

Client update

BMO Property Growth & Income Fund



Dealing resumed as material uncertainty removed from valuations covering the industrial and logistics sectors in the UK

As of 12:01pm on 15 June 2020, BMO Global Asset Management lifted the dealing suspension on both the BMO Property Growth and Income Fund and its Feeder Fund. This decision was made by the board of directors for the Funds, ratified by the depositaries, following the Fund's standing independent valuer removing the material uncertainty from valuations covering the industrial and logistics sectors in the UK.

This decision follows the easing of certain restrictions previously imposed because of COVID-19, as well as improvements seen in market liquidity and transparency in the sector. The direct property holdings in the Master fund account for just over 28% of its net assets. Material uncertainty still applies to 6.8% of the net assets of the Master Fund (the office component of the physical property portfolio).

Now that dealing is open on the Fund, we wanted to provide you with an update on how the Fund has performed during the suspension period and how it is positioned now dealing has resumed.

During suspension the Fund has returned 18.9% (A Class Accumulation)¹.

Pan European real estate equities fell -41.7% between 19 February 2020, the market peak, and 18 March 2020, the market trough and coincidentally when the Fund suspended. Since then markets have recovered 31.6% with recent performance best described as volatile. The sector stands -23% below the market peak.

There has been wide variation of returns at the subsector level with the best performers displaying similar characteristics of strong dividends covered by earnings. For example, German residential fell the least (-36%) and then bounced the most +57% and is now at pre-pandemic levels. Industrial/logistics are now collectively only 5% below the market peak in February and healthcare only -6.5%. Supermarkets are also above pre pandemic levels. The Fund is overweight in its

exposure to these sub-sectors and has enjoyed good performance as a result.

The Fund has a core income objective and has therefore avoided low income generating securities (which have performed worse than higher income generating securities). The Fund has zero exposure to non-food retail securities and less than 5% in securities issued by owners of European shopping centres.

Despite COVID-19 this has been a busy period of asset management for the Fund's physical property portfolio. Since the beginning of March 2020, the Fund has concluded transactions on 9.3% of its portfolio by estimated rental value.

Since the end of February 2020, the Fund's physical property portfolio has reduced in value by 2.1% as the valuers have become more cautious about the time taken to let units. As the easing of the lockdown continues, we expect the valuers to continue to release further property sectors from the material uncertainty qualification to valuations and this will include the office sector. The timing of this will depend on government guidelines and how these develop over the coming days and weeks.

We thank you for your understanding and continued commitment during what has been a difficult time for all of us.

Marcus, George and The Team

¹ 18 March 2020 to 10 June 2020