

Client update

BMO Property Growth & Income Fund (“Fund”) and BMO Property Growth & Income Fund Ltd



Fund suspension due to material uncertainty

As you will now be aware, the BMO Property Growth & Income Fund (“Fund”) and BMO Property Growth & Income Fund Ltd (the “Feeder Fund”) are currently suspended from dealing. This is due to the Fund’s independent valuers declaring material uncertainty in relation to the valuation of the underlying direct property assets in the Fund’s portfolio. Crucially, the suspension is not related to any liquidity event on the Fund.

The valuers have declared a material uncertainty about the value of the properties held within the Fund to reflect the unprecedented ramifications of the global Covid-19 outbreak. As we know, this is an ever-evolving situation and is having a significant impact on wider global markets. Following recent Government announcements, the valuers deemed that the situation in the whole UK commercial property market (across all sectors) had changed materially as at 17th March, and so it is now appropriate to apply to declare material uncertainty. From discussions we have had with the valuation community, we are aware that property transactions are continuing to take place for the time being. However, the main concern is the future ability of parties to transact on acquisitions, as a large part of the due diligence process cannot be carried out if physical inspections of properties cannot take place. For this reason, material uncertainty has been applied to all sectors. The suspension is therefore in line with the FCA’s rules under COLL 7.2 and its Policy Statement 19/24, which state that funds should suspend trading of units if material uncertainty is applied to more than 20% of their immovable assets.

The FCA requirements are designed to protect the investor base of both the Fund and the Feeder Fund by restricting trades in units where uncertainty over the valuation basis could result in potential unfair treatment of investors. Protecting our investors is of paramount importance to the whole BMO Property Growth & Income Fund team, and as such we believe that this step is the

best way to ensure that all investors are treated fairly through this period of unprecedented market uncertainty.

This suspension is deeply disappointing to the management team, the fund has never closed to daily subscriptions or redemptions throughout its fifteen-year life. The Fund’s current holding of direct property at just over 31% of net assets, with a sector exposure of 75% industrial and 25% office buildings (no retail property), presents no liquidity issues. We have a number of active management situations underpinning our valuation and leasing strategy and will be reporting progress regularly to investors in the usual way.

Exactly how long this situation will continue is currently unknown, as the ramifications of the Covid-19 pandemic are developing on a daily, if not hourly, basis. However please be reassured that we are in discussion with the valuers and will be monitoring the situation very closely. We will be seeking to reopen trading in the Fund and the Feeder Fund as soon as possible.

These are unfortunate and unprecedented circumstances, but we are working hard as guardians of investors capital. If you would like to discuss the situation in more detail, we very happy to arrange a call at the earliest opportunity

Marcus, George and The Team