

# 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

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Stock markets across Europe continued their slide during September. The Sigma Fund's benchmark fell 9.05% (total return, GBP), ending the worst quarter for equity markets since 2008. September saw an escalation of the macro themes that dominated August. Indeed, the continuation of downward adjustments to economic growth forecasts across the globe, the feedback loop between an intricate eurozone sovereign crisis along with fears over the recapitalisation needs of eurozone banks and consequent funding strains, created highly volatile conditions that were exacerbated by poor liquidity.

Well-meaning statements emanating from meetings between key players in the eurozone, ECB and IMF have continued to be undercut by less considered comments from politicians. Added to this, there is a growing appreciation amongst investors of the

complexity of delivering on the politicians' repeated promises to do "whatever it takes".

Against this background, Swiss real estate stocks once again outperformed - this month by 11.5%. In part, this is down to a traditional view of Switzerland as a safe-haven. However, there is also an expectation amongst some that support for the SNB-imposed EURCHF floor of 1.20 will lead to a massive increase in the Swiss money supply and consequent asset inflation. Others focus on captive demand from Swiss pension funds creating a continuous wall of money compressing domestic property yields; nominal interest rates close to zero (CHF 5-year swap at 0.80%), or the apparent discount in pricing of the Swiss benchmark stocks relative to domestic exchange-listed, bank-distributed real estate funds ('Swiss Immofonds').

The two largest Swiss stocks, PSP and Swiss Prime Site, sit at 15% premiums to their last stated net asset value, with earnings yields of 4.1% and 5% respectively. This compares with an average discount to net asset value for the European real estate sector as a whole of 17% and average earnings yields of 6.7%. In short, whilst we can rationalise the outperformance of the Swiss stocks in August and

September, we continue to feel that their relative pricing versus the rest of the market represents a significant anomaly. We have therefore maintained our underweight stance.

Our investment strategy remained as it was in August, we did not attempt to make directional calls but focused our trading activity on pair trades within the office and retail segments. We also strove to reduce the risk inherent to the portfolio by adding to our holdings in German retail and residential companies as well as reducing our exposure to highly leveraged companies. Over the period we kept the gearing in a tight range of 6% to 7%.

Short term share price performance will undoubtedly continue to be impacted by the present interplay between politics and economics. There is also a growing possibility of a mild recession or at least a period of stagnant growth in large parts of Europe (including the UK). However, in our view, the revenues and asset values of our core holdings remain resilient and we believe that the sector offers good relative value.

## Fund performance to 30.09.2011 (%)

	Current month	YTD	1 year	3 year	5 year	Since launch		
NAV (capital only)	-10.37	-15.13	-10.76	+8.11	-	-26.92	NAV per share (capital only)	88.33p
FTSE EPRA/NAREIT European Property Small Cap Index (capital only, GBP)	-9.07	-14.39	-10.35	-4.39	-	-32.60	Share price	75.50p
Share price	-3.21	-3.21	+1.34	+31.88	-	-28.94	Discount	14.50%
							Yield	2.85%

Small Cap benchmark adopted on 1 April 09 prior to 01.04.09 benchmark was EPRA European Property Index. Price is month-end mid price. Source: BNP Paribas, Bloomberg. Refer to the back of the monthly newsletter for monthly/ annual return history and dividends.

## Geographic allocation (%)

Austria	2.40
Belgium	1.80
Central Europe	5.50
Finland	5.00
France	12.20
Germany	18.20
Italy	7.80
Netherlands	3.50
Norway	3.60
Other Overseas	0.20
Russia	0.30
Spain	0.90
Sweden	12.80
Switzerland	0.40
UK	25.40
<b>Total</b>	<b>100.00</b>

## Fund performance 25.07.2007 to 30.09.2011



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

## Key facts

**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.  
**Net Assets (Mn):** £110.2mn  
**Net gearing:** 6.7%  
**Launch date:** 25.07.2007  
**NAV frequency:** Daily  
**Dealing:** Daily (stockmarket)  
**Legal status:** UK Investment Trust  
**Listing:** London Stock Exchange  
**Dividends:** January, July  
**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  
**Investment manager:** Thames River Capital LLP  
**Stockbroker:** Cenkos Securities plc  
**Administrator:** BNP Paribas  
**Contact:** c/o Angelique Eilo, TRC  
**Email:** aello@thamesriver.co.uk  
**Registrar:** Computershare Investor Services plc

## Sector allocation (%)

	Fund
Industrial	11.20
Offices	37.90
Other	7.00
Residential	14.40
Retail	29.50
<b>Total</b>	<b>100.00</b>

figures above shown on a look-through basis.

## Top 10 holdings (%)

GREAT PORTLAND ESTATES	5.5
SHAFTESBURY	5.3
DEUTSCHE EUROSHOP	5.1
GSW IMMOBILIEN	4.1
VASTNED RETAIL	3.9
EUROCOMMERCIAL PROPERTIES	3.8
FABEGE	3.8
CA IMMOBILIEN	3.5
KUNGSLEDEN	3.1
SPONDA	2.8

## Asset allocation (%)

Continental Shares	67.00
UK Shares	33.00
<b>Total</b>	<b>100.00</b>

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