

For professional investors only

November 2020

WF 1111548_UK

ANNUAL GENERAL MEETING

BMO Real Estate Investments (‘BREI’)

Peter Lowe
Director Property Funds

Biographies



Peter Lowe

Director, Property Funds

Peter Lowe is a Director and is the Fund Manager for BMO Real Estate Investments Limited. Peter has 17 years of Real Estate experience across the UK and mainland Europe. Prior to joining BMO Real Estate Partners ('BMO REP') in 2015, Peter worked for 9 years at DTZ Investors with responsibility for a number of UK Pension Fund and segregated accounts, including Safeway Pension Trustees Ltd, Imperial Tobacco Pension Trustees Ltd and the Universities Superannuation Scheme. More recently Peter was Fund Manager for Pearl Assurance Trust (Pensions) Ltd and GE CIF Trustees Ltd. Peter is a member of the Royal Institution of Chartered Surveyors, has an MSc in Real Estate & Management and sits on the BMO REP Investment Committee.

Investment risks

The value of directly held property reflects the opinion of valuers and is reviewed periodically. These assets can also be illiquid and significant or persistent redemptions may require the manager to sell properties at a lower market value adversely affecting the value of your investment.

The value of investments and income derived from them can go down as well as up as a result of market movements and investors may get back less than the original amount invested.

Estimates and forecasts are provided for illustrative purposes only; they are not a guarantee of future performance and should not be relied upon for any investment decisions. Estimates are based on assumptions and subject to change without notice.



Agenda

- **Annual Report – headline numbers**
- **Property market overview**
- **BREI in context**
 - **Performance**
 - **Positioning and key features**
 - **Investment philosophy**
- **Summary & Manager Objectives**

BMO Real Estate Investments Limited

Annual Report Key Financial Data

Financial Headlines

-0.6%*

Portfolio ungeared total return of -0.6% for the year

-3.7%*

NAV total return of -3.7% for the year

7.8%*

Dividend of 4.375 pence per share for the year, giving a yield of 7.8% on the year-end share price

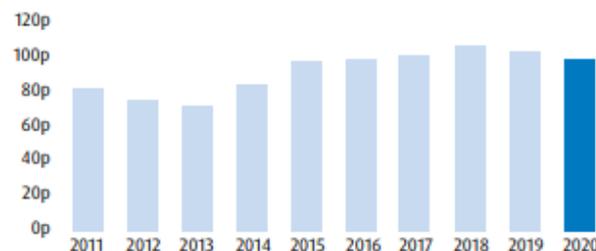
84.3%*

Dividend cover decreased to 84.3% for the year from 89.4%

Delivering long-term income and capital returns

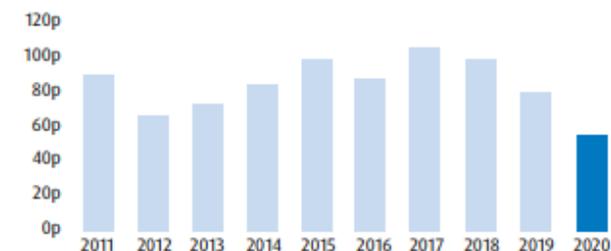
Since launch in 2004 BMO Real Estate Investments Limited has turned a £1,000 investment, with dividends reinvested, into £2,749*.

Net asset value per share at 30 June (pence)



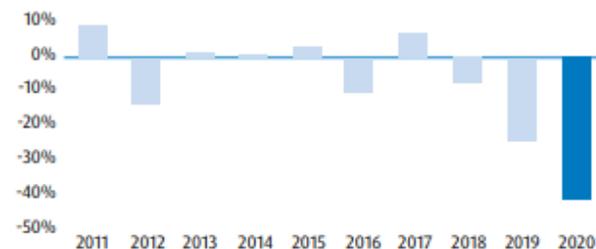
Source: BMO Investment Business

Share price per share at 30 June (pence)



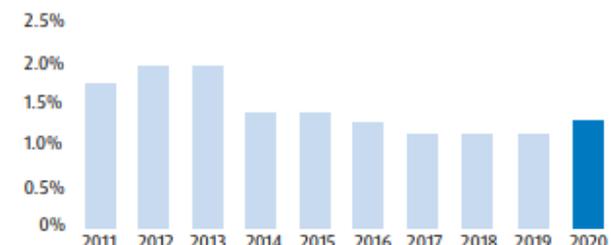
Source: BMO Investment Business

Share price premium/(discount) to net asset value at 30 June (%*)



Source: BMO Investment Business

Ongoing charges at 30 June (%*)



Source: BMO Investment Business

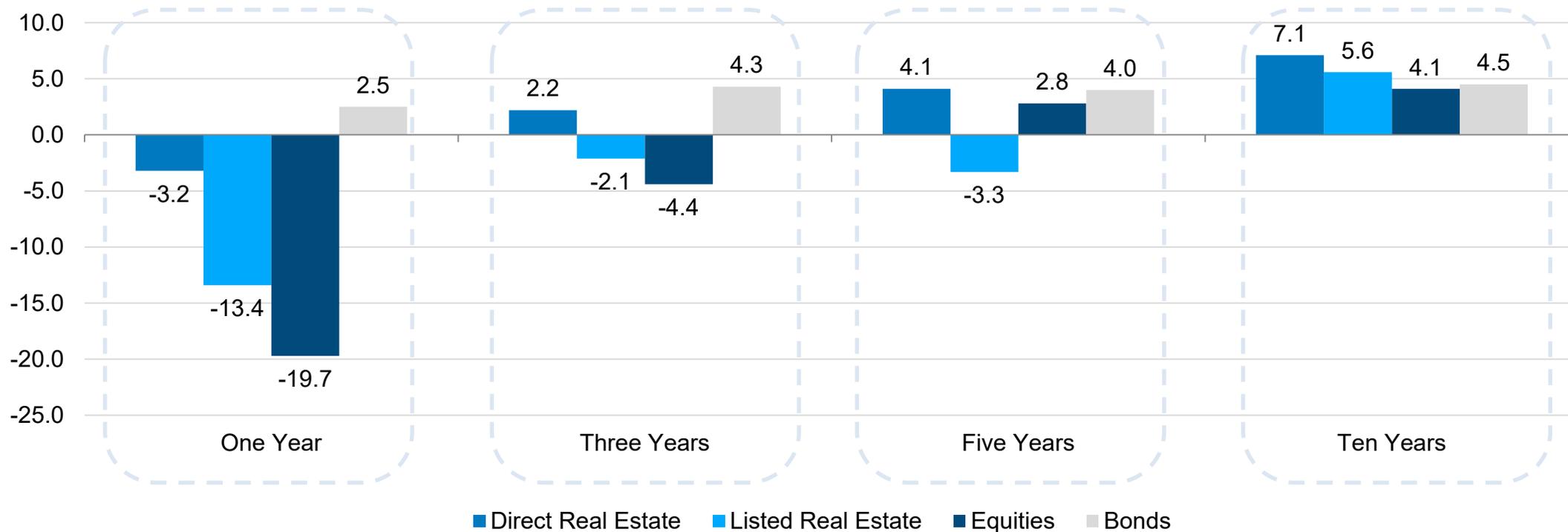
Past performance should not be seen as an indication of future performance.

