

# BMO LGM Frontier Markets Fund B USD

## Acc

LGM Investments

BMO  Global Asset Management

February 2019

For Professional investors only

### Fund details

Portfolio managers	Thomas Vester, CFA Dafydd Lewis, CFA
Fund type	UCITS
Domicile	Ireland
Benchmark	50% MSCI Frontier Markets 50% MSCI Frontier Markets ex GCC
Inception date	01 December 2011
Fund size	US\$ 661.5m
Strategy size <sup>1</sup>	US\$ 1006.7m
NAV per share	US\$ 17.3969 (A USD Inc) US\$ 18.3075 (B USD Acc) US\$ 15.6378 (E USD Acc)
Min. initial investment	Class A - US\$50,000 Class B - US\$1,000,000 Class E - US\$10,000,000
Dealing day	every fortnight <sup>2</sup>
Initial charge	Class A - up to 3% Class B - nil Class E - Contact Investment Manager
Investment management fee	Class A - 2.0% + 20% rel. perf. fee (HWM) Class B - 1.5% + 20% rel. perf. fee (HWM) Class E - Contact Investment Manager

### Fund codes by share classes

ISIN A USD Inc	IE00B54MVM56
ISIN B USD Acc	IE00B4RLKV41
ISIN E USD Acc	IE00B56Q5461
Bloomberg ticker A USD Inc	LGFMFAI ID
Bloomberg ticker B USD Acc	LGFMFBA ID
Bloomberg ticker E USD Acc	LGFMFCA ID

### Administrator

State Street Fund Services (Ireland) Ltd.  
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### Contact details

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Website: [www.lgminvestments.com](http://www.lgminvestments.com)

### Dealing details

Dealing instructions must be received not later than 4:00 p.m. (Irish time) on the Business Day prior to the Dealing Day (Class A) and four Business Days prior to the Dealing Day (Class B and E). Subscription monies must be received in cleared funds no later than two Business Days after the Dealing Day.

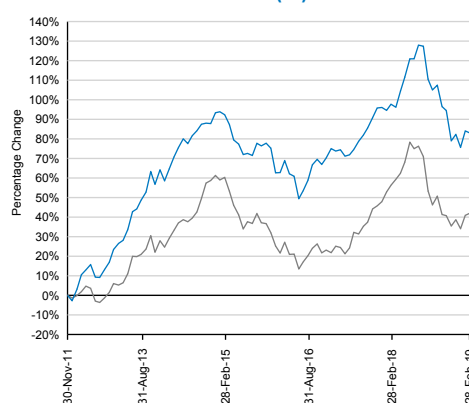
### Investment objective

The Fund aims for long-term capital growth.

### Risk warning

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested. Securities in emerging markets and frontier markets may involve a higher degree of risk. These markets are typically less liquid and may experience greater volatility in prices and currencies than more established markets. Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

### Performance since launch (%)



Performance data of BMO LGM Frontier Markets Fund (class B USD Acc) are in US\$ terms and net of investment management fee and performance fee. Investors should be aware that past performance should not be considered a guide to future performance.

### Top ten holdings

Company Name	Country	% NAV
Eastern Tobacco	Egypt	7.6
Alicorp	Peru	7.2
Sonatel	Senegal	5.1
Guaranty Trust Bank	Nigeria	4.9
Humansoft Holding	Kuwait	4.3
EVERTEC	Puerto Rico	4.0
United Bank	Pakistan	3.9
BBVA Banco Frances	Argentina	3.9
Tanzanian Breweries	Tanzania	3.7
Aramex	UAE	3.6
<b>Total</b>		<b>48.3</b>
<b>No. of Holdings</b>		<b>40</b>

### Risk statistics

	Since Inception
Alpha (annual basis)	4.8%
Annualised volatility (fund)	11.4%
Annualised volatility (benchmark)	12.2%
Sharpe ratio <sup>4</sup>	0.7
Tracking error (ex-post)	6.9%
Information ratio	0.5
Up market capture ratio	90.1
Down market capture ratio	63.3

<sup>1</sup>Total assets of all portfolios managed by LGM following a similar benchmark to the BMO LGM Frontier Markets Fund. Please note that the fund is currently soft closed (with effect from 23 October 2017).

<sup>2</sup>Dealing Day means 'the 15th calendar day of each month (or the immediately preceding Business Day if it is not a Business Day) and the last Business Day of the month or such other day or days as may be determined by the Directors and notified in advance to Shareholders, provided that there shall be at least two such Dealing Days per month at intervals'.

<sup>3</sup>Risk Free Rate: US T-Bill 3 Month.

<sup>4</sup>Based on dividends received during the latest full calendar year divided by the dividends received during the previous full calendar year.

<sup>5</sup>Calculated over 3 months.

<sup>6</sup>Based on 3 months daily average.

