

TR Property Investment Trust Ordinary Shares



February 2014

Manager commentary

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European real estate stocks rose modestly in the month. The fund's benchmark, FTSE EPRA/NAREIT Developed Europe Capped Net Total Return in GBP returned +0.74% whilst the NAV rose + 0.55%. The New Year started positively for equities as investor optimism about a broad economic recovery, driven from the US continued to take root alongside steadily improving sentiment about Europe. Markets appeared undeterred by fears of deflationary forces and continued to drive peripheral Eurozone sovereign bond yields lower. The feel good factor which had been driven by the Fed comments in mid December had resulted in developed world equities rising by 3.5% (S&P 500) and 4.7% (FTSE All Share) between 16th Dec and 16th January.

However the increasing concerns (and performance) of many emerging markets has once again spread across the developing world and all equity markets have given up their New Year gains by the end of the month. In fact US and German treasury yields have tightened again (with 10yr Treasury yields down 50bps this year) such is the nervousness of investors. It is therefore interesting (and to an extent encouraging) to note the performance of both European and US real estate stocks against this backdrop. During January the All Share fell -3.1% whilst UK property stocks rose +3.7%. In the US, the pattern was repeated with the S&P 500 falling -3.5% and US Reits rose +3.5%. We think the reasons are a combination of investors preferring developed market exposure (property shares are invariably locally focused) and the natural support to earnings of static or further falls in the cost of debt. Draghi has made it clear that rates are not set to rise in Europe and Carney confirmed at Davos that he does not view the employment rate as a sure fire rate trigger in the UK.

The top performers in the month were the peripheral Eurozone stocks in Italy (+10.9%) and Greece (+10.8% but just one stock) and amongst the larger countries it was the

UK (+3.7%) and Sweden (+5.3% in SEK) who were the top performers. In the case of the UK and Sweden this outperformance is a continuation of the relative gains made in 2013. Investors quite rightly continue to focus on markets experiencing both rental growth and where debt availability is encouraging buyers to capitalise on the spread between the cost of borrowing and income yields. We have not bought back into peripheral Eurozone property stocks which we believe will benefit later in the credit cycle than some are suggesting. Whilst debt availability may improve there remains a huge amount of bad debt attached to property in Italy, Spain, Greece and Central & Eastern Europe where the credit transmission now enjoyed in many parts of Western Europe has yet to manifest itself.

Within our physical property portfolio we have now submitted our planning application for the retail extension and refurbishment at The Colonnades in Bayswater, London W2.

Cumulative performance as at 31.01.2014 (%)

	Current month	YTD	1 year	2 years
Fund (Total Return)	0.55	0.55	15.75	46.26
Benchmark	0.74	0.74	10.92	36.04

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

Standardised performance as at 31.01.2014 (%)

	2011/ 2012	2012/ 2013	2013/ 2014
Fund (Total Return)	-	26.35%	15.75%
Benchmark	-	22.64%	10.92%

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

Sector allocation (%)

Industrial	6.3
Offices	32.2
Other	7.0
Residential	16.1
Retail	38.4
TOTAL	100.0

Figures above shown on a look-through basis.

Asset allocation (%)

UK Shares	42.8
UK Direct Property	6.4
Continental Shares	50.8
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): £754.0 mn

Net gearing: 16.0%

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

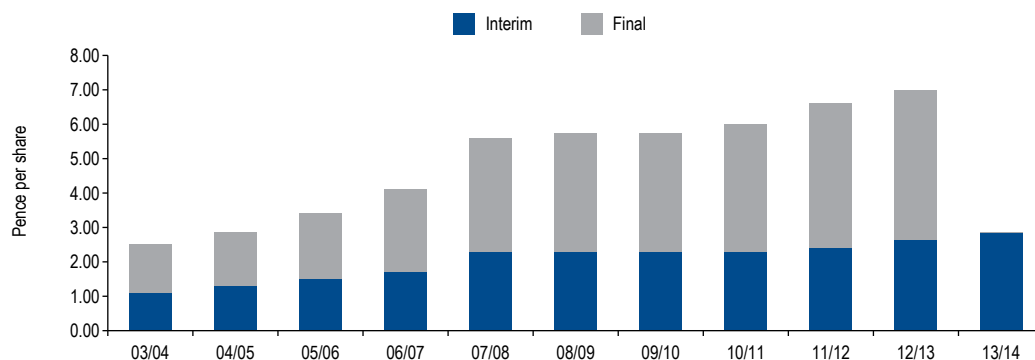
Stockbroker: Cenkos Securities plc, Oriel Securities

