

BMO Managed Portfolio Trust

Higher exposure to more defensive funds

BMO Managed Portfolio Trust (BMPT), which changed its name from F&C Managed Portfolio Trust on 9 November 2018, has a unique structure comprising two discrete portfolios investing in closed-end funds: BMPI, which aims to generate an attractive and growing level of income, with some capital growth, and BMPG, which aims to generate capital growth. Any income generated by BMPG is transferred to BMPI in exchange for an equivalent amount of capital. Manager Peter Hewitt notes that BMPI's Q119 dividend is 3.8% higher year on year, and as previously announced, barring unforeseen circumstances, the board expects the regular annual dividend to be at least 5.85p per share (5.70p in FY18). For BMPG, the manager says the portfolio offers exposure to well-managed funds, with strong performance records and secular long-term growth characteristics. Given the manager's near-term caution on equity markets, he has been increasing the more defensive exposures in both BMPI and BMPG.

12 months ending	BMPI share price (%)	BMPI NAV (%)	BMPG share price (%)	BMPG NAV (%)	FTSE All-Share (%)
31/10/14	6.8	2.8	1.1	3.0	1.0
31/10/15	3.2	3.6	12.8	7.4	3.0
31/10/16	7.1	11.3	7.7	9.6	12.2
31/10/17	19.1	15.6	21.4	20.9	13.4
31/10/18	(3.7)	(3.6)	2.0	0.8	(1.5)

Source: Thomson Datastream. Note: All % on a total return basis in pounds sterling.

Investment strategy: Options for income and growth

BMPI and BMPG both hold c 40 closed-end funds, selected on a bottom-up basis. Hewitt invests for the long term, aiming to grow capital and income, while providing a level of portfolio protection when stock markets are more choppy. He undertakes a rigorous programme of meeting investment companies to identify managers who are able to outperform consistently, while gaining an understanding of their investment processes and styles.

Market outlook: Increase in share price volatility

Equity investors have become more jittery in 2018, following a particularly benign period for stock market volatility in 2017. Attention has focused on risks to global trade due to the US's protectionist policies, the effects of a strong US dollar, and higher interest rates as central banks begin to normalise their monetary policy. With corporate earnings remaining robust, share price weakness has led to more attractive company valuations; however, given the uncertain macroeconomic environment, investors may benefit from a selective approach to equity investment.

Valuation: Trading close to NAV

BMPT's board aims to ensure both portfolios trade close to NAV. Renewed annually, there is authority to repurchase up to 14.99% of shares to manage a discount, and issue up to 10% of shares to manage a premium. BMPI and BMPG are currently both trading at modest premiums, which are broadly in line with their averages over the last one, three and five years. While BMPG does not pay a dividend, BMPI is offering an above-market dividend yield of 4.4%.

Investment trusts

16 November 2018

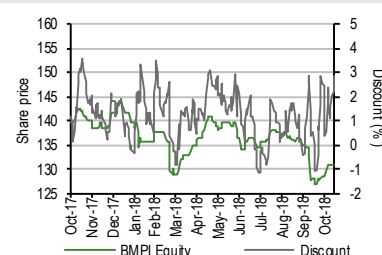
BMPI; BMPG

Price 131.0p; 203.0p
Market cap £56m; £72m
AUM £59m; £71m

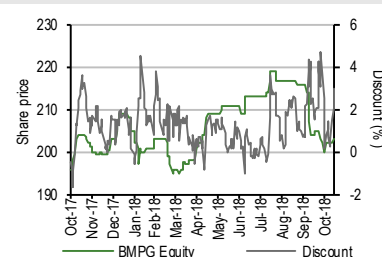
NAV* 125.7p; 197.2p
 Premium(+)/discount(-) to NAV +4.2%; +3.0%
 NAV** 127.4p; 197.2p
 Premium(+)/discount(-) to NAV +2.8%; +3.0%
 *Excluding income. **Including income. As at 16 November 2018.
 Yield 4.4%; 0.0%
 Ordinary shares in issue 42.9m; 35.6m
 Code BMPI; BMPG

Primary exchange LSE
 AIC sector Flexible Investment
 Benchmark FTSE All-Share

BMPI one-year performance



BMPG one-year performance



BMPI gearing

Net gearing* 8.2%

BMPG gearing

Net cash* 1.3%

*As at 31 October 2018.

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BMO Managed Portfolio Trust is a research client of Edison Investment Research Limited

Exhibit 1: BMPI at a glance
Investment objective and fund background

BMO Managed Portfolio Trust Income Portfolio (BMPI) aims to provide an attractive level of income, with the potential for income and capital growth, from a diversified portfolio of investment companies. Underlying investment exposure is across a range of regions and sectors – the focus is on offering an income yield above that of the benchmark FTSE All-Share index.

Recent developments

- 30 October 2018: announcement of BMPI's share conversion (see page 9).
- 6 September 2018: announcement of first interim dividend of 1.35p per share, +3.8% year-on-year.
- 31 July 2018: annual results ending 31 May 2018. NAV TR +3.0% versus benchmark TR +6.5%, share price TR +2.7%.
- 9 July 2018: appointment of Sue Inglis as non-executive director.

