Thames River

TR Property Investment Trust Ordinary Shares

TR Property Investment Trust plc ■ Closed-ended investment trust - long only pan-European and UK direct property

Manager commentary

Marcus Phayre-Mudge

James Wilkinson

A torrid month for equities globally and pan-European real estate shares were no exception with the Fund's benchmark falling 7.2% (total return, GBP). In rapid 'risk-off' periods and heightened volatility, correlation across asset classes increases. Whilst I wrote last month that the longstanding (strong) correlation with the broader financials group had broken earlier in the year, the relationship did reassert itself in August, but not as robustly as in previous years. The BBG European Financials Index was down 15% over the month, significantly underperforming real estate shares.

We believe this is important. The underlying assets in the sector are leveraged but this is not a repeat of 2007/8 for three critical reasons (1) asset pricing is still 15-30% below the peaks of Spring '07 (2) balance sheet rebuilding / fresh equity has resulted in Loan-to-Value averaging around 40% - much more stable and (3) earnings are robust with companies able to take advantage of very low short term rates. In fact - a number of businesses we invest in have announced that they are swapping out floating rate debt for fixed as the terms are too good to miss.

Whilst the Fund had external gearing of 8% at the end of July, it also had 10% of its assets in unleveraged physical property. This meant we entered the month effectively with no external leverage against the equity portfolio. The relative underperformance was a result of our bottom-up fundamental approach, which highlighted the relative overvaluation of both Swiss and Belgium property companies. In the former, we were well aware of the 'safe haven' credentials of Swiss companies but earnings yields of sub 4% and vacancy rates of 10% in the Zurich office markets were not attractive. It is worth noting that the Fund does not take currency risk (versus the benchmark) and whilst we held underweight positions in the stocks, we held benchmark equivalent currency exposure (in cash or forwards). The Swiss companies (in CHF) fell just 0.4% in the month. Now standing at double-digit premiums to asset value (versus a sector average discount of -15%) we believe that such relative outperformance will not be repeated and maintain our position.

Earlier in the year, the Fund made a tactical decision to increase its physical property exposure and this month it acquired an office building in Vauxhall, investing £8.25m. The property is multi-let and yields 6.75% net. We intend to carry out a number of asset management initiatives in the next 12 months.

As I said at the AGM (late July) we expect these bouts of volatility to continue and the Fund will maintain its strategy of seeking exposure to quality assets and management in markets where we see the correct rental growth dynamics.

Fund performance to 31.08.2011 (%)

	Current month	YTD	1 year	3 year	5 year
NAV (capital only)	-8.20	-1.56	+13.75	+0.92	-14.89
FTSE EPRA/NAREIT Developed European Index (capital only, GBP)	-7.32	-2.63	+12.36	-9.86	-29.10
Share price	-9.17	+2.93	+19.99	+8.36	-14.39

NAV per share (capital only)	187.91p
Share price	172.30p
Discount	8.31%
Yield	3.48%

Price is month-end mid-price. Source: BNP Paribas, Bloomberg. Refer to back of the monthly newsletter for monthly/annual return history and dividends.

Geographic allocation (%)

Austria	1.60
Belgium	1.50
Central Europe	3.40
Denmark	0.20
Finland	1.80
France	21.40
Germany	7.90
Italy	5.60
Netherlands	3.30
Norway	1.60
Other	0.60
Portugal	0.20
Russia	0.10
Spain	2.20
Sweden	9.70
Switzerland	3.10
UK	35.50
USA	0.30
Total	**100.00**

Asset allocation (%)

UK Direct Property	9.68
Continental Shares	56.89
UK Shares	33.43
Total	**100.00**

Sector allocation (%)

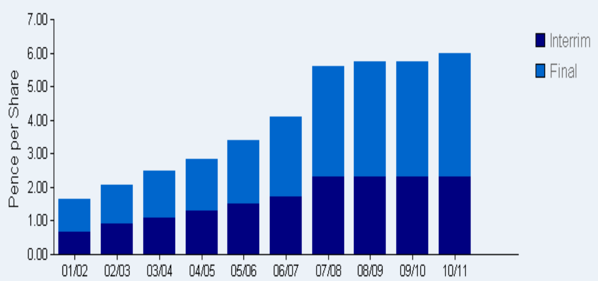
	Fund
Industrial	9.25
Offices	35.78
Other	5.38
Residential	7.52
Retail	42.07
Total	**100.00**

Figures above shown on a look-through basis.

Fund performance 30.12.1999 to 31.08.2011

Prior to 01.09.01 the benchmark was FTSE Real Estate index and prior to 01.04.07 it was the S&P Citigroup European Property Index. Source: BNP Paribas, EPRA.

Dividend history 28.02.2001 to 31.08.2011



Prior to 01.09.2001 the benchmark was FTSE Real Estate Index and prior to 01.04.2007 it was the S&P Citigroup European Property Index. Source: BNP Paribas.

Top 10 holdings (%)

Unibail	14.9
Land Securities	7.9
British Land	4.7
Corio	4.7
Hammerson	3.9
Klepierre	3.2
Derwent	2.6
Segro	2.5
Castellum	2.3
Fonciere Des Regions	2.2

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): £481.5mn

Net gearing: 9.16%

NAV frequency: Daily

Dealing: Daily (stockmarket)

Legal status: UK Investment Trust

Listing: London Stock Exchange

Dividends: January, July

Initial charge: Nil

Management fee: £2.65m p.a plus 0.20% net of assets p. a.

Performance fee: 15% of outperformance of benchmark plus 2% hurdle

Investment manager: Thames River Capital LLP

Stockbroker: Cenkos Securities plc

Administrator: BNP Paribas

Contact: c/o Angelique Ello, TRC

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Registrar: Computershare Investor Services plc

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