £'000s	2019 Total £'000s
Corporation tax payable at 19.0% (2019: 19.0%)	–	–	–	–	–	–
Overseas taxation	815	–	815	952	–	952
Total tax charge for the year (note 7(b)) on ordinary activities	815	–	815	952	–	952

The tax assessed is lower than the standard rate of Corporate Tax in the UK (2019: lower).

Factors affecting the current tax charge for the year

	Revenue £'000s	Capital £'000s	2020 Total £'000s	Revenue £'000s	Capital £'000s	2019 Total £'000s
Net return on ordinary activities before taxation	11,308	(124,289)	(112,981)	11,575	20,804	32,379
Return on ordinary activities multiplied by the standard rate of corporation tax of 19.0% (2019: 19.0%)	2,149	(23,615)	(21,466)	2,199	3,953	6,152
Effects of:						
Dividends*	(2,598)	–	(2,598)	(2,594)	–	(2,594)
Expenses not deductible for tax purposes	17	–	17	15	–	15
Overseas tax in excess of double taxation relief	815	–	815	952	–	952
Expenses not utilised in the year	432	783	1,215	380	835	1,215
Capital returns*	–	22,832	22,832	–	(4,788)	(4,788)
Total tax charge for the year (note 7(a))	815	–	815	952	–	952

* The Company is not subject to corporation tax on capital gains or on dividend income. It therefore has unutilised expenses which have given rise to a deferred tax asset of £10.5m (2019: £9.3m). This asset has not been recognised as the Directors believe it is unlikely that the Company will have sufficient taxable profits in future to utilise it. Of this amount £2.8m (2019: £2.4m) relates to revenue expenses and £7.7m (2019: £6.9m) to capital expenses.

8. Return per ordinary share

Earnings for the purpose of basic earnings per share is the profit for the year attributable to ordinary shareholders and based on the following data.

	Revenue	Capital	2020 Total	Revenue	Capital	2019 Total
Net return attributable to equity shareholders – £'000s	10,493	(124,289)	(113,796)	10,623	20,804	31,427
Return per share – pence (i)	1.73	(20.52)	(18.79)	1.77	3.46	5.23

Both the revenue and capital returns per share are based on a weighted average of 605,810,414 ordinary shares in issue during the year (2019: 601,031,730).

Diluted earnings per share

Earnings for the purpose of diluted earnings per share is the adjusted profit for the year attributable to ordinary shareholders and based on the following data.

	Revenue	Capital	2020 Total	Revenue	Capital	2019 Total
Adjusted net return attributable to equity shareholders – £'000s	n/a	n/a	n/a	10,879	21,573	32,452
Return per share – pence (i)	n/a	n/a	n/a	1.76	3.46	5.23

Both the revenue and capital returns per share are based on a weighted average of 620,047,820 ordinary shares in issue during the year ended 30 April 2019.

The CULS matured on 31 July 2019, and therefore no diluted earnings per share has been calculated at 30 April 2020. Details of the maturity are disclosed in note 14. There is no dilution of capital or total return for the year ended 30 April 2019.

For the purpose of calculating diluted total, revenue and capital returns per ordinary share in the prior year, the number of ordinary shares used is the weighted average number used in the basic calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all CULS. Total returns attributable to shareholders, adjusted for CULS finance costs accounted for in the period, are divided by the resulting weighted average shares in issue to arrive at diluted total returns per share. Once dilution has been determined, individual revenue and capital returns are calculated.

(i) Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2020 £'000s	2019 £'000s
Interim for the year ended 30 April 2020 of 0.55 pence	02 January 2020	31 January 2020	3,340	-
Final for the year ended 30 April 2019 of 1.15 pence (i)	12 July 2019	31 July 2019	6,894	-
Interim for the year ended 30 April 2019 of 0.50 pence (i)	04 January 2019	31 January 2019	-	3,009
Final for the year ended 30 April 2018 of 1.00 pence (i)	13 July 2018	08 August 2018	-	5,973
			10,234	8,982

(i) Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

The Directors have proposed a final dividend in respect of the year ended 30 April 2020 of 1.15 pence per share, payable on 3 August 2020 to all shareholders on the register at close of business on 10 July 2020. The recommended final dividend is subject to approval by shareholders at the Annual General Meeting.

The attributable revenue and the dividends paid and proposed in respect of the financial year ended 30 April 2020 for the purposes of the income retention test for Section 1159 of the Income and Corporation Tax Act 2010, are set out below:

	2020 £'000s
Revenue attributable to equity shareholders	10,493
Interim for the year ended 30 April 2020 of 0.55 pence	(3,340)
Proposed final for the year ended 30 April 2020 of 1.15 pence(1)	(6,894)
Amount transferred to revenue reserve for Section 1159 purposes(2)	259

(1) Based on 599,488,316 shares in issue at 16 June 2020.
(2) Undistributed revenue for the year equated to 1.9% of total income of £13,795,000 (see note 3)(2019: 5.1%).

10. Investments

	Level 1* £'000s	Level 3* £'000s	2020 Total £'000s	Level 1* £'000s	Level 3* £'000s	2019 Total £'000s
Cost brought forward	695,861	1,769	697,630	644,313	1,769	646,082
Gains brought forward	194,913	1,005	195,918	221,186	1,201	222,387
Valuation brought forward	890,774	2,774	893,548	865,499	2,970	868,469
Movements in the year:						
Purchases at cost	217,009	–	217,009	250,007	–	250,007
Sales proceeds	(266,855)	–	(266,855)	(250,267)	–	(250,267)
Gains on investments sold in year	25,665	127	25,792	51,808	–	51,808
Losses on investments held at year end	(146,618)	(299)	(146,917)	(26,273)	(196)	(26,469)
Fair value of investments at 30 April	719,975	2,602	722,577	890,774	2,774	893,548
Analysed at 30 April						
Cost at 30 April	671,680	1,896	673,576	695,861	1,769	697,630
Gains at 30 April	48,295	706	49,001	194,913	1,005	195,918
Fair value of investments at 30 April	719,975	2,602	722,577	890,774	2,774	893,548

* The hierarchy of investments is described in note 2(b)(i) and below. No investments held in 2020 or 2019 were valued in accordance with Level 2.

Level 1 includes investments listed on any recognised stock exchange or quoted on AIM in the UK.
Level 2 includes investments for which the quoted price has been suspended.
Level 3 includes unquoted investments, which are held at Directors' valuation.
The level 3 investment consists of Australian New Horizons Fund. This is valued based on the NAV as calculated at the balance sheet date. No adjustments have been deemed necessary to the NAV as it reflects the fair value of the underlying investments, as such no specific unobservable inputs have been identified.
A full list of investments is set out on pages 28 to 30.

(Losses)/gains on investments

	2020 £'000s	2019 £'000s
Gains on investments sold during the year	**25,792**	51,808
Losses on investments held at year end	**(146,917)**	(26,469)
Transaction costs	**(453)**	(440)
Total (losses)/gains on investments	**(121,578)**	24,899

Investments sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gain or loss was included in the fair value of investments.

Substantial interests

At 30 April 2020 the Company held more than 3% of the following undertaking held as an investment which, in the opinion of the Directors, did not represent a participating interest:

Investment and share class	Country of registration, incorporation and operation	Number of unit/shares held	Holding*
Australian New Horizons Fund	Australia	2,650,017	37.13%

*The company neither has a controlling interest nor participates in the management of this undertaking. This holding is held as part of the Investment portfolio.

