

BMO Global Smaller Companies PLC



May 2020

Manager Commentary Peter Ewins



April delivered a major rally in equity markets around the world after the turmoil of March. Investment sentiment was lifted by early-stage easing of the lockdowns in parts of Europe and no major signs of a second wave in Asia. Re-balancing activities by investors switching back into equities from bonds after the earlier slump also provided support to share prices, as did ongoing communications from central banks expressing determination to boost market liquidity and support an economic recovery. A resumption in hostile language between the US and China was, however, less welcome, as were huge increases in unemployment claims and in the numbers of furloughed workers in the developed world.

Share prices of smaller companies performed well in most markets, with UK stocks recouping the most ground. Japanese stocks, which had outperformed in March, lagged this time. The net asset value (NAV) just failed to keep up with the benchmark over the month, but the Company's shares rose much more strongly, with the discount narrowing from the very extended level that it had reached in the sell-off at the end of March. The Company has been actively buying its own shares through the month.

We continued to reassess the outlook for our portfolio as far as is possible, given the uncertainties pertaining to the current situation. It is becoming clearer now which companies are proving resilient or badly impacted, and we have made some changes to the portfolio as a result. We have added to some of the more defensive stocks, given the prognosis for a sharp global recession, but we have also supported capital raises from several companies that have needed additional funds where we believe in the medium-term recovery potential. Importantly, we have also taken advantage of the weakness in the share prices of some companies which we had previously felt were too richly valued, to take new holdings.

In terms of the regional performance, the UK portfolio enjoyed a strong month, with a number of companies dependent on the housing and construction markets (including Countryside Properties and Breedon) bouncing back on signs that activity in the industry would pick up faster than other parts of the economy. There were many other strong risers, but transport operator Go Ahead Group, specialist foams supplier Zotefoams and casino equipment supplier Quixant, all saw particularly significant rallies in their share prices. Some of the winners from March, including games company Team 17 Group and legal services business Knights Group, lagged the market rally, with more cyclical companies and sectors tending to do best, having sold off sharply in March.

In the US, our holdings in Wheaton Precious Metals and SSR Mining continued to perform well as the gold price rose to new highs. Shares in technology companies tended to be in favour and our holding in Cerence rose strongly. Meanwhile, in healthcare, Catalent was strong as investors hoped that the company could benefit from more drug research work being undertaken. Kirby, exposed to the energy market as a transport operator, rallied after a very weak first quarter set of results. In terms of the weaker performers in the US, The Andersons fell as ethanol margins weakened further and the company's railroad business suffered from falling volumes. Other laggards included

previously resilient holdings, such as STERIS (which may be impacted by less surgical work in the near term) and Brown and Brown the insurance broker.

The European portfolio did well in April, beating the local small-cap index. Winners included DiaSorin, which has received approval for a coronavirus test in the US; Gerresheimer, the pharmaceutical packaging business, which announced solid results and appears to be coming through the crisis in good shape; and chemicals distributor IMCD, which continued to do well in early 2020. Just Eat Takeaway's shares were also strong, as the takeaway market started to open up again and customers sought an alternative to supermarket food. A profit warning from combi-steamer ovens supplier Rational AG sent the company's shares lower, as the restaurant trade was under significant pressure. Ticketing business CTS Eventim fell further, as there appears to be no likelihood of a resumption of concerts and events in the near term. Italian food distributor Marr was out of favour as the country's lockdown continued to be in force, but this hopefully will see something of a recovery as restaurants and bars gradually open up again.

Our Japanese fund holdings produced mixed results in April, with the Baillie Gifford managed fund doing very well, lifted by the strength of the technology and health care sectors, while Eastspring's value-orientated approach lagged once again. In Asia, our HSBC managed small-cap portfolio did well, but the Utilico Emerging Markets fund had a poor month, as weakness in Brazilian stocks took their toll on NAV performance. Brazil's President sacked a number of key members of his administration amid controversy over the way the coronavirus crisis is being handled.

The outlook for corporate earnings remains poor in the near term and further volatility is to be expected as we move through the next phase of the crisis. We will continue to review the portfolio and are closely following developments and corporate news-flow to inform our positioning.

