

# BMO Managed Portfolio Trust PLC

Annual Report and Financial  
Statements 31 May 2021

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## Financial Calendar

Annual General Meeting		30 September 2021
Deadlines for submitting conversion instructions:		
– for BMO retail savings plan investors		24 September 2021
– for non-BMO retail savings plan investors		1 October 2021
First interim dividend paid	(XD Date 16 September 2021)	8 October 2021
Share conversion facility date		28 October 2021
Second interim dividend paid	(XD Date 16 December 2021)	7 January 2022
Announcement of interim results for six months to 30 November 2021		January 2022
Third interim dividend paid	(XD Date 17 March 2022)	8 April 2022
Fourth interim dividend paid	(XD Date 16 June 2022)	8 July 2022
Announcement of annual results and posting of annual report		July 2022

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your shares in BMO Managed Portfolio Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

# Company Overview

BMO Managed Portfolio Trust PLC (the '**Company**') is an investment trust and launched on 16 April 2008. Its shares are listed on the premium segment of the Official List of the Financial Conduct Authority and traded on the London Stock Exchange.

## Purpose

The purpose of the Company is to provide investors with access to a broad spread of investment companies, covering a variety of geographies, sectors and investment managers, with the objective of providing both income and growth, while spreading investment risk. This is intended to appeal, in particular, to investors with smaller investment portfolios and to regular savers.

## Share Classes

The Company has two classes of shares with two separate investment Portfolios:

- the Income shares, where the investment focus is to provide an attractive level of income, together with some capital growth; and
- the Growth shares, where the investment focus is to achieve capital growth.

The ability to switch between the two share classes annually, in a tax efficient manner, offers flexibility to those investors whose requirements may change over time.

The benchmark index for both the Income Portfolio and the Growth Portfolio is the FTSE All-Share Index total return.

Visit our website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com)

The Company is registered in Scotland with company registration number SC338196

Legal Entity Identifier: 213800ZA6TW45NM9YY31



## Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current views and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

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# Income Shares – 2021 Highlights

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+1.6%

## Dividend increased

Annual dividend increased by 1.6% to 6.2p per Income share compared to the prior year.

4.3%

## Dividend yield<sup>(1)</sup>

Dividend yield of 4.3% at 31 May 2021, based on dividends at the current annual rate of 6.2p per Income share, compared to the yield on the FTSE All-Share Index of 2.8%. Dividends are paid quarterly.

+29.0%

## NAV total return<sup>(1)</sup>

Net asset value total return per Income share of +29.0% for the financial year, outperforming the FTSE All-Share Index total return (+23.1%) by +5.9%.

+7.8%  
CAGR<sup>(1)</sup>

## Long-term performance

Net asset value total return per Income share of +166.8% since launch on 16 April 2008, the equivalent of +7.8% compound per year. This has outperformed the FTSE All-Share Index total return of +109.6%, the equivalent of +5.8% compound per year.

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<sup>(1)</sup> Yield, total return and compound annual growth rate ("CAGR") – see Alternative Performance Measures on pages 100 to 103.

Investors are reminded that the value of investments and any income from them may go down as well as up and they may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

# Income Shares – Performance Summary

	Year ended 31 May 2021	Year ended 31 May 2020
<b>Total Return<sup>(1)</sup></b>		
Net asset value per Income share	+29.0%	-7.3%
Income share price	+28.2%	-8.3%
FTSE All-Share Index	+23.1%	-11.2%

Other Financial Highlights			
	Year ended 31 May 2021	Year ended 31 May 2020	Change
Net asset value per Income share – capital only	142.22p	115.71p	+22.9%
Income share price – capital only	143.50p	117.50p	+22.1%
FTSE All-Share Index – capital only	4,016.13	3,363.67	+19.4%
Revenue return per share (including net income transfer from Growth shares)	6.59p	6.69p	-1.5%
Dividends per Income share	6.2p	6.1p	+1.6%
Dividend yield <sup>(1)</sup>	4.3%	5.2%	
Premium <sup>(1)</sup>	+0.9%	+1.5%	
Ongoing charges <sup>(1)</sup>			
- excluding performance fee and ongoing charges of underlying funds	1.08%	1.10%	
- including performance fee but excluding ongoing charges of underlying funds	1.51%	1.46%	
- AIC methodology, excluding performance fee but including ongoing charges of underlying funds	2.26%	2.11%	

	Highs 2021	Lows 2021
<b>Year's Highs/Lows</b>		
Net asset value per Income share	142.4p	115.6p
Income share price	145.0p	113.5p
+Premium/-discount <sup>(2)</sup>	+3.4%	-4.6%

<sup>(1)</sup> Total return, yield, premium/(discount) and ongoing charges – see Alternative Performance Measures on pages 100 to 103.

<sup>(2)</sup> +Premium/-discount high – widest premium/narrowest discount in year. +Premium/-discount low – narrowest premium/widest discount in year.

Sources: BMO Global Asset Management (“BMO GAM”) and Refinitiv Eikon.

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# Growth Shares – Highlights 2021

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**+32.5%**

## **NAV total return<sup>(1)</sup>**

Net asset value total return per Growth share of +32.5% for the financial year outperforming the FTSE All-Share Index total return (+23.1%) by +9.4%.

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**+8.2%  
CAGR<sup>(1)</sup>**

## **Long-term growth**

The net asset value per Growth share has increased by +181.6% since launch on 16 April 2008, the equivalent of +8.2% compound per year. This has outperformed the FTSE All-Share Index total return of +109.6%, the equivalent of +5.8% compound per year.

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**Outperformance**

## **Consistent outperformance of the benchmark**

The net asset value total return per Growth share has outperformed the FTSE All-Share Index total return over one year, three years, five years, ten years and from launch to 31 May 2021

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<sup>(1)</sup> Total return and compound annual growth rate – see Alternative Performance Measures on pages 100 to 103.

Investors are reminded that the value of investments and any income from them may go down as well as up and they may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

# Growth Shares – Performance Summary

	Year ended 31 May 2021	Year ended 31 May 2020
<b>Total Return<sup>(1)</sup></b>		
Net asset value per Growth share	+32.5%	+1.5%
Growth share price	+30.7%	+2.9%
FTSE All-Share Index	+23.1%	-11.2%

Other Financial Highlights			
	31 May 2021	31 May 2020	Change
Net asset value per Growth share – capital only	276.01p	208.35p	+32.5%
Growth share price – capital only	277.00p	212.00p	+30.7%
FTSE All-Share Index – capital only	4,016.13	3,363.67	+19.4%
Premium <sup>(1)</sup>	+0.4%	+1.8%	
Ongoing charges <sup>(1)</sup>			
– excluding performance fee and ongoing charges of underlying funds	1.03%	1.03%	
– including performance fee but excluding ongoing charges of underlying funds	1.43%	1.39%	
– AIC methodology, excluding performance fee but including ongoing charges of underlying funds	1.96%	1.88%	

	Highs 2021	Lows 2021
<b>Year's Highs/Lows</b>		
Net asset value per share	282.0p	206.9p
Growth share price	285.0p	211.0p
+Premium/-discount <sup>(2)</sup>	+5.2%	-5.7%

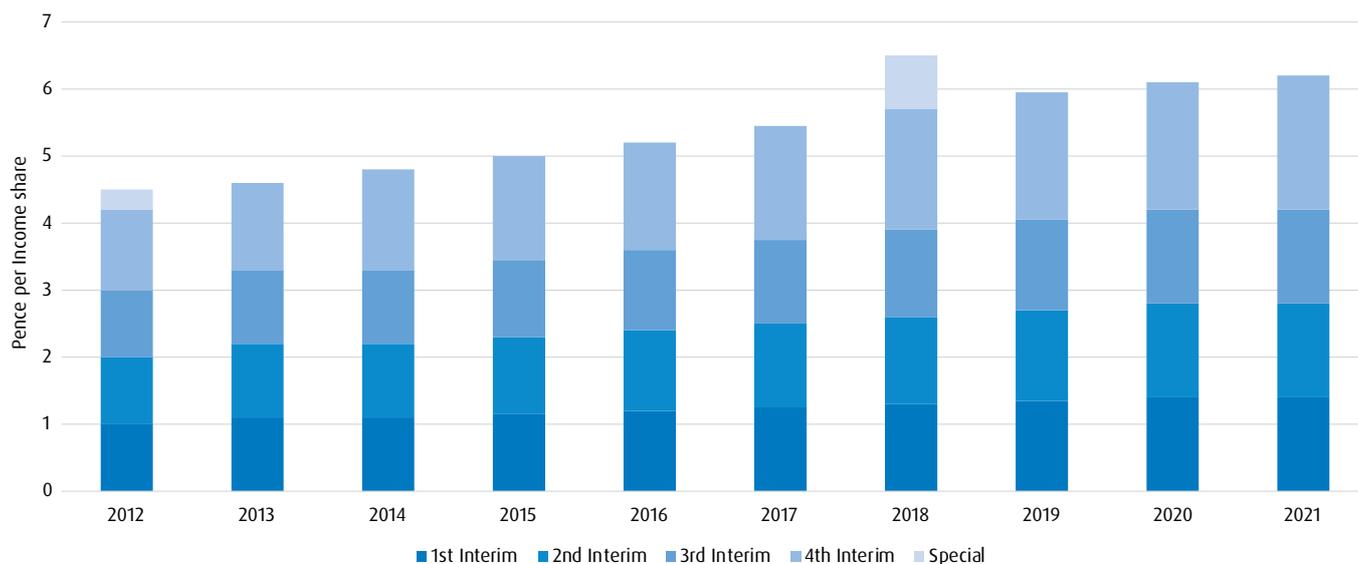
<sup>(1)</sup> Total return, premium and ongoing charges – see Alternative Performance Measures on pages 100 to 103.

<sup>(2)</sup> +Premium/-discount high – widest premium/narrowest discount in year. +Premium/-discount low – narrowest premium/widest discount in year.

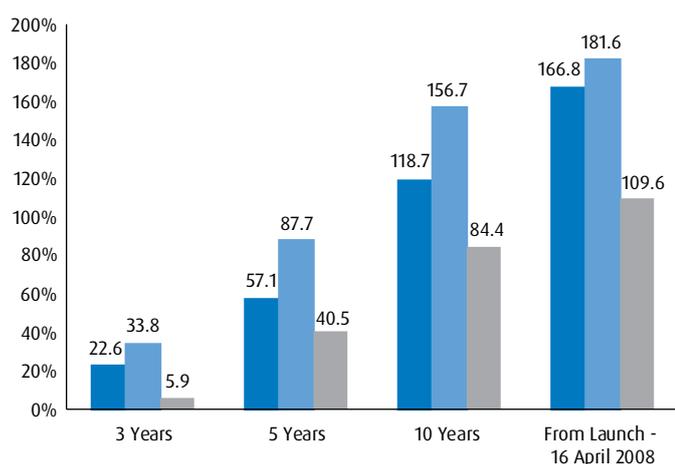
Sources: BMO GAM and Refinitiv Eikon

# Long-term Summary

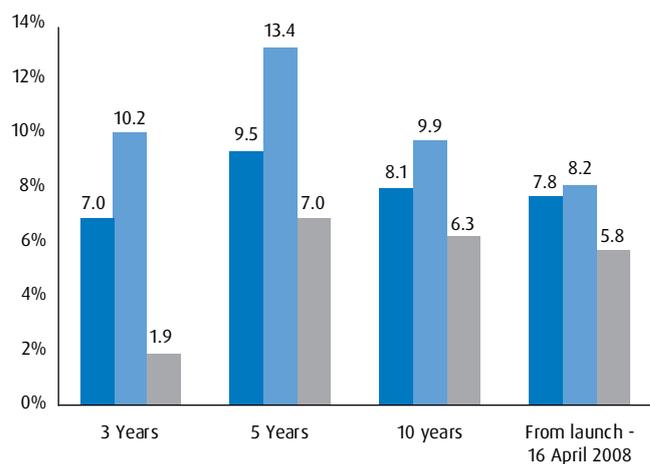
## Income shares – Ten Year Dividend History for Financial Year to 31 May



## Cumulative Performance to 31 May 2021



## Compound Annual Growth Rate to 31 May 2021



■ BMO Managed Portfolio Trust - Income shares NAV total return  
■ BMO Managed Portfolio Trust - Growth shares NAV total return  
■ Benchmark: FTSE All-Share Index total return

■ BMO Managed Portfolio Trust - Income shares NAV total return  
■ BMO Managed Portfolio Trust - Growth shares NAV total return  
■ Benchmark: FTSE All-Share Index total return

Sources: BMO GAM and Refinitiv Eikon

# Strategic Report

This Strategic Report, which includes pages 7 to 32 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

## Chairman's Statement



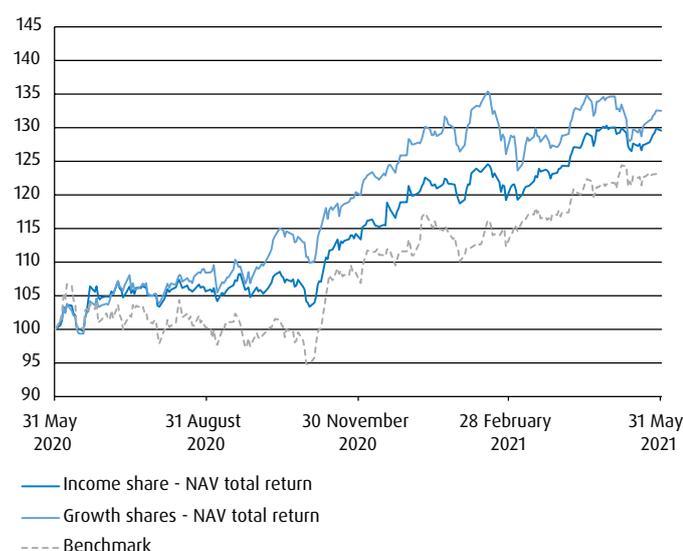
- Net asset value total return for the financial year for both the Income shares and Growth shares outperformed the benchmark index
- Dividend yield on the Income shares of 4.3% at 31 May 2021
- Tenth consecutive year of dividend increases

**Colin McGill Chairman**

### Performance

For the Company's financial year to 31 May 2021 the NAV total return (capital performance plus the reinvestment of any dividends paid) was +29.0% for the Income shares and +32.5% for the Growth shares, both of which outperformed the +23.1% total return for the FTSE All-Share Index, the benchmark index for both share classes.

### Performance Over 1 Year (Rebased to 100 at 31 May 2020)



Source: Refinitiv Eikon

The past financial year split into two quite contrasting periods of performance. Until early November 2020 the nature of performance within equity markets was similar to the final quarter of the last financial year to 31 May 2020. The effect of the pandemic, with accompanying restrictions and lockdowns, severely impacted economies. Due to massive monetary and fiscal stimulus the worst effects in terms of unemployment and corporate bankruptcies were avoided. Yet, during this time, certain sectors and companies prospered, technology and healthcare in particular, as they proved to be essential for economies to function. Both Portfolios were heavily invested in investment companies that were either specialists in, or well exposed to, these areas and performance was very strong as a result.

Everything changed with the announcement of vaccines on 9 November 2020 and overnight leadership within equity markets also changed. Sectors and companies worst affected by the pandemic experienced a sharp recovery in their share prices as investors anticipated an eventual re-opening of economies and examples included oils, miners, banks, retail, leisure and some industrials. Both Portfolios lagged the FTSE All-Share Index over the second half of the financial year although, in the case of the Income Portfolio, it was marginal. The principal contributors to performance are discussed in the Investment Manager's Review.

In addition to the financial year to 31 May 2021, both share classes have also outperformed the benchmark over three years, five years, ten years and from launch to 31 May 2021.

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For Income shareholders, I am delighted to report that dividends have now been increased in each of the last ten years. For Growth shareholders seeking long term performance, it is pleasing to note that their compound annual growth rates have been 10.2%, 13.4% and 9.9% over three years, five years and ten years respectively, which is a great testament to our Investment Manager, Peter Hewitt. The Trust's excellent performance was also recognised when the Growth Portfolio once again won the 2020 Investment Week Investment Trust of the Year Award for the Flexible Investment sector.

### Revenue and Dividends

For the financial year ended 31 May 2021, four interim dividends have now been paid, totalling 6.2p per Income share (6.1p per Income share for the previous financial year). The fourth interim dividend was paid after the year end on 9 July 2021.

Given the impact of COVID-19 on markets and the uncertain outlook for income during the financial year, the first three interim dividends were maintained at the same rate as in the prior financial year (of 1.4p per Income share). The fourth interim dividend was, however, increased from 1.9p to 2.0p per Income share and therefore, the total annual dividend increased by 1.6% in comparison to the prior financial year. This has been achieved while still adding £172,000 to the revenue reserve.

This is the tenth consecutive year of increase and, as a result, the yield on the Income shares was 4.3% on the year-end Income share price, compared with 2.8% for the FTSE All-Share Index.

From an income perspective, the eventual outcome for revenue generated from both Portfolios was better than expected. Although there were some dividend cuts, the vast majority of investment company holdings maintained, or in some cases raised, their dividends, often by utilising revenue reserves built up over previous years. In addition, the income contribution from holdings in the "alternatives" sector proved very robust.

BMO Managed Portfolio Trust now has a revenue reserve of approximately 73% of the current annual dividend cost, an important future buffer for the dividend which can be used to support the dividend payment to Income shareholders if required. Accordingly, in the absence of unforeseen circumstances, it is the Board's current intention to at least maintain the total level of dividend to Income shareholders for the year to 31 May 2022.

### Borrowing

The Board is responsible for the Company's gearing strategy and sets parameters within which the Investment Manager operates. Borrowings are not normally expected to exceed 20% of the total assets of the relevant Portfolio; in practice they have been modest and primarily used to enhance income in the Income Portfolio by investing in higher yielding alternative funds. During the financial year the Company extended its borrowing facilities with The Royal Bank of Scotland International Limited by entering into a one-year unsecured revolving credit facility for £5 million. At the year-end, £2 million had been drawn down, resulting in total borrowings of £7 million in the Income Portfolio (9.5% of gross assets) and zero in the Growth Portfolio.

### Management of Share Premium and Discount to NAV

In normal circumstances we aim to maintain the discount to NAV at which our shares trade at not more than 5%. In practice over the years the shares have generally traded close to NAV. During the financial year to 31 May 2021 we have been able to maintain an average discount of 0.1% for the Income shares and an average premium of 0.1% for the Growth shares.

We are active in issuing shares to meet demand and equally buying back when this is appropriate. During the financial year 575,000 new Income shares and 1,815,000 new Growth shares were issued from the Company's block listing facilities at an average premium to NAV of 1.9% and 1.5% respectively. In addition, 425,000 Income shares were bought back for treasury at an average discount to NAV of 2.7% and then subsequently resold from treasury at an average premium to NAV of 1.6%.

The Board is seeking shareholders' approval to renew the powers to allot shares, buy back shares and sell shares from treasury at the forthcoming Annual General Meeting ('AGM'). Specifically, the Board is seeking approval to allow the Company to issue up to 20% of its Income shares and up to 20% of its Growth shares without rights of pre-emption and in this respect there are two resolutions proposed. Each resolution is for up to 10% and, therefore, for an aggregate of up to 20% of each of the Income shares and Growth shares. This approach allows any shareholder who may not wish to give approval to an aggregate limit higher than that recommended by corporate governance guidelines the ability to approve the first resolution for up to 10% and to also consider the second resolution separately for a further 10%. The Board believes the ability to issue and buy back shares helps to reduce the volatility in the premium or discount of the share prices to the NAVs and the 20% overall authority with respect to both the Income shares and Growth shares is in the interests of all shareholders.

### Share Conversion Facility

Shareholders have the opportunity to convert their Income shares into Growth shares or their Growth shares into Income shares annually subject to minimum and maximum conversion thresholds which may be reduced or increased at the discretion of the Board.

The ability to convert without incurring UK capital gains tax should be an attractive facility for shareholders who wish to do so, and the next conversion date (subject to minimum and maximum thresholds) will be on 28 October 2021. Information is provided on pages 96 and 97 and full details will be provided on the Company's website ([bmomanagedportfolio.com](http://bmomanagedportfolio.com)) from 9 August 2021.

### Operations

In addition to the impact on financial markets, the COVID-19 pandemic has also impacted the way in which the Manager and other third-party service providers have had to operate, and this has been monitored closely by the Board. From mid-March 2020 the Manager implemented working from home arrangements for its staff as have many of the Company's other third-party service providers. I am pleased that these arrangements have proved very effective and, consequently, there has been no impact on service delivery or your Company's operations, including the management of the investment Portfolios. Board meetings have been held by video conference without disruption and the Board has been in close contact with the Manager throughout this period.

### Board Changes

Both David Harris and I were appointed at the launch of the Company in 2008 and so have now served on the Board for over thirteen years. In accordance with the Board's long-term planning, I will retire following the conclusion of the forthcoming Annual General Meeting on 30 September 2021. I am pleased to report that the Board intends to appoint David Warnock to succeed me as Chairman. David has in-depth knowledge, expertise and experience in the investment management industry and has made a significant contribution to the Company since he joined the Board in January 2019. It is anticipated that further changes to the Board will occur during 2022.

As part of its succession plan, the Board was pleased to appoint Simon Longfellow as a non-executive Director with effect from 14 July 2021. We believe his extensive marketing experience in the investment trust sector will add a valuable dimension to the Board. Simon's biographical details are set out on page 33 and his election will be proposed to shareholders for approval at the forthcoming AGM on 30 September 2021.

### BMO

Our Manager is part of BMO Global Asset Management, which is ultimately owned by the Bank of Montreal. It was announced on 12 April 2021 that Bank of Montreal has agreed to sell its European, Middle East and African (EMEA) asset management activities to AMERIPRISE Inc. This sale is expected to conclude towards the end of 2021. For the UK element of this transaction, the new owners will be Columbia Threadneedle. Columbia Threadneedle does not have an investment trust business in the UK and the Board has been informed that this will be a welcome addition to its portfolio.

Both companies have confirmed the importance of maintaining the stability and continuity of the teams which presently support your Company but the change of ownership and subsequent developments are issues that the Board will monitor closely in the coming months.

### AGM and Separate Meetings of Income Shareholders and Growth Shareholders

The Annual General Meeting is scheduled to be held on 30 September 2021 at Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS at 10.30am. Separate meetings of the Income shareholders and Growth shareholders will also be held prior to the AGM, commencing at 10.20am and 10.25am respectively at which shareholders will be asked to consent to Resolution 14 (Cancellation of the Company's share premium account) which is being proposed at the Company's AGM.

We hope to be able to meet shareholders in person this year, but, given the impact of COVID-19, the Board will continue to monitor developments closely and attendance at the physical meetings may still be restricted, depending on the Government's guidelines at the time of the meetings. Shareholders wishing to attend the separate meetings and the AGM in person should register their intention with the Company Secretary by emailing [MPTCoSec@bmogam.com](mailto:MPTCoSec@bmogam.com). Should any Government restrictions and social distancing measures remain in place at the time of the meetings, entry may be restricted and/or refused in accordance with the Articles, the law and/or Government guidance.

Your Board strongly encourages all shareholders to make use of the proxy form or form of direction provided in order that you can lodge your votes. Voting on all resolutions will be held on a poll, the results of which will be announced and posted on the Company's website following the meetings.

Should there be any changes to the meetings or the location, this will be notified through the Company's website and announcements to the London Stock Exchange.

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Should shareholders have any questions or comments in advance, these can be raised with the Company Secretary (MPTCoSec@bmogam.com). In addition, the answers to any frequently asked questions will be posted on the Company's website after the AGM.

### **Outlook**

There is every prospect that economies are on the path of a strong recovery from the pandemic. Although valuations are in some cases extended, corporate earnings and dividends are recovering strongly. The concern is that rising inflation proves sustained and not transitory, which could cause volatility in equity markets should bond yields and interest rates move higher. Notwithstanding this concern, there are reasonable prospects that equities will continue to record positive returns in the coming year.

After years of relative underperformance for the UK equity market, the uncertainties that plagued it have largely abated, with strong growth anticipated, particularly from medium-sized and smaller companies with a domestic bias. Accordingly, both Portfolios have steadily increased exposure to UK equity trusts. However, both Portfolios have also retained holdings in investment companies which are exposed to sectors with secular growth characteristics as experience has shown it is these areas that, if held for the long term, generate returns many times the original investment. As always, the focus is on selecting only the highest quality investment companies with experienced managers in the belief that this will serve shareholders' interests best.

**Colin S McGill**  
**Chairman**  
**2 August 2021**

# Purpose, Strategy and Business Model

## Purpose and Strategy

The purpose of the Company is to provide investors with access to a broad spread of investment companies, covering a variety of geographies, sectors and investment managers, with the objective of providing both income and growth, while spreading investment risk. This is intended to appeal, in particular, to investors with smaller investment portfolios and to regular savers.

The Company has two classes of shares with two separate investment Portfolios – the Income shares where the investment focus is to provide an attractive level of income, together with some capital growth, and the Growth shares, where the investment focus is to achieve capital growth.

## Business Model

BMO Managed Portfolio Trust PLC is a closed-end listed investment company and carries on business as an investment trust. As such, and as it has no employees, the Directors believe that the optimum basis for meeting their duty to promote the success of the Company and achieving its investment objective for the benefit of stakeholders is to work closely with its appointed investment management company. The Board has contractually delegated the management of the investment portfolios, and other services, to BMO Investment Business Limited (the 'Manager'). The Manager is part of BMO Global Asset Management ('BMO GAM'), which is ultimately owned by the Bank of Montreal ('BMO'). Within policies set and overseen by the Directors, the Manager has been given overall responsibility for the management of the Company's assets, gearing, stock selection and risk management. Engagement on environmental, social and governance ('ESG') matters are undertaken by BMO GAM.

As a listed closed-end investment company the Company is not constrained by asset sales to meet redemptions and is well suited to investors seeking longer term returns. The share capital structure provides the flexibility to take a long-term view and to remain invested while taking advantage of illiquidity throughout normal and volatile market conditions. Having the ability to borrow to invest is a significant advantage over a number of other investment fund structures.

The Company's Board of non-executive Directors is responsible for the overall stewardship and governance of the Company and how it promotes the success of the Company is set out on pages 26 to 27. The Board currently consists of four male and one female Director and their biographical details can be found on page 33. The Company has no executive Directors or employees.

The Board remains responsible for decisions over corporate strategy, corporate governance, risk and control assessment, setting policies as

detailed on pages 31 and 32, setting limits on gearing and monitoring investment performance.

## Alignment of Values and Culture

In addition to strong investment performance from our Manager, we expect it to adhere to the very highest standards of ESG practice and that its values, culture, expectations and aspirations align with our own.

The Board considers the Manager's culture and values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. BMO GAM has a culture of diversity, collaboration and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs. BMO is an organisation committed to helping establish a more sustainable financial system.

A founding signatory to the United Nations Principles for Responsible Investment ('UNPRI'), BMO GAM has achieved the maximum rating of A+ for key areas of its responsible investment approach, including strategy and governance, and ESG incorporation and active ownership in listed equities. In alignment with this culture and the values that we share with BMO GAM, we aim to pursue our strategy and objective through the consistent application of the very highest standards of transparency, corporate governance and business ethics.

## Environmental, Social and Governance Impact

The Company's ESG policies, as set out on pages 24 and 25, are aligned towards the delivery of sustainable investment performance over the longer term.

As an investment trust, with no employees or premises, the Company has no significant direct social, human rights, community or environmental responsibilities. The Company's indirect impact occurs through the investments in which it invests and the Board seeks to positively influence this through the adoption of BMO GAM's Responsible Investment Approach.

## The Manager

A summary of the investment management agreement is contained in note 4 to the financial statements. The Manager also acts as the AIFM under the Alternative Investment Fund Managers Directive ('AIFMD') and provides ancillary functions such as administration, accounting and company secretarial services to the Company.

Peter Hewitt acts as Investment Manager (the 'Investment Manager') to the Company, on behalf of BMO GAM. Peter has managed the Company's assets (which were previously held in the F&C investment trust managed portfolio service) since 2002. He has over 35 years' investment experience and specialises in investment companies.

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## Manager Evaluation

Investment performance and responsible ownership are fundamental to delivering the investment objective for shareholders and an important responsibility of the Directors as part of their governance is the annual evaluation of the Manager. The outcome of the evaluation in the current year, which was conducted by the Management Engagement Committee, is set out on page 45.

## Investment Strategy and Policy

The Company's investment policy is set out on page 31.

Any material change in the Company's investment policy will require the approval of shareholders at a general meeting.

## Our Approach

The investments of BMO Managed Portfolio Trust PLC are managed in two separate Portfolios, the Income Portfolio and the Growth Portfolio, to which the Income shares and the Growth shares are respectively entitled.

The Company invests principally in listed closed-end investment companies and the majority of its holdings comprise equity investments. There is no restriction on the geographic regions and sectors that may be held within the Income Portfolio or Growth Portfolio and the Company invests in those deemed most appropriate for the Portfolios and their objectives from time to time. An analysis of the Income Portfolio and the Growth Portfolio is contained in the Investment Manager's Review and a full list of their investments can be found on pages 20 to 23.

Investment risks are spread through holding a wide range of investment companies that have underlying investment exposures across a range of geographic regions, sectors and investment managers. As at 31 May 2021, 41 investments were held in the Income Portfolio and 42 in the Growth Portfolio.

## Principal Risks and Uncertainties

Investment opportunities do not come without risks. The Company's principal risks and uncertainties that could threaten its objective, strategy and performance, and how the Board manages such risks, are set out in detail on pages 28 and 29.

The performance of the Manager is monitored and at each Board meeting the Board receives a presentation from the Investment Manager which includes a review of investment performance, recent portfolio activity, market outlook, revenue forecasts, internal controls and marketing and regulatory updates. The Board also considers compliance with the investment policy, investment restrictions and borrowing covenants.

In addition, functions such as administration, accounting and company secretarial are also carried out by the Manager. The Directors also review these services, and those provided by other suppliers, such as JPMorgan Europe Limited, the Depositary, and JPMorgan Chase Bank, the Custodian, in their duties of safeguarding the Company's assets.

## Review of Performance and Outlook

The key policies applied in running the Company are set out on pages 31 and 32 and the Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 13.

The Chairman's Statement on pages 7 to 10 and Investment Manager's Review on pages 14 to 19, both of which form part of this Strategic Report, provide a review of the Company's returns, the investment portfolios and market conditions during the year and the outlook for the coming year.

