

Manager Commentary  
Richard Kirby



for capital expenditure. The MSCI UK monthly property index recorded a decline in capital values of 0.2 per cent (before capital expenditure) over the period. The impact on NAV was attributable to the continued valuation write downs on the two retail warehouses at Newbury Retail Park and Solihull Retail Park as a result of the decompression in capitalisation rates. As previously reported, asset management initiatives are underway and focussed on securing revised planning consents to enable lettings to preferred retailers. In addition, the NAV reflected the valuation write down on Thames Valley One and Two to reflect the contracted sale.

**Reclassification of sector weightings**

Historically, the Company's investments in the St. Christopher's Place Estate and at Wimbledon Broadway have been shown as retail in their entirety, consistent with how they are classified within the MSCI property Index. At a time when shareholders and analysts are now scrutinising any portfolio's retail exposure, it is important to provide more detail as to the true retail exposure. St. Christopher's Place comprises approximately 150 lettable units made up of over 50 shops and restaurants, 40 office suites and 60 residential apartments. Wimbledon comprises a number of retail units, a cinema, a gym and some food and beverage units. In the interest of transparency, these assets when disaggregated by capital value falls into the following underlying segments:

Sector	St. Christopher Place & Wimbledon (% of Capital value as at 31 Dec 2018)
Retail	47.6
Food and Beverage	20.6
Residential	15.0
Office	10.7
Leisure	6.1

Residential and leisure will now be more appropriately classified under the alternatives sector category. Food and beverage will remain in the retail category.

**Sales and Purchases**

It has been the Company's strategy to sell a number of its vacant non-income producing properties where the immediate re-letting prospects were challenging. In November the Company completed the sale of Building B, Watchmoor Park, Camberley for a price of £5.1 million. The property is an entirely vacant, three storey office building totalling 32,641 sq. ft. The sale price was in-line with the external September valuation but significantly ahead of the £2.4 million valuation as at 31 December 2017. In December the Company exchanged contracts for the sale of its freehold interest in two further office properties, Thames Valley Park One and Thames Valley Park Two. The sale completed in January 2019 at a combined sale price of £24.4 million compared with the previous external valuation of £27.0 million (-9.6% below valuation). This is a strategic sale, Thames Valley Park One comprises 75,000 sq. ft. and is entirely vacant and requiring extensive refurbishment. Thames Valley Park Two is a separate building of approximately 55,000 sq. ft. of which 28,900 sq. ft. is vacant. At a time of significant uncertainty these non-core disposals address the Company's largest void exposure by rental value, releases capital to be invested in income producing properties, significantly reduces non-recoverable expenditure and removes a future substantive capital expenditure requirement of approximately £8.0 million.

As a result of these three disposals, the Company's void rate has reduced from the last reported level of 8.5 per cent to 5.1 per cent. There are a number of lettings under advanced negotiation and when these contract, the void rate will fall further to approximately 3.0 per cent.

**Market**

The industrial and distribution sectors have continued to drive the UK property market, but alternatives and many of the office sub-markets also out-performed. In part, this reflects a weakening retail market driving down the all-property average. Compared with the previous quarter, alternatives and City offices saw an improved performance. For the year, industrials strongly out-performed, with offices outside the West End and alternatives doing well but retail delivering a marginally negative total return.

We are increasingly concerned by the weakness in the retail market, which we expect to persist in 2019. The RICS has indicated that valuers need to widen their supporting evidence beyond pricing in the very thin retail investment market. Downward re-rating of retail properties is expected to continue in 2019, given the likelihood of further administrations, CVA's, store closures and the unwinding of lease commitments. This should occur across the sector, but with Central London and some prime locations relatively resilient.

We expect standard industrials and distribution to be a major driver of the market, helped by the growth of e-commerce. However, there may be little scope for further yield compression and some rental growth expectations could prove optimistic.

**Performance**

The capital value of the portfolio decreased by 0.7 per cent over the quarter, with a capital return of -1.0 per cent after allowing

**Key facts**

**Trust aims:** To provide ordinary shareholders with an attractive level of income with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

