

# BMO LGM Frontier Markets Fund B USD

## Acc

LGM Investments

BMO  Global Asset Management

June 2017

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\$ 782.2m
Strategy size <sup>1</sup>	US\$ 1045.1m
NAV per share	US\$ 19.1423 (A Inc) US\$ 19.5765 (B Acc) US\$ 17.0183 (B Inc) US\$ 16.3071 (E 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 Inc	IE00B54MVM56
ISIN B Acc	IE00B4RLKV41
ISIN B Inc	IE00B5539788
ISIN E Acc	IE00B56QS461
Bloomberg ticker A Inc	LGFMFAI ID
Bloomberg ticker B Acc	LGFMFBA ID
Bloomberg ticker B Inc	LGFMFBI ID
Bloomberg ticker E Acc	LGFMFCA ID

### Administrator

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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.

### Other details

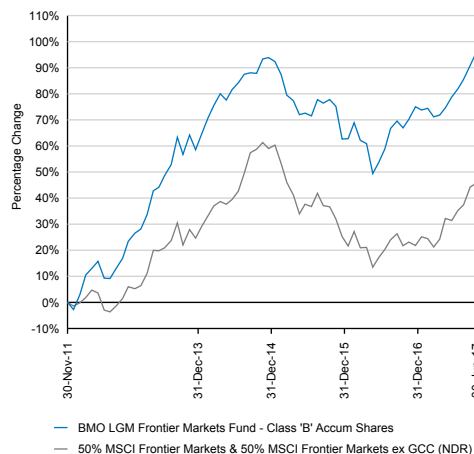
BMO LGM Frontier Markets Fund is a sub-fund of BMO Investments II (Ireland) plc, an umbrella fund with segregated liability between sub-funds authorised by the Central Bank of Ireland as a UCITS (undertaking for collective investment in transferable securities).

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

### Investment objective

The Fund aims for long-term capital growth through investment in an actively managed portfolio, primarily invested in equity and equity-related securities of companies in Frontier Markets worldwide. In exceptional circumstances, the Fund may invest in debt securities.

### Performance since launch (%)



Performance data of BMO LGM Frontier Markets Fund (class B 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
Vietnam Dairy Products	Vietnam	8.8
Eastern Tobacco	Egypt	5.9
BGEO Group	Georgia	5.4
Sonatel	Senegal	5.1
Commercial International Bank	Egypt	5.1
Alicorp	Peru	5.0
Guaranty Trust Bank	Nigeria	4.8
Pricesmart Inc	Costa Rica	4.1
United Bank	Pakistan	4.1
Bbva Banco Frances	Argentina	4.0
<b>Total</b>		<b>52.3</b>
<b>No. of Holdings</b>		<b>41</b>

### Risk statistics

	Since Inception
Alpha (annual basis)	7.1%
Annualised volatility (fund)	10.9%
Annualised volatility (benchmark)	11.6%
Sharpe ratio <sup>4</sup>	1.2
Tracking error (ex-post)	6.6%
Information ratio	0.8
Up market capture ratio	95.7
Down market capture ratio	54.1

<sup>1</sup> Total assets of all portfolio managed by LGM following a similar benchmark to the BMO LGM Frontier Markets Fund as at 31 December 2015. The capacity limit for the Frontier Strategy is US\$1bn. LGM will determine that capacity has been reached when both of the following conditions are met: 1) AUM in the Strategy reaches US\$1bn and 2) AUM as at 31 December 2013 (when we first announced the closure of the Strategy) plus all new flows (net) since that time exceed US\$1bn. As at 31 January 2016, there is some capacity available.

<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>4</sup> Risk Free Rate: US T-Bill 3 Month.

<sup>5</sup> Based on dividends received during the latest full calendar year divided by the dividends received during the previous full calendar year.

<sup>6</sup> Calculated over 3 months.

<sup>7</sup> Based on 3 months daily average.

<sup>8</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

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. The current prices can be found at: [www.fundinfo.com](http://www.fundinfo.com).

This document is directed to those persons who have been classified as 'Eligible Counterparties' and 'Professional Clients' in accordance with FCA COBS4. It is issued by LGM Investments Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom and registered in England and Wales with Company Registration No3029249. Registered Office: 95 Wigmore Street, London, W1U 1FD. VAT Registration No. 662 9409 13

### Performance as at 30 June 2017 (%)

	Fund	Benchmark
<b>Since inception</b>	<b>95.8</b>	<b>45.8</b>
Last month	2.6	1.1
Last 3 months	7.6	7.7
Last 6 months	13.9	17.3
Last 12 months	17.3	19.7
YTD	13.9	17.3
CY 2016	6.8	2.6
CY 2015	-9.3	-14.2
CY 2014	-1.5	1.8
CY 2013	34.7	24.8
<b>Annualised Performance</b>		
1 year	17.3	19.7
2 years	4.9	3.3
3 years	1.4	-2.8
5 years	12.4	8.6
Since inception	12.8	7.0

### Portfolio characteristics\*

	Fund	Benchmark
ROIC (non financials)	23.2%	14.5%
ROE (financials)	24.3%	16.7%
Net debt / Equity (non financials)	20.1%	26.7%
Equity / Assets (financials)	11.7%	12.7%
Dividend Yield <sup>5</sup>	3.3%	6.3%
DPS growth <sup>6</sup>	11.2%	17.8%
P/E (trailing 12 months)	17.7	16.1
P/E (12 months forward)	15.4	15.0
Weighted avg daily vol (US\$m) <sup>7</sup>	2.5	4.8
Trading under USD 0.25m / day	13.3	0.1
Turnover rate (12 months) <sup>8</sup>	16.5	N/A

### Market cap (US\$bn)

	Fund	Benchmark
< 1 bn	16.9%	6.3%
1-5 bn	65.3%	58.7%
> 5 bn	17.7%	35.1%
<b>Weighted Average (US\$bn)</b>	<b>3.1</b>	<b>4.6</b>

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.

