

BMO UK High Income Trust PLC

Ordinary Shares

June 2022

Manager Commentary
Philip Webster



The Trust's NAV recorded a better performance through May. This has been delivered against the headwind of rising energy and commodity prices. The oil and gas majors continue to make new all-time highs, with the oil price up nearly \$20 dollars to \$122.

This combines with the focus on the fragility of the global consumer and the rising cost of living. Inflation is, again, touching new highs and is likely to rise further - especially with the looming energy price rise in October. The emergency £15bn giveaway from the Chancellor of the Exchequer will provide £400 to every UK household, with those most in need getting additional support. While this is undoubtedly

welcome, my feeling is that this will provide little comfort to those facing unprecedented pressures on their budget. Consumers will have to make tough decisions, which will have a knock-on effect to growth. The Bank of England's rhetoric on controlling inflation through higher interest rates remains tough, with two further 25 basis point (bps) interest rate rises priced in for this year. While this may well come to pass, market commentators are now forecasting a recession, despite the UK's Office for Budget Responsibility (OBR) predicting growth throughout the year.

Against this volatile backdrop, I remain focused on the medium-term and businesses that are well placed through even the toughest market environment. My focus has been opportunistically adding to top quality businesses on very attractive valuations. Having recently initiated a position in Experian, I have continued to build the weight on weakness. This is a business that managed to deliver 4% organic growth through the pandemic and 2% during the global financial crisis of 2009. Richemont had a very strong set

of full year 2022 results with sales and operating profit up 46% and 129%, respectively. The market had higher profit expectations but, after a call with management, it was clear that there were several one-off hits, including due to writing off their Russian business. Having added to the position, we have seen it bounce nearly 15% from the lows. Luxury goods remain in high demand and expectations are that growth will remain robust this year. Melrose is a different, but perfect, example of the value on offer. Their end markets are automotive and aviation, but they have used the downturn to cut costs and reposition these businesses for a return to growth. The share price has risen over 50% in the last month and it still only trades on a 15x multiple.

While it is easy to get caught up in the circle of negative news, there are great businesses trading on very attractive multiples. While there may be downside to the earnings in the short-term, I am very comfortable in the valuations I am paying and the value still on offer.

Key facts as at 31.05.2022

Trust aims: To provide an attractive return to shareholders each year in the form of dividends and/or capital returns, together with prospects for capital growth. In pursuit of this objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

Benchmark: FTSE All-Share Index (Pre 05/07/2018 FTSE All-Share Capped 5% Index).

Fund type: Investment Trust

Launch date: 1 March 2007

Total assets: £116.7 million

Share price: 86.50p

NAV: 94.20p

Discount/Premium(-/+): -8.17%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield †: 6.30%

Net gearing*: 1.23%

Management fee rate:** 0.60%

Ongoing charges:** 0.98%

Year end: 31 March

Sector: UK Equity Income

Currency: Sterling

Website: bmoukhighincome.com

Fund performance as at 31.05.2022



Cumulative performance (%) as at 31.05.2022

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	0.78	-4.17	-4.09	10.17	6.00
Share price	-2.26	-0.82	-0.91	9.12	7.11
Benchmark	0.69	1.50	8.27	18.44	21.26

Discrete annual performance (%) as at 31.05.2022

	2022/2021	2021/2020	2020/2019	2019/2018	2018/2017
NAV	-4.09	25.90	-8.76	-6.39	2.77
Share price	-0.91	24.57	-11.60	-4.63	2.92
Benchmark	8.27	23.13	-11.16	-3.21	5.79

Key risks

Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. If markets fall, gearing can magnify the negative impact on performance.

Past performance is not a guide to future performance.

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

** Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

Lines may be recorded

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Trust codes		
Stock exchange code	Sedol	
BMO UK High Income	BHI	B1N4G29
BMO UK High Income B	BHIB	B1N4H59
BMO UK High Income Units	BHIU	B1N4H93

Top 10 holdings (%)				
	Portfolio Weight %	Benchmark Weight %	Difference %	Sector
British American Tobacco	8.22	3.30	4.92	Consumer Staples
GSK	6.62	3.54	3.08	Health Care
Compass Group	6.48	1.31	5.17	Consumer Discretionary
Rio Tinto	5.50	2.58	2.92	Basic Materials
Beazley	5.07	0.12	4.95	Financials
Brewin Dolphin	4.57	0.06	4.51	Financials
Relx	4.14	1.75	2.39	Consumer Discretionary
Cairn Homes	3.82	0.00	3.82	Consumer Discretionary
Cie Financiere Richemont	3.76	0.00	3.76	Consumer Discretionary
Berkeley Group	3.49	0.18	3.31	Consumer Discretionary

All figures are subject to rounding. Not all holdings are in the FTSE All-Share Index.

Net dividend distributions pence per share (paid)/(declared)							
	2016	2017	2018	2019	2020	2021	2022
February	1.14	1.17	1.21	1.25	1.29	1.29	1.32
May	1.18	1.21	1.25	1.29	1.34	1.43	1.55
August	1.17	1.21	1.25	1.29	1.29	1.29	
November	1.17	1.21	1.25	1.29	1.29	1.29	
Total	4.66	4.80	4.96	5.12	5.21	5.30	2.87

All figures are subject to rounding.

Total summary		% assets
FTSE 100		43.45
FTSE 250		29.48
Overseas		12.04
Non-Index		7.54
Cash		5.28
AIM		2.21

Glossary

Bid price	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
Dividend	Income paid to shareholders by the company they invest in.
Net asset value	A key measure of the value of a company or trust - the total value of assets less liabilities, divided by the number of shares.



All data as at 31.05.2022 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets, unless stated otherwise. [†]The aggregate distribution for the financial year to 31 March 2022 was 5.45 pence per share. The yield is therefore calculated using a rate of 5.45 pence per share and the closing share price as at the end of the relevant month. [‡]Net gearing is total assets less cash and cash equivalents divided by shareholders' funds and expressed as a percentage. Net cash is net exposure to cash and cash equivalents expressed as a percentage of shareholders funds after any offset against gearing. ^{***}Ongoing charges and management fee as at 31 March 2022. Please refer to the latest annual report as to how the fee is structured. Ongoing charges are calculated in accordance with AIC recommendations. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. This financial promotion is issued for marketing and information purposes only by BMO Global Asset Management in the UK.

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