<sup>7</sup>Measured as the lesser of purchases or sales divided by the average strategy size for the rolling 12 months

\*ROIC - Return on Invested Capital; ROE - Return on Equity; P/E - Price to Earnings

### Performance as at 28 February 2019 (%)

	Fund	Benchmark
<b>Since inception</b>	83.1	41.9
Last month	-0.5	0.7
Last 3 months	0.4	2.3
Last 6 months	-6.8	0.4
Last 12 months	-17.1	-18.9
YTD	4.2	5.8

### Discrete performance as at 28.02.2019 (%)

	2015	2016	2017	2018	2019
<b>Fund</b>	-4.97	-11.02	16.41	23.59	-17.12
<b>Benchmark</b>	-1.31	-14.91	12.19	33.18	-18.91

Annualised Performance	Fund	Benchmark
1 year	-17.1	-18.9
3 years	6.0	6.6
5 years	0.2	0.3
Since inception	8.7	4.9

### Portfolio characteristics\*

	Fund	Benchmark
ROIC (non financials)	21.7%	19.5%
ROE (financials)	23.0%	18.0%
Net debt / Equity (non financials)	29.4%	28.3%
Equity / Assets (financials)	14.2%	10.5%
Dividend Yield <sup>4</sup>	4.7%	5.0%
DPS growth <sup>5</sup>	57.9%	16.1%
P/E (trailing 12 months)	16.9	15.2
P/E (12 months forward)	12.7	14.0
Weighted avg daily vol (US\$m) <sup>6</sup>	2.2	4.0
Trading under USD 0.25 m / day	17.6%	8.1%
Turnover rate (12 months) <sup>7</sup>	16.9%	N/A

### Market cap (US\$bn)

	Fund	Benchmark
< 1 bn	24.3%	6.5%
1-5 bn	67.9%	56.9%
> 5 bn	7.7%	36.6%
Weighted Average (US\$bn)	2.3	5.6

Sources: FactSet, LGM, BMO Global Asset Management, MSCI.  
Data historic unless stated otherwise. Data may not be available for all portfolio and benchmark constituents. Please note that dividend yield is based on portfolio holdings and does not reflect the actual yield an investor in the Fund would receive.

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**Other details**

BMO LGM Frontier Markets Fund is a sub-fund of BMO Investments II (Ireland) plc, an umbrella fund with segregated liability between sub-funds authorised by the Central Bank of Ireland as a UCITS (undertaking for collective investment in transferable securities).

Key Investor Information Document and Prospectus are available from the Fund's Investment Manager, LGM Investments Limited.

**Portfolio managers**

Thomas Vester, CFA, Chief Investment Officer and Portfolio Manager. Thomas joined LGM in September 2011. Prior to this, he was at BankInvest in Copenhagen for over 6 years, initially specialising in Latin America and then Eastern Europe and was the Portfolio Manager of the BankInvest Eastern European Fund. Thomas has also covered Asian equities and was seconded to BankInvest's Singapore office. From September 2007, he was responsible for the BankInvest Frontier Market mandates. He holds a MSc in Applied Economics and Finance from Copenhagen Business School and has a distinguished academic career including studying at Harvard Business School, London School of Economics, University of Southern California and National University of Singapore. Thomas is an Associate of the Brenthurst Foundation in South Africa. In 2014 Thomas was appointed CIO of LGM.

Dafydd Lewis, CFA, Portfolio Manager. Dafydd graduated with a BSc (Hons) in Economics from the University of Bath. He began his career in HSBC's emerging market equity strategy team in 2005 and relocated to Dubai at the beginning of 2007 to cover Middle Eastern equity markets. In 2008 he joined GAM's emerging market team in Dubai as an investment analyst with a primary focus on global frontier markets. Dafydd joined LGM in December 2011 as an Analyst focusing on Frontier Financials and in 2014 he became Portfolio Manager.

**About LGM Investments**

LGM Investments is a specialist Asian, Global Emerging (GEM) and Frontier Markets equity manager. Our investment professionals are based in London and Hong Kong.

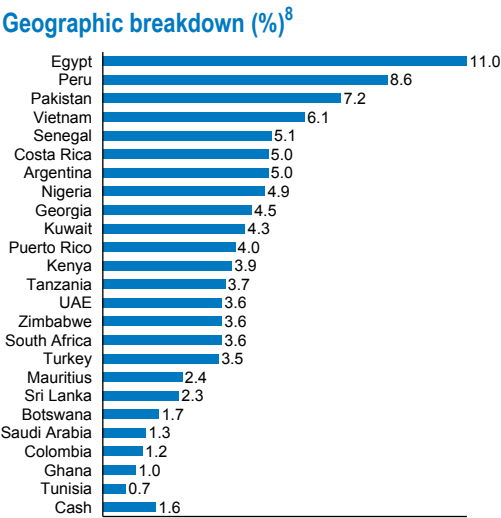
We are active bottom up stock pickers with a long-term perspective. Quality underpins all our investment thinking and results in nonindex driven, high conviction portfolios with outperformance potential.

LGM Investments was established in Hong Kong in 1991 and became a wholly owned subsidiary of Bank of Montreal (BMO) in April 2011. It is part of BMO Global Asset Management.

**Investment approach**

Primary research is the cornerstone of our investment process. We research companies with a long-term view and wait for the opportunity to buy high quality companies without overpaying for their inherent quality.