## Stakeholder Communication and Marketing

The Company fosters good working relationships with its key stakeholders; such as the Manager, shareholders, bankers and other key service providers. The Board works closely with BMO GAM to ensure optimal delivery of the Company's investment proposition through all available channels and, together with BMO GAM, we remain focused on promoting the success of the Company.

The Company welcomes the views of all shareholders and places great importance on communication with them. In addition to the annual and interim reports that are available for shareholders, monthly fact sheets and additional information is included on the Company's website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com).

The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. In addition, meetings are held regularly with current and prospective shareholders and analysts covering the investment trust sector.

Normally, the Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. As explained in the Chairman's Statement on page 9 we hope to meet shareholders in person this year but due to the impact of COVID-19 the Board will continue to monitor developments closely.

The Manager offers a range of private investor savings plans which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 98. Through BMO GAM, we also make sure the BMO savings plan investors are encouraged to vote at the AGM in addition to those who hold their shares on the main shareholder register. Details of the proxy voting results on each resolution are published on the Company's website.

# Key Performance Indicators

The Board recognises that longer term share price performance and (for Income shareholders) an attractive level of income are most important to the Company's investors. Share price performance is driven largely by the performance of the net asset value. The overriding priority is to continue to strive for consistent achievement of relative outperformance and to add value for shareholders through net asset value and share price return, discount/premium management, dividend growth and competitive ongoing charges.

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators (also referred to as Alternative Performance Measures) are set out below:

Additional comments are provided in the Chairman's Statement and Investment Manager's Review discussing the performance of the Company during the current year.

Total Return <sup>(1)</sup> Performance to 31 May 2021					
	1 Year %	3 Years %	5 Years %	10 Years %	
Income shares NAV total return	+29.0	+22.6	+57.1	+118.7	This measures the Company's NAV total return, which assumes dividends paid by the Company have been reinvested, relative to the benchmark.
Growth shares NAV total return	+32.5	+33.8	+87.7	+156.7	
Benchmark total return <sup>(2)</sup>	+23.1	+5.9	+40.5	+84.4	

Dividend Level of the Income Shares					
Financial year to 31 May	2021	2020	2019		
Annual dividend	6.2p	6.1p	5.95p		This shows the dividend yield of the Income shares at the year-end relative to the benchmark.
Dividend yield <sup>(1)</sup>	4.3%	5.2%	4.4%		
Yield on FTSE All-Share index	2.8%	4.8%	4.3%		

Average + Premium/ - Discount <sup>(1)</sup> to NAV					
		Income shares %	Growth shares %		
During the financial year to 31 May					
2021		-0.1	+0.1		This is the average difference between the share price and the NAV per share during the financial year.
2020		+1.2	+0.0		
2019		+0.9	+0.7		

Ongoing Charges <sup>(1)</sup> (as a percentage of the average net asset value)					
As at 31 May	Income shares <sup>(3)</sup> %	Income shares <sup>(4)</sup> %	Growth shares <sup>(3)</sup> %	Growth shares <sup>(4)</sup> %	
2021	1.08	1.51	1.03	1.43	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of average net assets.
2020	1.10	1.46	1.03	1.39	
2019	1.08	1.21	1.01	1.36	

Ongoing charges including the ongoing charges of underlying funds have not been included above as these are not controlled directly by the Board and are not a running cost of the Company.

<sup>(1)</sup> See Alternative Performance Measures on pages 100 to 103

<sup>(2)</sup> Benchmark: FTSE All-Share Index

<sup>(3)</sup> excluding performance fee and ongoing charges of underlying funds

<sup>(4)</sup> including performance fee but excluding ongoing charges of underlying funds

# Investment Manager's Review



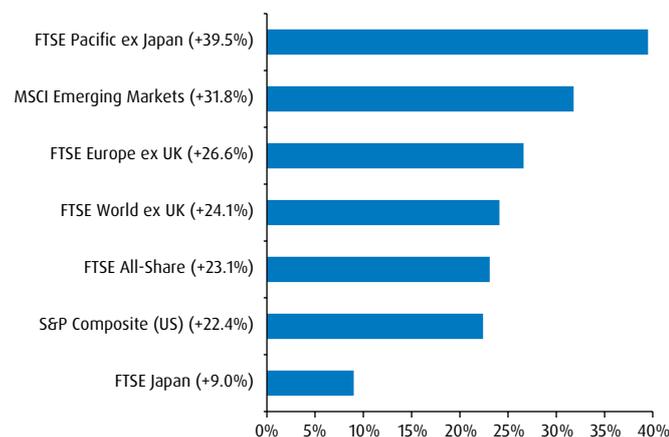
**Peter Hewitt, Investment Manager**

## Stock Market Background

Despite the effect that the COVID-19 pandemic has had on everybody's lives it is perhaps surprising that the past twelve months have delivered remarkably positive returns from many global equity markets. A key factor in the very strong recovery was unprecedented levels of financial support from governments and Central Banks to offset the adverse effects on economies, companies and individuals. The stimulus measures played a major role in supporting economies and minimising unemployment and were very supportive of financial markets, particularly equity markets.

However, by far the most important event in terms of stock markets was the announcement on 9 November 2020 of the first successful vaccine from Pfizer Biontech to be followed in successive weeks by similarly positive vaccine announcements from Moderna and Oxford University/Astra Zeneca. These vaccines have paved the way for the eventual re-opening of economies and ultimately a return to normal life. Stock markets responded by moving sharply upwards, however leadership within equity markets changed overnight. Stocks and sectors which had been badly hit due to the pandemic and accompanying lockdowns recovered sharply as they were viewed as the principal beneficiaries of a re-opening of economies. This change of leadership within markets was behind the improvement in relative performance of the UK market which has a higher exposure to oils, materials, banks, retail and leisure than other markets, particularly the US.

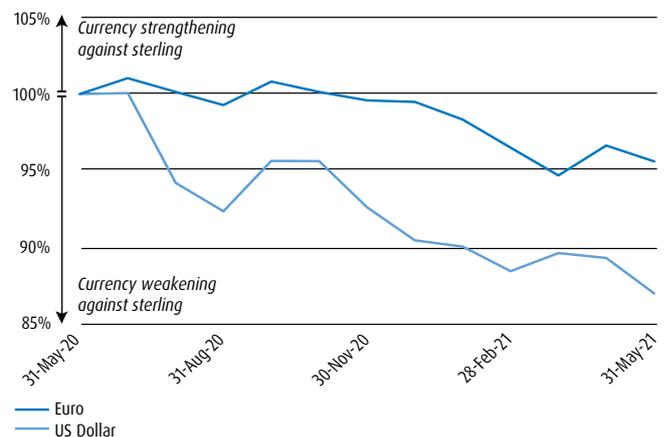
## Total Return by Region for the Year to 31 May 2021 (sterling adjusted)



Source: BMO GAM

As can be seen from the preceding chart, the UK, for the first time since the Brexit referendum of 2016, was not the laggard amongst major equity markets, managing to outperform both the US and Japan when returns were translated back into sterling. The influence of currency was significant on market returns for the sterling investor over the past year. With the uncertainty of Brexit now removed sterling was viewed as being undervalued and, as a result, steadily appreciated by around 15% against the US dollar, nearly 17% against the Japanese yen and an almost 5% rise relative to the Euro. As an illustration of the impact these moves had for a sterling-based investor, the S&P Composite Index rose over 40% in dollar terms, however this was diluted back to a 22% return when translated back into sterling.

## Currency Movements against Sterling in Year to 31 May 2021 (US\$ and Euro)



Source: BMO GAM

Although the UK appears to be somewhere in the middle in terms of returns for the fiscal year, this masks a significant change which happened as a result of the vaccine announcements in November. As mentioned above, a number of sectors that the UK has a heavy weighting in and that had struggled to perform, particularly during the pandemic, were viewed as having substantial recovery prospects should economies move back into a growth phase. As a result of persistent underperformance many UK sectors and companies were viewed as being very attractively valued, especially those with a domestic bias. The result has been that, since November, the UK has been the leading performer amongst major equity markets.

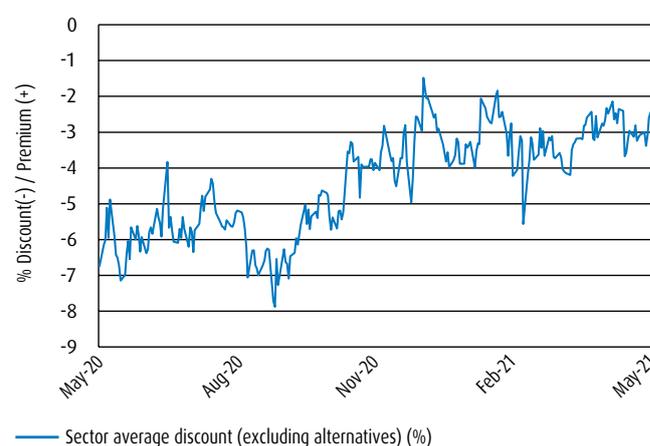
## Performance

For the year to 31 May 2021 the FTSE All-Share Index rose by 23.1% (in total return terms). Over the same period the NAV of the Growth Portfolio rose 32.5% whilst that of the Income Portfolio gained 29.0% (again both in total return terms). This represents the ninth consecutive financial year that the Growth Portfolio has been ahead of the FTSE All-Share Index. For the Income Portfolio, in the thirteen years that the Company's shares were listed on the London Stock Exchange, it has been ahead or in line of the benchmark index in eleven of these years.

When reviewing performance over the past year the well-known phrase "a game of two halves" comes to mind as it describes performance quite accurately. As mentioned earlier, the key event was the announcement of a vaccine for COVID-19 on 9 November 2020, almost exactly halfway through the Company's financial year. Until then the Growth Portfolio was significantly outperforming the benchmark index due to holdings in investment companies with substantial exposure to technology and healthcare. The attributes of companies in these sectors came to the fore during the pandemic and they performed strongly in terms of earnings and share prices. These trends in performance reversed following the vaccine announcement as share prices in sectors and companies perceived to benefit from the re-opening of economies began to recover from depressed levels. During the second half of the financial year the Growth Portfolio lagged the benchmark whilst the Income Portfolio almost performed in line with the benchmark. This was because of the requirement for income which meant the Portfolio had lower exposure to low yielding sectors such as technology and more exposure to investment companies which had holdings likely to benefit from recovery. The performance of individual holdings within both Portfolios will be examined later in the review.

Changes in discounts can often be a significant factor behind the performance of investment companies. As the following chart shows, over the past financial year the average sector discount has tightened in from 6.1% to 2.5% by 31 May 2021. Most of the discount narrowing took place during the first six months of the year as volatility began to reduce and the effect of monetary and fiscal measures to mitigate the effect of the pandemic were put in place. Latterly discounts have traded in a tighter range of between 2% and 4%.

## Investment Company – Average Sector Discount for 1 Year to 31 May 2021



Source: Winterflood Securities

## Growth Portfolio – Leaders and Laggards

There are two common themes amongst most of the principal contributors to performance in the Growth Portfolio. First is that, with the exception of **Chrysalis Investments** which was only listed in late 2018, all the investment companies featured have been long term holdings, often for many years. Second is the prevalence of UK equity investment companies in the leaders list. Most of those mentioned got onto the list due to very strong performance in the second half of the financial year, as UK stocks with a domestic bias, typically medium-sized and smaller companies rallied strongly on prospects of the economy re-opening.

The single biggest share price gain was achieved by **Henderson Opportunities Trust** which rose 114% over the past twelve months. The trust, which invests in UK equities, is run by James Henderson and Laura Foll and has a market value of around £130m which means it falls under the radar of the large private wealth groups who would consider it too small to invest in. This resulted in a discount of nearly 20% a year ago; however, since then it has performed very strongly. The trust has an unconstrained mandate and has around 15% in FTSE 100 companies, 10% in FTSE 250 medium-sized companies with the rest in smaller companies with nearly 60% in FTSE AIM stocks.

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This area is invested in “next generation winners” with a clear focus on capital growth which has been the key driver to performance. The portfolio has significant exposure to the industrial, financial, technology and consumer discretionary sectors. The excellent asset performance has begun to be recognised as the discount has closed to around 5%.

Three other UK equity trusts featured strongly amongst the leaders. **Artemis Alpha Trust**, **Fidelity Special Values** and **Henderson Smaller Companies Investment Trust** with respective share price gains of 71%, 69% and 69%. The Artemis trust has an eclectic portfolio structured to benefit from a recovery in growth as the economy re-opens. It has sizeable positions in low cost airlines, housebuilders, retail and banking. The fund manager undertakes detailed due diligence and has developed a track record as a stock picker. Like **Henderson Opportunities Trust**, it is also unrecognised by larger wealth management groups with a market value of only £170m. However, due to strong asset performance it has experienced a similar tightening of the discount to around 4%. **Fidelity Special Values** employs a contrarian value-focused approach and has taken full advantage of a return to favour of “value” stocks since the vaccine announcements. The portfolio has a price earnings ratio of just 11x, a 20% discount to the already undervalued UK market. Once again, the focus is on more domestic companies in financial, consumer discretionary and industrial sectors. **Henderson Smaller Companies Investment Trust**, as the name suggests, is a UK small and mid-cap specialist, managed by Neil Hermon for nearly 20 years during which time it has built an outstanding performance record. Although employing more of a “growth” stock selection strategy, the trust has benefitted from its mid and small cap exposure with very strong asset performance.

**Chrysalis Investments** has been a remarkable success story in a very short time. The trust focuses on mainly UK high growth companies, perhaps two to three years from listing on the stock market. It has a concentrated list of ten to fifteen investments and is prepared to continue holding companies as they move from being private into the public arena, a recent example being The Hut Group. Chrysalis Investments is well placed to achieve strong growth in the coming years and its share price rose 82% over the last twelve months.

Of the laggards, none had significant price declines and the largest was **BH Macro** which fell 2%. Interestingly, the year before it was one of the top performers. This investment company invests in the

Brevan Howard Master Fund which is a hedge fund which specialises in taking advantage of movements in interest rates, currencies and bond markets. It should be viewed as a defensive holding which does well when equity markets fall. **European Opportunities Trust** has been a long time holding in the portfolio; however, it had a sizeable holding in German digital payments company Wirecard that went bankrupt and is the centre of a fraud investigation. The fund manager is now very focused on recovering performance and there are early signs that is happening. The shares were flat over the year. **Syncona** invests in early stage, mainly British biotechnology companies with the backing of major shareholder, Wellcome Trust and has a highly capable and experienced management team. After some years of strong performance as portfolio companies have been sold realising strong returns, the past year has been quieter with three holdings that are listed in the US trading at lower levels due to adverse sentiment across the wider biotech sector. Longer term prospects for **Syncona** remain bright; it is extremely well funded with nearly half of net assets in cash. The shares rose 4% over the year. Also recording a 5% share price gain over the year was **Worldwide Healthcare Trust**. The trust has been held for many years in the Growth Portfolio and has a long-term record of outperformance. It is a specialist global healthcare portfolio investing across a series of different sub-sectors within healthcare. It is managed by Orbimed in New York who have deep resource with over 100 investment professionals focussed on the sector. The trust experienced a period of flat share price performance as the biotechnology and healthcare sectors in the US marked time during the US presidential election and this continued until Democrat plans for the sector became clear. The portfolio is modestly valued relative to the wider market and is well placed for the future.

**Personal Assets Trust** is another long-term holding in the Growth Portfolio and is part of a sub-group of positions that could be viewed as “portfolio protectors”. The others are **BH Macro**, **Ruffer Investment Company**, **Capital Gearing Trust** and **RIT Capital Partners**. They are defensive in nature and hold their value in market downturns which can affect the rest of the Portfolio adversely. Personal Assets Trust is about 40% invested in equities with the rest in defensive positions such as US TIPS (inflation linked bonds in the US). It would be surprising if the portfolio kept pace with the FTSE All-Share Index when it has a strong up year. In this context and given how its portfolio is structured a 8% share price rise is in line with expectations.

(all share prices are total return)

## Income Portfolio – Leaders and Laggards

Two themes were evident amongst the winners in the Income Portfolio. First was private equity where the Portfolio has significant holdings in **Princess Private Equity Holding** and **NB Private Equity Partners** which respectively achieved share price gains of 58% and 60%. As with many investment companies in the sector, they sell at double digit discounts to net asset value despite strong asset performance and have recovered strongly from the worst effects of the pandemic. Geographically **NB Private Equity Partners** is mainly exposed to the US whilst **Princess Private Equity Holding** is more global. Both however, tend to focus on medium-sized and smaller companies in sectors like technology, healthcare, education and consumer which have strong long-term growth prospects. Underlying companies which are holdings for these investment companies often are focussed on capital growth and do not pay dividends to shareholders, however the ability of investment companies to pay a dividend from capital reserves allows them to offer an attractive dividend yield to shareholders. From an investment management standpoint, this allows assets (in this case private companies with high growth characteristics) to be included in an income portfolio.

The second theme was exposure to the UK with reference to companies and assets which will benefit from the eventual re-opening of the UK economy. **Law Debenture Corporation** and **Lowland Investment Company** are both in the UK equity income sector and had share price rises of 61% and 58% over the past twelve months. The investment portfolios of both investment companies are managed by James Henderson and Laura Foll of Janus Henderson and they employ a similar valuation driven process that aims to identify high quality companies that are undervalued at the time of purchase. **Law Debenture Corporation** is one of the largest holdings in the Income Portfolio and is a unique investment company. Within it is an independent professional services business which provides a series of niche services to corporate clients that generates steadily growing revenue (last year the division accounted for 68% of revenues but in a normal year it is around 40%). This means the fund managers have significant additional flexibility in terms of the investment portfolio to invest in lower yielding companies. Last year **Law Debenture Corporation** increased its dividend by 6% to yield 3.6% as at 31 May 2021. **Lowland Investment Company** managed to maintain its dividend by dipping into reserves, however a similar investment approach saw it achieve a significant recovery in both asset value and share price.

**Secure Income REIT** is a specialist real estate investment trust which seeks to own a portfolio of assets with very long leases often with an indexed-linked element to the rental charge. It had a share price gain of 58% over the past year. The core of the portfolio is a chain of private hospitals which have done well in the pandemic, however a portfolio of hotels operated by Travelodge was badly affected and stopped paying rent due to lockdown. Prospects have improved going forward and full rents are set to be restored by the end of this calendar year as the economy re-opens. Management maintained a well-financed balance sheet through the past year which puts the company in a strong position going forward with the result it has moved from being a laggard last year to a leader this year.

The theme amongst the laggards is that they all come into the all-embracing category that is called “alternatives”. There is no clear definition of what an “alternative” investment company is. However, a common thread amongst the very wide variety of mandates in this category is the lack of exposure to equity markets. In a year when the FTSE All-Share Index appreciated by over 23% (total return), the lack of equity sensitivity is the overriding reason why the investment companies below are in the laggards list.

**Assura** experienced a 2% fall in share price over the past twelve months after appearing in the top performers for each of the last two financial years. The company is a specialist healthcare REIT (real estate investment trust). It is the owner of primary care properties leased mainly to General Practitioner Partnerships across the UK for typically in excess of 20 years. With the NHS as the ultimate guarantor of the lease payments, of which many are index-linked, a secure and rising stream of income has many attractions; however, the share price lagged simply due to not having any exposure to a rising equity market.

**Tetragon Financial Group's** share price was flat despite a decent 9% rise in asset value for 2020. The company sells at a 60% discount to asset value mainly as a result of its share structure which gives effective control to the managers. They do, however, have a very significant shareholding of over 25% so it can be argued there is some alignment of interests. The company is a financial conglomerate with divisions in asset management and infrastructure which are performing well and property and CLOs which did less well. A cut dividend did not help.

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**Biopharma Credit** is a specialist credit company which lends against the royalty stream of income from approved drugs and life science products. Target borrowers are small to medium-sized pharmaceutical companies who typically need finance to fund research and development. Pharmakon Advisors manage the trust and have built significant resource, which enables detailed due diligence to be undertaken on the underlying products. Returns from this trust are mainly income-related and the dividend yield is 7%. The shares are priced in US\$ and achieved a positive return but when translated to sterling fell 7% over the period.

The last company to feature in the laggards list is **The Renewables Infrastructure Group** which is one of the largest renewables funds in the UK with a market value of £2.7bn. It is 55% onshore wind, 35% offshore wind with the rest solar. About 40% of its assets are in Europe with the rest in the UK. As with others in the list of relative underperformers in the Income Portfolio, a lack of exposure to equity markets was the main reason it lagged during the past year. The shares still managed a rise of 11% and the dividend yield remains highly attractive.

(all share prices are total return)

### Investment Strategy and Prospects

The focus for the next year will be the nature of the recovery from the COVID-19 pandemic and how robust and sustained it will be. As vaccination programmes across the developed world have picked up momentum, the prospect of a genuine move back towards normality now seems real and likely in the coming months. Due to comparisons with last year when the world was in lockdown, growth rates from the second quarter onwards will appear very high. It will take time for economies to fully recover, however, aided by substantial monetary and fiscal support schemes the spectre of a significant rise in unemployment appears less likely.

With savings levels amongst consumers running at record levels, there is the prospect that a very strong consumer-led recovery will take place in the UK, US and Europe. This has resulted in much attention in financial markets being focussed on whether a serious and sustained rise in inflation could emerge as that could undermine both bond and equity markets.

As economies begin to open up reported inflation data has risen sharply. Much of this is due to shortages of both labour and materials and supply bottlenecks. In addition, the base effect of comparing to last year when economic activity all but stopped during lockdown has resulted in some very big price rises. For example, oil fell to around \$30 but has now risen to over \$70 with similar rises in other

commodity prices. Central banks are holding to the view that inflation will plateau later this year and fall back in 2022 and as such are maintaining current levels of Quantitative Easing with no need to expect imminent interest rate rises. At the time of writing, the Federal Reserve in the US do not see interest rate rises necessary until 2023. It will be some time before it becomes clear whether this policy is correct or whether the inflation genie is out of the bottle and a major policy change with a rise in interest rates is required.

Meantime equity markets are continuing to grind higher with the backdrop remaining broadly supportive. With economies firmly on a recovery path from the pandemic-related recession of last year, corporate profits and earnings in the US, Europe and the UK are growing strongly, albeit from a low base. It is anticipated this will continue for the second half of this year and into 2022 though the pace of growth is likely to moderate.

Prospects for the fundamentals in terms of growth are positive, however valuations everywhere are elevated and require optimistic estimates to be achieved. This is particularly true of by far the largest equity market, that of the US. With, first, a reduction of monetary stimulus measures from the Federal Reserve, then a likely rise in US bond yields to eventually be followed by a rise in interest rates. In this environment, historically high valuations may come under pressure. A period of very strong earnings and dividend growth from the corporate sector would be vital to bring valuations back to less extended ranges.

Though the UK market is affected by some of the above trends it is in an altogether different place in terms of valuation. Since the Brexit referendum in 2016, the UK equity market has been a serial underperformer relative to most global equity markets and is valued in line with long-term averages whereas most others are well above. A number of the uncertainties that have plagued UK equities are no longer present, particularly with regard to Brexit. In addition, the vaccination performance of the UK has been better than most other countries, paving the way for a very robust economic and corporate recovery as the country moves back towards normality.

The re-opening trade may have further to run as sectors like oils, materials, banks, retail, leisure and industrials which have benefitted the most having underperformed for a number of years before the pandemic and traded at historically attractive valuations.

In terms of investment strategy, this has been translated into increasing holdings in UK equity investment trusts which have exposure to UK companies with a domestic bias to their revenues and profits. In

practice this often means UK medium-sized and smaller companies. In the Growth Portfolio examples of purchases made were: **Fidelity Special Values, Aurora Investment Trust, Artemis Alpha Trust, Lowland Investment Company** and **Law Debenture Corporation**.

The Income Portfolio already had a higher exposure to the UK due to requirements for income; however it also increased exposure in this area. Examples of purchases being: **Diverse Income Trust, Lowland Investment Company** and **Secure Income REIT**. It should be noted that all the investment trusts mentioned above, in both Portfolios, were existing holdings which have been built up steadily over the second half of the financial year.

In the Growth Portfolio two other long-term holdings, both with a "value style", have also been increased. One with a European mandate was **Henderson European Focus Trust** and the other with a global mandate was **AVI Global Trust**.

For the genuinely long term, the case for exposure to sectors which offer strong secular growth characteristics remains in place. Investment companies focussed on sectors like technology, healthcare and biotechnology will continue to prosper and it is from these types of investment companies that returns, many multiples over the original cost of investment, can be achieved. Examples of trusts with these attributes can be found in the Growth Portfolio and include **Allianz Technology Trust, Scottish Mortgage Investment Trust, Biotech Growth Trust, HgCapital Trust** and **Impax Environmental Markets**.

Although it is harder to include these types of trusts in the Income Portfolio because most either do not pay a dividend or have a very low dividend yield, some investment companies take powers to pay a dividend to shareholders from capital reserves. This permits trusts which invest in these sectors to offer reasonable dividend yields and allows the Income Portfolio to gain exposure. Examples include: **BB Healthcare Trust, HBM Healthcare Investments, BB Biotech** and **Princess Private Equity Holding**.

Over the past year a feature of the UK equity market and many other equity markets has been widespread dividend reductions forced on companies due to pandemic-related lockdowns causing sizeable losses. The ability of investment companies to use revenue reserves to offset reductions in current year revenues has been a key factor in helping a number of holdings in the Income Portfolio to maintain dividends to shareholders. Another factor which has proved important in the strong revenue performance for the Income Portfolio have been the holdings in the "alternatives" sector. These investment companies are invested in a variety of sectors e.g. song royalties, social housing, care homes, ownership of the properties that supermarkets operate from, specialist healthcare properties, renewables and more recently digital infrastructure. None of these areas are related to equity markets whilst a number have attractive index-linked revenue streams. The financing for these holdings is in large part from borrowings that the Income Portfolio has undertaken so giving a useful uplift to revenues. Examples include: **Hipgnosis Songs Fund, Civitas Social Housing REIT, Impact Healthcare REIT, The Renewables Infrastructure Group, Supermarket Income REIT, Assura** and **Digital 9 Infrastructure**.

Equity markets have made a surprisingly strong recovery from the depths of the pandemic and prospects for the next year will be dominated by the strength of the recovery and path of inflation and what might happen to monetary stimulus, bond yields and ultimately interest rates. It is likely that volatility will be higher though strong growth in earnings and recovery in dividends from the corporate sector are a positive and are supportive of markets. In these uncertain times the focus for both Portfolios will remain on holding only the highest quality investment companies with proven management who have had experience of a variety of different market conditions. These characteristics should serve shareholders well.