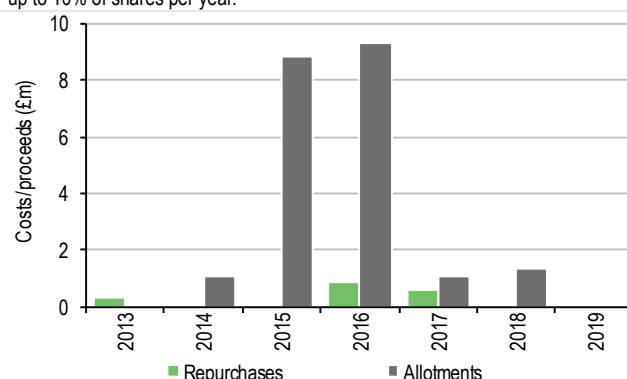
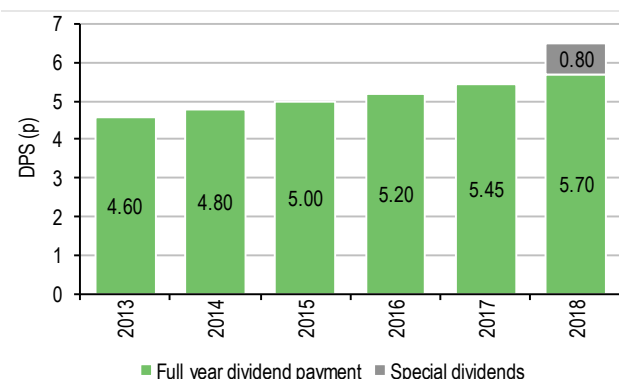
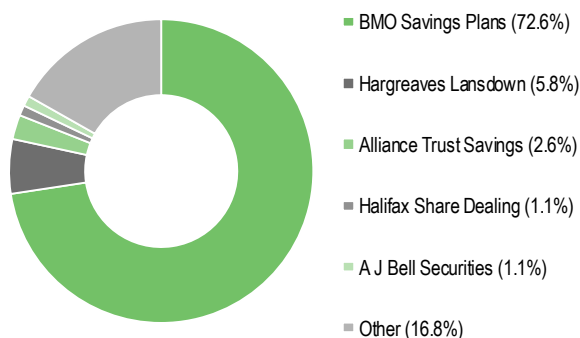
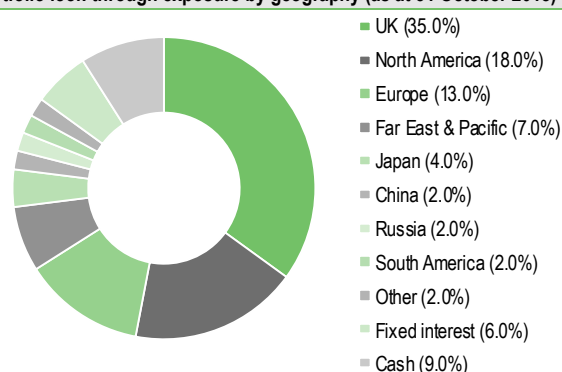
Forthcoming		Capital structure		Fund details	
AGM	September 2019	Ongoing charges	1.07%	Group	BMO Global Asset Mgmt (BMO)
Interim results	January 2019	Net gearing	8.2%	Manager	Peter Hewitt
Year end	31 May	Annual mgmt fee	0.65% (see page 9)	Address	6th Floor, Quartermile 4, 7 Nightingale Way Edinburgh, EH3 9EG
Dividend paid	Quarterly	Performance fee	Yes (see page 9)	Phone	+44 (0)131 718 1000
Launch date	April 2008	Trust life	Indefinite	Website	bmomanagedportfolio.com
Continuation vote	Five yearly, next 2023	Loan facilities	£7m (BMPT)		

Dividend policy and history (financial years)

Dividends are paid quarterly in October, January, April and July.

Share buyback policy and history (financial years)

Renewed annually, BMPT has the ability to repurchase up to 14.99% and allot up to 10% of shares per year.


Shareholder base (as at 1 November 2018)

Portfolio look-through exposure by geography (as at 31 October 2018)

Top 10 holdings (as at 31 October 2018)

Trust	Sector	Portfolio weight %	
		31 October 2018	31 October 2017*
Law Debenture Corporation	Global	3.7	3.6
BB Healthcare	Sector Specialist: Biotechnology & Healthcare	3.5	N/A
Secure Income REIT	Property Specialist	3.5	3.2
NB Private Equity Partners	Private Equity	3.4	N/A
BB Biotech	Sector Specialist: Biotechnology & Healthcare	3.4	3.1
Princess Private Equity Holding	Private Equity	3.2	3.1
JPMorgan Global Growth & Income	Global Equity Income	3.2	3.1
Henderson International Income Trust	Global Equity Income	3.2	N/A
Murray International Trust	Global Equity Income	3.2	4.1
Invesco Perpetual UK Smaller Companies	UK Smaller Companies	3.1	3.3
Top 10		33.4	33.0

Source: BMO Managed Portfolio Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in October 2017 top 10.

Exhibit 2: BMPG at a glance
Investment objective and fund background

BMO Managed Portfolio Trust Growth Portfolio (BMPG) aims to provide capital growth from a diversified portfolio of investment companies. Underlying investment exposure is across a range of regions and sectors, aiming to maximise total returns, primarily through capital growth. BMPG is benchmarked against the FTSE All-Share index.

Recent developments

- 30 October 2018: announcement of BMPG's share conversion (see page 9).
- 31 July 2018: annual results ending 31 May 2018. NAV TR +11.0% versus benchmark TR +6.5%, share price TR +10.6%.
- 9 July 2018: appointment of Sue Inglis as non-executive director.

