

BMO Global Smaller Companies PLC



January 2019

Manager Commentary
Peter Ewins



Capping a difficult year, the last month of 2018 was a poor one for equity markets. US small caps were particularly weak as interest rates in the country were raised again. Recent economic news suggests that something of a synchronised slowdown in growth is becoming evident across global economies, and analysts have been scaling back company profit forecasts as a result. Closer to home, the prognosis on the Brexit front is opaque ahead of the projected March exit from the EU, and sterling has continued to be under pressure. The Company's net asset value fell by a little more than the benchmark, but outperformed over the year as a whole.

In December, stock selection in North America was positive in the health care and financial sectors. Shares in NxStage Medical held up well, supported by an earlier bid for the company.

Meanwhile, insurance business Alleghany also fared well as optimism grew in relation to the outlook for insurance rates after recent heavy weather-driven losses for the industry. Defensive stocks like Waste Connections did well too. Of the weaker performers, our bank holdings suffered from the impact of a flatter yield curve, while several consumer-facing names – such as At Home Group and The Michaels Companies – lost favour ahead of the Christmas trading period. A number of our technology stocks also fell back as confidence in the outlook for the sector deteriorated.

In the UK, we managed to outperform the local small-cap market, with our holdings in specialist foams supplier Zotefoams and media company Huntsworth two of the largest contributors. We also benefited from the recently purchased holding in home credit company Morses Club, which was helped by its perceived defensive characteristics. Hollywood Bowl, the ten-pin bowling operator, did well too after posting a solid set of results and paying a special dividend. On the less positive side, travel agency On The Beach Group was weak as Thomas Cook announced a profit warning, while Senior Group's shares continued to be weak in tandem with other engineering stocks. Software business Craneware was also lower due to profit-taking.

Our European portfolio slightly beat the market, with the biggest positive contribution coming from our holding in online food ordering and delivery business Takeaway.com. The company's shares rose after it agreed a deal to buy a peer's German business, providing greater scale and addressing competition fears. A number of Italian stocks, including MARR and Cerved, performed well as the country backed away from a full-blown bust-up with the European Commission. Shares in Scandinavian facilities management company Coor Service Management bounced as the market warmed to the company's relatively defensive near-term and medium-term prospects. With the oil price weak, TGS NOPEC's shares fell back, as did shares in some more cyclical companies such as Dometic, Metall Zug and Norma. Meanwhile, profit-taking after recent strength was evident in recycling equipment supplier Tomra.

On the collective funds side, performance in Japan was behind the MSCI Japan Small Cap Index, with Japanese small-cap shares hurt by the signs of global slowdown. Our Asian-facing holdings fared better, however, and both the Scottish Oriental Smaller Companies and the Utilico Emerging Markets trust posted modest positive returns for the month. Sentiment towards the region has improved a little, but remains sensitive to the progress of US-Chinese trade negotiations.

Key facts as at 31.12.2018

Trust aims: To secure a high total return by investing in smaller companies worldwide.

Trust highlights: One of the largest specialist global smaller companies investment trusts. Greater inherent growth potential in smaller companies. Strong dedicated small company investment team. The dividend has risen in each of the last 48 years.