Source: 2020 Annual Report and Consolidated Financial Statements

UK Property has out-performed over the longer-term

Direct Real Estate returns compare favourably with other asset classes over a range of time series, however absolute performance is negative over the current year. The picture for listed Real Estate has been volatile.

Total Returns to September 2020 (% per annum)



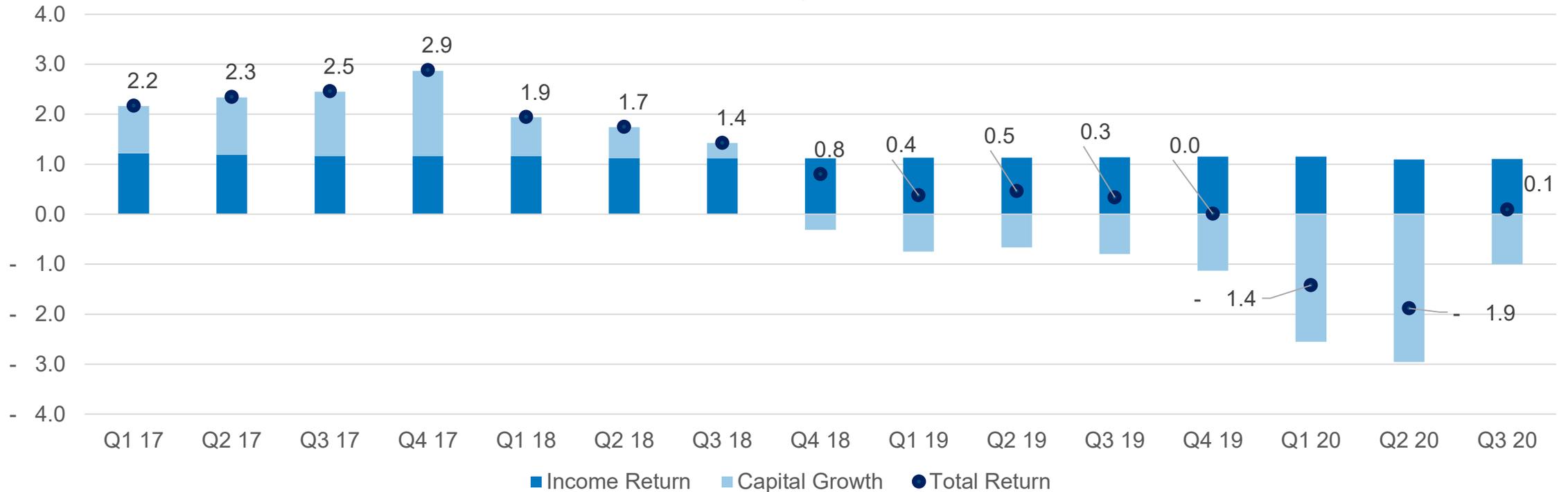
Past performance should not be seen as an indication of future performance.

Note: Results shown here for direct real estate and fund-level real estate are based on separate quarterly samples with specific sources indicated below.
 Sources: EQUITIES: MSCI, Mid & Large Cap, Index, Total Return, GBP BONDS/FIXED INCOME: JP Morgan, CBI Broad, Traded, Index, 7-10 Year, Total Return, GBP; PROPERTY EQUITIES: MSCI, GB/Real Estate, Gross Total Return, GBP, Series#115565; DIRECT REAL ESTATE (ASSET LEVEL OPS): MSCI, MSCI UK Quarterly Property; FUND LEVEL REAL ESTATE: MSCI, MSCI UK Quarterly Property Index.

After the sharp deterioration in performance in March and June, total returns stabilised at the All Property level in September

Quarterly total returns were slowing pre-covid, before turning negative. Capital values have been trending negative for some time. Rental growth has turned negative in all the main sectors bar industrials.

Three- Month All-Property Total Returns (%)



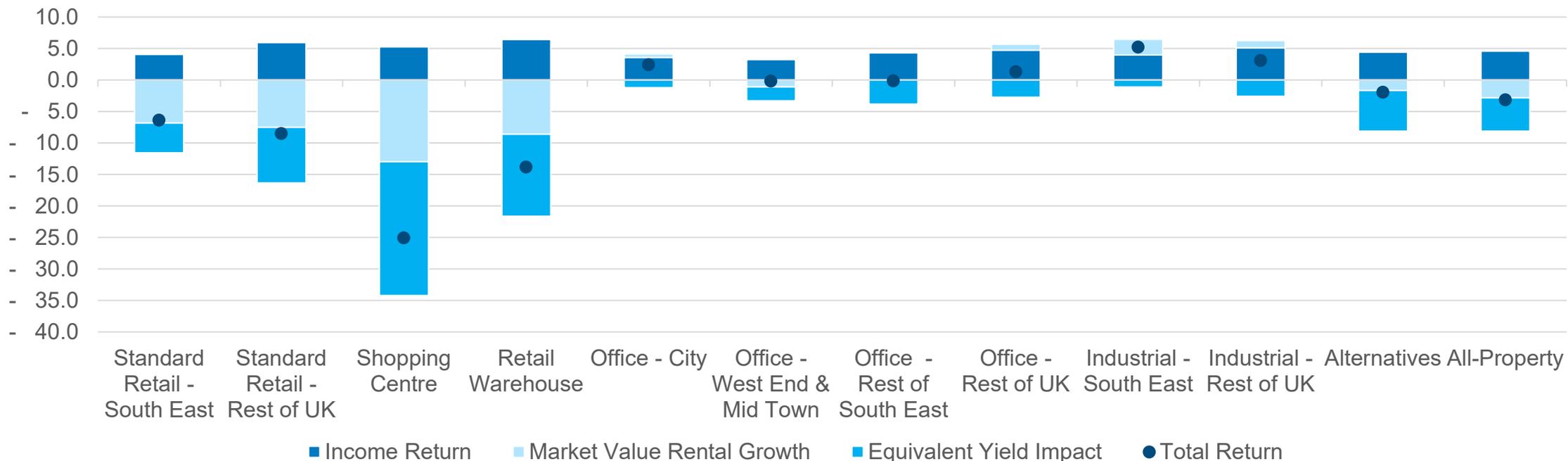
Past performance should not be seen as an indication of future performance.

