

# BMO LGM Frontier Markets Fund B USD Acc

LGM Investments

BMO  Global Asset Management

July 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\$ 783.9m
Strategy size <sup>1</sup>	US\$ 1087.5m
NAV per share	US\$ 19.1611 (A Inc) US\$ 19.6039 (B Acc) US\$ 17.0422 (B Inc) US\$ 16.3509 (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	IE00B56QSA61
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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## 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

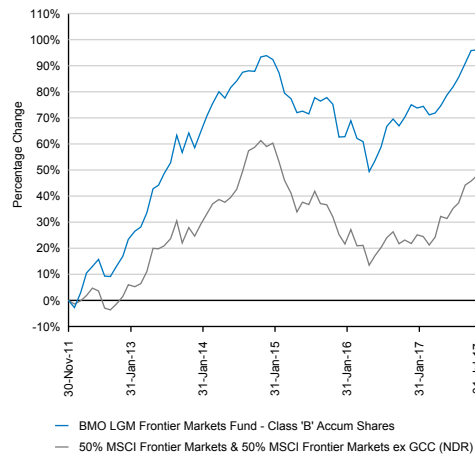
BMO LGM Frontier Markets Fund is a sub-fund of BMO Investments II (Ireland) plc, an umbrella fund with segregated liability between sub-funds authorised by the Central Bank of Ireland as a UCITS (undertaking for collective investment in transferable securities).

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	8.4
Eastern Tobacco	Egypt	6.2
BGEO Group	Georgia	5.4
Guaranty Trust Bank	Nigeria	5.3
Sonatel	Senegal	5.2
Alicorp	Peru	5.2
Commercial International Bank	Egypt	4.8
Pricesmart Inc	Costa Rica	4.1
Famous Brands	South Africa	4.1
United Bank	Pakistan	4.0
<b>Total</b>		<b>52.7</b>
<b>No. of Holdings</b>		<b>38</b>

## Risk statistics

	Since Inception
Alpha (annual basis)	6.9%
Annualised volatility (fund)	10.8%
Annualised volatility (benchmark)	11.5%
Sharpe ratio <sup>2</sup>	1.1
Tracking error (ex-post)	6.6%
Information ratio	0.8
Up market capture ratio	94.6
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 2016. 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>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

<sup>8</sup> \*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 31 July 2017 (%)

	Fund	Benchmark
<b>Since inception</b>	<b>96.1</b>	<b>47.9</b>
Last month	0.1	1.5
Last 3 months	5.7	7.7
Last 6 months	12.3	11.9
Last 12 months	15.2	20.1
YTD	14.1	19.0
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	15.1	20.0
2 years	5.8	5.9
3 years	0.5	-2.8
5 years	11.6	8.4
Since inception	12.6	7.1

## Portfolio characteristics\*

	Fund	Benchmark
ROIC (non financials)	23.1%	14.9%
ROE (financials)	24.3%	16.8%
Net debt / Equity (non financials)	22.1%	28.6%
Equity / Assets (financials)	11.8%	12.2%
Dividend Yield <sup>5</sup>	3.3%	6.1%
DPS growth <sup>6</sup>	11.2%	17.6%
P/E (trailing 12 months)	17.7	16.4
P/E (12 months forward)	15.2	14.5
Weighted avg daily vol (US\$m) <sup>7</sup>	2.7	4.7
Trading under USD 0.25m/ day	12.8	0.0
Turnover rate (12 months) <sup>8</sup>	23.8	N/A

## Market cap (US\$bn)

	Fund	Benchmark
< 1 bn	17.6%	6.3%
1-5 bn	65.3%	56.8%
> 5 bn	17.1%	36.9%
Weighted Average (US\$bn)	3.1	4.7

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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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.

