

**Thames River Capital**



# **TR PROPERTY INVESTMENT TRUST**

**AGM 28 July 2009**

**Chris Turner – Ordinary Share Class**

**Marcus Phayre-Mudge – Sigma Share Class**

# Contents



- **Results and Performance**
- **What is happening now**
- **What might happen next**



## In the last financial year we...

- ... gasped with amazement
- ... as the economic lights nearly went out.
- ... held a lot of cash
- ... avoided highly geared stocks
- ... avoided illiquidity
- ... and failed to reinvest all the cash at the bottom of the market

# Ordinary Shares

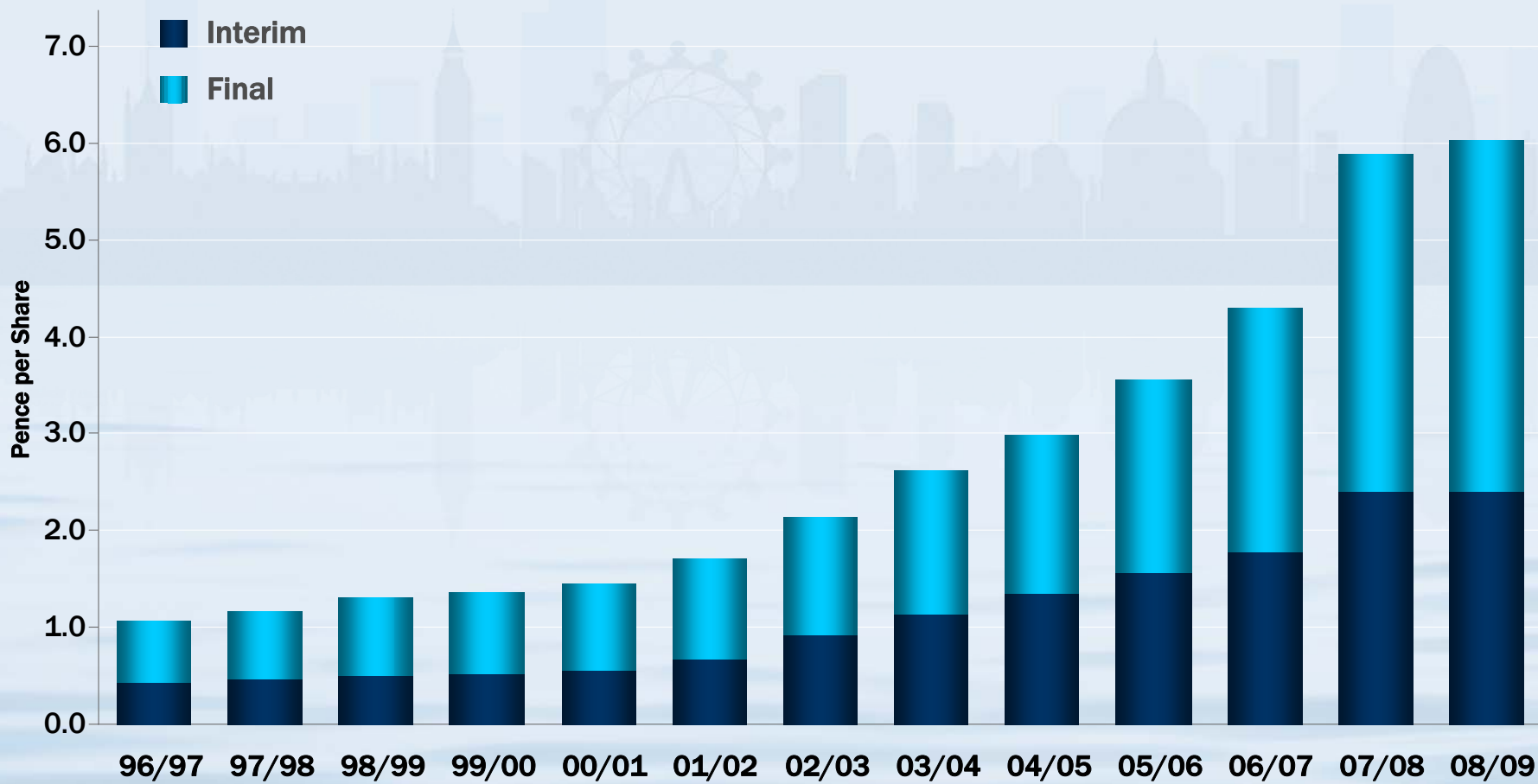
## Annual Results Summary



- Revenue growth **12%** due to exceptionals
- Dividend raised very modestly
- NAV total return **-40.5%**, share price TR **-41.2%**
- Benchmark total return **-48.6%**
- **11<sup>th</sup>** consecutive year of relative outperformance
- Net cash of **£40m** at year end

