

TR Property Investment Trust Ordinary Shares



July 2014

Manager commentary

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Pan European property stocks fell -0.86% in June, pulling back the calendar YTD return to +10.2%. The Trust's NAV fell -0.69%, resulting in a modest 16bps of relative outperformance. The steady upward climb of real estate stocks since the beginning of the year was interrupted with a sharp 5% correction mid month, followed by a dramatic recovery. The culprit was primarily the UK stocks which collectively had a mid month correction of -7.3% and completed the month down -2.6%, whilst the remainder of Europe rose 0.5%. Within the UK particular underperformers were those small and mid cap stocks with housing / residential land exposure following Governor Carney's Mansion House speech where he commented that market expectations of potential rate rises were too far in the future

(mid 2015). St Modwen, one of our largest overweight positions had a peak to trough intra month move of -14.9%. We added to the position on this weakness just ahead of its H1 results at the end of June. Their results beat market expectations and the stock has since risen 14% from its low (24/6). A good example of company fundamentals restoring confidence with investors even in the face of mixed messages on broader interest rate policy. France and the Netherlands were the strongest performers amongst the Eurozone countries as investors bought the most liquid property names in a continued acceleration of exposure to European income stocks. Whilst top line growth looks weak across many of these Continental companies, the ability to continue to reduce their cost of debt allied with the market's enthusiasm for even looser monetary policy from the ECB drove positive investor sentiment. Bond markets remain very accommodating and Unibail raised €500m 7yr convertible with a zero coupon – yes investors will receive no income and the strike price was 37.5% ahead of the share price. Earnings are clearly enhanced. Equity capital markets remain active with the €1.3bn IPO of Merlin, another Spanish (partial) cashbox with the aim of creating a €2.5bn portfolio through acquisitions. The initial

seed portfolio is 880 banking properties let to BBVA across Spain. Disappointingly, Liberty Living, a student housing IPO was pulled due to lack of appetite at the price range. This vehicle would have acquired the Brandaux Student Fund and provided an exit to investors who currently find their investment gated (a ban on redemptions). Another reminder of the risks associated with illiquid assets in an open-ended structure. The Trust's shares went 'ex' the final dividend of 4.6p on 25th June. Payment date is 5th August.

Cumulative performance as at 30.06.2014 (%)

	Current month	YTD	1 year	3 years
Fund (Total Return)	-0.69	13.32	25.13	31.68
Benchmark	-0.86	10.20	18.14	19.83

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

Standardised performance as at 30.06.2014 (%)

	2011/ 2012	2012/ 2013	2013/ 2014
Fund (Total Return)	-15.42%	24.43%	25.13%
Benchmark	-15.92%	20.63%	18.14%

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

Sector allocation (%)

Industrial	6.8
Offices	31.4
Other	6.3
Residential	21.8
Retail	33.7
Total	100.0

Figures above shown on a look-through basis.

Asset allocation (%)

UK Shares	41.9
UK Direct Property	6.2
Continental Shares	51.9
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): £835.0 mn

Net gearing: 16.4%

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

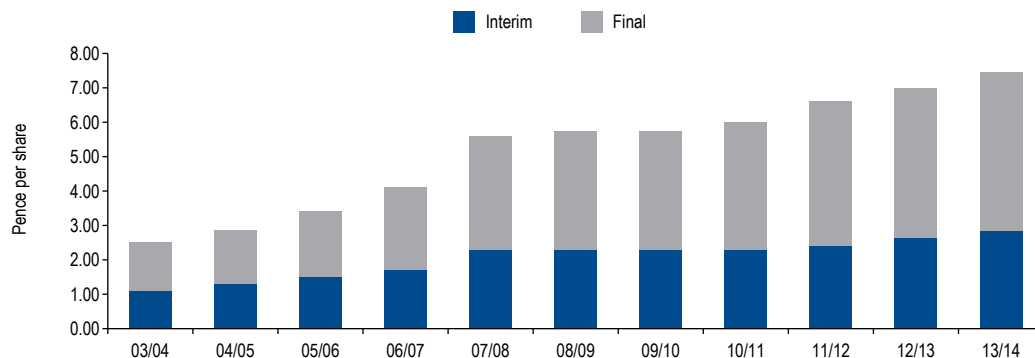
Stockbroker: Cenkos Securities plc, Oriol Securities

