

BMO UK High Income Trust PLC

B Shares

March 2022

Manager Commentary Philip Webster



Over February, market sentiment was dominated by the tragic and unjustified events taking place in Ukraine. It's very difficult to do any justice to the plight Ukraine is dealing with daily. As the two sides seem so far apart in their demands, it's difficult to see a resolution; but talks are taking place. The FTSE All-Share fell about 7% peak-to-trough from the outset of the invasion on the 24th of February. The index has rallied sharply from its lows over the last week of the month, but the situation remains very dynamic and uncertain.

There are so many risks evolving and, while the UK is more insulated than Europe, there will be second-order impacts. One big concern surrounds a spike in energy prices and Europe's dependence on Russia. This comes at

a time when the consumer was already facing inflationary pressures in most goods and services. A rising oil price will only exacerbate this situation, with inflation likely to remain higher for longer. The big question now is how this will impact consumer spending? Post-Covid-19 saving rates remain high and wage inflation will help to mitigate the pressure but, on expectations that the consumer squeeze will reduce spending, we have already seen GDP growth downgraded for this year.

The war's direct impact on the portfolio has been minimal. Having conducted calls with our holdings and considered the announcements from British American Tobacco, Richemont and Compass our direct exposure is less than 2% of sales and less of profits. Wizz Air had a small operation in Russia/Ukraine, which consisted of five planes; these have now been redistributed across the Group. Wizz Air has been the hardest hit holding in the portfolio through a higher oil price - a key input cost where they are unhedged. On the first morning after the invasion we reduced Wizz Air to 1% of NAV, limiting our exposure to the downside. The flip side of this is that oil and gas companies have continued their very strong performance, but this is a sector in which we have no

exposure. These are not events we could have foreseen and a rising commodity price doesn't make these better businesses; I still believe they are low quality.

Over the month, investment activity has been a little higher. We have used the market weakness to add a quality company to the portfolio on a very attractive valuation. We initiated a position in ASML, a European holding; they have a near monopolistic position on equipment sales in the semi-conductor industry for printing high-end chips. ASML's orderbook spans more than 12 months, with order intake running at 2x revenue in Q4'21. This helps to underpin the outlook for this year and the years ahead. Following the end of the month we also took some profits in Rio Tinto and began the process of reducing GlaxoSmithKline following the announcement of Haleon's split and a reduced dividend yield. We also added to Diageo and Deutsche Boerse, two very high-quality and robust business models, at what we believe are attractive valuations.

Key facts as at 28.02.2022

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: £115.7 million

Share price: 89.00p

NAV: 93.41p

Discount/Premium(-/+): -4.72%

Capital repayment dates: Feb, May, Aug, Nov

Net yield†: 6.12%

Net gearing*: 1.23%

Management fee rate:** 0.65%

Ongoing charges:** 1.04%

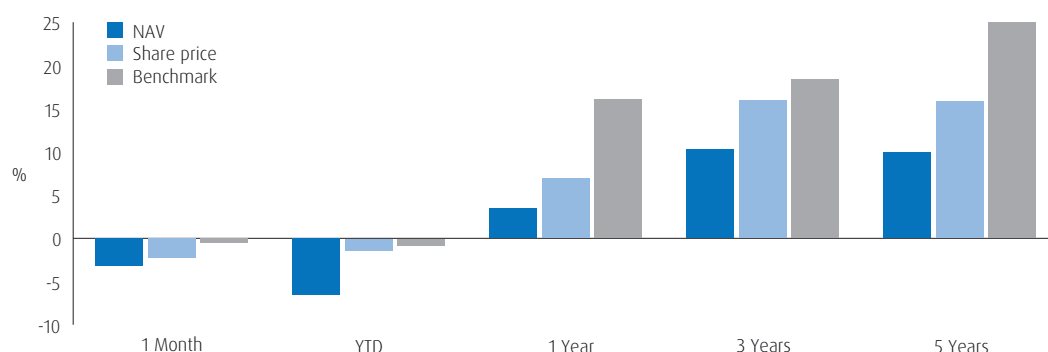
Year end: 31 March

Sector: UK Equity Income

Currency: Sterling

Website: bmoukhighincome.com

Fund performance as at 28.02.2022



Cumulative performance (%) as at 28.02.2022

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	-3.15	-6.53	3.45	10.27	9.91
Share price	-2.20	-1.35	6.89	15.91	15.81
Benchmark	-0.47	-0.80	16.03	18.37	24.88

Discrete annual performance (%) as at 28.02.2022

	2022/2021	2021/2020	2020/2019	2019/2018	2018/2017
NAV	3.45	3.43	3.06	-1.75	1.45
Share price	6.89	5.66	2.62	-3.63	3.68
Benchmark	16.03	3.50	-1.43	1.46	3.98

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.

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

Lines may be recorded

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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	7.72	3.07	4.65	Consumer Staples
Glaxosmithkline	6.61	3.15	3.46	Health Care
Rio Tinto	6.37	2.59	3.78	Basic Materials
Compass Group	6.23	1.24	4.99	Consumer Discretionary
Relx	5.15	1.75	3.40	Consumer Discretionary
Beazley	4.74	0.11	4.63	Financials
Cairn Homes	4.48	0.00	4.48	Consumer Discretionary
Brewin Dolphin	4.21	0.04	4.17	Financials
Cie Financiere Richemont	3.66	0.00	3.66	Consumer Discretionary
Kerry Group	3.45	0.00	3.45	Consumer Staples

All figures are subject to rounding. Not all holdings are in the FTSE All-Share Index.

Capital repayments pence per share (paid)/(declared)							
	2016	2017	2018	2019	2020	2021	2022
February	1.14	1.17	1.21	1.25	1.29	1.29	1.32
May	1.18	1.21	1.25	1.29	1.34	1.43	1.55
August	1.17	1.21	1.25	1.29	1.29	1.29	
November	1.17	1.21	1.25	1.29	1.29	1.29	
Total	4.66	4.80	4.96	5.12	5.21	5.30	2.87

All figures are subject to rounding.

Total summary	% assets
FTSE 100	42.15
FTSE 250	30.08
Overseas	11.89
Non-Index	8.24
Cash	5.33
AIM	2.31

Glossary

Bid price	Investment trust shares are sold via the stock exchange at the bid price. This price is determined by supply and demand.
Capital Repayment	Capital repayment 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.



Part of



All data as at 28.02.2022 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets, unless stated otherwise. [†]The aggregate distribution for the financial year to 31 March 2022 will be 5.45 pence per share. The yield is therefore calculated using a rate of 5.45 pence per share 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. [§]Ongoing charges and management fee as at 31 March 2021. 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. This financial promotion is issued for marketing and information purposes only by BMO Global Asset Management in the UK.

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