# Ordinary Share Dividends

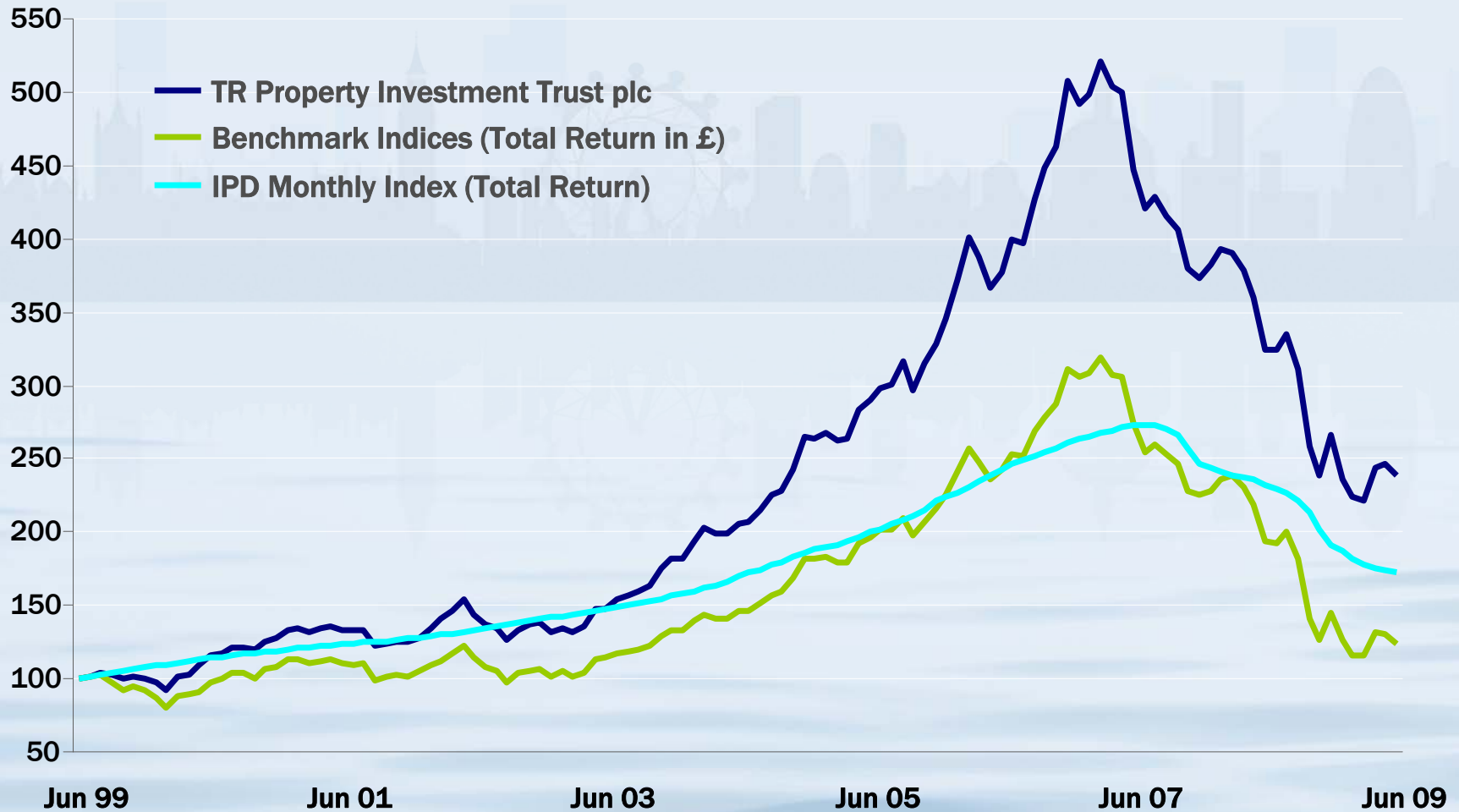
Ten year historic growth 16.3% pa



# Ordinary Shares TR Performance NAV, Benchmark (£) and IPD



30-Jun-99 (rebased to £100) to 30-Jun-09



# Sigma Shares

## Annual Results Summary



- First full year of operations
- Pro rata revenue and dividend growth
- NAV -43.5% and total return -42.3%
- Benchmark NAV -51.2% and total return -48.6%
- Outperformance of benchmark particularly in H2 2008
- Defensively positioned all year
  - Cash range 5% to 21% of NAV
  - See – through leverage 34.6% (BM 47%)
- Change in benchmark from 1st April 2009

# Sigma

## Change in Benchmark



- Transition to smaller companies substantially complete