Forthcoming

AGM	September 2019
Interim results	January 2019
Year end	31 May
Dividend paid	None

Capital structure

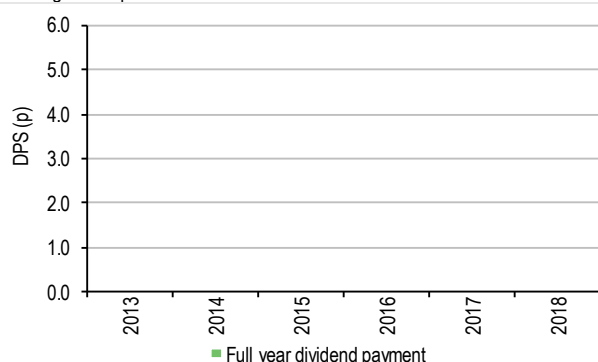
Ongoing charges	1.03%
Net cash	1.3%
Annual mgmt fee	0.65% (see page 9)
Performance fee	Yes (see page 9)

Fund details

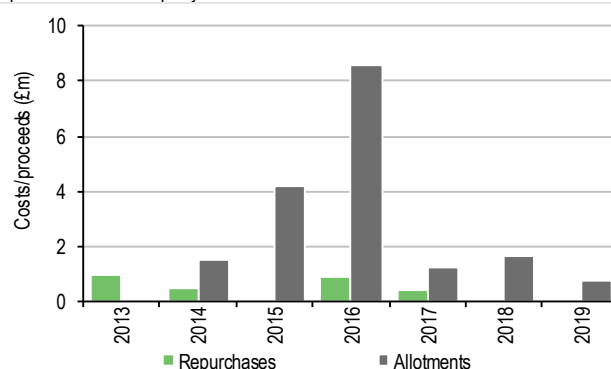
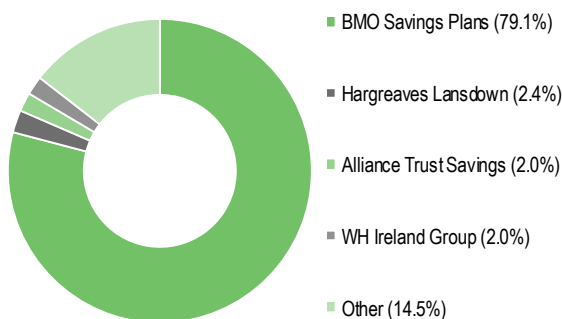
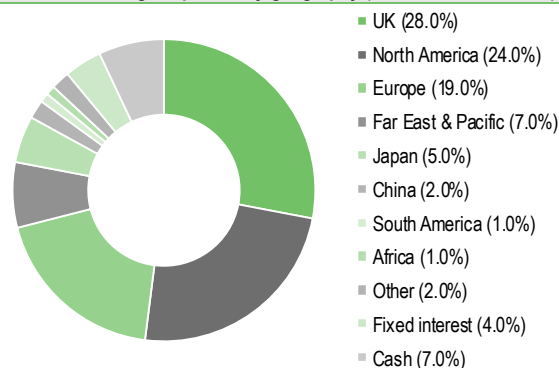
Group	BMO Global Asset Mgmt (BMO)
Manager	Peter Hewitt
Address	6th Floor, Quartermile 4, 7 Nightingale Way Edinburgh, EH3 9EG
Phone	+44 (0)131 718 1000
Website	bmomanagedportfolio.com

Dividend policy and history

No dividends paid – net income is reallocated to the income portfolio in exchange for capital.


Share buyback policy and history (financial years)

Renewed annually, BMPT has the ability to repurchase up to 14.99% and allot up to 10% of shares per year.


Shareholder base (as at 4 September 2018)

Portfolio look-through exposure by geography (as at 31 October 2018)

Top 10 holdings (as at 31 October 2018)

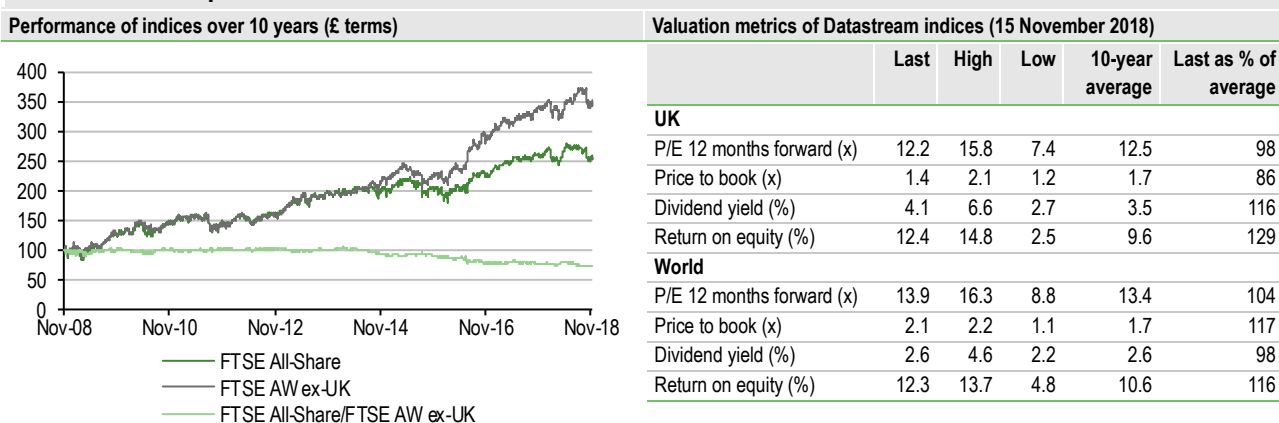
Trust	Sector	Portfolio weight %	
		31 October 2018	31 October 2017*
Monks Investment Trust	Global	4.4	4.4
Polar Capital Technology Trust	Sector Specialist: Tech Media & Telecomm	3.8	3.9
Allianz Technology Trust	Sector Specialist: Tech Media & Telecomm	3.7	3.4
Syncona	Sector Specialist: Biotechnology & Healthcare	3.3	3.0
Scottish Mortgage Investment Trust	Global	3.1	3.3
RIT Capital Partners	Flexible Investment	3.0	N/A
Baillie Gifford Japan Trust	Japan	3.0	3.1
Worldwide Healthcare Trust	Sector Specialist: Biotechnology & Healthcare	2.9	3.0
Personal Assets Trust	Flexible Investment	2.8	2.7
BH Macro	Hedge Funds	2.8	N/A
Top 10		32.8	32.3

