

TR Property Investment Trust Ordinary Shares



May 2014

Manager commentary

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European real estate stocks enjoyed a positive month with the Trust's benchmark, FTSE EPRA/NAREIT Developed Europe Capped Net Total Return (in GBP) rising 2.3%. Not only did property shares outperform the broader European market, as measured by the Stoxx 600 (+1.6%) but also for the second month in a row Eurozone property shares (+3.0%) outperformed the UK (+1.8%). This is clearly a short data series to be commenting on but it is important given the huge outperformance of the UK over Continental Europe in the previous two years. Peripheral Eurozone sovereign bonds are rapidly heading back to pre-crisis lows and the margins over Bunds are already testing the record books. Why? It appears that investors are increasingly confident that the ECB will introduce some form of unorthodox

additional monetary stimulus (negative overnight rates, QE) to help combat the growing risk of deflation. For leveraged risk assets such as property this is seen as positive and helps counter concerns that average indexation across the Eurozone (on which rents are based) is likely to fall to c.1% over the next year. This low indexation figure is compounded by the strength of EUR which reduces import costs. France was the strongest regional performer (+4.5%) and reflects the fact that it contains the largest number of stocks with the greatest liquidity. Investors want fast exposure to Eurozone property stocks and the French names are the most liquid group alongside Unibail (now a Dutch listed company) which rose +3.2% in the month. The other regional top performers were Austria and Finland, both +6.0% as investors were calmed by Putin's slightly less aggressive stance towards Ukraine. Again, markets have been responding to short term macro drivers. At the stock level, performance in April is often skewed by stocks going ex dividend. Most Continental property companies pay a single annual dividend rather than splitting it into two or even quarterly payments (as the largest UK REITs do). Investors requiring income will hold the stocks until the dividend date but there is often price weakness post

the ex dates. For example, Corio's total return was +8.1% but the dividend return alone was +6.4%. The Sweden property companies (in SEK) rose +3.7% but just +1.9% in GBP. The expectation remains that the Riksbank may well cut rates from 0.75% to 0.5% during the summer as all central banks compete to keep their currencies as weak as possible. Swedish property companies have strongly outperformed as they tend to have greater leverage than their Eurozone cousins and April was no exception. They also benefit from 4 out of 10 names delivering dividends in the month. We participated in the IPO of a small Stockholm focused residential refurbishment specialist. D Carnegie raised SEK 600m (£55m) at 39 SEK per share. The share price ended the month at SEK 47.9 per share. The issue was heavily oversubscribed and the fund owns 1% of the company. The NAV for the Trust rose +2.27% virtually in line with the benchmark whilst the share price only rose +0.65%. On 28th May the Board will announce the preliminary results for the full year to 31st March as well as declare the final dividend which is payable in August.

Cumulative performance as at 30.04.2014 (%)

	Current month	YTD	1 year	3 years
Fund (Total Return)	2.27	10.50	18.18	32.91
Benchmark	2.29	7.92	11.47	21.19

Benchmark: FTSE EPRA/NAREIT Capped Total Return GBP

Standardised performance as at 30.04.2014 (%)

	2011/ 2012	2012/ 2013	2013/ 2014
Fund (Total Return)	-14.65%	31.77%	18.18%
Benchmark	-14.92%	27.79%	11.47%

Figures are based on capital only NAVs. Source: F&C Management Limited.

Sector allocation (%)

Industrial	6.2
Offices	27.5
Other	7.3
Residential	21.6
Retail	37.4
TOTAL	100.0

Figures above shown on a look-through basis.

Asset allocation (%)

UK Shares	41.3
UK Direct Property	7.8
Continental Shares	50.9
Total	100.0

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): £827.0 mn

Net gearing: 15.2%

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

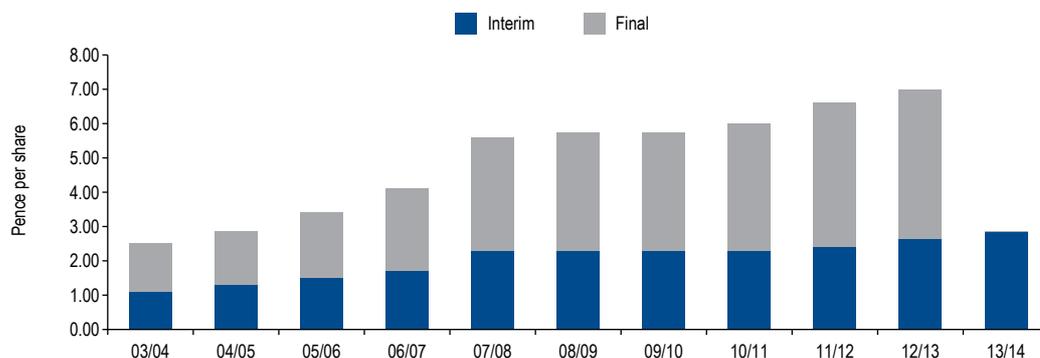
Stockbroker: Cenkos Securities plc, Oriel Securities