LGM

Other details

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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 to support Thomas Vester.

Thomas and Dafydd are supported by a further dedicated Frontier Market analyst. Together they have an average of over 11 years experience and all are based in our London office.

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.

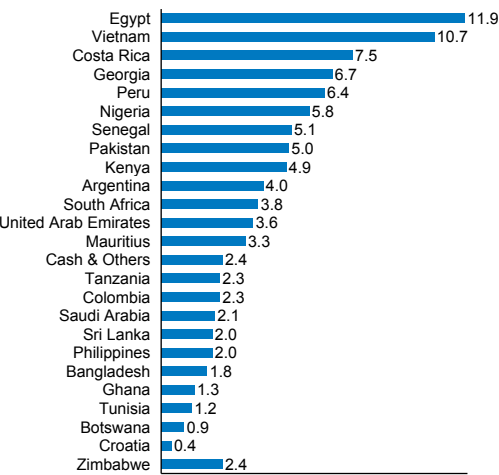
LGM Investments was established in Hong Kong in 1991 and became a wholly owned subsidiary of Bank of Montreal (BMO) in April 2011. It is part of BMO Global Asset Management.

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.

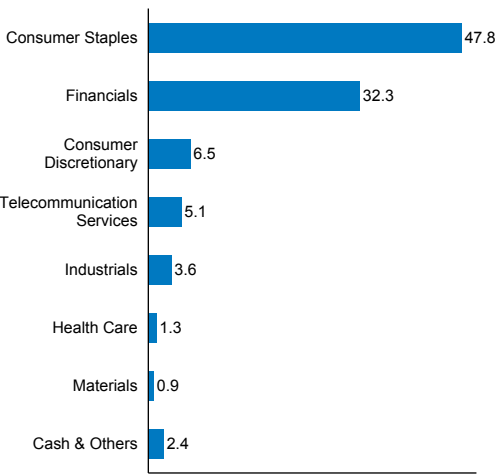
Geographic breakdown (%)<sup>9,10</sup>



<sup>9</sup>Other countries include countries with a weighting less than 1%.

<sup>10</sup>Total may not be exact due to rounding.

Sector breakdown (%)<sup>10</sup>



Fund manager's commentary

The portfolio delivered another month of positive returns in June taking the year-to-date return close to 14% (in US dollar, net of fees). It is interesting to note that the portfolio has delivered a positive return in every month to date in 2017, it is just a matter of time before we will see a down month. In June, the portfolio gained back a good amount of the relative performance which was lost in January this year. We most certainly do not like to underperform, but as we have mentioned multiple times in the past, this is exactly the kind of environment where we expect to be behind – when markets go up strongly.

You will notice from the top ten holdings table that Eastern Tobacco is now firmly a top conviction investment in the portfolio. In the recent period, we have had further interaction with the company and are more confident than ever that this business has started a journey of operational improvement, which will translate into better margins going forward and a higher return on capital. We are using our significant stake in the company to make strong arguments for a substantial increase in the dividend pay-out, something that clearly is in shareholders' interest, and also very much in the interest of the Egyptian government who holds a substantial stake in the company. In July we will travel to meet the management team of Eastern in Cairo and also the reform-minded chairman of the holding company.

The only new investment to the portfolio so far this year is Tanzania Breweries. We continue to hold the view that currently the best hunting ground for long-term bottom up stock pickers, who like to buy great companies at a good price, is Africa. The attraction stems from the reasoning that valuations for some quality companies are attractive (multiples have come down) and also because currencies have adjusted, which improves the outlook for hard currency investors such as ourselves. In June, we learned that Tanzania Breweries controlling shareholder, AB Inbev, wanted to buy back a significant stake in the company from minorities. We can certainly understand the rationale. It is a great company selling at a very affordable valuation. The offer price is around 20% above the share price at the beginning of the month. We have not for a second considered selling any shares at that price. On the contrary, we bought some more shares as we believe it is a great sign that the controlling shareholder is showing strong conviction in the business. The company also announced its dividend in June which increased slightly over last year, which is another sign of conviction despite the tough trading conditions over the last 12 months in Tanzania. We are working on a meeting with management in Dar es Salaam towards the end of July, and look forward to reporting back afterwards.

We recently had a new addition to the LGM team, Gokce Bulut who joined us from First State. He has started at full speed, searching for great investment ideas as well as reviewing existing holdings with a fresh set of eyes and we are delighted to have him on-board.

As at 30 June 2017

Risk warning

Investment involves risk. Share prices may fall as well as rise.

Funds invested in emerging markets and in smaller companies may involve a higher degree of risk. Exchange rates and currency fluctuations may affect the value of an investment.

Investment in LGM Funds may be unlawful in some jurisdictions.

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.

Past performance should not be seen as an indication of future performance. The value of investments and 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.