Sources: MSCI UK Quarterly Property Digest (Standing Investments) September 2020,
The MSCI performance data as quoted in this document is calculated net of operating costs

Market Dislocation. Industrials lead the way. Retail under continued pressure

South East Industrial & logistics assets have been the strongest performers over the year delivering 5.2% with Regional Industrials at 3.1%, City Offices at 2.4% and Provincial Offices 1.3%. Shopping Centres are the laggards. Leisure and Hospitality have dragged down the Alternatives basket with trend returns heavily impacted with the onset of Covid.

12-Month total return by segments - September 2020 (%)



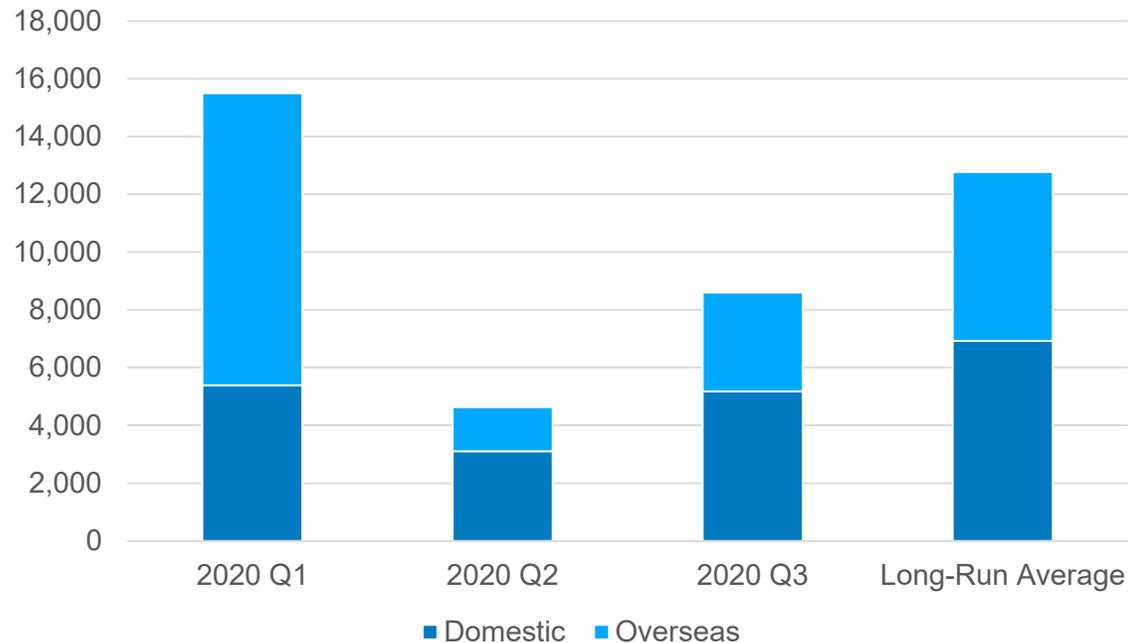
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Source: MSCI UK Quarterly Property Digest September 2020

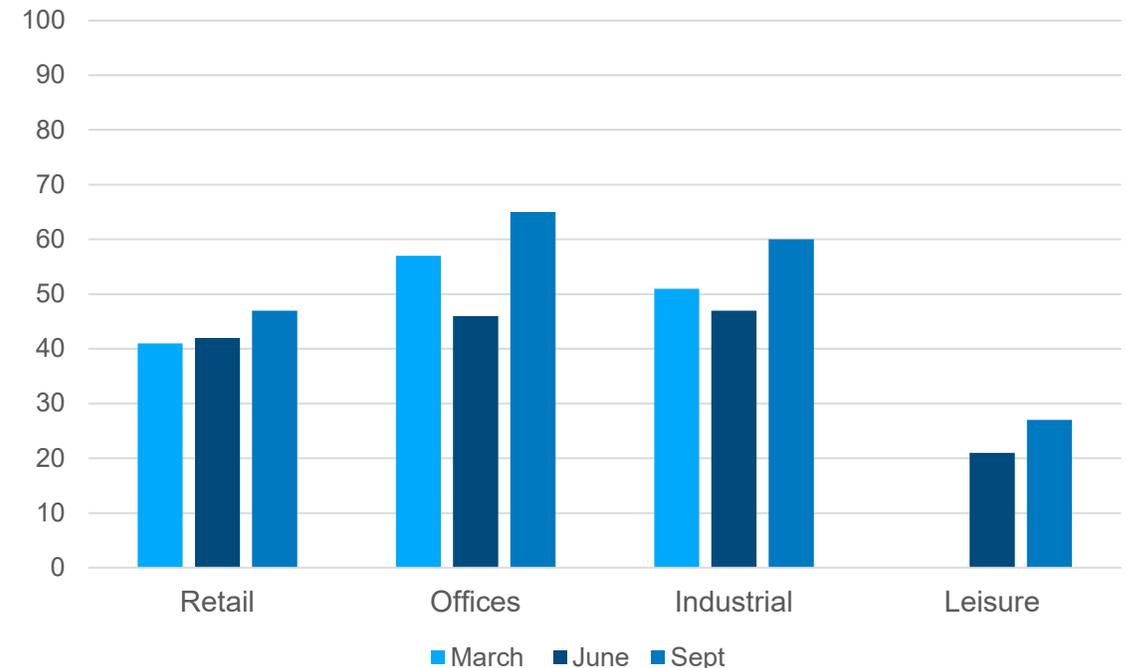
COVID-19 Affecting both the investment and occupier markets

Investment volumes improved in the September quarter but are still well below the long term average. Retail, leisure and hospitality have been the most severely affected in terms of both transaction volumes and rent collection, with industrials and offices relatively resilient. Collection is under continued pressure with rates of 40-60% paid (lower for leisure) at the due date rather than the traditional 80-90%.

Investment Activity £m



Rent Collection Rates - Due Date (%)



Sources: Property Data November 2020 £m. Remit Consulting July 2020, October 2020 – Leisure not available March 2020.

BMO Real Estate Investments in context



BMO Real Estate Investments

Key Information

Company

Market Cap **£124m***

Net gearing **26.1%**
Weighted cost of debt **3.1%**

Direct Real Estate only.
No shares or derivatives

Cash **£14.6m**
Undrawn credit **£20m**

Objective

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

Dividend policy

BREI has historically paid a dividend of 1.25p per share per quarter which would equate to a yield of 8.6% on the share price of 53p* (a 45% discount to NAV). The Board has signalled its intention to pay, but keep under review, a dividend at 50% of the sum at the outset of the year in light of current conditions, a 4.8% yield on share price.