**Peter Hewitt**  
Investment Manager  
**BMO Investment Business Limited**  
2 August 2021

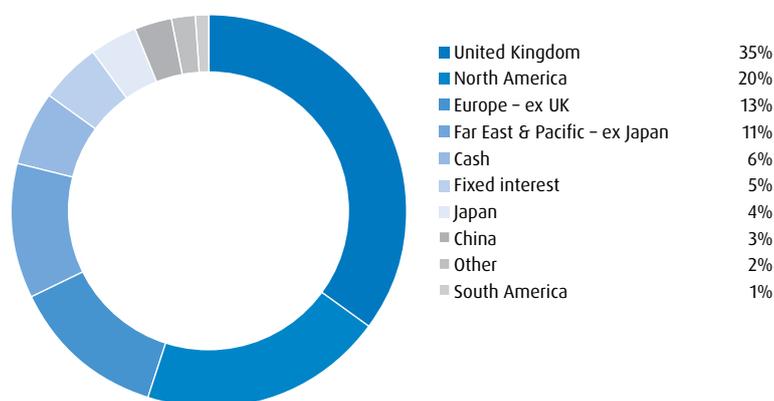
# Income Shares – Investment Portfolio

At 31 May 2021			
Investment	Sector	Valuation £'000	% of net assets of Income Portfolio
BB Healthcare Trust	Biotechnology & Healthcare	2,757	4.1
Law Debenture Corporation	Global	2,681	4.0
HBM Healthcare Investments	Biotechnology & Healthcare	2,667	4.0
JPMorgan Global Growth & Income	Global Equity Income	2,449	3.7
NB Private Equity Partners	Private Equity	2,336	3.6
Scottish American Investment Company	Global Equity Income	2,290	3.4
Invesco Perpetual UK Smaller Companies Investment Trust	UK Smaller Companies	2,273	3.4
Princess Private Equity Holding	Private Equity	2,228	3.3
Secure Income REIT	Property Specialist	2,087	3.1
Mercantile Investment Trust	UK All Companies	2,078	3.1
<b>Ten largest investments</b>		<b>23,846</b>	<b>35.7</b>
3i Infrastructure	Infrastructure	2,048	3.1
Hipgnosis Songs Fund	Tech Media & Telecomm	2,026	3.0
European Assets Trust†	European Smaller Companies	2,014	3.0
The Bankers Investment Trust	Global	1,968	3.0
Schroder Oriental Income Fund	Asia Pacific – Ex Japan	1,967	3.0
Murray International Trust	Global Equity Income	1,904	2.8
BB Biotech	Biotechnology & Healthcare	1,889	2.8
Monks Investment Trust	Global	1,879	2.8
Henderson International Income Trust	Global Equity Income	1,805	2.7
Civitas Social Housing REIT	Property Specialist	1,738	2.6
<b>Twenty largest investments</b>		<b>43,084</b>	<b>64.5</b>
Lowland Investment Company	UK Equity Income	1,731	2.6
City of London Investment Trust	UK Equity Income	1,664	2.5
Impact Healthcare REIT	Property Specialist	1,662	2.5
CC Japan Income & Growth Trust	Japan	1,624	2.4
Jupiter Emerging & Frontier Income Trust	Global Emerging Markets	1,583	2.4
Diverse Income Trust	UK Equity Income	1,475	2.2
JPMorgan Global Emerging Markets Income Trust	Global Emerging Markets	1,470	2.2
GCP Asset Backed Income Fund	Debt	1,443	2.2
Henderson Far East Income	Asia Pacific – Ex Japan	1,435	2.2
Supermarket Income REIT	Property Specialist	1,431	2.1
<b>Thirty largest investments</b>		<b>58,602</b>	<b>87.8</b>

At 31 May 2021			
Investment	Sector	Valuation £'000	% of net assets of Income Portfolio
The Renewables Infrastructure Group	Infrastructure – Renewable Energy	1,427	2.1
Invesco Bond Income Plus	Global High Income	1,420	2.1
CQS New City High Yield Fund	UK Equity & Bond Income	1,404	2.1
Digital 9 Infrastructure	Infrastructure	1,337	2.0
Henderson High Income Trust	UK Equity & Bond Income	1,327	2.0
Assura	Property Specialist	1,265	1.9
Aberdeen Asian Income Fund	Asia Pacific – Ex Japan	1,120	1.7
Biopharma Credit	Biotechnology & Healthcare	1,092	1.6
Murray Income Trust	UK Equity Income	1,083	1.6
Tetragon Financial Management	Flexible Investment	1,050	1.6
<b>Forty largest investments</b>		<b>71,127</b>	<b>106.5</b>
JPMorgan China Growth & Income	China/ Greater China	994	1.5
<b>Total investments</b>		<b>72,121</b>	<b>108.0</b>
<b>Net current assets (excluding borrowing)</b>		<b>1,645</b>	<b>2.5</b>
<b>Borrowing</b>		<b>(7,000)</b>	<b>(10.5)</b>
<b>Net assets</b>		<b>66,766</b>	<b>100.0</b>

† Investment managed by the Manager, BMO GAM

### Analysis of the Investment Areas of the Income Portfolio's Investments on a 'Look-through' Basis



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2021)

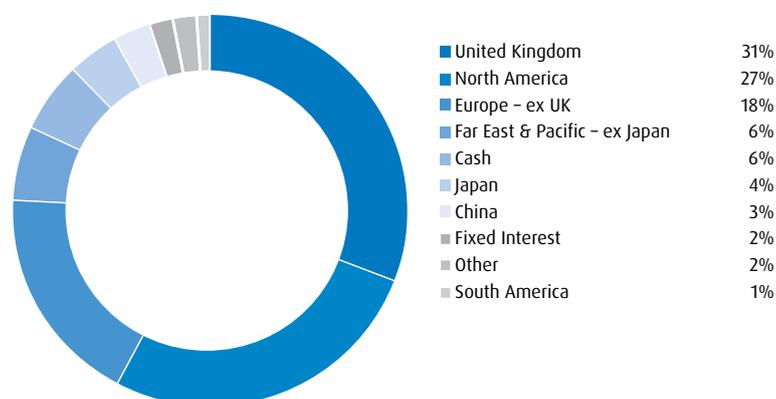
## Growth Shares – Investment Portfolio

At 31 May 2021			
Investment	Sector	Valuation £'000	% of net assets of Growth Portfolio
Monks Investment Trust	Global	4,697	4.5
Allianz Technology Trust	Tech Media & Telecomm	4,352	4.2
Scottish Mortgage Investment Trust	Global	4,183	4.0
Polar Capital Technology Trust	Tech Media & Telecomm	3,533	3.4
HgCapital Trust	Private Equity	3,305	3.2
Impax Environmental Markets	Environmental	3,098	3.0
Herald Investment Trust	Small Media, Comms & IT Cos	3,010	2.9
Worldwide Healthcare Trust	Biotechnology & Healthcare	2,956	2.8
Fidelity Special Values	UK All Companies	2,950	2.8
Chrysalis Investments	Private Equity	2,842	2.7
<b>Ten largest investments</b>		<b>34,926</b>	<b>33.5</b>
Mid Wynd International Investment Trust	Global	2,820	2.7
Edinburgh Worldwide Investment Trust	Global	2,747	2.6
RIT Capital Partners	Flexible Investment	2,635	2.5
Henderson Smaller Companies Investment Trust	UK Smaller Companies	2,560	2.5
Ruffer Investment Company	Flexible Investment	2,490	2.4
Baillie Gifford Japan Trust	Japan	2,449	2.3
Aurora Investment Trust	UK All Companies	2,390	2.3
Biotech Growth Trust	Biotechnology & Healthcare	2,359	2.3
Personal Assets Trust	Flexible Investment	2,357	2.3
Henderson Opportunities Trust	UK All Companies	2,303	2.2
<b>Twenty largest investments</b>		<b>60,036</b>	<b>57.6</b>
Law Debenture Corporation	Global	2,298	2.2
Capital Gearing Trust	Flexible Investment	2,289	2.2
Artemis Alpha Trust	UK All Companies	2,225	2.1
Baillie Gifford European Growth Trust	Europe	2,201	2.1
AVI Global Trust	Global	2,193	2.1
Finsbury Growth & Income Trust	UK Equity Income	2,032	2.0
ICG Enterprise Trust	Private Equity	2,018	2.0
Templeton Emerging Markets Investment Trust	Global Emerging Markets	2,012	1.9
BH Macro	Hedge Funds	2,010	1.9
TR Property Investment Trust†	Property Securities	1,977	1.9
<b>Thirty largest investments</b>		<b>81,291</b>	<b>78.0</b>

At 31 May 2021			
Investment	Sector	Valuation £'000	% of net assets of Growth Portfolio
Henderson European Focus Trust	Europe	1,963	1.9
Schroder Asian Total Return Investment Company	Asia Pacific – Ex Japan	1,960	1.9
Baillie Gifford UK Growth Fund	UK All Companies	1,920	1.9
Syncona	Biotechnology & Healthcare	1,906	1.8
JPMorgan American Investment Trust	North America	1,905	1.8
Lowland Investment Company	UK Equity Income	1,801	1.7
European Opportunities Trust	Europe	1,687	1.6
Diverse Income Trust	UK Equity Income	1,682	1.6
Hipgnosis Songs Fund	Tech Media & Telecomm	1,674	1.6
Schiehallion Fund	Private Equity	1,350	1.3
<b>Forty largest investments</b>		<b>99,139</b>	<b>95.1</b>
Mobius Investment Trust	Global Emerging Markets	1,230	1.2
Schroder UK Public Private Trust	UK All Companies	683	0.7
<b>Total investments</b>		<b>101,052</b>	<b>97.0</b>
<b>Net current assets</b>		<b>3,174</b>	<b>3.0</b>
<b>Net assets</b>		<b>104,226</b>	<b>100.0</b>

† Investment managed by the Manager, BMO GAM

### Analysis of the Investment Areas of the Growth Portfolio's Investments on a 'Look-through' Basis



Note: This analysis is gross of any gearing in the underlying investee companies. Source: AIC (underlying data at 31 May 2021)

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# Sustainability and ESG

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As stewards of more than £175 billion of assets, we support positive change. The Company benefits from the Manager's leadership in this field and its £227 billion<sup>(1)</sup> of assets under its management.

<sup>(1)</sup> as at 31 December 2020 Source: BMO GAM

## Our Approach

Environmental, Social and Governance ('ESG') issues are the three central factors in measuring sustainability and can present both opportunities and threats to the long-term investment performance the Company aims to deliver to shareholders. The Board and Manager is therefore committed to taking a responsible approach to ESG matters. There are two strands to this approach. The Company's own responsibilities on matters such as governance and the impact it has through the investments that are made on its behalf by its Manager.

The Company's compliance with the AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on pages 41 to 43. In addition, the Principal Policies statement on pages 31 and 32 includes the Company's policies towards Board diversity, integrity and business ethics and prevention of the facilitation of tax evasion.

The Board recognises that the most material way in which the Company can have an impact is through responsible ownership of its investments. The Manager engages actively with the management of investee companies to encourage that high standards of ESG practice are adopted. The Manager has long been at the forefront of the investment industry in its consideration of these issues and has one of the longest established and largest teams focused solely on ESG.

## Responsible Ownership

Engaging actively with companies on significant ESG matters, to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms a fundamental part of the Manager's approach towards responsible investment. Engagement in the first instance rather than simply divesting or excluding investment opportunities is also part of this approach.

An example of company engagement during the year was **Assura**, which is held in the Income Portfolio, whereby large investors, including our Manager engaged with it on significant salary increases to the executive board members.

The Manager's Corporate Governance Guidelines set out its expectations of the management of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies and ensuring that there is an effective mechanism for the internal reporting of wrongdoing, whether within

the investee company itself or involving other parties, such as suppliers, customers, contractors or business partners.

The Manager is also a signatory to the United Nations Principles for Responsible Investment ('UNPRI') under which signatories contribute to the development of a more sustainable global financial system. As a signatory, the Manager aims to incorporate ESG factors into its investment processes.

## ESG and the Investment Process

ESG issues are an integral part of the Manager's investment process, forming part of the assessment of the Quality and Management criteria for possible and ongoing investments. The Manager's ESG teams work closely with the portfolio managers to create an internally generated assessment of the relevant ESG issues for each company. As part of the review process, the Manager will also note if the investment is aligned explicitly with any of the UN Sustainable Development Goals. Details of these goals can be found at [www.un.org/sustainabledevelopment/sustainable-development-goals/](http://www.un.org/sustainabledevelopment/sustainable-development-goals/). The Manager's own ESG assessment is cross-referenced against external sources, for example MSCI ESG Research, to check it is comprehensive. There are two main outcomes of this research. First, the research is used to initiate discussions with the investee company, to clarify the Manager's understanding of the issues involved, to create a dialogue and to encourage higher standards where appropriate. In this the Manager may join with other major investors in order to be a yet more powerful force to drive change. Secondly, it is used to adjust the Manager's assessment of the weighted average cost of capital for the investee company; this is an important component of the valuation model, such that companies with higher ESG standards will warrant a lower cost of capital and in turn a higher valuation, and vice-versa. In these ways, ESG affects each of the cornerstones of the investment process, Quality, Management and Valuation, as well as driving an ongoing dialogue between the Manager and the investee company.

The Manager is committed to engaging with the underlying fund managers of your Company's investments to encourage them to bring ESG to the forefront of their investment processes. A survey will be undertaken in the current year to determine matters such as membership of UNPRI, their strategy and rating and progress on ESG policies and reporting.

## Climate Change

Climate change is one of the defining challenges of modern times and presents potentially significant financial risks and opportunities for BMO Managed Portfolio Trust. We expect the managers of the investment companies in the Portfolios to be proactive in integrating climate change into their investment and stewardship processes. It is important to consider not only the potential investment downsides, but also the opportunities that the energy transition will bring and the Growth Portfolio's investment in **Impax Environmental Markets** gives focused exposure to climate change solutions (see Portfolio Case Study below).

Your Company's Manager recently announced an ambition to reach net zero emissions by 2050 or sooner across all assets under management, as a founder signatory to the Net Zero Asset Managers Initiative<sup>(1)</sup>. Amongst the managers of the investment companies held by BMO Managed Portfolio Trust, we have been pleased to see **Aberdeen Standard, Allianz Global Investors, Fidelity, Invesco Asset Management, Jupiter and Schroder Investment Management** also making this commitment. We look forward to seeing further details on how these commitments will be implemented, and how they will affect the management of these investment companies over time.

## Voting on Portfolio Investments

As noted previously, the Manager's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms

of good corporate governance. The Board expects to be informed by the Manager of any sensitive voting issues involving the Company's investments. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights and reports at each meeting to the Board on its voting record. The Manager will vote on all investee company resolutions.

The Manager is a signatory to the UK Stewardship Code 2020 and, as required by the FRC, has reported on how it has applied the Code in its Responsible Investment Annual Review in 2021. This report is available at [bmogam.com](http://bmogam.com). The Manager's statement of compliance with the UK Stewardship Code has been awarded Tier 1 status by the Financial Reporting Council, the highest possible ranking.

We expect the Company's shares to be voted on all holdings where possible. During the year, the Manager voted at 108 meetings of investee companies held by the Company. The Manager did not support management's recommendations on at least one resolution at approximately 8% of all meetings. With respect to all items voted, the Manager supported over 97.2% of all management resolutions. Approaching half of the votes against management related to the election of directors. Boards lacking sufficient independent oversight and directors considered to be non-independent sitting on key board committees were the most common reasons for not supporting an individuals re-election.

## Portfolio Case Study

### *Impax Environmental Markets*

By investing globally in companies active in the growing resource efficiency and environmental markets, **Impax Environmental Markets** seeks to achieve sustainable, above-market returns over the longer term. These markets address a number of long-term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption and depletion of limited natural resources. Investments are made in 'pure-play' small and mid-cap companies which have more than 50% of their underlying revenue generated by sales of environmental products or services in the energy efficiency, renewable energy, water, waste and sustainable food and agriculture markets.

<sup>(1)</sup> [www.netzeroassetmanagers.org](http://www.netzeroassetmanagers.org)

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# Promoting the Success of the Company

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## Section 172 Statement

Under Section 172 of the Companies Act 2006, the Directors have a duty to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's shareholders;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

As explained on page 11, the Company is an externally managed investment company and has no employees, customers or premises.

The Board believes that the optimum basis for meeting its duty to promote the success of the Company is by appointing and managing third parties with the requisite performance records, resources, infrastructure, experience and control environments to deliver the services required to achieve the investment objective and successfully operate the Company. By developing strong and constructive working relationships with these parties, the Board seeks to ensure high standards of business conduct are adhered to at all times and service levels are enhanced whenever possible. This combined with the careful management of costs is for the benefit of all shareholders who are also key stakeholders.

As set out on page 11, the Board's principal working relationship is with the Manager which is responsible for the management of the Company's assets in line with the investment objective and policy set by the Board. The Manager also provides administrative functions to the Company and acts as the AIFM.

The Board works closely with the Manager and oversees the various matters which have been delegated to it, and to ensure the Company's daily operations run smoothly for the benefit of all shareholders. The Portfolio activities undertaken by our Manager are set out in the Manager's Review on pages 14 to 19.

While the Company's direct impact on the community and environment is limited, its indirect ESG impact occurs through the investment companies in which it invests. The Board gives effect to this through the Manager's Responsible Investment approach which is set out on pages 24 and 25. The Board is very supportive of BMO GAM's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals ("SDGs"). Information on the annual evaluation of the Manager, to ensure its continued appointment remains in the best interests of shareholders, is set out on page 45.

In addition to the Company's shareholders, Manager and bankers, other key stakeholders include its service providers such as the custodian, depositary, broker and registrar. The Board receives regular reports from the Company's key service providers on an ongoing basis and evaluates them to ensure expectations on service delivery are met.

The Board places great importance on communication with shareholders and further information is set out on page 12.

The Company's stakeholders are always considered when the Board makes decisions and examples include:

- **Dividends**  
The Board recognises that providing an attractive level of income with the potential for growth is important to the Company's Income shareholders. Following the payment of the fourth interim dividend, dividends with respect to the financial year to 31 May 2021 total 6.2p per Income share. This represents an increase of 1.6% compared to the prior year and a yield of 4.3% at 31 May 2021 as compared to the yield on the FTSE All-Share Index of 2.8% at that date.

- **Conversion facility**

The Board recognises that providing shareholders with an annual opportunity to convert their shares into the other class without incurring UK capital gains tax should be an attractive facility for shareholders who wish to do so. Over the last few years, the Board has taken steps to enhance the operation of the conversion facility while managing the related costs, to ensure it could operate when there was meaningful demand. Conversions have occurred in the last three financial years for the benefit of shareholders.

- **Share issuance and buy-backs**

The Board believes that the ability to issue and buy back shares is in the interests of all shareholders as it helps to reduce the volatility in the premium or discount of the Company's share prices relative to their respective NAVs. During the year the Company issued 575,000 new Income shares and 1,815,000 new Growth shares at an average premium to NAV of 1.9% and 1.5% respectively. 425,000 Income shares were also bought back for treasury at an average discount of 2.7% to NAV and then subsequently resold at an average premium to NAV of 1.6%. This helps to enhance the NAV for ongoing shareholders and growing the size of the Company allows operating costs to be spread over a wider shareholder base for the benefit of all shareholders.

- **Board succession plan**

The Board is committed to ensuring that its composition is compliant with best corporate governance practice under the AIC Code including guidance on tenure. As such, as part of the ongoing Board succession plan, on 14 July 2021 the Board appointed Mr Simon Longfellow as a non-executive Director. His biography is included on page 33 and the process which was followed is set out on page 44. This recruitment will now allow for the retirement of one of the longer serving Directors and Mr Colin McGill will retire following the forthcoming Annual General Meeting. An objective of the succession plan is to ensure an adequate level of continuity and experience on the Board thereby acting in the best interests of shareholders.

- **Retail investors**

The Company's shareholders are predominantly retail investors who invest through savings or execution-only platforms. A significant proportion invest through the BMO retail savings plans and the Board remains focused with the Manager on the optimal delivery of the Company's investment proposition for the benefit of all shareholders. BMO remains committed to its savings plans and its relationship with its customers and has invested significantly in its offering to enhance the digital experience in order to meet its customers' expectations.

# Principal Risks and Uncertainties and Viability Statement

Most of the Company's principal risks and uncertainties that could threaten the achievement of its objective, strategy, future performance, liquidity and solvency are market-related and comparable to those of other investment companies investing primarily in listed securities.

A summary of the Company's internal controls and risk management arrangements is included within the Report of the Audit Committee on pages 46 and 47. By means of the procedures set out in that summary, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Any emerging risks that are identified and that are considered to be of significance would be included on the Company's risk radar with any mitigations. These significant risks, emerging risks

and other risks, are regularly reviewed by the Audit Committee and the Board. Ongoing consideration has been given to the impact from Coronavirus (COVID-19) and is referred to in the Chairman's Statement, Investment Manager's Review and below in Market Risk and Operational Risk. They have also regularly reviewed the effectiveness of the Company's risk management and internal control systems for the period.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach, are described below.

Notes 17 to 22 to the financial statements provide detailed explanations of the risks associated with the Company's financial instruments and their management.

Principal Risks and Uncertainties	Mitigation
<p><b>Market Risk</b></p> <p>The Company's assets consist mainly of listed closed-end investment companies and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.</p> <p>Since early 2020 there has been increased uncertainty in markets due to the effect of COVID-19 which has led to falls and volatility in the Company's NAV.</p> <p> <b>No change in overall risk but due to the impact of COVID-19 this risk remains heightened</b></p>	<p>The Board regularly considers the composition and diversification of the Income Portfolio and the Growth Portfolio and considers individual stock performance together with purchases and sales of investments. Investments and markets are discussed with the Investment Manager on a regular basis.</p> <p>The effect of COVID-19 on markets, which has contributed to significant volatility is discussed in the Chairman's Statement and Managers Review. As a closed-end investment trust the Company is not constrained by asset sales to meet redemptions and is well suited to investors seeking longer term returns and to remain invested through volatile market conditions.</p> <p>An explanation of these risks and the way in which they are managed are contained in notes 17 to 22 to the financial statements.</p>
<p><b>Investment Risk</b></p> <p>Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/premium and the use of gearing could all lead to poor returns for shareholders including impacting the capacity to pay dividends.</p> <p> <b>No change in overall risk</b></p>	<p>The investment strategy and performance against peers and the benchmark are considered by the Board at each meeting and reviewed with the Investment Manager. The Board is responsible for setting the gearing range within which the Manager may operate and gearing is discussed at every meeting and related covenant limits are closely monitored.</p> <p>The Income Portfolio and Growth Portfolio are diversified and comprise listed closed-end investment companies and their composition are reviewed regularly by the Board.</p> <p>BMO GAM's Investment Risk team provide oversight on investment risk management.</p> <p>The Board regularly considers ongoing charges and a discount/premium management policy has operated since the launch of the Company. Underlying dividends from investee companies and the dividend paying capacity of the Company are closely monitored.</p>

Principal Risks and Uncertainties	Mitigation
<p><b>Custody Risk</b> Safe custody of the Company's assets may be compromised through control failures by the Custodian.</p> <p> <b>No change in overall risk</b></p>	<p>The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Board also receives periodic updates from the Custodian on its own cyber-security controls.</p> <p>The Depositary is specifically liable for loss of any of the Company's assets that constitute financial instruments under the AIFMD.</p>
<p><b>Operational Risk</b> Failure of BMO GAM as the Company's main service provider or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring, leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence.</p> <p>The risk includes failure or disruption as a consequence of external events such as the COVID-19 pandemic.</p> <p>External cyber attacks could cause such failure or could lead to the loss or sabotage of data.</p> <p> <b>No change in overall risk but due to the impact of COVID-19 on working practices and cyber risks this risk remains heightened</b></p>	<p>The Board meets regularly with the management of BMO GAM and its Business Risk team to review internal control and risk reports, which includes oversight of third party service providers. The Manager's appointment is reviewed annually and the contract can be terminated with six months' notice. BMO GAM has a business continuity plan in place to ensure that it is able to respond quickly and effectively to an unplanned event that could affect the continuity of its business.</p> <p>BMO GAM has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust Company ('<b>State Street</b>') and supervision of such third party service providers, including SS&amp;C who administer the BMO savings plans, has been maintained by BMO GAM. This includes the review of IT security and heightened cyber threats which was discussed with the Board during the financial year.</p> <p>As a consequence of the COVID-19 pandemic and the measures put in place by the UK government since March 2020, the Manager has implemented working from home arrangements for its staff and, in accordance with contingency plans designed to safeguard its employees, continue serving clients and keep operations running effectively and in compliance with its regulatory obligations. The arrangements have operated without incident or disruption. The Manager closely monitored the performance of its technology platform which operated within acceptable control levels. The Company's other third party service providers have also implemented similar arrangements to ensure no disruption to their service. Having considered these arrangements and reviewed the service levels over the last year, the Board is confident that the Company continues to operate as normal and expected service levels are being maintained.</p>

## Viability Assessment and Statement

In accordance with the UK Corporate Governance Code, the Board is required to assess the future prospects for the Company and considered that a number of characteristics of the Company's business model and strategy were relevant to this assessment:

- The Company's investment objective and policy, which are subject to regular Board monitoring, means that the Company is invested principally in two diversified portfolios of listed closed-end investment companies and the level of borrowing is restricted.
- These investments are principally in listed securities which are traded in the UK or another Regulated Exchange and which are expected to be readily realisable.
- The Company is a listed closed-end investment company, whose shares are not subject to redemptions by shareholders.
- Subject to shareholder continuation votes, the next of which will be at the AGM in 2023 and five yearly thereafter, the Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Custodian and Depository.
- The borrowing facilities, which remain available until February 2022, are subject to formal agreements, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.
- The operational robustness of key service providers and the effectiveness of alternative working arrangements in particular given the current impact of COVID-19.
- That alternative service providers could be engaged at relatively short notice if necessary.

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance and solvency. This included the impact of COVID-19 and the impact of a significant fall in equity markets on the Company's investment Portfolios. These risks, their mitigations and the processes for monitoring them are set out on pages 28 and 29 in Principal Risks and Uncertainties, on pages 46 and 47 in the Report of the Audit Committee and in Notes 17 to 22 to the financial statements.

The Directors also considered:

- The level of ongoing charges incurred by the Company which are modest and predictable and (at 31 May 2021), excluding the performance fee and ongoing charges of underlying funds, total 1.08% and 1.03% of average net assets for the Income shares and Growth shares respectively.
- Future revenue and expenditure projections.
- Its ability to meet liquidity requirements given the Company's investment Portfolios consist principally of listed investment companies which can be realised if required.
- The ability to undertake share buybacks if required.
- Whether the Company's objective and policy continue to be relevant to investors.
- Directors are non-executive and the Company has no employees and consequently the Company does not have redundancy or other employment-related liabilities or responsibilities.
- The uncertainty surrounding the potential length of the COVID-19 pandemic, its impact on the global economy and the prospects for the Company's investment Portfolios.

These matters were assessed over a three year period to August 2024, and the Board will continue to assess viability over three year rolling periods.

As part of this assessment the Board considered a number of stress tests and scenarios which considered the impact of severe stock market volatility on shareholders' funds over a three-year period. The results demonstrated the impact on the Company's net assets and its expenses and its ability to meet its liabilities over that period.

A rolling three year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, although they do have due regard to viability over the longer term.

**Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to August 2024.**

# Policy Summary

## Investment Objective and Policy

The Company's investment objective is to provide an attractive level of income with the potential for income and capital growth to **Income** shareholders, and to provide capital growth for **Growth** shareholders in each case through investing principally in a diversified portfolio of investment companies.

The **Income** Portfolio invests in a diversified portfolio of at least 25 investment companies that have underlying investment exposures across a range of geographic regions and sectors and that focus on offering an income yield above the yield of the FTSE All-Share Index.

The **Growth** Portfolio invests in a diversified portfolio of at least 25 investment companies that have underlying investment exposures across a range of geographic regions and sectors and that the focus of which will be to maximise total returns, principally through capital growth.

The Company invests principally in closed-end investment companies, wherever incorporated, which are listed on the Official List of the Financial Conduct Authority. The majority of the Company's holdings comprise equity investments although it is permitted to invest in other securities issued by investment companies.

The Company is permitted to invest in other closed-end investment companies, wherever incorporated, whose shares are traded on AIM or a Regulated Exchange (other than the London Stock Exchange's Main Market) up to a maximum of 25% of the total assets of the relevant Portfolio.

In accordance with the Listing Rules of the Financial Conduct Authority, the Company will not invest more than 10% in aggregate of its total assets in other UK listed investment companies that themselves may invest more than 15% of their total assets in other UK listed investment companies.

There are no maximum levels set for underlying exposures to geographic regions or sectors.

No investment in either Portfolio may exceed 15% of the relevant Portfolio's total assets at the time of the latest purchase.

The Manager may invest the assets of the Company in other investment companies managed by the Manager or another member of the BMO Group, provided that such investments in the Income or Growth Portfolios shall not exceed 20% of the total assets of the relevant Portfolio at the time of investment.

There are no defined limits on securities and accordingly the Company may invest up to 100% of total assets in any particular type of security.

The Company may use derivatives, principally for the purpose of efficient portfolio management, including protecting the Portfolios against market falls.

The Company may use gearing in either Portfolio. Borrowings are not normally expected to exceed 20% of the total assets of the relevant Portfolio. Under the Company's Articles of Association, the maximum borrowing limit is 50% of the total assets of the relevant Portfolio.

## Gearing Policy

As explained under Investment Objective and Policy, the Company has the flexibility to borrow.

The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate.

The Company has a £5 million unsecured fixed rate term loan and a £5 million unsecured revolving credit facility, both of which are available until 10 February 2022 with The Royal Bank of Scotland International Limited. The fixed rate term loan is drawn down in the Income Portfolio and the facilities are described in more detail in the notes to the financial statements.

## Dividend Policy

Within the Company's investment objective is the aim to provide an attractive level of income for Income shareholders.

In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, the Company's dividend payment record, the yield of the FTSE All-Share Index and the corporation tax rules governing investment trust status. Dividends can also be paid from capital reserves. Risks to the dividend policy have been considered as part of the Principal Risks and Uncertainties and Viability Review on pages 28 to 30 and include financial risks leading to a deterioration in the level of income received by the Company, or a significant change to the Company's regulatory environment.

Dividends are currently paid as interim dividends, quarterly in October, January, April and July.

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### Share Issuance and Buy-back Strategy

Share issuance and buy-backs help reduce the volatility of the share price premium or discount to net asset value per share and enhance the net asset value per share for continuing shareholders.

In normal circumstances, the Board aims to maintain the discount to NAV at which the Company's shares trade at not more than 5%. In practice over the years the shares have generally traded close to NAV. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. Shares held in treasury may be resold at a price not less than the net asset value. For further details see pages 38 and 39.

### Prevention of the Facilitation of Tax Evasion

The Board is fully committed to complying with the UK's Criminal Finances Act 2017, designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company operates. The policy is based upon a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

### Taxation

The policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines.

The Company has received approval from HMRC as an investment trust under Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") and has since continued to comply with the eligibility conditions such that it does not suffer UK corporation tax on capital gains. The Manager ensures that the Company submits correct taxation returns annually to HMRC; settles promptly any taxation due; and claims back, where possible, taxes suffered in excess of taxation treaty rates on non-UK dividend receipts.

### Board Diversity and Tenure

The Board is composed solely of non-executive Directors and its approach to the appointment of non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender. The Board complies with the AIC Code of Corporate Governance in appointing appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company. The Board will always appoint the best person for the role and will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

The Board is committed to maintaining the highest levels of corporate governance in terms of independence and once the Board's succession plan is complete would expect that in future the Directors to serve for a nine-year term, but this may be adjusted for reasons of flexibility and continuity.

### Integrity and Business Ethics

The Board applies a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employees of BMO GAM or any other organisation with which the Company conducts business. The Board also ensures that adequate procedures are in place and followed in respect of third-party appointments, acceptance of gifts, hospitality and similar matters.

The Strategic Report, contained on pages 7 to 32, has been approved by the Board of Directors.

**By order of the Board  
For BMO Investment Business Limited  
Company Secretary  
6th Floor  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG  
2 August 2021**

# Board of Directors



**Colin McGill, Chairman of the Board, Nomination Committee and Management Engagement Committee**

Appointed on 22 February 2008. Colin is a qualified lawyer and accountant. He was Chief Executive Officer of Sportech plc, a company listed on the London Stock Exchange, between 2000 and 2003. Between 1975 and 2000 he was with the Bank of Scotland and from 1998 to 2000 was Chief Executive of the Corporate Division of the Bank of Scotland, responsible for all UK and global corporate banking.



**Simon Longfellow**

Appointed on 14 July 2021. Simon co-founded Steps to Investing which launched in 2020 with the aim of helping inexperienced investors get started on their investment journeys. He also runs marketing consultancy Neo. Prior to that he was Head of Marketing at Janus Henderson Investors, focused entirely on marketing investment trusts to retail investors.

**Other appointments:** Simon is currently a non-executive director of Electric and General Investment Fund and a director of a number of other private companies



**David Harris, Senior Independent Director**

Appointed on 22 February 2008. David is Chief Executive of InvaTrust Consultancy Ltd, a specialist investment and marketing consultancy group that undertakes a variety of projects within the investment fund management industry.

**Other appointments:** David is currently a non-executive director of The Character Group plc and a non-executive director and chairman of Manchester and London Investment Trust plc.



**David Warnock**

Appointed on 1 January 2019. David co-founded the investment firm of Aberforth Partners and was a partner for 19 years until his retirement in 2008. Before Aberforth, he was with Ivory & Sime plc and 3i Group plc.

**Other appointments:** David is currently a non-executive director and chairman of Troy Income & Growth Trust plc and a non-executive director of ICG Enterprise Trust plc.



**Sue Inglis Chairman of the Audit Committee**

Appointed on 9 July 2018. Sue was a senior corporate financier in Cantor Fitzgerald's Investment Companies team until June 2018, having previously been a Managing Director – Corporate Finance in the Investment Companies team at Canaccord Genuity until 2012. Sue is a qualified lawyer and was a partner and head of the funds and financial services group at Shepherd & Wedderburn, a leading Scottish law firm. In 1999 she was a founding partner of Intelli Corporate Finance, an advisory boutique firm focusing on the asset management and investment company sectors, which was acquired by Canaccord Genuity in 2009.