Source: BMO Managed Portfolio Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in October 2017 top 10.

Market outlook: Macro factors making their mark

The performance of UK and global stock markets over the last decade is shown in Exhibit 3 (LHS). For the sterling-based investor, overseas equities have delivered significantly higher total returns than UK equities over the last four years, particularly over the last two, where performance has been hindered by ongoing Brexit negotiations and sterling weakness. While global stock markets enjoyed a period of particularly low volatility in 2017, this year has seen a return to sharper moves in share prices as investors have become more risk averse. Markets sold off in early 2018 before recovering and are again in a downtrend as there is more attention focused on macroeconomic factors, such as a strong US dollar, and the risks to economic growth from rising interest rates and trade tensions as a result of President Trump's 'America First' strategy. While the recent pullback in share prices has led to more attractive company valuations, the forward P/E multiple of global equities, led by the US, remains above its 10-year average (Exhibit 3, RHS), suggesting investors may benefit from being more selective when deciding on their equity exposure.

Exhibit 3: Market performance and valuation



Source: Thomson Datastream, Edison Investment Research

Fund profile: Opportunities for income and growth

Since launch on 16 April 2008, BMPT has been managed by Peter Hewitt at BMO Global Asset Management (BMO, formerly known as F&C). Through its two portfolios, he aims to generate an attractive level of income with some capital growth (BMPI) or capital growth (BMPG) from a broad spread of investment companies diversified by manager, geography and sector. BMPT is intended to appeal to regular savers and investors with smaller investment portfolios; it currently has c 15k shareholders and assets of c £130m (compared with £42m at launch); this includes £13m from the rollover of Cayenne Trust, which was liquidated in December 2015.

A unique feature of the trust is that any income generated by BMPG is transferred to BMPI in exchange for an equal amount of capital, which boosts the income potential for BMPI and the capital growth potential for BMPG. Both portfolios are benchmarked against the FTSE All-Share index. The trust's investment guidelines state that BMPI and BMPG must each contain at least 25 investment companies (typically c 40, primarily invested in equities). At the time of investment, a maximum 15% of each portfolio may be in a single holding, and up to 20% may be invested in other funds managed by BMO. There are no geographic or sector restrictions. Derivatives are permitted for efficient portfolio management, including to protect the portfolios during periods of stock market weakness. Each fund is permitted to gear up to 20% of total assets; at end-October 2018, BMPI had net gearing of 8.2% and BMPG had a net cash position of 1.3%.

The fund manager: Peter Hewitt

The manager's view: Tougher environment for investors

Hewitt's view is that, while we are closer to the end of the current investment cycle and economic growth is slowing, he does not expect a recession. He says that rising interest rates in the US are putting pressure on equity valuations, and the UK economy and stock market are challenged by uncertainties surrounding Brexit. The manager believes that positive developments in negotiations with the EU could lead to a relief rally in UK shares, and some areas of the stock market look attractively valued, such as small-caps and companies with domestic operations. However, to have a positive view on UK equities, Hewitt believes the Brexit situation needs to be clarified.

The manager notes a large pipeline of UK investment companies aiming to list on the stock market; he suggests that so far, the quality of these companies has been 'okay', but the sheer number of potential initial public offerings (IPOs) suggests that not all of them will be successful. Regarding two recent IPOs, Hewitt comments that Smithson Investment Trust, which invests in global small- and mid-caps, smashed its initial £250m fundraising target, by raising in excess of £820m, while Mobius Investment Trust only raised around half of its indicated £200m, as emerging markets are out of favour. However, the manager backed Mobius Investment Trust with a £5m position in BMPG, partially funded by the sale of Genesis Emerging Markets Fund. Hewitt says that the Mobius Investment Trust is a good example of successful managers leaving a large company to set up a fledgling business and committing their own capital; he believes these actions are a recipe for success. The manager argues that it is an opportune time for a long-term investor to consider emerging markets exposure, given their relatively weak performance in recent months.

Asset allocation

Investment process: Bottom-up fund selection

The manager takes a long-term approach to fund selection. He aims to grow both capital and income, while offering a level of portfolio protection in periods of stock market weakness; hence, both BMPI and BMPG have a number of more defensive positions. Funds are selected on a bottom-up basis, with Hewitt using his extensive industry experience to seek out managers who are able to outperform their respective benchmarks (as well as the FTSE All-Share index). Meeting investment company management is a key part of the investment process, which is supplemented by the use of third-party research. While Hewitt takes account of a fund's discount/premium at the time of purchase, this is not a primary consideration.