Performance

| | 1 year (%) | 3 years (%) | 5 years (%) |
|----------------|------------|-------------|-------------|
| NAV TR | -5.3 | 5.3 | 21.7 |
| Share Price TR | -32.5 | -42.1 | -32.2 |

Portfolio

Portfolio value **£308.6m**

Portfolio yield advantage

Liquid lot sizes (£8.3m average)

Overweight Industrials

Overweight South East,
underweight Central London

Low void rate (5.5% by ERV) #

Contractual income duration of
6 years

Discrete Annual Performance as at 30/09/20

| | Nav % | Share price % |
|------------|-------|---------------|
| 30/09/2020 | -5.3 | -32.5 |
| 30/09/2019 | 1.6 | -9.6 |
| 30/09/2018 | 9.5 | -5.3 |
| 30/09/2017 | 12.7 | 16.8 |
| 30/09/2016 | 2.6 | 0.3 |

Past performance should not be seen as an indication of future performance.

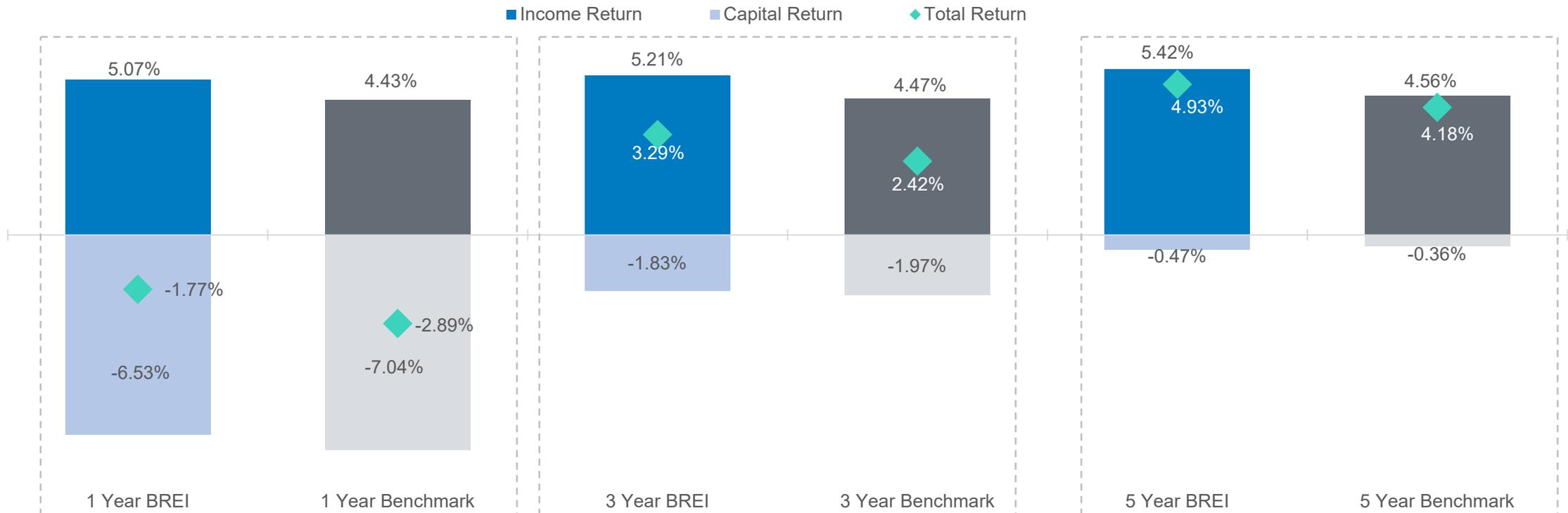
Source: BMO Global Asset management. Company and Performance data as at 30.09.20 unless otherwise stated. *As at 09.11.20 Winterfloods. Verses MSCI Quarterly Index (relative measures). Portfolio data as at 30.09.20. # post period

BMO Real Estate Investments

Portfolio performance

The Company portfolio has outperformed the MSCI All Monthly & Quarterly Funds Index over 1, 3, 5, 7 and 15 years since inception to June 2020, driven by both income and capital return. Sector allocation and asset outcome scores are both positive (MSCI, 2020).

