

# Q&A with Julian Cane

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**Julian Cane**  
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Telephone calls may be recorded.

Q&A with Julian Cane, investment manager BMO Capital and Income Investment Trust

### Q What are the advantages of BMO Capital and Income Investment Trust versus other savings funds?

**JC** BMO Capital and Income Investment Trust (the Company) has a long track record of delivering good performance. We have outperformed our benchmark, the FTSE All-Share Index, over the last 1, 3, 5, 10 and 20 years, and increased our dividend each and every year since launch in 1992. Dividend growth has been more than twice the rate of inflation on average over this period.

One of our key advantages is that the Company is an investment trust, not a unit trust or OEIC. Investors are shareholders in the investment trust, are encouraged to attend our Annual General Meeting (AGM) and have the extra protection of a Board of Directors that supervises the investment manager. We have the ability to borrow modestly if we think investment opportunities look attractive and we are not required to pay all of our net income to shareholders, meaning we can produce a more steady progression of dividends. By withholding some income in exceptionally strong years, we are better able to weather more difficult periods. We pay dividends at the end of each calendar quarter.

We invest primarily in well-established UK companies and have a well-diversified portfolio of over 60 names. Our charges and costs are low, with an Ongoing Charges Figure (OCF) of 0.58%.

The Company has a market value in excess of £350m and well over 20,000 individual shareholding accounts, the majority of them held via the BMO savings plans.

### Key risks

The value of your investment is dependent on the supply and demand for the shares of the Investment Trust rather than its underlying assets. The value of your investment will not be the same as the value of the Investment Trust's underlying assets.

Capital is at risk.

## Q Talk us through the performance over the longer track record

JC I have been the investment manager of the Company since 1997 – more than 22 years. Over that period, we have experienced some pretty varied and challenging conditions, including the booms of the late 1990s and mid-2000s to the crashes of 2000 and 2007/08. Although we can't claim to have beaten the performance of the FTSE All-Share Index each and every year (I'm not aware of any fund that has), our cumulative performance is such that we are well ahead over all standard time periods.

It is a key aim of the Company to grow our dividend above of the rate of inflation. Despite periods when dividends from the UK stock market have fallen (particularly due to market crashes), we have still increased our dividend each and every year, earning our designation from the Association of Investment Companies as a 'Dividend Hero'. Our long-term record shows we have increased the dividend on average at more than twice the rate of inflation. By building up a dividend reserve well in excess of the annual cost of the dividend, we have put the Company in a very strong position to able to develop this record further.



For definitions of the terms used within this document, please refer to the [glossary](#) on our website.

## Q Explain how you manage the supply of shares and how this creates liquidity

JC As a company in our own right, investors wanting to invest in BMO Capital and Income Investment Trust buy shares in the company, which are quoted on the London Stock Exchange, rather than units in a fund. At any one time, the number of shares in issue is fixed so investors buy and sell shares in the secondary market. If there is strong enough demand and the shares trade at a small premium to the underlying Net Asset Value, then the company will issue new shares. Conversely, if the shares trade at a material discount the company will buy-back its own shares. We have been issuing shares since 2003 and have grown the number of shares in issue by more than 50%.

Our last share buy-back was over 10 years ago, as since then the shares have been trading close to or at a premium to the Net Asset Value. Using a combination of these two operations, the company is effectively operating as a market maker in its own shares and, importantly, is able to provide greater liquidity to investors than may be available from traditional market makers. It is not in shareholders' interests that the shares should become too detached from the underlying Net Asset Value.

Further information such as Annual Reports, Factsheets and information about the Board can be found at [bmocapitalandincome.com](http://bmocapitalandincome.com).

### Cumulative performance (%) as at 30-Nov-19

	1 month	Year to date	1 year	3 years	5 years
NAV	2.59%	21.76%	17.49%	34.47%	56.39%
Share price	2.94%	17.50%	15.02%	33.00%	52.38%
Benchmark	2.24%	15.33%	11.01%	24.00%	36.99%

### Discrete performance (%) as at 30-Nov-19

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
NAV	17.49%	-3.79%	18.96%	9.02%	6.68%
Share price	15.02%	-4.40%	20.95%	8.62%	5.47%
Benchmark	11.01%	-1.46%	13.35%	9.77%	0.64%

Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. If markets fall, gearing can magnify the negative impact on performance.

Past performance is not a guide to future performance.

Source: Thomson Reuters Eikon, Lipper and BMO. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. The discrete performance table refers to 12 month periods, ending at the date shown.

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