

# TR PROPERTY INVESTMENT Trust

## SIGMA SHARES

(TR Property Investment Trust plc) Closed-ended investment trust  
LONG ONLY PAN EUROPEAN SMALL CAP PROPERTY EQUITIES

### Manager Commentary by – by Marcus Phayre-Mudge

Small cap Pan European real estate stocks finished the year with a monthly return of +2.18% only just making up the fall of -2.02% in November and thus continuing the range bound pricing seen since mid October. Q4 was a virtually flat return period with the FTSE EPRA / NAREIT Small Cap Index (Price Only in GBP) falling -0.4% in three months. Buyers and sellers were evenly matched, a consequence of the two way pull as any bullish sentiment driven by the continuing impact of low base rates and other monetary stimuli met the headwinds of the increasing likelihood of continued weak underlying economic growth. Real estate is a late cycle rental growth play and any renewed employment growth and consumer confidence takes time to translate into demand for space. We are not surprised that prices have been range bound but we remain confident that currently the risk is to the upside as investors continue to seek both income and assets offering inflation protection. Within the sector, the December outperformers included Minerva, the London developer, where Kifin, a 29% shareholder made a bid for the company. The offer at 50p has now lapsed. Workspace rose 14% in the month; it successfully raised £20m which has been used to restructure its Glebe JV. On the Continent, the top performers included two Scandinavian stocks, Fabege in Sweden (+16.2%) and Norwegian Properties (+20%). Both are highly leveraged businesses and were responding to positive macro economic data from the region. Interestingly investors were not worried about the risk of rising short term rates if the macro improvement fed rapidly through to earnings and rental growth. Sigma's NAV rose +1.8% slightly underperforming the benchmark. Gearing within the fund has increased from 7% to 10% in the month. This leverage reflects not only our positive view on asset reflation, particularly prime assets (high quality income streams) but it also acts as compensation for our high weighting of low beta, deep value small and micro cap stocks which we believe will outperform over the medium rather than in the near term. These businesses did not have to raise fresh equity to avoid loan covenant breaches (although some raised opportunistic capital). They are well managed often by owner/managers but have not had their share prices sucked up in the dash to buy the most bombed out stocks in Q2 and Q3 2009.

### Fund Performance to 31 Dec 2009

	1 Month	YTD	1 Year	Since Inception	NAV per share	Ordinary Share Price
Ord. Price(total return)	-8.64%	+57.32%	+57.32%	-40.55%	90.60p	64.50p
NAV (price only)	+1.74%	+29.83%	+29.83%	-25.04%		Discount
EPRA European Property Index Small Cap (price only)	+2.18%	+21.87%	+21.87%	-34.20%		28.81%

\*Small Cap benchmark adopted on 1 April 09 Prior to 01.04.09 benchmark was EPRA European Property Index

Note: Price is month-end mid-price. Source: Datastream, Bloomberg. Refer to back of the monthly newsletter for monthly / annual return history vs benchmark.

### Geographic Allocation (Look-Through)

Austria	3.7
Belgium	4.1
Central Europe	3.1
Finland	5.8
France	13.7
Germany	13.3
Greece	1.7
Ireland	-
Italy	3.4
Netherlands	2.6
Norway	3.3
Other	0.1
Portugal	0.1
Russia	1.4
Spain	1.3
Sweden	12.6
Switzerland	-
UK	29.8
USA	-
<b>Total</b>	<b>100.0</b>

### Asset Allocation %

Continental Shares	62.1
UK Shares	37.9
<b>Total</b>	<b>100.0</b>

### Sector Allocation %

Industrial	13.5
Offices	33.7
Other	6.4
Residential	19.8
Retail	26.6
<b>Total</b>	<b>100.0</b>

Note: figures above shown on a look-through basis.

### Top 10 Holdings % of net assets

Eurocommercial	6.8
Vastned Retail	5.3
Fabege	4.5
Great Portland	4.3
Conwert	4.2
Grainger	3.7
Citycon	3.7
Unite	3.3
Derwent	3.2
Hansteen	3.1

### NAV per share Price performance 31.07.2007 To 31.12.2009

(rebased to £100)

— TR Property Investment Trust Sigma Shares  
— EPRA European Index Small Cap Constituents



Prior to 01.04.09 the benchmark was EPRA European Property Index. Source: BNP Paribas, EPRA.

### Fund Objective

The investment objective of the Sigma shares is to maximise total returns by investing in small cap Pan European equities, focusing on long term capital and income growth.

<b>Net Assets (Mn)</b>	£113.1
<b>Launch Date</b>	25/07/2007
<b>Dealing</b>	Daily (stock market)
<b>Listing</b>	London Stock Exchange FTSE 250 Index
<b>Legal Status</b>	UK Investment Trust
<b>Dividends</b>	January, July
<b>Charges</b>	
Initial Charge	Nil
Management Fee	£0.65mn per annum plus 0.30% of net assets p.a.
Performance Fee	15% of outperformance of benchmark plus 2% hurdle

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<b>Stockbroker</b>	Cenkos Securities plc
<b>Administrator</b>	BNP Paribas
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