

Manager Commentary Philip Webster



March was another good month for the Trust, as the market continued to rally from year-end lows. The first quarter has seen markets in a more buoyant mood, although not much has changed from a fundamental stock perspective. I still see opportunities to own quality businesses that I believe are priced incorrectly because of good old 'fear'. On the other hand, at the polar extreme, I see valuations which (in my humble opinion) are destined to destroy shareholder value. I've been saying this for a while, and I might be wrong for a while longer, but because we are medium-term investors what happens next month isn't relevant and we will continue holding our contrarian stance.

Running into year-end, I took the opportunity to continue some of the moves I began in February. We continued to reduce Rio Tinto as it reached new highs. I might well be wrong on this – if the supply side remains curtailed for longer than expected or if China stimulate more – but we felt the valuation had a limited 'margin of safety'. We used some of the proceeds to add to Cairn Homes, which took it into the top ten relative weights in the fund. Cairn Homes announced a strong set of results, as well as awaited guidance on capital returns. They are going to pay an interim dividend of 2.5 euro cents per share, so – if we assume the final is the same – we believe it's going to yield around 4%. I see this as only the start – they are generating €350-400m of cash (35-40% of their market capitalisation) between now and 2021 and will return a large portion of this to shareholders.

We also initiated a position in Jupiter Fund Management (post the recent sell-off), using proceeds from the HSBC sale in the previous month. We see this as a significant quality upgrade into a franchise

that has weakened with markets, and fund-specific outflows. We feel that they have a very strong balance sheet, which was yielding around 6% (excluding the special dividend) and was trading on 13x at the point of initiation.

We continue to move the fund towards quality business models that we feel have a sustainable competitive advantage. If you look at the top ten relative positions in the fund, it contains very few of the traditional mega-cap names – in which I see challenged business models or those I struggle to value, given the complexity of the models.

Key facts as at 29.03.2019

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: £127.6 million

Share price: 95.00p

NAV: 102.39p

Discount/Premium(-/+): -7.2%

Dividend payment dates: Feb, May, Aug, Nov

Net dividend yield †: 5.31%

Net gearing/Net cash:** 4.29%

Management fee rate:** 0.65%

Ongoing charges:** 0.93%

Year end: 31 March

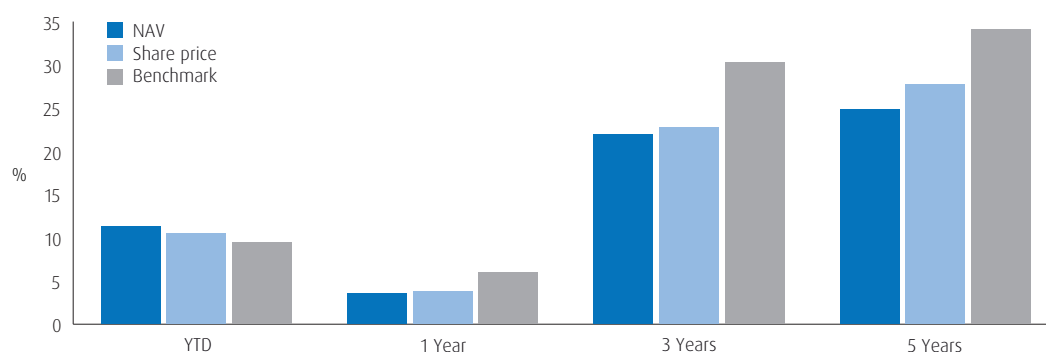
Sector: UK Equity Income

Currency: Sterling

Website: bmoukhighincome.com

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

Fund performance as at 29.03.2019



Cumulative performance (%) as at 29.03.2019

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	2.81	11.29	3.52	21.92	24.75
Share price	5.56	10.46	3.71	22.76	27.68
Benchmark	2.67	9.41	5.99	30.28	34.06

Discrete annual performance (%) as at 29.03.2019

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
NAV	3.52	-2.50	20.80	-2.75	0.05
Share price	3.71	-2.81	21.78	-6.41	11.13
Benchmark	5.99	0.92	21.79	-3.75	6.91

Key risks

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

Past performance is not a guide to future performance.

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



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

Top 10 holdings (%)*				
	Portfolio Weight %	Benchmark Weight %	Difference %	Sector
British American Tobacco	7.06	3.22	3.84	Consumer Goods
GlaxoSmithKline	6.38	3.44	2.94	Health Care
Royal Dutch Shell	5.10	8.77	-3.67	Oil & Gas
RELX	4.98	1.37	3.61	Consumer Services
Prudential	4.20	1.76	2.44	Financials
Rio Tinto	4.05	2.18	1.86	Basic Materials
Compass Group	3.68	1.26	2.42	Consumer Services
Close Brothers Group	3.62	0.10	3.53	Financials
Imperial Brands	3.29	1.10	2.19	Consumer Goods
Sage Group	3.24	0.34	2.91	Technology

All figures are subject to rounding.

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

All figures are subject to rounding.

Total summary		% assets
FTSE 100		53.10
FTSE 250		32.04
Non-Index		6.17
Overseas		3.51
AIM		3.34
Cash		1.84

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 29.03.2019 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets, unless stated otherwise. † The yield is calculated using the actual dividends declared for the company's current financial year and the closing share price and exchange rate as at the end of the relevant month. *Net gearing is total assets less cash and cash equivalents divided by shareholders' funds and expressed as a percentage. Net cash is net exposure to cash and cash equivalents expressed as a percentage of shareholders funds after any offset against gearing. **Ongoing charges and management fee as at the end of 31 March 2018. Please refer to the latest annual report as to how the fee is structured. Ongoing charges are calculated in accordance with AIC recommendations. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned. The factsheet is issued and approved by BMO, a trading name of BMO Asset Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England No 517895. (04/19).