Underlying Property Performance September 2020 BREI v Benchmark

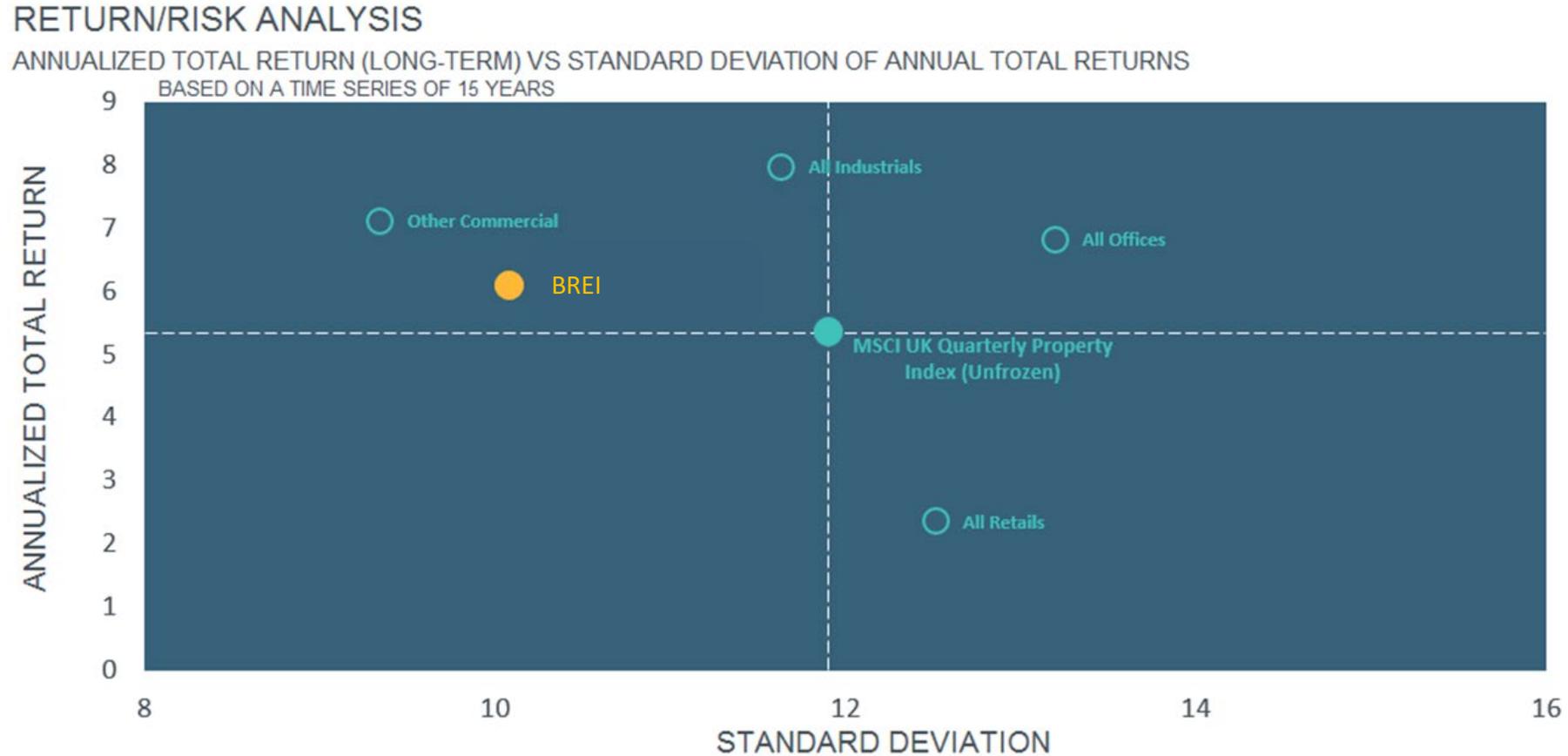


Past performance should not be seen as an indication of future performance.

Source: MSCI UK Quarterly Property Digest September 2020

BMO Real Estate Investments Performance

To September 2020 the BREI the portfolio has delivered higher returns at lower volatility over the 15 years since inception.



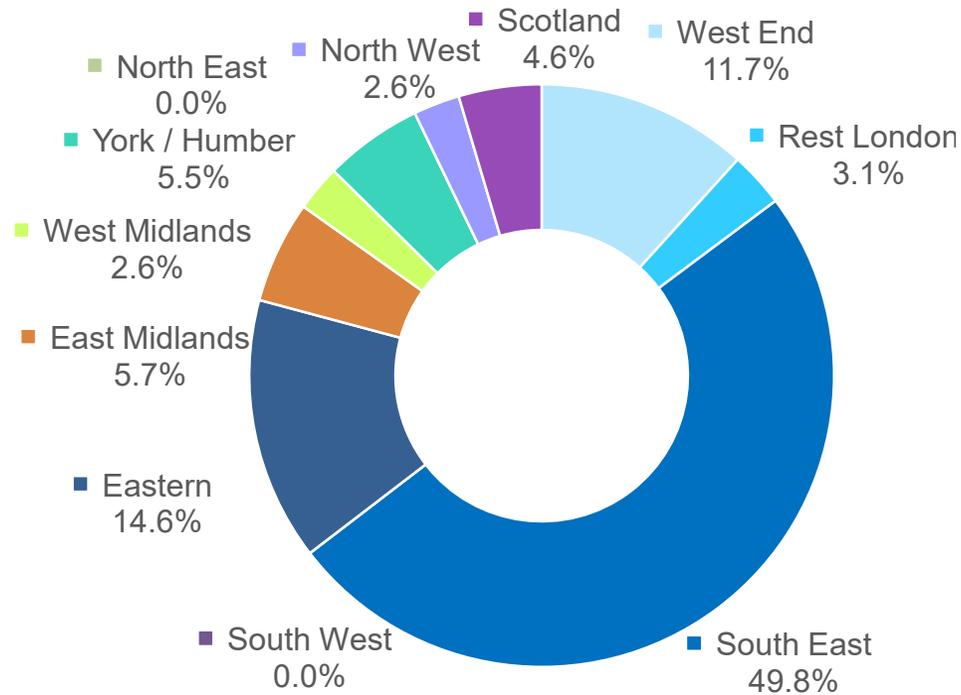
Past performance should not be seen as an indication of future performance.

Source: MSCI September 2020

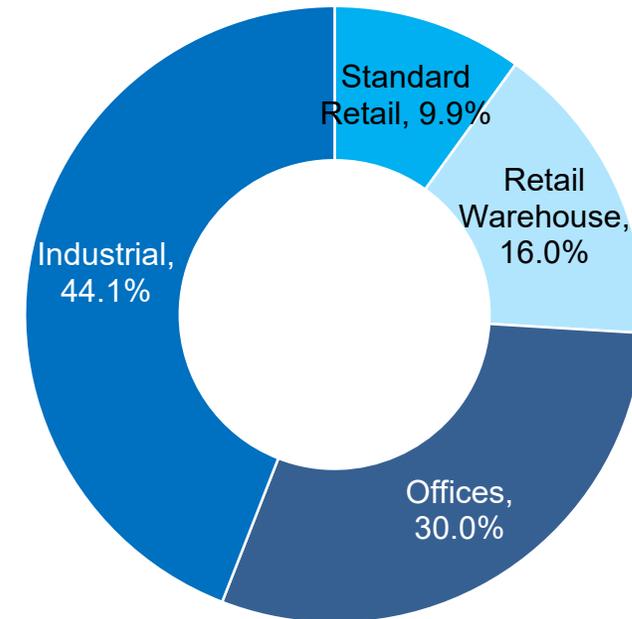
Geography and Sector

The Fund is diversified by sector and geography, with a high weighting to the South East and Industrials. The Company owns no shopping centres or department stores, no leisure assets (gyms, cinemas etc) or hotels. The portfolio has two restaurants. Eleven retail assets have been sold since 2016. Retail warehouse exposure is let to functional, convenience, non fashion occupiers.

Geographical Breakdown



Segment Split



Source: BMO REP as at 30 September 2020

Portfolio Key Features

Asset Concentration

Asset concentration is in-line with the IPD Quarterly Index with a South East Industrial bias to the key holdings. Only one retail asset rates in the top 10. Sector label is determined by primary use - Berkeley Street is a mixed use, multi let asset.

| Top 10 Properties by Value | Sector | % |
|--|------------------|--------------|
| London W1, 14 Berkeley Street | Offices | 9.2 |
| Banbury, 3663 Unit, Echo Park | Industrial | 7.7 |
| Colnbrook, Units 1-8 Lakeside Road | Industrial | 7.4 |
| Eastleigh, Southampton International Park | Industrial | 6.3 |
| Hemel Hempstead, Hemel Gateway | Industrial | 5.1 |
| Bracknell, 1/2 Network Bracknell, Eastern Rd | Industrial | 4.0 |
| Theale, Maxi Centre | Industrial | 3.8 |
| Edinburgh, 1-2 Lochside Way, Edinburgh Park | Offices | 3.8 |
| York, Clifton Moor Gate | Retail Warehouse | 3.6 |
| Eastleigh, Wide Lane | Industrial | 3.5 |
| Total | | 54.4% |



Source: BMO REP as at 30 September 2020

Tenant Concentration

The portfolio's income is well diversified with lower weighted credit risk verses the benchmark Index, and a higher proportion of income to lower risk band tenants *.

