

Client update

BMO UK Property Fund & BMO UK Property Feeder Fund



Fund suspension due to material uncertainty

As you will now be aware, the BMO UK Property Fund is currently suspended from dealing. This is due to the Fund's independent valuers declaring material uncertainty in relation to the valuation of the underlying property assets in the Fund's portfolio. Crucially, the suspension is not related to any liquidity event impacting the Fund with cash levels remaining at 22%.

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. Material uncertainty is a technical tool that is available to RICS registered valuers of commercial property. It can be used to qualify asset valuations in markets where there is considerable uncertainty due to "unforeseen financial, macro-economic, legal, political or even natural events.

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 17 March 2020, and so it is now appropriate 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's 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 UK Property 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.

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 monitoring the suspension closely and will be seeking to reopen trading in the Fund and the Feeder Fund as soon as possible. In the meantime, we and the rest of the team will continue to manage the Fund in line with its core investment principles, taking opportunities where we can to mitigate risk and create value across the portfolio, and working with our occupiers to help them through these uncertain times.

We appreciate your continued support of the Fund and its Feeder Fund through this unprecedented period. If you would like to discuss the situation in greater detail or would like to have a more detailed update to pass on to your clients, then we will be more than happy to arrange this. Please don't hesitate to get in touch.

Thank you and be safe!

Guy and Emma