

# TR Property Investment Trust Ordinary Shares



September 2013

## Manager commentary

Marcus Phayre-Mudge  
Alban Lhonneur



Real estate equities across the globe had a torrid August on both an absolute and relative basis. Interestingly, European property companies were amongst the better performers (compared to the US and Asian stocks) but were still down -5.6% (as measured by the Trust's benchmark – FTSE EPRA / NAREIT Developed Europe TR Index in GBP). Investors continued to fret about the impact of rising long term rates across the globe sucked up by the rising momentum in US Treasuries. Our view is that European central bankers will do their utmost to keep short rates as low as possible for as long as feasible. Whilst PMI data (in the UK in particular) is improving across manufacturing and services, it is the employment data which the BoE is focused on (as its preferred definition of spare capacity) and we await

more conclusive evidence that this is improving at a pace which will bring forward our expected timing of short rates hikes.

The fund's NAV fell -5.0% in the month, 60 bps less than the benchmark. This relative outperformance was driven by our overweight positions in Germany and our positioning in the UK. However our gearing (at 13%) clearly did not help – but it should be noted that our physical assets (c.8% of NAV) are ungeared and therefore our 'see-through' gearing is broadly in line with the benchmark's. Performance was therefore driven by our bottom up positioning and here we were helped by having no holding in Capital & Counties (-11.8%) and Intu (-9.1%). Investors remain concerned about the lack of real (as opposed to nominal) wage growth in the UK and whilst the warm weather helped recent retail sales we believe that retailers continue to face structural headwinds. Industrial owners were in vogue with Hansteen's (+4.5%) performance aided by their announcement that they have taken control of the Ashtenne Industrial Fund (previously owner/managed by Warner). Ashtenne was the Hansteen management team's previous vehicle (sold to Warner in 2006) – 'what goes around comes around'.

Swiss property stocks which had failed to outperform the pan European property equity market in the initial 'tapering talk' sell off (mid May to late June) did so in August falling just -0.7% (in local currency), reinstating their previous safe haven status.

A significant new position in the month was the acquisition of £5m of New River Retail CULS (Convertible Unsecured Loan Stock) December 2015. The strike price is 259p and the share price was 242p. The yield to redemption is 4.7% (in the event that conversion does not happen before that date). We are attracted by the underpinning income and at 103p (per 100p) the premium was modest affording a high level of capital protection whilst retaining the opportunity to participate in the equity growth story in due course.

## Cumulative performance as at 30.08.2013 (%)

	Current month	YTD	1 year	2 years
Fund (Total Return)	-4.99	9.90	20.63	22.61
Benchmark	-5.62	6.65	16.26	15.65

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

## Standardised performance as at 30.08.2013 (%)

	2010/ 2011	2011/ 2012	2012/ 2013
Fund (Total Return)	-	1.64%	20.63%
Benchmark	-	-0.52%	16.26%

Figures are based on capital only NAVs. Source: State Street.

## Sector allocation (%)

Industrial	7.2
Offices	34.8
Other	5.7
Residential	15.8
Retail	36.4
<b>TOTAL</b>	<b>100.0</b>

Figures above shown on a look-through basis.

## Asset allocation (%)

UK Shares	41.1
UK Direct Property	6.9
Continental Shares	52.0
<b>Total</b>	<b>100.0</b>

## Key facts

**Fund objective:** The investment objective of the trust is to maximise total returns by investing in Pan European equities and UK direct property, focusing on long term capital and income growth.

**Net Assets (Mn):** £702.0mn

**Net gearing:** 13.2%

**NAV frequency:** Daily

**Legal status:** UK Investment Trust

**Listing:** London Stock Exchange

**Dividends:** January, July

**Initial charge:** Nil

**Management fee:** £3.325m plus 0.20% of net assets p.a.

**Performance fee:** 15% of outperformance of benchmark plus 1% hurdle

**Investment manager:** Thames River Capital LLP

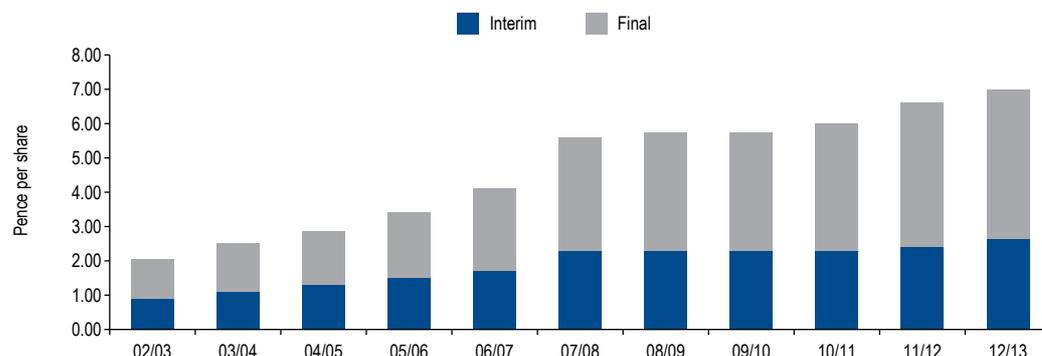
**Stockbroker:** Cenkos Securities plc, Oriel Securities

**Administrator:** BNP Paribas

**Email:** www.trproperty.com

**Registrar:** Computershare Investor Services plc

## Dividend history



Source: State Street

Past performance is not a guide to future performance. Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Investments are concentrated in companies which are focussed on property markets; these are limited to a narrow segment of the economy. Performance may, therefore, differ in direction and degree from the overall stock market. Where investments are made in emerging markets, unquoted securities or smaller companies their potential volatility may increase the risk to the value of, and the income from, the investment.