| Tenant | % |
|-------------------------------|--------------|
| Booker Limited | 7.8 |
| Bunzl UK Limited | 7.1 |
| HSBC Group | 5.1 |
| HHGL Limited (CVA) | 4.2 |
| Inchcape Estates Limited | 4.0 |
| Halfords Limited | 3.8 |
| The University of Law Limited | 3.6 |
| DieboldNixdorf (UK)Ltd | 3.3 |
| AECOM Limited | 3.3 |
| Virgin Media Limited | 3.0 |
| Total | 45.2% |

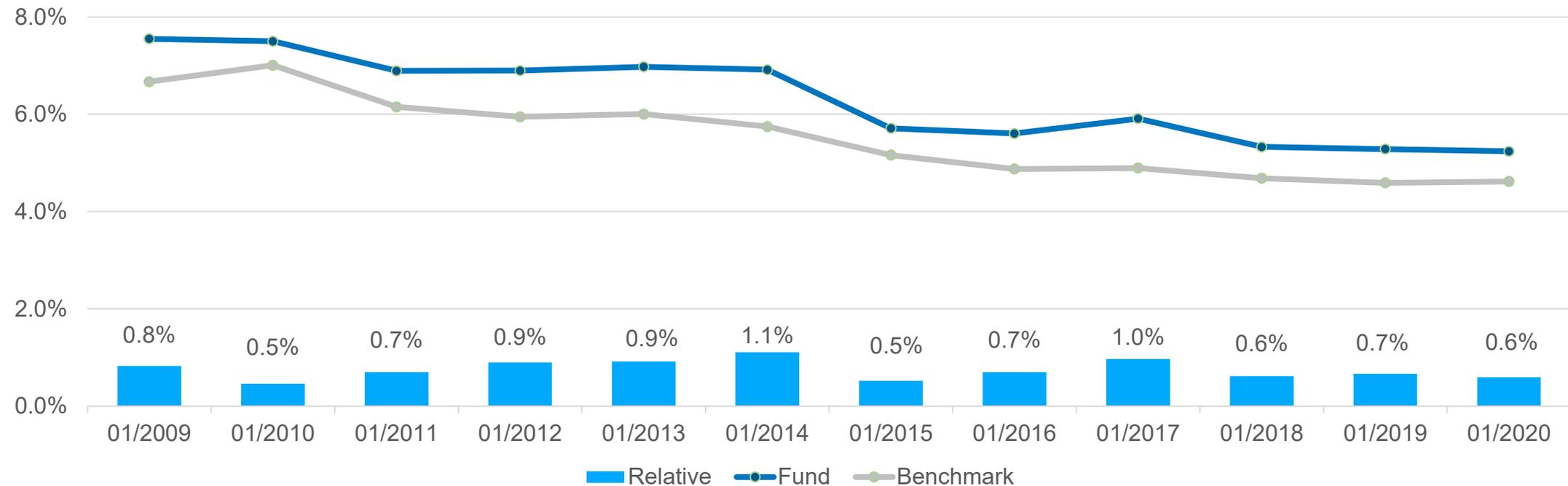


Source: BMO REP as at 30 September 2020. * MSCI September 2020 vs Quarterly Index by weighted credit score

Investment Philosophy

Income

Prioritising the delivery of income alongside NAV protection mirrors the Company objective. Property returns are dominated by income over the longer term. Achieving and maintaining yield is therefore a bedrock of strategy. The portfolio has less vacancy, less overrent and less development exposure than the Index.



Past performance should not be seen as an indication of future performance.

Source: MSCI June 2020. MSCI Quarterly & Monthly Funds * MSCI September 2020 vs Quarterly Index

Rent Collection

Collection from BREI compares favourably for recent quarters. Most tenants are paying, though with a number switching to monthly rents, or paying in arrears. Asset Management and occupier relationships are key. Collection for the current quarter to December stands at 86%.



As at November the Company had collected over **93%** of rents due for the March to June quarter. Recovery for June to September currently stands at **92%**. Further recovery for these periods is expected.

| Sector | Rent Collection |
|--------------------|-----------------|
| Industrial | 100% |
| Offices | 100% |
| High Street Retail | 63% |
| Retail Warehouse | 92% |
| BREI Total | 93% |

- Variation between the sector recovery rates is consistent with market trends, though functional non fashion retail warehousing has proved relatively resilient.
- Acceleration of structural change, but some favoured property sectors hit especially hard by social distancing measures.
- Absence of Shopping Centres, Leisure, Student and Hospitality, and minimal exposure to F&B has been of benefit to the Company collection rates.
- Expect sector trends to continue. Recognition that occupiers cross property classification sectors.
- The government moratorium on affirmative action against non paying tenants has altered behaviours, even for those well capitalised tenants that have the means to pay.

Source: BMO Real Estate Partners as November 8th 2020

Investment Philosophy

Sustainable locations

Property fundamentals come first delivering the foundation for resilience and value add initiatives. We seek robust residuals, with 'value' in the real estate (location, building, planning consent, infrastructure etc) not just the lease contract. Ownership structure is important to unlock asset management potential.



Berkeley Street, London



- Mixed use multi let asset in London's west end.
- Partial fit out creating 'plug and play' space to cater to flexible demand.
- Lease events over the course of 2020 have resulted in some initial void, though a letting was completed in Q4, post period, 2020 supporting value.



Brook Retail Park, Bromsgrove



- Leased to Pets at Home and Homebase
- An insurance lease to a 5A1 tenant backs the Homebase income and was renewed in Q1 2020.
- Additional unsolicited interest has been received from high quality food retailers including for an additional drive thru development, which is being explored.



Enterprise Way, Luton



- Originally let to Homebase until Dec 2020.
- Planning granted and leases exchanged for redevelopment of a Pre-let food store and drive-thru, and retention of Homebase at an improved rent. Construction underway.
- Net income and term set to be substantially increased post completion mid 2021