Over time, there has been a broadening of the opportunity set for equity-based income trusts; BMPI now has exposure to Asia Pacific, emerging markets, smaller European companies and the biotech/healthcare sector, along with its traditional holdings in developed markets. BMPG focuses on companies with good capital growth prospects, such as the flagship funds of boutique investment houses, emerging markets, private equity, and the technology and biotech sectors. UK exposure in both portfolios has declined in recent years, as the manager believes that overseas equities generally offer potential for higher long-term total returns.

Current portfolio positioning

BMPI: recent new positions include: Aberforth Split Level Income Trust (UK smaller companies); Allianz Technology Trust; Hipgnosis Songs Fund (royalty income); and The Scottish American Investment Company (global equity income). Allianz Technology Trust, along with BMPI's position in Monks Investment Trust, are not typical income stocks, but were purchased because a large special dividend from 3i Infrastructure means that BMPI is replete with income, but these two

positions could be sold, if this position changes. The fund also has positions in BB Biotech and BB Healthcare, which both pay dividends out of capital. These four highlighted trusts provide around 10% exposure to the secular growth in the biotechnology and technology sectors. Hipgnosis Songs Fund had its IPO in July 2018. The company's strategy is to buy the royalty streams from well-known music artists. Hewitt explains that copyright income is now growing, following years of stagnation, due to the rapid growth of streaming and the increased inclusion of songs in advertisements and films. Hipgnosis is targeting a 5% dividend yield, and the manager believes there is also the potential for capital growth.

Recent sales include BMO UK High Income Trust (UK equity income); GCP Infrastructure Investments (asset-backed debt); HICL Infrastructure Company (private finance initiative infrastructure); and Securities Trust of Scotland (global equity income).

BMPG: recent new positions include Aurora Investment Trust and Baillie Gifford UK Growth Trust (both UK all companies), while River & Mercantile UK Micro Cap Trust (UK small companies) was sold. Aurora Investment Trust is managed by Phoenix Asset Management Partners, who run a very concentrated fund of undervalued, primarily large-cap UK equities. It only initiates a position when a company is trading at a 50% discount to its perceived intrinsic value. Hewitt initiated a position in the Baillie Gifford UK Growth Trust following the change in manager from Schroder Investment Management to Baillie Gifford.

Exhibit 4: BMPI's and BMPG's look-through geographic exposure (% unless stated)

BMPI	Portfolio end-October 2018	Portfolio end-October 2017	Change (pts)	BMPG	Portfolio end-October 2018	Portfolio end-October 2017	Change (pts)
UK	35.0	39.0	(4.0)	UK	28.0	28.0	0.0
North America	18.0	14.0	4.0	North America	24.0	24.0	0.0
Europe	13.0	13.0	0.0	Europe	19.0	18.0	1.0
Far East & Pacific	7.0	10.0	(3.0)	Far East & Pacific	7.0	10.0	(3.0)
Japan	4.0	3.0	1.0	Japan	5.0	5.0	0.0
China	2.0	2.0	0.0	China	2.0	2.0	0.0
Russia	2.0	2.0	0.0	South America	1.0	2.0	(1.0)
South America	2.0	1.0	1.0	Africa	1.0	1.0	0.0
Other	2.0	1.0	1.0	Other	2.0	2.0	0.0
Fixed interest	6.0	6.0	0.0	Fixed interest	4.0	2.0	2.0
Cash	9.0	9.0	0.0	Cash	7.0	6.0	1.0
	100.0	100.0			100.0	100.0	

Source: BMO Managed Portfolio Trust, Edison Investment Research

Given the manager's more cautious view on global stock markets, he highlights that there are a number of holdings in BMPI's portfolio that are not equity related, such as Hipgnosis Songs Fund and The Renewables Infrastructure Group, which should perform relatively well on an NAV basis in an equity market downswing. Hewitt has also been building up BMPG's portfolio protection by increasing exposure to the fund's more defensive holdings (exposure is now up to c 12%) such as Personal Assets Trust and Ruffer Investment Company. While his longer-term view is that it is beneficial to be exposed to secular growth themes, he believes that more caution is warranted in the near term given the current macroeconomic backdrop.

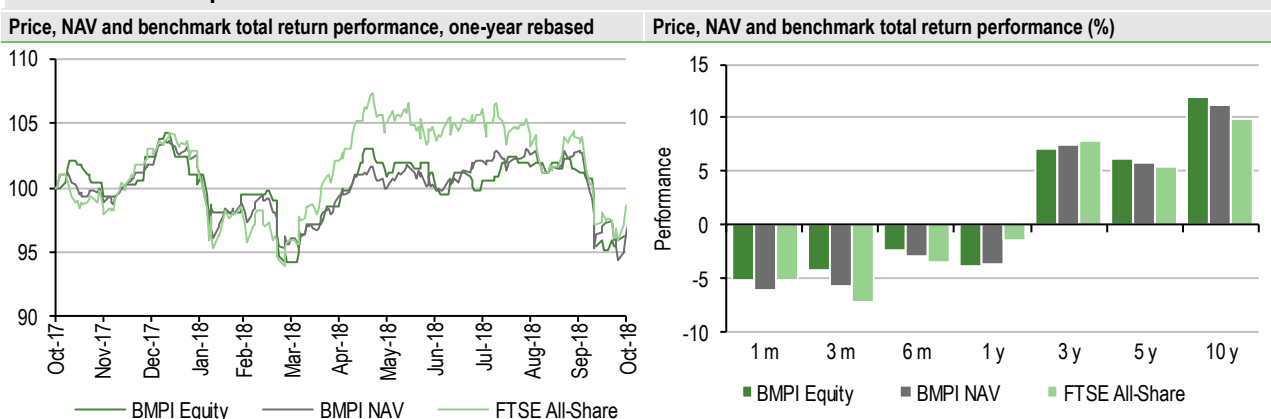
Performance: Wide dispersion of total returns in FY18

