


# BMO Global Equity Market Neutral V10 Fund




## May 2019

### Contact us

#### Institutional business:

-  +44 (0)20 7011 4444
-  institutional.enquiries@bmogam.com
-  bmogam.com

#### UK Intermediary sales:

-  +44 (0)800 085 0383
-  sales.support@bmogam.com
-  bmogam.com/adviser

*Calls may be recorded.*

*The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.*

*Changes in rates of exchange may also reduce the value of your investment.*

*The objective of delivering a positive return regardless of market conditions cannot be guaranteed over the time period.*

### Market backdrop

After a strong start to 2019, global equity markets started to exhibit a degree of risk aversion, with the MSCI World (Net Local Total Return) falling 5.7%, but still leaving year-to-date returns at over 10%. President Trump's approach to trade negotiations with China upset the markets and added to concerns about global growth. On a regional basis, the biggest weakness was seen in Asia, with the better performing markets, albeit still negative, to be found in Europe. The FTSE 100 (UK) index performed relatively well on the back of weakening sterling. Investment grade bonds performed well over the month as nominal yields fell, more than offsetting the widening of credit spreads. Finally, commodities joined the risk-off party, falling almost 5% in aggregate, a move led by oil, gasoline and heating oil.

### Performance (ISIN: GB00BY7S9L81)

	Return	Discrete performance	Return
1 month	0.34%	2018-2019	-13.08%
3 months	-6.57%	2017-2018	6.87%
Year-to-date	-14.71%	2016-2017	3.96%
1 year	-13.08%	2015-2016	-
Since inception (annualised)	1.26%	2014-2015	-

*All data as at 31 May 2019. Discrete performance table refers to 12-month periods ending at 31 May. Returns provided net of fees and in GBP. Fund inception 13 July 2015.*

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

May saw the strategy post a small positive return following the challenging months of February, March and April. It was reassuring to see the re-emergence of some diversification at the factor portfolio level. Low Volatility and True Momentum both made strong positive contributions, whilst True Value and True GARP posted negative contributions. The former duo can be considered as more behavioural factors, whilst True Value and True GARP are more fundamental. Indeed, True GARP was the principal detractor and this is, perhaps, a little surprising in a month where market sentiment had seemingly become more judicious.

### Style contributions

	Starting weight	Contribution
<b>Component contributions</b>	Low Volatility	29%
	True Momentum	11%
	True Size	0%
	True Value	20%
	True GARP	41%
Weighted sum of style components		0.6%
+/- Trimming effect		0.0%
Return bottom up		0.5%
+/- Friction		-0.3%
Return (official)		0.3%
Fees, leverage variation, hedging		0.1%
<b>Fund return</b>		<b>0.3%</b>

### Five largest positive contributors

Company name	Weight	Stock specific return	Stock specific contribution
SNC-Lavalin Group Inc	-1.73%	-21.86%	0.42%
Mitsubishi Heavy Industries Ltd	2.93%	12.54%	0.36%
Cerner Corporation	3.14%	11.03%	0.34%
Norwegian Cruise Line Holdings Ltd	3.65%	8.26%	0.29%
Sumitomo Corporation	3.48%	7.86%	0.27%

On the positive front, a short position in SNC-Lavalin Group Inc paid dividends as the engineering firm reported an unexpected loss in the first quarter and sought to ramp-up its cost cutting program. A long position in Mitsubishi Heavy Industries benefited from the continuing year-to-date rally as the company reported expectation-beating earnings. The health care service provider Cerner Corp continued its rally of April (better earnings & revenue).

On the negative front, a long position in Kohls Corp suffered as the company revised down its estimate of full-year earnings and the stock fell 12% in a single session. Fortinet, another long, announced better-than-expected earnings & revenue growth, but still managed to disappoint as it reported decelerating growth. One of the largest short positions in the strategy, Hilton Worldwide Holdings, enjoyed a positive month as it reported better-than-expected first-quarter earnings. Finally, the drug manufacturer Mylan NV failed to announce an update on its ongoing strategic review and this, combined with a miss on revenue growth, led to the stock to falling heavily.

### Five largest negative contributors

Company name	Weight	Stock specific return	Stock specific contribution
Kohls Corporation	1.97%	-22.88%	-0.46%
Fortinet Inc	1.75%	-19.31%	-0.38%
Hilton Worldwide Holdings Inc	-3.79%	8.88%	-0.32%
Mylan NV	0.98%	-25.19%	-0.29%
TAISEI CORP	2.06%	-13.49%	-0.28%

*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 products that may be mentioned.*

*Source: BMO Global Asset Management, all data as at 31 May 2019. Returns provided net of fees and in GBP.*

### Glossary

*Trimming effect – The impact on the return of removing small positions from the portfolio.*

*Friction – Transaction costs, fund costs (other than the management fee) and implementation costs.*

*Return bottom up – Returns as calculated by using individual stock positions.*

### Monthly Performance Breakdown

Year	January	February	March	April	May	June	July	August	September	October	November	December	Annual
2019	1.5%	-10.1%	-4.4%	-2.6%	0.3%	-	-	-	-	-	-	-	-14.7%
2018	0.8%	-1.9%	-3.2%	3.1%	-2.3%	-0.6%	-0.1%	1.1%	-2.3%	5.2%	-2.3%	1.2%	-1.7%
2017	0.8%	4.5%	-2.0%	-1.9%	-2.1%	-0.4%	1.4%	5.3%	-2.5%	3.5%	3.2%	0.0%	9.9%
2016	-0.5%	3.5%	4.3%	-3.5%	-5.6%	-2.3%	1.5%	0.8%	0.4%	2.7%	1.1%	0.6%	2.5%
2015	-	-	-	-	-	-	1.8%	0.4%	4.2%	-1.3%	1.8%	3.7%	11.1%
2014	-	-	-	-	-	-	-	-	-	-	-	-	-

*Past performance should not be seen as an indication of future performance. Returns provided net of fees and in GBP.*