Benchmark: 30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index

Fund type: Investment Trust

Launch date: 1889

Total assets: £816.3m

Share price: 1225.00p

NAV (diluted): 1258.92p

Discount/Premium (-/+): -2.69%

Dividend payment dates: Aug, Jan

Net dividend yield†: 1.22%

Net gearing*: 4.33%

Management fee rate:** 0.55%

Ongoing charges:** 0.83%

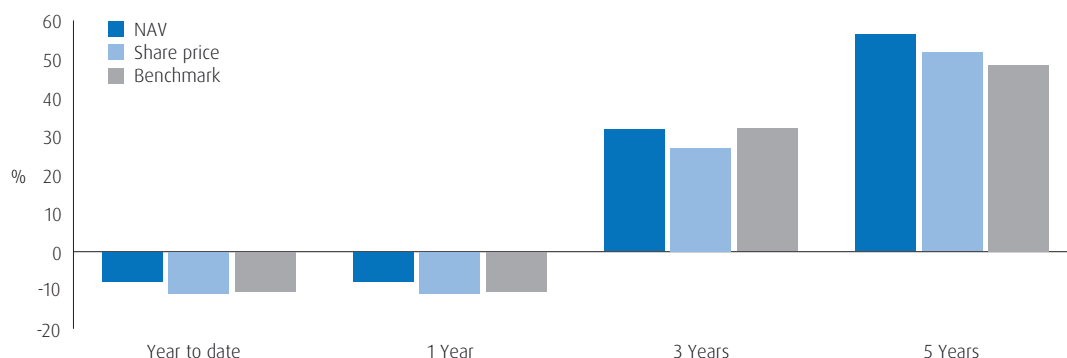
Year end: 30 April

Sector: Global

Currency: Sterling

Website: www.bmoglobalsmallers.com

Fund performance as at 31.12.2018



Cumulative performance (%) as at 31.12.2018

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV (diluted)	-8.17	-7.60	-7.60	31.57	56.25
Share price	-9.93	-10.77	-10.77	26.86	51.57
Benchmark	-7.63	-10.37	-10.37	31.82	48.40

Discrete annual performance (%) as at 31.12.2018

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
NAV (diluted)	-7.60	13.92	24.99	10.84	7.14
Share price	-10.77	13.06	25.75	10.85	7.78
Benchmark	-10.37	14.78	28.13	6.23	5.98

Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income payments may constitute a return of capital in whole or in part and may be achieved by foregoing future capital growth. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Where investments are made in emerging markets, or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment. 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 NAV (diluted) is the Net asset value taking into account the impact of the Convertible Unsecured Loan Stock in issue. The discrete annual performance table refers to 12 month periods, ending at the date shown.

** Ongoing charges calculated in accordance with AIC recommendations.



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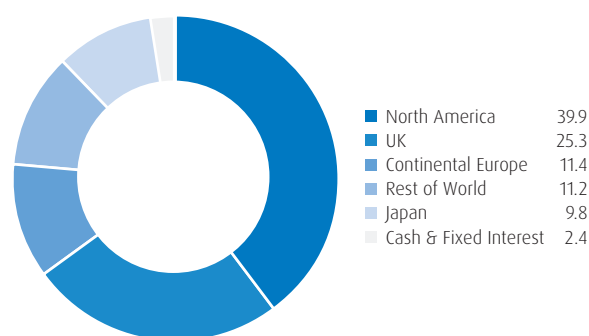
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Trust codes	
Stock exchange	BGSC / FCSC
Sedol	17505 / BNH7RK3
Legal Entity Identifier	2138008RRULYQP8VP386

Top 10 holdings (%)		
	% of net assets	Sector
Eastspring Investments Japan Smaller Companies	5.1	Collective investments
Aberdeen Global Japanese Smaller Companies	4.7	Collective investments
Pinebridge Asia ex Japan Small Cap Equity	3.5	Collective investments
Scottish Oriental Smaller Cos Inv Trust	3.1	Collective investments
Utilico Emerging Markets	2.2	Collective investments
Alleghany	1.5	Financials
Waste Connections	1.2	Industrials
HSBC GIF Asia ex Japan Equity Smaller Companies	1.2	Collective investments
STERIS	1.1	Healthcare
ICON	1.0	Healthcare

Geographical breakdown (%)



Net dividend distributions pence per share

	2014	2015	2016	2017	2018	2019
January	2.50	2.65	2.90	4.00	4.40	5.00
August	5.50	7.00	7.80	8.25	10.00	-
Total	8.00	9.65	10.70	12.25	14.40	5.00

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 31.12.2018 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. Percentages in the top ten holdings table based on gross assets. † The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year 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. Please refer to the latest annual report as to how the fee is structured. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Investor Document ("KID") for the relevant product. 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 & Wales No 517895. (01/19)