

TR Property Investment Trust Ordinary Shares



August 2014

Manager commentary

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Pan European property stocks fell a modest -0.7% in July. The intra month movement was less dramatic than in June with a peak/trough spread of just 2.6%. The Trust's NAV fell just -0.1%, resulting in 52bps of relative outperformance. Our overweight position in the UK was beneficial as UK stocks rose +1.6% over the month. June's best performers were July's weakest with France (-5.1%) and the Netherlands (-4.5%) falling as broad market sentiment turned from seeking increased real asset exposure (on the back of falling bond yields) to concerns that weaker production and sales data confirmed that the eurozone continues to flirt with deflation. Additional geopolitical unrest in Ukraine and sanctions against Russia threatens to aggravate the fragile economic environment even within the strongest performer –

Germany. Renewed poor economic data from the peripheral nations contributed to weakness in the Italian (-11.8%) and Spanish (-6.5%) names. The Trust had invested in the €1.3bn IPO of Merlin, a Spanish (partial) cashbox which aims to create a €2.5bn portfolio through acquisitions. Given the 5% gain in the first week of trading, the position was sold. Since then the stock has fallen to 8% below its issue price allowing us to add once again to the holding. This was the last major IPO of H1 2014 and a number of subsequent potential issues (particularly in the UK) have been postponed or cancelled.

Whilst this sounds disappointing, it is good to see that markets are keeping irrational exuberance in check particularly when looking at new management teams. Existing listed companies have been more successful in tap issues with raisings in the last quarter from Picton Property, Schroder REIT and Capital & Regional. The latter raised £33m to enable it to buy out Aviva's interest in the Mall Fund.

Investor demand for commercial property remains strong and by way of illustration, Max Property received an all cash offer from Blackstone for its entire £760m portfolio at 14% premium to the June 2014 valuation. The Trust has a £20m

position (2.4% of NAV) and we will receive proceeds at the end of August. The other major corporate news is the recommended all paper takeover of Corio by Klepierre. The valuation pricing parity (1.14 Klepierre shares for each Corio share) reflects both a bid premium for the weaker lower valued Corio but also the expectation of potential synergies (€60m estimate) in combining their Continental European shopping centre portfolios. Corio rose 10% on the day of the announcement whilst Klepierre fell slightly reflecting the nervousness from Klepierre shareholders of the scale of the turnaround required in much of the undermanaged Corio portfolio.

Cumulative performance as at 31.07.2014 (%)

	Current month	YTD	1 year	3 years
Fund (Total Return)	-0.11	13.19	16.33	38.25
Benchmark	-0.65	9.48	10.08	25.19

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

Standardised performance as at 31.07.2014 (%)

	2011/ 2012	2012/ 2013	2013/ 2014
Fund (Total Return)	-7.24%	28.11%	16.33%
Benchmark	-8.07%	23.71%	10.08%

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

Sector allocation (%)

Industrial	6.8
Offices	29.9
Other	6.6
Residential	22.7
Retail	34.0

Figures above shown on a look-through basis.

Asset allocation (%)

UK Shares	42.7
UK Direct Property	6.7
Continental Shares	50.6

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): £833.0 mn

Net gearing: 15.9%

NAV frequency: Daily

Legal status: UK Investment Trust

Listing: London Stock Exchange

Dividends: January, July

Initial charge: 0.00%

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

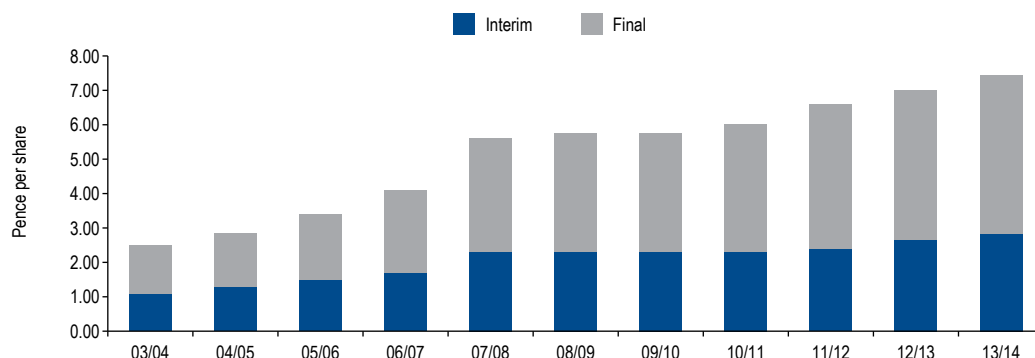
Stockbroker: Cenkos Securities plc, Oriol Securities

Administrator: BNP Paribas

Email: sales.support@fandc.com

Registrar: Computershare Investor Services plc

Dividend history



Source: F&C Management Limited

NAV per share (Total Return)	262.60p
Share price	256.00p
Discount	-2.51%
Yield	2.90%

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.