Administrator: BNP Paribas

Email: www.trproperty.com

Registrar: Computershare Investor Services plc

Dividend history



Source: F&C Management Limited

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. The Company currently conducts its affairs so that the shares issued by the Company can be recommended by IFA's to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

NAV per share (Total Return)	260.90p
Share price	249.10p
Discount	-4.52%
Yield	2.90%

See through geographical allocation (%)

Austria	0.6
Belgium	1.1
Central Europe	1.3
Denmark	0.1
Finland	2.3
France	17.7
Germany	19.0
Greece	0.0
Ireland	0.1
Italy	2.2
Netherlands	2.0
Norway	1.5
Other Overseas	0.3
Portugal	0.1
Russia	1.1
Spain	1.5
Sweden	6.2
Switzerland	1.4
UK	41.0
USA	0.3
TOTAL	100.0

Top holdings (%)

LAND SECURITIES GROUP PLC	9.8
UNIBAIL-RODAMCO	8.8
BRITISH LAND CO PLC	5.0
HAMMERSON PLC	4.7
GREAT PORTLAND ESTATES PLC	3.8
DERWENT LONDON PLC	3.1
ST. MODWEN PROPERTIES PLC	3.1
LEG IMMOBILIEN AG	2.8
PSP SWISS PROPERTY AG-REG	2.7
DEUTSCHE WOHNEN (NON RANKING)	2.4

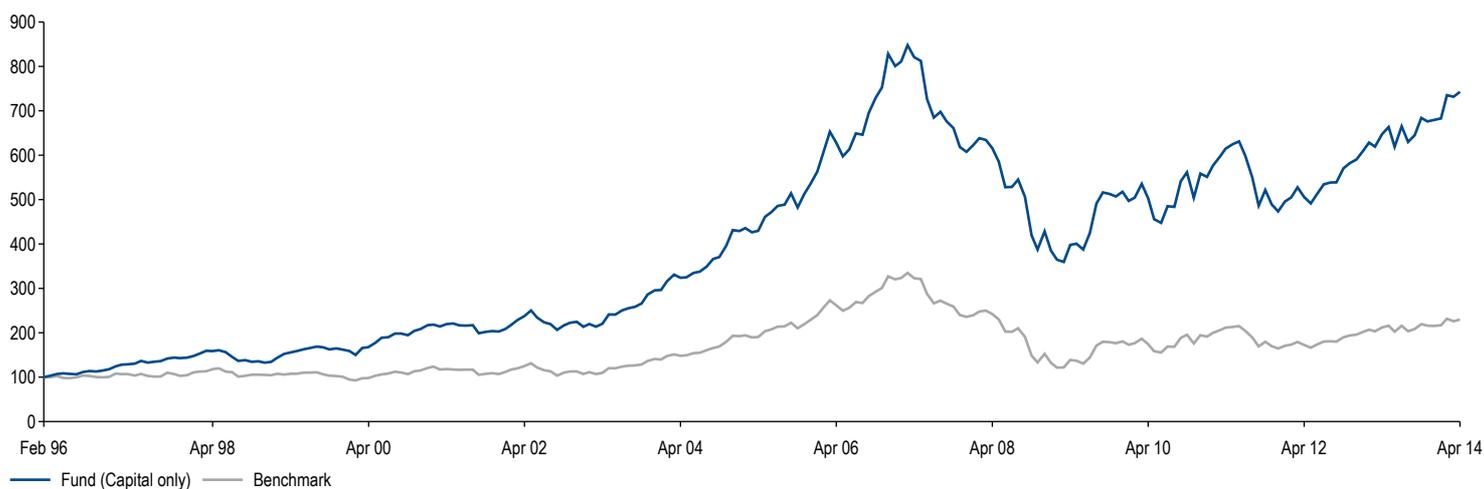
Fund performance to 30.04.2014 (%)

	Current month	YTD	1 year	3 year	5 year
Fund (Capital only)	1.52	9.30	14.74	20.84	86.70
Benchmark	1.66	6.62	8.34	8.63	65.59
Share price	0.65	9.98	26.77	33.07	107.58

Benchmark : FTSE EPRA/NAREIT Developed Europe Capped Index Net in GBP

Price is month-end mid price. Source: F&C Management Limited.

Fund performance



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