

# TR Property Investment Trust Ordinary Shares

TR Property Investment Trust plc ■ Closed-ended investment trust - long only pan-European and UK direct property

## Manager commentary

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James Wilkinson



Pan-European real estate equities fell by -3.08% in the month. Whilst clearly not a good figure, it was all looking significantly worse half way through the month. The index sold off daily from the beginning of December until 14<sup>th</sup> recording -9.3% month to date. This was a new year to date low and an index value last seen in August 2010.

For a levered asset class, the likelihood of further reductions in lending capability amongst eurozone banks is a significant risk. The Fund continues to focus on businesses with limited leverage and where any near term refinancing is manageable. Several of our largest positions have also successfully tapped bond

markets and made private placements, thus securing additional lines of credit and this is to be applauded.

Much like November, the latter part of the month saw a partial reversal of the sell-off with gains of 6.8%, in the second half of the month. Of course, the holiday period resulted in lower than average volumes and three 'up' days into the year end. The subsequent weakness in January would imply an element of window dressing into the year end.

Individual stock price movements continue to be driven by macro sentiment. The largest Italian listed company, Beni Stabili is a case in point with its share price rising +11.1% in the month, but still down over 40% for the year. The narrowing of the spread in Italian sovereign bonds in late December clearly helped. The company owns a high quality portfolio primarily focused on Milan and Northern Italy with over a third of its income from Telecom Italia. We have been buying on weakness with the shares at less than a third of asset value.

In France, the need to raise equity amongst financial institutions continues to weigh heavily on those property companies with dominant institutional owners such as Klepierre (BNP 50%) and Silic (44% Groupama). In the latter case, Groupama announced that it will back an all share merger with Icade to create France's largest owner of office property. However, the exchange ratio offers no premium to Silic's minority shareholders. It merely appears to be a function of Groupama's precarious financial position.

The Fund continues to have an overweight position in the UK through both equities and physical property. Elsewhere, our largest overweight positions are in Germany, France and the Nordics. The French exposure is dominated by Unibail, which was the top performing country stock down 2.6% in the year, versus -8.4% for the French stocks collectively.

## Fund performance to 30.12.2011 (%)

	Current month	YTD	1 year	3 year	5 year		
NAV (capital only)	-3.24	-15.26	-15.26	+10.47	-42.85	NAV per share (capital only)	161.73p
FTSE EPRA/NAREIT Developed European Index (capital only, GBP)	-3.08	-15.39	-15.39	+7.90	-49.69	Share price	137.90p
Share price	-9.57	-17.62	-17.62	+18.88	-46.24	Discount	14.70%
						Yield	4.40%

Price is month-end mid-price. Source: BNP Paribas, Bloomberg. Refer to back of the monthly newsletter for monthly/annual return history and dividends.

## Geographic allocation (%)

Austria	0.9
Belgium	1.5
Central Europe	2.8
Denmark	0.2
Finland	0.7
France	21.5
Germany	9.2
Italy	6.6
Netherlands	3.0
Norway	1.9
Other Overseas	0.5
Portugal	0.2
Spain	2.1
Sweden	8.8
Switzerland	2.9
UK	36.9
USA	0.3
<b>Total</b>	<b>100.0</b>

## Fund performance 28.02.1996 to 30.12.2011



Prior to 01.09.01 the benchmark was FTSE Real Estate index and prior to 01.04.07 it was the S&P Citigroup European Property Index. Source: BNP Paribas, EPRA.

## Top 10 holdings (%)

UNIBAIL-RODAMCO	14.6
LAND SECURITIES	7.9
BRITISH LAND	4.8
HAMMERSON	4.2
CORIO	4.1
KLEPIERRE	3.1
DERWENT LONDON	3.0
CASTELLUM	2.3
GSW IMMOBILIEN	2.3
PSP SWISS PROPERTY	2.1

## 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):** £424 mn

**Net gearing:** 12.2%

**NAV frequency:** Daily

**Dealing:** Daily (stockmarket)

**Legal status:** UK Investment Trust

**Listing:** London Stock Exchange

**Dividends:** January, July

**Initial charge:** Nil

**Management fee:** £2.65m p.a plus 0.20% net of assets p. a.

**Performance fee:** 15% of outperformance of benchmark plus 2% hurdle

**Investment manager:** Thames River Capital LLP

**Stockbroker:** Cenkos Securities plc

**Administrator:** BNP Paribas

**Contact:** c/o Joanne Elliott, TRC

**Email:** jelliott@thamesriver.co.uk

**Registrar:** Computershare Investor Services plc

## Asset allocation (%)

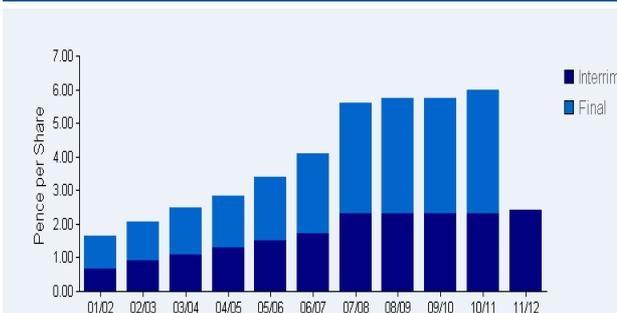
Continental Shares	55.1
UK Shares	33.7
UK Direct Property	11.2
<b>Total</b>	<b>100.0</b>

## Sector allocation (%)

	Fund
Industrial	9.3
Offices	36.0
Other	5.1
Residential	8.2
Retail	41.4
<b>Total</b>	<b>100.0</b>

Figures above shown on a look-through basis.

## Dividend history 28.02.2001 to 30.12.2011



Prior to 01.09.2001 the benchmark was FTSE Real Estate Index and prior to 01.04.2007 it was the S&P Citigroup European Property Index. Source: BNP Paribas.

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