“Now time to align the manager’s long-term mandate with a benchmark which gives shareholders an appropriate indication of performance against the stated objectives.”

TR Property Board, statement to Stock Exchange March 31 2009

- FTSE EPRA/NAREIT Small Cap Europe Index in Sterling provided by FTSE who produce the existing benchmark
- Since 1<sup>st</sup> April small cap index +16.5% (price only) vs +13.7%\* (price only) for the full benchmark

# Sigma Shares TR Performance

## NAV and Benchmark (£)



(rebased to £100) to 30-Jun-09

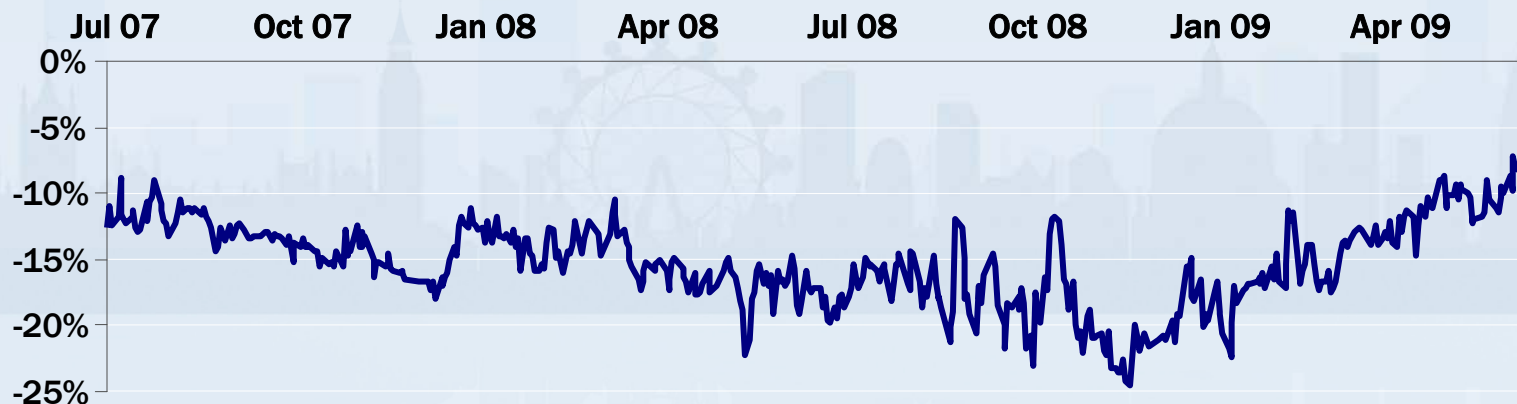


\* EPRA European Small Cap Index. Prior to 1st April 09, EPRA European Property Index