**Other appointments:** Sue is currently a non-executive director and chairman of The Bankers Investment Trust PLC and a non-executive director of Baillie Gifford US Growth Trust plc, Momentum Multi-Asset Value Trust plc and Seraphim Space Investment Trust plc.

All of the Directors are non-executive. All of the Directors are considered by the Board to be independent. All of the Directors are members of the Audit Committee, Management Engagement Committee and Nomination Committee. No Director holds a directorship elsewhere in common with other members of the Board.

# Report of the Directors

The Directors submit the Annual Report and Financial Statements of the Company for the year ended 31 May 2021. The Directors' biographies, Corporate Governance Statement, the Report of the Nomination Committee, the Report of the Management Engagement Committee, the Report of the Audit Committee and the Directors' Remuneration Report form part of this Report of the Directors.

## Statement Regarding Annual Report and Financial Statements

Following a detailed review of the Annual Report and Financial Statements by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment industry in general and investment companies in particular. The outlook for the Company can be found on pages 10, 18 and 19. Principal risks and uncertainties can be found on pages 28 and 29 with further information in notes 17 to 22 to the financial statements.

## Results and Dividends

The results for the year are set out in the financial statements on pages 58 to 85. The return attributable to shareholders was £39,766,000, of which £15,213,000 was attributable to the Income Portfolio and £24,553,000 to the Growth Portfolio.

The Company has paid quarterly interim dividends in the year ended 31 May 2021 as follows:

Interim Dividend Payments		
	Payment date	Rate per Income share
Fourth interim for 2020	10 July 2020	1.9p
First interim for 2021	9 October 2020	1.4p
Second interim for 2021	8 January 2021	1.4p
Third interim for 2021	9 April 2021	1.4p

A fourth interim dividend of 2.0p per Income share was paid after the year end, on 9 July 2021 to Income shareholders on the register at close of business on 18 June 2021. The total dividend for the financial year to 31 May 2021 of 6.2p per Income share represents an increase of 1.6% over the 6.1p per Income share paid in respect of the previous financial year to 31 May 2020.

As set out in the Company's dividend policy on page 31, payments are made quarterly as interim dividends and the Company does not currently pay a final dividend that would require formal shareholder approval at the AGM. This enables the fourth interim dividend

payment to be made in July and earlier than would be possible if that dividend was classed as a final dividend and subject to shareholder approval at the AGM in September.

As an alternative, the Board proposes to seek formal shareholder approval at the Annual General Meeting ('AGM') to continue quarterly payments (**Resolution 8**).

## Principal Activity and Status

The Company is registered in Scotland as a public limited company in terms of the Companies Act 2006 (Company Number: SC338196). The Company is an investment company within the terms of Section 833 of the Companies Act 2006.

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs ('HMRC'), subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. As a result, it is not liable for corporation tax on capital gains. The Company intends to continue to conduct its affairs so as to enable it to comply with the requirements.

The Company is required to comply with company law, the rules of the Financial Conduct Authority and other legislation and regulations including financial reporting standards and its Articles of Association.

The Company is a member of the Association of Investment Companies (the 'AIC').

## Accounting and Going Concern

Shareholders will be asked to approve the adoption of the Annual Report and Financial Statements at the AGM (**Resolution 1**).

The financial statements start on page 58 and the unqualified Independent Auditor's Report on the financial statements is on pages 53 to 57. The significant accounting policies of the Company are set out in note 1 to the financial statements.

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council (including that due to COVID-19) and have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the COVID-19 pandemic.

Most of the Company's principal risks and uncertainties are market related and comparable to other investment companies investing primarily in listed securities. An explanation of these risks and how they are managed is set out on pages 28 and 29. The Board has, in particular, considered the impact of increased market volatility during the COVID-19 pandemic but does not believe the Company's ability to continue as a going concern is affected.

The Company's investment objective and policy, which is described on page 31 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested principally in listed securities. The value of these investments exceeds the Company's liabilities by a significant margin. The Company retains title to all assets held by its Custodian and has agreements relating to its borrowing facilities with which it has complied during the year. Cash is only held with banks approved and regularly reviewed by the Manager.

As part of the going concern review, the Directors noted that a £5 million fixed rate term loan and a £5 million revolving credit facility are committed to the Company until 10 February 2022 and loan covenants are reviewed by the Board on a regular basis. Further details are set out in note 12 to the financial statements.

Notes 17 to 22 to the financial statements set out the financial risk profile of the Company and indicate the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

The Directors believe having assessed the principal risks and other matters, including the COVID-19 pandemic and in light of the controls and review processes noted and bearing in mind the nature of the Company's business and assets and revenue and expenditure projections, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Company's longer term viability is considered in the 'Viability Assessment and Statement' on page 30.

The Company does not have a fixed life. However, the Company's Articles of Association require the Board to next put a resolution to shareholders at the 2023 Annual General Meeting (and five-yearly thereafter) to continue the Company. The continuation vote will be proposed as an ordinary resolution. The first such resolution was put to shareholders and passed at the Annual General Meeting held on 19 September 2018.

### Statement of Disclosure of Information to Auditor

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Re-appointment of Auditor

KPMG LLP was re-appointed as the Company's auditor at the Annual General Meeting on 24 September 2020 and it has expressed its willingness to continue in office as the Company's auditor. A resolution proposing its re-appointment and authorising the Directors to determine its remuneration will be submitted at the AGM (**Resolution 7**).

Further information in relation to the re-appointment can be found on page 48.

### Capital Structure and Voting Rights

The Company's capital structure is explained in the 'Capital Structure' section on page 95 of this Annual Report and details of the share capital are set out in note 13 to the financial statements. Details of voting rights are also set out in the notes to the notice of Annual General Meeting. At 31 May 2021 there were 46,944,790 Income shares and 37,761,553 Growth shares listed and the total issued share capital of the Company (excluding treasury shares) was represented 55.4% by Income shares and 44.6% by Growth shares.

There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. Pursuant to the Company's loan facility agreements, repayment may be required in the event of a change in control of the Company. There are no other significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

### Substantial Interests in Share Capital

At 31 May 2021 the Company had 46,944,790 Income shares and 37,761,553 Growth shares in issue. As at and since that date the Company had received no notifications of significant voting rights (under the FCA's Disclosure Guidance and Transparency Rules) in respect of the Company's share capital.

### BMO Savings Plans

Since the launch of the Company, the majority of the Income shares and Growth shares have been held through the BMO retail savings plans. Approximately 69% of the Income shares and 84% of the Growth shares are held in this manner. The voting arrangements for these shares is explained on page 95.

## Share Conversion

During the year the Company's annual share conversion facility proceeded for those shareholders who had elected to do so. The net result of those conversions, which took effect on 5 November 2020, was a decrease of 115,747 Income shares in issue and an increase of 58,343 Growth shares in issue.

## Directors' Remuneration Report

The Directors' Remuneration Report, which can be found on pages 49 to 51, provides detailed information on the remuneration arrangements for the Directors of the Company including the Directors' Remuneration Policy. Shareholders will be asked to approve the Annual Report on Directors' Remuneration (**Resolution 2**) at the AGM on 30 September 2021.

At the Annual General Meeting held on 24 September 2020, shareholders approved the Directors' Remuneration Policy and it is intended that this policy will continue for the three year period ending at the AGM in 2023, when shareholders will next be asked for their approval. There have been no material changes to the Remuneration Policy since approved by shareholders at the Annual General Meeting held on 24 September 2020.

## Director Election and Re-Elections

Biographical details of the Directors, all of whom are non-executive, can be found on page 33 and are incorporated into this report by reference.

With the exception of Mr S M Longfellow who was appointed following the year-end on 14 July 2021 and Mr A G Stewart who retired as a Director on 24 September 2020, all of the Directors held office throughout the year under review. In accordance with the Company's Articles of Association, any Director appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election. Accordingly, Mr S M Longfellow will retire at the AGM, being the first such meeting following his appointment and, being eligible, offers himself for election (**Resolution 5**).

As explained under the Corporate Governance Statement on page 43, the Board has agreed that all Directors will retire annually. Mr C S McGill is not standing for re-election and will therefore retire at the conclusion of the forthcoming Annual General Meeting. Accordingly, Mr D Harris, Ms S P Inglis and Mr D Warnock will retire at the AGM and, being eligible, offer themselves for re-election. (**Resolutions 3, 4 and 6**).

The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below.

- **Resolution 3** relates to the re-election of Mr D Harris who was appointed on 22 February 2008 and has therefore served for more than nine years. He provides investment and marketing consultancy services to the financial services sector and has extensive experience and knowledge of investment companies.
- **Resolution 4** relates to the re-election of Ms S P Inglis who was appointed on 9 July 2018. She has extensive and in-depth knowledge and experience in the investment companies sector having been a senior corporate financier and, prior to that, a senior lawyer specialising in investment companies and also from her other non-executive director roles.
- **Resolution 5** relates to the election of Mr S M Longfellow who was appointed on 14 July 2021 and has extensive marketing experience in the investment trust sector.
- **Resolution 6** relates to the re-election of Mr D Warnock who was appointed on 1 January 2019 and has in-depth knowledge, expertise and experience in investment management and with investment companies.

The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, the Board believes that each Director is independent in character and judgement, that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board. Additional information on diversity and tenure is set out on pages 32 and 44.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Chairman and the Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role and having considered the Directors' other time commitments and Board positions are satisfied that each Director has the capacity to be fully engaged with the Company's business. The Chairman and the Board therefore believe that it is in the interests of shareholders that each of those Directors seeking election and re-election are elected/re-elected.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with, and accepted, the terms of a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

No Director has any material interest in any contract to which the Company is a party.

### Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act 2006 against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting. The Company also maintains Directors' and officers' liability insurance.

### Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

### Safe Custody of Assets

The Company's investments are held in safe custody by JPMorgan Chase Bank (the '**Custodian**'). Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades and location of the securities held.

### Depository

JPMorgan Europe Limited (the '**Depository**') acts as the Company's depository in accordance with the AIFMD. The Depository's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include, but are not limited to, cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment and leverage limit requirements. The Depository receives for its services a fee of one basis point per annum on the value of the Company's net assets, payable monthly in arrears.

Although the Depository has delegated the safekeeping of all assets held within the Company's investment Portfolios to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depository will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

### Management and Administration

The Manager provides management, secretarial and administrative services to the Company. A summary of the investment management agreement between the Company and the Manager in respect of the services provided is given in notes 4 and 5 to the financial statements. The Manager is the Company's AIFM, for which it does not receive any additional remuneration.

Since the end of the year, the Management Engagement Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the investment management contract and the fees payable to the Manager, together with the standard of other services provided, which include company secretarial, accounting and marketing services. Following this review, which included a comparison against the terms of appointment of investment managers for similar investment companies, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

### Other Companies Act Disclosures

- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of periodic retirement, the Articles of Association provide that each Director is required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected.

As mentioned earlier in this Report, the Board has agreed that all Directors will retire annually.

- Amendment of the Articles of Association and powers to issue and buy-back shares require shareholder authority.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

### Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chairman's Statement on page 10 and the Investment Manager's Review on pages 18 and 19.

### Environmental, Social and Governance

Details on the Company's Environmental, Social and Governance policies, including voting on Portfolio investments, is set out on pages 24 and 25.

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company.

### Modern Slavery Act 2015

As an investment company with no employees or customers and which does not provide goods or services in the normal course of business, the Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a human trafficking statement. The Company's own supply chain, which consists predominantly of professional advisers and service providers in the financial services industry, is considered to be low risk in relation to this matter. A statement by BMO Financial Group under the Act has been published on the Manager's website at [bmogam.com](http://bmogam.com).

### Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

### Financial Instruments

The Company's financial instruments comprise its investment portfolios, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial

risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in notes 17 to 22 to the financial statements.

### Annual General Meeting and Separate Meetings of Income Shareholders and Growth Shareholders

The Annual General Meeting will be held at Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS, on Thursday 30 September 2021 at 10.30am. The notice of Annual General Meeting is set out on pages 91 to 94. Separate meetings of Income shareholders and Growth shareholders will also be held at the same venue, on Thursday 30 September 2021 at 10.20am and 10.25am respectively. The notices of these meetings are set out on pages 87 to 90.

The Board hopes to be able to meet shareholders in person this year, but, given the impact of COVID-19, the Board will continue to monitor developments closely and attendance at the physical meetings may still be restricted, depending on the Government's guidelines at the time of the meetings. Shareholders wishing to attend the separate meetings and the AGM in person should register their intention with the Company Secretary by emailing [MPTCoSec@bmogam.com](mailto:MPTCoSec@bmogam.com). Should any Government restrictions and social distancing measures remain in place at the time of the meetings, entry may be restricted and/or refused in accordance with the Articles, the law and/or Government guidance. Arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meetings in order that the meetings may proceed and the business be concluded.

The Board strongly encourages all shareholders to exercise their votes in respect of the separate meetings and the AGM in advance, to ensure that their votes are registered and count. Should there be any changes to the meetings or the location, this will be notified through the Company's website and announcements to the London Stock Exchange. Should shareholders have any questions or comments in advance, these can be raised with the Company Secretary ([MPTCoSec@bmogam.com](mailto:MPTCoSec@bmogam.com)).

Resolutions 9 to 14 are explained below.

### Directors' Authority to Allot Shares and Sell Shares from Treasury (Resolutions 9, 10 and 11)

Since the Annual General Meeting of the Company held on 24 September 2020, and in accordance with the authorities granted, the Board has exercised its powers by selling 425,000 Income shares from treasury and issuing 425,000 new Income shares and 1,750,000 new Growth shares (representing 1.8% and 4.6% of the Company's total issued Income share and Growth share capital respectively (excluding treasury shares) as at 2 August 2021) on a non pre-emptive basis at a premium to the net asset value per share.

The Directors believe that the Company's continuing ability to issue shares at a premium to net asset value or sell shares from treasury will increase liquidity and reduce volatility by preventing the build-up of excessive demand for shares.

The sale of shares from treasury is to be at a price not less than the net asset value per share of the Income shares (in the case of a sale of Income shares) or Growth shares (in the case of a sale of Growth shares).

The Directors are seeking authority to allot Income shares and Growth shares.

**Resolution 9** (authority to allot shares) will, if passed, authorise the Directors to allot new Income shares up to an aggregate nominal amount of £896,384.44 (consisting of 9,438,000 Income shares) and new Growth shares up to an aggregate nominal amount of £720,298.75 (consisting of 7,584,000 Growth shares), being approximately 20% of the Company's total issued Income shares and approximately 20% of the Company's total issued Growth shares (excluding treasury shares) as at 2 August 2021.

**Resolution 10** (power to disapply pre-emption rights) will, if passed, authorise the Directors to allot new Income shares, or resell Income shares held in treasury, up to an aggregate nominal amount of £448,192.22 (consisting of 4,719,000 Income shares) and allot new Growth shares, or resell Growth shares held in treasury, up to an aggregate nominal amount of £360,149.37 (consisting of 3,792,000 Growth shares), being approximately 10.0% of the Company's total issued Income shares and approximately 10.0% of the Company's total issued Growth shares (including treasury shares), as at 2 August 2021, for cash without first offering such shares to existing shareholders pro rata to their existing holdings.

**Resolution 11** (additional power to disapply pre-emption rights) will, if passed, and in addition to Resolution 10, authorise the Directors to allot further new Income shares, or resell Income shares held in treasury, up to an aggregate nominal amount of £448,192.22 (consisting of 4,719,000 Income shares) and allot new Growth shares, or resell Growth shares held in treasury, up to an aggregate nominal amount of £360,149.37 (consisting of 3,792,000 Growth shares) being approximately 10.0% of the Company's total issued Income shares and approximately 10.0% of the Company's total issued Growth shares (including treasury shares), as at 2 August 2021, for cash without first offering such shares to existing shareholders pro rata to their existing holdings.

These authorities will continue until the earlier of 30 December 2022 (being 15 months from the date of the Annual General Meeting in 2021)

and the conclusion of the Annual General Meeting in 2022. The Directors will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share.

### Directors' Authority to Buy-Back Shares (Resolution 12)

At the last Annual General Meeting held on 24 September 2020 shareholders gave the Company authority to make market purchases of up to 7,028,000 Income shares and 5,402,000 Growth shares (being 14.99% of each of the issued Income shares and Growth shares, in each case excluding treasury shares).

During the year to 31 May 2021, the Company purchased through the market for treasury, 425,000 Income shares with a nominal value of £0.094976101 each, representing 0.9% of the Income shares in issue at the previous financial year end, for a total consideration of £557,000 in accordance with the Company's discount management policy.

During the year to 31 May 2021, the Company did not purchase through the market any Growth shares for treasury.

The current authority of the Company to make market purchases of up to 14.99% of each of the issued Income shares and Growth shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and **Resolution 12**, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99% of each of the issued Income shares and issued Growth shares (in each case, excluding treasury shares) of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of £0.094976101 per share nor more than the higher of (a) 5% above the average of the middle market values of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will either be held in treasury or cancelled at the determination of the Directors. This authority will expire on the earlier of 30 December 2022 and the conclusion of the next Annual General Meeting of the Company.

There is no limit on the number of shares that a company can hold in treasury at any one time and the Board has not set a limit on the number of shares that can be held in treasury by the Company.

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There were 85,116,343 Income shares and Growth shares in issue (excluding treasury shares) as at 2 August 2021 of which 47,194,790 (55.4%) are Income shares and 37,921,553 (44.6%) are Growth shares. At that date, the Company held nil Income shares and nil Growth shares in treasury.

### **Approval of the Proposed Purchase Contract (Resolution 13)**

**Resolution 13** gives the Company authority to buy its deferred shares, arising on the conversion of any of the Growth shares or Income shares into the other class of shares, by way of an off-market purchase in accordance with Sections 693 and 694 of the Companies Act 2006. The deferred shares will be purchased for nil consideration as they have no economic value in order to keep the balance sheet straight forward. The exact number of deferred shares which will arise as a result of any conversions is not yet known and therefore the purchase contract constitutes a contract under Section 694(3) of the Companies Act 2006. By law the Company will only be able to purchase these shares off-market if the Purchase Contract is approved by special resolution at a general meeting of the Company.

### **Approval for the Cancellation of the Share Premium Account (Resolution 14)**

**Resolution 14** asks the Company's shareholders to approve the cancellation of the Company's share premium account, pursuant to the Companies Act 2006 (the "**Act**") and subject to the sanction by the Scottish Court of Session (the "**Cancellation**"). On the cancellation of the Company's share premium account, if permitted by the Court, a special reserve (the "**Special Reserve**") will be created and will be able to be applied in any manner permitted by the Act.

The Directors believe that the Cancellation and the creation of the Special Reserve will provide the Company with further flexibility in the future, as the Special Reserve will be used at the discretion of the Directors, to pay or supplement the payment of dividends to the Income shareholders and fund share buy-backs of both Income shares or Growth shares.

Under the Company's Articles of Association, each of the Income share and Growth share classes have the prior right to consent to any resolution to cancel the Company's share premium account, and therefore separate class meetings in respect of both classes will be held immediately prior to the AGM at which members of these share classes will be asked to consent to Resolution 14 which is being proposed at the Company's AGM.

### **Recommendation**

The Board considers that the passing of the resolutions to be proposed at the Annual General Meeting and at the separate meetings of the Income shareholders and Growth shareholders is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that shareholders vote in favour of those resolutions. Information on shareholder voting rights is set out in the notes to the notice of the Annual General Meeting, the notice of the separate meeting of Income shareholders and the notice of the separate meeting of Growth shareholders.

### **Individual Savings Accounts**

The Company's shares are qualifying investments for Individual Savings Accounts. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

**By order of the Board  
For BMO Investment Business Limited  
Company Secretary  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG  
2 August 2021**

# Corporate Governance Statement

The biographical details of the Directors responsible for the governance of the Company are set out on page 33. Committee membership is also included and the respective terms of reference and biographies are also available on the Company's website [bmomanagedportfolio.com](http://bmomanagedportfolio.com)

In maintaining the confidence and trust of the Company's shareholders, the Board sets out to adhere to the highest standards of corporate governance, business and ethics transparency and it remains committed to doing so. As the Board believes that good governance creates value, it expects the investment companies in which it invests to apply high standards.

## Governance Overview

The Board has established an Audit Committee, Management Engagement Committee and Nomination Committee. The role and responsibilities of these committees are set out in their respective reports, which follow, and their terms of reference are also available on the Company's website. Each of the committees comprises all of the Directors. The Board considers that, given its size, it would be unnecessarily burdensome to establish separate committees which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

As set out in the Strategic Report the Board has appointed the Manager to manage the investment portfolios as well as to carry out the day to day management and administrative functions. Reporting from the Manager is set out on pages 14 to 19 and in the Report of the Audit Committee in respect of internal controls on page 47. The Board's evaluation of the Manager can be found on page 45.

The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable laws, regulations and best practice requirements are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded by the Company Secretary in the minutes.

## Compliance with the AIC Code of Corporate Governance (the "AIC Code")

The Board of BMO Managed Portfolio Trust PLC has considered and supports the principles and provisions of the AIC Code published in February 2019. The AIC code addresses the principles and provisions set out in the UK Corporate Governance Code (the "UK Code")

as well as setting out additional provisions on issues that are of specific relevance to investment companies. Also there are two main differences. In the AIC Code, both the nine year limit on chair tenure and the restriction on the chair of the Board being a member of the Audit Committee have been removed.

Mr C S McGill, the Chairman, was appointed to the Board in February 2008 and then as Chairman in January 2019. As set out in the Report of the Nomination Committee, a succession plan for the Board is in progress while ensuring continuity of knowledge and culture of the Company. As part of this plan Mr C S McGill will retire following the conclusion of the AGM on 30 September 2021. As explained in the Chairman's Statement, it is intended that Mr D Warnock will then be appointed as Chairman. It is anticipated that further changes to the Board will occur during 2022. The tenure policy relating to the Directors, which includes the Chairman, is set out on page 32.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

By reporting against the AIC Code, the Company meets its obligations in relation to the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are not relevant to it as an externally managed investment company.

The Board believes that the Company has complied with the recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions of the UK Code set out below, has thereby complied with the relevant provisions of the UK Code:

- the role of the Chief Executive;
- executive Directors' remuneration;
- the need for an internal audit function;
- membership of the Audit Committee by the Chairman of the Board; and
- workforce engagement

For the reasons set out in the AIC Code, the Board considers these provisions as not being relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day to day management and administrative functions have

been delegated to the Manager. As a result, the Company has no executive Directors, employees or internal operations. As explained in the Report of the Audit Committee, the Chairman of the Board is also a member of the Audit Committee, as permitted by the AIC Code. Therefore, with the exception of the need for an internal audit function, which is addressed on page 47, we have not reported further in respect of these provisions.

The AIC Code can be found on [theaic.co.uk](http://theaic.co.uk) and the UK Code on [frc.org.uk](http://frc.org.uk)

### Company Purpose

The Company's purpose, values and culture and the basis on which it aims to generate value over the longer term is set out within the Purpose, Strategy and Business Model on pages 11 to 12. How the Board seeks to promote the success of the Company is set out on pages 26 to 27.

### Board Leadership

The Board consists solely of non-executive Directors and Mr C S McGill is the Chairman. The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which is reviewed periodically.

The Board currently meets at least four times a year and at each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Manager has discretion to act, and thus supervises the management of the investment portfolios which is contractually delegated to the Manager.

An investment management agreement between the Company and its Manager, BMO Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing and corporate governance procedures, are reserved for the approval of the Board of Directors.

### Division of Board Responsibilities

As an externally managed investment company, all the Directors are non-executive and there are no employees. Mr C S McGill, as Chairman, is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. The Chairman sets the agenda for all Board meetings under a regular programme of matters in conjunction with the Company Secretary. There is a strong working relationship with BMO GAM and the Investment Manager and

related personnel attended the meetings throughout the year and reported to the Board. Discussions were held in a constructive and supportive manner, with appropriate challenge and strategic guidance and advice from the Board whenever necessary, consistent with the culture and values.

Mr D Harris is the Senior Independent Director and acts as an experienced sounding board for the Chairman or as an intermediary for shareholders. He also leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. No such advice was taken during the year under review. The Company maintains appropriate Directors' and officers' liability insurance.

Full details of the duties of Directors are provided at the time of appointment. New Directors receive an induction from the Manager on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to laws, regulations and best practice requirements from the Company Secretary and other parties, including the AIC. All of the Directors consider that they have sufficient time to discharge their duties.

All Directors are considered by the Board to be independent of the Company's Manager and the Board believes that each Director is independent in character and judgement and that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

Directors' Attendance During the Year Ended 31 May 2021				
	Board of Directors	Audit Committee	Management Engagement Committee	Nomination Committee
<b>No. of meetings</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>3</b>
C S McGill	4	3	1	3
D Harris	4	3	1	3
S P Inglis	4	3	1	3
A G Stewart <sup>(1)</sup>	1	1	1	1
D Warnock	4	3	1	3

<sup>(1)</sup> Retired on 24 September 2020

In addition, during the year, meetings were held to approve the interim dividends and also with respect to the annual share conversion facility and a new revolving credit facility.

## Composition and Succession

The composition of the Board and Committees together with the experience of the members is set out on page 33. The Company's diversity and tenure policy is set out on page 32.

Under the requirements of the Articles of Association, Directors are subject to election at the first Annual General Meeting after their appointment. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

Mr C S McGill and Mr D Harris have now served on the Board for more than nine years. As part of the Board's succession plan, following the year-end on 14 July 2021 a new non-executive Director Mr S M Longfellow was appointed to the Board. This will now allow for the retirement of one of the longer serving Directors and Mr C S McGill will retire following the conclusion of the AGM on 30 September 2021. An objective of the succession plan is to ensure an adequate level of continuity and experience on the Board while changes are made, thereby acting in the best interests of shareholders. The Report of the Nomination Committee on page 44 sets out the process carried out in respect of the appointment of Mr S M Longfellow as a non-executive Director of the Company.

## Board Evaluation and Effectiveness

During the year the performance of the Board and Committees, including the performance of each individual Director and the Chairman, was evaluated through a formal assessment process, led by the Senior Independent Director. This process involved consideration of completed questionnaires tailored to suit the nature of the Company and discussion of the points arising amongst the Directors.

Following this process, it was concluded that the performance of each Director and the Chairman continues to be effective and each remains committed to the Company and that the Board oversees the management of the Company effectively and has the skills and expertise to safeguard shareholders' interests.

The conclusion from the assessment process was also that the Audit Committee, Nomination Committee and Management Engagement Committee were operating effectively, with the right balance of membership, experience and skills.

## Audit, Risk and Internal Control

The Board has established an Audit Committee, the report of which is set out on pages 46 to 48. The report includes the rationale for the Company not having established its own internal audit function; how the independence and effectiveness of the external auditor is assessed and how the Board satisfies itself on the integrity of

financial statements. The report also covers the process under which the Board satisfied itself that the Annual Report and Financial Statements presents a fair, balanced and understandable assessment of the Company's position and prospects. There is an explanation of the procedures under which risk is managed and how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. In the current year this also included the assessment of the operational risks posed by COVID-19 and the implementation of contingency plans by the Manager and other third party service providers. Details of the principal risks and uncertainties are set out on pages 28 to 29 and further information on the Company's risk management and internal control framework can be found on pages 46 to 47.

## Relations with Shareholders and Other Stakeholders

Communication with the Company's key stakeholders, who are its shareholders, the Manager, bankers and other key service providers is set out on page 12.

## Remuneration

Information on the remuneration arrangements for the Directors of the Company can be found in the Remuneration Report on pages 49 to 51 and in note 5 to the financial statements.

The remuneration policy is explained on page 49 and that, as non-executive Directors, their fees are set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the contribution towards the delivery of the investment objective. While there are no executive Directors and no employees, shareholders should expect that the fees paid to the Manager are aligned with the Company's purpose, values and the successful delivery of its long-term strategy.

## Share Capital and Companies Act 2006 Disclosures

Details of the Company's share capital structure are set out on page 35 and other Companies Act 2006 disclosures are included on pages 37 and 38.

**By order of the Board**  
**For BMO Investment Business Limited**  
**Company Secretary**  
**Quartermile 4**  
**7a Nightingale Way**  
**Edinburgh EH3 9EG**  
**2 August 2021**

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# Report of the Nomination Committee

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## Composition of the Committee

The Committee comprises the full Board and is chaired by Mr C S McGill and its terms of reference can be found on the website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com)

## Role of the Committee

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition. It takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, diversity including gender, independence and knowledge of the Company within the Board and ensuring succession planning is carefully managed.

The Committee met on three occasions during the year and considered matters such as:

- the size of the Board and its composition, particularly in terms of succession planning and the experience and skills of individual Directors and diversity of the Board as a whole;
- tenure;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment; and
- future retirement of Directors.

## Diversity and Tenure

The Company's Board diversity and tenure policy is shown on page 32 and recruitment searches are open to a diverse range of candidates. The Directors have not set any measurable objectives in relation to diversity of the Board and will always appoint the best person for the role.

The Board believes that a Director's tenure does not necessarily reduce his or her contribution or ability to act independently and that continuity and experience can add significantly to the strength of investment trust Boards where the characteristics and relationships tend to differ from those of other companies. However, the Board is committed to maintaining the highest levels of corporate governance in terms of independence and once the Board's succession plan is complete would expect that, in future, the Directors to serve for a nine-year term, but this may be adjusted for reasons of flexibility and continuity.

## Appointments and Succession Planning

Appointments of all new Directors are made on a formal basis, using professional search consultants as appropriate, with the Nomination Committee agreeing the selection criteria and the method of recruitment, selection and appointment.

Two of the current Directors have served on the Board since the launch of the Company in 2008 and have therefore served for more than nine years and during the year a search for a new Director was commenced.

An external search agency, Cornforth Consulting (which has no connection to the Company or the Directors), was engaged to assist with the process. The Committee defined the criteria that was required and the selection process took into consideration the applications received and interviews with the short-listed candidates.

Following the recruitment process it was agreed to appoint Mr S M Longfellow to the Board with effect from 14 July 2021.