Our focus on quality companies with sustainable business models generating substantial excess returns over their cost of capital through the cycle leads us towards asset light business models with modest capital needs; robust balance sheets; and proven management teams with disciplined capital management. We seek clear and fair alignment between majority and minority shareholders.



<sup>8</sup>Total may not be exact due to rounding.

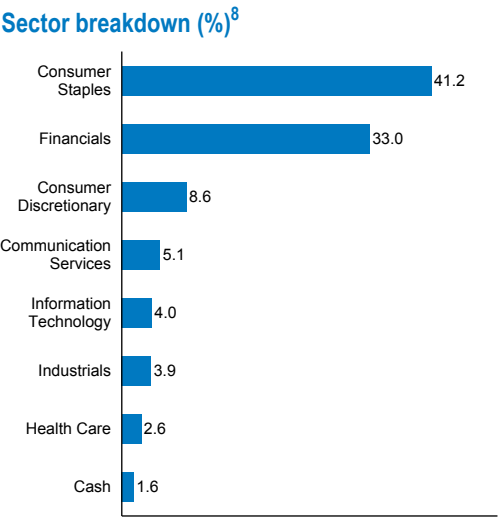
**Fund manager's commentary**

We have now received most of our companies' fourth-quarter results, which are within our expectations. We are still seeing healthy double-digit revenue growth in our non-financial companies, which is ultimately going to be the key long-term driver for the portfolio, assuming these companies can maintain and perhaps expand their cash flow margins. The recovery in emerging markets is taking a bit of time to reach all corners of the frontier market and, due to the fact that we have a significant portion of your portfolio in the less conventional part of the frontier universe, performance is still lagging slightly behind the benchmark year to date. However, the results we are seeing give us confidence that the portfolio can catch up.

We have consistently written that one should not get carried away in frontier markets and put all our eggs in one basket as, sooner or later, something almost always goes wrong. This is not so much at the company level, but actually more often from a country perspective. Don't forget there is (sadly) a reason why many of these countries have developed far less than the Western world over the last few centuries. During February, we had a good reminder of this, given the India/Pakistan tensions which arose quickly and rather unexpectedly. As such, your investment in UBL, our Pakistani bank, dragged down performance during the month. The situation may remain volatile until after the Indian elections, however, we were encouraged to see the rather quick de-escalating initiatives taken by Pakistan's prime minister Imran Kahn. Some would argue that he could not afford to do anything else, but we would highlight that since he took office, he has been far better than any other prime minister we have seen in Pakistan in a very long time, perhaps even since independence. During February, we met again with the CEO and CFO of UBL. We are happy to report that after a challenging 2018, the bank looks set for a strong recovery this year on the back of an environment of higher rates and a lack of significant one-offs. Combined with its very inexpensive valuation, this should set it up for a very interesting outlook in 2019, although it doesn't change the fact that looking back at 2018, we should not have owned so much UBL.

In the final days of February, the central bank of Zimbabwe put out a long-awaited monetary policy statement. The most important element was the decision to effectively rebase its monetary base by admitting that the locally printed bond notes and electronic currency do not match the US dollar. Instead, the value of the newly created RTGS dollars will be 'floated' and set by the market. This is a very important step by the new government to try and tackle the legacy problems from the Mugabe era. We have been through multiple situations where frontier markets become imbalanced due to external or internal shocks that then cause the economy and currency to freeze. It often ends with a significant devaluation, as it did in Egypt and Nigeria, but often this is what is needed to reset the economy so the outlook can start to improve. We are still confident in the long-term value of Delta Corp, which is a phenomenal business with a very strong parent in ABI Inbev. However, we do understand that these moves can be hard to grasp when living in countries where everything (almost) functions. We therefore encourage all investors who want a more in-depth update on Zimbabwe, and on your portfolio exposure, to contact us. We are more than happy to explain in as much depth as needed. But we want to stress two things that we have learnt in frontier markets over the years. Firstly, buy companies that make money at all times. This we have done in Zimbabwe, as we own a beer company that effectively has a monopoly. Secondly, don't panic. When you turn on the news and it seems to be all doomsday, it is often an interesting time to consider investing. We shall continue to update you on this issue throughout the year.

As at 28 February 2019



Investment in LGM Funds may be unlawful in some jurisdictions.

Source throughout the document: BMO Global Asset Management and Factset. Benchmark data source: MSCI. All MSCI index data is copyright and proprietary to MSCI.

Notice to investors in Switzerland: The Prospectus (Swiss Version), Key Investor Information Document, Articles of Association, Annual and Interim Reports in German, as well as further information, can be obtained free of charge from our Swiss Representative: Carnegie Fund Services S.A., 11, rue du Général Dufour, CH-1204 Geneva, Switzerland, Web: [www.carnegie-fund-services.ch](http://www.carnegie-fund-services.ch). The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva.

This fact sheet is for general information only. Reference should be made to the Fund's offering documents for full details of the risks involved. The current prices can be found at: [www.fundinfo.com](http://www.fundinfo.com).