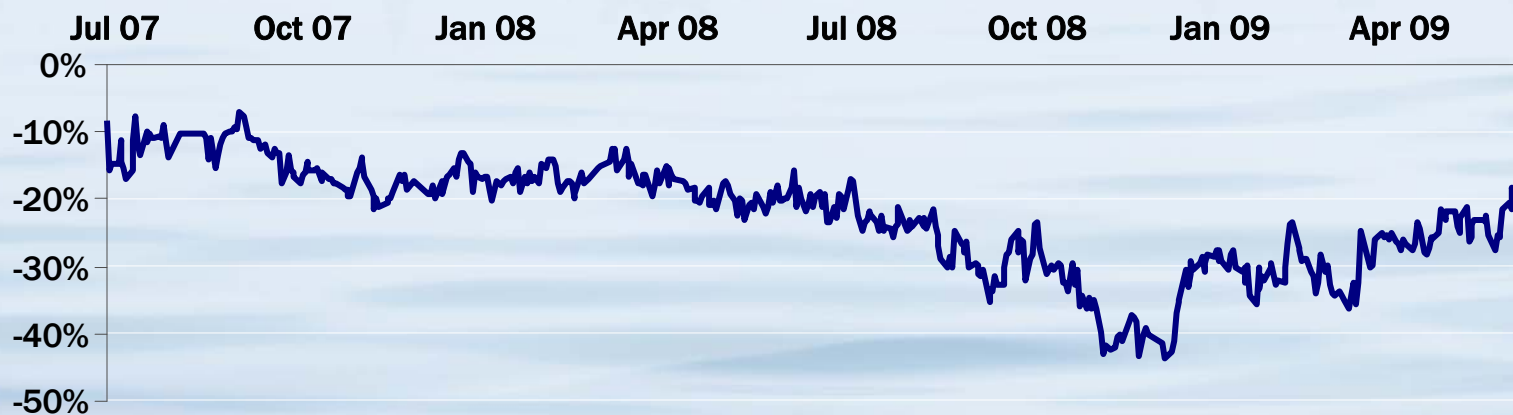


# Discount to NAVs

## TR Property – Ordinary Shares



## TR Property – Sigma Shares





## Discount Comments

- Discounts have narrowed since their widest point of December 2008 reflecting investor sentiment towards the sector
- Sigma discount remains wider than the Ords reflecting liquidity concerns and relative size
- Few buybacks in FY09 and none since year end
- Ords now trading at a tighter discount than the long-term average



# What is happening now

# What's happening now

## Capital Values



- The pace of decline is slowing
- Yields on the best let property are now tightening

