

# TR Property Investment Trust Ordinary Shares



January 2014

## Manager commentary

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Real estates equities in December followed the broader equity market pattern through the month. Essentially spending the first two weeks fretting about the likelihood of the Fed finally announcing tapering (after the deferral in October) and then the second half of the month rebounding as the announcement was entirely sensible – a reduction in the size of the monthly bond purchases but reassurance that further strength in the world's largest economy would be required for tapering to accelerate. For our world of European property equities, the sector (in GBP) had fallen -2.6% by 17th December and then recovered virtually the same amount to end the month +0.2%. The Trust's NAV rose +0.6% leading to 43 bps of relative outperformance.

Looking at the calendar year end numbers, the major theme for the year was the stunning outperformance of the UK (+23.8 % return in GBP) over Continental Europe (+4.1% in EUR). Within Continental Europe, Sweden stood out with a total return of +19.4% (when viewed in local currency) as the Riksbank continued to take a dovish approach cutting rates and allowing domestic house prices to continue to inflate strongly particularly in the larger urban areas. The peripheral European nations also experienced strong performance as sovereign debt costs continued to fall with Italy returning +13.3%. For core Western Europe, the weakness in performance in the year was a function of either fundamental or technical issues. In the case of the Netherlands (+6.1%) and France (+5.5%) underlying weak economic growth and poor consumer confidence continued to hold back rental growth. However, Germany (-2.5%) was an entirely technical situation. Whilst real estate and economic fundamentals remain sound in Europe's economic powerhouse, the listed property sector suffered from a large number of stock overhangs. The sector is dominated by several residential investment companies whose private equity owners have partially listed over the last 3 years. The market has anticipated further multiple placings of various stakes and

this has weighed on share prices.

At the country level, the fund remains overweight the UK, Germany, Sweden and France. The French country call may surprise some investors but the focus is on Unibail (with shopping centres across 8 countries) together with a number of small, specialist companies with clearly defined strategic goals in particular sub-markets such as super prime Paris and logistics.

Physical property accounts for 7.5% of the net assets and our largest property, the Colonnades in Bayswater accounts for almost half of that value. We recently submitted our detailed planning application for an extension of 13,000 sq ft encompassing a doubling of the size of the existing Waitrose store.

## Cumulative performance as at 31.12.2013 (%)

|                     | Current month | YTD   | 1 year | 2 years |
|---------------------|---------------|-------|--------|---------|
| Fund (Total Return) | 0.62          | 18.88 | 18.88  | 52.94   |
| Benchmark           | 0.19          | 13.61 | 13.61  | 40.78   |

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

## Standardised performance as at 31.12.2013 (%)

|                     | 2010/<br>2011 | 2011/<br>2012 | 2012/<br>2013 |
|---------------------|---------------|---------------|---------------|
| Fund (Total Return) | -             | 28.65%        | 18.88%        |
| Benchmark           | -             | 23.92%        | 13.61%        |

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

## Sector allocation (%)

|              |              |
|--------------|--------------|
| Industrial   | 6.4          |
| Offices      | 34.8         |
| Other        | 6.1          |
| Residential  | 16.3         |
| Retail       | 36.3         |
| <b>TOTAL</b> | <b>100.0</b> |

Figures above shown on a look-through basis.

## Asset allocation (%)

|                    |              |
|--------------------|--------------|
| UK Shares          | 42.5         |
| UK Direct Property | 6.4          |
| Continental Shares | 51.1         |
| <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):** £750.0 mn

**Net gearing:** 16.8%

**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

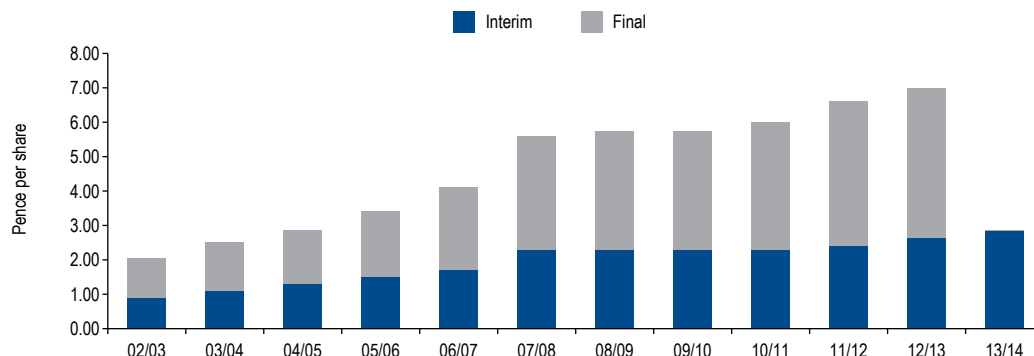
**Stockbroker:** Cenkos Securities plc, Oriel Securities

