

Manager Commentary
Richard Kirby



The industrial market continued to drive performance with a 1.7 per cent total return. This was in line with the previous quarter's performance but represents a deceleration from the pace of the previous few years. The alternatives sector out-performed the all-property average.

The quarter was notable for the continued weakness in investment activity. Most parts of the market are now seeing below average levels of transactions.

Performance is being supported by the income return. This was unchanged in the quarter at 1.3 percent and was 5.2 per cent on an annual basis.

Performance

The Company's portfolio delivered a total return of 0.3 per cent over the quarter. The capital value of the portfolio decreased by -0.8 per cent and the income return was 1.1 per cent.

The Company's retail properties were the worst performing sector recording a total return of -0.6 per cent. Within the retail sector, retail warehouses recorded a total return of -2.4 per cent with both Newbury Retail Park and Solihull Retail Park experiencing valuation falls of -3.5 per cent and -4.6 per cent respectively. These falls were

attributable to market related capitalisation rates moving out, whilst the estimated rental values are supported by recent letting progress on the parks. The Managers continue to work on a number of initiatives to re-let the units affected by tenant defaults and these are progressing but still dependent upon securing revised planning consents.

The Company's offices were the best performing sector producing a total return of 1.2 per cent. The portfolio void rate was 5.0 per cent.

Investment Activity

There were no sales or purchases during the quarter.

Leasing Activity

The letting of Unit 8 (ex-Poundworld) at Newbury Retail Park completed to Hobbycraft at a rent of £215,578 per annum.

The 4th floor at 7 Birch Lane was let at a rent of £152,955 per annum, whilst in July Leica Cameras completed a lease of the 4th floor at 6-8 James Street at a rent of £121,500 per annum.

Market

The market delivered a 0.6 per cent all-property total return in the quarter ended June 2019 according to the MSCI UK Monthly Property Index for standing investments. All-property capital values fell by -0.7% over the three-month period, with June 2019 representing the eighth consecutive month of decline.

The retail market continued to be affected by Company Voluntary Arrangements, administrations and store rationalisation programmes. The sector delivered a quarterly total return of -0.9 per cent, with negative returns in most parts of the market. Central London shops were an exception delivering a modest 0.3 per cent total return.

The office market recorded a 0.9 per cent total return, led by offices outside Central London. This is slightly below the rate seen in the previous quarter.

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: £1,400.3 million

Share price: 111.8p

NAV:** 136.3p

Discount/Premium(-/+): -18.0%

Dividend payment dates: Monthly

Net dividend yield †: 5.4%

Actual gearing[‡]: 20.4%

Vacant property: 5.0%

Weighted average lease length: 6.8 years

Management fee rate*:** 0.55%

Ongoing charges*:** 0.83%

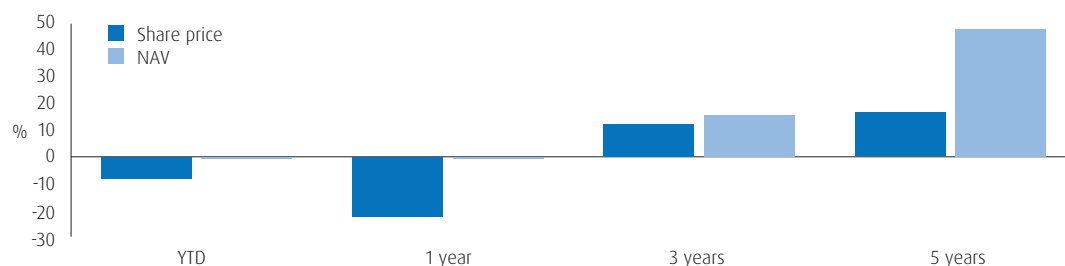
Year end: 31 December

Sector: Property Direct - UK

Currency: Sterling

Website: www.bmocommercialproperty.com

Fund performance



Cumulative performance (%) as at 30.06.19

	3 Months	Year to date	1 Year	3 Years	5 Years
Share price	-5.3	-8.0	-22.3	12.2	16.5
NAV	-0.1	-0.4	-0.6	15.6	47.8

Discrete annual performance (%) as at 30.06.19

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
Share price	-22.3	8.0	33.5	-15.7	23.3
NAV	-0.6	7.1	8.6	8.7	17.6

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.



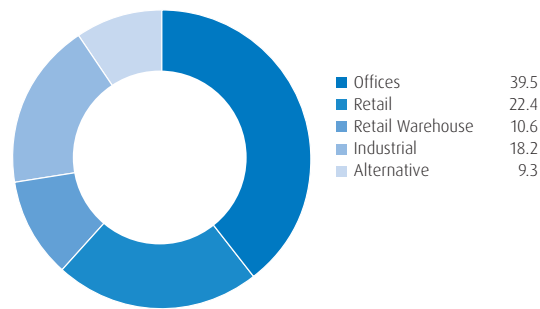
Trust codes

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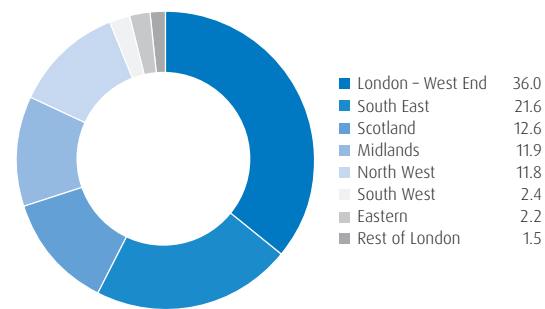
Top 10 property investments

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

Sector Breakdown



Geographical breakdown



Net dividend distributions pence per share

	2014	2015	2016	2017	2018	2019
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
Total	6.0	6.0	6.0	6.0	6.0	3.0

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. ^{*}(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 (08/19)