

## **Bestinvest cuts BMO property from 'top' trusts list**

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Online stockbroker Bestinvest has updated its 'Top-rated funds' buy list, dropping BMO Commercial Property (BCPT) as one of its recommended investment trusts (see table overleaf).

Open-ended property funds were cut from the list in a flurry last year, following the suspension of M&G's Property Portfolio.

The £504m closed-end BMO Commercial Property has now also been given the boot after the coronavirus pandemic has marred the performance and prospects of its portfolio, explained Bestinvest managing director Jason Hollands.

'It's not that we don't think it's well-managed. But it's got quite a lot of exposure to London offices and its biggest holding is actually St Christopher's Place, which is a development just off Selfridges in Oxford Street,' said Hollands.

'In the near term, we've seen a really tough environment for London and the office market and obviously it's been really tough for funds that are exposed to lots of restaurants and small retail outlets in central London.'

According to an August trading update, nearly two thirds of the BMO trust's portfolio was held across offices and retail at the end of June. Those are the two areas of property where normal service has been most upended by Covid-19. Rent collection for the second quarter was 83%, as tenants especially in those same sectors struggled to pay.

The quarterly dividends, which had been suspended for a few months, were revived but at half their previous level. At 63p today the shares yield over 4% but have fallen by a third in the past six months

to trade on a massive 48% discount to net asset value as investors anticipate further price falls in the valuation of its properties.

Hollands also pointed that, in common with many listed property funds, the level of gearing against the assets had risen as property values have fallen. Gearing, or borrowing, serves to amplify both gains and losses, while generally increasing volatility.

The trust's gearing – expressed in terms of loan to value – had reached 22.9% at the end of June. That came as its unaudited net asset value fell from 124.3p per share at the end of March to 120.7p at the end of the second quarter, a 2.9% drop.

The Bestinvest managing director said they believed real estate vehicles with higher exposure to sectors like warehouses – which have proved resilient as e-commerce has thrived during the pandemic – were a better bet currently and had a more defensive profile.

'We prefer vehicles that currently have more exposure to areas like logistics,' he said.

The closed-end property funds remaining on the list are Civitas Social Housing (CSH), TR Property (TRY) and UK Commercial Property (UKCM).

### Bestinvestment's 'top rated' investment companies

Sector	Trust	Ticker
UK All Companies	Fidelity Special Values	FSV
UK Smaller Companies	Henderson Smaller Companies	HSL
Global	Personal Assets Trust	PNL
	RIT Capital Partners	RCP
	Ruffer Investment Company	RICA
	Edinburgh Worldwide	EWI
	Scottish Mortgage	SMT
Property	UK Commercial Property	UKCM
	Civitas Social Housing	CSH
	TR Property	TRY
Specialist	Impax Environmental markets	IEM
	HICL Infrastructure	HICL
	International Public Partnerships	INPP
	Greencoat UK Wind	UKW
	Octopus Renewables	ORIT
Asia Pacific ex. Japan	Pacific Assets	PAC
	Schroder Asian Total Return	ATR
	Schroder Oriental Income	SOI
Europe	European Opportunities	JEO
Emerging Markets	Utilico Emerging Markets	UEM