**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) | 236.10p |
| Share price                  | 226.50p |
| Discount                     | -4.07%  |
| Yield                        | 3.20%   |

### See through geographical allocation (%)

|                |              |
|----------------|--------------|
| Austria        | 2.6          |
| Belgium        | 0.9          |
| Central Europe | 1.6          |
| Denmark        | 0.1          |
| Finland        | 1.6          |
| France         | 17.0         |
| Germany        | 15.4         |
| Greece         | 0.0          |
| Ireland        | 0.2          |
| Italy          | 2.0          |
| Netherlands    | 1.9          |
| Norway         | 1.5          |
| Other Overseas | 0.3          |
| Portugal       | 0.1          |
| Russia         | 0.1          |
| Spain          | 1.4          |
| Sweden         | 11.0         |
| Switzerland    | 4.1          |
| UK             | 38.0         |
| USA            | 0.1          |
| <b>TOTAL</b>   | <b>100.0</b> |

### Top holdings (%)

|                            |      |
|----------------------------|------|
| UNIBAIL-RODAMCO            | 10.5 |
| LAND SECURITIES GROUP PLC  | 10.2 |
| BRITISH LAND CO PLC        | 5.7  |
| HAMMERSON PLC              | 5.7  |
| GREAT PORTLAND ESTATES PLC | 4.5  |
| DERWENT LONDON PLC         | 3.5  |
| ST. MODWEN PROPERTIES PLC  | 3.5  |
| PSP SWISS PROPERTY AG-REG  | 2.7  |
| KLEPIERRE                  | 2.7  |
| LEG IMMOBILIEN AG          | 2.7  |

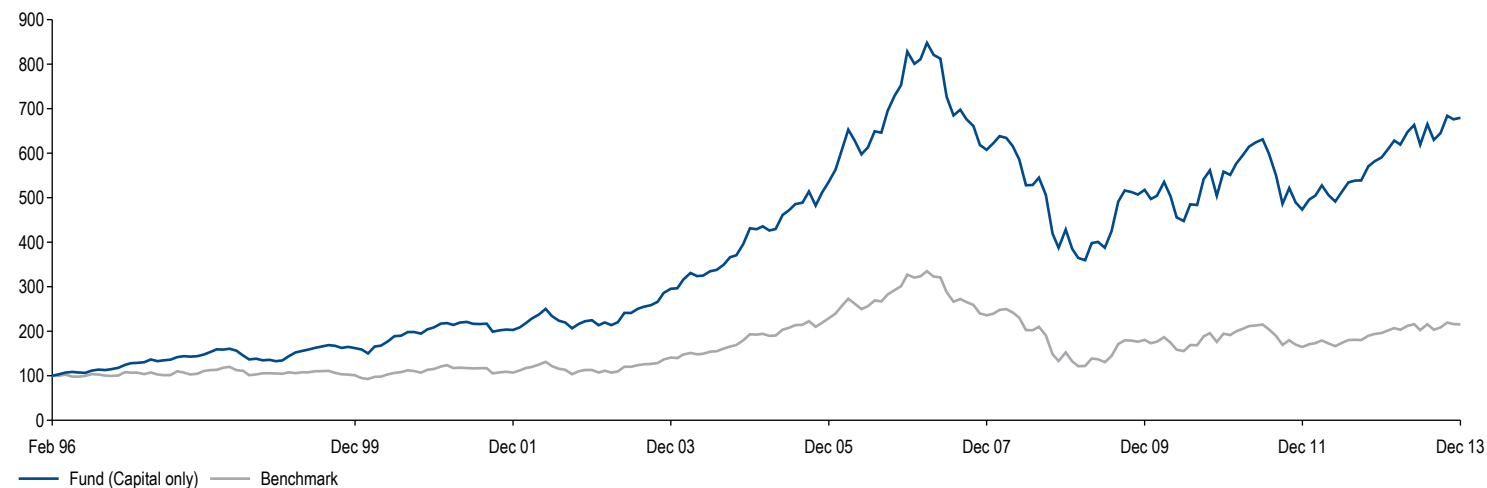
### Fund performance to 31.12.2013 (%)

|                            | Current month | YTD   | 1 year | 3 year | 5 year |
|----------------------------|---------------|-------|--------|--------|--------|
| <b>Fund (Capital only)</b> | 0.52          | 15.12 | 15.12  | 21.67  | 58.61  |
| <b>Benchmark</b>           | -0.23         | 10.00 | 10.00  | 10.80  | 41.29  |
| <b>Share price</b>         | -0.22         | 30.92 | 30.92  | 35.30  | 95.26  |

Benchmark : 100.0% FTSE EPRA Europe Cap GBP

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

### Fund performance



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