# What's happening now

## Rental Values



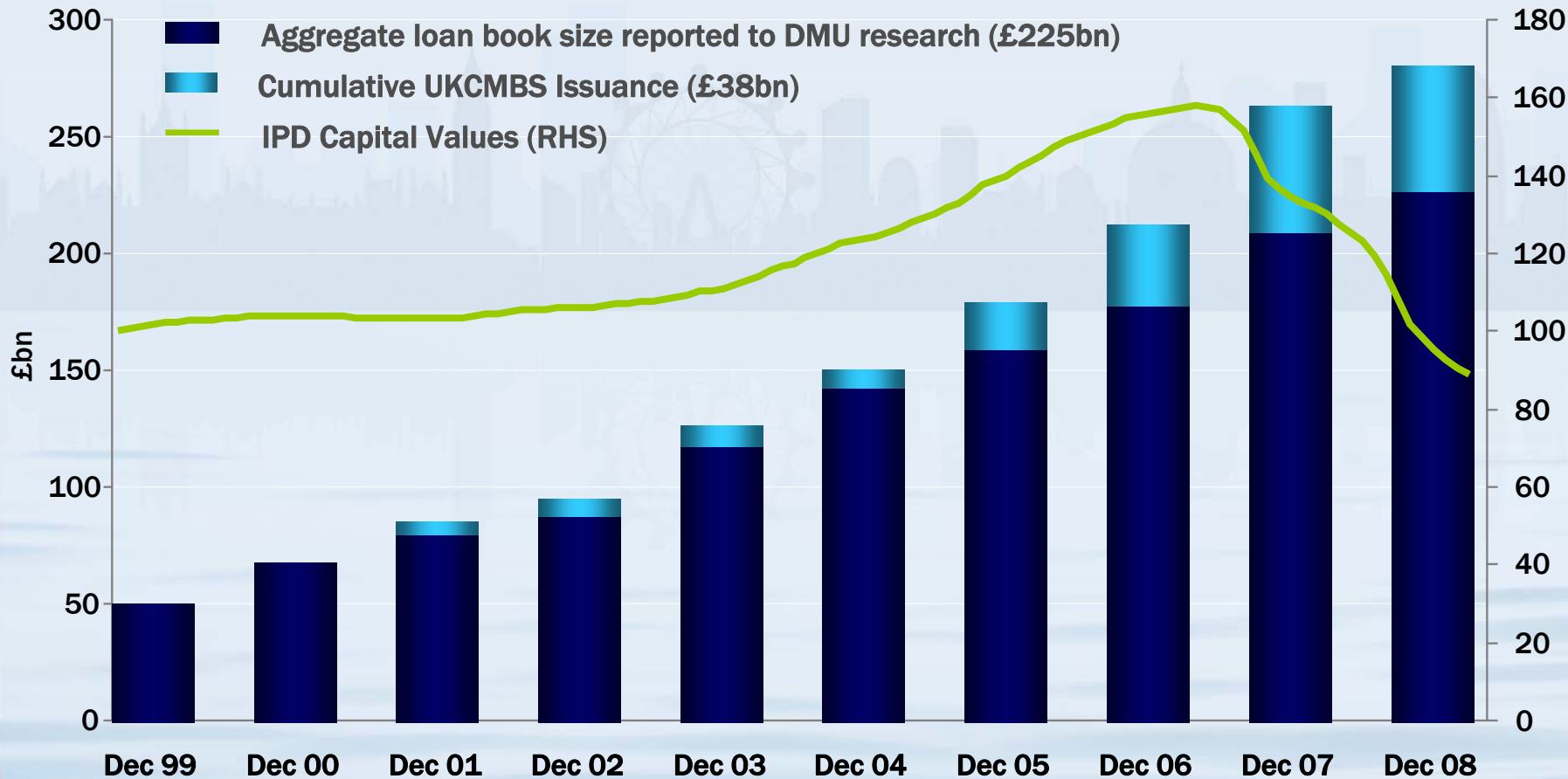
Rental Value Change per month



### Decline exacerbated by:

- Tenant-controlled vacancies
- Empty rates
- Debt burdened landlords

# Total UK property debt outstanding is approaching £300bn



**Debt secured against commercial property has increased by 450% from 1999 to 2008**

# What's happening now

## Banks and Debt



- Debt availability improving very slowly
- At March only 6 banks prepared to lend, it is now at least 12
- Banks not fire selling
- Loans may have breached covenants but interest payments are being met
- “Amend and Extend” – restructure not default
- Asset Protection Scheme
- Luxurious Margins

# What's happening now

## Property Shares



- Stocks trading close to our 'trough NAVs' (2010)
- Relief rally (mid March to end April) +40% as markets responded to:
  - Government intervention at a systemic levels
  - Successful refinancings at company level
- Investor focus now on earnings sustainability and (dare we say it) future NAV growth

# Ordinary Shares

## Activity



- Net cash down to £13.5m today
- Mainly invested through rights issues
- Added to some opportunistic positions  
(Max, Helical, Gt Portland)
- Revenue roughly on forecast
- Underwriting and VAT but timing differences
- Relative NAV performance in line with the benchmark