Key facts as at 30.04.2020

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 49 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: £760.8m

Share price: 111.00p

NAV (debt at market value): 119.42p

Discount/Premium (-/+): -7.05%

Dividend payment dates: Aug, Jan

Net dividend yield†: 1.53%

Net gearing/Net cash:** 0.54%

Management fee rate:** 0.55%

Ongoing charges:** 0.79%

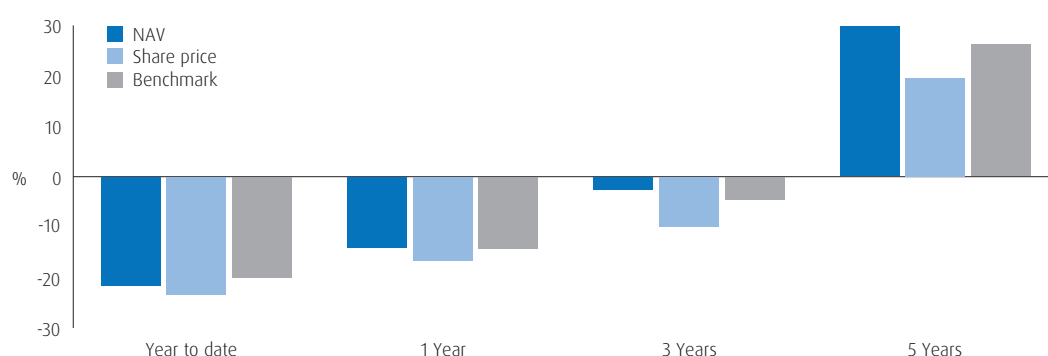
Year end: 30 April

Sector: Global

Currency: Sterling

Website: www.bmoglobalsmallers.com

Fund performance as at 30.04.2020



Cumulative performance (%) as at 30.04.2020

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV (debt at market value)	10.40	-21.48	-13.97	-2.45	29.69
Share price	24.02	-23.22	-16.53	-9.90	19.44
Benchmark	11.63	-19.87	-14.08	-4.51	26.14

Discrete annual performance (%) as at 30.04.2020

	2020/2019	2019/2018	2018/2017	2017/2016	2016/2015
NAV (debt at market value)	-13.97	3.77	9.27	28.39	3.55
Share price	-16.53	-1.01	9.04	28.51	3.16
Benchmark	-14.08	2.97	7.93	30.44	1.27

Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. 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 discrete annual performance table refers to 12 month periods, ending at the date shown.



Lines may be recorded

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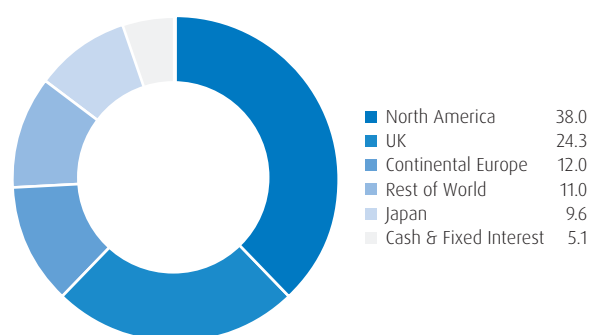
info@bmogam.com

www.bmoinvestments.co.uk

Trust codes	
Stock exchange	BGSC
Sedol	BKLD97
Legal Entity Identifier	2138008RRULYQP8VP386

Top 10 holdings (%)		
	% of net assets	Sector
Aberdeen Standard SICAV I Japanese Smaller Companies	4.1	Collective investments
Eastspring Investments Japan Smaller Companies	4.0	Collective investments
Pinebridge Asia ex Japan Small Cap Equity	3.7	Collective investments
Scottish Oriental Smaller Cos Inv Trust	2.6	Collective investments
Utilico Emerging Markets	2.0	Collective investments
Wheaton Precious Metals	1.8	Basic Materials
Baillie Gifford Japanese Smaller Companies	1.4	Collective investments
ICON	1.4	Healthcare
STERIS	1.2	Healthcare
Alleghany	1.2	Financials

Geographical breakdown (%)



Net dividend distributions pence per share

	2015	2016	2017	2018	2019	2020
January	0.27	0.29	0.400	0.44	0.50	0.55
August	0.70	0.78	0.825	1.00	1.15	--
Total	0.97	1.07	1.225	1.44	1.65	0.55

Restated for 10 for 1 share split

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 30.04.2020 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. 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 & Wales No 517895. (05/20)