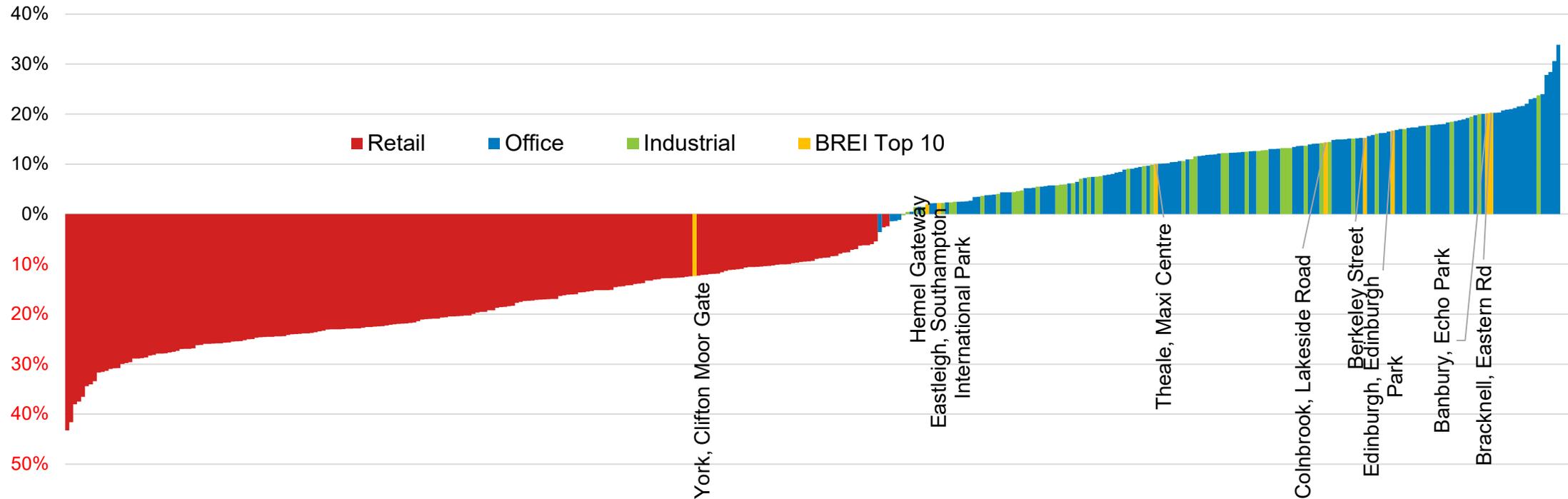
Source: BMO Real Estate Partners as at November 2020

Investment Philosophy

Sustainable locations

Outcomes are increasingly stock specific, though with practically all retail locations challenged. Looking at forecast rental growth as a proxy for resilience, the BREI portfolio is relatively well-placed.

Prime headline rental growth Five Years to end-2025 %, PMA cumulative Recession Scenario



Past performance should not be seen as an indication of future performance.

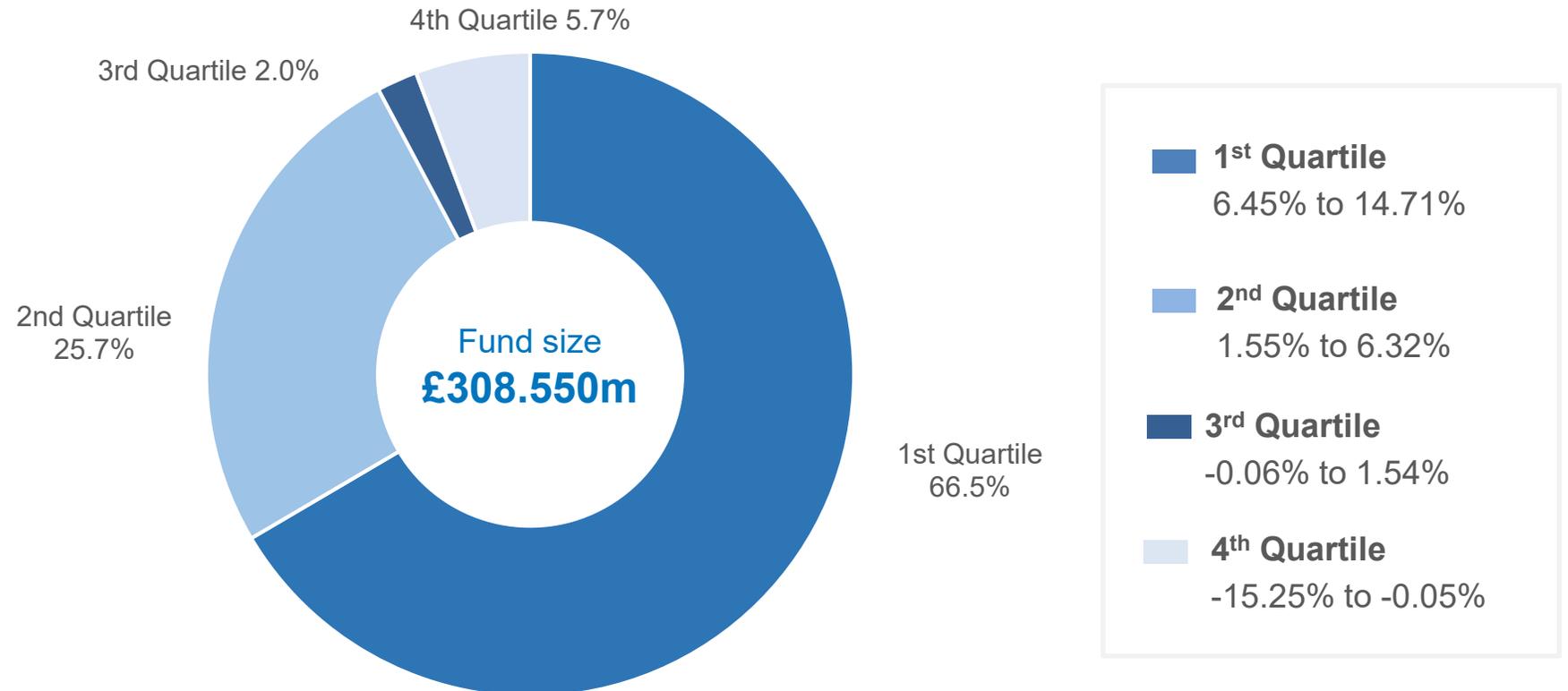
Sources: PMA Autumn 2020

Investment Philosophy

Sustainable locations

Mapping the portfolio to forecasts for economic growth (GVA) shows a similar story, with allocation to the better performing areas demonstrating conviction to dynamic, higher growth locations.

BREI Asset Location by Forecast GVA Growth 2020-2024



Past performance should not be seen as an indication of future performance.

Sources: Experian 2020

Focus on the occupier

At BMO REP we operate a *sector specialist* platform with in-house construction and property management expertise. Landlord & Tenant relationships are increasingly complex and require a partnership approach to ensure successful outcomes.



County House, Chelmsford



- Refurbishment to create modern, open plan, Grade A space. New energy efficient comfort cooling system and energy efficient LED lighting.
- Letting of the 2nd and 3rd floors to the Crown Prosecution Service now complete.
- Offers received for the as yet un-refurbished floors. Works set to be complete by year end.



Royal Standard Hill, Nottingham



- 28,000 sq ft office building located in the heart of Nottingham's CBD. Full internal refurbishment incorporating improved ESG credentials and an increase in lettable area
- Property let faster than underwrite, at higher rent.
- Letting completed in 2019 to The College of Law at a new benchmark rent for the city.