If markets fall, gearing can magnify the negative impact on performance.

NAV per share (Total Return)	221.00p
Share price	204.00p
Discount	-7.69%
Yield	3.40%

### See through geographical allocation (%)

Austria	2.5
Belgium	1.1
Central Europe	1.8
Denmark	0.1
Finland	1.6
France	17.1
Germany	15.7
Greece	0.0
Ireland	0.2
Italy	3.2
Netherlands	1.8
Norway	1.7
Other Overseas	0.3
Portugal	0.1
Russia	0.1
Spain	1.3
Sweden	10.8
Switzerland	3.7
UK	36.7
USA	0.1
<b>TOTAL</b>	<b>100.0</b>

### Top holdings (%)

UNIBAIL-RODAMCO	10.3
LAND SECURITIES GROUP PLC	9.2
HAMMERSON PLC	5.8
BRITISH LAND CO PLC	4.9
GREAT PORTLAND ESTATES PLC	4.4
DERWENT LONDON PLC	3.4
ST. MODWEN PROPERTIES PLC	3.0
LEG IMMOBILIEN AG	2.9
PSP SWISS PROPERTY AG	2.6
DEUTSCHE EUROSHOP AG	2.6

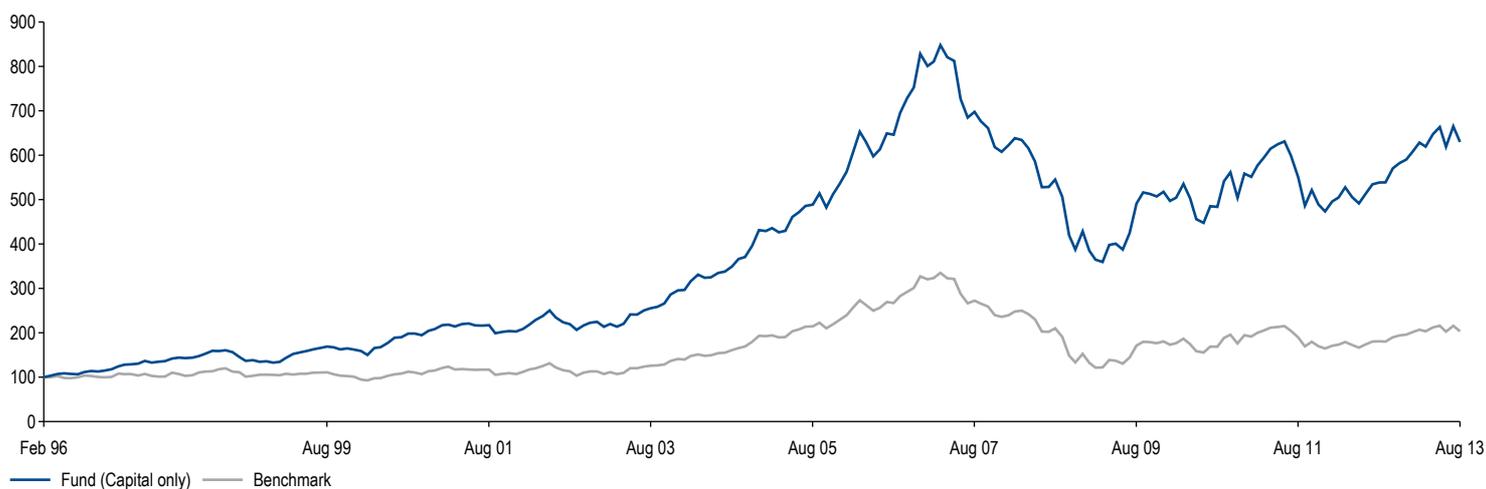
### Fund performance to 30.08.2013 (%)

	Current month	YTD	1 year	3 year	5 year
<b>Fund (Capital only)</b>	-5.28	6.69	16.96	30.23	15.55
<b>Benchmark</b>	-5.72	3.82	12.49	20.67	-3.19
<b>Share price</b>	-3.55	17.92	27.58	42.06	28.30

Benchmark : 100.0% FTSE EPRA Europe Cap GBP

Price is month-end mid price. Source: State Street.

### Fund performance



Past performance is not a guide to future performance. Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Investments are concentrated in companies which are focussed on property markets; these are limited to a narrow segment of the economy. Performance may, therefore, differ in direction and degree from the overall stock market. Where investments are made in emerging markets, unquoted securities or smaller companies their potential volatility may increase the risk to the value of, and the income from, the investment. If markets fall, gearing can magnify the negative impact on performance.

### IMPORTANT NOTICE - REGULATORY INFORMATION AND RISK WARNINGS

Issued and approved in the UK by F&C Management Limited.

Authorised and regulated by the Financial Conduct Authority FRN:119230. Limited by shares. Registered in England and Wales, No. 517895. Registered address and Head Office : Exchange House, Primrose Street, London, EC2A 2NY, United Kingdom. F&C Asset Management plc is the listed holding company of the F&C group. F&C Management Limited is a member of the F&C Group of companies and a subsidiary of F&C Asset Management plc. F&C, the F&C logo, REO and the 'reo' logo are registered trade marks of F&C Asset Management plc. F&C Investments and the F&C Investments logo are trade marks of F&C Management Limited. © Copyright F&C Management Limited 2013. All Rights Reserved.