Mr A G Stewart retired following the Annual General Meeting held on 24 September 2020 and it has been agreed that Mr C S McGill will retire following the conclusion of the forthcoming AGM to be held on 30 September 2021. It is intended that Mr D Warnock will then be appointed as Chairman. It is anticipated that further changes will occur during 2022.

## Committee Evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 43. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

**Colin S McGill**  
**Chairman of the Nomination Committee**  
**2 August 2021**

# Report of the Management Engagement Committee

## Composition of the Committee

The Committee comprises the full Board and is chaired by Mr C S McGill and its terms of reference can be found on the website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com)

## Role of the Committee

The Committee meets at least annually and its role is to review the terms and conditions of the Manager's appointment and the services it and other key service providers provide and the fees charged.

The Committee met on one occasion during the year.

## Manager Evaluation Process and Re-appointment

Since the end of the year, the Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the skills, experience and depth of the Manager's team involved in managing the Company's assets and its ability to produce satisfactory investment performance in the future.

Investment performance is also considered by the Board at every meeting and it receives reports from the Manager on investment activity, attribution, gearing, risk and performance. This allows the Board to assess the management of the investment portfolios against the Company's investment objective on an ongoing basis together with performance against the Company's key performance indicators.

The Committee also considered the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include ESG, marketing, company secretarial and accounting services.

Following this review, it was the Committee's view that the continuing appointment of the Manager on the terms agreed was in the interests of shareholders as a whole. The Board ratified this recommendation.

## Committee Evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 43. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

**Colin S McGill**  
**Chairman of the Management Engagement Committee**  
**2 August 2021**

# Report of the Audit Committee

## Composition of the Committee

The Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience.

The Audit Committee is chaired by Ms S P Inglis who has recent and relevant financial experience. The Audit Committee operates within clearly defined terms of reference and comprises the full Board. These Directors have a combination of financial, investment and business experience and specifically with respect to the investment trust sector and accordingly have sufficient experience to discharge their responsibilities. Given the relevant financial experience of the Chairman of the Board, his continued independence and valued contribution, the Audit Committee considers it appropriate that he is a member. Details of the members can be found on page 33 and the Committee's terms of reference are available at the website [bmomanagedportfolio.com](http://bmomanagedportfolio.com).

The performance of the Committee was evaluated as part of the Board appraisal process.

## Role of the Committee

The duties of the Audit Committee include reviewing the Annual and Interim financial statements, the system of internal controls and the terms of appointment and remuneration of the auditor, KPMG LLP ('KPMG'), including its independence and objectivity. It also provides a forum through which the auditor reports to the Board of Directors and meets at least twice a year including at least one meeting with KPMG.

The Audit Committee met on three occasions during the year and the attendance of each of the members is set out on page 42. In the due course of its duties, the Committee had direct access to KPMG and senior members of the Manager's Fund Management, Investment Trust and Business Risk teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- the annual and half-yearly results announcements, and annual and half-yearly reports and financial statements;
- the accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;
- the principal risks and uncertainties faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's statement on viability;
- the effectiveness of the external audit process and related non-audit services and the independence and objectivity of KPMG, its re-appointment, remuneration and terms of engagement;

- the policy on the engagement of KPMG to supply non-audit services and approval of any such services;
- the implications of proposed new accounting standards and regulatory changes;
- the need for the Company to have its own internal audit function;
- the receipt of ISAE/AAF and SSAE16 reports or their equivalent from the Manager, the Custodian and other significant third party service providers;
- whether the Annual Report and Financial Statements is fair, balanced and understandable; and
- the operational arrangements and performance of the Manager and other third party service providers in terms of business continuity during the COVID-19 pandemic.

During the preparation of both the half-yearly report for the six month period ended 30 November 2020 and the annual report and financial statements for the year ended 31 May 2021 the Committee has considered the impact of the COVID-19 pandemic upon the risks, operations and accounting basis of the Company. As noted within Principal Risks and Uncertainties and Viability Statement on pages 28 to 30 the Directors have reviewed the risk register of the Company and agreed that the overall risk from some of its principal risks remain heightened as a consequence of the pandemic. The Committee has noted that the Manager has implemented working from home arrangements for its staff and the Company's other third party service providers have also implemented similar arrangements to ensure no disruption to their service and is confident that the Company continues to operate as normal with service levels maintained.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant financial information as noted in the Statement of Directors' Responsibilities on page 52.

## Risk Management

The Board has established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the related guidance issued by the Financial Reporting Council.

BMO GAM's Business Risk department provides regular control report updates to the Audit Committee and the Board covering risk and compliance and any significant issues identified by internal audit that might be relevant to the Company.

A key risk "radar" summary is produced to help identify the risks to which the Company is exposed, the controls in place and the actions

being taken to mitigate them. The Board has a robust process for considering the resulting risk matrix and reviews the significance of the risks and reasons for any changes.

The Company's principal risks and uncertainties and their mitigations are set out on pages 28 and 29 with additional information provided in notes 17 to 22 to the financial statements. The integration of these risks into the consideration of the Viability Statement on page 30 was also fully considered and the Audit Committee concluded that the Board's Statement was soundly based. The period of three years was also agreed as remaining appropriate for the reasons given in the Statement.

### Internal Controls

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the daily operations, which are managed by BMO GAM.

The Audit Committee has reviewed and reported to the Board on these controls which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable.

Control of the risks identified, including financial, operational, compliance and overall risk management, is exercised by the Audit Committee and the Board through regular reports provided by BMO GAM. The reports cover investment performance, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrator of the BMO savings plans and other relevant issues.

At each Board meeting, the Board monitors the investment performance of the Company in comparison to its objective and relevant equity market indices. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if appropriate, approves changes to such policy and guidelines.

These procedures are designed to manage, rather than eliminate, risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud. Further to the review by the Audit Committee, the Board has assessed the effectiveness of the Company's internal control systems.

The assessment included a review of the BMO GAM risk management infrastructure and the Report on Internal Controls in accordance with ISAE 3402 and AAF (01/06) for the year to 31 October 2020 (the '**ISAE/AAF Report**') that has been prepared for its clients. The Audit Committee also received confirmation from BMO GAM that, subsequent to this date, there had been no material changes to the control environment. Containing a report and an unqualified opinion from independent reporting accountants KPMG LLP, it sets out BMO GAM's control environment and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance

Committee which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service provider to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Board Meeting by the Manager. No failings or weaknesses material to the overall control environment and financial statements in respect of the Company were identified in the year under review nor to the date of this report.

The Audit Committee also reviewed appropriate reports on the internal controls of other significant service providers, such as the Custodian and Registrar, and was satisfied that there were no material exceptions.

The review procedures have been in place throughout the financial year and up to the date of approval of the financial statements, and the Board is satisfied with their effectiveness.

Through the reviews and reporting arrangements set out above and by direct enquiry of BMO GAM and other relevant parties, the Committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year or to the date of this report.

The Audit Committee has reviewed the need for an internal audit function. Based on review, observation and enquiry, the Audit Committee has concluded that the systems and procedures employed by the Manager, together with the Manager's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained and the Board has concurred. In addition, the Company's financial statements are audited by an external auditor. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

### External Audit Process and Significant Matters Considered by the Audit Committee

In carrying out its responsibilities, the Audit Committee has considered the planning arrangements, scope, materiality levels and conclusion of the year end 31 May 2021 external audit of the financial statements.

The Audit Committee met in July 2021 to discuss the draft Annual Report and Financial Statements, with representatives of KPMG and BMO GAM in attendance and KPMG presented their year-end report to the Audit Committee. At the conclusion of the audit KPMG did not highlight any issues to the Audit Committee which would cause it to qualify its audit report. KPMG issued an unqualified audit report which is included on pages 53 to 57. The significant matters considered by the Audit Committee are discussed in the table on the following page.

### Non-audit Services

The Committee regards the continued independence of the auditor to be a matter of the highest priority. The Company's policy with regard

to the provision of non-audit services by the external auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the auditor is not considered to be expert providers of the non-audit services;
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; and
- the services are considered to be likely to inhibit the auditor's independence or objectivity as auditor.

In particular, the Committee has a policy that the accumulated costs of all non-audit services sought from the auditor in any one year should not exceed 30% of the likely audit fees for that year and not exceed 70% of the average audit fee for the previous three years.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees, KPMG received fees, excluding VAT, for non-audit services of £3,500 for the year (2020: £3,500) and which related to agreed upon procedures in relation to the annual share conversion facility. The Audit Committee did not consider that the provision of such non-audit services was a threat to the objectivity and independence of the conduct of the audit.

## Auditor Assessment, Independence and Appointment

The Audit Committee reviews the re-appointment of the auditor every year and has been satisfied with the effectiveness of KPMG's performance on the audit just completed.

As part of the review of auditor independence and effectiveness, KPMG has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating KPMG, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that KPMG continues to provide effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the senior statutory auditor rotates at least every five years. Eilidh McGowan, the current senior statutory auditor, was engaged for the first time during the year ended 31 May 2021, which was KPMG's fourth year as auditor. The Audit Committee also considered the evaluation of KPMG's audit performance through the Audit Quality Review performed by the Financial Reporting Council.

As part of its annual review, the Committee considers the need for putting the audit out to tender for reasons of quality or independence. As the Company is required to carry out a tender at least every ten years, the next one will be conducted no later than 31 May 2027.

KPMG's fee for the audit, excluding VAT, was £40,000 (2020: £32,205). On the basis of this assessment, the Audit Committee has recommended the re-appointment of KPMG to the Board.

## Significant Matters Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
<b>Investment Portfolio Valuation</b>	
The Company's Portfolios are invested predominantly in listed securities. Errors in the Portfolio valuations could have a material impact on the Company's net asset value per share.	The Board reviews the full Portfolio valuations at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depository. The Audit Committee reviewed the Manager's annual ISAE/AAF Report, as referred to on page 47, which is reported on by independent external accountants and details the systems, processes and controls around the daily pricing of equity and fixed interest securities, including the application of exchange rate movements. The Manager has provided further assurance that controls have operated satisfactorily since that date.
<b>Misappropriation of Assets</b>	
Misappropriation of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed the Manager's ISAE/AAF Report, as referred to on page 47, which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Audit Committee also reviewed the Custodian's annual internal controls report, which is reported on by independent external accountants, and provides details regarding its control environment. The Depository has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the periods since implementation of AIFMD to 31 May 2021.

The Audit Committee read and discussed this Annual Report and Financial Statements and concluded that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, objective and strategy.

**Susan P Inglis**  
**Chairman of the Audit Committee**  
**2 August 2021**

# Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 May 2021, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

Under company law, the auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's opinion is included in its report on pages 53 to 57.

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Board is responsible for determining the level of Directors' fees and will consider these at least annually.

A comprehensive review of comparative Directors' fees is considered in advance of each review.

## Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should be set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole, their responsibilities, duties and time commitment required and be fair and comparable to that of other investment companies that are similar in size and have similar investment objectives. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and Committee meetings, including those treated as a benefit in kind subject to tax and national insurance.

The Company has not received any views from its shareholders in respect of the levels of Directors' remuneration. It is intended that the policy will continue for the three year period ending at the AGM in 2023.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £150,000 per annum and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office during business hours.

The dates on which each Director was appointed to the Board are set out under their biographies on page 33. The terms of appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire periodically and, if they wish, to offer themselves for election, by shareholders at the third Annual General Meeting after the Annual General Meeting at which last elected. However, in accordance with the recommendations of the UK Code and the AIC Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. With the exception of Mr S M Longfellow, all the Directors were last re-elected at the AGM held on 24 September 2020 and, with the exception of Mr C S McGill, will stand for election or re-election at the AGM on 30 September 2021. There is no notice period and no provision for compensation upon termination of appointment.

## Voting at Annual General Meeting on Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting held on 24 September 2020. 95.0% of votes were in favour of the resolution and 5.0% were against.

## Annual Statement

As Chairman of the Board, I confirm that effective 1 June 2020 the amounts paid to Directors increased by £500 per annum for the Chairman, £450 per annum for the Audit Committee Chairman and £400 per annum for each of the other Directors.

## Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year to 31 May 2022, the Board concluded that the amounts paid to Directors would increase by approximately 2% and therefore by £600 per annum for the Chairman, £500 per annum for the Audit Committee Chairman and £450 per annum for each of the other Directors.

Based on this, Directors' fees for the forthcoming financial year would be as follows:

Director	31 May 2022 £	31 May 2021 <sup>(1)</sup> £
Chairman	30,100	29,500
Audit Committee chairman	25,950	25,450
Director	22,850	22,400

<sup>(1)</sup> Actual Directors' remuneration for the year ended 31 May 2021.

## Annual Report on Directors' Remuneration Directors' Emoluments for the Year (Audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 May 2021 and 2020 and can expect to receive the fees indicated for 2022 as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)										
Director	Fees (audited)			Taxable benefits <sup>(1)</sup> (audited)			Total (audited)			Anticipated fees <sup>(2)</sup>
	31 May 2021 £	31 May 2020 £	% change	31 May 2021 £	31 May 2020 £	% change	31 May 2021 £	31 May 2020 £	% change	31 May 2022 £
C S McGill (Chairman)	29,500	29,000	+1.7	-	116	-100.0	29,500	29,116	+1.3	10,061
D Harris	22,400	22,000	+1.8	94	2,430	-96.1	22,494	24,430	-7.9	22,850
S P Inglis	24,480	22,000	+11.3	-	-	0.0	24,480	22,000	+11.3	25,950
S M Longfellow <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	20,158
A G Stewart <sup>(4)</sup>	8,117	25,000	-67.5	-	106	-100.0	8,117	25,106	-67.7	n/a
D Warnock	22,400	22,000	+1.8	-	-	0.0	22,400	22,000	+1.8	27,677
<b>Total</b>	<b>106,897</b>	<b>120,000</b>	<b>-10.9</b>	<b>94</b>	<b>2,652</b>	<b>-96.5</b>	<b>106,991</b>	<b>122,652</b>	<b>-12.8</b>	<b>106,696</b>

<sup>(1)</sup> Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.

<sup>(2)</sup> Fees expected to be payable to the Directors during the year ended 31 May 2022. Taxable benefits are also anticipated but are not currently quantifiable. The anticipated fees reflect that C S McGill will retire following the AGM at which point D Warnock will become the chairman.

<sup>(3)</sup> Appointed on 14 July 2021

<sup>(4)</sup> Retired on 24 September 2020

### Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration (excluding taxable benefits), other expenses and shareholder distributions:

	31 May 2021 £	31 May 2020 £	Change %
Aggregate Directors' remuneration <sup>(1)</sup>	106,897	120,000	-10.9
Management and other expenses, excluding performance fee	1,507,000	1,298,000	+16.1
Performance fee	625,000	469,000	+33.3
Quarterly dividends paid to shareholders (relating to the year) <sup>(2)</sup>	2,908,000	2,765,000	+5.2
Aggregate cost of Income shares and Growth shares repurchased	557,000	422,000	+32.0

<sup>(1)</sup> The Board increased to comprise five Directors during the year to 31 May 2020 but returned to a Board of four Directors during the year to 31 May 2021.

<sup>(2)</sup> The annual dividend increased by 1.6% from 6.1p to 6.2p per Income share, however, the cost of the dividend increased by 5.2% due to the issuance of new Income shares during the year to 31 May 2021.

### Directors' Shareholdings (Audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 May 2021 (all of which were beneficially held) were as follows:

Director	31 May 2021		31 May 2020	
	Income Shares	Growth Shares	Income Shares	Growth Shares
C S McGill (Chairman)	10,000	10,000	10,000	10,000
D Harris	5,000	5,000	5,000	5,000
S P Inglis	3,000	12,000	3,000	12,000
D Warnock	30,000	20,000	30,000	20,000

There have been no changes in the Directors' interests in the shares of the Company between 31 May 2021 and 2 August 2021.

### Company Performance

The graph below compares, for the ten financial years ended 31 May 2021, the total return (assuming all dividends are reinvested) to Income shareholders and Growth shareholders compared to the total return on the FTSE All-Share Index. This index was chosen for comparison purposes as it is the Company's benchmark. An explanation of the performance of the Company is given in the Chairman's Statement and Investment Manager's Review.

### Share Price Total Return and the FTSE All-Share Index Total Return (Rebased to 100 at 31 May 2011)



Source: BMO GAM and Refinitive Eikon

### Voting at Annual General Meeting on Annual Remuneration Report

At the Company's last Annual General Meeting, held on 24 September 2020, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 May 2020. 94.8% of votes were in favour of the resolution and 5.2% were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting (**Resolution 2**).

**On behalf of the Board**  
**Colin S McGill**  
**Director**  
**2 August 2021**

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# Statement of Directors' Responsibilities

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## Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have

general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility Statement of the Directors in Respect of the Annual Report and Financial Statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic Report and the Report of the Directors include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- we consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### On behalf of the Board

**Colin S McGill**

**Chairman**

**2 August 2021**

# Independent Auditor's Report

to the members of BMO Managed Portfolio Trust PLC

## 1. Our opinion is unmodified

We, have audited the financial statements of BMO Managed Portfolio Trust PLC ("the Company") for the year ended 31 May 2021 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 2021 and of its return for the year then ended;
- the financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 21 September 2017. The period of total uninterrupted engagement is for the four financial years ended 31 May 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

<b>Materiality:</b>	£1.8m (2020: £1.3m)
financial statements as a whole	1% (2020: 1%) of total assets
<b>Key audit matters</b>	<b>vs 2020</b>
<b>Recurring risks</b> Carrying Value of Quoted Investments	◀▶

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2020), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter is addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
<b>Carrying Value of Quoted Investments</b> (£173.2million; 2020: £130.2 million)  <i>Refer to page 48 (Audit Committee Report), page 64 (accounting policy) and pages 73-75 (financial disclosures).</i>	<b>Low risk, high value</b>  The Company's portfolio of quoted investments makes up 96.6% (2020: 96.7%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on controls, because the nature of the balance is such that detailed testing is determined to be the most effective manner of obtaining evidence.  Our procedures included: <ul style="list-style-type: none"> <li>— <b>Tests of detail:</b> Agreed the valuation of 100% of investments in the portfolio to externally quoted prices; and</li> <li>— <b>Enquiry of depository:</b> Agreed 100% of investment holdings in the portfolio to independently received third party confirmations from the Depository;</li> </ul> <b>Our results:</b> <ul style="list-style-type: none"> <li>— We found the carrying amount of quoted investments to be acceptable (2020: acceptable)</li> </ul>

### 3. Our application of materiality and an overview of the scope of our audit

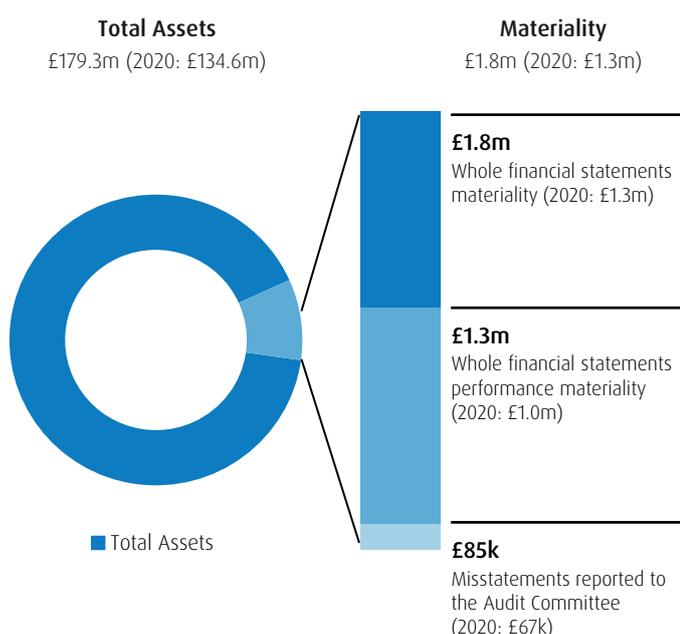
Materiality for the financial statements as a whole was set at £1.8m (2020: £1.3m), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £1.3m (2020: £1.0m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied materiality of £200k (2020: £150k) and performance materiality of £150k (2020: £113k) to investment income, and materiality of £1k to Directors' remuneration, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £85k (2020: £67k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



### 4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;
- The liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
- The operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and liquid investment position.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;

- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on pages 34-35 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## 5. Fraud and breaches of laws and regulations – ability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board and Audit Committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we have rebutted the fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any significant unusual transactions or additional fraud risks.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and the Investment Manager (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and its qualification as an investment trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution, including consideration of accounts filed during the year.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **6. We have nothing to report on the other information in the Annual Report**

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Strategic report and Directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Directors' remuneration report**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### **Disclosures of emerging and principal risks and longer-term viability**

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 30 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 30, under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

## Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 8. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 52, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## 9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Eilidh McGowan (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
2 August 2021

# Income Statement

For the Year Ended 31 May							
Notes	Revenue 2021 £'000	Capital 2021 £'000	Total 2021 £'000	Revenue 2020 £'000	Capital 2020 £'000	Total 2020 £'000	
10	Gains/(losses) on investments	-	38,132	38,132	-	(5,376)	(5,376)
	Foreign exchange losses	-	(17)	(17)	-	(13)	(13)
3	Income	4,022	-	4,022	3,851	-	3,851
4	Investment management and performance fees	(290)	(1,360)	(1,650)	(257)	(1,093)	(1,350)
5	Other expenses	(589)	-	(589)	(537)	-	(537)
	<b>Return on ordinary activities before finance costs and tax</b>	<b>3,143</b>	<b>36,755</b>	<b>39,898</b>	3,057	(6,482)	(3,425)
6	Finance costs	(47)	(69)	(116)	(44)	(66)	(110)
	<b>Return on ordinary activities before tax</b>	<b>3,096</b>	<b>36,686</b>	<b>39,782</b>	3,013	(6,548)	(3,535)
7	Tax on ordinary activities	(16)	-	(16)	(13)	-	(13)
	<b>Return attributable to shareholders</b>	<b>3,080</b>	<b>36,686</b>	<b>39,766</b>	3,000	(6,548)	(3,548)
9	<b>Return per Income share</b>	<b>6.59p</b>	<b>25.94p</b>	<b>32.53p</b>	6.69p	(17.13p)	(10.44p)
9	<b>Return per Growth share</b>	<b>-</b>	<b>67.27p</b>	<b>67.27p</b>	-	3.18p	3.18p

The total column of this statement is the Profit and Loss Account of the Company. The supplementary revenue and capital columns are prepared under guidance published by The Association of Investment Companies.

Segmental analysis, illustrating the two separate portfolios of assets, the Income Portfolio and the Growth Portfolio, is shown in note 2 to the financial statements.

All revenue and capital items in the Income Statement derive from continuing operations.

Return attributable to shareholders represents the profit/(loss) for the year and also total comprehensive income.

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

# Balance Sheet

As at 31 May						
Notes	Income shares 2021 £'000	Growth shares 2021 £'000	Total 2021 £'000	Income shares 2020 £'000	Growth shares 2020 £'000	Total 2020 £'000
	<b>Fixed assets</b>					
10	72,121	101,052	173,173	57,887	72,356	130,243
	<b>Current assets</b>					
11	272	54	326	219	79	298
	2,040	3,769	5,809	1,061	3,071	4,132
	2,312	3,823	6,135	1,280	3,150	4,430
	<b>Creditors</b>					
12	(7,667)	(649)	(8,316)	(173)	(733)	(906)
	(5,355)	3,174	(2,181)	1,107	2,417	3,524
	<b>Creditors</b>					
12	-	-	-	(5,206)	-	(5,206)
	66,766	104,226	170,992	53,788	74,773	128,561
	<b>Capital and reserves</b>					
13	4,459	3,586	8,045	4,415	3,408	7,823
14	27,608	26,599	54,207	26,909	22,006	48,915
14	256	365	621	252	364	616
14	19,017	17,162	36,179	19,147	17,034	36,181
14	12,373	56,514	68,887	240	31,961	32,201
14	3,053	-	3,053	2,825	-	2,825
15	66,766	104,226	170,992	53,788	74,773	128,561
15	142.22p	276.01p		115.71p	208.35p	

Company Number: SC338196

Approved by the Board and authorised for issue on 2 August 2021 and signed on its behalf by:

**Colin S McGill, Director.**

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

# Cash Flow Statement

For the Year Ended 31 May						
Notes	Income shares	Growth shares	Total	Income shares	Growth shares	Total
	2021 £'000	2021 £'000	2021 £'000	2020 £'000	2020 £'000	2020 £'000
16	Net cash outflow from operations before dividends and interest	(606)	(1,413)	(2,019)	(720)	(1,478)
	Dividends received	2,891	1,072	3,963	2,829	3,857
	Interest received	1	-	1	10	28
	Interest paid	(118)	-	(118)	(102)	(102)
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,168</b>	<b>(341)</b>	<b>1,827</b>	<b>2,017</b>	<b>2,305</b>
	<b>Investing activities</b>					
	Purchases of investments	(4,363)	(8,174)	(12,537)	(6,668)	(10,096)
	Sales of investments	3,409	4,313	7,722	3,617	4,728
	<b>Net cash flows from investing activities</b>	<b>(954)</b>	<b>(3,861)</b>	<b>(4,815)</b>	<b>(3,051)</b>	<b>(5,368)</b>
	<b>Net cash flows before financing activities</b>	<b>1,214</b>	<b>(4,202)</b>	<b>(2,988)</b>	<b>(1,034)</b>	<b>(3,063)</b>
	<b>Financing activities</b>					
8	Equity dividends paid	(2,852)	-	(2,852)	(2,713)	(2,713)
	Proceeds from issuance of new shares	710	4,765	5,475	3,466	4,060
	Share conversion – Income to Growth	(300)	300	-	(321)	-
	Share conversion – Growth to Income	165	(165)	-	407	(407)
	Sale of shares from treasury	599	-	599	-	443
	Shares purchased to be held in treasury	(557)	-	(557)	-	(422)
	Loan drawn down	2,000	-	2,000	-	-
	<b>Net cash flows from financing activities</b>	<b>(235)</b>	<b>4,900</b>	<b>4,665</b>	<b>839</b>	<b>1,368</b>
	Net movement in cash and cash equivalents	979	698	1,677	(195)	(1,695)
	Cash and cash equivalents at the beginning of the year	1,061	3,071	4,132	1,256	5,827
	<b>Cash and cash equivalents at the end of the year</b>	<b>2,040</b>	<b>3,769</b>	<b>5,809</b>	<b>1,061</b>	<b>4,132</b>
	<b>Represented by:</b>					
	Cash at bank and short-term deposits	2,040	3,769	5,809	1,061	4,132

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

# Statement of Changes in Equity

For the Year Ended 31 May 2021							
Notes	Income shares						
	Share capital £'000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	4,415	26,909	252	19,147	240	2,825	53,788
As at 31 May 2020							
13 Increase in share capital in issue, net of share issuance expenses	55	655	-	-	-	-	710
13 Shares sold from treasury	-	44	-	555	-	-	599
13 Shares purchased for treasury	-	-	-	(557)	-	-	(557)
13 Share conversion	(7)	-	-	(128)	-	-	(135)
13 Cancellation of deferred shares	(4)	-	4	-	-	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	-	564	564
Transfer of capital from Income to Growth Portfolio	-	-	-	-	(564)	-	(564)
8 Dividends paid	-	-	-	-	-	(2,852)	(2,852)
Return attributable to shareholders	-	-	-	-	12,697	2,516	15,213
<b>As at 31 May 2021</b>	<b>4,459</b>	<b>27,608</b>	<b>256</b>	<b>19,017</b>	<b>12,373</b>	<b>3,053</b>	<b>66,766</b>
	Growth shares						
	Share capital £'000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	3,408	22,006	364	17,034	31,961	-	74,773
As at 31 May 2020							
13 Increase in share capital in issue, net of share issuance expenses	172	4,593	-	-	-	-	4,765
13 Share conversion	7	-	-	128	-	-	135
13 Cancellation of deferred shares	(1)	-	1	-	-	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	-	(564)	(564)
Transfer of capital from Income to Growth Portfolio	-	-	-	-	564	-	564
Return attributable to shareholders	-	-	-	-	23,989	564	24,553
<b>As at 31 May 2021</b>	<b>3,586</b>	<b>26,599</b>	<b>365</b>	<b>17,162</b>	<b>56,514</b>	<b>-</b>	<b>104,226</b>
	Total						
	Share capital £'000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	7,823	48,915	616	36,181	32,201	2,825	128,561
As at 31 May 2020							
Increase in share capital in issue, net of share issuance expenses	227	5,248	-	-	-	-	5,475
Shares sold from treasury	-	44	-	555	-	-	599
Shares purchased for treasury	-	-	-	(557)	-	-	(557)
Share conversion	-	-	-	-	-	-	-
Cancellation of deferred shares	(5)	-	5	-	-	-	-
8 Dividends paid	-	-	-	-	-	(2,852)	(2,852)
Return attributable to shareholders	-	-	-	-	36,686	3,080	39,766
<b>Total Company as at 31 May 2021</b>	<b>8,045</b>	<b>54,207</b>	<b>621</b>	<b>36,179</b>	<b>68,887</b>	<b>3,053</b>	<b>170,992</b>

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

# Statement of Changes in Equity – continued

For the Year Ended 31 May 2020							
Notes	Income shares						
	Share capital £'000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	4,372	23,703	30	19,066	7,919	2,538	57,628
As at 31 May 2019							
13 Increase in share capital in issue, net of share issuance expenses	260	3,206	-	-	-	-	3,466
Share conversion	5	-	-	81	-	-	86
Cancellation of deferred shares	(222)	-	222	-	-	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	-	680	680
Transfer of capital from Income to Growth Portfolio	-	-	-	-	(680)	-	(680)
8 Dividends paid	-	-	-	-	-	(2,713)	(2,713)
Return attributable to shareholders	-	-	-	-	(6,999)	2,320	(4,679)
<b>As at 31 May 2020</b>	<b>4,415</b>	<b>26,909</b>	<b>252</b>	<b>19,147</b>	<b>240</b>	<b>2,825</b>	<b>53,788</b>
	Growth shares						
	Share capital £'000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	3,563	21,417	186	17,117	30,830	-	73,113
As at 31 May 2019							
13 Increase in share capital in issue, net of share issuance expenses	28	566	-	-	-	-	594
13 Shares sold from treasury	-	23	-	420	-	-	443
13 Shares purchased for treasury	-	-	-	(422)	-	-	(422)
Share conversion	(5)	-	-	(81)	-	-	(86)
Cancellation of deferred shares	(178)	-	178	-	-	-	-
Transfer of net income from Growth to Income Portfolio	-	-	-	-	-	(680)	(680)
Transfer of capital from Income to Growth Portfolio	-	-	-	-	680	-	680
Return attributable to shareholders	-	-	-	-	451	680	1,131
<b>As at 31 May 2020</b>	<b>3,408</b>	<b>22,006</b>	<b>364</b>	<b>17,034</b>	<b>31,961</b>	<b>-</b>	<b>74,773</b>
	Total						
	Share capital £'000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserves £000	Revenue reserve £000	Total shareholders' funds £000
	7,935	45,120	216	36,183	38,749	2,538	130,741
As at 31 May 2019							
Increase in share capital in issue, net of share issuance expenses	288	3,772	-	-	-	-	4,060
Shares sold from treasury	-	23	-	420	-	-	443
Shares purchased for treasury	-	-	-	(422)	-	-	(422)
Share conversion	-	-	-	-	-	-	-
Cancellation of deferred shares	(400)	-	400	-	-	-	-
8 Dividends paid	-	-	-	-	-	(2,713)	(2,713)
Return attributable to shareholders	-	-	-	-	(6,548)	3,000	(3,548)
<b>Total Company as at 31 May 2020</b>	<b>7,823</b>	<b>48,915</b>	<b>616</b>	<b>36,181</b>	<b>32,201</b>	<b>2,825</b>	<b>128,561</b>

The accompanying notes on pages 63 to 85 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting Policies

A summary of the principal accounting policies adopted is set out below.