**Fund Type:** Investment Trust

**Launch Date:** 18 March 2005

**Total assets:** £1,427.3 million

**Share price:** 124.6p

**NAV\*\*:** 139.8p

**Discount/Premium(-/+):** -10.9%

**Dividend payment dates:** Monthly

**Net dividend yield†:** 4.8%

**Actual gearing‡:** 21.2%

**Vacant property:** 8.5%

**Weighted average lease length:** 7.1 years

**Management fee rate\*\*\*:** 0.55%

**Ongoing charges\*\*\*:** 0.83%

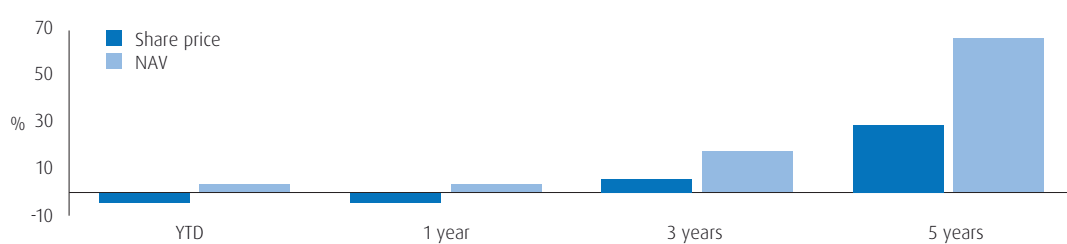
**Year end:** 31 December

**Sector:** Property Direct - UK

**Currency:** Sterling

**Website:** www.fccpt.co.uk

**Fund performance**



**Cumulative performance (%) as at 31.12.18**

	3 Months	Year to date	1 Year	3 Years	5 Years
Share price	-9.7	-4.3	-4.3	5.7	29.1
NAV	-0.4	3.3	3.3	17.7	66.5

**Discrete annual performance (%) as at 31.12.18**

	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
Share price	-4.3	3.9	6.4	2.8	18.8
NAV	3.3	8.8	4.8	15.9	22.1

Past performance is not a guide to future performance.

Source: Thomson Reuters Eikon and BMO Global Asset Management. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority.

**Key risks**

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income may be achieved by foregoing future capital growth. The value of property related securities are likely to reflect valuations determined by professional valuers. Such valuations are the opinion of valuers at a particular point in time and are likely to be revised. Property and property related assets can sometimes be illiquid. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. If markets fall, gearing can magnify the negative impact on performance.

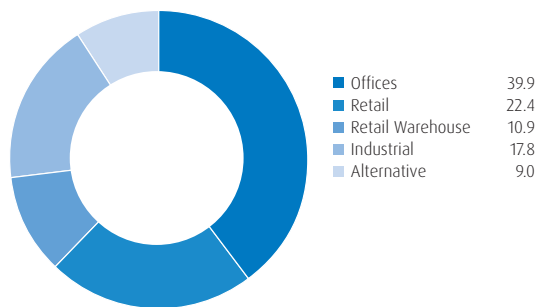
\*\*\*Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

Telephone calls may be recorded

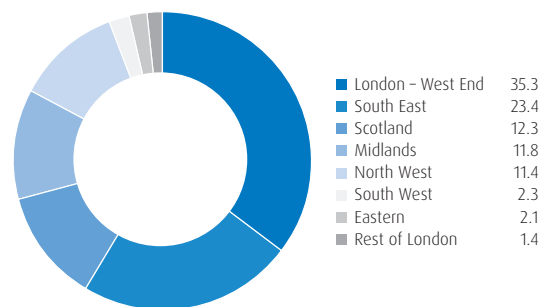
Trust codes	
Sedol	
F&C FCPT - GBP	B4ZPCJO

Top 10 property investments			
	Holding	Location	Sector
<b>Properties valued in excess of £250 million</b>	London W1, St Christopher's Place Estate	West End	Mixed
<b>Properties valued between £100 million and £150 million</b>	London SW1, Cassini House, St James's Street	West End	Office
<b>Properties valued between £70 million and £100 million</b>	Newbury, Newbury Retail Park	South East	Retail Warehouse
<b>Properties valued between £50 million and £70 million</b>	Solihull, Sears Retail Park	West Midlands	Retail Warehouse
	London SW19, Wimbledon Broadway	South East	Mixed
<b>Properties valued between £40 million and £50 million</b>	Crawley, Leonardo House, Manor Royal	South East	Office
	Winchester, Burma Road	South East	Other
	Manchester, 82 King St	North West	Office
<b>Properties valued between £30 million and £40 million</b>	Aberdeen, Unit 2 Prime Four Business Park, Kingswells	Scotland	Office
	Aberdeen, Unit 1 Prime Four Business Park, Kingswells	Scotland	Office

### Sector Breakdown (Reclassified)



### Geographical breakdown



### Net dividend distributions pence per share

	2013	2014	2015	2016	2017	2018
January	0.5	0.5	0.5	0.5	0.5	0.5
February	0.5	0.5	0.5	0.5	0.5	0.5
March	0.5	0.5	0.5	0.5	0.5	0.5
April	0.5	0.5	0.5	0.5	0.5	0.5
May	0.5	0.5	0.5	0.5	0.5	0.5
June	0.5	0.5	0.5	0.5	0.5	0.5
July	0.5	0.5	0.5	0.5	0.5	0.5
August	0.5	0.5	0.5	0.5	0.5	0.5
September	0.5	0.5	0.5	0.5	0.5	0.5
October	0.5	0.5	0.5	0.5	0.5	0.5
November	0.5	0.5	0.5	0.5	0.5	0.5
December	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

### Structure

The Company's capital structure consists of Ordinary Shares.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Group's assets after repayment of its borrowings. Borrowings consist of a £260 million loan to 31 December 2024 and a £50 million bank loan due 21 June 2021. The Group's weighted cost of debt is 3.3 per cent per annum.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets. <sup>\*</sup>(borrowings-cash)/total assets (less trade and other payables and cash).

† The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year and the closing share price as at the end of the relevant month.

\*\*The NAV is calculated under International Financial Reporting Standards

\*\*\* Ongoing charges as at the end of December 2018. BMO Investment Business Limited is entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion) and reduced to 0.25 per cent per annum on cash net of gearing in excess of 5 per cent of net assets, payable quarterly in arrears.

The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Features document for the relevant product. The factsheet is issued and approved by BMO Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. CM14942 (10/18)