11. Debtors

	2020 £'000s	2019 £'000s
Investment debtors	**196**	18
Overseas taxation recoverable	**705**	384
Prepayments and accrued income	**478**	1,229
	1,379	1,631

12. Creditors: amounts falling due within one year

Bank Loans Non-instalment debt payable on demand or within one year	2020 £'000s	2019 £'000s
Euro loan EUR 6.9 million repayable May 2019	**–**	5,904
USD loan USD 30.5 million repayable May 2019	**–**	23,396
JPY loan JPY 690 million repayable May 2019	**–**	4,752
	–	34,052

In September 2019 the Company entered into a new £35m revolving credit facility (with an option to take on an additional £15m if required) expiring September 2020, replacing the previous facility. As at 30 April 2020 no amounts were drawn down. The interest rate on the amounts drawn down are based on the commercial terms agreed with the bank. Commitment fees are payable on undrawn amounts at commercial rates. The Directors consider that the carrying value of the loan is equivalent to its fair value. No overdraft was outstanding at the year end.

13. Creditors: amounts falling due within one year

Creditors	2020 £'000s	2019 £'000s
Investment creditors	**2,100**	2,128
Interest accrued on CULS and bank loans	**178**	165
Share buybacks outstanding	**743**	341
Management fee accrued	**292**	344
Accruals and deferred income	**171**	116
	3,484	3,094

14. Convertible Unsecured Loan Stock ("CULS")

	2020 £'000s	2019 £'000s
Balance brought forward	**15,549**	21,873
Transfer to share capital and share premium on conversion of CULS	**(15,717)**	(6,699)
Amortised costs	**168**	375
Balance carried forward	**–**	15,549

The interest rate on the CULS was fixed at 3.5 per cent. per annum, payable semi-annually on 31 January and 31 July each year throughout the life of the CULS. CULS holders were able to convert their CULS into ordinary shares at no cost on 31 January and 31 July of each year throughout the life of the CULS. The rate of conversion of 977.6970 pence per £1 nominal of CULS for one ordinary share was set at a premium of 15% to the unaudited NAV per ordinary share at the time the CULS were issued.

At 30 April 2019, 15,438,852 units of CULS were in issue. Following the maturity of the CULS on 31 July 2019 the Company received conversion requests in respect of 14,650,104 nominal of CULS from CULS holders. The result of this was the issue of 1,498,384 ordinary shares.

In accordance with the Trust deed, and after receiving independent financial advice, the remaining 788,748 nominal of CULS, for which no conversion requests had been received, were converted into 80,618 ordinary shares at a price of 977.6970 pence per share. These shares were sold in the market with the proceeds of the sale, less any applicable expenses, being remitted to those CULS holders who had chosen not to convert, pro-rata to their holding.

15. Creditors: amounts falling due after more than one year

Loan notes	2020 £'000s	2019 £'000s
Loan notes £35 million repayable August 2039	**35,000**	–

In August 2019 the Company issued fixed rate 2.26% senior unsecured notes of £35 million sterling denominated loan notes expiring in August 2039. The market value of the long-term loan at 30 April 2020 was £38,385,000 based on the equivalent reference benchmark gilt.

16. Share capital

Equity share capital	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid nominal £'000s
Ordinary shares of 25p each				
Balance at 30 April 2019	150,044	60,324,331	60,474,375	15,119
Shares repurchased by the Company and held in treasury	1,055,000	(1,055,000)	–	–
Shares issued on conversion of CULS	–	1,579,002	1,579,002	394
Cancellation of 25p ordinary shares on sub-division of shares	(1,205,044)	(60,848,333)	(62,053,377)	(15,513)
Balance carried forward	–	–	–	–

Equity share capital	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid Nominal £'000s
Ordinary shares of 2.5p each				
Balance at 30 April 2019	–	–	–	–
Issue of 2.5p ordinary shares on sub-division of shares	12,050,440	608,483,330	620,533,770	15,513
Shares repurchased by the Company and held in treasury	4,374,799	(4,374,799)	–	–
Balance carried forward	16,425,239	604,108,531	620,533,770	15,513

During the period to 31 October 2019 1,055,000 ordinary shares of 25p each were repurchased and held in treasury, incurring a cost of £14,295,000.

On 12 August 2019, 1,579,002 ordinary shares of 25p each were issued on the conversion of the remaining 15,438,852 CULS (see note 14), at no cost to the CULS holders. On 31 October 2019 there was a sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each as shown in the note above.

During the period since the sub-division of shares and up to 30 April 2020, 4,374,799 ordinary shares of 2.5p each were repurchased and held in treasury, incurring a cost of £5,450,000. Since the year end, and up to 16 June 2020, 4,620,215 ordinary shares of 2.5p each have been repurchased and held in treasury.

17. Share premium account

	2020 £'000s	2019 £'000s
Balance brought forward	196,856	189,476
Premium on issue of shares	–	632
Transfer from CULS liability on conversion of CULS	15,323	6,526
Transfer from equity component of CULS on conversion of CULS	506	222
Expenses relating to sub-division of shares and broker	(46)	–
Balance carried forward	212,639	196,856

18. Capital redemption reserve

	2020 £'000s	2019 £'000s
Balance brought forward and carried forward	16,158	16,158

19. Equity component of CULS

	2020 £'000s	2019 £'000s
Balance brought forward	506	728
Transfer to share premium on conversion of CULS	(506)	(222)
Balance carried forward	–	506

20. Other reserves

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Movements in the year				
Gains on investments sold in year (see note 10)	25,792	–	25,792	–
Losses on investments held at year end (see note 10)	–	(146,917)	(146,917)	–
Transaction costs	(453)	–	(453)	–
Dividends charged to capital	1,442	–	1,442	–
Foreign exchange losses	(33)	–	(33)	–
Repurchase of shares	(19,745)	–	(19,745)	–
Management fee charged to capital (see note 4)	(3,118)	–	(3,118)	–
Other expenses charged to capital (see note 5)	(23)	–	(23)	–
Finance costs charged to capital (see note 6)	(979)	–	(979)	–
Net revenue after tax for the year	–	–	–	10,493
Net return attributable to ordinary shareholders	2,883	(146,917)	(144,034)	10,493
Dividends paid in the year (see note 9)	–	–	–	(10,234)
	2,883	(146,917)	(144,034)	259
Balance brought forward	412,398	195,918	608,316	17,664
Balance carried forward	415,281	49,001	464,282	17,923

Included within the capital reserve movement for the year are £339,000 (2019: £335,000) of transaction costs on purchases of investments, £114,000 (2019: £105,000) of transaction costs on sales of investments and £1,442,000 (2019: £777,000) of distributions received recognised as capital.

21. Net asset value per ordinary share

	2020	2019
Basic with debt at par value		
Net assets attributable at the year end – £'000s	726,515	854,619
Number of ordinary shares in issue at the year end [i]	604,108,531	603,243,310
Net asset value per share – pence [i]	120.26	141.67

	2020	2019
Basic with debt at market value		
Net assets attributable at the year end – £'000s	726,515	n/a
Add back: Debt at par – £'000s	35,000	n/a
Deduct: Debt at market value (see note 15) – £'000s	(38,385)	n/a
Net assets with debt at market value – £'000s	723,130	n/a
Number of ordinary shares in issue at the year end	604,108,531	n/a
Net asset value per share – pence	119.70	n/a

[i] Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

The CULS matured on 31 July 2019, and therefore no diluted NAV has been calculated at 30 April 2020. Details of the maturity are disclosed in note 14.