### (a) Basis of accounting and going concern

These financial statements have been prepared on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, Financial Reporting Standards (FRS 102) and the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by The Association of Investment Companies (AIC). The audited financial statements for the Company comprise the Income Statement and the total columns of the Balance Sheet, the Cash Flow Statement and the Statement of Changes in Equity and the Company totals shown in the notes to the financial statements.

There have been no significant changes to the Company's accounting policies during the year ended 31 May 2021.

The preparation of the Company's financial statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current or future periods, depending on the circumstance. Management do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The Company's assets consist mainly of equity shares in closed-end investment companies which are traded in the UK or another Regulated Stock Exchange and in most circumstances, including in the current market environment, are expected to be readily realisable.

The Company has a fixed rate term loan of £5 million and an unsecured revolving credit facility of £5 million available to the Company until 10 February 2022. The Board has set limits for borrowing and regularly reviews the Company's gearing levels and its compliance with bank covenants. As the current facilities are available until 10 February 2022, the Company's borrowings are disclosed as falling due within one year. At 31 May 2021 the Company had a net current liability position, however, if required, it is expected that new loan facilities could be entered into when the current arrangements expire, but if not, or should the Board decide not to renew these, any outstanding borrowing would be repaid through the use of cash and, if required, from the proceeds of the sale of the Company's investments.

The Board has considered the Company's principal risks and uncertainties and other matters, including the COVID-19 pandemic and has considered a number of stress tests and scenarios which considered the impact of severe stock market volatility on shareholders' funds and demonstrated that if required the Company had the ability to raise sufficient funds so as to remain within its debt covenants and meet its liabilities.

As such, and in light of the controls and review processes in place and the operational robustness of key service providers, and bearing in mind the nature of the Company's business and assets and revenue and expenditure projections, the Directors believe that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

### *Presentation of the Income Statement*

In order to reflect better the activities of an investment company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in Chapter 4, Part 24 of the Corporation Tax Act 2010.

The notes and financial statements are presented in pounds sterling (functional and reporting currency) and are rounded to the nearest thousand except where otherwise indicated.

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## 1. Accounting Policies (Continued)

### (b) Valuation of investments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolios of financial assets are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy, and information about the Portfolios is provided on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the Company designates the investments "at fair value through profit or loss". Fair value is taken to be the investment cost at the trade date excluding expenses incidental to purchase which are written off to capital at the time of acquisition.

Listed and quoted investments are subsequently valued at their fair value which is represented by the bid price at the close of business on the relevant date on the exchange on which the investment is quoted.

As investments have been categorised as "financial assets at fair value through profit or loss," gains and losses arising from changes in fair value are included in the Income Statement as a capital item.

### (c) Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Dividends from overseas companies are shown gross of any withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as revenue.

Special dividends are recognised in the revenue account unless they are of a capital nature, following which they will be recognised in the capital account.

Interest income from fixed interest securities is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other investment income and deposit interest are included on an accruals basis.

### (d) Expenses

All expenses and finance costs are accounted for on an accruals basis. Expenses are charged to the Income Statement as a revenue item except where incurred in connection with the maintenance or enhancement of the value of the Company's investment Portfolios and taking account of the expected long-term returns as follows:

- Management fees and finance costs are allocated 40 per cent to revenue and 60 per cent to capital in the Income Portfolio and 20 per cent to revenue and 80 per cent to capital in the Growth Portfolio;
- Performance fees are charged wholly to capital.

Expenses charged to the Company common to both Portfolios are allocated to the Portfolios in the same proportion as their net assets at the quarter end immediately preceding the date on which the cost is to be accounted for.

Expenses charged to the Company in relation to a specific Portfolio are charged directly to that Portfolio, with the other Portfolio remaining unaffected.

## 1. Accounting Policies (Continued)

### (e) Taxation

The tax expense represents the sum of the tax currently payable, overseas tax suffered and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Tax is computed for each Portfolio separately, however the Company is the taxable entity. A Portfolio which generates taxable revenues in excess of tax deductible expenses may benefit from the excess of tax deductible expenses in the other Portfolio. In return, by way of compensation, there would be a transfer from the Portfolio with taxable profits to the Portfolio with taxable losses.

### (f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the Balance Sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

Investment trusts which have approval under Chapter 4, Part 24 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

### (g) Borrowings

Interest-bearing loans and overdrafts are recorded at the proceeds received. Finance costs, including interest, are accrued using the effective interest rate method. See note 1(d) for the allocation of finance costs.

### (h) Foreign currencies

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value and denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Income Statement depending on whether the gain or loss is of a capital or revenue nature respectively.

Rates of exchange at 31 May	2021	2020
US Dollar	1.42	1.24
Swiss Franc	1.28	1.19
Euro	1.16	1.11

### (i) Reserves

- Share premium* – the surplus of net proceeds received from the issuance of new shares is credited to this account and the related issue costs are deducted from this account. Gains arising on the resale of shares from treasury are credited to this reserve. The reserve is non-distributable. The initial balance of this account which arose as a result of the shares issued at launch was subsequently cancelled by the Court of Session to create the special reserve.
- Capital redemption reserve* – the nominal value of any of the shares bought back for cancellation is added to this reserve. This reserve is non-distributable.
- Special reserve* – created from the Court cancellation of the share premium account which had arisen from premiums paid on the Income shares and Growth shares at launch. Available to be used as distributable profits (except by way of dividend). The cost of any shares bought back and the value of shares submitted for conversion are reflected through this reserve. The cost of any shares resold from treasury is added back to this reserve.

## 1. Accounting Policies (Continued)

### (d) Capital reserves

*Capital reserve – investments sold* – gains and losses on realisation of investments and losses on transactions in own shares are dealt with in this reserve together with the proportion of management and performance fees, finance costs and taxation allocated to capital. This reserve also includes dividends received of a capital nature.

*Capital reserve – investments held* – increases and decreases in the valuation of investments held are accounted for in this reserve.

The Company's Articles of Association allow distributions to be made to the holders of the Income shares out of the capital profits attributable to the Income Portfolio.

- (e) *Revenue reserve* – the net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve. This is available for paying dividends on the Income shares.

### (j) Transfer of capital and revenue

All net revenue of the Company attributable to the Growth Portfolio is, immediately following recognition in accordance with the Company's accounting policies, reallocated, applied and transferred to, and treated as revenue attributable to, the Income Portfolio. Contemporaneously with any such reallocation, application and transfer of any revenue to the Income Portfolio, such assets comprising part of the Income Portfolio as have a value equal to the net revenue so reallocated, applied and transferred shall be reallocated, applied, transferred and treated as capital attributable to the Growth Portfolio.

## 2. Segmental Analysis

The Company carries on business as an investment trust and manages two separate portfolios of assets: the Income Portfolio and the Growth Portfolio.

The Company's Income Statement, on page 58, can be analysed as follows. This has been disclosed to assist shareholders' understanding, but this analysis is additional to that required by FRS 102:

### Year ended 31 May 2021

	Notes	Income Portfolio			Growth Portfolio			Total		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	-	13,297	13,297	-	24,835	24,835	-	38,132	38,132
Foreign exchange losses		-	(17)	(17)	-	-	-	-	(17)	(17)
Income	3	2,982	-	2,982	1,040	-	1,040	4,022	-	4,022
Investment management and performance fees	4	(170)	(514)	(684)	(120)	(846)	(966)	(290)	(1,360)	(1,650)
Other expenses	5	(233)	-	(233)	(356)	-	(356)	(589)	-	(589)
<b>Return on ordinary activities before finance costs and tax</b>		<b>2,579</b>	<b>12,766</b>	<b>15,345</b>	<b>564</b>	<b>23,989</b>	<b>24,553</b>	<b>3,143</b>	<b>36,755</b>	<b>39,898</b>
Finance costs	6	(47)	(69)	(116)	-	-	-	(47)	(69)	(116)
Return on ordinary activities before tax		<b>2,532</b>	<b>12,697</b>	<b>15,229</b>	<b>564</b>	<b>23,989</b>	<b>24,553</b>	<b>3,096</b>	<b>36,686</b>	<b>39,782</b>
Tax on ordinary activities	7	(16)	-	(16)	-	-	-	(16)	-	(16)
<b>Return<sup>(1)</sup></b>	9	<b>2,516</b>	<b>12,697</b>	<b>15,213</b>	<b>564</b>	<b>23,989</b>	<b>24,553</b>	<b>3,080</b>	<b>36,686</b>	<b>39,766</b>

<sup>(1)</sup> Any net revenue return attributable to the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount of capital is made from the Income Portfolio to the Growth Portfolio and accordingly the whole return in the Growth Portfolio is capital. Refer to the Statement of Changes in Equity.

## 2. Segmental Analysis (Continued)

Year ended 31 May 2020

	Notes	Income Portfolio			Growth Portfolio			Total		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	10	-	(6,472)	(6,472)	-	1,096	1,096	-	(5,376)	(5,376)
Foreign exchange losses		-	(13)	(13)	-	-	-	-	(13)	(13)
Income	3	2,779	-	2,779	1,072	-	1,072	3,851	-	3,851
Investment management and performance fees	4	(161)	(448)	(609)	(96)	(645)	(741)	(257)	(1,093)	(1,350)
Other expenses	5	(241)	-	(241)	(296)	-	(296)	(537)	-	(537)
<b>Return on ordinary activities before finance costs and tax</b>		2,377	(6,933)	(4,556)	680	451	1,131	3,057	(6,482)	(3,425)
Finance costs	6	(44)	(66)	(110)	-	-	-	(44)	(66)	(110)
Return on ordinary activities before tax		2,333	(6,999)	(4,666)	680	451	1,131	3,013	(6,548)	(3,535)
Tax on ordinary activities	7	(13)	-	(13)	-	-	-	(13)	-	(13)
<b>Return<sup>(1)</sup></b>	9	2,320	(6,999)	(4,679)	680	451	1,131	3,000	(6,548)	(3,548)

<sup>(1)</sup> Any net revenue return attributable to the Growth Portfolio is transferred to the Income Portfolio and a corresponding transfer of an identical amount of capital is made from the Income Portfolio to the Growth Portfolio and accordingly the whole return in the Growth Portfolio is capital. Refer to the Statement of Changes in Equity.

## 3. Income

	2021			2020		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
<b>Income from listed and quoted investments<sup>(1)</sup></b>						
UK dividend income	1,784	988	2,772	1,661	1,018	2,679
Overseas dividends	1,197	52	1,249	1,108	36	1,144
	2,981	1,040	4,021	2,769	1,054	3,823
<b>Other income<sup>(2)</sup></b>						
Deposit interest	1	-	1	10	18	28
<b>Total income</b>	2,982	1,040	4,022	2,779	1,072	3,851
Total income comprises:						
Dividends	2,981	1,040	4,021	2,769	1,054	3,823
Other income	1	-	1	10	18	28
	2,982	1,040	4,022	2,779	1,072	3,851

<sup>(1)</sup> All investments have been designated as fair value through profit or loss on initial recognition, therefore all investment income arises on investments at fair value through profit or loss.

<sup>(2)</sup> Other income on financial assets not designated as fair value through profit or loss.

#### 4. Investment Management and Performance Fees

Year ended 31 May 2021

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	170	255	425	120	480	600	290	735	1,025
Performance fee	-	259	259	-	366	366	-	625	625
	170	514	684	120	846	966	290	1,360	1,650

Year ended 31 May 2020

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	161	242	403	96	382	478	257	624	881
Performance fee	-	206	206	-	263	263	-	469	469
	161	448	609	96	645	741	257	1,093	1,350

The Company's manager is BMO Investment Business Limited. BMO Investment Business Limited receives an investment management fee comprising a base fee and, if certain conditions are met, a performance fee.

The base fee is a management fee at the rate of 0.65% per annum of the total assets of each Portfolio payable quarterly in arrears, subject to being reduced to 0.325% per annum on any assets which are invested in other investment vehicles managed by the Manager.

For the purposes of the revenue and capital columns in the Income Statement, the management fee has been allocated 60% to capital and 40% to revenue in the Income Portfolio. In respect of the Growth Portfolio, the management fee has been charged 80% to capital and 20% to revenue.

A performance fee may be payable annually and is equal to 10% of the monetary amount by which the adjusted total return of the relevant Portfolio over that year (after all costs and expenses excluding the performance fee) exceeds the total return on the FTSE All-Share Index (in each case with dividends reinvested).

The performance fee payable in respect of any one year is capped at 0.35% of the total assets of the relevant Portfolio, although outperformance in excess of this cap is taken into account in calculating the performance fee in the next four financial years. It is charged wholly to capital.

In the event that a Portfolio has outperformed the benchmark index such that a performance fee would be payable as described above, but the NAV per share for the relevant Portfolio at the end of the financial period is less than the NAV per share at the start of the financial period, (the "Watermark NAV") payment of the performance fee in respect of that financial period is deferred until the end of the next financial year when the NAV per share for the relevant Portfolio is in excess of the Watermark NAV. If the Watermark NAV is not reached by the end of the fourth financial year subsequently, it will no longer be payable. Any underperformance of the relevant Portfolio in relation to the FTSE All-Share Index in any financial year must be made up in any subsequent financial year before any performance fee is payable, thereby creating a "high watermark" for the relative performance against the FTSE All-Share Index.

#### 4. Investment Management and Performance Fees (Continued)

At 31 May 2021 the adjusted total return of the Income Portfolio for the period since 31 May 2020 (being the date a performance fee was last provided for) exceeded that of the FTSE All-Share Index and a performance fee of £318,000 has been calculated (2020: £226,000). However, as the performance fee is capped at 0.35% of total assets of the relevant Portfolio, the fee has been scaled back, in line with the cap, and an amount of £259,000 (2020: £206,000) has been recognised.

As noted above, in the prior financial year to 31 May 2020, a performance fee of £206,000 was accrued in the Income Portfolio but, as the NAV per Income share at 31 May 2020 was less than the Watermark NAV at 31 May 2019 (the date a performance fee was last payable in the Income Portfolio), payment was deferred. As the NAV per Income share at 31 May 2021 is greater than the Watermark NAV this amount and the performance fee for the current financial year are now payable.

At 31 May 2021 the adjusted total return of the Growth Portfolio for the period since 31 May 2020 (being the date a performance fee was last payable) exceeded that of the FTSE All-Share Index and a performance fee of £1,471,000 has been calculated (2020: £971,000). However, as the performance fee is capped at 0.35% of total assets of the relevant Portfolio, the fee has been scaled back, in line with the cap, and an amount of £366,000 has been recognised (2020: £263,000).

Details of outstanding management and performance fees at 31 May 2021 are included in note 12.

The investment management agreement between the Company and BMO Investment Business Limited is terminable by either party on six months' notice. The Company may terminate the agreement early upon payment of an amount equal to the base fee which would have been payable had the notice period been complied with, plus any performance fee accrued at termination.

#### 5. Other Expenses

	2021			2020		
	Income Portfolio £'000	Growth Portfolio £'000	Total £'000	Income Portfolio £'000	Growth Portfolio £'000	Total £'000
Auditor's remuneration for:						
- statutory audit <sup>(1)</sup>	22	34	56	13	17	30
- other services (non-audit) <sup>(2)</sup>	2	2	4	2	2	4
Directors' fees	46	70	116	54	66	120
Secretarial fees	40	63	103	46	56	102
Marketing	23	35	58	27	34	61
Printing and postage	22	34	56	26	35	61
Registrars' fees	15	20	35	19	15	34
Custody and depositary fees	11	13	24	11	12	23
Other expenses including listing fees and legal fees	52	85	137	43	59	102
	<b>233</b>	<b>356</b>	<b>589</b>	241	296	537

All expenses are stated gross of irrecoverable VAT, where applicable.

<sup>(1)</sup> Auditor's remuneration for audit services, exclusive of VAT, amounts to £40,000 (2020: £32,205). The current year expense includes £7,205, exclusive of VAT, relating to costs with respect to the prior year audit.

<sup>(2)</sup> Auditor's remuneration for non-audit services, exclusive of VAT, amounts to £3,500 in relation to the review of the annual share conversion calculation (2020: £3,500).

The Manager, BMO Investment Business Limited, receives a secretarial and administrative fee of £85,580 per annum (2020: £85,085), subject to annual changes in line with the Consumer Price Index. During the year the Company has incurred secretarial and administrative fees, inclusive of irrecoverable VAT, of £103,000 (2020: £102,000), of which £25,000 (2020: £26,000) is payable to BMO Investment Business Limited at the year end.

The emoluments of the Chairman, the highest paid Director, were at the rate of £29,500 per annum. Full details are provided in the Directors' Remuneration Report.

## 6. Finance Costs

### Year ended 31 May 2021

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank borrowings	47	69	116	-	-	-	47	69	116

### Year ended 31 May 2020

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank borrowings	44	66	110	-	-	-	44	66	110

Interest payable on bank borrowings has been allocated 60% to capital and 40% to revenue in the Income Portfolio and 80% to capital and 20% to revenue in the Growth Portfolio.

## 7. (a) Tax on Ordinary Activities

### Year ended 31 May 2021

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax charge for the year (all irrecoverable overseas tax) being taxation on ordinary activities	16	-	16	-	-	-	16	-	16

### Year ended 31 May 2020

	Income Portfolio			Growth Portfolio			Total		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax charge for the year (all irrecoverable overseas tax) being taxation on ordinary activities	13	-	13	-	-	-	13	-	13

## 7. (b) Reconciliation of Tax Charge

The tax charge for the year is lower (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Return/(loss) on ordinary activities before tax:	15,229	24,553	39,782	(4,666)	1,131	(3,535)
Corporation tax at standard rate of 19% (2019: 19%)	2,893	4,665	7,558	(887)	215	(672)
Effects of:						
(Gains)/losses on investments not taxable	(2,523)	(4,718)	(7,241)	1,232	(208)	1,024
Overseas tax suffered	16	-	16	13	-	13
Non taxable UK dividend income	(293)	(188)	(481)	(268)	(194)	(462)
Non taxable overseas dividend income	(227)	(10)	(237)	(210)	(7)	(217)
Expenses not utilised	150	251	401	133	194	327
Current year tax charge (note 7(a))	16	-	16	13	-	13

As at 31 May 2021, the Company had unutilised expenses of £13,312,000 (2020: £11,372,000). The deferred tax asset of £3,328,000 (2020: £2,161,000) in respect of unutilised expenses at 31 May 2021 has not been recognised as it is unlikely that the Company will generate future taxable profits from which the carried forward tax losses could be deducted. The unrecognised deferred tax asset as at 31 May 2021 has been computed using a rate of 25% given the increase in the UK corporation tax rate to 25% from 1 April 2023.

## 8. Dividends

			2021 Income shares Total £'000	2020 Income shares Total £'000
<b>Dividends on Income shares</b>	<b>Register date</b>	<b>Payment date</b>		
Amounts recognised as distributions to shareholders during the year:				
<b>For the year ended 31 May 2020</b>				
- fourth interim dividend of 1.9p per Income share (2019: 1.9p)	19 June 2020	10 July 2020	883	831
<b>For the year ended 31 May 2021</b>				
- first interim dividend of 1.4p per Income share (2020: 1.4p)	18 September 2020	9 October 2020	657	617
- second interim dividend of 1.4p per Income share (2020: 1.4p)	18 December 2020	8 January 2021	655	628
- third interim dividend of 1.4p per Income share (2020: 1.4p)	19 March 2021	9 April 2021	657	637
			<b>2,852</b>	<b>2,713</b>
Amounts relating to the year but not paid at the year end:				
- fourth interim dividend of 2.0p per Income share <sup>(1)</sup> (2020: 1.9p)	18 June 2021	9 July 2021	939	883

The Growth shares do not carry an entitlement to receive dividends.

The dividends paid and payable in respect of the financial year ended 31 May 2021, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2021 £'000	2020 £'000
Revenue available for distribution by way of dividends for the year	3,080	3,000
First interim dividend of 1.4p per Income share in respect of the year ended 31 May 2021 (2020: 1.4p)	(657)	(617)
Second interim dividend of 1.4p per Income share in respect of the year ended 31 May 2021 (2020: 1.4p)	(655)	(628)
Third interim dividend of 1.4p per Income share in respect of the year ended 31 May 2021 (2020: 1.4p)	(657)	(637)
Fourth interim dividend of 2.0p per Income share <sup>(1)</sup> in respect of the year ended 31 May 2021 (2020: 1.9p)	(939)	(883)
<b>Revenue reserve transfer</b>	<b>172</b>	<b>235</b>

<sup>(1)</sup> Based on 46,944,790 Income shares in issue at the record date of 18 June 2021.

## 9. Return per Share

The return per share is as follows:

### Year ended 31 May 2021

	Income shares			Growth shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	2,516	12,697	15,213	564	23,989	24,553
Transfer of net income from Growth Portfolio to Income Portfolio	564	-	564	(564)	-	(564)
Transfer of capital from Income Portfolio to Growth Portfolio	-	(564)	(564)	-	564	564
Return attributable to shareholders	3,080	12,133	15,213	-	24,553	24,553
Return per share	6.59p	25.94p	32.53p	-	67.27p	67.27p
Weighted average number of shares in issue during the year (excluding shares held in treasury)	46,772,385			36,497,458		

### Year ended 31 May 2020

	Income shares			Growth shares		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to Portfolios	2,320	(6,999)	(4,679)	680	451	1,131
Transfer of net income from Growth Portfolio to Income Portfolio	680	-	680	(680)	-	(680)
Transfer of capital from Income Portfolio to Growth Portfolio	-	(680)	(680)	-	680	680
Return attributable to shareholders	3,000	(7,679)	(4,679)	-	1,131	1,131
Return per share	6.69p	(17.13p)	(10.44p)	-	3.18p	3.18p
Weighted average number of shares in issue during the year (excluding shares held in treasury)	44,837,359			35,573,520		

## 10. Investments

All investments held in the Income Portfolio and Growth Portfolio have been classified as "at fair value through profit or loss" and all changes in fair value arise in respect of these investments only.

FRS 102 requires an analysis of investments valued at fair value based on the subjectivity and significance of information used to measure their fair value. The level is determined by the lowest (that is the least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – investments whose value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets; and
- Level 3 – investments whose value is not based on observable market data.

In the year to 31 May 2021, all of the Company's investments were classified as Level 1. In the prior year to 31 May 2020, all of the Company's investments were also classified as Level 1.

## 10. Investments (Continued)

Year ended 31 May 2021

	Level 1			Total £'000
	Listed in the UK £'000	Listed overseas £'000	Quoted on AIM/SFS £'000	
<b>Income shares</b>				
Opening book cost	44,085	2,173	5,345	51,603
Opening fair value adjustment	4,699	2,023	(438)	6,284
Opening valuation	48,784	4,196	4,907	57,887
Movements in the year:				
Purchases at cost	3,096	-	1,250	4,346
Sales - proceeds	(2,897)	-	(512)	(3,409)
- (losses)/gains on sales based on historical cost	(208)	-	337	129
Increase in fair value adjustment	11,792	360	1,016	13,168
Closing valuation at 31 May 2021	60,567	4,556	6,998	72,121
Closing book cost	44,076	2,173	6,420	52,669
Closing fair value adjustment	16,491	2,383	578	19,452
Closing valuation at 31 May 2021	60,567	4,556	6,998	72,121

During the year the Income Portfolio incurred transaction costs on purchases of £17,000 (2020: £22,000) and transaction costs on sales of £1,000 (2020: £2,000).

## 10. Investments (Continued)

Year ended 31 May 2021

	Level 1			Total £'000
	Listed in the UK £'000	Listed overseas £'000	Quoted on AIM/SFS £'000	
<b>Growth shares</b>				
Opening cost	46,858	-	-	46,858
Opening fair value adjustment	25,498	-	-	25,498
Opening valuation	72,356	-	-	72,356
Movements in the year:				
Purchases at cost	6,990	-	1,184	8,174
Sales – proceeds	(4,313)	-	-	(4,313)
– gains on sales based on historical cost	882	-	-	882
Increase in fair value adjustment	23,787	-	166	23,953
Closing valuation at 31 May 2021	99,702	-	1,350	101,052
Closing book cost	50,417	-	1,184	51,601
Closing fair value adjustment	49,285	-	166	49,451
Closing valuation at 31 May 2021	99,702	-	1,350	101,052

During the year the Growth Portfolio incurred transaction costs on purchases of £31,000 (2020: £17,000) and transaction costs on sales of £2,000 (2020: £1,000).

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Equity shares	72,121	101,052	173,173	57,887	72,356	130,243
	72,121	101,052	173,173	57,887	72,356	130,243

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Gains/(losses) on sales in the year	129	882	1,011	147	(43)	104
Movement in fair value of investments held	13,168	23,953	37,121	(6,619)	1,139	(5,480)
Gains/(losses) on investments	13,297	24,835	38,132	(6,472)	1,096	(5,376)

## 11. Debtors

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Accrued income	225	31	256	135	64	199
Other debtors and prepayments	47	23	70	84	15	99
	272	54	326	219	79	298

The carrying value of the balances above approximates to fair value. There are no amounts which were past due or impaired at the year end (2020: £nil).

## 12. Creditors:

### Amounts falling due within one year

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
£5 million fixed rate term loan maturing 10 February 2022	5,000	-	5,000	-	-	-
Revolving credit facility	2,000	-	2,000	-	-	-
Management fee accrued	119	169	288	95	120	215
Performance fee provision	465	366	831	-	520	520
Secretarial fee accrued	10	15	25	12	14	26
Other accruals	73	99	172	66	79	145
	7,667	649	8,316	173	733	906

### Amounts falling due in more than one year

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
£5 million fixed rate term loan maturing 10 February 2022	-	-	-	5,000	-	5,000
Performance fee provision	-	-	-	206	-	206
	-	-	-	5,206	-	5,206

The Company has a £5 million unsecured fixed rate term loan and a £5 million unsecured revolving credit facility with The Royal Bank of Scotland International Limited. The fixed rate term loan and the unsecured revolving credit facility are available until 10 February 2022. £5 million of the fixed rate term loan was drawn down as at 31 May 2021 (2020: £5 million) and the interest rate on the amount drawn down is fixed at 2.03% per annum. £2 million of the unsecured revolving credit facility was drawn down as at 31 May 2021 (2020: nil). The interest rate on the amounts drawn down are variable, based on LIBOR plus a margin, and a non-utilisation fee is payable on undrawn amounts.

Under the covenants which relate to the borrowing facilities, the Company is required to ensure that at all times:

- gross borrowings of the Company do not exceed 20% of the adjusted Portfolio value; and
- net tangible assets are not less than £50 million.

The Company met all covenant conditions during the year.

### 13. Share Capital

Allotted, issued and fully paid

	Listed		Held in treasury		In issue	
	Number	£'000	Number	£'000	Number	£'000
<b>Income shares</b>						
Balance at 1 June 2020 <sup>(1)</sup>	46,485,537	4,415	-	-	46,485,537	4,415
Share conversion:						
- Income to Growth	(258,490)	(25)	-	-	(258,490)	(25)
- Growth to Income	142,743	14	-	-	142,743	14
Purchased for treasury	-	-	(425,000)	(40)	(425,000)	(40)
Resold from treasury	-	-	425,000	40	425,000	40
Issued	575,000	55	-	-	575,000	55
Balance at 31 May 2021 <sup>(1)</sup>	46,944,790	4,459	-	-	46,944,790	4,459

#### Deferred shares – Income

	Number	£'000
<b>Deferred shares – Income</b>		
Balance at 1 June 2020	-	-
Issue of 258,490 shares <sup>(2)</sup>	258,490	4
Repurchase of 258,490 shares <sup>(2)</sup>	(258,490)	(4)
Balance at 31 May 2021	-	-

<sup>(1)</sup> The nominal value of each Income share is £0.094976101 per Income share.

<sup>(2)</sup> The nominal value of a Deferred share is £0.0164991878 per share.

During the year the Company issued 575,000 (2020: 2,700,000) Income shares from the block listing facility for net proceeds of £710,000 (2020: £3,466,000).

During the year, the Company bought back 425,000 (2020: nil) Income shares for treasury at a cost of £557,000 (2020: £nil) and resold out of treasury 425,000 (2020: nil) Income shares, receiving net proceeds of £599,000 (2020: £nil). At 31 May 2021, the Company held no Income shares in treasury (2020: nil).

During the year, valid conversion notices were received to convert 258,490 Income shares. These were converted into 130,294 Growth shares in accordance with the Company's Articles and by reference to the ratio of the relative underlying net asset values of the Growth shares and Income shares on the conversion date.

The Company's Articles allow for Deferred shares to be allotted as part of the share conversion to ensure that the conversion does not result in a reduction of the aggregate par value of the Company's issued share capital. The Deferred shares issued as part of the share conversion in the current year are set out above. The Deferred shares were subsequently repurchased by the Company for nil consideration (as they have no economic value) and as authorised by shareholders at the September 2020 AGM.

Since the year end, the Company has issued a further 250,000 Income shares from the block listing facility for net proceeds of £360,000.