# Ordinary

## Top Ten Holdings



<b>June End 2009</b>	<b>%</b>	<b>June End 2008</b>	<b>%</b>
Unibail Rodamco	15.3	Unibail	13.0
Land Securities	7.3	Land Securities	11.3
Colonnades London W2	6.2	Net Cash	5.5
British Land	5.2	British Land	5.2
Net Cash	4.5	Colonnades London W2	4.9
Corio	4.0	Segro	3.2
Segro	3.4	Big Yellow Group	3.0
Icade	2.8	Hammerson	2.9
Fonciere des Regions	2.7	Fonciere des Regions	2.8
Big Yellow Group	2.7	Klepierre	2.4

# Sigma Shares

## Activity



- Switch from large cap closer to completion but...
- ... rally from mid March to end of May created several more large caps!
- Unibail remains a large position (but down to 6% from 8.3% last June)
- Focus remains on larger small caps rather than micro (exception: Hansteen)
- Defensive focus remains, but increasingly a 'barbell' approach
- Reduced CEE exposure <3% ( last year 5%)

# Sigma

## Top Ten Holdings



<b>June End 2009</b>	<b>%</b>
<b>Net Cash</b>	<b>7.9</b>
<b>Segro</b>	<b>6.2</b>
<b>Unibail Rodamco</b>	<b>6.0</b>
<b>Eurocommercial</b>	<b>4.9</b>
<b>Castellum</b>	<b>4.9</b>
<b>Great Portland</b>	<b>4.6</b>
<b>Wereldhave</b>	<b>4.5</b>
<b>Hansteen</b>	<b>4.2</b>
<b>SILIC</b>	<b>4.0</b>
<b>Befimmo</b>	<b>4.0</b>

<b>June End 2008</b>	<b>%</b>
<b>Net Cash</b>	<b>15.4</b>
<b>Unibail</b>	<b>8.0</b>
<b>Land Securities</b>	<b>7.6</b>
<b>British Land</b>	<b>4.0</b>
<b>Great Portland</b>	<b>3.8</b>
<b>Hansteen</b>	<b>3.8</b>
<b>Big Yellow</b>	<b>3.6</b>
<b>Kardan</b>	<b>3.2</b>
<b>Castellum</b>	<b>3.1</b>
<b>Fonciere des Murs</b>	<b>2.7</b>



**What may happen next?**

# Outlook

## The Economy



- Foggy
- Unemployment still rising
- Dreadful fiscal position
- Higher taxes likely
- ...but retail spending is holding up
- House prices appear to be stabilising
- And interest rates likely to remain low

# Outlook

## Commercial Property



- If rental values and vacancy rates were stable, property would look like a bargain
- However, rental growth will remain negative into 2010...
- ... and voids are increasing