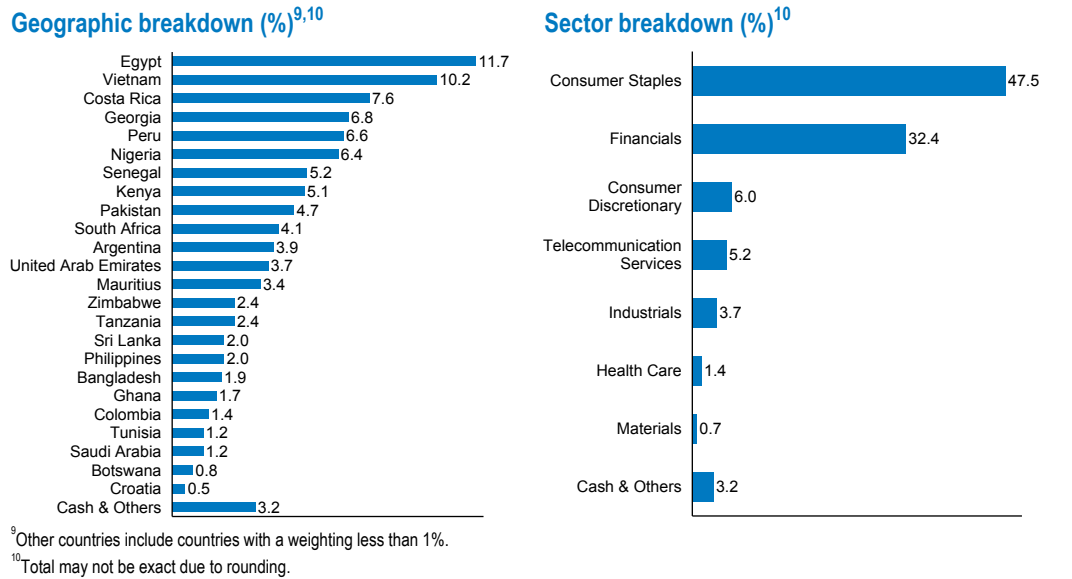
We are active bottom up stock pickers with a long-term perspective. Quality underpins all our investment thinking and results in nonindex driven, high conviction portfolios with outperformance potential.

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.



Fund manager's commentary

The team was busy in July with a number of on-the-ground visits. The first of these was to Egypt and Dubai, the main purpose of which was to meet with Eastern Tobacco and our logistics company Aramex. We have discussed previously the operational improvements that Eastern Tobacco is embarking on under the direction of the holding company's chairman. Over the last few months, we have had a significant amount of interaction with Mr Elnaggar and our meeting in Cairo only further emphasised the huge amount of respect we have for what he has put in motion and his commitment to make it happen. With an existing monopoly position, the opportunities for improvement in this state owned tobacco company are clear to see; making the company more efficient, improving capital allocation and returning a greater amount of cash to shareholders. All of these actions should lead to a significant improvement in shareholder value in the long term. However, this is the first time we have seen someone with both the desire to make these changes and the political buy-in to do so. It is still early days but so far the signs are very promising. The company has done well year-to-date but there is still a huge amount of upside if the necessary changes are made. The portfolio's large weight is reflective of this. We will again travel to Cairo in September for the companies AGM where, for the first time, foreign investors are being encouraged to actively participate. We will keep you posted.

Another company we have written about over the last few months is Ledo, our dairy company in Croatia. Regrettably this has been on a more disappointing note, led by solvency issues and an accounting scandal at its parent company, Agrokor, which is currently under extraordinary administration of the government. Ledo itself is doing remarkably well all things considered and on a standalone basis is still a very strong company with great brands and a leading market position. However, fraudulent activities at the Agrokor level, combined with creditor guarantees against Ledo (and other daughter companies), has naturally led to concern over our future ownership of this business. During the month, we travelled to Croatia where, on the back of a letter sent to the Deputy Prime Minister, we had the opportunity to meet with her and discuss our position as minority shareholders. Our views were well received and we continued to stress that a fair solution to the problem is in the best interests of all parties involved, the Croatian economy included. We are continuing to do everything we can to defend our investment in Ledo which today is around 0.4% weight in the portfolio. We should know more by the end of September and will continue to keep you updated in the meantime.

During the month, we sold two smaller investments; Jarir (our bookstore in Saudi Arabia) and Exito (our Colombian retailer). Jarir was one of the more difficult sell decisions we have had to make since the launch of the portfolio. Despite the company's main business being the sale of books, electronics and school supplies, it has been an incredibly profitable business. With a strong focus on profitability the company has over the last 10 years delivered an average return on invested capital (ROIC) of 48%! While it still remains a very well run business with a focused and aligned management team, we are more concerned about the potential disruption from e-commerce in the region and the long-term outlook for Saudi companies in general. The ongoing consolidation in the fund's holdings has also been the result of our conviction in other portfolio companies to generate higher long-term returns for your capital. This is particularly so given the current valuations of some of the portfolio's larger investments. Reflective of this change has been the reduction in holdings this year from 44 to 38 and the share of the funds top 10 holdings from 44% to 53%.

In August, the team will be visiting our investments in Tanzania, Senegal and Ghana which we look forward to updating you on in next month's commentary.

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.

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