	2020 £'000s	2019 £'000s
Diluted NAV		
Net assets attributable at the year end	n/a	854,619
Amount attributable to ordinary shareholders on conversion of CULS	n/a	15,549
Attributable net assets assuming conversion	n/a	870,168
	Number	Number
Ordinary shares in issue at the year end [i]	n/a	603,243,310
Ordinary shares created on conversion of CULS [i]	n/a	15,791,040
Number of ordinary shares for diluted calculation [i]	n/a	619,034,350
Diluted net asset value per ordinary share – pence [i]	n/a	140.57

[i] Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

22. Reconciliation of total return before finance costs and taxation to net cash flows from operating activities

	2020 £'000s	2019 £'000s
Net return on ordinary activities before taxation	(112,981)	32,379
Adjustments for returns from non-operating activities		
Losses/(gains) on investments	121,578	(24,899)
Foreign exchange losses	19	467
Non-operating expenses of a capital nature	23	22
Return from operating activities	8,639	7,969
Adjustments for non-cash flow items, dividend income and interest expense		
(Increase)/decrease in prepayments and accrued income	(73)	8
(Decrease)/increase in creditors	(8)	26
Dividends receivable	(13,391)	(13,402)
Interest payable	1,305	1,692
Dividends charged to capital from corporate action	(1,286)	–
Amortised costs	168	375
Overseas taxation	(1,158)	(1,036)
Cash used in operating activities before dividends received and interest paid	(5,804)	(4,368)

23. Analysis of changes in net debt

	Cash £'000s	Bank loans £'000s	Loan notes £'000s	CULS £'000s	Total £'000s
Opening net debt at 30 April 2019	12,135	(34,052)	–	(15,549)	(37,466)
Cash-flows:					
Drawdown of loan notes	–	–	(35,000)	–	(35,000)
Repayment of bank loans	–	34,157	–	–	34,157
Net movement in cash and cash equivalents	28,822	–	–	–	28,822
Non-cash:					
Effect of foreign exchange movements	86	(105)	–	–	(19)
Conversion of CULS to ordinary shares	–	–	–	15,549	15,549
Closing net debt at 30 April 2020	41,043	–	(35,000)	–	6,043

24. Transactions with related parties and Manager

The following are considered related parties: the Board of Directors (the "Board"), the Manager (including fellow members of BMO.)

There are no transactions with the Board, who are the key management personnel of the Company, other than: aggregated remuneration for services as Directors as disclosed in the Remuneration Report on page 50, and as set out in note 5; and the beneficial interests of the Directors in the ordinary shares and CULS of the Company as disclosed on page 50. There are no outstanding balances with the Board at the year end. There were no transactions with the BMO Group other than those detailed in note 4 on management fees, note 10, where investments managed by BMO GAM are disclosed and note 13, where accrued management fees are disclosed.

25. Going Concern

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a robust regulatory environment; and the Company has sufficient resources to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern for the reasons set out on pages 42 and 43.

26. Financial Risk Management

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom (UK) as an investment trust under the provisions of Section 1158. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of fixed asset investments.

The Company invests in smaller companies worldwide in order to secure a high total return. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 to the Accounts. The policies are in compliance with UK accounting standards and include the valuation of financial assets and liabilities at fair value, except as noted in (d) below. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

The Company's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company aims to be fully invested, only holding cash to cater for short-term trading and business requirements. Borrowings, including CULS, are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in exchange rates. Gearing may be short or long-term, in sterling and foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency Exposure

The principal currencies to which the Company was exposed, and the relevant exchange rates against sterling, are analysed below:

	2020		2019	
	At 30 April 2020	Average for the year	At 30 April 2019	Average for the year
US dollar	1.2614	1.2708	1.3037	1.3095
Euro	1.1516	1.1458	1.1633	1.1368

Based on the financial assets and liabilities held and the exchange rates applying at the balance sheet date, a weakening or strengthening of sterling against each of the principal currencies by 10% would have the following approximate effect on returns attributable to equity shareholders and on the net asset value ("NAV") per share:

Weakening of sterling by 10%

	2020		2019	
	US$ £'000s	€ £'000s	US$ £'000s	€ £'000s
Net revenue return attributable to equity shareholders	453	184	393	171
Net capital return attributable to equity shareholders	34,090	9,835	41,667	7,022
Net total return attributable to equity shareholders	34,543	10,019	42,060	7,193
Net asset value per share (basic) – pence	5.72	1.66	6.97	1.19

Strengthening of sterling by 10%

	2020		2019	
	US$ £'000s	€ £'000s	US$ £'000s	€ £'000s
Net revenue return attributable to equity shareholders	(371)	(150)	(321)	(140)
Net capital return attributable to equity shareholders	(27,892)	(8,047)	(34,091)	(5,746)
Net total return attributable to equity shareholders	(28,263)	(8,197)	(34,412)	(5,886)
Net asset value per share (basic) – pence	(4.68)	(1.36)	(5.70)	(0.98)

These analyses are presented in sterling and are representative of the Company's activities although the level of the Company's exposure to currencies fluctuates in accordance with the investment and risk management processes. This level of change is considered to be a reasonable illustration based on observation of current market conditions.

The fair values of the Company's assets and liabilities at 30 April by currency are shown below:

2020	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Loan notes £'000s	Unsecured Loans £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	478	15,941	(2,739)	(35,000)	–	(21,320)	267,356	246,036
US dollar	–	22,135	(388)	–	–	21,747	285,062	306,809
Euro	901	2,967	(357)	–	–	3,511	85,008	88,519
Other	–	–	–	–	–	–	85,151	85,151
Total	1,379	41,043	(3,484)	(35,000)	–	3,938	722,577	726,515

2019	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	CULS (at amortised cost £'000s	Unsecured Loans £'000s	Net monetary assets/ (liabilities) £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,229	4,283	(2,542)	(15,549)	-	(12,579)	330,966	318,387
US dollar	-	7,008	-	-	(23,396)	(16,388)	391,391	375,003
Euro	384	844	(552)	-	(5,904)	(5,228)	68,429	63,201
Other	18	-	-	-	(4,752)	(4,734)	102,762	98,028
Total	1,631	12,135	(3,094)	(15,549)	(34,052)	(38,929)	893,548	854,619

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate movements at 30 April were:

	Within one year £'000s	More than one year £'000s	2020 Net Total £'000s	Within one year £'000s	More than one year £'000s	2019 Net Total £'000s
Exposure to floating rates – cash	41,043	–	41,043	12,135	–	12,135
Exposure to fixed rates – CULS	–	–	–	(15,439)	–	(15,439)
Exposure to fixed rates – Loans	–	(35,000)	(35,000)	(34,052)	–	(34,052)
Net exposure	41,043	(35,000)	6,043	(37,356)	–	(37,356)
Minimum net exposure during the year	(9,473)	(35,000)	(44,473)	(42,624)	–	(42,624)
Maximum net exposure during the year	44,027	(35,000)	9,027	(25,372)	–	(25,372)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates. The interest rates applied on the CULS and the Loans are set out in notes 14 and 15. There were no material holdings in fixed interest investment securities during the year or at the year end.

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings, and to the ability of CULS holders to convert their holdings into ordinary shares.

Based on the financial assets and liabilities held, and the interest rates ruling, at each balance sheet date, a decrease or increase in interest rates of 2% would have the following approximate effects on the income statement revenue and capital returns after tax and on the NAV:

	2020 Increase in rate £'000s	2020 Decrease in rate £'000s	2019 Increase in rate £'000s	2019 Decrease in rate £'000s
Revenue return	821	(821)	243	(243)
Capital return	–	–	–	–
Total return	821	(821)	243	(243)
NAV per share – pence	0.14	(0.14)	0.04	(0.04)

The calculations in the table above which are based on the financial assets and liabilities held at each balance sheet date and assume outstanding CULS are unconverted, are not representative of the year as a whole, nor are they reflective of future market conditions.

Other market risk exposures

The Company did not enter into derivative transactions in managing its exposure to other market risks (2019: same). The portfolio of investments, valued at £722,577,000 at 30 April 2020 (2019: £893,548,000) is therefore exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by geographical region and major industrial sector is set out on pages 6 and 13.

Based on the portfolio of investments held at each balance sheet date, and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV:

	2020 Increase in value £'000s	2020 Decrease in value £'000s	2019 Increase in value £'000s	2019 Decrease in value £'000s
Capital return	144,515	(144,515)	178,710	(178,710)
NAV per share – pence	23.92	(23.92)	29.63	(29.63)

This level of change is considered to be a reasonable illustration based on observation of current market conditions.

