

Manager Commentary
Richard Kirby



return, down from 1.3 per cent in December. Regional offices proved more resilient recording 1.4 per cent. Alternatives produced a 1.2 per cent total return.

Performance

The Company's portfolio delivered a total return of 0.1 per cent over the quarter. The capital value of the portfolio decreased by 0.9 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 -0.9 per cent. Specifically, the Company's largest retail warehouse asset at Newbury experienced further valuation falls of 7.2 per cent. This is attributable to capitalisation rates moving out with the negative sentiment to the sub-sector. This property has been impacted by CVA's and most notably with Homebase. The initiatives identified to attract new retailers to this property including securing revised planning consents are being progressed and have advanced over the quarter.

The value of St. Christopher's Place also fell as a result of yields increasing on the Oxford Street properties.

Investment Activity

In January the Company completed the strategic sale of two office buildings in Reading (Thames Valley Park One and Two) at a combined sale price £24.5 million. These non-core disposals addressed the Company's largest void exposure by rental value, released

capital to be invested in income producing properties, significantly reduces non-recoverable expenditure and removes a future substantive capital expenditure requirement of approximately £8.0 million.

The sale of Building A, Watchmoor Park, Camberley also completed at a net sale price of £3.9 million. This property comprises a 24,000 sq ft multi-let office building with a 7,570 sq ft vacant floor located on an out of town business park. This sale follows the sale of the adjacent Building B which completed last year.

Following the disposal of the properties at Reading, the void rate as at 31 March 2019 was 4.9 per cent (31 December 2018 – 8.5 per cent). The sale at Camberley will reduce this to 4.7 per cent.

Leasing Activity

The letting of the extensively refurbished 4th and 5th floors at Cassini House, London SW1 completed at a rent of £1,438,000 per annum subject to 12 months' rent free.

In April the refurbishment of Nevis and Ness, House Edinburgh Park completed, and the property was handed over to Diageo to undertake their works. The lease is scheduled to complete in November.

Market

The polarisation of performance between different segments of the property market continued over the quarter. Once again industrials and distribution out-performed, although a 1.7 per cent total return compared with 3.4 per cent three months earlier, suggests momentum is easing.

The retail sectors remained challenged, with total returns recording a negative 1.3 per cent. There was poor sentiment among both occupiers and investors as the Company Voluntary Arrangements (CVA's) and store rationalisations continue. Although Central London and more affluent towns have been less hard-hit, the problems affecting the sector are now widespread. Shopping centres, department stores and secondary regional shops have been especially impacted.

The Central London office market has seen a slight cooling, attributable to Brexit related uncertainties, political risk and forthcoming changes to capital gains taxation for overseas investors. Consequently, Central London offices registered a 0.9 per cent total

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: £1,412.7 million

Share price: 119.6p

NAV:** 137.9p

Discount/Premium(+/-): -13.3%

Dividend payment dates: Monthly

Net dividend yield†: 5.0%

Actual gearing[§]: 20.2%

Vacant property: 4.9%

Weighted average lease length: 7.0 years

Management fee rate*:** 0.55%

Ongoing charges*:** 0.83%

Year end: 31 December

Sector: Property Direct - UK

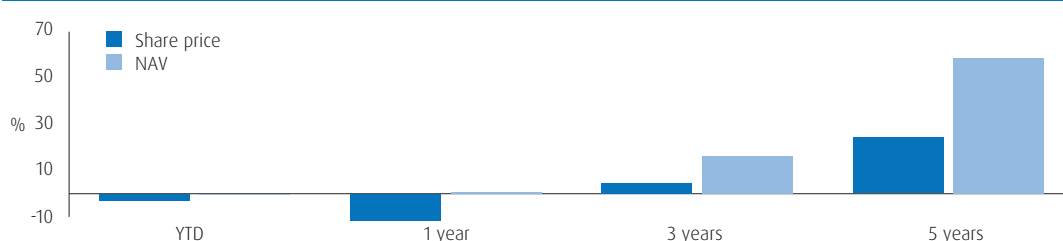
Currency: Sterling

Website: www.fcpt.co.uk

***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 31.03.19

	3 Months	Year to date	1 Year	3 Years	5 Years
Share price	-2.9	-2.9	-11.6	4.5	24.1
NAV	-0.3	-0.3	0.7	16.1	58.4

Discrete annual performance (%) as at 31.03.19

	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
Share price	-11.6	1.9	16.1	-0.1	18.9
NAV	0.7	8.5	6.3	13.3	20.4

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.

Telephone calls may be recorded

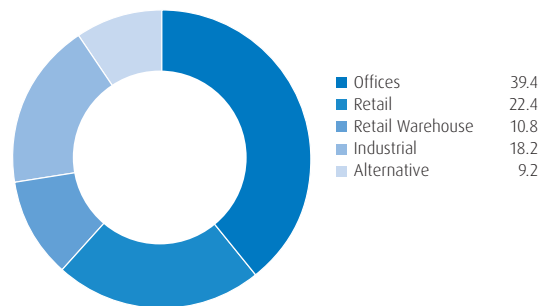
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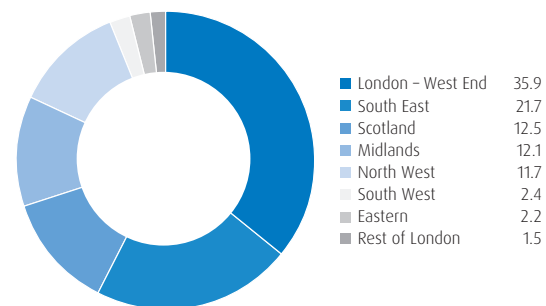
Top 10 property investments

	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 (Reclassified)



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	
May	0.5	0.5	0.5	0.5	0.5	
June	0.5	0.5	0.5	0.5	0.5	
July	0.5	0.5	0.5	0.5	0.5	
August	0.5	0.5	0.5	0.5	0.5	
September	0.5	0.5	0.5	0.5	0.5	
October	0.5	0.5	0.5	0.5	0.5	
November	0.5	0.5	0.5	0.5	0.5	
December	0.5	0.5	0.5	0.5	0.5	
Total	6.0	6.0	6.0	6.0	6.0	1.5

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 (05/19)