### 13. Share Capital (Continued)

	Listed		Held in treasury		In issue	
	Number	£'000	Number	£'000	Number	£'000
<b>Growth shares</b>						
Balance at 1 June 2020 <sup>(1)</sup>	35,888,210	3,408	-	-	35,888,210	3,408
Share conversion:						
- Growth to Income	(71,951)	(6)	-	-	(71,951)	(6)
- Income to Growth	130,294	12	-	-	130,294	12
Issued	1,815,000	172	-	-	1,815,000	172
Balance at 31 May 2021 <sup>(1)</sup>	37,761,553	3,586	-	-	37,761,553	3,586

	Deferred shares – Growth	
	Number	£'000
<b>Deferred shares – Growth</b>		
Balance at 1 June 2020	-	-
Issue of 71,951 shares <sup>(2)</sup>	71,951	1
Repurchase of 71,951 shares <sup>(2)</sup>	(71,951)	(1)
Balance at 31 May 2021	-	-

<sup>(1)</sup> The nominal value of each Growth share is £0.094976101 per Growth share.

<sup>(2)</sup> The nominal value of a Deferred share is £0.0164991878 per share.

During the year, the Company issued 1,815,000 (2020: 295,000) Growth shares from the block listing facility for net proceeds of £4,765,000 (2020: £594,000).

During the year, valid conversion notices were received to convert 71,951 Growth shares. These were converted into 142,743 Income shares in accordance with the Company's Articles and by reference to the ratio of the relative underlying net asset values of the Growth shares and Income shares on the conversion date.

The Company's Articles allow for Deferred shares to be allotted as part of the share conversion to ensure that the conversion does not result in a reduction of the aggregate par value of the Company's issued share capital. The Deferred shares issued as part of the share conversion in the current year are set out above. The Deferred shares were subsequently repurchased by the Company for nil consideration (as they have no economic value) and as authorised by shareholders at the September 2020 AGM.

Since the year end, the Company has issued a further 160,000 Growth shares from the block listing facility for net proceeds of £453,000.

#### Shareholder entitlements

The Company has two classes of shares: Income shares and Growth shares.

The entitlements of the Income shares and the Growth shares are set out in the Capital Structure section on page 95 of this report.

## 14. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
<b>Income shares</b>						
At 1 June 2020	26,909	252	19,147	(6,044)	6,284	2,825
Gains on investments	-	-	-	129	13,168	-
Income shares resold from treasury	44	-	555	-	-	-
Issuance of Income shares	655	-	-	-	-	-
Share conversion	-	-	(128)	-	-	-
Buyback of deferred shares for cancellation	-	4	-	-	-	-
Income shares purchased for treasury	-	-	(557)	-	-	-
Management fees charged to capital	-	-	-	(255)	-	-
Performance fees charged to capital	-	-	-	(259)	-	-
Interest charged to capital	-	-	-	(69)	-	-
Foreign exchange losses	-	-	-	(17)	-	-
Transfer of net income from Growth Portfolio to Income Portfolio	-	-	-	-	-	564
Transfer of capital from Income Portfolio to Growth Portfolio	-	-	-	(564)	-	-
Net revenue for the year	-	-	-	-	-	2,516
Dividends paid	-	-	-	-	-	(2,852)
At 31 May 2021	27,608	256	19,017	(7,079)	19,452	3,053

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
<b>Growth shares</b>						
At 1 June 2020	22,006	364	17,034	6,463	25,498	-
Gains on investments	-	-	-	882	23,953	-
Issuance of Growth shares	4,593	-	-	-	-	-
Share conversion	-	-	128	-	-	-
Buyback of deferred shares for cancellation	-	1	-	-	-	-
Management fees charged to capital	-	-	-	(480)	-	-
Performance fees charged to capital	-	-	-	(366)	-	-
Transfer of net income from Growth Portfolio to Income Portfolio	-	-	-	-	-	(564)
Transfer of capital from Income Portfolio to Growth Portfolio	-	-	-	564	-	-
Net revenue for the year	-	-	-	-	-	564
At 31 May 2021	26,599	365	17,162	7,063	49,451	-

## 14. Reserves (Continued)

### Capital management

The Company's capital is represented by the issued share capital, share premium account, capital redemption reserve, special reserve, capital reserve – investments sold, capital reserve – investments held and revenue reserve. Details of the movement through each reserve are shown on the preceding page. The Company is not subject to any externally imposed capital requirements. The nature of the reserves are explained in note 1(i) on pages 65 and 66.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Strategic Report.

## 15. Net Asset Value per Share

The net asset value per share and the net asset value attributable to the shares at the year end are calculated as follows:

### Year ended 31 May 2021

	Net asset value per share		Net asset value attributable	
	Income shares pence	Growth shares pence	Income shares £'000	Growth shares £'000
Basic	142.22p	276.01p	66,766	104,226

### Year ended 31 May 2020

	Net asset value per share		Net asset value attributable	
	Income shares pence	Growth shares pence	Income shares £'000	Growth shares £'000
Basic	115.71p	208.35p	53,788	74,773

The net asset value per Income share is calculated on net assets of £66,766,000 (2020: £53,788,000), divided by 46,944,790 (2020: 46,485,537) Income shares, being the number of Income shares in issue at the year end (excluding any shares held in treasury).

The net asset value per Growth share is calculated on net assets of £104,226,000 (2020: £74,773,000), divided by 37,761,553 (2020: 35,888,210) Growth shares, being the number of Growth shares in issue at the year end (excluding any shares held in treasury).

## 16. Reconciliation of Return on Ordinary Activities Before Tax to Net Cash Outflow from Operations

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Return on ordinary activities before tax	15,229	24,553	39,782	(4,666)	1,131	(3,535)
Adjust for returns from non-operating activities:						
(Gains)/losses on investments	(13,297)	(24,835)	(38,132)	6,472	(1,096)	5,376
Foreign exchange losses	17	-	17	13	-	13
Return from operating activities	1,949	(282)	1,667	1,819	35	1,854
Decrease/(increase) in prepayments	2	(7)	(5)	(3)	(6)	(9)
Increase in creditors	288	(84)	204	138	285	423
Withholding tax suffered	21	-	21	(5)	-	(5)
Dividend income	(2,981)	(1,040)	(4,021)	(2,769)	(1,054)	(3,823)
Interest income	(1)	-	(1)	(10)	(18)	(28)
Interest expense	116	-	116	110	-	110
Net cash outflows from operations before dividends and interest	(606)	(1,413)	(2,019)	(720)	(758)	(1,478)

## 17. Financial Instruments

The Company's financial instruments comprise its investment Portfolios, cash balances, bank borrowings and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective.

Listed and quoted fixed asset investments held (see note 10) are valued at fair value.

The fair value of the financial assets and liabilities of the Company at 31 May 2021 and 31 May 2020 is not materially different from their carrying value in the financial statements.

The main risks that the Company faces arising from its financial instruments are:

- (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;
- (ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- (iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates;
- (iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and
- (v) liquidity risk, being the risk that the Company may not be able to liquidate its investments quickly or otherwise raise funds to meet financial commitments.

The Company held the following categories of financial instruments as at 31 May:

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
<b>Financial instruments</b>						
Investment Portfolio – Level 1 (refer to note 10)	72,121	101,052	173,173	57,887	72,356	130,243
Cash at bank and on deposit	2,040	3,769	5,809	1,061	3,071	4,132
Accrued income	225	31	256	135	64	199
<b>Financial liabilities</b>						
Other creditors and accruals	667	649	1,316	379	733	1,112
Fixed term loan	5,000	-	5,000	5,000	-	5,000
Revolving credit facility	2,000	-	2,000	-	-	-

## 18. Market Price Risk

The management of market price risk is part of the fund management process and is typical of equity and debt investment. The Portfolios are managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on the investment Portfolios is set out on pages 20 to 23.

If the investment Portfolio valuation fell by 10% at 31 May 2021, the impact on the profit or loss and the net asset value would have been negative £7.2 million (Income shares) (2020: negative £5.8 million (Income shares)) and negative £10.1 million (Growth shares) (2020: negative £7.2 million (Growth shares)). If the investment Portfolio valuation rose by 10% at 31 May 2021, the effect would have been equal and opposite (2020: equal and opposite). The calculations are based on the Portfolio valuations as at the respective Balance Sheet dates, are not representative of the period as a whole and may not be reflective of future market conditions.

## 19. Interest Rate Risk

The exposure of the financial assets and liabilities to interest rate movements as at 31 May was:

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Exposure to floating rates:						
Cash	2,040	3,769	5,809	1,061	3,071	4,132
Net exposure	2,040	3,769	5,809	1,061	3,071	4,132
Maximum net exposure during the year	2,646	3,769		3,087	5,087	
Minimum net exposure during the year	992	363		1,061	1,454	

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising from the investment and risk management processes. If interest rates rose by 0.5%, the impact on the profit and loss and the net asset value would have been on the Income shares an increase of £10,000 (2020: increase of £5,000) and on the Growth shares an increase of £19,000 (2020: increase of £15,000). If interest rates fell by 0.5%, the effect would have been equal and opposite. The calculations are based on the financial assets and liabilities held and the interest rates ruling at each Balance Sheet date and are not representative of the year as a whole.

### Floating Rate

When the Company retains cash balances the majority of the cash is held in variable rate bank accounts yielding rates of interest linked to the UK base rate which was 0.1% at 31 May 2021 (2020: 0.1%). There are no other assets which are directly exposed to floating interest rate risk.

### Fixed Rate

Movements in market interest rates will affect the market value of fixed interest investments. Refer to the market price risk note 18.

Neither the Income Portfolio nor the Growth Portfolio holds any fixed interest investments and accordingly no sensitivity analysis has been presented.

The Company has a £5 million fixed rate term loan with an interest rate of 2.03% per annum and £2 million of the revolving credit facility was drawn down at an interest rate of 0.75%.

### Non-interest Bearing Investments

The Company's non-interest bearing investments are its equity investments which had a value of £72,121,000 (2020: £57,887,000) for the Income Portfolio and £101,052,000 (2020: £72,356,000) for the Growth Portfolio.

## 20. Foreign Currency Risk

The Company may invest in overseas securities which give rise to currency risks. At 31 May, direct foreign currency exposure was:

	2021			2020		
	Income shares investments £'000	Growth shares investments £'000	Total £'000	Income shares investments £'000	Growth shares investments £'000	Total £'000
Swiss Franc	4,556	-	4,556	4,196	-	4,196
Euro	2,228	-	2,228	1,508	-	1,508
US Dollar	1,092	1,350	2,442	1,235	-	1,235
	<b>7,876</b>	<b>1,350</b>	<b>9,226</b>	<b>6,939</b>	<b>-</b>	<b>6,939</b>

If the value of sterling had weakened against the Swiss Franc by 10%, the impact on the profit or loss and the net asset value would have been an increase of £456,000 (Income shares) (2020: £420,000 (Income shares)). If the value of sterling had strengthened against the Swiss Franc by 10% the effect would have been equal and opposite.

If the value of sterling had weakened against the Euro by 10%, the impact on the profit or loss and the net asset value would have been an increase of £223,000 (Income shares) (2020: £151,000). If the value of sterling had strengthened against the Euro by 10% the effect would have been equal and opposite.

If the value of sterling had weakened against the US Dollar by 10%, the impact on the profit or loss and the net asset value would have been an increase of £109,000 (Income shares) (2020: £123,000) and an increase of £135,000 (Growth shares) (2020: n/a). If the value of sterling had strengthened against the US Dollar by 10% the effect would have been equal and opposite.

As the remainder of the Company's investments and all other assets and liabilities are denominated in sterling there is no other direct foreign currency risk. However, although the Company's performance is measured in sterling and the Company's investments (other than the above) are denominated in sterling, a proportion of their underlying assets are quoted in currencies other than sterling. Therefore movements in the rates of exchange between sterling and other currencies may affect the market price of the Company's investment Portfolios and therefore the market price risk note 18 includes an element of currency exposure.

## 21. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the Balance Sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2021			2020		
	Income shares £'000	Growth shares £'000	Total £'000	Income shares £'000	Growth shares £'000	Total £'000
Cash at bank and on deposit	2,040	3,769	5,809	1,061	3,071	4,132
Accrued income	225	31	256	135	64	199
	<b>2,265</b>	<b>3,800</b>	<b>6,065</b>	<b>1,196</b>	<b>3,135</b>	<b>4,331</b>

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the acceptable credit quality of the brokers used. The Manager monitors the quality of service provided by the brokers used to further mitigate this risk.

## 21. Credit Risk (Continued)

All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank, the Company's Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the Custodian's internal control reports as described in the Report of the Audit Committee.

The credit risk on liquid funds is controlled because the counterparties are banks with acceptable credit ratings, normally rated A or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

## 22. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given that the Company's listed and quoted securities are considered to be readily realisable.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described in the Report of the Directors. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses which are settled in accordance with suppliers stated terms. The Company has a £5 million fixed rate term loan and a £5 million unsecured revolving credit facility which are both available until 10 February 2022 with The Royal Bank of Scotland International Limited. As at 31 May 2021, £5 million of the fixed rate term loan was drawn down (2020: £5 million) and £2 million of the unsecured revolving credit facility was drawn down (2020: nil). The interest rate on the fixed rate term loan, which is fully drawn, is 2.03% per annum.

The contractual maturities of the financial liabilities at each Balance Sheet date, based on the earliest date on which payment can be required, were as follows:

	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
<b>2021</b>				
<b>Income shares</b>				
Liabilities				
Bank borrowing (Fixed rate term loan)	-	5,000	-	5,000
Bank borrowing (Revolving credit facility)	-	2,000	-	2,000
Other creditors	667	-	-	667
	667	7,000	-	7,667
<b>Growth shares</b>				
Liabilities				
Other creditors	649	-	-	649
	649	-	-	649
<b>Total</b>	<b>1,316</b>	<b>7,000</b>	<b>-</b>	<b>8,316</b>

## 22. Liquidity Risk (Continued)

2020	One month or less £'000s	More than one month but less than one year £'000s	More than one year £'000s	Total £'000s
<b>Income shares</b>				
Liabilities				
Bank borrowing (Fixed rate term loan)	-	-	5,000	5,000
Other creditors	173	-	206	379
	173	-	5,206	5,379
<b>Growth shares</b>				
Liabilities				
Other creditors	733	-	-	733
	733	-	-	733
<b>Total</b>	<b>906</b>	<b>-</b>	<b>5,206</b>	<b>6,112</b>

## 23. Related Parties and Transactions with the Manager

The Board of Directors is considered a related party. There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 49 to 51 and as set out in note 5 to the financial statements. The beneficial interests of the Directors in the Income shares and Growth shares of the Company are disclosed on page 50. There are no outstanding balances with the Board at the year end.

Ms S P Inglis is also a non-executive director and chairman of The Bankers Investment Trust. The Income Portfolio has a holding of 1,730,470 shares in this company valued at £1,968,000 at 31 May 2021. Mr D Warnock is also a non-executive director of ICG Enterprise Trust plc. The Growth Portfolio has a holding of 190,000 shares in this Company valued at £2,018,000 at 31 May 2021.

Transactions between the Company and the Manager are detailed in note 4 on investment management and performance fees, note 5 and note 12 on fees owed to the Manager at the Balance Sheet date. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

## 24. Post-balance Sheet Events

Since 31 May 2021, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

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# AIFMD Disclosures

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## Alternative Investment Fund Managers Directive ('AIFMD')

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, BMO Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from BMO GAM on request.

The Company's maximum and average actual leverage levels at 31 May 2021 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	101%	105%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

# Notice of Separate Meeting of Income Shareholders

Notice is hereby given that a separate meeting of holders of Income shares of £0.094976101 each ("**Income Shareholders**"), and correspondingly the "**Income Shareholder Meeting**") in the capital of BMO Managed Portfolio Trust PLC (the "**Company**") will be held at 10.20am on 30 September 2021, being immediately prior to the commencement of the Annual General Meeting of the Company convened for 10.30am on 30 September 2021 at Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS to consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

## Special Resolution

THAT the holders of the Income shares of £0.094976101 each (the "**Income Shares**") in the capital of BMO Managed Portfolio Trust PLC (the "**Company**") hereby sanction and consent to the passing and carrying into effect of a special resolution of the Company, as set out in Resolution 14 in the notice of the Annual General Meeting of the Company convened for 10.30am on 30 September 2021 (a copy of which has been produced to the meeting and signed by the chairman for the purpose of identification), cancelling the share premium account of the Company.

**By order of the Board**  
**BMO Investment Business Limited**  
**Company Secretary**  
**6th Floor**  
**Quartermile 4**  
**7a Nightingale Way**  
**Edinburgh EH3 9EG**  
**2 August 2021**

## Notes

- An Income Shareholder entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be an Income Shareholder. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours (excluding non-working days) before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours (excluding non-working days) before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours (excluding non-working days) before the time appointed for the taking of the poll). The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes.
- A corporation, which is an Income Shareholder, may appoint (an) individual(s) to act as its representative(s) and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual Income Shareholder, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**Euroclear**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- Alternatively, Income Shareholders can vote online by logging onto [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service, Income Shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the accompanying form of proxy. Full details of the procedure are given on the website. Alternatively, Income Shareholders who have already registered with Equiniti's online portfolio service, Shareview, can vote by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) using the usual user ID and password used for the Company's Annual General Meetings. Once logged in, simply click "view" on the "My Investments" page, click on the link to vote, then follow the on screen instructions. Electronic proxy votes must be received by Equiniti, by no later than 48 hours before the time of the meeting.

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7. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the Income Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Income Shareholder Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of Income Shareholders in relation to the appointment of proxies in Notes 1 and 3 above do not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Income Shareholders entered on the Register of Members of the Company as at 6.30pm on 28 September 2021 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30pm on the day two business days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Income shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30pm on 28 September 2021 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30pm on the day two business days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.
9. As at 2 August 2021 (being the last business day prior to the publication of this notice), the Company's issued share capital consists of 47,194,790 Income shares carrying one vote each and 37,921,553 Growth shares carrying one vote each. The Company holds nil Income shares and nil Growth shares in treasury. Therefore, the total voting rights in the Company as at 2 August 2021 were 85,116,343 votes. An Income Shareholder present in person or by proxy shall have one vote on a show of hands. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll, each Income Shareholder shall have one vote for each Income share held. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

10. You may not use any electronic address provided either in this Notice of Separate Meeting of Income Shareholders or any related documents (including the Form of Proxy) to communicate with the Company for any purposes, other than those expressly stated.
11. A copy of the current Articles of Association of the Company will be available for inspection on the Company's website, [bmomanagedportfolio.com](http://bmomanagedportfolio.com) from the date of this Notice of Separate Meeting of Income Shareholders or the date of the AGM Notice published in the Company's 2021 annual report, whichever is earlier, until the close of the AGM which follows the Income Shareholder and Growth Shareholder meetings and will also be available for inspection from 15 minutes before the Income Shareholder Meeting or Growth Shareholder Meeting, whichever is earlier, at these meetings, and at the AGM.
12. Should any Government restrictions and social distancing measures remain in place at the time of the meeting entry to the Income Shareholder Meeting may be restricted and/or refused in accordance with the Articles of Association, the law and/or Government guidance. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the Income Shareholder Meeting.
13. All Income Shareholders are strongly encouraged to exercise their votes in respect of the Income Shareholder Meeting in advance. This should ensure that your votes are registered and count at the Income Shareholder Meeting.

# Notice of Separate Meeting of Growth Shareholders

Notice is hereby given that a separate meeting of holders of Growth shares of £0.094976101 each ("**Growth Shareholders**"), and correspondingly the "**Growth Shareholder Meeting**") in the capital of BMO Managed Portfolio Trust PLC (the "**Company**") will be held at 10.25am on 30 September 2021, being immediately prior to the commencement of the Annual General Meeting of the Company convened for 10.30am on 30 September 2021 at Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS to consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

## Special Resolution

THAT the holders of the Growth shares of £0.094976101 each (the "**Growth Shares**") in the capital of BMO Managed Portfolio Trust PLC (the "**Company**") hereby sanction and consent to the passing and carrying into effect of a special resolution of the Company, as set out in Resolution 14 in the notice of the Annual General Meeting of the Company convened for 10.30am on 30 September 2021 (a copy of which has been produced to the meeting and signed by the chairman for the purpose of identification), cancelling the share premium account of the Company.

**By order of the Board**  
**BMO Investment Business Limited**  
**Company Secretary**  
**6th Floor**  
**Quartermile 4**  
**7a Nightingale Way**  
**Edinburgh EH3 9EG**  
**2 August 2021**

## Notes

1. A Growth Shareholder entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a Growth Shareholder. If multiple proxies are appointed, they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours (excluding non-working days) before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours (excluding non-working days) before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours (excluding non-working days) before the time appointed for the taking of the poll). The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes.
2. A corporation, which is a Growth Shareholder, may appoint (an) individual(s) to act as its representative(s) and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual Growth Shareholder, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**Euroclear**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Alternatively, Growth Shareholders can vote online by logging onto [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service, Growth Shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the accompanying form of proxy. Full details of the procedure are given on the website. Alternatively, Growth Shareholders who have already registered with Equiniti's online portfolio service, Shareview, can vote by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) using the usual user ID and password used for the Company's Annual General Meetings. Once logged in, simply click "view" on the "My Investments" page, click on the link to vote, then follow the on screen instructions. Electronic proxy votes must be received by Equiniti, by no later than 48 hours before the time of the meeting.

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7. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the Growth Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Growth Shareholder Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- The statements of the rights of Growth Shareholders in relation to the appointment of proxies in Notes 1 and 3 above do not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Growth Shareholders entered on the Register of Members of the Company as at 6.30pm on 28 September 2021 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30pm on the day two business days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Growth shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30pm on 28 September 2021 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30pm on the day two business days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.
9. As at 2 August 2021 (being the last business day prior to the publication of this notice), the Company’s issued share capital consists of 37,921,553 Growth shares carrying one vote each and 47,194,790 Income shares carrying one vote each. The Company holds nil Growth shares and nil Income shares in treasury. Therefore, the total voting rights in the Company as at 2 August 2021 were 85,116,343 votes. A Growth Shareholder present in person or by proxy shall have one vote on a show of hands. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll, each Growth Shareholder shall have one vote for each Growth share held. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
10. You may not use any electronic address provided either in this Notice of Separate Meeting of Growth Shareholders or any related documents (including the Form of Proxy) to communicate with the Company for any purposes, other than those expressly stated.
11. A copy of the current Articles of Association of the Company will be available for inspection on the Company’s website, [bmomanagedportfolio.com](http://bmomanagedportfolio.com) from the date of this Notice of Separate Meeting of Growth Shareholders or the date of the AGM Notice published in the Company’s 2021 annual report, whichever is earlier, until the close of the AGM which follows the Growth Shareholder and Income Shareholder meetings and will also be available for inspection from 15 minutes before the Income Shareholder Meeting or Growth Shareholder Meeting, whichever is earlier, at these meetings, and at the AGM.
12. Should any Government restrictions and social distancing measures remain in place at the time of the meeting entry to the Growth Shareholder Meeting may be restricted and/or refused in accordance with the Articles of Association, the law and/or Government guidance. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the Growth Shareholder Meeting.
13. All Growth Shareholders are strongly encouraged to exercise their votes in respect of the Growth Shareholder Meeting in advance. This should ensure that your votes are registered and count at the Growth Shareholder Meeting.

# Notice of Annual General Meeting

Notice is hereby given that the thirteenth Annual General Meeting of BMO Managed Portfolio Trust PLC will be held at Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS on Thursday 30 September 2021 at 10.30am for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 to 14 as Special Resolutions:

## Ordinary Resolutions

1. That the Annual Report and Financial Statements for the year to 31 May 2021 be received.
2. That the Annual Report on Directors' Remuneration for the year to 31 May 2021 be approved.
3. That David Harris, who retires annually, be re-elected as a Director.
4. That Susan P Inglis, who retires annually, be re-elected as a Director.
5. That Simon M Longfellow, who was appointed as a Director on 14 July 2021, be elected as a Director.
6. That David Warnock, who retires annually, be re-elected as a Director.
7. That KPMG LLP be re-appointed as auditor of the Company and the Directors be authorised to determine its remuneration.
8. That the Company's dividend policy with regard to quarterly payments as set out in the Annual Report and Financial Statements for the year to 31 May 2021 be approved.
9. Authority to allot shares

That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Rights") provided that such authority shall be limited to the allotment of shares and the grant of Rights in respect of shares with an aggregate nominal value of up to £896,384.44 in respect of Income shares and £720,298.75 in respect of Growth shares, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or

enter into an agreement which would or might require shares in the Company to be allotted or Rights to be granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

## Special Resolutions

10. Power to allot shares and sell treasury shares without rights of pre-emption

That, subject to the passing of Resolution 9, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by Resolution 9 and/or to sell Income shares and/or Growth shares held by the Company as treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:

- (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
- (b) shall be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal value of £448,192.22 in respect of Income shares and £360,149.37 in respect of Growth shares (being approximately 10.0% of the nominal value of the issued Income share capital of the Company, and approximately 10.0% of the nominal value of the issued Growth share capital of the Company as at 2 August 2021) at a price of not less than the net asset value per share of the existing Income shares (in the case of an allotment or sale of Income shares) or Growth shares (in the case of an allotment or sale of Growth shares).

This power applies in relation to the sale of Income shares and/or Growth shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of Resolution 9" and "pursuant to the authority given by Resolution 9" were omitted.

11. Additional power to allot shares and sell treasury shares without rights of pre-emption

That, subject to the passing of Resolution 9, and in addition to any power granted under Resolution 10 above, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by Resolution 9 and/or sell Income shares and/or Growth shares held by the Company as treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:

- (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
- (b) shall be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal value of £448,192.22 in respect of Income shares and £360,149.37 in respect of Growth shares (being approximately 10.0% of the nominal value of the issued Income share capital of the Company, and approximately 10.0% of the nominal value of the issued Growth share capital of the Company as at 2 August 2021) at a price of not less than the net asset value per share of the existing Income shares (in the case of an allotment or sale of Income shares) or Growth shares (in the case of an allotment or sale of Growth shares).

This power applies in relation to the sale of Income shares and/or Growth shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of Resolution 9" and "pursuant to the authority given by Resolution 9" were omitted.

12. Authority to buy-back shares

That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Income shares in the share capital of the Company and Growth shares in the share capital of the Company ("**Income shares and/or Growth shares**") (either for retention as treasury shares for future reissue, resale or transfer, or cancellation), provided that:

- (a) the maximum aggregate number of Income shares and Growth shares hereby authorised to be purchased is 14.99% of the issued Income shares and 14.99% of the issued Growth shares

(excluding Income shares and Growth shares held in treasury) immediately prior to the passing of this resolution<sup>(1)</sup>;

- (b) the minimum price (excluding expenses) which may be paid for an Income share or Growth share is £0.094976101;
- (c) the maximum price (excluding expenses) which may be paid for an Income share or Growth share shall not be more than the higher of:
  - i. 5% above the average closing price on the London Stock Exchange of an Income share or Growth share over the five business days immediately preceding the date of purchase; and
  - ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
- (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 30 December 2022 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Income shares and/or Growth shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Income shares and/or Growth shares pursuant to any such contract.

13. Purchase Contract

That the proposed Purchase Contract (as defined in the Annual Report and Financial Statements published by the Company on 2 August 2021) to enable the Company to make off-market purchases of its own deferred shares pursuant to Sections 693 and 694 of the Companies Act 2006 in the form produced at the meeting and initialled by the Chairman be and is hereby approved and the Company be and is hereby authorised to enter into, execute and perform such contract, but so that the approval and authority conferred by this resolution shall expire on the day immediately preceding the date which is 18 months after the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company.

14. Cancellation of the Company's share premium account

That, subject to the confirmation of the Court of Session (the "**Court**"), the share capital of the Company be reduced by cancelling the entire amount standing to the credit of the Company's share premium account as at the date of the final hearing before the Court at which confirmation of the said cancellation is sought.

**By order of the Board  
For BMO Investment Business Limited  
Company Secretary  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG  
2 August 2021**

<sup>(1)</sup> Following Resolution 12 becoming effective the maximum aggregate number of shares hereby authorised to be purchased shall be 7,074,000 Income shares and 5,684,000 Growth shares (or, if less, 14.99% of the number of Income shares and 14.99% of the Growth shares in issue (excluding treasury shares) immediately prior to the passing of this resolution)

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours (excluding non working days) before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours (excluding non working days) before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours (excluding non working days) before the time appointed for the taking of the poll). The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes.
2. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Alternatively, shareholders can vote online by logging onto [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the accompanying form of proxy. Full details of the procedure are given on the website. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can vote by logging on to their portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) using your usual user ID and password. Once logged in simply click "view" on the "My Investments" page, click on the link to vote, then follow the on screen instructions. Electronic proxy votes must be received by Equiniti, by no later than 48 hours before the time of the meeting.
7. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.  
  
The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 3 above do not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.30pm on 28 September 2021 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30pm on the day two business days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30pm on 28 September 2021 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30pm on the day two business days prior to any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.
9. As at 2 August 2021 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 47,194,790 Income shares carrying one vote each and 37,921,553 Growth shares carrying one vote each. The Company holds nil Income shares and nil Growth shares in treasury. Therefore the total voting rights in the Company as at 2 August 2021 were 85,116,343 votes. A member present in person or by proxy shall have one vote on a show of hands. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each Income shareholder and each Growth shareholder is entitled to a weighted vote determined in accordance with the underlying NAV of the relevant shares as specified in the Articles of Association. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
10. The proposed purchase contract referred to in Resolution 13 will be available for inspection at the Annual General Meeting. The proposed Purchase Contract will also be available at the Company's registered office from 15 days prior to the AGM.
11. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and from 15 minutes prior to, and during, the Annual General Meeting.
12. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from [bmomanagedportfolio.com](http://bmomanagedportfolio.com).
13. Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
  - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
14. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG.

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15. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
  16. Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 17 below, may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) the resolution must not be defamatory of any person, frivolous or vexatious; and (iii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than six weeks before the Meeting to which the requests relate.
  17. Under Section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 18 below, may, subject to certain conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) the matter of business must not be defamatory of any person, frivolous or vexatious; and (ii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (c) must be accompanied by a statement setting out the grounds for the request; (d) must be authenticated by the person or persons making it; and (e) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.
  18. In order to be able to exercise the members' right to require: (i) circulation of a resolution to be proposed at the Meeting (see Note 16); or (ii) a matter of business to be dealt with at the Meeting (see Note 17), the relevant request must be made by: (a) a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

# Capital Structure At 31 May 2021

The Company has two classes of shares, Income shares and Growth shares, each with distinct investment objectives, investment policies and underlying investment Portfolios. Both the Income shares and Growth shares are traded on the London Stock Exchange. There is no fixed ratio of Income shares to Growth shares and the relative sizes of the Income and Growth Portfolios may vary over time.