Lochside Way, Edinburgh



- Grade A office building let to HSBC, located on Edinburgh's Premier Business Park
- Re-gear resulted in a removal of the tenants break option whereupon the occupier completed a significant upgrade to the internal accommodation. Occupation facilitated by our purchasing additional land for tenants parking and servicing requirements.
- Location continues to improve, via neighbouring development of commercial, residential and hotel

Source: BMO Real Estate Partners as at November 2020

Investment Philosophy

Sector Allocation

In an era of diverging fortunes for the traditional sectors correct allocation calls are key. The Company moved early into Industrials and has shown strong conviction to the South East which has been a key driver of performance.



Eastleigh / Southampton International



- Multi – let ownership comprising 4 units arranged totalling 180,000 sqft.
- Improving location which has delivered significant rental growth over the last 5 years.
- Multiple lease re-gears concluded over 2019 and 2020 to extend the term and improve rental tone.



Hemel Gateway, Hemel Hempstead



- Two unit scheme in a growth location benefitting from the ripple out of occupational demand from central London as tenants seek affordable commercial terms in areas of high connectivity and labour availability.
- Backdated rent review offers significant prospect of income growth.
- Pricing backed by significant institutional activity



Colnbrook, Heathrow



- Multi-let industrial estate close to Heathrow Airport
- Slightly dated specification but fit for purpose, offering occupiers a low cost alternative in a high demand location suitable for a number of uses.
- Fully let. Recent lease re-gears have demonstrated rental growth
- Recent lease assignment at market terms demonstrates post lockdown tenant demand.

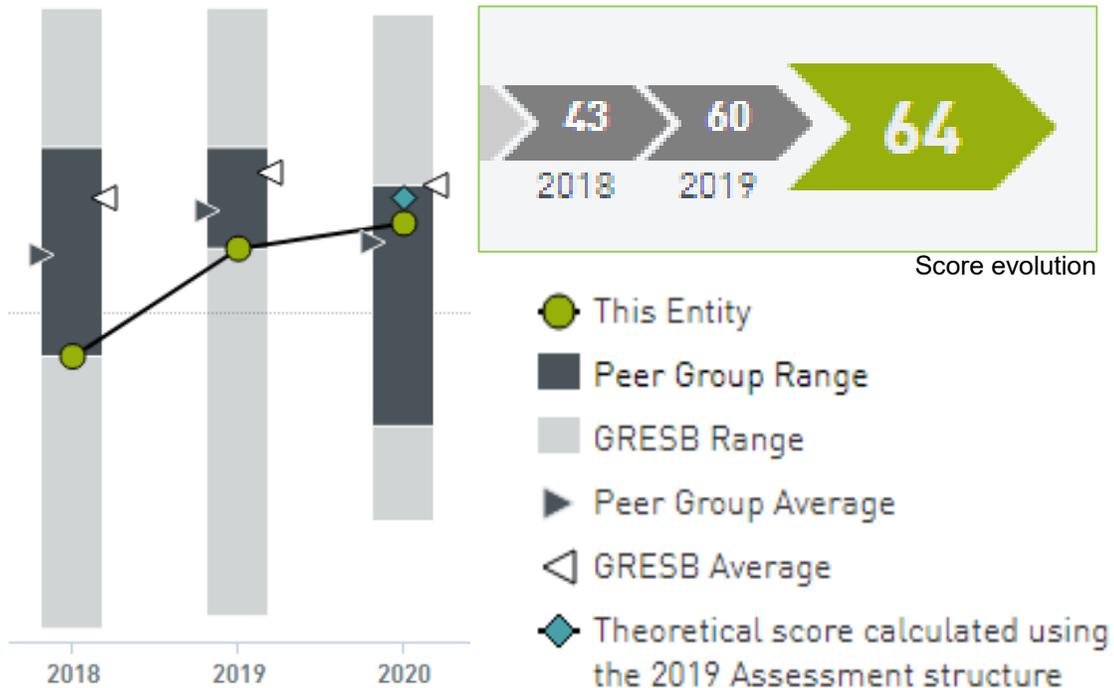
Source: BMO Real Estate Partners as at November 2020

Investment Philosophy

ESG

ESG considerations are at the forefront of our operational platform. BREI entered the GRESB regime in 2018 and published its inaugural Responsible Property Investment report in 2019. Year on year improvement verses the peer group with the Company winning a Gold Award from EPRA for reporting & disclosure in 2020.

GRESB – Global Real Estate Sustainability Benchmark



The Company's latest ESG report published



- ✓ Outlines the Company's ESG strategy & priorities
- ✓ Presents key ESG performance data for the reporting year
- ✓ Provides an overview of key ESG risks facing the portfolio



Summary & Manager Objectives



Property Market Forecasts Summary



- **The market remains extremely uncertain. Cashflow is king with counterparty risk to the fore. Rental growth by exception only.**
- The shape of the recovery will depend upon the timing of a return to the 'new normal' which in itself will continue to deliver a 'partial economy' in the near term with operational challenges to many occupiers. Brexit, US/China and the structural challenges to the retail market should not be forgotten.
- There has been no exuberance in values since 2016 at the All Property level with **Brexit having dampened the cycle. New construction/supply limited, outside of the logistics market.**
- **Behavioural changes evident in the Office, Leisure and hospitality markets.** Digitalisation of the economy is accelerating structural change.
- **Solid support from gilt pricing. Opportunities will present themselves.**
- Industrial is the star performer, but caution on pricing.
- Sector and stock selection of increasing importance. little forced selling, as yet.

Near Term Key Strategic Targets

- **Company cash position is favourable. Near term target is to conserve** the proceeds from the recent sales from the retail portfolio to add resilience to the balance sheet and reduce net gearing. Medium term target is to remain vigilant to opportunistic transactional opportunities, buying to enhance the dividend.
- **Rent collection & Dividends. Focus on the occupier.** Seek to ensure successful collection of rents from those tenants who can pay and are contractually obliged to pay, but at the same time work with our tenant base to ensure mutually advantageous outcomes where appropriate.
- Successful realisation of ongoing business plans. A proportion of capital is allocated to the two major budgeted **asset management** initiatives, both of which are pre-let (one in part) and will add meaningful income over 2021.
- **Retain conviction to high residual locations** with multiple / alternative use values.
- **Income** led strategy. Maintain high occupancy rate and limit non recoverable costs.
- Deliver income **growth** from the high weighting to the South East Industrial assets.

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Contact us

BMO Global Asset Management (EMEA) – Head Office

Exchange House
Primrose Street
London EC2A 2NY
Tel: +44 (0) 20 7628 8000

Calls may be recorded.

bmogam.com

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