(b) Liquidity risk exposure

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the large number of quoted investments held in the Company's portfolio, 187 at 30 April 2020 (2019: 183); the liquid nature of the portfolio of investments; and the industrial and geographical diversity of the portfolio. Cash balances are held with reputable banks, usually on overnight deposit. The Company does not normally invest in derivative products. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a £35 million unsecured revolving floating rate credit facility (with an option to take on an additional £15 million if required) available until September 2020. The Company issued unsecured notes of £35 million expiring in August 2039.

The remaining contractual maturities of the financial liabilities at each balance sheet date, based on the earliest date on which payment can be required, were as follows:

2020	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities:				
Creditors	3,306	–	–	3,306
Loan notes	–	–	35,000	35,000
Interest payable on Loan notes	–	396	15,029	15,425
	3,306	396	50,029	53,731
2019				
Current liabilities:				
Creditors	2,929	–	–	2,929
Bank loans	34,052	–	–	34,052
Interest payable on loans	66	–	–	66
CULS	15,549	–	–	15,549
Interest payable on CULS	270	–	–	270
	52,866	–	–	52,866

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. Such transactions must be settled on the basis of delivery against payment (except where local market conditions do not permit).

Responsibility for the approval, limit setting and monitoring of counterparties is delegated to the Manager. Counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with reputable banks.

The Company has an ongoing contract with its Custodian for the provision of custody services. The contract was reviewed and updated in 2017. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Custodian has a lien over the securities in the account, enabling it to sell or otherwise realise the securities in satisfaction of charges due under the agreement. The Depositary has regulatory responsibilities relating to segregation and safekeeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of BMO GAM (including the Lead Manager) and with its Risk Management function. In reaching its conclusions, the Board also reviews BMO GAM's annual Audit and Assurance Faculty Report.

The Company had no credit-rated bonds or similar securities or derivatives in its portfolio at the year end (2019: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof, except for the loan notes which are carried at amortised cost and the CULS, the liability component of which is measured at amortised cost using the effective interest rate.

The fair value of the loan notes is set in note 15.

The fair value of investments quoted on active markets is determined directly by reference to published price quotations in those markets. Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investments.

(e) Capital risk management

The structure of the Company's capital is described in note 16 on page 75 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 63.

The objective of the Company is stated as investing in smaller companies worldwide in order to secure a high total return. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves and capital reserves.

The Company's objectives, policies and procedures for managing capital are unchanged from last year.

There were no breaches by the Company during the year of the financial covenants put in place in respect of the revolving credit facility provided to the Company, or in respect of the loan notes issued by the Company in August 2019.

These requirements are unchanged since last year and the Company has complied with them at all times.

27. AIFMD

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from BMO GAM on request.

The Company's maximum and actual leverage levels at 30 April 2020 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	105%	105%

The Leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's articles of association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings. Further information on the AIFMD can be found on page 92.

28. Securities financing transactions ("SFT")

The Company has not, in the year to 30 April 2020 (2019: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

Ten Year Record (unaudited)

All Company data are based on assets, liabilities, earnings and expenses as reported in accordance with the Company's accounting policies and is unaudited but derived from the audited Accounts or specified third-party data providers.

Assets
at 30 April

£'000s	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets	218,384	251,604	256,776	350,090	441,086	555,092	591,602	767,979	872,704	904,220	**761,515**
Debenture and loans	10,000	10,000	10,000	10,000	10,000	–	–	–	24,000	34,052	**35,000**
CULS	–	–	–	–	–	38,129	38,410	34,697	21,873	15,549	**-**
Net assets	208,384	241,604	246,776	340,090	431,086	516,963	553,192	733,282	826,831	854,619	**726,515**

NAV
at 30 April

pence	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV with debt at par per share [i]	51.8	60.3	59.6	75.6	84.2	97.3	99.8	128.3	138.4	141.7	**120.3**
NAV with debt at market value per share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**119.7**
NAV (diluted) per share [i]	n/a	n/a	n/a	n/a	n/a	97.0	99.5	126.4	136.9	140.6	**n/a**
NAV total return % – 5 years											**30.2**
NAV total return % – 10 years											**159.2**

Share Price
at 30 April

pence	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle market price per share [i]	46.1	58.4	58.8	76.5	84.0	98.0	100.1	127.3	137.5	134.6	**111.0**
Share price high [i]	46.1	58.7	61.8	77.9	88.0	102.5	102.4	129.9	141.5	149.5	**150.0**
Share price low [i]	31.1	40.5	48.5	55.4	74.5	78.5	85.9	94.7	126.5	122.0	**78.8**
Share price total return % – 5 years											**19.4**
Share price total return % – 10 years											**166.4**

Revenue
for the year ended 30 April

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Available for ordinary shares – £'000s	2,016	2,039	2,799	3,044	4,461	5,659	6,452	7,839	9,448	10,623	**10,493**
Return per share [i]	0.49p	0.51p	0.69p	0.71p	0.93p	1.09p*	1.18p*	1.38p*	1.59p*	1.76p*	**1.73p**
Dividends per share [i]	0.50p	0.51p	0.56p	0.65p	0.80p	0.97p	1.07p	1.23p	1.44p	1.65p	**1.70p**

* diluted
[i] Comparative figures for the prior years have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

Performance
(rebased to 100 at 30 April 2010)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per share	100	116.4	115.1	145.9	162.5	187.3*	192.1*	244.0*	264.3*	271.4*	**231.1****
Middle market price per share	100	126.7	127.5	165.9	182.2	212.6	217.1	276.1	298.3	292.0	**240.8**
Earnings per share	100	104.1	140.8	144.9	189.8	222.4	240.8	281.6	324.5	359.2	**353.1**
Dividends per share	100	102.0	112.0	130.0	160.0	194.0	214.0	246.0	288.0	330.0	**340.0**
RPI	100	105.2	108.8	112.0	114.8	115.8	117.3	121.5	125.5	129.4	**131.3**

* diluted
** NAV with debt at market value

Costs of running the Company (ongoing charges/TER)
for the year ended 30 April

Expressed as a percentage of average net assets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Ongoing charges*											
excluding performance fees	–	1.00%	1.08%	0.85%	0.76%	0.79%	0.85%	0.84%	0.83%	0.79%	**0.75%**
including performance fees	–	1.02%	1.56%	1.49%	0.78%	1.08%	0.85%	0.86%	0.83%	0.79%	**0.75%**
Total expense ratio											
excluding performance fees	0.78%	0.76%	0.79%	0.71%	0.50%	0.53%	0.51%	0.62%	0.60%	0.59%	**0.59%**
including performance fees	0.78%	0.76%	1.17%	1.22%	0.50%	0.74%	0.76%	0.62%	0.60%	0.59%	**0.59%**

* Not calculated prior to 2011

Gearing

at 30 April	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Effective gearing	(3.3%)	2.7%	1.7%	(2.3%)	(1.3%)	4.8%	4.7%	3.4%	5.1%	4.6%	**(0.6%)**
Fully invested gearing	4.8%	4.1%	4.1%	2.9%	2.2%	7.4%	6.9%	4.7%	5.6%	5.8%	**4.8%**

Analysis of Ordinary Shareholders (unaudited)

Category	Holding % at 30 April 2020	Holding % at 30 April 2019
BMO Savings Plans	**51.0**	51.5
Nominees	**17.9**	18.5
Institutions	**11.8**	10.6
Direct Individuals	**14.9**	15.4
	100.0	100.0

Source: BMO GAM.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty first Annual General Meeting of the Company will be held at 125 High Street, Tonbridge TN9 1DD on Thursday, 30 July 2020 at 2.00 p.m. for the following purposes:

Ordinary Resolutions:

To consider and, if thought fit, pass the following resolutions 1 to 12 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 April 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Remuneration Report.
4. To declare a final dividend of 1.15 pence per share.
5. To elect Nick Bannerman as a Director.
6. To elect Graham Oldroyd as a Director.
7. To re-elect Anja Balfour as a Director.
8. To re-elect Josephine Dixon as a Director.
9. To re-elect David Stileman as a Director.
10. To reappoint BDO LLP as auditors to the Company.
11. To authorise the Audit and Management Engagement Committee to determine the remuneration of the auditors.
12. Authority to allot shares.

THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the **"Act"**), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being **"relevant securities"**) up to an aggregate nominal amount of £1,498,725 (representing approximately 10% of the issued share capital of the Company (excluding treasury shares) at the date of this notice), during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2021 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the **"relevant period"**); save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special Resolutions:

To consider and, if thought fit, pass the following resolutions as special resolutions:

13. Disapplication of pre-emption rights

THAT, subject to the passing of resolution 12 above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authority conferred by resolution 12 for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment or transfer, provided this power shall be limited to:

a) the allotment of equity securities in connection with an offer of equity securities:
   (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
   (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

b) the allotment (otherwise than under paragraph (a) of this Resolution 13) of equity securities up to an aggregate nominal amount of £1,498,725 and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution (whichever is the earlier), unless extended by the Company in a general meeting ("**the relevant period**") save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.

14. Share buyback authority

THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares on such terms and in such manner as the Directors may from time to time determine, provided that:

a) the maximum number of ordinary shares hereby authorised to be purchased shall be 89,863,000 or, if less, 14.99% of the number of ordinary shares in issue (excluding treasury shares) as at the date of the passing of this resolution;
b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 2.5p;
c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased, and (ii) an amount equal to the higher of the price of the last independent trade for an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out;
d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
e) the Company may at any time prior to the expiry of such authority enter into a contract or contracts to purchase ordinary shares under such authority which will or may be completed or executed wholly or partly after the expiration of such authority and the Company may purchase ordinary shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

15. Amended articles of association

THAT the articles of association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association, with effect from the conclusion of the 2020 Annual General Meeting.

16. General Meeting Notice

THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

By Order of the Board
BMO Investment Business Limited
Secretary
19 June 2020

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Registered number: 28264

Notes:

1. In the light of the risks posed by the spread of COVID-19 and in accordance with Government guidelines, shareholders are strongly encouraged to register their votes in advance of the AGM by submitting proxy forms to the Company's Registrar in accordance with the procedures set out below. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.
2. Any person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
3. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0370 889 4088. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's registrars by the deadline for receipt of Forms of Proxy.
4. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken

otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0370 889 4088.

5. Investors holding shares in the Company through the BMO Investment Trust ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 12 noon on 23 July 2020. Alternatively, voting directions can be submitted electronically at eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 12 noon on 23 July 2020.

6. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a "Nominated Person") should note that the provisions in notes 1, 3 and 4 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

7. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Act, the Company has specified that only those members registered on the register of members of the Company at 11 p.m. on 28 July 2020 (the "Specified Time") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 3 and 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (euroclear.com/CREST).

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

13. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting; or

    b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.

14. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

15. Any member attending the meeting has the right to ask questions. This year the Company encourages shareholders who

wish to ask a question to submit their questions in advance of the AGM. Shareholders should send any such questions to GlobalSmallersCoSec@bmogam.com before 27 July 2020. Questions will be addressed on the Company's website as soon as is practically possible following the AGM. However, members should note that no answer need be given in the following circumstances:

a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
b) if the answer has already been given on a website in the form of an answer to a question; or
c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

16. As at 16 June 2020, being the last practicable date prior to the printing of this notice, the Company's issued capital (less the shares held in Treasury) consisted of 599,488,316 ordinary shares of 2.5 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 16 June 2020 are 599,488,316.

17. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 13 June 2020 being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at bmoglobalsmallers.com.

18. Copies of the letters of appointment between the Company and its Directors; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.

19. No Director has a service agreement with the Company.

20. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:

a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

21. A resolution may properly be moved or a matter may properly be included in the business unless:

a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise),
b) it is defamatory of any person or
c) it is frivolous or vexatious.

22. Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 17 June 2020, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

23. A copy of the current articles of association of the Company and the proposed new articles of association of the Company will be available for inspection on the Company's website, bmoglobalsmallers.com and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted) from the date of the AGM Notice until the close of the AGM and will also be available for inspection from 15 minutes before and at the AGM.

24. Given the risks posed by the spread of COVID-19 and following the "Stay Alert" guidance received from the Government, the current restrictions on travel and public gatherings, shareholders are not expected to the attend the AGM and the Company may, in accordance with its articles of association, impose entry restrictions on certain persons wishing to attend the AGM or may be required to adjourn the AGM. Other restrictions may be imposed as the Chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

All shareholders are strongly encouraged to exercise their votes in respect of the AGM in advance. This should ensure that their votes are registered and count at the AGM. Furthermore, the Board always welcomes questions from our shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance and the answers to these questions will be posted on our website after the AGM. Shareholders should submit any questions they may have to GlobalSmallersCoSec@bmogam.com before 27 July 2020.

Appendix: Explanatory notes of principal changes to the Company's articles of association

Virtual/hybrid general meetings

The New Articles permit the Company to hold general meetings where shareholders are not required to attend in person but may attend and participate virtually. A meeting can be wholly virtual if attendees participate only by way of electronic means or a meeting may be "hybrid", where some attendees are based in a single physical location and others attend electronically. This will make it easier for the Company's shareholders to take part in future general meetings. Certain consequential changes to facilitate this amendment have been made throughout the New Articles.

It should be noted that, while the New Articles will allow for meetings to be held and conducted in such a way that persons who are not present together at the same physical location may attend, speak and vote at the meeting by electronic means, the Directors have no present intention of holding a wholly electronic meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a virtual or hybrid meeting to be held. Nothing in the New Articles will prevent the Company from holding physical general meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')

The Board is proposing to make amendments to the Existing Articles in light of certain requirements under the AIFMD and the AIFM Regulations and related rules and regulations. The proposed new provisions provide for (i) the net asset value per share of the Company to be calculated at least annually and disclosed to shareholders, (ii) certain investment information to be made available to investors in the Company; (iii) the valuation of the Company's assets to be performed in accordance with prevailing accounting standards, and (iv) the Company's reports and accounts to be prepared in accordance with either generally accepted accounting principles of the United Kingdom or such other international accounting standards as may be permitted under the laws of England and Wales. These amendments will have no bearing on the Company's current practices and simply articulate minimum requirements of the AIFMD and the AIFM Regulations.

International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

The Hiring Incentives to Restore Employment Act 2010 of the United States of America commonly known as the Foreign Account Tax Compliance Act and all associated regulations and official guidance (**'FATCA'**) imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1st September 2013. These regulations have now been replaced by the International Tax Compliance Regulations 2015 (the **'Regulations'**).

The Existing Articles will be amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA and consequently having to pay withholding tax to the US Internal Revenue Service. The Existing Articles will also be amended to ensure that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole.

The Regulations also include the automatic exchange of information regimes brought in by the tax regulation under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) which requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As a result, the

Company will have to provide information annually to the local tax authority on the tax residency of a number of non-UK based certified shareholders and corporate entities.

Therefore, the Existing Articles will also be amended in order to provide the Company with the ability to require shareholders to co-operate in respect of these broader obligations including its obligations under the OECD and FATCA.

Distributions out of capital

In compliance with the previous statutory regime, the Company has a provision in its Existing Articles which expressly prohibits the distribution of any surplus arising from the realisation of any investment. This rule, which prohibited an investment trust from distributing any surplus arising from the realisation of its investments, has now been repealed and the Board no longer considers it appropriate to have such a prohibition. Accordingly, the Board is seeking authority at the Annual General Meeting to amend the Existing Articles to allow the Company to distribute capital profits. The New Articles therefore reflect this change and remove all references to the prohibition of the distribution of capital profits by way of dividend. The Board believes that the removal of this restriction will give the Company greater flexibility in the long term as it will enable the Company to make distributions from or any fund any buyback using any surplus arising from the realisation of any investment. However, the Board has no intention of exercising this authority at the current time.