Administrator: BNP Paribas

Email: 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)	262.90p
Share price	257.50p
Discount	-2.05%
Yield	2.90%

See through geographical allocation (%)

Austria	0.7
Belgium	1.0
Central Europe	1.8
Denmark	0.1
Finland	1.2
France	15.3
Germany	19.0
Greece	0.0
Ireland	0.1
Italy	2.1
Netherlands	1.9
Norway	1.4
Other Overseas	0.3
Portugal	0.1
Russia	0.1
Spain	1.7
Sweden	10.3
Switzerland	3.8
UK	38.8
USA	0.3
Total	100.0

Top holdings (%)

LAND SECURITIES GROUP PLC	9.9
UNIBAIL-RODAMCO	9.9
BRITISH LAND CO PLC	5.1
HAMMERSON PLC	5.0
GREAT PORTLAND ESTATES PLC	4.1
DEUTSCHE WOHNEN AG-BR	4.1
DERWENT LONDON PLC	3.2
LEG IMMOBILIEN AG	3.1
PSP SWISS PROPERTY AG-REG	2.9
ST. MODWEN PROPERTIES PLC	2.8

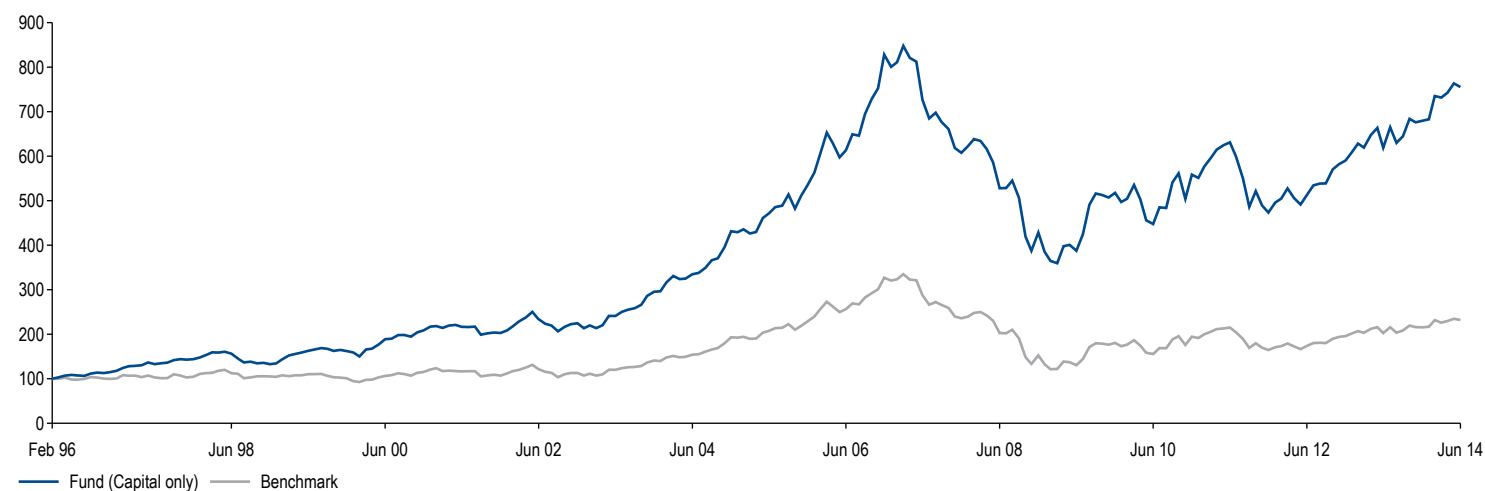
Fund performance to 30.06.2014 (%)

	Current month	YTD	1 year	3 year	5 year
Fund (Capital only)	-1.07	11.15	22.03	19.69	94.92
Benchmark	-1.11	7.69	14.57	7.90	77.94
Share price	-2.83	13.69	35.53	28.62	111.93

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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