It is interesting to note that in FY18 (ending 31 May 2018), the difference in total returns for BMPI and BMPG was the widest since BMPT was launched in April 2008. This reflected investor appetite for growth over value stocks, with particularly strong performance from the technology sector. Data from BMPT show that from launch to end-FY18, BMPI's NAV total return of 117.7% outperformed the benchmark's 97.9% total return by 19.8pp, while BMPG's NAV total return outperformed by 12.5pp. In the 10 years since launch, BMPI has outperformed the benchmark in seven financial years, performed in line in one (FY17), while underperforming in two (FY14 and FY18); BMPG has outperformed in eight years, while also underperforming in two (FY09 and FY12). The manager

highlights the benefits of his long-term investment approach, citing BMPI's holding in Lowland Investment company, which has delivered a total return in excess of 200% since purchase in September 2009, and BMPG's holding in Allianz Technology Trust, which has delivered a total return in excess of 500% since purchased in May 2008.

BMPI: in FY18, BMPI's NAV and share price total returns of +3.0% and +2.7% respectively were below the benchmark's +6.5% total return. The best contributors to performance were CC Japan Income and Growth Trust (+24%), which benefited from good stock selection and has rapid dividend growth, and BB Biotech (+21%), which built on its positive investment track record. The largest detractor was HICL Infrastructure (-13%), which de-rated during the period, moving from a premium to a discount.

Exhibit 5: BMPI's performance to 31 October 2018



Source: Thomson Datastream, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

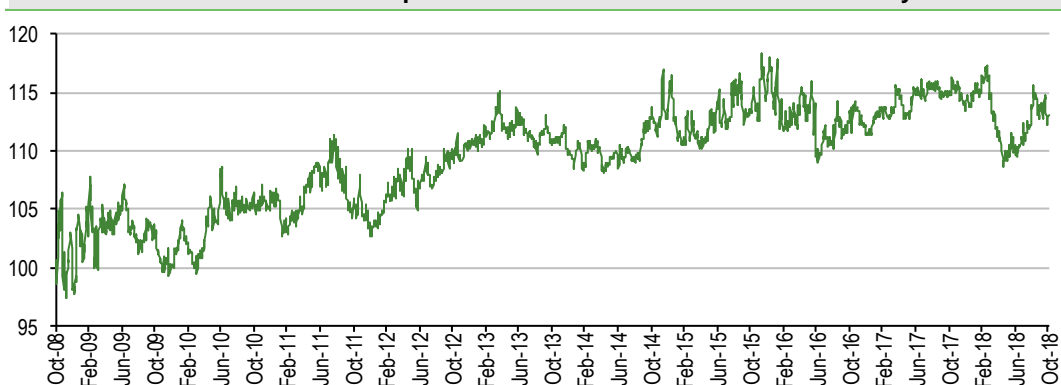
BMPI's relative performance is shown in Exhibits 6 and 7. Its NAV and share price total return have outperformed the benchmark over five and 10 years but have lagged over one and three years.

Exhibit 6: BMPI's share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price versus FTSE All-Share	0.0	3.2	1.2	(2.3)	(2.1)	3.7	20.9
NAV versus FTSE All-Share	(1.0)	1.7	0.6	(2.1)	(1.0)	1.3	12.3
Price versus FTSE All-Share Eq Invst Instr	0.3	1.0	(2.6)	(5.5)	(12.5)	(13.4)	(4.4)
NAV versus FTSE All-Share Eq Invst Instr	(0.7)	(0.4)	(3.2)	(5.3)	(11.6)	(15.4)	(11.2)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-October 2018. Geometric calculation.

Exhibit 7: BMPI's NAV total return performance relative to benchmark over 10 years

