

Manager Commentary
Richard Kirby



- The Crescent, Wimbledon, had the estimated rental value of the retail units reduced and the capitalisation rate moved out 60 basis points, equating to a fall in value of 6.1 per cent.
- Capitalisation rates continued to move out in the retail warehouse sector resulting in the Company's two largest retail warehouses at Newbury and Solihull falling in value by a combined 3.4 per cent.
- The value of St. Christopher's Place fell 0.8 per cent due to the continued re-basing of rental values along Oxford Street with the value of the remainder of the Estate largely holding firm.
- The logistics portfolio was adversely affected by the property at Daventry which is let to Mothercare. The property benefits from a rental guarantee from a Mothercare company not in Administration, but the valuers moved the yield out by 75 basis points (12 per cent fall in capital value) to reflect the uncertainty surrounding the covenant.

As part of the redevelopment, the new store will be combined with Marks & Spencer's adjacent Food Hall. The combined store will create an 82,000 sq. ft. store incorporating General Merchandise, a larger Food Hall, as well as a Marks & Spencer Café. It is expected that the new premises will be handed over to M&S for fit out upon completion of the redevelopment at the end of 2020. This is a high-profile initiative which reflects Marks & Spencer's satisfaction with the location and supports the ongoing appetite from selected retail brands for the right space, in the right locations.

Construction works have started at Newbury Retail Park to create new stores for Lidl and Deichman Shoes and it is hoped these new lettings will attract other new retailers to the park.

The void rate on the Company's portfolio was 4.8 per cent as at 31 December 2019, prior to the new letting at Solihull. There are also other important lettings close to contracting.

Market

UK commercial real estate delivered a total return of 0.3 per cent over the quarter according to the MSCI UK Monthly Index. All property capital values fell by 1.0 per cent.

Retail properties continue to be impacted by both the distress in the occupier markets and a re-rating of pricing. Capital values fell by 4.4 per cent over the period. The office and industrial sectors were reasonably solid, recording positive total returns of 1.5 per cent and 1.9 per cent respectively.

Activity in the capital markets increased post the General Election with a flurry of deals completing prior to the year end.

Performance

The Company's property portfolio delivered an ungeared total return of -0.3 per cent over the quarter to December.

The portfolio suffered a 1.4 per cent fall in capital values with the retail properties and other commercial properties let to retailers, suffering the largest fall in values. The most significant falls were as follows:

Investment Activity

There were no sales or purchases during the quarter.

Leasing Activity

Of particular note post the quarter end was the completion of an unconditional letting to Marks & Spencer at Sears Retail Park, Solihull, significantly expanding the retailers existing presence on the park. The lease is for a redeveloped 35,000 sq. ft store which was formerly a Homebase. This is on a 20-year lease (breaks year 10 and 15) at an uplift on the previous passing rent.

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: £1,357.4 million

Share price: 115.6p

NAV:** 130.9p

Discount/Premium(-/+): -11.7%

Dividend payment dates: Monthly

Net dividend yield †: 5.2%

Actual gearing*: 21.3%

Vacant property: 4.8%

Weighted average lease length: 6.6 years

Management fee rate*:** 0.55%

Ongoing charges*:** 0.83%

Year end: 31 December

Sector: Property Direct - UK

Currency: Sterling

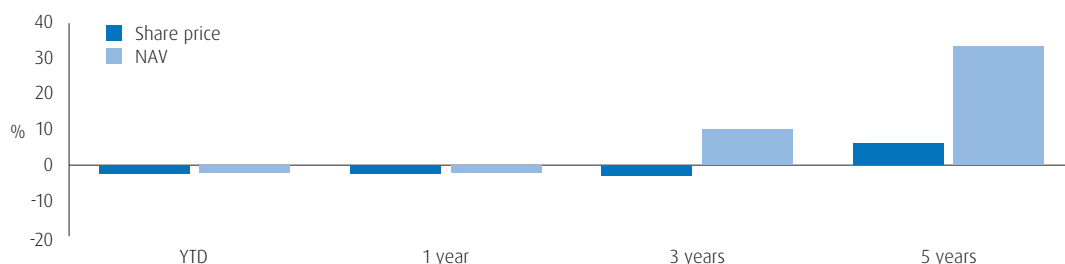
Website: www.bmocommercialproperty.com

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



Telephone calls may be recorded

Fund performance



Cumulative performance (%) as at 31.12.19

	3 Months	Year to date	1 Year	3 Years	5 Years
Share price	0.4	-2.4	-2.4	-3.0	6.1
NAV	-0.9	-2.1	-2.1	9.9	33.5

Discrete annual performance (%) as at 31.12.19

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
Share price	-2.4	-4.3	3.9	6.4	2.8
NAV	-2.1	3.3	8.8	4.8	15.9

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.

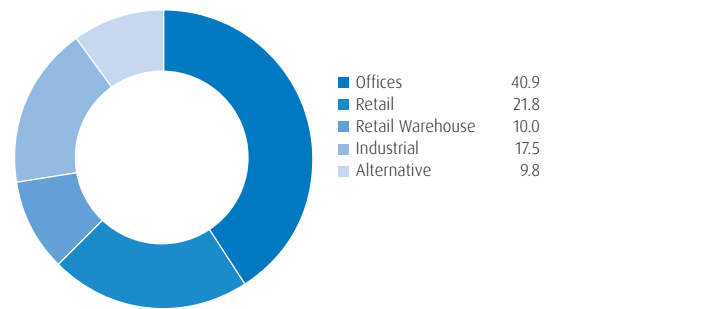
Key risks

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.

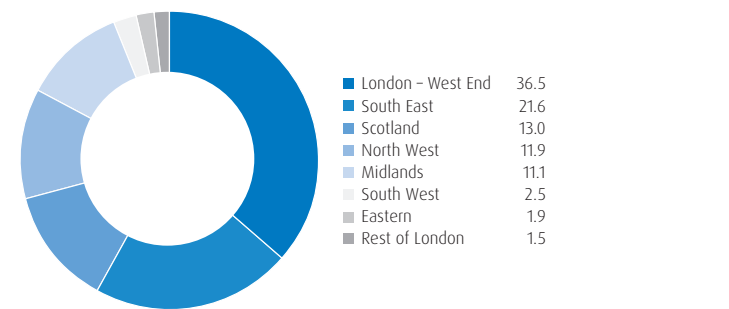
Trust codes	
Sedol	
BCPT - GBP	B4ZPCJO

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	6.0

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. 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 (02/20)