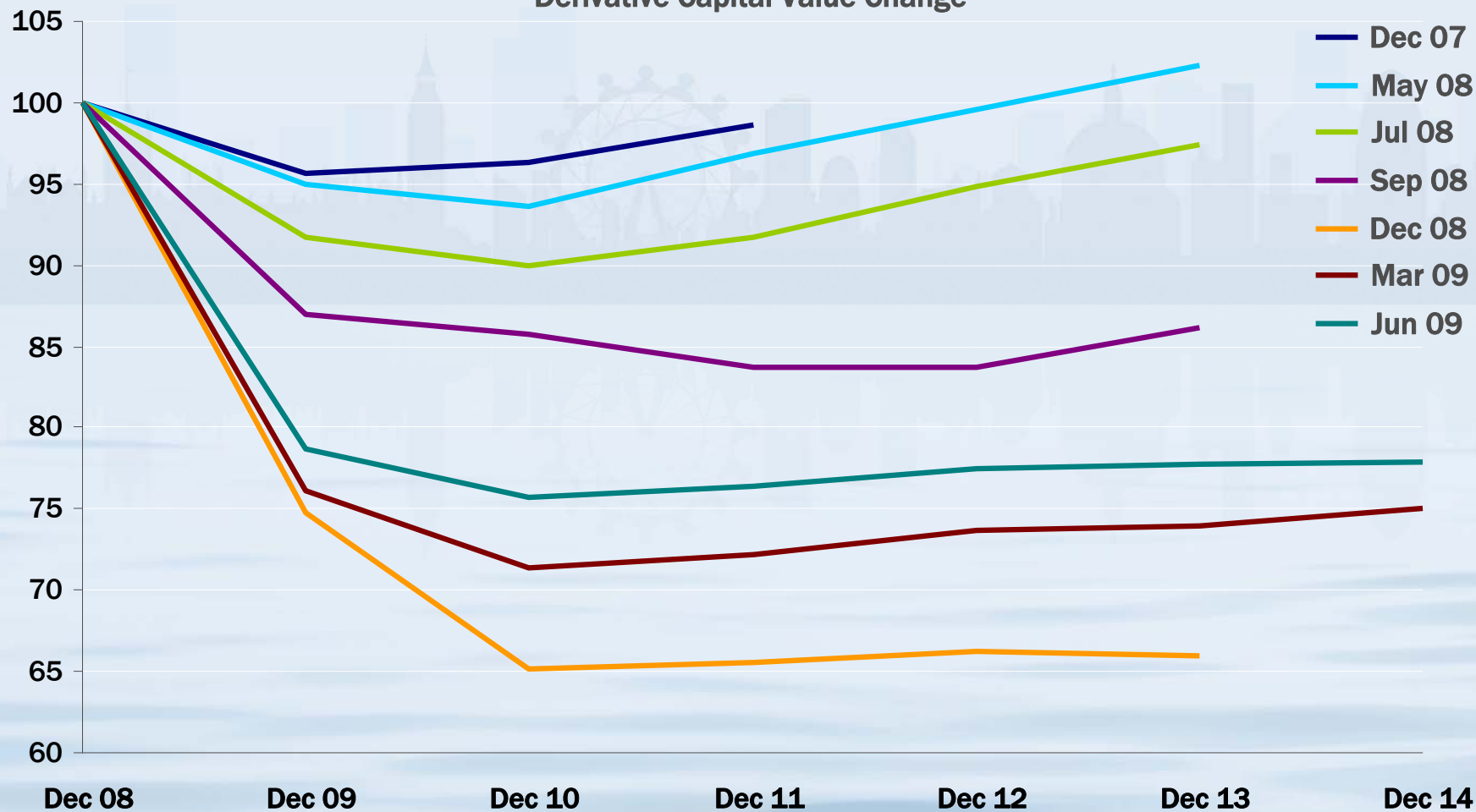
### But...

- Upwards only rents and long leases will cushion income return...
- ... and interest rates will remain low for the foreseeable future
- Anticipated divergence of performance will provide opportunities



# UK derivative pricing

UK IPD All Property Annual Index  
Derivative Capital Value Change





# Questions

# Important Notice

## Regulatory information and risk warnings



This document is issued for information only by Thames River Capital LLP ("Thames River"), Nevsky Capital LLP ("Nevsky") and Thames River Multi-Capital LLP ("TRM-C"), together the Firms as indicated in the information section at the bottom of each Fund page. The firms are authorised and regulated by the Financial Services Authority ("FSA"). Content relating to unregulated collective investment schemes is only directed at Eligible Counterparties, Professional Clients or investors meeting the FSA's COBS 4.12 categories. It must not be relied upon by non-qualifying persons. It does not constitute an offer by the firms to enter into any contract/agreement nor is it a solicitation to buy or sell any investment. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. The contents of this document are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and, the Firms, their members, officers and employees of the corporate member do not accept any liability or responsibility in respect of the information or any views expressed herein. This document may include forward-looking statements that are based upon the managers' current opinions, expectations and projections. The firms undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements. This document is not aimed at persons who are residents of any country, including the United States of America ("USA") and South Africa, where the funds referred to herein are not registered or approved for marketing and/or sale or in which the dissemination of information on the funds or services is not permitted. This document should not be distributed to any third party without the express approval of the Firms and has been designed for a professional audience only.