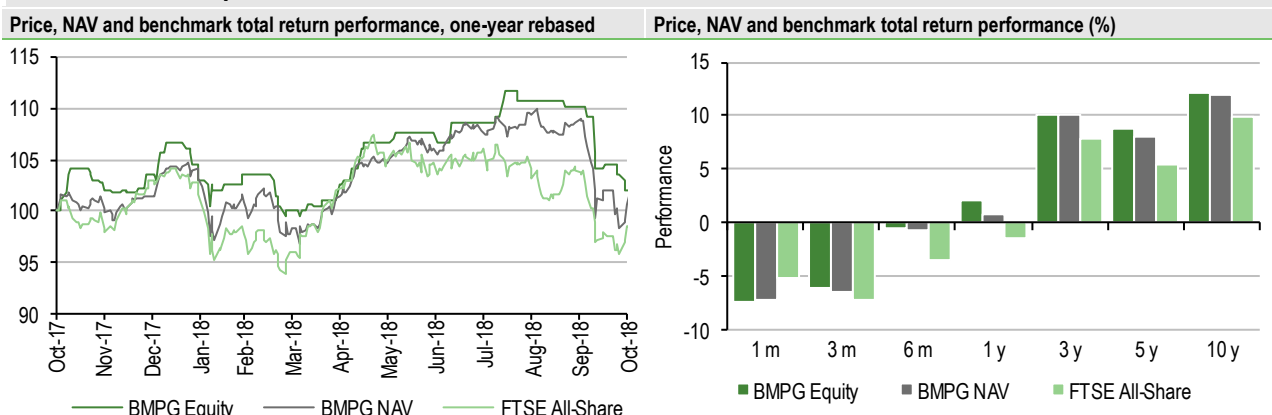


Source: Thomson Datastream, Edison Investment Research

BMPG: in FY18, BMPG's NAV and share price total returns of +11.0% and +10.6% respectively were meaningfully ahead of the benchmark's +6.5% total return. The best contributors to performance were Syncona (+47%), whose life sciences businesses are making good progress, and Edinburgh Worldwide Investment Trust (+42%), which has a bias to the technology and

healthcare sectors. The largest detractor was Woodford Patient Capital Trust (-21%), whose largest holding Prothena suffered from negative clinical trial data.

Exhibit 8: BMPG's performance to 31 October 2018



Source: Thomson Datastream, Edison Investment Research. Note: Three-, five and 10-year performance figures annualised.

BMPG's relative performance is shown in Exhibits 9 and 10. It has outperformed the benchmark in both NAV and share price terms over all periods shown, with the exception of the last month.

Exhibit 9: BMPG's share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price versus FTSE All-Share	(2.3)	1.1	3.1	3.6	6.3	16.6	22.7
NAV versus FTSE All-Share	(2.1)	0.8	3.0	2.3	6.5	13.3	21.1
Price versus FTSE All-Share Eq Invt Instr	(2.1)	(0.9)	(0.8)	0.2	(5.0)	(2.6)	(3.0)
NAV versus FTSE All-Share Eq Invt Instr	(1.9)	(1.3)	(0.9)	(1.1)	(4.8)	(5.4)	(4.2)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-October 2018. Geometric calculation.

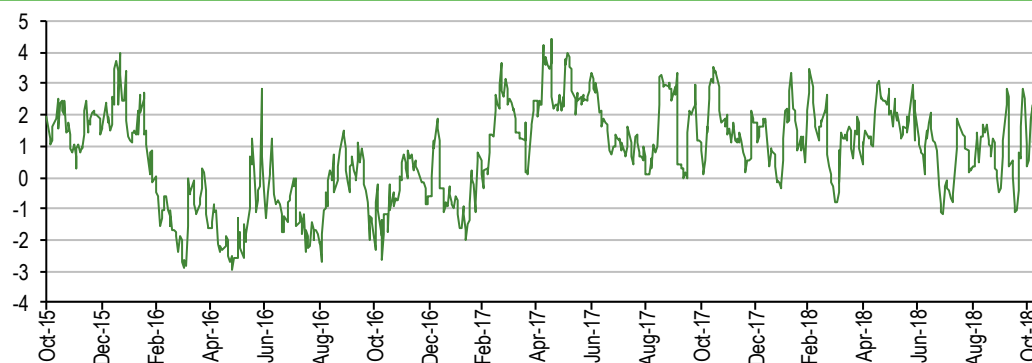
Exhibit 10: BMPG's NAV performance relative to benchmark over 10 years



Source: Thomson Datastream, Edison Investment Research

Discount: Portfolios regularly trade close to NAV

BMPT's board seeks to ensure that BMPI's and BMPG's shares trade close to NAV (aiming to limit the discount to 5% in normal market conditions). BMPI is currently trading at a 2.8% share price premium to cum-income NAV, which is higher than the 0.8% to 1.3% range of average premiums over the last one, three and five years.

Exhibit 11: BMPI's share price premium/discount to NAV (inc. income) over three years (%)


Source: Thomson Datastream, Edison Investment Research

BMPG is currently trading at a 3.0% share price premium to cum-income NAV, which is higher than the 0.6% to 1.3% range of average premiums over the last one, three and five years.

Exhibit 12: BMPG's share price premium/discount to NAV over three years (%)


Source: Thomson Datastream, Edison Investment Research

Capital structure and fees

BMPI has 42.9m and BMPG has 35.6m ordinary shares in issue (there are no shares held in treasury). BMPT has a £7m debt facility with the Royal Bank of Scotland, comprising a £5m five-year loan at a fixed rate of 2.03%, and a £2m two-year unsecured revolving credit facility. Gearing of up to 20% of total assets is permitted in both portfolios; at end-October 2018, BMPI had 8.2% net gearing and BMPG had a 1.3% net cash position.

BMO is paid an annual management fee of 0.650% pa of total assets in each portfolio, reducing to 0.325% pa on any BMO-managed investments; the fee is split 60:40 between the capital and revenue accounts for BMPI and 80:20 respectively for BMPG. A 10% performance fee is payable based on the excess total return of BMPI and BMPG versus the benchmark (capped at 0.35% of the total assets of the relevant portfolio). In FY18, BMPI's ongoing charge was 1.07%, which was 5bp lower than in FY17, and 44bp lower than the 10-year high in FY10. BMPG's ongoing charge was 1.03%, which was also 5bp lower than in FY17, and 56bp lower than the 10-year high in FY12.

