TR Property Investment Trust Ordinary Shares

March 2014

European real estate stocks had a tremendous month. The fund's benchmark, FTSE EPRA/NAREIT Developed Europe Capped Net Total Return in GBP returned +6.83% whilst the fund's NAV rose + 8.0%. The sector is now up +7.3% for the year so far and ahead of the broader European equity market as measured by the Stoxx 600 which is +3.3% (total return in EUR). The currency exposure of the fund should be noted with just 41% denominated in GBP. EUR strengthened by nearly 0.5% against GBP in the month.

The nervousness of late January was replaced by renewed optimism towards Europe as investors continued to retreat from emerging market exposure. For the first time in many months, the UK (+6.5%) underperformed the remainder of Europe (+7.1%). We believe that European property shares have benefited from (1) investors seeking developed markets exposure – property is predominantly domestic (2) continued expectation that the ECB will seek to fight the fear of deflation with ultra loose monetary policy but that this will not result in QE and (3) the ongoing need for income. On top of these broad factors there has been a sustained improvement in sentiment towards peripheral European markets. The tightening in sovereign bond yields in Spain, Portugal, Italy and Ireland has been reflected in risk asset values cross the region. Italy was the top performing country in the benchmark, rising +17% in the month. Sweden was the next highest performer rising +9.4% as investors focused on economic growth in the broad Scandinavian region coupled with the Riksbank's commitment to continued monetary easing. Residential property prices continue to improve across the UK, Germany and Sweden as governments continue to try to bolster consumer confidence.

As stocks now trade at premiums to asset values in many quarters, it is no surprise that there have an increasing number of capital raisings for existing businesses as well as IPOs. In the UK, Mckay Securities successfully doubled their market cap, raising £86.7m gross at 189p per share. We were already investors in Mckay and welcome this capital increase, the fund participated and now owns 6.5% of the company (based on the month end price of 210p). Kennedy Wilson, the US investment manager raised £1bn for a listed fund which has started life with only 20% of the cash invested. The stock rose to a 10% premium on the first day of listing, such was demand even for what is primarily a cash shell. The vehicle intends to buy property in the UK, Ireland and Spain. We expect considerable further issuance of both primary and secondary equity and just after the month end, Deutsche Annington placed €500m in a combination of existing shares from their private equity owner, Terra Firma and new shares. There will undoubtedly be more to come.

Cumulative performance as at 28.02.2014 (%)

	Current month	YTD	1 year	2 years
Fund (Total Return)	7.50	8.09	20.84	55.17
Benchmark	6.83	7.62	15.60	43.69

Benchmark : FTSE EPRA/NAREIT Capped Total Return GBP

Standardised performance as at 28.02.2014 (%)

	2011/ 2012	2012/ 2013	2013/ 2014
Fund (Total Return)	-	28.41%	20.84%
Benchmark	-	24.30%	15.60%

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

Sector allocation (%)

Industrial	6.4
Offices	30.2
Other	7.5
Residential	16.9
Retail	39.1
TOTAL	**100.0**

Asset allocation (%)

UK Shares	43.6
UK Direct Property	6.0
Continental Shares	50.4
Total	**100.0**

Figures above shown on a look-through basis.

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): £810.0 mn

Net gearing: 15.1%

NAV frequency: Daily

Legal status: UK Investment Trust

Listing: London Stock Exchange

Dividends: January, July

Initial charge: Nil

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, Oriel Securities

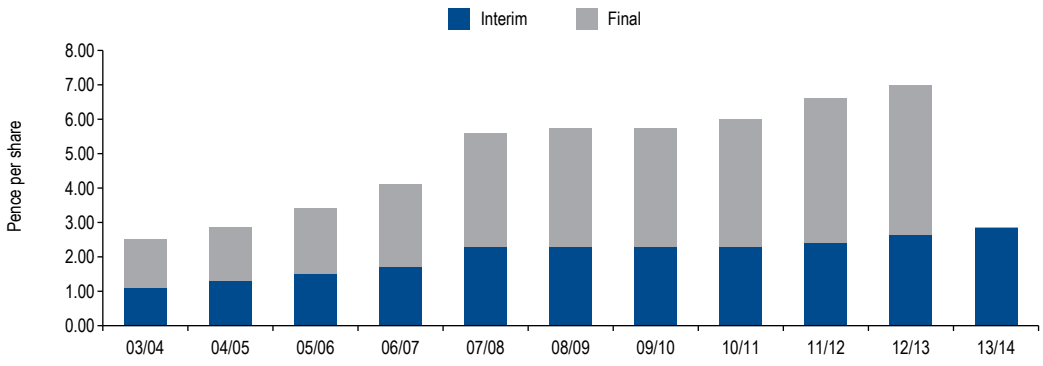
Administrator: BNP Paribas

Email: www.trproperty.com

Registrar: Computershare Investor Services plc

NAV per share (Total Return)	255.20p
Share price	250.10p
Discount	-2.00%
Yield	2.90%

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.