Neither the Income shares nor the Growth shares represent capital gearing for the other share class.

## Dividends

Income shares are entitled to all dividends of the Company. The Company typically pays four quarterly dividends per financial year in October, January, April and July. The Growth shares do not carry an entitlement to receive dividends.

Any net income arising in the Growth Portfolio is transferred to the Income Portfolio, and a corresponding transfer of an identical amount made from the capital attributable to the Income Portfolio to the Growth Portfolio. It is expected that this will benefit both the income prospects of the Income shares and the capital growth prospects of the Growth shares.

## Capital

The net asset value of the Income shares is based on the Income Portfolio and the net asset value of the Growth shares is based on the Growth Portfolio.

As a matter of law, the Company is a single entity and, while under the Articles of Association the assets of the Income Portfolio are separated for the benefit of the Income shareholders and the assets of the Growth Portfolio are separated for the benefit of the Growth shareholders, there is no distinction between the assets of the Income Portfolio and the Growth Portfolio as far as creditors of the Company are concerned.

On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprised in either of the Income Portfolio or the Growth Portfolio, after payment of all debts and satisfaction of all the liabilities associated with that Portfolio and any other relevant liabilities, shall be paid to the holders of the shares of the particular Portfolio and distributed amongst such holders rateably according to the amounts paid up on the relevant shares held by them respectively.

If, in the course of liquidation of the Company the assets attributable to a particular Portfolio are insufficient to satisfy the liabilities attributable to that Portfolio and that Portfolio's pro rata share of the Company's general liabilities, the outstanding liabilities shall be attributable to the other Portfolio.

## Voting

At any general meeting of the Company, on a show of hands, each Income shareholder and each Growth shareholder shall have one vote and, upon a poll, a weighted vote determined in accordance with the underlying NAV of the relevant share as specified in the Articles.

At any class meeting of Income shareholders, on a show of hands, each Income shareholder shall have one vote and, upon a poll, one vote for each Income share held and at any class meeting of Growth shareholders, on a show of hands, each Growth shareholder shall have one vote and, upon a poll, one vote for each Growth share held.

Any material change to the investment policy of the Company will only be made with the prior class consent of shareholders of the class to which the change relates (where the proposed material change only relates to a particular class) and with the prior approval of the shareholders of the Company.

## Voting of Shares Held in the Savings Plans

Since the launch of the Company, the majority of the Income shares and Growth shares in the Company have been held through the BMO savings plans which are administered by the Manager. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the BMO savings plans. The shares are voted in accordance with the instructions of the underlying shareholders. The Manager has undertaken that, subject to any regulatory restrictions, it would operate a proportional voting system whereby, provided that the nominee company holding the shares received instructions to vote in respect of more than 10% of the shares held in the BMO savings plans, it would vote all the shares in respect of which it had not received instructions proportionately to those for which it had received instructions. Any shares held by the underlying holder in excess of 0.25% of the issued shares of the relevant class would not be counted for the purposes of pro rating the voting of non-directed shares. Any shares voted by an underlying shareholder in excess of the maximum limit would remain valid, but would not form part of the proportional voting basis.

## Conversion Between Income Shares and Growth Shares

Subject to certain minimum and maximum thresholds which may be set at the discretion of the Board, shareholders have the right to convert their Income shares into Growth shares and/or their Growth shares into Income shares upon certain dates, the next of which will be on 28 October 2021 and then annually or close to annually thereafter. Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

Full details are provided in the Shareholder Information section on pages 96 and 97.

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# Shareholder Information

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## Conversion Facility

Subject to certain minimum and maximum thresholds which may be set by the Board of BMO Managed Portfolio Trust PLC (the “Board”) from time to time, shareholders have the right to convert their Income shares into Growth shares and/or their Growth shares into Income shares upon certain dates, the next of which will be 28 October 2021 and then annually or close to annually thereafter (subject to the Articles of Association of the Company). Under current law, such conversions will not be treated as disposals for UK capital gains tax purposes.

## Conversion Process

### Minimum level

The Board may, in its sole and absolute discretion, specify a minimum number of converting shares which are to be converted by a shareholder in the case of either the Income shares or Growth shares.

The minimum amount for the 28 October 2021 Conversion is 1,000 shares per shareholder or the whole shareholding, whichever is lower.

The Board will specify a minimum net value of assets to be transferred from a Portfolio on any Conversion Date, and may change any such minimum from time to time. If, on any Conversion Date, the value of the assets to be so transferred is less than such specified minimum, then the Board may, in its sole and absolute discretion, cancel any such conversion.

The minimum net value of assets in aggregate for the 28 October 2021 Conversion is £250,000. A significant minimum has to be set in order to justify the costs of the exercise.

### Maximum level

The Board may set a maximum number of Growth shares or Income shares which may be converted on any Conversion Date and may change such maximum from time to time. If on a Conversion Date, the number of Growth shares or Income shares for which conversion notices have been delivered would exceed the limit, the shares will be reduced pro rata.

The maximum amount for the 28 October 2021 Conversion is 10% of the Income shares and 10% of the Growth shares in issue.

## Conversion ratio

Shares will be converted into the other share class by reference to the ratio of the relative underlying NAVs of the Growth shares and Income shares (as set out in more detail in the Company’s Articles of Association). Only the Income shareholders are entitled to receive dividends. The Company shall announce the Conversion Ratio applicable on the Conversion Date or Deferred Conversion Date and the number of resulting shares. The Board has discretion to defer the Conversion Date, inter alia, in the event that the level of conversions is above a certain materiality threshold in order to facilitate realignment of the Company’s Portfolios in order to effect the conversions in as effective a manner as possible. The Deferred Conversion Date will under normal circumstances not be more than one month later than the originally stated Conversion Date.

## Result

It is anticipated that, within nine working days of the Conversion Date or the Deferred Conversion Date, the Company will send:

- To each holder of converting shares that are in certificated form a definitive certificate for the appropriate number of shares arising on conversion and a new certificate for any unconverted shares.
- To each holder of converting shares held in a BMO savings plan, confirmation of the number of shares converted and the number of shares arising on conversion.

No share certificates will be issued in respect of any Deferred shares arising as a result of the conversion. These Deferred shares have no economic value and will be transferred to a nominee holder and bought back for nil consideration by the Company and cancelled in accordance with the Company’s Articles of Association.

Income shares arising on Conversion will carry the right to receive all dividends declared by reference to a record date falling after the Conversion Date or Deferred Conversion Date. Income shares which are converted into Growth shares will carry the right to receive all dividends declared by reference to a record date falling prior to the Conversion Date or Deferred Conversion Date but not on or thereafter.

## Market price of Income shares & Growth shares

The mid market price for the Income shares and Growth shares on the first dealing day in each of the last six months, and 30 July 2021, being the latest practicable date before the approval of the Annual Report and Financial Statements were:

	Income shares (p)	Growth shares (p)
1 February 2021	131.0	261.0
1 March 2021	133.0	270.0
1 April 2021	135.0	271.0
3 May 2021	144.0	285.0
1 June 2021	143.5	277.0
1 July 2021	143.0	281.0
30 July 2021	144.0	285.0

This is not a recommendation to convert, or not to convert, any of your shares.

### Future conversions

It is intended that, following the next conversion on 28 October 2021, the conversion facility will be offered annually or close to annually thereafter.

### How do I convert?

If you hold your shares:

1. through a savings plan managed or marketed by BMO Asset Management Limited please download a "PLAN

CONVERSION INSTRUCTION" Form from the website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com), which will be available from 9 August 2021.

This "Plan Conversion Instruction" form must be received by **5pm on Friday 24 September 2021** in respect of the 28 October 2021 Conversion Date.

2. in certificated form, please download a "CERTIFICATED CONVERSION NOTICE" Form from the website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com), which will be available from 9 August 2021.

This "CERTIFICATED CONVERSION NOTICE" Form must be received by **5pm on Friday 1 October 2021** in respect of the 28 October 2021 Conversion Date.

Information on what to do if you have lost any or all of your share certificates and how to obtain a letter of indemnity is also included on the form.

3. in uncertificated form (that is in CREST) then please follow the instructions on the website at [bmomanagedportfolio.com](http://bmomanagedportfolio.com), which will be available from 9 August 2021.

This is not a recommendation to convert, or not to convert, any of your shares.

### Profile of the Company's Ownership

% of Income shares held at 31 May 2021		% of Growth shares held at 31 May 2021	
BMO Retail Savings Plans	68.9%	BMO Retail Savings Plans	83.8%
Individuals and Private Client Wealth Managers	31.1%	Individuals and Private Client Wealth Managers	16.2%
	100.0%		100.0%

### Share Prices and Daily Net Asset Value

The Company's Income shares and Growth shares are listed on the London Stock Exchange. Prices are given daily in the Financial Times and other newspapers. The net asset value of the Company's shares are released to the market daily, on the working day following the calculation date. They are available, with other regulatory information, through the National Storage Mechanism at [data.fca.org.uk](http://data.fca.org.uk) or can be obtained by contacting BMO Investment Business Limited Investment Services on 0345 600 3030.

### Dividends

Dividends on Income shares are paid quarterly in July, October, January and April each year. Shareholders on the main register, who wish to have dividends paid directly into a bank account rather than by cheque to their registered address, can complete a mandate form for the purpose. Mandates may be obtained from the Company's Registrar, Equiniti Limited (see back cover page for contact details), on request.

### Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment for main register holders this should be notified to Equiniti Limited, under the signature of the registered holder.

The Company conducts its affairs so that its Income shares and Growth shares can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's rules relating to non-mainstream investment products and intends to continue to do so.

### Data Protection

The Company is committed to protecting and respecting the confidentiality, integrity and security of the personal data it holds. For information on the processing of personal data, please see the privacy policy on the Company's website.

# How to Invest

One of the most convenient ways to invest in BMO Managed Portfolio Trust PLC is through one of the savings plans run by BMO.

## BMO ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the current tax year with a lump sum from £100 or regular savings from £25 a month. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

## BMO Junior ISA (JISA)\*

A tax efficient way to invest up to £9,000 per tax year for a child. Contributions start from £100 lump sum or £25 a month. JISAs or CTFs with other providers can be transferred to BMO.

## BMO Lifetime ISA (LISA)

For those aged 18-39, a Lifetime ISA could help towards purchasing your first home or retirement in later life. Invest up to £4,000 for the current tax year and receive a 25% Government bonus up to £1,000 per year. Invest with a lump sum from £100 or regular savings from £25 a month.

## BMO Child Trust Fund (CTF)\*

If your child already has a CTF you can invest up to £9,000 per birthday year, from £100 lump sum or £25 a month. CTFs with other providers can be transferred to BMO.

## BMO General Investment Account (GIA)

This is a flexible way to invest in BMO's range of Investment Trusts. There are no maximum contributions, and investments can be made from £100 lump sum or £25 a month.

## BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in BMO's range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £100 lump sum or £25 a month per account. You can also make additional lump sum top-ups at any time from £100 per account.

\*The CTF and JISA accounts are opened by parents in the child's name and they have access to the money at age 18. \*\*Calls may be recorded or monitored for training and quality purposes.

## Charges

Annual management charges and other charges apply according to the type of plan.

### Annual account charge

ISA/LISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

### Dealing charges

£12 per fund (reduced to £0 for deals placed through the online BMO Investor Portal) for ISA/GIA/LISA/JIA and JISA. There are no dealing charges on a CTF.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales Cost & Charges disclosure related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you want to invest into.

### How to Invest

To open a new BMO plan, apply online at [bmogam.com/apply](https://bmogam.com/apply)

Online applications are not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name but paper applications are available at [bmoinvestments.co.uk/documents](https://bmoinvestments.co.uk/documents) or by contacting BMO.

### New Customers

Call: **0800 136 420\*\*** (8.30am – 5.30pm, weekdays)

Email: [info@bmogam.com](mailto:info@bmogam.com)

### Existing Plan Holders

Call: **0345 600 3030\*\*** (9.00am – 5.00pm, weekdays)

Email: [investor.enquiries@bmogam.com](mailto:investor.enquiries@bmogam.com)

By post: BMO Administration Centre

PO Box 11114

Chelmsford

CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre**

 [bmoinvestments.co.uk](https://bmoinvestments.co.uk)

 [facebook.com/bmoinvestmentsuk](https://facebook.com/bmoinvestmentsuk)

 0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.



## BMO Asset Management Limited

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. 737510\_L56\_05/21\_UK

# Historic Record

Income Shares									
As at 31 May	Financial year net asset value total return	Financial year benchmark index total return	Net asset value per share	Share price	+Premium/-discount	Revenue return per share	Dividend per share	Total expenses/ongoing charges <sup>(3)</sup>	Net gearing/(net cash)
2009	-20.8%	-23.2%	73.86p	75.0p	+1.5%	5.33p	4.9p <sup>(1)</sup>	1.47%	(6.5)%
2010	23.9%	22.9%	86.81p	89.5p	+3.1%	4.58p	4.4p	1.51%	(3.8)%
2011	24.4%	20.4%	103.09p	103.0p	-0.1%	4.20p	4.4p	1.42%	4.2%
2012	-6.6%	-8.0%	91.86p	91.5p	-0.4%	5.04p	4.5p	1.44%	1.8%
2013	34.2%	30.1%	117.68p	116.5p	-1.0%	5.20p	4.6p	1.24%	1.3%
2014	6.0%	8.9%	119.85p	122.0p	+1.8%	5.56p	4.8p	1.16%	1.4%
2015	10.0%	7.5%	126.37p	128.5p	+1.7%	5.87p	5.0p	1.16%	0.3%
2016	-4.8%	-6.3%	114.98p	113.5p	-1.3%	5.62p	5.2p	1.09%	0.5%
2017	24.5%	24.5%	136.93p	140.0p	+2.2%	5.89p	5.45p	1.12%	7.3%
2018	3.0%	6.5%	135.29p	138.0p	+2.0%	7.32p	6.5p <sup>(2)</sup>	1.07%	5.3%
2019	2.5%	-3.2%	131.81p	134.5p	+2.0%	6.59p	5.95p	1.08%	6.5%
2020	-7.3%	-11.2%	115.71p	117.5p	+1.5%	6.69p	6.1p	1.10%	7.3%
2021	29.0%	23.1%	142.22p	143.5p	+0.9%	6.59p	6.2p	1.08%	7.4%

<sup>(1)</sup> 4.9p was paid in respect of the first 13½ month period from launch.

<sup>(2)</sup> including special dividend of 0.8p per share.

<sup>(3)</sup> excluding performance fee and ongoing charges of underlying funds.

Growth Shares							
As at 31 May	Financial year net asset value total return	Financial year benchmark index total return	Net asset value per share	Share price	+Premium/-discount	Total expenses/ongoing charges <sup>(1)</sup>	Net gearing/(net cash)
2009	-28.8%	-23.2%	69.79p	68.5p	-1.8%	1.45%	(4.7)%
2010	24.2%	22.9%	86.70p	87.0p	+0.3%	1.53%	(2.4)%
2011	24.0%	20.4%	107.52p	109.0p	+1.4%	1.55%	(1.6)%
2012	-12.6%	-8.0%	93.97p	93.0p	-1.0%	1.59%	(1.1)%
2013	32.8%	30.1%	124.78p	123.0p	-1.4%	1.24%	1.4%
2014	9.3%	8.9%	136.41p	136.0p	-0.3%	1.17%	(1.0)%
2015	12.8%	7.5%	153.92p	155.0p	+0.7%	1.15%	0.8%
2016	-4.5%	-6.3%	147.02p	149.0p	+1.4%	1.09%	(2.0)%
2017	26.4%	24.5%	185.78p	189.0p	+1.7%	1.08%	(4.2)%
2018	11.0%	6.5%	206.23p	209.0p	+1.3%	1.02%	(4.4)%
2019	-0.5%	-3.2%	205.17p	206.0p	+0.4%	1.01%	(6.3)%
2020	1.5%	-11.2%	208.35p	212.0p	+1.8%	1.03%	(4.1)%
2021	32.5%	23.1%	276.01p	277.0p	+0.4%	1.03%	(3.6)%

<sup>(1)</sup> excluding performance fee and ongoing charges of underlying funds.

# Alternative Performance Measures (“APMs”)

The Company uses the following “APMs”

**Discount/premium** – the share price of an investment company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value (NAV) per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium usually indicating there are more buyers of shares than sellers.

		31 May 2021		31 May 2020	
		Income shares	Growth shares	Income shares	Growth shares
Net asset value per share	(a)	142.22p	276.01p	115.71p	208.35p
Share price	(b)	143.50p	277.00p	117.50p	212.00p
+Premium/-discount (c = (b-a)/(a))	(c)	+0.9%	+0.4%	+1.5%	+1.8%

**Ongoing charges** – all operating costs (attributable to the relevant share class of the Company), incurred and expected to be incurred in the foreseeable future, whether charged to capital or revenue in the Company’s Income Statement, expressed as a proportion of the average daily net assets (of the relevant share class of the Company) over the reporting year. In accordance with the AIC methodology, the costs of buying and selling investments are excluded in calculating ongoing charges, as are any performance fee, the cost of the Company’s borrowings, taxation, non-recurring costs and the costs of buying back or issuing shares. The Company’s ongoing charges calculated in accordance with this methodology are shown in column **A** in the following tables.

The AIC recommends that investment companies also disclose ongoing charges including any performance fee. These calculations are shown in column **B** in the following tables.

In addition, the AIC recommends that investment companies with a substantial proportion of their portfolio invested in other funds and where the relevant information is readily available should consider incorporating a relevant proportion of ongoing charges of the underlying funds into its own ongoing charges figure. These calculations are shown in column **C** in the following tables.

The Key Information Document (‘KID’) on the Company’s website contains a measure of costs calculated in accordance with the EU PRIIPs regulation. In addition to the costs included within the Company’s ongoing charges figure in column **A** in the following tables, the KID methodology for calculating costs (attributable to the relevant share class of the Company) includes the costs of buying and selling investments, the cost of the Company’s borrowings, any performance fee and a relevant proportion of the ongoing costs of the underlying funds. These underlying costs cover operational costs, performance fees and borrowing costs. The aggregate KID costs are expressed as a proportion of the average daily net assets (of the relevant share class of the Company) over the period. For completeness the Company has included a reconciliation in the following tables, between the methodologies. In view of industry concerns over the appropriateness and application of the KID methodology the Company does not use the KID costs as an APM.

## Ongoing charges calculations

	31 May 2021			31 May 2020		
	Column A <sup>(1)</sup> Income Portfolio £'000	Column B <sup>(2)</sup> Income Portfolio £'000	Column C <sup>(3)</sup> Income Portfolio £'000	Column A <sup>(1)</sup> Income Portfolio £'000	Column B <sup>(2)</sup> Income Portfolio £'000	Column C <sup>(3)</sup> Income Portfolio £'000
Investment management fee	425	425	425	403	403	403
Other expenses	233	233	233	241	241	241
Performance fee	-	259	-	-	206	-
Less non-recurring costs	(14)	(14)	(14)	(6)	(6)	(6)
Ongoing charges of underlying funds	-	-	707	-	-	583
Total	(a) 644	903	1,351	638	844	1,221
Average daily net assets	(b) 59,711	59,711	59,711	57,908	57,908	57,908
Ongoing charges (c = a/b)	(c) 1.08%	1.51%	2.26%	1.10%	1.46	2.11%

Ongoing charges above	1.08%
Borrowing costs (Company level)	0.19%
Costs of underlying funds (including borrowing costs)	1.46%
Performance fees (Company & underlying funds)	0.53%
Portfolio transaction costs	0.35%
Costs per KID methodology	3.61%

<sup>(1)</sup> excluding performance fee and ongoing charges of underlying funds

<sup>(2)</sup> including performance fee but excluding ongoing charges of underlying funds

<sup>(3)</sup> AIC methodology, excluding performance fee but including ongoing charges of underlying funds

## Ongoing charges calculations

	31 May 2021			31 May 2020		
	Column A <sup>(1)</sup> Growth Portfolio £'000	Column B <sup>(2)</sup> Growth Portfolio £'000	Column C <sup>(3)</sup> Growth Portfolio £'000	Column A <sup>(1)</sup> Growth Portfolio £'000	Column B <sup>(2)</sup> Growth Portfolio £'000	Column C <sup>(3)</sup> Growth Portfolio £'000
Investment management fee	600	600	600	478	478	478
Other expenses	356	356	356	296	296	296
Performance fee	-	366	-	-	263	-
Less non-recurring costs	(22)	(22)	(22)	(9)	(9)	(9)
Ongoing charges of underlying funds	-	-	839	-	-	626
Total	(a) 934	1,300	1,773	765	1,028	1,391
Average daily net assets	(b) 90,603	90,603	90,603	73,922	73,922	73,922
Ongoing charges (c = a/b)	(c) 1.03%	1.43%	1.96%	1.03%	1.39%	1.88%

Ongoing charges above	1.03%
Borrowing costs (Company level)	n/a
Costs of underlying funds (including borrowing costs)	1.00%
Performance fees (Company & underlying funds)	0.59%
Portfolio transaction costs	0.22%
Costs per KID methodology	2.84%

<sup>(1)</sup> excluding performance fee and ongoing charges of underlying funds

<sup>(2)</sup> including performance fee but excluding ongoing charges of underlying funds

<sup>(3)</sup> AIC methodology, excluding performance fee but including ongoing charges of underlying funds

**Total return** – the return to shareholders calculated on a per share basis taking into account both any dividends paid in the period and the increase or decrease in the share price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

The effect of reinvesting these dividends on the respective ex-dividend dates and the share price total returns and NAV total returns are shown below.

	31 May 2021		31 May 2020	
	Income shares	Growth shares	Income Shares	Growth Shares
NAV per share at start of financial year	115.71p	208.35p	131.81p	205.17p
NAV per share at end of financial year	142.22p	276.01p	115.71p	208.35p
Change in the year	+22.9%	+32.5%	-12.2%	+1.5%
Impact of dividend reinvestments <sup>(1)</sup>	6.1%	n/a	4.9%	n/a
NAV total return for the year	+29.0%	+32.5%	-7.3%	+1.5%

<sup>(1)</sup> During the year to 31 May 2021 dividends totalling 6.1p went ex dividend with respect to the Income shares. During the year to 31 May 2020 the equivalent figure was 6.1p.

	31 May 2021		31 May 2020	
	Income shares	Growth shares	Income Shares	Growth Shares
Share price per share at start of financial year	117.5p	212.0p	134.5p	206.0p
Share price per share at end of financial year	143.5p	277.0p	117.5p	212.0p
Change in the year	+22.1%	+30.7%	-12.6%	+2.9%
Impact of dividend reinvestment <sup>(1)</sup>	6.1%	n/a	4.3%	n/a
Share price total return for the year	+28.2%	+30.7%	-8.3%	+2.9%

<sup>(1)</sup> During the year to 31 May 2021 dividends totalling 6.1p went ex dividend with respect to the Income shares. During the year to 31 May 2020 the equivalent figure was 6.1p.

**Compound Annual Growth Rate** – converts the total return over a period of more than one year to a constant annual rate of return applied to the compounded value at the start of each year.

	31 May 2021		31 May 2020	
	Income shares	Growth shares	Income Shares	Growth Shares
Indexed total return at launch	100.00	100.00	100.00	100.00
Indexed total return at end of financial year	266.8	281.6	206.9	212.6
Period (years)	13.125	13.125	12.125	12.125
Compound annual growth rate	7.8%	8.2%	6.2%	6.4%

**Yield** – the total annual dividend expressed as a percentage of the year-end share price.

	31 May 2021	31 May 2020
Annual dividend	(a) 6.2p	6.1p
Income share price	(b) 143.5p	117.5p
Yield (c = a/b)	(c) 4.3%	5.2%

**Net gearing/net cash** – this is the ratio of the borrowings of the Company to its net assets. If the Company has cash assets, these may be assumed to net off against borrowings giving a “net” gearing percentage. Where cash assets exceed borrowings, the Company is described as having “net cash”.

	31 May 2021		31 May 2020	
	Income shares £'000	Growth shares £'000	Income shares £'000	Growth shares £'000
Borrowings	(7,000)	-	(5,000)	-
Cash	2,040	3,769	1,061	3,071
	(4,960)	3,769	(3,939)	3,071
Net assets	66,766	104,226	53,788	74,773
-Net gearing/+net cash	-7.4%	+3.6%	-7.3%	+4.1%

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# Glossary of Terms

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**AAF** – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

**AIC** – Association of Investment Companies, the trade body for listed closed-end investment companies.

**AIFMD** – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive required that all alternative investment vehicles in the European Union, including investment trusts, appoint a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an investment trust, nevertheless, remain fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

**Benchmark** – the FTSE All-Share Index is the benchmark against which the increase or decrease in the Company's net asset values and share prices are measured.

**Closed-end company** – a company, including an investment trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and in which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or fund, which has shares or units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

**Compound annual return** – the compound annual return converts the total return over a period of more than one year to a constant annual rate of total return applied to the compounded value at the start of each year.

**Cum-dividend** – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

**Custodian** – a specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JPMorgan Chase Bank.

**Depositary** – under AIFMD rules which have applied from July 2014, the Company must appoint a Depositary, whose duties in respect of

investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary has strict liability for the loss of assets that constitute financial instruments under the AIFMD in its custody and is obliged to maintain oversight of matters such as share buy-backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

**Derivative** – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap Contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

**Dividend dates** – Reference is made in announcements of dividends to three dates. The "ex-dividend" date is the date up to which the shareholder needs to hold the shares in order to be entitled to receive the next dividend. As it takes time for a stock purchase to be recorded on the register, dividends are actually paid to the holders of shares on the share register on the "record" date. If a share transfer prior to the ex-dividend date is not recorded on the register before the record date, the selling party will need to pass on the benefit or dividend to the buying party. The "ex-dividend" date is currently the business day prior to the record date. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date.

**Ex-dividend** – shares are classified as ex-dividend when the buyer of a security is not entitled to receive a dividend that has been declared, but not paid.

**GAAP** – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

**Gearing** – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before shareholders in their entitlement to capital and/or income. They include: overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where

cash assets exceed borrowings, the Company is described as having “net cash”. The Company’s maximum permitted level of gearing is set by the Board and is described within the Strategic Report.

**Growth shares** – a form of Ordinary share issued by the Company. The net asset value attributable to each Growth share is equal to the net asset value of the Growth Portfolio divided by the total number of Growth shares in issue. The Growth shares are not entitled to dividends paid by the Company.

**Income shares** – a form of Ordinary share issued by the Company. The net asset value attributable to each Income share is equal to the net asset value of the Income Portfolio divided by the total number of Income shares in issue. The Income shares are entitled to dividends paid by the Company.

**Investment Company (Section 833)** – UK Company law allows an investment company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made capital losses in any year provided the company’s assets remaining after payment of the dividend exceed 150% of its liabilities. An investment company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

**Investment trust taxation status (Section 1158)** – UK corporation tax law allows an investment company (referred to in tax law as an investment trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 8 to the accounts). The Report of the Directors contains confirmation of the Company’s compliance with this law and its consequent exemption from taxation on capital gains.

**Manager** – BMO Investment Business Limited, a part of BMO Financial Group. The responsibilities and remuneration of the Manager are set out in the Purpose, Strategy and Business Model, Report of the Directors and notes 4 and 5 to the financial statements.

**Market capitalisation** – the stock market quoted price of the Company’s shares, multiplied by the number of shares in issue. If the Company’s shares trade at a discount to NAV, the market capitalisation will be lower than the net asset value.

**Net asset value (NAV)** – the assets less the liabilities of the Company, as set out on the Balance Sheet, all valued in accordance with the Company’s accounting policies (see note 1 to the financial statements) and United Kingdom Accounting Standards. The net assets correspond to equity shareholders’ funds, which comprise the share capital account, share premium, capital redemption reserve, special reserve and capital and revenue reserves.

**Net asset value (NAV), Debt at par** – the Company’s bank borrowings are valued in the financial statements at par (the actual amount borrowed) and this NAV including this number is referred to as “NAV, Debt at par”.

**Non-executive Director** – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive Directors. Non-executive Directors’ remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Statement of Corporate Governance.

**SORP** – Statement of Recommended Practice. Where consistent with the requirements of UK Generally Accepted Accounting Practice, the financial statements of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 1 to the financial statements.

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# Corporate Information

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## Directors

Colin S McGill (Chairman)<sup>(1)</sup>  
David Harris<sup>(2)</sup>  
Susan P Inglis<sup>(3)</sup>  
Simon M Longfellow  
David Warnock

## Alternative Investment Fund Manager ('AIFM'), Manager and Company Secretary

BMO Investment Business Limited  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG

## Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

## Broker

Winterflood Investment Trusts  
The Atrium Building  
Cannon Bridge House  
25 Dowgate Hill  
London EC4R 2GA

## Depository

JPMorgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Bankers and Custodian

JPMorgan Chase Bank  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Bankers

The Royal Bank of Scotland International Limited  
1 Princes Street  
London EC2R 8BP

## Solicitors

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh EH2 4DF

## Company Number

SC338196

## Website

[bmomanagedportfolio.com](http://bmomanagedportfolio.com)

<sup>(1)</sup> Chairman of Management Engagement Committee and Nomination Committee

<sup>(2)</sup> Senior Independent Director

<sup>(3)</sup> Chairman of Audit Committee



# BMO Managed Portfolio Trust PLC

## Annual Report and Financial Statements 2021

### Registered office:

-  Quatermile 4, 7a Nightingale Way, Edinburgh EH3 9EG
-  Tel: 0207 628 8000

### Registrars:

-  Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA
-  Registrars' Shareholder Helpline: 0371 384 2923\*  
Registrars' Broker Helpline: 0371 384 2779†  
Registrars' Overseas Helpline: +44 121 415 7012
-  [www.shareview.co.uk](http://www.shareview.co.uk)

\* Lines open 8.30 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

† Calls to this number are charged at £1 per minute from a BT landline.

Other telephony providers' costs may vary.

Lines open 8.30 am to 5.30 pm, Monday to Friday