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)	237.40p
Share price	233.00p
Discount	-1.85%
Yield	3.01%

See through geographical allocation (%)

Austria	2.7
Belgium	0.9
Central Europe	1.7
Denmark	0.1
Finland	2.9
France	17.8
Germany	14.8
Greece	0.0
Ireland	0.2
Italy	2.1
Netherlands	2.0
Norway	1.6
Other Overseas	0.3
Portugal	0.1
Russia	1.5
Spain	1.5
Sweden	8.4
Switzerland	1.7
UK	39.6
USA	0.1
TOTAL	100.0

Top holdings (%)

LAND SECURITIES GROUP PLC	10.5
UNIBAIL-RODAMCO	9.6
BRITISH LAND CO PLC	6.0
HAMMERSON PLC	5.5
GREAT PORTLAND ESTATES PLC	4.5
ST. MODWEN PROPERTIES PLC	3.6
DERWENT LONDON PLC	3.5
LEG IMMOBILIEN AG	3.1
PSP SWISS PROPERTY AG-REG	3.0
KLEPIERRE	2.5

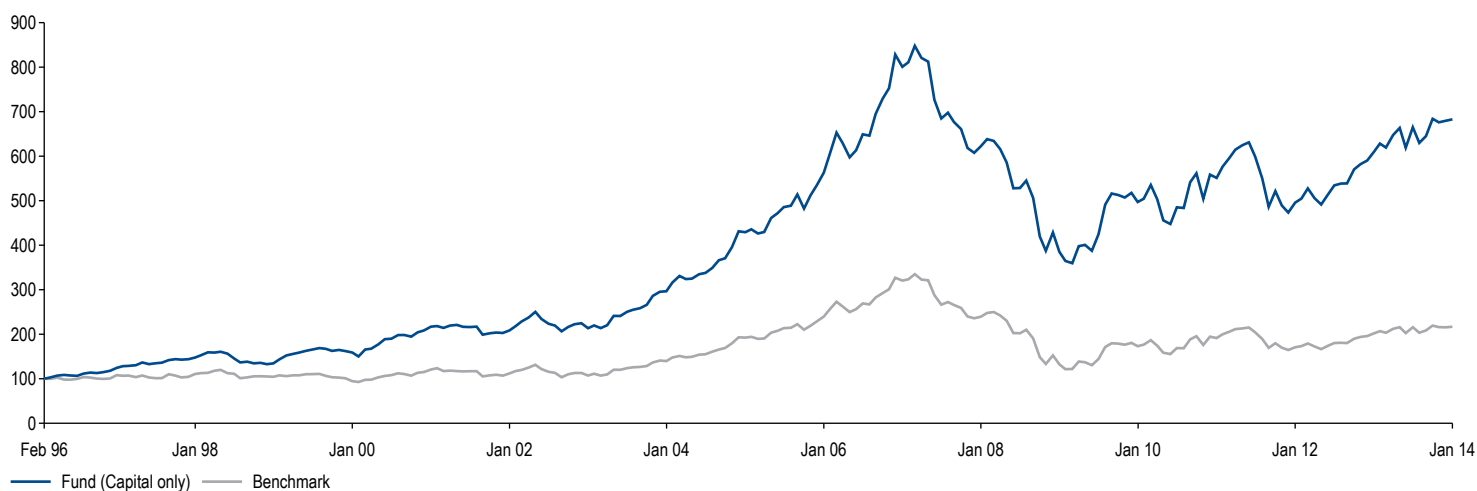
Fund performance to 31.01.2014 (%)

	Current month	YTD	1 year	3 year	5 year
Fund (Capital only)	0.47	0.47	12.00	23.88	77.36
Benchmark	0.64	0.64	7.39	13.28	63.93
Share price	2.87	2.87	32.09	39.77	122.97

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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