

BMO LGM Global Emerging Markets Growth and Income Fund B USD Acc

LGM Investments

BMO  Global Asset Management

June 2019

For Professional investors only

Fund details

Portfolio managers	Rishikesh Patel Irina Hunter Damian Bird, CFA
Fund type	UCITS
Domicile	Ireland
Benchmark	MSCI Emerging Markets
Inception date	22 October 2009
Fund size	US\$ 536.2m
Strategy size ¹	US\$ 1915.8m
NAV per share	US\$ 8.2656 (B USD Inc) US\$ 16.4700 (B USD Acc) US\$ 14.5823 (E USD Acc) US\$ 11.7839 (W USD Inc) US\$ 11.9563 (W USD Acc)
Min. initial investment	Class A - US\$50,000 Class B - US\$1,000,000 Class E - US\$10,000,000 Class S - US\$1,000,000 Class W - US\$2,500
Dealing day	every business day
Initial charge	Class B - nil Class E - contact Investment Manager Class S - nil Class W - nil
Investment management fee	Class B - 0.75% Class E - contact Investment Manager Class S - 0.75% Class W - 1.50%

Fund codes by share classes

ISIN B USD Inc	IE00B3BNMD55
ISIN B USD Acc	IE00B3BNMF79
ISIN E USD Acc	IE00BCDYJP02
ISIN W USD Acc	IE00BZCTLS48
ISIN W USD Inc	IE00BZCTLR31
Bloomberg ticker B USD Inc	LGIEMY1 ID
Bloomberg ticker B USD Acc	LGIEMYA ID
Bloomberg ticker E USD Acc	LGIEMEA ID
Bloomberg ticker W USD Acc	LGIEMWA ID
Bloomberg ticker W USD Inc	LGIEMWI ID

Administrator

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Dealing details

Dealing instructions must be received not later than 11am (Irish time) on Dealing Day. Subscription monies must be received in cleared funds no later than four Business Days (class A, B, E, R, S, T & W) after the Dealing Day.

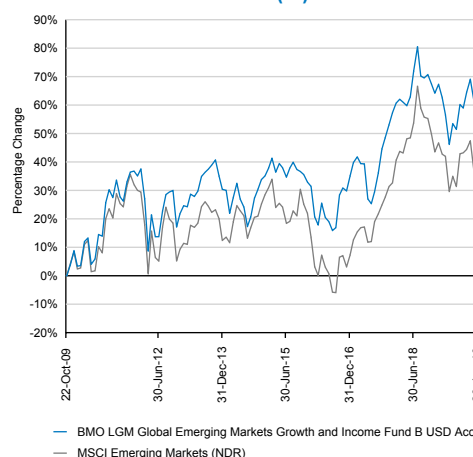
Investment objective

The Fund aims for long-term capital growth.

Risk warning

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. Securities in emerging markets may involve a higher degree of risk. These markets are typically less liquid and may experience greater volatility in prices and currencies than more established markets. Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

Performance since launch (%)



Performance data of BMO LGM Global Emerging Markets Growth and Income Fund (class B USD Acc share) are in US\$ terms and net of investment management fee. Investors should be aware that past performance should not be considered a guide to future performance.

Top ten holdings

Company Name	Country	% NAV
HDFC Bank	India	5.2
Tingyi (Cayman Islands) Holding Corp	China/HK	4.6
Bank Mandiri	Indonesia	4.4
ICICI Bank	India	4.4
Walmart De Mexico	Mexico	4.4
Inner Mongolia Yili Industrial Group	China/HK	4.0
Yum China Holdings	China/HK	3.9
Magnit	Russia	3.7
AIA Group	China/HK	3.7
Sands China	China/HK	3.5
Total⁵		41.9
No. of Holdings		38

Risk statistics

	Since Inception
Alpha (annual basis)	2.5%
Annualised volatility (fund)	14.7%
Annualised volatility (benchmark)	17.3%
Sharpe ratio ⁴	0.3
Tracking error (ex-post)	7.3%
Information ratio	0.3
Up market capture ratio	84.9
Down market capture ratio	74.6

Performance as at 30 June 2019 (%)

	Fund	Benchmark
Since inception	64.7	38.2
Last month	4.1	6.2
Last 3 months	2.2	0.6
Last 6 months	11.0	10.6
Last 12 months	2.4	1.2
YTD	11.0	10.6

Discrete performance as at 28.06.2019 (%)

	2015	2016	2017	2018	2019
Fund	-1.61	1.59	16.52	4.34	2.39
Benchmark	-5.12	-12.05	23.75	8.20	1.21

Annualised Performance	Fund	Benchmark
1 year	2.4	1.2
3 years	7.6	10.7
5 years	4.5	2.5
Since Inception	5.3	3.4

Portfolio characteristics*

	Fund	Benchmark
ROIC (non financials)	25.0%	13.3%
ROE (financials)	15.3%	14.2%
Net debt / Equity (non financials)	13.1%	17.5%
Equity / Assets (financials)	13.3%	10.3%
Dividend Yield (FY1) ²	2.7	3.0
EV / EBIT (12 months forward)	15.8	17.4
P/E (12 months forward)	20.1	16.3
Turnover rate (12 months) ³	22.9%	N/A
Active Share	94.8	0.0

Market cap (US\$bn)

	Fund	Benchmark
< 1 bn	1.0%	0.0%
1-5 bn	19.9%	12.1%
> 5 bn	79.1%	87.9%
Weighted Average (US\$bn)	28.3	91.8

Sources: Factset, LGM, MSCI, BMO Global Asset Management

Data historic unless stated otherwise. Please note that dividend yield is based on portfolio holdings and does not reflect the actual yield an investor in the Fund would receive.