See through geographical allocation (%)	
Austria	2.9
Belgium	1.0
Central Europe	1.3
Denmark	0.1
Finland	2.3
France	18.1
Germany	14.2
Greece	0.0
Ireland	0.2
Italy	2.2
Netherlands	2.1
Norway	0.2
Other Overseas	0.3
Portugal	0.1
Russia	1.1
Spain	1.5
Sweden	8.6
Switzerland	1.8
UK	41.6
USA	0.2
TOTAL	**100.0**

Top holdings (%)	
LAND SECURITIES GROUP PLC	10.8
UNIBAIL-RODAMCO	9.5
BRITISH LAND CO PLC	5.8
HAMMERSON PLC	5.4
GREAT PORTLAND ESTATES PLC	4.4
DERWENT LONDON PLC	3.5
ST. MODWEN PROPERTIES PLC	3.3
LEG IMMOBILIEN AG	3.2
PSP SWISS PROPERTY AG-REG	3.0
DEUTSCHE WOHNEN (NON RANKING)	2.4

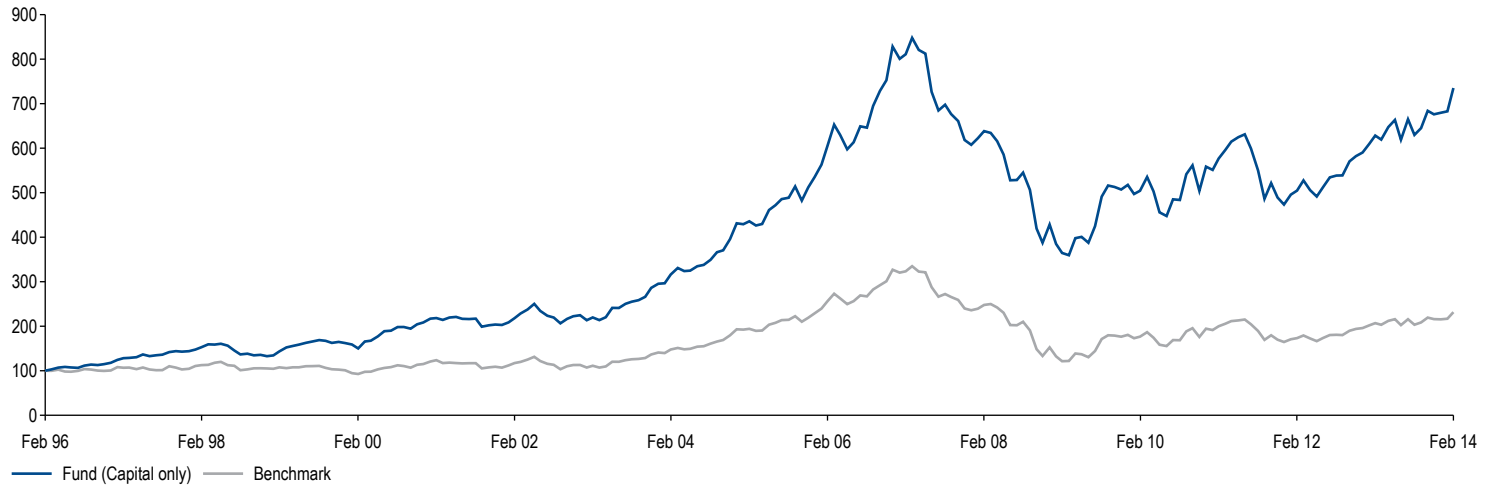
Fund performance to 28.02.2014 (%)

	Current month	YTD	1 year	3 year	5 year
Fund (Capital only)	7.67	8.18	17.00	27.48	101.62
Benchmark	6.80	7.49	11.92	15.86	90.79
Share price	7.34	10.42	34.46	50.30	141.06

Benchmark : 100.0% FTSE EPRA Europe Cap GBP

Price is month-end mid price. Source: F&C Management Limited.

Fund performance



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