BMO Commercial Property Trust Limited

Manager Commentary
Richard Kirby

Background
The COVID-19 pandemic is having a dramatic effect on all of us. The purpose of this update is to explain how BMO Commercial Property Trust Limited (“the Group”) is being affected and the actions that are being taken to respond. Our priorities at this challenging time are the wellbeing of everyone working at the Investment Manager and involved with the Group, our ability to provide support to our tenants where it is most needed and preserving the financial strength of the Group for shareholders.

Operations
As we continue to monitor ongoing developments regarding the outbreak of COVID-19, both the Board and the Manager are taking every precaution to safeguard the health and wellbeing of staff, occupiers and stakeholders. The Manager has robust business continuity plans to ensure it can maintain operations in these challenging times. Although a work from home policy has been introduced across all geographies the asset and property managers are in regular contact with tenants, providing support where felt necessary. They are also ensuring that essential services are maintained across the portfolio.

The Manager will provide assistance regarding concessions or the future phasing of rent where appropriate. They are also focused on reducing operational costs and service charges where they can. Our hope is that our support, in addition to that already announced by the Government, will help place our tenants in a position to resume normal operations as swiftly as possible when conditions allow.

Developments
Construction work at Newbury Retail Park is still ongoing, in accordance with the Government’s guidelines, with the contractor having taken the decision to continue. It is the intention to hand the unit over to Lidl by the end of April 2020.

Projects at St Christopher’s Place and Selfridges Retail Park have been suspended. Currently our modelling assumes capital expenditure is pushed back by one quarter, but this may need to be extended. Uncommitted capital expenditure will be deferred for the time being.

Rent Collection
During March, we witnessed many restrictions being put in place which resulted in dosures for many of our retail, restaurant and leisure tenants. Although the impact of COVID-19 will be felt everywhere, rent collection from our London based retail and leisure properties is particularly difficult.

The Group has billed c.£9m of its quarter 2 rent due on 25 March and has collected 74 per cent of this amount to date (compared to 96 per cent for the same period last year). The total quarterly rent amounts to c.£16 million and a high proportion of the balance relates to rent at St. Christopher’s Place, not scheduled to be billed until 31 April. Based on dialogue with tenants at St. Christopher’s Place we would expect the overall percentage collected across the portfolio for quarter 2 to drop. We also suspect the quarter 3 rent collection commencing in June will be equally challenging.

Lease activity
During the quarter, we have let the sixth floor to Mitsui Fudosan at Cassini House, London on a new 10-year lease (break at year 5) at a rent of £106 per sq. ft. This letting completes the major refurbishment project, which commenced in early 2018 at a total cost in excess of £9 million, and which has resulted in significant valuation uplifts. Cassini House is a prime freehold office building of exceptional quality in a core St. James’ location with an attractive lease profile.

Cash and Borrowings
The Group has approximately £20 million of available cash and an undrawn revolving credit facility of £50 million. The Group’s long-term debt with L&G and loan facility with Barclays do not need to be refinanced until December 2024 and June 2021 respectively. As at 31 March 2020, the Group’s LTV was 22.6 per cent.

The Group continues to comfortably meet its covenants on the £260 million long-term loan with L&G, at the current time. There is also significant headroom on the loan to value covenant of the £50 million loan facility with Barclays, which relates to the St Christopher’s Place assets. Although the Group is not currently in breach, the interest cover test is expected to become more challenging. This particular covenant test has been discussed with Barclays, who are sympathetic given current events, and they have confirmed that they are prepared to support the business through this uncertain period.

Dividend
On 4 March 2020, the Company announced its monthly dividend payment of 0.5 pence per ordinary share in respect of the financial year ended 31 December 2019 which was paid to shareholders on 31 March 2020.

Notwithstanding the Group’s strong balance sheet and its high quality and diversified portfolio, in view of the current uncertainty the impact that COVID-19 will have on future rental receipts, particularly in relation to the Group’s retail and leisure tenants, the Board considers it prudent to temporarily suspend its future monthly dividend payments in order to strengthen cash reserves and protect the long-term value of the Group. The Board currently intends to re-introduce distributions when conditions improve and believe that the portfolio is well positioned to begin its recovery once the temporary restrictions surrounding COVID-19 are lifted.

Richard Kirby
16 April 2020

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: £1,304.6 million
Share price: 74.5p
NAV***: 124.3p
Discount/|Premium(-/+): -48.1%
Dividend payment dates: Monthly
Dividend yield*: 8.1%
Actual gearing**: 22.6%
Vacant property: 3.2%
Weighted average lease length: 6.3 years
Management fee rate***+: 0.55%
Ongoing charges***+: 0.83%
Year end: 31 December
Sector: Property Direct - UK
Currency: Sterling
Website: www.bmocommercialproperty.com

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

Fund performance
Cumulative performance (%) as at 31.03.20

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<tr>
<th>Period</th>
<th>3 Months</th>
<th>Year to date</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
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<tbody>
<tr>
<td>Share price</td>
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<td>-34.6</td>
<td>-34.2</td>
<td>-40.8</td>
<td>-31.4</td>
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<tr>
<td>NAV</td>
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<td>-3.9</td>
<td>-5.7</td>
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Discrete annual performance (%) as at 31.03.20

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<tbody>
<tr>
<td>Share price</td>
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<td>-11.6</td>
<td>1.9</td>
<td>16.1</td>
<td>-0.1</td>
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<tr>
<td>NAV</td>
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<td>8.5</td>
<td>6.3</td>
<td>13.3</td>
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</tbody>
</table>

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 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 from investments may be deferred for the time being.

Telephone calls may be recorded

0800 136420  info@bmogam.com  www.bmogam.com
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 due 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. Dividend suspended from April 2020.

**The NAV is calculated under International Financial Reporting Standards

*** Ongoing charges as at the end of December 2019. 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. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned. The factsheet is issued and approved by BMO Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. CM14942 (04/20)