¹Total assets of all portfolios managed by LGM following a similar benchmark to the BMO LGM Global Emerging Markets Growth and Income Fund.

²Based on dividends received during the latest full calendar year divided by the dividends received during the previous full calendar year.

³Measured as the lesser of purchases or sales divided by the average fund size during the period.

⁴Risk Free Rate: US T-Bill 3 Month.

⁵Totals may not be exact due to rounding.

*ROIC - Return on Invested Capital; ROE - Return on Equity; EV / EBIT - Enterprise Value / Earnings Before Interest and Taxes; P/E - Price to Earnings

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Other details

BMO LGM Global Emerging Markets Growth and Income Fund is a sub-fund of BMO Investments II (Ireland) plc, an umbrella fund with segregated liability between sub-funds authorised by the Central Bank of Ireland as a UCITS (undertaking for collective investment in transferable securities). Key Investor Information Document and Prospectus are available from the Fund's Investment Manager, LGM Investments Limited.

Portfolio managers

Rishikesh Patel, Portfolio Manager. Rishikesh holds a post-graduate degree in Finance and Management from Jannalal Bajaj Institute of Management Studies, Mumbai, and graduated in Commerce from Narsee Monjee College of Commerce & Economics, Mumbai. Before joining LGM in 2006, he worked with ICICI Securities and General Electric. During Rishi's two years at ICICI Securities he was an analyst researching the IT, Real Estate and Cement sectors. Rishi was at General Electric for almost three years and worked across five GE businesses. Since joining LGM he has researched Indian stocks and advised on our Indian mandates. Rishi relocated to our London office in October 2014 and became Co-Portfolio Manager and then Lead Portfolio Manager for our Global Emerging Markets mandates in March and July 2016, respectively.

Irina Hunter, Portfolio Manager. Irina began her career in financial services in 1992 and from 1994 to 1998 worked as Vice President for The U.S.-Russia Investment Fund, a private equity investment fund in Moscow. After a period working in M&A in Canada and Russia she joined AGF Funds Inc. in 2002, based in Toronto where she was a Global Equity Analyst, and later Associate Portfolio Manager. She supported the award winning AGF Emerging Markets Fund and AGF Global Equity Class. Irina has an MBA from the University of Rochester as well as a Bachelor Degree in Finance and Banking from the Moscow Finance Academy. Irina joined LGM in 2007.

Damian Bird, CFA, Portfolio Manager. Damian joined LGM in 2015 as an Asian equity Portfolio Manager and became Co-Portfolio Manager for our Global Emerging Markets mandates in July 2016. Damian spent more than five years at Arisaig Partners, including two years in Singapore where he focused on Asian and Eastern European consumer equities. In January 2011 he relocated to Cape Town where he spent three and a half years as a key decision maker in the asset allocation process for the US\$1 billion Arisaig Africa Consumer Fund. Prior to LGM, Damian was a Portfolio Manager at Infusive Asset Management, where he launched and managed the Infusive Consumer Alpha Global Leaders Fund, a long-only equity fund that invests globally in the consumer sector. Damian holds a BA Honours in Economics and History from Oxford University and is a CFA Charterholder.

About LGM Investments

LGM Investments is a specialist Asian, Global Emerging (GEM) and Frontier Markets equity manager. Our investment professionals are based in London and Hong Kong.

We are active bottom up stock pickers with a long-term perspective. Quality underpins all our investment thinking and results in non-index driven, high conviction portfolios with outperformance potential.

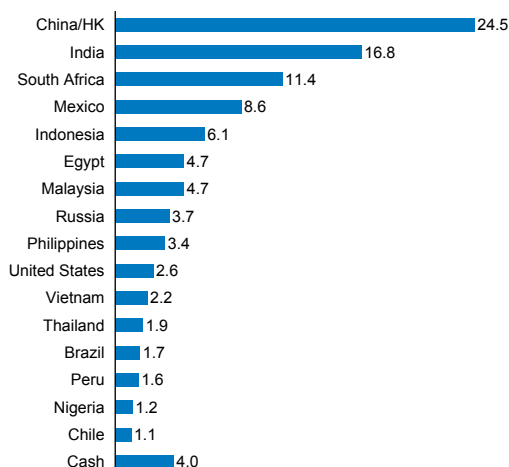
LGM Investments was established in Hong Kong in 1991 and became a wholly owned subsidiary of Bank of Montreal (BMO) in April 2011. It is part of BMO Global Asset Management.