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See through geographical allocation (%)

Austria	0.7
Belgium	0.9
Central Europe	1.8
Denmark	0.1
Finland	1.3
France	15.2
Germany	19.1
Greece	0.0
Ireland	0.1
Italy	2.1
Netherlands	1.9
Norway	1.1
Other Overseas	0.3
Portugal	0.1
Russia	0.1
Spain	1.2
Sweden	9.5
Switzerland	3.8
UK	40.1
USA	0.3

Top holdings (%)

LAND SECURITIES GROUP PLC	10.0
UNIBAIL-RODAMCO	9.3
HAMMERSON PLC	5.3
BRITISH LAND CO PLC	5.0
GREAT PORTLAND ESTATES PLC	4.3
DEUTSCHE WOHNEN AG-BR	4.1
DERWENT LONDON PLC	3.4
ST. MODWEN PROPERTIES PLC	3.1
LEG IMMOBILIEN AG	3.1
GAGFAH SA	2.8

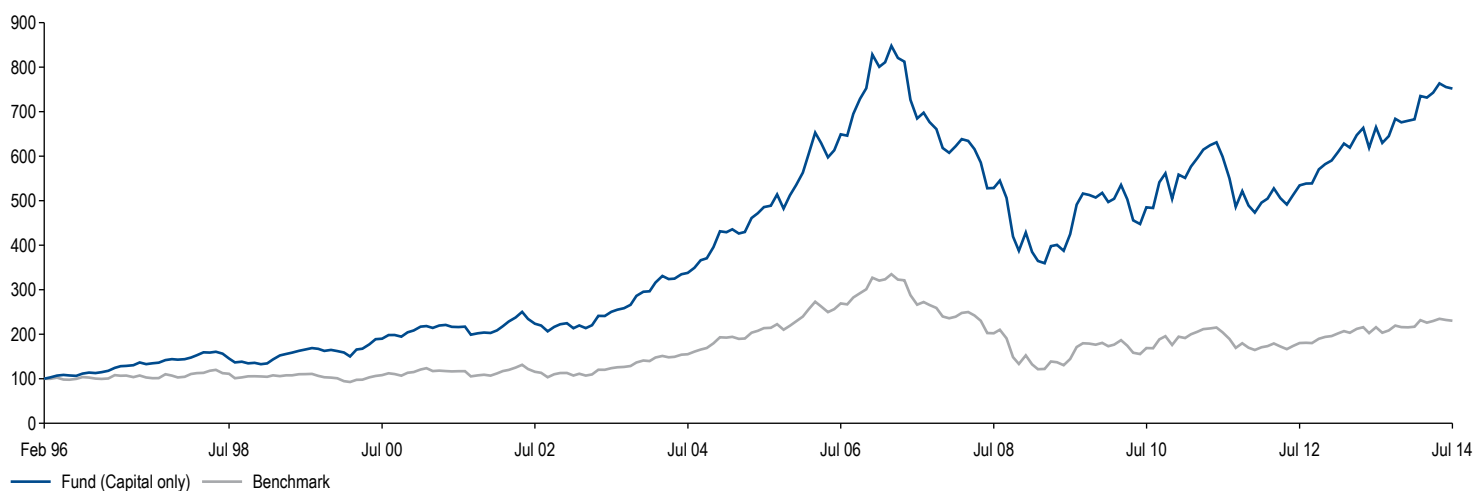
Fund performance to 31.07.2014 (%)

	Current month	YTD	1 year	3 year	5 year
Fund (Capital only)	-0.46	10.64	13.07	25.50	77.00
Benchmark	-0.75	6.88	6.77	12.71	59.53
Share price	-0.58	13.02	21.04	34.95	95.05

Benchmark : FTSE EPRA/NAREIT Developed Europe Capped Index Net in GBP (Capital Only)

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

Fund performance



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