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including (i) providing the Directors with the ability to require additional security or safety measures to be put in place at general meetings of the Company; (ii) dispensing with the need for the Company to use newspaper adverts to trace members or in the event the Board wished to postpone a general meeting; (iii) the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; (iv) reflecting the developments in mental health legislation by updating the provisions whereby a person's appointment as a director can be terminated; and (v) allowing the Company to pay dividends exclusively through bank transfers or other electronic payment methods instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

Additional Information for Shareholders

Alternative Investment Fund Managers Directive

The Company is an 'alternative investment fund' (**"AIF"**) for the purposes of the AIFMD and has appointed its Manager, BMO Investment Business Limited, to act as its Alternative Investment Fund Manager (**"AIFM"**). The Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a 'full scope UK AIFM'.

The Company is required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within the Investor Disclosure Document (**"IDD"**) which can be found on the Company's website, bmoglobalsmallers.com. There have not been any material changes to the disclosures contained within the IDD since it was last updated in February 2020.

The Company and AIFM also wish to make the following disclosures to investors:

- the investment strategy, geographic and sector investment focus and principal stock exposures are included in the strategic report. A list of the thirty largest listed holdings is included on pages 26 and 27;
- none of the Company's assets is subject to special arrangements arising from their illiquid nature;
- the strategic report and note 26 to the Accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures that it employs;
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code in respect of the AIFM's remuneration. The relevant disclosures required are within the IDD; and
- information in relation to the Company's leverage is contained within the IDD.

Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at bmoglobalsmallers.com. This document has been produced in accordance with the EU's Packaged Retail and Insurance-based Investment Products Regulations.

Net asset value and share price

The Company's net asset value is released daily, on the working day following the calculation date, to the London Stock Exchange. The current share price of BMO Global Smaller Companies PLC is shown in the investment trust section of the stock market page in most leading newspapers.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £12,300 in the tax year ending 5 April 2021 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£37,500 in 2020-21 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The final dividend of 1.15 pence per share is payable on 3 August 2020. Since April 2018 the annual tax-free allowance to UK residents on dividend income received in their entire share portfolios is £2,000. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

Unclaimed dividends

The Company has engaged the services of Georgeson (a subsidiary of Computershare) to locate shareholders, or their beneficiaries, who have lost track of or are unaware of their investments. The service is provided at no cost to the Company; Georgeson retain 10% of unclaimed dividends from the shareholder on completion of each successful claim. Alternatively, shareholders are given the option of contacting the Registrar themselves, thereby incurring no charges.

Management and Advisers

The Management Company

BMO Global Smaller Companies PLC (the **"Company"**) is managed by BMO Investment Business Limited, a wholly-owned subsidiary of BMO Asset Management (Holdings) PLC which is ultimately owned by Bank of Montreal. BMO Investment Business Limited is appointed under an investment management agreement with the Company, setting out its responsibilities for investment management, administration and marketing. The Manager undertakes ESG matters through BMO Asset Management Limited, which together are defined as BMO Global Asset Management (**"BMO GAM"**). They are both authorised and regulated by the Financial Conduct Authority.

The Manager also acts as the Alternative Investment Fund Manager.

Peter Ewins, Lead Manager. Responsible for the allocation of the assets on a regional basis and for the construction of the investment portfolio. He joined BMO GAM in 1996.

Jan Baker Represents the Manager as Company Secretary and is responsible for the Company's statutory compliance. She joined BMO GAM in 2005.

Marrack Tonkin Head of Investment Trusts with responsibility for BMO GAM's relationship with the Company. He joined BMO GAM in 1989.

Secretary and Company's Registered Office

BMO Investment Business Limited
Exchange House
Primrose Street
London EC2A 2NY

Telephone: 020 7628 8000
Facsimile: 020 7628 8188
Website: bmoglobalsmallers.com
Email: info@bmogam.com

Independent Auditors

BDO LLP
(**"BDO"** or the **"auditors"**)
55 Baker Street
London W1U 7EU

Custodian

JPMorgan Chase Bank (the **"Custodian"**)
25 Bank Street
Canary Wharf
London E14 5JP

Depositary

JPMorgan Europe Limited (the **"Depositary"**)
25 Bank Street
Canary Wharf
London E14 5JP

Share Registrars

Computershare Investor Services PLC
(the **"Registrar"**)
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: 0370 889 4088
Authorised and regulated in the UK by the Financial Conduct Authority.

Solicitors

Dickson Minto WS
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Stockbroker

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

How to Invest

One of the most convenient ways to invest in BMO Global Smaller Companies PLC is through one of the Savings Plans run by BMO.

BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2020/21 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*

You can invest up to £9,000 for the tax year 2020/21 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

BMO Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £9,000 for the 2020/21 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

BMO General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

* The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18.

** Calls may be recorded or monitored for training and quality purposes.

Charges

Annual management charges and other charges apply according to the type of plan.

Annual account charge

ISA: £60+VAT
GIA: £40+VAT
JISA/JIA/CTF: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges

ISA: 0.2%
GIA/JIA/JISA: postal instructions £12, online instructions £8 per Trust.
Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.
There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.
Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).
There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.
The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing.
For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

HOW TO INVEST

To open a new BMO plan, apply online at bmogam.com/apply

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

New Customers:
Call: 0800 136 420**
(8:30am – 5:30pm, weekdays.)
Email: info@bmogam.com

Existing Plan Holders:
Call: 0345 600 3030**
(9:00am – 5:00pm, weekdays)
Email: investor.enquiries@bmogam.com
By post: BMO Administration Centre
PO Box 11114
Chelmsford CM99 2DG

BMO Asset Management Limited

0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.
BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. 737510_G19-1804_L56_04/20_UK

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, LLoyds Bank, The Share Centre.**

25 Year Historical Information

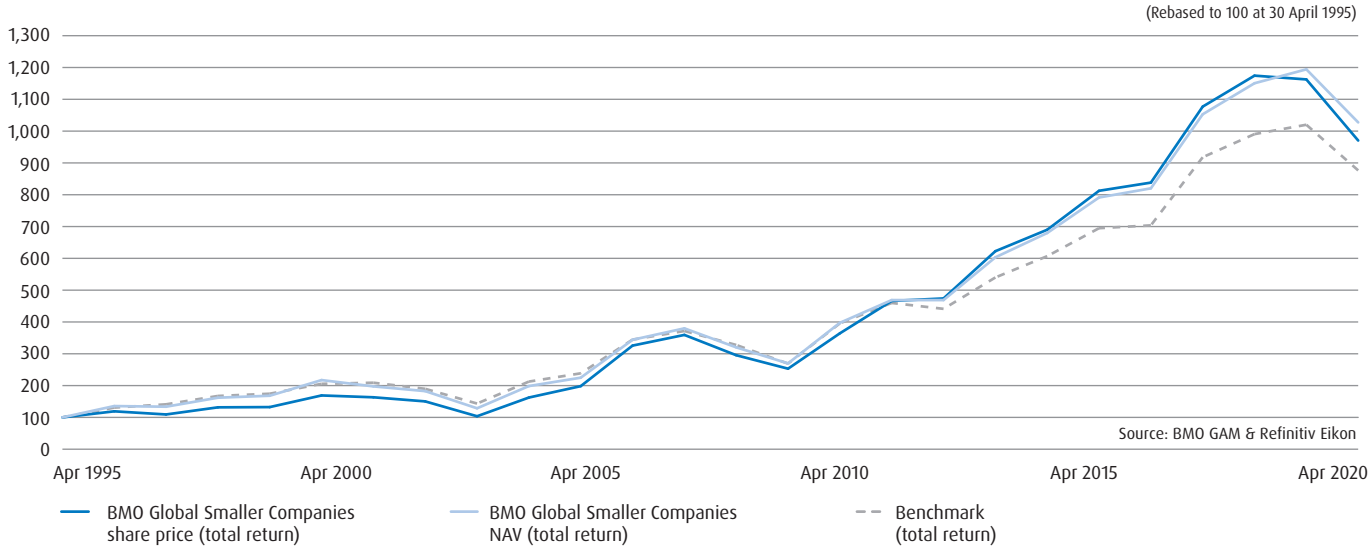
All data is based on figures as reported in accordance with the Company's accounting policies and is unaudited but derived from the audited Accounts.