Investment approach

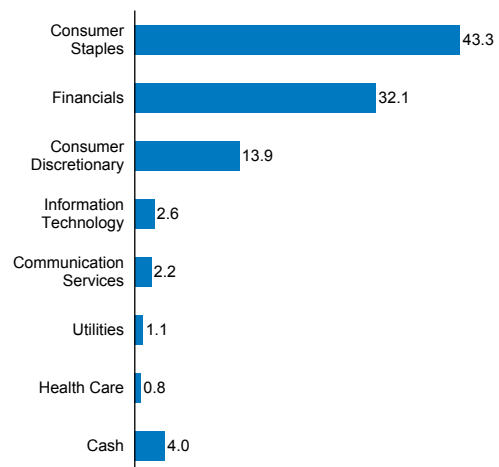
Primary research is the cornerstone of our investment process. We research companies with a long-term view and wait for the opportunity to buy high quality companies without overpaying for their inherent quality.

Our focus on quality companies with sustainable business models generating substantial excess returns over their cost of capital through the cycle leads us towards asset light business models with modest capital needs; robust balance sheets; and proven management teams with disciplined capital management. We seek clear and fair alignment between majority and minority shareholders.

Geographic breakdown (%)⁵



Sector breakdown (%)⁵



Fund manager's commentary

June saw the portfolio deliver a strong absolute return of over 4%, though it trailed a very strong benchmark return of 6.2%. A big shift in sentiment was yet again evident in the asset class. China rebounded significantly on optimism over the trade impasse, adding 8%, with presidents Donald Trump and Xi Jinping agreeing at the G20 summit at the end of June to reopen trade negotiations. Given a notably more dovish US Federal Reserve (it would appear rate cuts are back on the agenda), markets moved towards more upbeat expectations generally. Most other Asian markets also added decent single-digit absolute returns. India was the only significant outlier, as it registered a small loss. While the market certainly took the re-election of Prime Minister Narendra Modi and the Bharatiya Janata Party positively, the focus should now return to the economy, which is showing signs of faltering.

Exposure to India detracted most from relative performance as, in aggregate, the portfolio's holdings were flat in the month. On an individual stock level, Emami (personal care products) was the most challenging position, losing over 14% in the period. Emami has had a tough couple of months, hit both by disappointing earnings and promoter stake sales. Share pledging is endemic in India. This typically occurs when a company's founder 'pledges' a proportion of their shares as collateral for bank loans. There is nothing intrinsically wrong with this practise – let alone illegal – but the promoter risks becoming a forced seller if collateral values fall.

Emami itself remains largely unleveraged, but the controlling family has been struggling to reduce debt elsewhere in the extended family business. They sold 10% of Emami back in February and then another 10% in June. This reduces the family stake to 53%, but it also removes much of the lingering share overhang; it minimises 'pledging risks' and it provides funds to cut debt at the family level. This is all good news, but Emami's share price has unfortunately suffered during this process. As far as Emami's fundamentals are concerned, the business has taken time to recover from the impact of demonetisation and the goods & services tax rollout. The return ratios have taken a beating, and earnings before interest, tax, depreciation and amortisation have plateaued. That said, as Emami consistently generates \$75-80m of cash each year and has decent valuation support, a strong brand and a solid market position, we are sitting tight for now.

Elsewhere, there were some losses in the portfolio's Mexican holdings, with Walmart de Mexico (retailer) weakest and losing around 3%.

Unsurprisingly, most of the top performing names from an absolute perspective in June were in China and Hong Kong, with Yum China (restaurants), AIA (Insurance), Yili (Dairy) and Tingyi (noodles and beverages) all among the strongest performers in the period.

Russian retailer Magnit also had a decent period, rallying around 8% in the month. It is rarely a dull moment with Magnit, which announced in the month that company president Jan Dunning would take over as CEO following the departure of Olga Naumova, who lasted just 12 months in the role. This is not ideal, as change seems to be the only constant at Magnit when the company really needs to focus on its strategy execution. We have a lot of respect for Dunning, who comes with a strong pedigree, having successfully turned around the hypermarket chain Lenta in his last role. Having said this, the problems at Magnit clearly run deep. We bought Magnit in late 2017, building our position in the subsequent months due to the strength of its franchise, its seemingly highly efficient logistical network (in a geographically challenging country) and the alignment we had with the other owners. These positive features are not reflected in the current valuation, in our view, which seems to be dictating a very negative outcome. Magnit is cheap by nearly any measure, but it is certainly testing our patience, even as long-term investors.

As at 30 June 2019

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The Fund is a sub fund of BMO Investments II (Ireland) plc, an investment company of variable capital (ICVC), registered in Ireland under No. 457359 and authorised by the Central Bank of Ireland. English and German language copies of the Fund's Prospectus and English, Dutch, Finnish, French, German, Norwegian, Spanish and Swedish language copies of the key investor information document (KIID) can be obtained from BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: client.service@bmogam.com or electronically at www.bmogam.com. Please read the Prospectus before taking any investment decision.

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