Funds referred to herein are neither registered under the Securities Act 1933 of the USA, nor are they registered under the Investment Company Act of 1940. Consequently, they cannot be offered for sale or be sold in the USA, its territories, possessions or protectorates under its jurisdiction, nor to nationals, citizens or residents in any of those areas. This document should be read in conjunction with the Prospectus of the relevant fund that will exclusively form the basis of any application and an investment should not be contemplated until the risks of investment and tax implications have been considered fully. Thames River Hillside Apex Fund SPC, Thames River Kingsway Fund Limited, Nevsky Fund Limited, Thames River Longstone Fund Limited, Thames River Sentinel Fund, Thames River Warrior Fund, Thames River Warrior II Fund, Thames River Equity Focus Fund, Thames River Distressed Focus Fund, Thames River Africa Focus Fund, Thames River Zeco Fund, Thames River 1X Currency Alpha Fund, Thames River 2X Currency Alpha Fund Limited, Thames River Property Growth & Income Fund Limited, Thames River Argentum Fund Limited, Thames River Multi-Select Fund and Thames River Global Boutiques Fund are unregulated collective investment schemes which are not recognised schemes under s.264 of the Financial Services and Markets Act 2000. Thames River Hedge+ is a cell of Thames River Multi Hedge PCC Limited, listed on the London and Channel Islands Stock Exchanges. The Thames River UK Absolute Income Fund is a sub fund of Quantum Global Funds PLC. The Thames River European Fund, Thames River High Income Fund, Eastern European Fund, Global Emerging Markets Fund, Thames River Global Bond Fund (£), Thames River Global Bond Fund (€), Thames River Global Bond Fund (\$), Emerging Asia Fund, European Select Fund, Thames River World Government Bond Fund and Thames River Water & Agriculture Fund are sub-funds of Traditional Funds plc, an open-ended investment company with segregated liability between sub-funds incorporated in Ireland, authorised by the Irish Financial Services Regulatory Authority and listed on the Irish Stock Exchange. This company is a recognised collective investment scheme under s.264 of the Financial Services and Markets Act. TR Property Investment Trust plc is a UK investment trust listed on the London Stock Exchange.

Many of the protections provided by the United Kingdom regulatory structure may not apply to investments in these funds, including access to the Financial Services Compensation Scheme and the Financial Ombudsman Service. Past performance is not necessarily a guide to future performance. Values may fall as well as rise and you may not get back the amount you invested. Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. The schemes and TR Property Investment Trust plc are permitted to and use gearing as an investment strategy. The effect of such gearing is that movements in the price of the schemes will be more volatile than the movements in the prices of their underlying investments. Investors should obtain professional advice on taxation where appropriate before proceeding with any investment. Investors should be aware that investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth. Fund charges may be applied in whole or part to capital, which may result in capital erosion. You should be aware of the additional risks associated with investment in emerging and developing markets. The prices of some investments may be extremely volatile. With the exception of TR Property Investment Trust plc and Thames River Hedge+, the funds are not traded on an exchange or recognised market and in common with some of their investments may not be readily realisable. This factor can make it difficult to obtain independent verification of the investment value and the extent of the risks to which they are exposed. (090622)

Potential investors should follow the links below for information on any current side letters relating to the schemes.

<http://www.thamesriver.co.uk/downloads/disclosures.htm> <http://www.nevskycapital.com/downloads/disclosures.htm>

### Notice to Investors:

Please note Paying Agents/Representatives for the following countries have been appointed by Traditional Funds plc in accordance with local requirements: **Germany, Austria, Switzerland, Malta, Luxembourg, Netherlands, Belgium, Sweden, Norway and France.** Local language versions of the Traditional Funds plc prospectus and simplified prospectus are available from their offices.

For a full list of Paying Agents' details, please follow the following links: [http://www.thamesriver.co.uk/pdf/paying\\_agents.pdf](http://www.thamesriver.co.uk/pdf/paying_agents.pdf)

[http://www.nevskycapital.com/pdf/paying\\_agents.pdf](http://www.nevskycapital.com/pdf/paying_agents.pdf)