at 30 April	Net assets £'000s	Net asset value per share pence [i]	Closing share price pence [i]	Premium/ (discount) %	Revenue return per share pence [i]	Dividend per share pence [i]	Dividend growth %	Inflation (RPI) %
1995	169,274	16.2	16.5	1.8	0.24	0.211	7.1	3.3
1996	226,938	21.7	19.4	(10.7)	0.26	0.233	10.4	2.4
1997	219,388	21.0	17.5	(16.7)	0.34	0.260	11.6	2.4
1998	261,706	25.0	20.6	(17.4)	0.39	0.300	15.4	4.0
1999	265,440	25.5	20.4	(20.3)	0.53	0.336	12.0	1.6
2000	313,128	32.5	25.5	(21.5)	0.42	0.375	11.6	3.0
2001	274,930	29.2	24.3	(16.9)	0.42	0.395	5.3	1.8
2002	246,300	26.6	21.9	(17.5)	0.39	0.402	1.8	1.5
2003	167,945	18.3	14.7	(19.7)	0.36	0.415	3.2	3.1
2004	235,390	27.7	22.4	(19.1)	0.40	0.424	2.2	2.5
2005	264,398	31.1	26.9	(13.7)	0.46	0.440	3.8	3.2
2006	227,652	47.1	43.5	(7.6)	0.45	0.453	3.0	2.6
2007	239,574	51.2	47.3	(7.6)	0.48	0.469*	3.5	4.5
2008	188,100	42.8	38.5	(8.6)	0.55	0.483	3.0	4.2
2009	150,994	36.0	32.5	(7.4)	0.57	0.489	1.2	(1.2)
2010	208,384	51.8	46.1	(9.6)	0.49	0.500	2.2	5.3
2011	241,604	60.3	58.4	(2.1)	0.51	0.510	2.0	5.2
2012	246,776	59.6	58.8	(0.4)	0.69	0.563	10.4	3.5
2013	340,090	75.6	76.5	1.6	0.71	0.650	15.5	2.9
2014	431,086	84.2	84.0	(0.1)	0.93	0.800	23.1	2.5
2015	516,963	97.0	98.0	1.0	1.09	0.965	20.6	0.9
2016	553,192	99.5	100.1	0.7	1.18	1.070	10.9	1.3
2017	733,282	126.4	127.3	0.8	1.38	1.225	14.5	3.5
2018	826,831	136.9	137.5	0.5	1.59	1.440	17.6	3.4
2019	854,619	140.6	134.6	(4.3)	1.76	1.650	14.6	3.0
2020	726,515	119.7	111.0	(7.3)	1.73	1.700	3.0	1.5

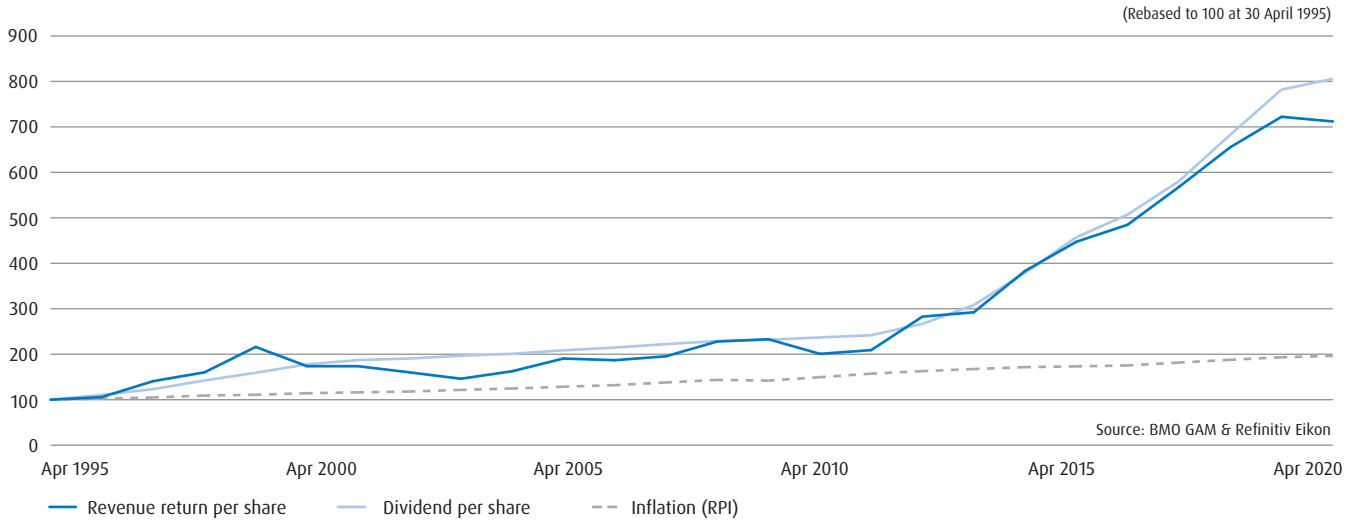
* Excludes special dividend of 0.1p also paid[i]

[i] Comparative figures for the prior years have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

Net asset value and share price performance vs Benchmark over 25 years



Revenue return and dividend per share vs inflation over 25 years



Alternative Performance Measures

The Company uses the following Alternative Performance Measures (**"APMs"**) throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative detailed below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to the shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Diluted Net Asset Value – assumes that the CULS were converted into ordinary shares at the rate of 977.697 pence per £1 nominal CULS value. These matured during the year (see "Net Asset Value", note 2 and note 14 to the Accounts).

Discount or Premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading at a price above NAV per share are said to be at a premium. The Board of the Company tries to ensure that the shares trade, in normal market conditions, at around the value of the net assets. This is done by means of buying shares from sellers at the below-NAV price (and placing them in treasury or cancelling them) or selling new shares to shareholders at a premium to NAV. The Board's policy is set out on page 35.

		30 April 2020 pence	30 April 2019[i] pence
Net Asset Value per share	(a)	**119.70**	140.57
Share price per share	(b)	**111.00**	134.60
Discount or Premium (c= (b-a)/b)	(c)	**(7.3%)**	(4.3%)

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary shareholders in their entitlement to capital and/or income. They may include: preference shares; debentures; overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

		30 April 2020 £'000	30 April 2019 £'000
Loan		**35,000**	34,052
CULS		**–**	15,549
	(a)	**35,000**	49,601
Less Cash and cash equivalents		**(41,043)**	(12,135)
Less Investment debtors		**(196)**	(18)
Add Investment creditors		**2,100**	2,128
Total	(b)	**(4,139)**	39,576
Net Asset Value	(c)	**726,515**	854,619
Effective gearing (d= b/c)	(d)	**(0.6%)**	4.6%
Fully invested gearing (e= a/c)	(e)	**4.8%**	5.8%

Net Asset Value (NAV) – the assets less liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 to the Accounts) and UK Accounting Standards. The net assets correspond to Total Shareholders' Funds, which comprise the share capital account, capital redemption reserve, CULS reserve and capital and revenue reserves. (See calculation in note 21 to the Accounts.)

Net Asset Value (NAV) with Debt at Market Value – the Company's debt is valued in the Balance Sheet (on page 64) at cost, which is equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as "Debt at Par". The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the "Debt at Market Value" or "Debt at Fair Value". See calculation in note 21 to the Accounts.