Each October, shareholders have the opportunity to convert their income shares into growth shares and vice versa, in a ratio based on each portfolio's NAV per share; the conversion is subject to certain minimum and maximum thresholds. The first conversion took place on 1 November 2018 (based on 25 October 2018 closing NAVs): 242,448 BMPI shares were converted into 155,065 BMPG shares, and 37,172 BMPG shares were converted into 58,118 BMPI shares.

Dividend policy and record

A unique feature of BMPT is that any net revenue generated by BMPG passes to BMPI in exchange for an equal amount of capital. BMPI pays quarterly dividends in October, January, April and July. In FY18, the regular dividend of 5.70p was 4.6% higher than 5.45p in FY17, an increase broadly in line with the 4.4% five-year compound annual growth rate (annual dividends have grown for the last seven consecutive years). The FY18 regular dividend was c 1.3x covered by income, which was boosted by receipt of a special dividend from 3i Infrastructure. As a result, the BMPT board also declared a special dividend of 0.8p for FY18. At the end of the financial year, after providing for the fourth interim dividend, the revenue reserve was c £1.4m, which is equivalent to c 60% the FY18 regular dividend, providing a buffer for years where income is lower. Barring unforeseen circumstances, the first three FY19 interim dividends will be 1.35p per share, while the fourth interim dividend will be dependent on the level of income generated throughout the financial year. Based on its current share price, BMPI offers a dividend yield of 4.4%, which compares favourably with the majority of its peers.

Peer group comparison

With effect from 1 February 2018, BMPI and BMPG are both classified within the AIC Flexible Investment sector (they were historically in the AIC Global Equity Income and Global sectors respectively). Given the broad mandates of the portfolios, Hewitt believes that the current classification is more suitable. In Exhibit 13, we show the funds in the Flexible Investment sector with track records longer than 12 months. While the 17 peers have different investment remits, a comparison has some relevance. BMPI's NAV total return is above average over 10 years (ranking fifth out of 16 funds – 53.4pp above the mean), while lagging over one, three and five years. BMPG's NAV total return is above average over three, five and 10 years, ranking fifth and fourth out of 17 funds over three and five years respectively, and third out of 16 funds over 10 years (69.1pp above the mean). BMPI and BMPG are currently both trading at a modest premium, in a peer group where some of the trusts trade on significant discounts. Their ongoing charges are below average. BMPI's dividend yield is the second highest in the group (1.9pp above average); this is partly due to the income transfer (in exchange for capital) from BMPG.

Exhibit 13: Selected peer group (at 13 November 2018)*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
BMO Managed Portfolio Income	56.2	(2.8)	24.8	32.6	188.7	2.5	1.1	Yes	107	4.4
BMO Managed Portfolio Growth	72.3	(0.7)	33.6	47.8	204.4	2.5	1.0	Yes	100	0.0
Aberdeen Diversified Inc & Growth	402.6	0.7	5.5	6.6	118.8	(0.4)	0.4	No	111	4.3
Capital Gearing	275.7	2.8	24.1	31.0	123.9	1.5	0.8	No	100	0.5
Establishment Investment Trust	35.7	(17.8)	18.6	13.4	127.1	(17.3)	1.3	No	100	3.4
Hansa Trust 'A'	240.6	1.0	32.9	29.8	163.1	(27.6)	1.0	No	100	1.6
Henderson Alt Strategies Trust	108.3	(1.1)	25.3	18.0	30.1	(15.8)	1.0	No	100	1.1
Inv. Perp Select Balanced Risk	7.8	(4.3)	16.0	19.8		0.1	1.2	No	100	1.1
JZ Capital Partners	399.0	1.0	25.9	34.7	(1.1)	(35.8)	3.9	Yes	106	3.9
Miton Global Opportunities	76.0	(1.2)	55.9	59.7	200.4	0.1	1.5	No	100	0.0
New Star Investment Trust	78.1	0.6	35.8	42.3	64.2	(28.3)	0.9	Yes	100	0.9
Personal Assets	918.0	0.1	19.6	28.5	114.4	1.9	0.9	No	100	1.4
RIT Capital Partners	3,122.6	1.2	24.4	46.1	126.4	9.9	1.0	Yes	115	0.3
Ruffer Investment Company	410.4	(1.4)	9.7	13.7	95.0	2.3	1.2	No	100	0.8
Seneca Global Income & Growth	77.7	(2.8)	27.0	37.1	148.9	0.3	1.5	No	102	3.9
Tetragon Financial	903.0	14.9	53.7	106.9	239.6	(43.7)	2.0	Yes	100	5.9
UIL	162.4	10.4	109.0	117.0	221.2	(38.2)	1.6	Yes	111	4.1
Simple average (17 trusts)	432.1	0.0	31.9	40.3	135.3	(10.9)	1.3		103	2.5
BMPI rank in peer group	15	15	10	9	5	3	9		4	2
BMPG rank in peer group	14	10	5	4	3	2	10		7	16

Source: Morningstar, Edison Investment Research. Note: *Performance data to 12 November 2018. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.



The board

Historically, there were four independent non-executive directors on BMPT's board, who were appointed shortly before the trust's launch in April 2008: Richard Martin (chairman of the board and the nomination committee); David Harris (senior independent director); Colin McGill (chairman of the audit committee); and Alistair Stewart (chairman of the remuneration committee). On 9 July 2018, the board announced the appointment of Sue Inglis as another independent non-executive director. She is a qualified lawyer with a corporate finance background and is the senior independent director of The Bankers Investment Trust and an independent director of Baillie Gifford US Growth Trust.

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