

BMO UK Property Fund – update

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BMO UK Property Fund & BMO UK Property Feeder Fund

Following current activity in the peer group, we want to update investors on the status of the BMO UK Property Fund. The fund remains on 'bid' pricing at present. The temporary move to 'bid' pricing took place in August 2019 and reflects a cautious, considered approach, which ensures long-term investors are protected.

The fund was built with its liquidity in mind and we maintain a cautious approach, holding cash levels currently at around 24%. The fund currently has a stable and diverse investor base seeking long-term exposure to UK property. We keep in close contact with our investors who understand that the fund provides a diverse exposure to UK property, importantly with a low retail weighting, and offers a stable long-term income stream. The fund remains well positioned in our view due to this differentiated approach. This approach stood us in good stead post the EU referendum in 2016, when the fund did not suspend and was not forced to liquidate assets to meet redemption requests.

Cash levels are above our longer-term target and we are currently carefully pursuing acquisitions to match the quality of the existing portfolio. Our outlook for the UK property market is to deliver positive returns over the next five years, and UK commercial property continues to maintain a significant yield advantage over fixed income.

Whilst there have been pricing corrections in the retail sector, these are focused to a greater extent on shopping centres, department stores or large retail parks, to which the fund has no exposure. The BMO UK Property Fund has a weighting of just 6% to high street retail and 18% to retail warehousing, of which 40% is in Greater London where supply is scarce and there is a residential underpin. Furthermore, as core holdings in desirable, resilient locations, the fund's retail assets are generally more liquid, as demonstrated by a retail warehouse unit currently under offer for sale.

The majority of the fund is invested in logistics, industrial and regional offices – sectors which are forecast to outperform the all property average over the next five years.

Key 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 feeder fund permanently invests 85% or more of its assets in units of its master fund.