Ongoing Charges – all operating costs expected to be regularly incurred and that are payable by the Company or suffered within underlying investee fund, expressed as a proportion of the average net assets of the Company over the reporting year (see Ten Year Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

Ongoing Charges calculation		30 April 2020 £'000	30 April 2019 £'000
Management fees		**4,157**	4,137
Other expenses		**1,159**	825
Less loan commitment/arrangement fees and one off costs		**(292)**	(33)
Underlying costs of collective investments		**1,369**	1,677
Total	(a)	**6,393**	6,606
Average daily net assets	(b)	**850,747**	833,912
Ongoing Charges (c= a/b)	(c)	**0.75%**	0.79%

Total Expense Ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company (see notes 4 and 5 (pages 69 and 70) to the Accounts), calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

TER calculation		30 April 2020 £'000	30 April 2019 £'000
Management fees		**4,157**	4,137
Other expenses		**1,159**	825
Less loan commitment/arrangement fees and one off costs		**(292)**	(33)
Total	(a)	**5,024**	4,929
Average daily net assets	(b)	**850,747**	833,912
TER (c= a/b)	(c)	**0.59%**	0.59%

Total Return – the theoretical return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net asset, respectively, on the date on which the shares were quoted ex-dividend.

	NAV	Share price
NAV/Share Price per share at 30 April 2019 (pence)[i]	140.57	134.60
NAV/Share Price per share at 30 April 2020 (pence)	119.70	111.00
Change in the year	(14.8%)	(17.5%)
Impact of dividend reinvestments	1.0%	1.0%
Total return for the year	(13.8%)	(16.5%)

[i] The comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

Glossary of Terms

AAF Report – Report prepared in accordance with Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

Administrator – The administrator is State Street Bank and Trust Company to which BMO GAM has outsourced trade processing, valuation and middle office tasks and systems.

AIFMD – the Alternative Investment Fund Managers Directive that requires investment vehicles in the European Union to appoint a Depositary and an Alternative Investment Fund Manager.

AIFM – the Alternative Investment Manager appointed by the Board of Directors in accordance with the AIFMD is the Company's Manager, as defined below.

APMs – Alternative Performance Measures are financial measures of historical or future financial performance, financial position, or cash flows, other than financial measures defined or specified in the applicable accounting framework. Guidelines published by the European Securities and Markets Authority aim to improve comparability, reliability and comprehensibility by way of APMs.

BMO – Bank of Montreal, which is the parent company of BMO Asset Management (Holdings) PLC which in turn owns BMO GAM.

BMO GAM – Together, the Manager and its sister company, BMO Asset Management Limited, which operate under the trading name BMO Global Asset Management.

BMO Savings Plans – previously the F&C savings plans, these comprise the BMO General Investment Account, BMO Junior Investment Account, BMO Investment Trust ISA, BMO Junior ISA and BMO Child Trust Fund operated by BMO Asset Management Limited, a company authorised by the Financial Conduct Authority.

Benchmark – a blend of two Indices, namely the MSCI All Country World ex UK Small Cap Index (70%) and the Numis UK Smaller Companies (excluding investment companies) Index (30%). This Benchmark, against which the increase or decrease in the Company's net asset value is compared, measures the performance of a defined selection of smaller companies listed in stock markets around the world and gives an indication of how those companies have performed in any period. Divergence between the performance of the Company and the Benchmark is to be expected as: the investments within this Index are not identical to those of the Company; the Index does not take account of operating costs; and the Company's strategy does not entail replicating (tracking) this Benchmark.

Carbon intensity – this is measured in tons of CO_2 equivalent (ie including the basket of six Kyoto Protocol gases) of Scope 1 and 2 emissions, divided by $1million of sales at a company level. This is aggregated to portfolio level using a weighted average (by holding).

Closed-ended company – a company, including an Investment Company, with a fixed issued ordinary share capital the shares of which are traded on an exchange at a price not necessarily related to the net asset value of the company and which can only be issued or bought back by the company in certain circumstances.

CULS – 3.5% Convertible Unsecured Loan Stock 2019 – issued in July 2014 and matured on 31 July 2019. See note 14 to the Accounts.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – The Custodian is JP Morgan Chase Bank. The Custodian is a financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.

Depositary – The Depositary is JPMorgan Europe Limited. Under AIFMD rules, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe–keeping duties. The Depositary's oversight duties will include but are not limited to oversight of share buybacks, dividend payments and adherence to investment limits.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see notes 2, 17, 18 and 20 to the Accounts). Company Law requires that Share Capital and the Capital Redemption Reserve may not be distributed. The Company's articles of association allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. The cost of all share buybacks is deducted from Capital Reserves.

Dividend Dates – Reference is made in announcements of dividends to three dates. The "record" date is the date after which buyers of the shares will not be recorded on the register of shareholders as qualifying for the pending dividend payment. The "payment" date is the date that dividends are credited to shareholders' bank accounts. The "ex-dividend" date is normally the business day prior to the record date (most ex-dividend dates are on a Thursday).

GAAP – Generally Accepted Accounting Practice. This includes UK Financial Reporting Standards (**"FRS"**) and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Hampton-Alexander Review – The independent review body which aims to increase the number of women on FTSE 350 Boards.

Investment Company (Section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made Capital losses in any year, provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received. The Directors Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

ISAE Report – Report prepared in accordance with the International Standard on Assurance Engagements.

Leverage – as defined under AIFMD rules, leverage is any method by which the exposure of an AIF (being an investment vehicle under the AIFMD) is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager (AIFM) – BMO Investment Business Limited, a subsidiary of BMO Asset Management (Holdings) PLC, which in turn is wholly owned by the Bank of Montreal (**"BMO"**). Its responsibilities and fees are set out in the Business Model, Directors' Report and note 4 to the Accounts.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive Directors.

Open-ended Fund – a collective investment scheme which issues shares or units directly to investors, and redeems directly from investors, at a price that is linked to the net asset value of the fund.

Parker Review Committee – The independent review body which recommends each FTSE 250 company to have at least one director from an ethnic minority background by 2024.

Section 172(1) – Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he considers, in good faith, to be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to matters specified in that section. The directors are required to report on this in the Strategic Report section of the Report and Accounts each year.

SORP – Statement of Recommended Practice. The accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 2 to the Accounts.

Special Dividends – dividends received from investee companies which have been paid out of capital reconstructions or reorganisations of the investees are sometimes referred to as Special Dividends and may be allocated to Capital Reserves in accordance with the Company's accounting policies and the SORP. Dividends which are unusually large in terms of the investee companies' annual earnings or normal payment pattern are also sometimes referred to as special but are treated as revenue in nature unless evidenced otherwise.

Treasury shares – ordinary shares previously issued by the Company that have been bought back from shareholders on the open market and kept in the Company's own treasury. Such shares may, at a later date, be re-issued for sale on the open market or cancelled if demand is insufficient. Treasury shares carry no rights to dividends and have no voting rights and hence are not included within calculations of earnings per share or net asset value per share.

Trust Deed – the trust deed between the Company and the Trustee constituting the CULS.

Trustee – The Law Debenture Trust Corporation plc.

UK Code of Corporate Governance (UK Code 2018) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

The United Nations Sustainable Development Goals (SDGs) – These goals are the blueprint to achieve a better and more sustainable future for all. They address global challenges including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected and the aim is to achieve them all by 2030.

The United Nations-supported Principles for Responsible Investment (UNPRI) – The six principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. In implementing them, signatories contribute to developing a more sustainable global financial system.

Warning to Shareholders – Beware of Share Fraud.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell to you shares that turn out to be worthless or non-existent, or to buy your shares at an inflated price in return for an upfront payment following which the proceeds are never received.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from **fca.org.uk** to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ("**FCA**") on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at **fca.org.uk/scams**
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at **fca.org.uk/scams** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

BMO Global Smaller Companies PLC
Report and Accounts 2020

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